

Sample Paper
Accountancy (055)
2016-17

Time Allowed: 3 Hours

Maximum Marks: 80

General Instructions:

1. This question paper contains two parts A and B.
2. Both the parts are compulsory.

Part- A Accounting for Partnership Firms and Companies

1. Can a partner be exempted from sharing the losses in a firm? If yes, under what circumstances? **1**
2. A partnership deed provides for the payment of interest on capital but there was a loss instead of profits during the year 2016-17. At what rate will interest on capital be allowed? **1**
3. A and B were partners in a firm. They admitted C as a new partner for 25% share in the profits. After all adjustments regarding general reserve, goodwill, gain or loss on revaluation, the balances in capital accounts of A and B were ₹ 4,00,000 and ₹ 2,00,000 respectively. C brought proportionate capital so as to give him 25% share in the profits. Calculate the amount of capital to be brought by C. **1**
4. During 2016, BPL Ltd. did not earn adequate profit to pay dividend to share holders. Can the company utilise securities premium reserve for paying the dividend? **1**
5. Name one method of redemption of debentures which does not require creation of Debenture Redemption Reserve. **1**
6. What is Buy Back of Shares? **1**
7. Pass the necessary Journal entries for the issue of debentures in the following cases:
(a) 50,000, 10% debentures of ₹ 100 each issued at a premium of 6%, repayable at 4% premium.
(b) 20,000, 7% debentures of ₹ 100 each issued at discount of 10%, repayable at 5% premium. **3**
8. A, B and C were partners of a firm. They distributed the profits for the year ended 31st March, 2016, ₹ 1,20,000 in the ratio of 2:2:1 without providing for the following adjustments:
(a) A and B were entitled to a salary of ₹ 1,500 each per quarter.
(b) C was entitled to a commission of ₹ 6,000.
(c) A and C had guaranteed a minimum profit of ₹ 48,000 p.a. to B.
(d) Profits were to be shared in the ratio of 4:3:2.
Pass necessary adjustment entry for the above adjustments in the books of the firm. **3**
9. Anurag Ltd. has an authorised capital of ₹ 10,00,000 divided into equity shares of ₹ 10 each. The company invited applications for issuing 60,000 shares. Applications for 58,000 shares were received. All calls were made and were duly received, except the final call of ₹ 3 per share on 2,000 shares. These shares were forfeited.
(a) Present the share capital in the Balance Sheet of the company as per Schedule III of the Companies Act, 2013.
(b) Also prepare 'Notes to accounts' for the same. **3**
10. Singh Ltd. has its share capital divided into shares of ₹ 10 each. It granted 5,000 shares to its employees under stock options plan at ₹ 30, when the market price was ₹ 100. The options were to be exercised within 60 days from the end of the vesting period of 3 years. The employees exercised their options for 4,000 shares only, the remaining option lapsed. Record the necessary journal entries in the books of accounts of the company. **3**

11. A, B and C were partners in a firm sharing profits in the ratio 5:3:2. On 31st March, 2016 their Balance Sheet was as under:

| Liabilities | | Amount (₹) | Assets | | Amount (₹) |
|-----------------|--------|------------|-----------|--|------------|
| Creditors | | 10,000 | Buildings | | 20,000 |
| General Reserve | | 10,000 | Machinery | | 30,000 |
| Capital A/c | | | Stock | | 14,000 |
| A | 50,000 | | Patents | | 6,000 |
| B | 25,000 | | Cash | | 40,000 |
| C | 15,000 | 90,000 | | | |
| | | 1,10,000 | | | 1,10,000 |

C died on 1st October 2016. It was agreed between his executors and the remaining partners that:

- Goodwill of the firm is valued at ₹ 30,000.
- Patents be valued at ₹ 8,000; Machinery at ₹ 28,000; Buildings at ₹ 30,000.
- Profit for the year 2016-17 be taken as having accrued at the same rate as the previous year. Profit for the previous year was ₹ 20,000.
- Interest on capital to be provided at 10% p.a.

Prepare C's capital account and his executors' account at the time of his death.

