MOCK BOARD 2 /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. Santa and Banta are in partnership sharing profits and losses equally. Their books of account for the year ending 31st March, 2015 shows a profit of ₹1,50,000 before taking into account interest on loan of ₹50,000 from Banta at 10%. Each partner is entitled to a salary as follows:

Santa : ₹15,000 per annum
Banta : ₹10,000 per annum

What is Banta's total appropriation of profit for the year ended 31st March, 2015? [1]

Q2. X and Y are the partners sharing profits in the Ratio of 3:2. Z was admitted for 1/6th share of profits with a minimum guaranteed amount of ₹25,000. At the close of the first financial year, the firm earned a profit of ₹1,35,000. Find out the share of profit which X will get? [1]

Q3. X Ltd. issued 40,000 Equity shares of ₹20 each payable as ₹5 on application; ₹7 on allotment and ₹8 on first and final call. Company received all money except from one share holder holding 250 shares who failed to pay the allotment and call money and another shareholder holding 150 shares failed to pay the amount due on first and final call. What is the total amount of Calls-in-arrears?

Q4. If loan from X, a partner, of ₹1,10,000 appears on the liabilities side of the Balance Sheet of the firm and X's Capital account has a debit balance of ₹10,000. What journal entry will you pass on payment of such loan? [1]

Q5. Can 'Securities Premium' be used as working capital? Give reasons in support of your answer. [1]

Q6. Define ESOP .

Q7 X , Y and Z are partners sharing profits in the ratio of 3:2:1 respectively. From 1st April, 2015, they decide to share profits in the ratio of 2:3:1. For this purpose the goodwill of the firm is to be valued at 3 years' purchases of average profit of last 5 years. The Profit and Losses of the preceding 5 years are :

Year	2010-11	2011-12	2012-13	2013-14	2014-15
Profit/Loss (₹)	?	6,00,000	6,80,000	7,60,000	2,80,000 (Loss)

Journal Entry of Change in Profit-Sharing Ratio

Date	Particular	L.F.	Dr. (₹)	Cr. (₹)
2015 April 1	Y's Capital A/c …….Dr. To X's Capital A/c (Being the adjustment for goodwill made on change in profit-sharing ratio)		2,00,000	 2,00,000

Calculate the profit for 2010-11. [3]

Q8. On 1.4.2013, Babu and Nannu entered into partnership to construct toilets in government girls schools in the remote areas of Rajasthan. They contributed capitals of ₹10,00,000 and ₹5,00,000 respectively.
Their profit sharing ratio was 2:3 and interest allowed on capital as provided in the Partnership Deed was 12% p.a.. During the year ended 31.3.2014, the firm earned a profit of ₹1,50,000.
Prepare Profit and Loss Appropriation Account of Babu and Nannu for the year ended 31.3.2014. [3]

Q9. Uma Ltd. was registered with the capital of 20,000 shares of ₹10 each. The company invited applications for 15,000 shares of ₹10 each at a premium of ₹1 per share. The amount was payable as follows:
₹3 per share on Application ; ₹2 per share (including premium) on allotment ; and the balance in two calls of 3 per share each.
The Application were received for 15,750 shares. Victor, who applied for 1,200 shares , paid full amount of

₹13,200 for his shares along with application, and the excess application money was adjusted towards the sum due and the surplus money was returned to him. Edward, who had applied for 3,150 shares, paid his application and allotment money in order but paid ₹3,000 on first call and did not pay for the second and final call at all. Half of the Shares of Edward were forfeited.

Show how Share Capital will appear in the Balance sheet of the company as per Schedule III of the Companies Act 2013 and also show 'Notes to Accounts'. [3]

Q10. X Ltd. purchased the running business of Y Ltd. for the sum of ₹10,00,000 on 1st April,2013.

The assets and liabilities consisted of the followings:

Land & Building ₹7,00,000 ; Stock ₹2,00,000 ; Machinery ₹3,00,000 and Sundry Creditors ₹3,00,000.

It issued 4,000 10% Debentures of ₹100 each at a discount of 5%, a cheque of ₹1,00,000 and for the balance amount, it issued equity share of ₹100 each at a premium of 4%.

