

MOCK BOARD 1 /AKJ/ACCOUNTANCY/2015-16

TIME: 3 HOURS

Max. Marks: 80

General Instructions:

- (i) This question paper contains two parts A and B.
- (ii) Part A is compulsory for all.
- (iii) Part B has two options-Financial statements Analysis and Computerized Accounting. But you have been given only Financial Statement Analysis Part.
- (iv) Attempt all parts of a question at one place only.

Part-A
(Accounting for Partnership Firms & Companies)

Q1.	State the way of utilizing 'Securities Premium' that would maximize the returns to the shareholders. [1]
Q2.	A group of 60 persons want to form a partnership business in India. Can they do so? Give reason in support of your answer. [1]
Q3.	A, B and C are partners sharing profits in the ratio of 3:2:1. They agree to admit D into the firm. A, B and C agreed to give $\frac{1}{3}^{\text{rd}}$, $\frac{1}{6}^{\text{th}}$ and $\frac{1}{9}^{\text{th}}$ share of their profit. Calculate the share of D. [1]
Q4.	At the time of dissolution of firm, total creditors amounted to 5,00,000. Investments valued 2,00,000 were not shown in the books. One of the creditors took over these investments in full satisfaction of his debt of 2,20,000. Remaining creditors were paid at 5% discount. Pass necessary journal entry for the payment to creditors. [1]
Q5.	Laddu Lal Ltd. had been allotted 62,500 shares to the applicants of 87,500 shares on pro-rata basis. The amount payable on application was ₹2. X applied for 2,625 shares. How much amount will be carried forward for the adjustment against allotment money due from X? [1]
Q6.	X Ltd. purchased building from Y Ltd. for ₹6,60,000. The consideration was paid by issue of 12% Debentures of ₹100 each at discount of 20%. With how much amount the debenture account will be credited? [1]
Q7.	Explain with an imaginary example how issue of debenture as collateral security is shown in the balance sheet of a company when it is recorded in the books of accounts. [3]
Q8.	Ram Ltd. issued 1,60,000 shares of ₹10 each at a premium of 10% payable as ₹2 on application, ₹5 on allotment and balance on first and final call. Application were received for 2,24,000 shares. It was decided : (i) To refuse allotment to the applicants of 32,000 shares. (ii) To allot 64,000 shares to Meena who has applied for similar number. (iii) To allot remaining shares on pro-rata basis. Meena failed to pay the allotment money and Teena, who belonged to category C and was allotted 9,600 shares paid both the calls with allotment. Calculate the amount received on allotment. [3]
Q9.	Abhay and Beena are partners in a firm. On 1 st April 2014, they decided to admit Chetan as a partner with $\frac{1}{4}^{\text{th}}$ share in the profits of the firm. Chetan brings ₹2,00,000 as his share of capital. Abhay and Beena decided to share future profits in the ratio of 3:1. On that date value of total assets of the firm is ₹5,40,000 and outside liabilities were ₹1,00,000. Abhay and Beena decided to conduct collection drive in schools and colleges for food, clothes, books, blankets etc. for the flood victims of Jammu & Kashmir. (a) Give the necessary entry to record goodwill at the time of Chetan's admission. Also show working notes. (b) Identify the value involved. [3]
Q10.	Pass necessary journal entries relating to the issue of debentures for the following: (i) Issued ₹12,50,000, 9% Debentures of ₹100 each at a premium of 8%, redeemable at 10% premium. (ii) Issued ₹18,75,000, 11% Debentures of ₹100 each at par, redeemable at 10% premium. [3]
Q11.	Anil, Bittoo and Chikky are partners in a firm, Their capital accounts stood at ₹15,00,000; ₹12,50,000 and ₹10,00,000 respectively on April 1 st 2013. They shared profits and losses in the proportion of 4:2:3. Partners are entitled to interest on capital @ 8% per annum and salary to Bittoo and Chikky @ ₹17,500 per month and ₹25,000 per quarter respectively as per the provisions of partnership deed. Chikky's share of profit (excluding interest on capital but including salary) is guaranteed at a minimum of ₹2,75,000 per annum. Any deficiency arising on that shall be met by Anil. The profits of the firm for the year ended 31 st March 2014 amounted to ₹10,60,000. Prepare Profit and Loss Appropriation Account for the year ended 31 st March, 2014. [4]

