Pre-Board Exam – 02

Accountancy

Class : XII

Max. Marks: 80 Duration : 3 hours

Instructions:

1. Question paper consists of 25 questions.
2. All questions are compulsory.
3. Attempt all parts of a question together.
4. State question number clearly.
5. Show your workings clearly where ever required.

Part A

Q1. What is meant by super profit? 1

Q2. What is the maximum discount on which forfeited shares can be re-issued? 1

Q3. State the meaning of 'Redemption of Debentures out of profits'. 1

Q4. A, B and C are partners in a firm having no partnership agreement. A, B and C contributed ₹2,00,000, ₹3,00,000 and ₹4,00,000 respectively for capital in the firm. C desires that the profits should be divided in the ratio of capitals whereas, B wants the profits should be divided according to the time devoted by each partner for which he suggests ratio of 2:2:1. How will the profits be divided and why? 1

Q5. P, Q and R are partners sharing profits and losses in the ratio of 3:2:2. R has been guaranteed minimum profits of ₹35,000. Profits of the year ₹1,05,000 was divided among the partners without considering the guarantee. Give the adjustment entry. 1

Q6. X, Y and Z are partners sharing profits and losses in the ratio of 3:2:1. After admission of W, the profit sharing ratio of W, X, Y and Z was 3:1:1:2. W brings in ₹72,000 for her share of goodwill in cash. Give journal entry for the treatment of goodwill in the partners' capitals. 1

Q7. X Ltd. is a newly formed company with registered capital of ₹25,00,000 Equity Shares of ₹10 each. It offered ₹10,00,000 shares to the general public for subscription. Applications were received for ₹7,00,000 shares. What should company do and why? 1

Q8. From the following details calculate goodwill under capitalization of super profit method: 3

Sundry assets of the firm (including goodwill of ₹50,000) ₹6,00,000; Sundry liabilities ₹2,50,000; Average profit ₹60,000. To cover cost of management a remuneration of ₹12,000 p.a. to the partners should be taken into consideration for the purpose of goodwill valuation. Fair rate of return expected in this class of business is 10%.

Q9. Sonali Ltd. bought the business of Romi Ltd on 1.4.2007 consisting of Sundry Assets of ₹5,60,000 and creditors of ₹1,00,000. On 3.4.2007 cash was paid ₹1,00,000 and for the balance 6% Debentures were issued at a premium of 20% on 3

5.4.2007. Pass necessary journal entries in the books of Sonali Ltd for the above mentioned transactions.

Q10. On 1st January, 2005, R Trading Company gave notice of their intention to redeem their outstanding ₹8,00,000, 9% Debentures on January, 2007, at a premium of 5%. The company has a balance of ₹8,40,000 at the credit of its profit and loss appropriation account. Instead of declaring dividend, it decides to utilize the profits to redeem the above debentures. What journal entries the company will pass to redeem the above debentures? 3

Q11. Ajit and Baljit were sharing profits in the ratio of 3:2. They decided to admit Chaman into the partnership for 1/6th share in the future profits. Goodwill, valued at 3 times the average super profits of the firm, was ₹18,000 the firm had assets worth ₹15 lakhs and liabilities of ₹12 lakhs. The normal earning capacity of such firm is expected to be 10% per annum. Find the average profit and actual total profit earned by the firm during the last 3 years. 4

Q12. P, Q and R are partners sharing in the ratio of 3:2:1. They have now decided to share profits equally since April 1, 2012. They have further decided to record the following assets into the books of accounts. 4

a) An old typewriter which was written off in the books of the firm is now for ₹700.
b) P agreed to take 100 shares of ₹10 each, which were owned by the firm previously but written off now taken at the rate of ₹4 per share.
c) Prepaid rent amounting to ₹3,000 was debited to profit and loss account.
d) Machinery appearing in the books at ₹120,000 was found to be overvalued by 20%.

Give necessary journal entries for these adjustments.

Q13. A Ltd issued 20,000 shares of ₹10 each at a premium of 10% payable – 4

₹2 on application on 1st April, 2011

₹4 on allotment (including premium) on 1st June, 2011

₹3 on first call payable on 1st August, 2011 and

₹2 on second final call payable on 1st October, 2011.