You are required to pass necessary journal entries for the above transactions in the books of X Ltd. [3]

Q11. A , B , C and D are partners in a firm having capital of ₹2,00,000 ; ₹1,00,000 ; ₹60,000 and ₹40,000 respectively. Their share of profits and losses in the ratio of 3:2:1:1. They have agreed upon the following terms:

(i) Partners are entitled to interest on capital @ 7%.
(ii) A will get salary @ ₹1,000 per month.
(iii) B's share of profit (including interest on capital) has been guaranteed to be not less than ₹2,00,000.
(iv) D's share of profit (excluding interest on capital) has been guaranteed by A to be not less than ₹95,000.

The profits for the year ended 31st March 2015 were ₹6,70,000 before any appropriations. Prepare the P&L Appropriation a/c. [4]

Q12. Abba, Dabba and Chabba 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	67,500	Current Assets	90,000
Profit and Loss A/c	42,500	Plant	1,80,000
Abba's Capital	1,20,000	Furniture	70,000
Dabba's Capital	80,000	Advertisement Suspense a/c	10,000
Chabba'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:

(i) Current assets are valued at 15% less.
(ii) Depreciate Plant and Furniture by 10%.
(iii) Salary outstanding is ₹3,000.
(iv) 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.

(a) Pass a single entry to give effect to above changes.
(b) What value/values have been followed by the sacrificing partner/partners by deciding to share profits equally? [4]

Q13. A , B and C were partners sharing profits in the ratio 5:3:2 respectively. Their summarised Balance Sheet was as follows:

Liabilities	Amount (₹)	Assets	Amount (₹)
Current Liabilities	1,84,000	Cash	24,000
Capital A/c:		Sundry Debtors	1,40,000

A	2,80,000		Stock in Trade	1,80,000
B	2,00,000		Furniture	3,60,000
C	1,20,000	6,00,000	Goodwill	80,000
		7,84,000		7,84,000

C retired on 1st April, 2001. It was agreed that:

(i) Machinery be revalued at ₹4,80,000.

(ii) C's interest in the firm valued at ₹1,88,000 after taking into consideration revaluation of assets , liabilities and accumulated/losses etc.

(iii) The entire sum payable to C is to be brought in by A and B in such a way that their capital should be in their new profit sharing ratio of 2:1.

(iv) A cash balance of ₹17,000 should be kept in the firm as minimum balance.

Prepare Revaluation A/c , Partners' Capital A/c and Balance Sheet of new firm. [6]

Q14. Jaipur Construction Ltd. an infrastructure company has 10,000; 8% Debentures of ₹100 each outstanding as on 31st March, 2014. The company has a balance of ₹1,75,000 in Debenture Redemption Reserve on that date. These Debentures are due for redemption on 31st March, 2015. Assume that investments, as required by Rule 18(7) of the Companies (Shares and Debenture Rules,2014) were made on 1st April of the financial year in which redemption is due and realised at book value at the end of the same financial year. Interest on investment is also received @ 10% p.a. for the year.

Pass necessary Journal entries regarding redemption of debentures. [6]

Q15. A and B are partners in a firm sharing profits equally. They decided to dissolve their firm on 31st March, 2014. From the following missing information (XXX) in Realisation a/c , Partners' a/c and Cash a/c, complete these accounts correctly. [6]

Realisation Account

Particulars	Amount (₹)	Particulars	Amount (₹)
To Sundry Assets :		By Sundry Liabilities :	
Stock 5,000		Creditors 30,000	
Investment 10,000		Bills Payable 8,000	
Debtors 20,000		Ms. A's Loan 5,000	
Plant 20,000		Ms. B's Loan 10,000	
Building 15,000		Investment Fluctuation	
Goodwill 4,000	74,000	Reserve 1,000	
To A's Capital (Ms. A's Loan)	XXX	Provision for DD 2,000	56,000
To Cash a/c:		By A's Capital a/c (Stock)	4,000
Creditors 30,000		By Cash a/c :	
Bills Payable 8,000		Debtors XXX	
38,000		Plant 25,000	
Less : Discount 180	37,820	Building 40,000	
To Cash a/c (Ms. B's Loan)	10,000	Goodwill 6,000	
To Cash a/c (Expenses)	1,000	Investment 9,000	XXX
To Profit transferred to :		By B's Capital a/c (Typewriter)	300
A's Capital a/c XXX			
B's Capital a/c XXX	XXX		
	1,59,302		1,59,302

Partners' Capital Account

Particular	A ₹	B ₹	Particular	A ₹	B ₹
To P&L a/c	1,750	1,750	By Balance b/d	10,000	10,000
To Realisation a/c	XXX	XXX	By General Reserve a/c	5,000	5,000
To Cash a/c (Bal. fig)	XXX	XXX	By Realisation a/c (Ms. A's Loan)	5,000	-
			By Realisation a/c (Profit)	XXX	XXX
	35,740	30,740		35,740	30,740