Q12. K, L and M were partners in a firm sharing profits in the ratio of 2:1:1. Their Balance Sheet as at 31st March, 2015 was as follows:

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital A/cs :		Land and Building	72,000
K 80,000		Machinery	16,000
L 40,000		Debtors	48,000
M <u>40,000</u>	1,60,000	Inventory	32,000
Creditors	24,000	Cash at Bank	40,000
Reserve Fund	25,600	Cash in Hand	1,600
	2,09,600		2,09,600

On 30th June, 2015, M died and according to the provisions of partnership deed the executor of a deceased partner were entitled to the following:

- Amount standing to the credit of Partner's Capital Account.
- Interest on Capital @ 5% p.a.
- Share of goodwill on the basis of two years purchase of the average profits of the last three years.
- Share of profit in the year of his death, till the date of his death on the basis of the last year's profit.

The profits of the firm during the previous three years were: I-₹40,000, II -₹72,000, III -₹56,000.

M's executors were paid ₹14,400 on 1st July, 2015 and the balance in three equal installments of equal intervals of 6 months with interest @ 10% p.a. Prepare M's Capital Account. [4]

Q13. Sona, Anna and Kannu are partners in a firm sharing profits and losses in the ratio 3:2:1. Their Balance Sheet for the year ended 31-03-2015:

Liabilities	Amount (₹)	Assets	Amount (₹)
Bills Payable	60,000	Current Assets	90,000
Profit and Losses A/c	50,000	Plant	1,80,000
Sona's Capital	1,20,000	Furniture	70,000
Anna's Capital	80,000	Advertisement Suspense a/c	10,000
Kannu's Capital	40,000		
	3,50,000		3,50,000

The partners agreed to share profits equally w.e.f. 01-04-2015. They further agreed that:

- Current assets are valued at 15% less.
- Depreciate Plant and Furniture by 10%.
- Salary outstanding is ₹3,000.
- Goodwill of the firm is valued at ₹60,000.

Partners decided to not alter the values of assets, liabilities and profits. They also decided not to show goodwill in the books.

- Pass a single entry to give effect to above changes.
- What value/values have been followed by the sacrificing partner/partners by deciding to share profits equally? [6]

Q14. Ruchi Ltd issued 42,000, 7% Debentures of ₹100 each on 1st April, 2011, redeemable at a premium of 8% on 31st March 2015. The Company decided to create required Debenture Redemption Reserve on 31st March 2014. The company invested the funds as required by law in a fixed deposit with State Bank of India on 1st April, 2014 earning interest @ 10% per annum. Tax was deducted at source by the bank on interest @ 10% per annum. Pass necessary Journal Entries regarding redemption of debentures. [6]

Q15. Ram and Shyam were partners in a firm sharing profits in the ratio of 2:3. Their Balance Sheet as at 31st March,

2015 was as follows:

BALANCE SHEET

Liabilities	₹	Assets	₹
Ram's Capital	1,50,000	Machinery	1,30,000
Shyam's Capital	1,50,000	Land & Building	2,40,000
Creditors	1,30,000	Goodwill	20,000
Bills Payable	70,000	Stock	50,000
		Debtors	40,000
		Cash at Bank	20,000
	5,00,000		5,00,000

On the above date, the partners decided to dissolve the firm as if they found that they are unable to utilise their financial resources optimally. Ram paid the creditors at a discount of 10% and Shyam paid Bills Payable in full. Assets realized: Land & Building 20% less; Machinery ₹70,000; Stock 25% less; Debtors ₹25,000. Expenses of realization paid by Shyam were ₹3,500. Prepare the Realisation Account, Bank Account and Capital Accounts of the Partners to close the books of the firm.[6]

Q16. A, B & C are partners sharing profits in the ratio of their capitals. B retired from the firm on 31st March, 2015. The Balance Sheet of the firm on that date is as following :

Liabilities		Assets	
Sundry Creditors	4,000	Cash	5,400
Bills Payable	2500	Debtors	6,000
Employees Provident Fund	500	Less : Provision	400
Contingency Reserve	12000	Stock	10,000
Workmen Compensation Fund	6000	Machinery	28,000
Capital Accounts:		Land & Buildings	30,000
A's	25,000	Advertisement suspense a/c	6,000
B's	20,000		
C's	15,000		
	85,000		85,000

