

**Subject: ACCOUNTANCY**  
**Subject Code: 055**

**Time : 3 hours**  
**Max.Marks:80**

**General Instructions:**

- This question paper contains 10 printed pages and is divided into two parts A and B
- There are 23 questions in the paper.
- Please write down the Serial Number of the question before attempting it.
- All parts of the questions should be attempted at one place.
- Show the working clearly.

**PART- A**

**(Accounting For Partnership Firms and Companies)**

1. Partnership deed provides for payment of interest on partners' capital or charge interest on drawings. The accountant wants to record interest on capital and also interest on drawings in Profit and Loss Account. Is he correct in doing so? Give reason. (1)
2. State any two situations in which the court may order to dissolve partnership firm. (1)
3. Why is it necessary to adjust goodwill at the time of change in profit sharing ratio? (1)
4. Differentiate between issued Share Capital and Subscribed Share Capital? (1)
5. What are the rates of DRR and DRI to be made while redeeming convertible Debentures of a Company, as per The Indian Companies Act 2013. (1)
6. What is the maximum number of partners allowed in a partnership firm? State the name of the relevant Act. (1)
7. On 1st April 2016 Balu Ltd. issued 2000, 8% Debentures of ₹ 100 each at a premium of 6% and redeemable at a premium of 4%. Company pays interest on an annual basis on 31st March every year. TDS applicable is 10%. Pass journal entries for the year 2016 -17. (3)
8. W, X, Y and Z were partners sharing profits in the ratio of 2:4:6:8. Z retires from the business. W is acquiring  $\frac{3}{8}$ th of Z's share and balance is acquired by X. Goodwill was valued at 3 years purchase of average profit of last 4 years, which were ₹ 80,000. (3)

General Reserve showed a balance of ₹ 2,60,000 and Z's capital in the Balance sheet was ₹ 6,00,000 at the time of Z's retirement. Prepare Z's Capital Account on his retirement.

9. Fill the missing information in the following journal entries: (3)

Journal entries in the books of RajLtd.

Date	Particulars	L.F	Dr (₹)	Cr (₹)
	Sundry Assets A/c Dr. .....A/c Dr To Liabilities To .....		50,00,000 .....	12,00,000 .....
	(Being Raj ltd took over assets of ₹ 50,00,000 and liabilities of 12,00,000 of Rani Ltd paid purchase consideration by issuing 20,000 equity shares of ₹ 100 each at a premium of 10% and ₹20,00,000 by bank draft)			
	.....A/c Dr To .....A/c To .....A/c To bank A/c		.....	..... ..... 20,00,000
	(Being the 20,000 equity shares issued of ₹100 each issued at a premium of 10% and 20,00,000 paid by cheque)			

10. Bachan Ltd forfeited 500 shares of ₹ 100 each of Mr. Jaggu, who had applied for 600 shares of ₹ 100 each, for not paying the share allotment of ₹ 50 including premium ₹ 10. Company did not make the first & final call of ₹ 20. Out of these forfeited shares, 300 shares were reissued for ₹75, fully paid. Pass journal entries. (3)

- 11 Mr. X was running a small canteen where he sold only snacks and tea to his customers. His stall was in an area where huge investments in construction of skyscrapers were done. He witnessed the problems faced by the labourers in the construction industry. They had to work for long hours in harsh conditions but were paid less. He wanted to provide them some help in his limited ways. On 1/1/2017 he started a restaurant in partnership with Mr. Y who was unemployed but the holder of a post graduate degree in commerce. Mr.X contributed ₹ 3,00,000 but Y was not in a position to contribute any capital. So,they requested Mr. Z to join the partnership who could contribute ₹ 1,00,000 in cash and furniture and equipment costing ₹ 1,50,000.They started to provide food at subsidized rates to the labourers. The agreement of the partnership was as follows:-