All the shares were duly subscribed, allotted and both the calls were made. Mr. X holding 500 shares paid both the calls on allotment and Mr.Y holding 800 shares paid first call with the second call. Interest on calls in advance and on calls in arrears is settled on 1st October, 2011. Give journal entries for interest on 1st October, 2011 assuming that the company follows Table A of the Companies Act.

Q14. A company issued 10% debentures of ₹100 each for ₹1,00,000 in the following manner in 2012: 4

The assets and liabilities consisted of the following: *₹ nominal value*

(i)	To creditors for purchase of plant for ₹28,000 and issue of debentures in satisfaction of claim.	30,000
(ii)	For cash @95%	45,000
(iii)	HDFC Bank for a loan of ₹20,000 as collateral security	25,000

Debentures issued for first two purposes are redeemable after 5 years at par. Pass journal entries to show these items in Balance Sheet of the company at the end of the year.

Q15. A,B and C, are partners of a firm with fixed capitals of ₹2,00,000; ₹3,00,000 and ₹4,00,000, distributed the profits for the year ended 31st March, 2009 ₹3,00,000 in the ratio 3:2:1 without providing for the following adjustments: 6

(i) A and B are entitled to a salary of ₹12,000 each per annum.
(ii) B was entitled to a commission of ₹25,000
(iii) Interest on capital @12% p.a.
(iv) Interest on B's loan to the firm of ₹80,000, granted on 1st July, 2008.
(v) A and B had guaranteed a minimum profit of ₹40,000 p.a.to C.
(vi) Profits were to be shared in the ratio of 2:1:1

You are required to:

a) Pass necessary journal entry for above adjustments in the books of the firm.
b) Identify two values exhibited by the partners in above case. (5+1)

Q16. P, Q and R are partners sharing profits in the proportion of 40%, 30% and 30% respectively. On P's retirement balance sheet of the firm showed capitals of the partners as ₹70,000, ₹60,000 and ₹50,000 respectively, general reserve at ₹20,000, profit and loss account on asset side at ₹8,000 and cash balance of ₹10,000. Land & Building appearing in the balance sheet at ₹3,60,000 was valued at ₹3,80,000. Partners decided to pay off P, by giving an unrecorded stock of ₹4,000 and cash. The required cash was to be brought in such a way that minimum balance of ₹12,000 is maintained in the firm and also to make their capitals in their new profit sharing ratio of 3:2. Give journal entries on P's retirement. 6

Q17. The following is the Balance Sheet of A and B as on 31st December, 2012: 8

Liabilities	₹	Assets		₹
Sundry Creditors	30,000	Cash in hand		500
Bills Payable	8,000	Cash at bank		8,000
Mrs. A's Loan	5,000	Stock in trade		5,000
Mrs. B's Loan	10,000	Investment		10,000
General Reserve	10,000	Debtors	20,000	
Salaries Outstanding	1,000	Less: Provision	2,000	18,000
A's Capital A/c	10,000	Plant		20,000
B's Capital A/c	10,000	Building		15,000
		Goodwill		4,000
		Profit & Loss A/c		3,500
	84,000			84,000

The firm was dissolved on 31st December, 2012 on the following terms:

a) A promised to pay off Mrs. A's Loan and took away stock in trade at ₹4,000.
b) B took away half the investments at 10% discount.
c) Debtors realized ₹19,000.
d) Creditors and bills payable were due on as average basis on month after 31st December but they were paid on 31st December, at a discount of 6% p.a.
e) Plant realized ₹25,000, building ₹40,000, goodwill ₹6,000 and remaining investment at ₹4,500.

f) There was an old furniture completely written off, now estimated at ₹400 was taken over by B at ₹300.
g) Realisation expenses were ₹1,000 paid by A.

You are required to give necessary ledger accounts to close the books of the firm.

(OR)

The Balance Sheet of A, B and C who were sharing profits and losses in the ratio of 3:2:1 as at 31.12.2009, was as follows:

Liabilities	₹	Assets	₹
Capitals:		Building	2,00,000
A- 40,000		Machinery	60,000
B- 40,000		Furniture	70,000
C- 40,000	1,20,000	Investments	1,50,000
General Reserve	24,000	Stock	75,000
Long Term Loan	3,00,000	Debtors	75,000
Bank Overdraft	36,000	Patents	31,000
Creditors	1,70,000	Bank	30,000
Bills Payable	81,000	Cash	40,000
	7,31,000		8,25,000

B died on 1st July, 2010 and the following adjustments were made:

i) Goodwill worth ₹30,000 but no goodwill will be raised in accounts.
ii) Building and furniture were found to be undervalued by 10%.
iii) Investments are now valued at ₹3,00,000
iv) Stock was found overvalued by ₹21,500 and a provision of 10% on debtors was also required.
v) Patents are valueless
vi) B was entitled to share in profits upto date of death which is calculated at ₹25,000. B's drawings till date of death was ₹25,000.
vii) Partners decided to pay off B in cash and supplementing deficit through bank loan.