The following Adjustment were made

Buildings appreciated by 20 %; Stock depreciated by 10%, and Provision for Doubtfull Debts was to be 5%. A provision for legal charge payable was to be made at ₹900. Goodwill of the firm be valued at ₹12,000 and B's Share in it be adjusted into the capital a/c without opening Goodwill A/c. Continuing partners want to continue with the workmen compensation fund and contingency reserve without altering their values. ₹24,000 from B's capital a/c to be transferred to his loan a/c and balance to be paid in cash. New profit ratio of A & C decided to be 3: 2. Prepare the necessary accounts and the Balance Sheet of the firm after the B's retirement.

OR

A and B were in a partnership sharing profits and losses in the proportion of 5:3. Their Balance sheet on 31st March 2015 was as follows :

Liabilities	Amount	Assets	Amount
	(₹)		(₹)

Creditors	24,000	Cash at Bank	6,000
Bills Payable	10,500	Sundry Debtors	25,000
General Reserve	14,000	Stock	45,000
Capital A/cs:	85,000	Investments	10,500
A 75,000		Machinery	30,000
B <u>50,000</u>	1,25,000	Building	60,000
Current A/cs:		Goodwill	20,000
A	15,000		
B	8,000		
	1,96,500		1,96,500

They admit C on the following terms:

- New profit sharing ratio of partners will be 4:2:1. C will bring in ₹30,000 as his capital
- C is to pay in cash amount equal to his share in firm's goodwill, valued at twice the average profit of the last three years which were ₹25,000, ₹36,000 and ₹44,000 respectively.
- Value of stock is found to be overvalued by ₹6,000
- All the partners of newly reconstituted firm decided to continue with the general reserve without altering its value.

After making the above adjustments, the capital accounts of A and B were to be adjusted on the basis of C's capital. Actual cash to be brought in or to be paid off as the case may be.

You are required to prepare P&L Adjustment a/c and Partner's Capital a/c and Balance Sheet of the firm. [8]

- Q17. Bharat Ltd. with a Registered capital of 10,000 Equity Shares of ₹20 each issued a prospectus inviting applications for 4,000 equity shares of ₹20 each at a premium of ₹4 per share payable as follows:
On Application ₹4 ; on Allotment ₹10 (including premium); on First and final Call- Balance
Applications were received for 6,000 shares and allotment was made on pro rata basis to the applicants of 4,800 shares, the applications for remaining shares were refused. Money overpaid on application was used on account of sums due on allotment.
Harish, to whom 80 shares were allotted, could not pay the allotment money and on his subsequent failure to pay the first and final call, his shares were forfeited after the final call.
Of the shares forfeited, 60 shares were reissued to Suresh credited as fully paid at ₹18 per share.
Pass the necessary Journal Entries to record the transactions and Show how the Share Capital will be presented in the Balance Sheet of the Company. Also prepare notes to accounts.

OR

- XYZ Ltd. forfeited shares of Abhishek Bacchan who has originally applied for 400 shares (out of the group who applied 80,000 shares and allotted 60,000 shares) for non-payment of allotment money of ₹ 3 per share. The Company has not yet made first and final call ₹ 3 per share. These shares were originally issued at face value of ₹ 10 per share. Out of these, 150 shares reissued to Ash for ₹ 12 per share. Journalise.
- Complete the following journal entries :

S.No.	Particulars	L.F	Debit ₹	Credit ₹
(i)	<p style="text-align: right;">Dr</p> <p style="text-align: center;">To-----</p> <p style="text-align: center;">To-----</p> <p>(Being the forfeiture of 1000 shares of ₹10 each, ₹8 called up, on which allotment money of ₹2 and First Call of ₹3 has not been received.)</p>		-----	-----

(ii)	----- Dr To----- To----- (Being reissue of 1000 forfeited shares fully paid up at ₹11 per share)	-----	-----
(iii)	----- Dr To----- (Being gain on the reissue of shares transferred to capital reserve Account)	-----	-----

[8]

PART – B
(Financial Statements Analysis)