Cash Account

Particulars	**Amount (₹)**	**Particulars**	**Amount (₹)**
To Balance b/d	XXX	By Realisation a/c (Liabilities) (37,820+10,000+1,000)	48,820
To Realisation a/c (Asset sold)	99,000	By A's Capital a/c	XXX
		By B's Capital a/c	XXX
	XXX		XXX

Q16. Mohan Ltd. issued a prospectus inviting applications for 50,000 shares of ₹100 each at a premium of ₹10 per share, payable as follows:

On application	₹50
On allotment	₹35 (including premium)
On first call & final call	Balance

Applications were received for 82,500 shares and pro-rata allotment was made to the applicants of 62,500 shares, remaining being rejected.
X, who applied for 1,250 shares, failed to pay the allotment and call money. The company forfeited his shares. Later, out of the forfeited shares, company reissued 500 shares at ₹105 per share as fully paid up.
Pass necessary Journal entries in the books of Mohan Ltd.
Which values has been affected by rejecting the applications of 20,000 shares?

OR

Sohan Ltd. issued a prospectus inviting applications for 30,000 shares of ₹10 each at par, payable as follows:

On application	₹3
On allotment	₹3
On first call & final call	Balance

Applications were received for 50,000 shares and pro-rata allotment was made to the applicants of 40,000 shares, remaining being rejected.
X, who applied for 1,600 shares, failed to pay the allotment and call money. The company forfeited his shares. Later, out of the forfeited shares, company reissued 800 shares at ₹10 per share as fully paid up.
Pass necessary Journal entries in the books of Sohan Ltd.
Which values has been affected by rejecting the applications of 10,000 shares? [8]

Q17. The Balance sheet of P and Q who share profits and losses in the ratio of 3 : 2 as at 31st March, 2015 was as follows:

Liabilities	Amount ₹	Assets	Amount ₹
Capital accounts:		Cash bank	10,000
P 84,000		Debtors 65,000	
Q 56,000	1,40,000	Less: Provision for D/D 5,000	60,000
Workmen's compensation fund	12,000	Inventory	30,000
Employee's saving fund	10,000	Patents	10,000
General reserve	20,000	Investments	50,000
Creditors	18,000	Goodwill	40,000
	2,00,000		2,00,000

They decided to admit R on that date for ¼ share on the following terms:

a) Goodwill of the firm is to be valued at 4 years' purchases of the average super profits of the last three years. Average profits of the last three years ₹35,000 while the normal profits that can be earned with the capital employed are ₹15,000. No goodwill is to appear in the books. R brings in ₹12,000 cash out of his share of goodwill.

b) There is a liability of ₹500 included in sundry creditors that is not likely to arise. Patents are overvalued by ₹8,500 and inventory is written up to ₹31,000. All debtors are good.

c) The market value of investments was ₹45,000. Half of the investments were to be taken over by old partners in their profits sharing Ratio.

d) Unaccounted accrued income of ₹1,000 to be provided for . A debtor whose dues of ₹5,000 were written off as bad debts paid 80% in full settlement. A claim of ₹15,000 on account of workmen's compensation is to be provided for.

e) New profit sharing Ratio will be 6 : 9 : 5. R brings in ₹41,500 as his capital.

f) Capitals of the partners shall be proportionate to their profit-sharing ratio taking R' capital as base. Adjustments of the capital to be made by cash.

Prepare Revaluation account and Partner's capital account and Balance sheet.

OR

A , B and C were partners in the ratio of 2 : 1 : 1. They closed their books on 31st December every year. A died on 28th February, 2014 when their balance sheet was as follows:

Liabilities	Amount(₹)	Assets	Amount(₹)
Capital accounts:		Cash	1,60,000
A 80,000		Trade receivable	60,000
B 48,000		Loan to A	32,000
C 40,000	1,68,000		
Creditors	14,320		
Workmen's compensation reserve	44,800		
Profits for 2 months (before interest and salaries)	24,880		
	2,52,000		2,52,000

According to the partnership deed:

I. Interest on capital is allowed @6% per annum. A and B entitled to salaries at ₹2,400 and ₹2,000 per month.

II. ₹16,000 claim was settled against workmen's compensation reserve.

III. In the event of death of a partner goodwill was to be valued at 2 years' purchases of the average net profits of 3 completed years preceding death. The net profits for the year 2011,2012 and 2013

₹44,000, ₹38,400 and ₹52,000 respectively. A's share was paid to his executor. B and C continued the firm.