Prepare Revaluation A/c, capital accounts and balance sheet.

Q18. Kapil Ltd., issued ₹10,00,000 new capital divided into ₹100 shares at a premium of ₹20 per share, payable as under: 8

On application ₹10 per share (including premium of ₹5 per share)

On allotment ₹40 per share (including premium of ₹5 per share)

On first and final call - balance

Over payments on application were to be applied towards sums due on allotment and first and final call. Where no allotment was made, money was to be refunded in full.

The issue was subscribed for 22,000 shares. Applicants for 10,000 shares were allotted only 2,000 shares and the applicants for 4,000 shares were sent letters of regret. Shares were allotted in full to the remaining applicants. Company paid ₹12,000 towards share issue expenses. All the dues were received.

All the money due was duly received.

a) Give two options for which securities premium can be utilized.
b) Give journal entries to record the above transactions (including cash) in the

books of the company.

OR

Kanishka Ltd invited application for issuing 80,000 shares of ₹10 each at discount of ₹1 per share. The amount was payable as follows:
On application ₹2 per share
On allotment ₹4 per share
On first and final call balance amount
Applications were received for 120,000 shares. Allotment was made on the following basis.

(i) To applicants for 50,000 shares - full
(ii) To applicants for 60,000 shares – 50%
(iii) To applicants for 10,000 shares – nil

Company made all the calls and all dues were received. One shareholder Anand paid first and final call along with allotment on his 300 shares. Sujay another shareholder did not pay allotment and first call on his 200 shares, he was allotted 50% of the shares applied.
You are required to -

a) State two conditions that the company must satisfy to issue shares at discount and
b) Pass journal entries in the books of Kanishka Ltd to record the above transactions.

Part B

Q19. A mutual fund company receives a dividend of ₹7,00,000 on its investments, what type of activity is this while preparing cash flow statement? 1

Q20. State whether goods purchased for cash, is an operating, investing or financing activity. 1

Q21. State one limitation of comparative statement. 1

Q22 Mention any three items appearing under 'Reserves and Surplus' in the Balance Sheet of the company as per AS 3 (Revised) 3

Q23 Prepare the common size income statement from the following information: 4

Particulars	Note No.	2011-12 ₹	2010-11 ₹
Sales		1,05,000	1,10,000
Sales returns		5,000	10,000
Cost of goods sold		70,000	74,800
Office and administrative expenses		3,000	3,200
Selling and distribution expenses		5,000	6,600
Non-operating expenses		1,000	1,100
Non- operating incomes		500	1,500
Income tax rate		50%	50%

Q24 State with reasons whether the operating ratio at 85% of a company will increase, decrease or not change due to the following transactions: 4

a) Paid for advertisement ₹20,000
b) Sales returns ₹5,000
c) Issued 12% debentures ₹1,00,000

d) Sold goods on credit ₹1,20,000

Q25 From the following balance sheets of X Ltd., as on 31st December, 2011 and 31st December, 2012, you are required to prepare cash flow statement. 6

Particulars	*2011 Amount ₹*	*2012 Amount ₹*
I. Equity and Liabilities		
1. Shareholders fund		
Share Capital	1,55,000	1,80,000
Statement of Profit and Loss	95,000	1,05,000
General Reserve	15,000	20,000
2. Non – Current Liabilities		
9% Debentures	25,000	50,000
3. Current Liabilities		
Creditors	16,000	20,000
Outstanding Expenses	4,000	7,500
Total	3,10,000	3,82,500
II. Assets		
1. Non Current Assets		
Fixed Assets	1,50,000	1,95,000
Goodwill	30,000	20,000
2. Current Assets		
Inventories	70,000	85,000
Debtors	51,000	65,000
Bills Receivable	4,000	10,000
Short Term investments	1,200	1,500
Cash	800	2,000
Bank	3,000	4,000
Total	3,10,000	3,82,000

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