4

12. Ram and Gurmeet were partners in a firm. After crediting the profits of the year ₹ 2,00,000 in their Capital Accounts, the balances of their capitals were: Ram ₹ 4,00,000 and Gurmeet ₹ 3,00,000. During the year, Ram withdrew ₹ 80,000 and Gurmeet ₹ 1,00,000. It was found that interest on capital and drawings @ 10% p.a. as provided in the partnership agreement had not been allowed and charged to the Partners' Capital Accounts. Pass necessary adjustment entry.

4

13. Amit, Prashant and Karn are partners sharing profits and losses in the ratio of 5:3:2. Their Balance Sheet as on 31st March, 2017 was as follows:

| Liabilities | | Amount (₹) | Assets | | Amount (₹) |
|---------------|----------|------------|-------------------|--------|------------|
| Creditors | | 40,000 | Cash in hand | | 30,000 |
| Bills Payable | | 14,000 | Debtors | 60,000 | |
| Capital A/c | | | Less:- Provision | 6,000 | 54,000 |
| Amit | 3,00,000 | | Stock | | 2,00,000 |
| Prashant | 2,00,000 | | Furniture | | 1,50,000 |
| Karn | 1,60,000 | 6,60,000 | Land and Building | | 2,80,000 |
| | | 7,14,000 | | | 7,14,000 |

It was decided that with effect from 1st April, 2017, profit and loss sharing ratio will be 3:3:1. They agreed on the following terms:

- Goodwill of the firm be valued at two year's purchase of the average profits of the last five years profits. The profits and losses of the preceding five years are:
2013: ₹ 60,000; 2014: ₹ 80,000; 2015: ₹ 40,000; 2016: ₹ 20,000 (Loss); 2017: ₹ 50,000.
- Provision on debtors to be maintained at 15% of debtors.
- Value of stock be increased by 5% and furniture be valued at ₹ 90,000.
- Building to be revalued at ₹ 3,12,000.

Partners do not want to record the altered values of assets and liabilities in the books and also do not want to record the goodwill. Pass an entry to give the effect to the above and prepare revised Balance Sheet.

6

14. Uttam Ltd. gave notice of its intention to redeem its outstanding ₹ 4,00,000; 10% Debentures of ₹ 100 each at 5% premium and offered the holders the following options to apply the redemption money for subscribing:

- 10% preference shares of ₹ 100 each at 25% premium.
- 13% debentures of ₹ 100 each at 10% discount.
- To have their holding redeemed for cash.

Holders of ₹ 1,50,000 stock accepted the proposal (a) Holders of ₹ 1,50,000 stock accepted the proposal (b) and the remaining stock holders accepted the proposal (c).

Pass Journal entries to record the above transactions.

6

15. Narain and Akshay were partners in a firm sharing profits and losses in the ratio 4:3. They decided to dissolve the firm. From the following information given below, complete Realisation A/c, Partners' Capital Accounts and Bank A/c.

Realisation Account

| Particulars | Amount (₹) | Particulars | Amount (₹) |
|---|------------|--------------------------------------|------------|
| To Sundry Assets: | | By Sundry Liabilities: | |
| Machinery | 5,60,000 | Creditors | 40,000 |
| Stock | 90,000 | Narain's Wife's Loan | 25,000 |
| Debtors | 55,000 | By Bank: | |
| To Bank (Creditors) | ..... | Machinery | 4,80,000 |
| To Narain's Capital A/c (Narain's Wife's Loan) | 34,000 | Debtors | 10,000 |
| To Akshay's Capital A/c (Realisation A/c) | 7,000 | By Narain's Capital A/c: | |
| To Profit Transferred to: | | Stock | 1,28,000 |
| Narain's Capital A/c | | Typewriter | 70,000 |
| 4,000 | 7,000 | By Akshay's Capital A/c (Debtors) | 40,000 |
| Akshay's Capital A/c | 7,93,000 | | |
| 3,000 | | | 7,93,000 |

Partners' Capital Account

| Particulars | Narain | Akshay | Particulars | Narain | Akshay |
|--------------------|----------|----------|-------------|--------|--------|
| To Realisation A/c | ..... | ..... | By..... | ..... | ..... |
| To Bank A/c | 4,00,000 | 4,50,000 | By..... | ..... | ..... |
|  | ..... | ..... | By..... | ..... | ..... |