Prepare Profit and Loss appropriation account, Partner's Capital accounts and Balance sheet of B and C assuming goodwill should not be opened in the books of the firm. [8]

Part – B

Analysis of Financial Statement

Q18. Following relevant information is obtained from the books of XYZ Ltd. :

Particular	31st March 2015 ₹	31st March 2014 ₹
Provision for Tax	70,000	50,000

The amount of tax paid during 2014-15 amounted to ₹40,000. Find the amount of tax charged to Statement of Profit and Loss in the year 2014-15.

Q19. Duke garments ltd. is engaged in the export of readymade garments. The company purchased a machinery of ₹10,00,000 for the use in packaging of such garments. State giving reasons , the cash flow due to purchase of machinery will be considered as which type of activity in cash flow statement. [1]

Q20. (a) Under what main heads and sub-heads will the following items be placed in the balance sheet of a company as per revised Schedule III of the Companies Act 2013 :

I. Bank Overdraft
II. Cheque in Hand
III. Mining Rights
IV. Proposed Dividend.

(b) State any two limitations of Financial Statement Analysis. (2+2=4)

Q21. Prepare comparative Income statement from the following: [4]

Particulars	**31-3-2015** ₹	**31-3-2014** ₹
Revenue from operations	8,00,000	4,20,000
Purchase of stock in trade	4,50,000	2,50,000
Change in inventories of stock in trade	50,000	50,000
Other expenses	8% of cost of goods sold	10% of cost of goods sold
Tax	50%	50%

Q22. a) The operating ratio of a company is 80%. State giving reason that whether the loss on sale of machinery ₹6,000 will increase, decrease or not alter the operating Ratio.

b) The Debt-Equity Ratio of a company is 1:2. State whether goods purchased on credit would increase, decrease or not change the Debt-Equity Ratio.

c) Cash Revenue from operations = ₹2,00,000
Credit Revenue from operations = ₹4,00,000
Gross profit = ₹1,00,000
Inventory Turnover ratio = 5 times

Calculate the value of opening and closing inventory if closing was 3 times more than that in the beginning. [3]

Q23. From the following balance sheets of development consultants ltd., prepare the cash flow statement as per AS-3 (Revised):

Particulars	**Note no.**	**31-3-2015** ₹	**31-3-2014** ₹
I. Equity and liabilities : **1. Shareholder's funds**			

(a) Share capital	1	5,00,000	4,00,000
(b) Reserves and Surplus	2	2,50,000	1,10,000
2. **Non-current liabilities** Long-term borrowings :10% Debenture		2,00,000	1,25,000
3. **Current liabilities** **(a)** Short-term borrowings :Bank overdraft		12,000	11,000
(b) Trade payables		15,000	83,000
(c) Short-term provisions : Provision for Tax		18,000	11,000
Total		9,95,000	7,40,000
II. Assets :			
1. Non-current assets :			
(a) Fixed assets : Tangible (Net)	3	8,60,000	6,10,000
(b) 10% Non Current Investments		50,000	30,000
2. Current Assets			
(a) Current Investments		14,000	-
(b) Trade receivable		61,000	80,000
(c) Cash and Cash equivalents	4	10,000	12,000
(d) other Current assets: Underwriting commission		-	8,000
Total		9,95,000	7,40,000

Note to accounts

Particulars	**31-3-2015 (₹)**	**31-3-2014 (₹)**
1. Share capital		
Equity share capital	3,50,000	2,00,000
12% Preference Share Capital	1,50,000	2,00,000
	5,00,000	4,00,000
2. Reserve and surplus		
Statement of Profit and Loss	1,50,000	1,00,000
General Reserve	1,00,000	10,000
3. Fixed Assets (Tangible) :	10,10,000	7,10,000
Less: Accumulated Depreciation	(1,50,000)	(1,00,000)
4. Cash and cash Equivalents		
Cash in hand	8,000	4,000
Cash at bank	2,000	8,000
	10,000	12,000

Additional information :

I. Dividend Paid ₹5,000.

II. Fresh debentures were issued on 31st March 2015.

III. Investments were purchased on 1st October 2014.

IV. Current Investments includes ₹4,000 marketable securities.[6]