Q18.	How will you classify dividend paid by a finance company, while preparing cash flow statement ?[1]			
Q19.	Kartik Mutuals, a mutual fund company, provides you the following information: <div style="text-align: right; margin-right: 100px;">31st March 2013</div> <div style="text-align: right; margin-right: 100px;">31st March 2014</div> <div style="text-align: right; margin-right: 100px;">Proposed Dividend ₹20,000 ₹15,000</div> Additional Information: (i) Equity Share Capital raised during the year ₹3,00,000. (ii) 10% bank loan repaid was ₹1,00,000. (iii) Dividend received during the year was ₹20,000 . Find out the cash flow from financing activities. [1]			
Q20.	Biyani Ltd. is in the process of preparing its Balance Sheet as per Schedule III, Part I of the Companies Act, 2013 and provides its true and fair view of the financial position. a) Under which head and sub-head will the company show 'Stores and Spares' in its Balance Sheet? b) What is the accounting treatment of 'Stores and Spares' when the Company will calculate its Inventory Turnover Ratio? c) The management of Biyani Ltd. want to analyse its Financial Statements. State any two objectives of such analysis. d) Identify the value being followed by Biyani Ltd. [4]			
Q21.	Trade Receivables Turnover ratio is 4 times. Cost of Revenue from Operations is ₹3,20,000 . Gross Profit ratio is 20%. Closing Trade Receivables is ₹10,000 more than at the beginning. Cash revenue from operations being 1/3 rd of Credit Revenue from Operations. Calculate Opening and Closing Trade Receivables. [4]			
Q22.	From the following information, prepare Comparative Income statement : <div style="text-align: right; margin-right: 100px;">31st March, 2014</div> <div style="text-align: right; margin-right: 100px;">31st March, 2015</div> <div style="text-align: right; margin-right: 100px;">₹</div> <div style="text-align: right; margin-right: 100px;">₹</div> Revenue from Operations 12,00,000 16,00,000 Purchase of stock in trade 7,60,000 9,00,000 Change in inventories 40,000 50,000 Employee benefit expenses (Indirect) (% of Cost of Revenue from Operations) 20% 18% Tax Rate 50% 50% [4]			
Q23.	Prepare Cash Flow Statement for the year ended 31 st March , 2015 from the following Balance Sheet of Arvaa Ltd. : [6]			
	Particulars	Note No.	31-03-2015 (₹)	31-03-2014 (₹)
	I. EQUITY AND LIABILITIES			
	1. Shareholder's Fund			
	(a) Equity Share Capital		7,00,000	5,00,000

(b) Reserves and Surplus	1	3,00,000	2,00,000
2. Non-Current Liabilities			
Long Term Borrowings	2	200,000	2,90,000
3. Current Liabilities			
(a) Trade Payables		40,000	55,000
(b) Other Current Liabilities	3	12,000	10,000
(c) Short-term Provisions	4	1,20,000	80,000
Total		13,72,000	11,35,000
II. ASSETS			
1. Non-Current Assets			
(a) Fixed Assets			
(i) Tangible Assets	5	6,00,000	7,00,000
(ii) Intangible Assets	6	95,000	1,00,000
(b) Non Current Investments		1,00,000	-
2. Current Assets			
(a) Trade Receivables		1,20,000	80,000
(b) Inventories		1,30,000	50,000
(c) Cash and Cash Equivalents		3,27,000	2,05,000
Total		13,72,000	11,35,000

Notes:

Particulars	31-03-2015 (₹)	31-03-2014 (₹)
1. Reserves and Surplus		
Balance of Statement of P & L	300,000	2,00,000
2. Long Term Borrowings		
12% Bank Loan	2,00,000	2,90,000
3. Other Current Liabilities		
Outstanding Rent	12,000	10,000
4. Short Term Provisions		
(a) Provision for Tax	50,000	30,000
(b) Proposed dividend	70,000	50,000

		1,20,000	80,000
5. Tangible Assets			
(a) Land and Building		2,50,000	4,00,000
(b) Plant and Machinery		3,50,000	3,00,000
		6,00,000	7,00,000
6. Intangible Assets			
Patents		95,000	1,00,000

Additional Information:

- (i) Depreciation on Machinery for the year ending 31/03/15 was ₹ 15,000.
- (ii) Machinery costing ₹1,50,000 was sold at a loss of ₹50,500.
- (iii) Dividend was proposed and paid during the year ₹ 35,000.
- (iv) Land & Building was sold at a profit of 100%. [6]