Bank Account

| Particulars | Amount (₹) | Particulars | Amount (₹) |
|--------------------|------------|-------------------------|------------|
| To balance b/d | ..... | By Realisation A/c | ..... |
| To Realisation A/c | 4,90,000 | By Narain's Loan A/c | 4,000 |
| | | By Narain's Capital A/c | 4,00,000 |
| | | By Akshay's Capital A/c | ..... |
| | | | |

6

16. A and B share profits and losses in the ratio 3:1. The Balance Sheet of A and B are as follows:

| Liabilities | Amount (₹) | Assets | Amount (₹) |
|------------------|------------|---------------------|------------|
| Sundry Creditors | 35,000 | Cash | 25,000 |
| Bank Loan | 50,000 | Debtors | 60,000 |
| Capitals A/c | | Less: Provision | 10,000 |
| A | 85,000 | Stock | 60,000 |
| B | 50,000 | Furniture | 20,000 |
| | 1,35,000 | Plant and Machinery | 16,000 |
| | | Land and Building | 45,000 |
| | | Goodwill | 4,000 |
| | 2,20,000 | | 2,20,000 |

On the same, they agree to admit C for 1/3rd share in profit on the following terms:

- C will bring in capital to the extent of 1/3 of the total capital of new firm.
- Land and Building is to be appreciated to ₹ 60,000 and Stock to be decreased by ₹ 10,000.
- The provision for doubtful debts on debtors is to be maintained at 25%.
- The goodwill of the firm is valued at ₹ 36,000.

Prepare the Revaluation Account, Partners' Capital Accounts and Balance Sheet after C's admission.

OR

The Balance Sheet of Amar, Ravi and Varun who were sharing profit or loss in ratio of 3:2:1 on 31st March, 2017 was as follows:

| Liabilities | | Amount (₹) | Assets | | Amount (₹) |
|-------------|--------|------------|-----------------|--------|------------|
| Creditors | | 24,000 | Bank | | 4,400 |
| Capital: | | | Debtors | 15,000 | |
| Amar | 40,000 | | Less: Provision | 400 | 14,600 |
| Ravi | 30,000 | | Stock | | 25,000 |
| Varun | 20,000 | 90,000 | Machinery | | 34,000 |
| | | | Buildings | | 45,000 |
| | | 1,23,000 | | | 1,23,000 |

Ravi retired on that date and the following adjustments were agreed upon:

- Building be appreciated by 10%, stock be depreciated by 10%, provision for doubtful debts be maintained at 6%.
- Ravi's share of goodwill ₹ 5,000 be adjusted into Amar and Varun's capital accounts.
- Ravi is paid ₹ 12,400 in cash and balance be transferred to his loan account.
- The total capital of the firm is to be the same as before retirement. Individual capital be in their profit sharing ratio 3:2. Capital accounts of partners be adjusted accordingly and any surplus or deficit be adjusted in cash.

Prepare Revaluation Account, Partners' Capital Accounts and Balance Sheet of Amar and Varun. **6**

17. G.S. Ltd. issued 50,000 shares of ₹ 10 each at a premium of ₹ 2 per share payable ₹ 3 on application, ₹ 5 (including premium) on allotment and the balance in equal instalments over two calls. Applications were received for 92,000 shares and the allotment was done as under:

- | | | |
|---------------------------------|---|------------------------|
| (A) Applicants of 40,000 shares | : | Allotted 30,000 shares |
| (B) Applicants of 40,000 shares | : | Allotted 20,000 shares |
| (C) Applicants of 12,000 shares | : | Nil |

Ramesh who had applied for 2,000 shares (Category A) did not pay any money other than the application money. Rakesh who was allotted 800 shares (Category B) did not pay the two calls. Their shares were forfeited after the final call. Company reissued 2,000 shares to Rahul for ₹ 15,000 fully paid up including all shares of Ramesh.

- Pass necessary Journal entries in the books of G.S. Ltd to record the above.
- Which value of has been affected by rejecting the applicants who have applied for 12,000 shares? Suggest a better alternative.

OR

Record the Journal entries for forfeiture and reissue of shares in the following cases:

- D Ltd. forfeited 20 shares of ₹ 10 each, ₹ 7 called up on which the shareholder has paid application and allotment money of ₹ 5 per share. Out of these, 15 shares were reissued to Hari as ₹ 7 per share paid up for ₹ 8 per share.
- Moon Ltd. forfeited 90 shares of ₹ 10 each, ₹ 8 called up issued at a premium of ₹ 2 per share to Roshan for non-payment of allotment money of ₹ 5 per share (including premium). Out of these, 80 shares were reissued to Prateek as ₹ 8 called up for ₹ 10 per share. **8**

Part- B Analysis of Financial Statements

18. State with reason whether the issue of 7% debentures are issued to a vendor for purchase of machinery of ₹ 80,000 will result in inflow, outflow or no flow of cash while preparing Cash Flow Statement. **1**

19. The accountant of Sagar Ltd. while preparing Cash Flow Statement, added depreciation provided on fixed assets to Net Profit for calculating cash flow from operating activities. Was he correct in doing so? **1**

Give reason.

20. (i) What is meant by 'Cash Equivalents' while preparing Cash Flow Statement?

(ii) Under which main heads and sub-heads of Equity and Liabilities part of the Balance Sheet as per Schedule III of a company are the following items shown:

- (A) Calls in Advance (B) Provision for Tax (C) Bills Payable (D) Unclaimed Dividend **4**

21. ₹ 2,40,000 is the Cost of Revenue from Operations, Inventory Turnover Ratio is 8 times; Inventory is the beginning is 1.5 times more than the Inventory at the end. Calculate values of Opening and Closing Inventories. 4

22. Following is the statement of Profit and Loss of Mars Ltd. for the Year ended 31st March, 2017.

| Particulars | Note No. | 31.03.2017 | 31.03.2016 |
|---------------------------|----------|----------------------------------|----------------------------------|
| Revenue from Operations | | 40,00,000 | 30,00,000 |
| Other Income | | 2,00,000 | 5,00,000 |
| Employee Benefit Expenses | | 50% of Total Revenue | 40% of Total Revenue |
| Other Expenses | | 10% of Employee Benefit Expenses | 20% of Employee Benefit Expenses |
| Tax rate | | 50% | 40% |

Company has taken up a project of giving vocational training to the students belonging to the backward areas. You are required to prepare a comparative statement of profit and loss of Mars Ltd. also identify the values that the company wishes to convey to the society. 4

23. From the following Balance Sheets, you are required to prepare a Cash Flow Statement as per AS-3 (Revised):

| Particulars | Note No. | 31.03.2017 (₹) | 31.03.2016 (₹) |
|----------------------------------|----------|-------------------|-------------------|
| I. Equity and Liabilities | | | |
| 1. Shareholder's Funds | | | |
| (a) Share Capital | | 45,000 | 30,000 |
| (b) Reserves and Surplus | 1 | 18,500 | 7,000 |
| 2. Current Liabilities | | | |
| Trade Payables | | 13,500 | 10,500 |
| Total | | 77,000 | 47,500 |
| II. Assets | | | |
| 1. Non-Current Assets | | | |
| Fixed Assets | | 49,000 | 20,000 |
| 2. Current Assets | | | |
| (a) Inventories (Stock) | | 9,000 | 9,000 |
| (b) Trade Receivables (Debtors) | | 10,000 | 12,000 |
| (c) Cash and Cash Equivalents | | 9,000 | 6,500 |
| Total | | 77,000 | 47,500 |

Notes to Accounts:

| Particulars | 31.03.2017 (₹) | 31.03.2016 (₹) |
|--|-------------------|-------------------|
| 1. Reserves and Surplus | | |
| Surplus i.e. Balance in Statement of Profit and Loss | 18,500 | 7,000 |

Additional Information:

- (a) Income Tax paid during the year was ₹ 4,500.
 (b) Dividend paid during the year was @ 12%.