1. X,Y and Z will be sharing profits in the ratio 2:1:2 (4)
  2. Interest on Capital will be @10% per annum.
  3. Y will be allowed a salary of ₹ 500 per month.
  4. During the year X withdraw ₹ 12,000 and Z ₹ 1,000 in the beginning of every month and interest on drawings will be 5% per annum. During the year the business made a profit of ₹ 80,000.
    - (a) Show the appropriation of profit
    - (b) Which values can you identify in motivating X, Y and Z in forming a partnership?(any two)
12. Jeena, Neena and Seena were partners in a firm sharing profits and losses in the ratio of 2 : 2 : 1. On 1st April, 2016, the capitals of the partners were : ₹ 6,00,000; ₹ 4,00,000 and ₹ 2,00,000 respectively. The firm closes its books on 31st March every year. Seena died on 1st July, 2016. (4)
- (a) Interest on capital will be calculated @ 10%
  - (b) Her share of Reserve fund of ₹ 24,000, shall be paid to his executor
  - (c) On Seena's death the goodwill of the firm was valued at ₹ 60,000.
  - (d) Seena's share of profit till the date of her death was calculated at ₹ 24,000.
- Pass necessary journal entries in the books of the firm for the above on Seena's Death.
13. Give the necessary journal entries for the following transactions on dissolution of the firm of Gold and Silver on 31st March 2016, after the various assets (other than cash) and the third party liabilities have been transferred to Realisation Account. They shared profits and losses in the ratio 3 : 2. (6)
- (a) Silver was to get a remuneration of ₹ 36,000 for completing the dissolution process. He also agreed to bear realization expenses. Realization expenses of ₹ 20,000 were paid by Silver from the firm's cash.
  - (b) Harish, an old customer whose account for ₹ 1,20,000 was written off as bad debt in the previous year, paid 90%.
  - (c) Creditors of ₹ 80,000, accepted furniture valued at ₹ 76,000 in full settlement of their claim.
  - (d) Land and Building was sold for ₹ 6,00,000 through a broker who charged 2% commission.
  - (e) There were 1,000 shares of ₹ 80 each in Vision Ltd., acquired at a cost of ₹ 44,000 and had been written off completely from the books. These shares are now valued at ₹ 100 each and divided among the partners in their profit sharing ratio.
  - (f) Profit on realization was ₹ 90,000.
14. Gauri and Kiran were partners in a firm carrying on a tiffin service in Hyderabad. (6)
- Gauri noticed that a lot of food is left at the end of the day. To avoid wastage she suggested that it be distributed to the needy; Kiran wanted that it should be mixed with the food being served the next day. then gave a proposal that if his share in the profit is increased, he will not mind free distribution of leftover food. Gauri happily agreed. So,

they decided to change their profit sharing ratio to 1:2 with immediate effect. Capital balance of Gauri and Kiran was ₹ 5,00,000 and ₹ 7,00,000. The Reserves appear in the books ₹ 60,000. Partners decided to continue showing Reserves in the books. On that date revaluation of assets and reassessment of liabilities was carried out that resulted into a gain of ₹ 18,000. Partners agreed that altered values are not recorded in the books. On that date the goodwill of the firm was valued at ₹ 1,20,000.

- (a) Prepare Partner's Capital Account for the above in the books of the firm.  
 (b) State any two values highlighted in the above para.

15. (a) Journalise the following transaction at the time of issue of 12% debentures ; (6)  
 Hamir Ltd. issued ₹ 1,80,000, 12% debentures of ₹ 100 each at a discount of 5% redeemable at 110%.  
 (b) Journalise the following transactions on redemption of debentures :  
 (i) Gafiya Ltd. redeemed ₹ 95,000, 14% debentures of ₹ 100 each issued at par by converting them into equity shares of ₹ 10 each issued at a premium of 25%.  
 (ii) Basha Ltd. purchased its own 6,000, 12% Debentures of ₹ 100 each at ₹ 96 per debenture for immediate cancellation.  
 Ignore entries for Debenture Redemption Reserve, Debenture Redemption Investments and Interest.

16. Following is the Balance Sheet of P, Q and R as at 31st March, 2016: (8)

Liabilities	₹	Assets	₹
Creditors	2,00,000	Goodwill	30,000
Employee's Provident Fund	25,000	Land & Building	5,00,000
Workmen's Compensation Reserve	30,000	Stock	3,50,000
Expenses Owing	15,000	Debtors	2,40,000
Capital Account:- P 5,00,000 Q 3,00,000 R 3,00,000	11,00,000	Investments (Market Value ₹ 60,000)	50,000
		Advertisement Suspense A/c	45,000
		Cash at Bank	1,55,000
	<b>13,70,000</b>		<b>13,70,000</b>

R retires and P and Q agree to share future profits in the ratio of 7:5. Following adjustments have been agreed upon:

- i) Stock is valued at ₹ 4,00,000.

- ii) Expenses owing to be brought down to ₹ 10,000  
 iii) Liability for Workmen Compensation is estimated at ₹ 50,000 and Provision for legal damages be made for ₹ 45,000.  
 iv) A liability of ₹ 15,000 included in creditors is not likely to arise.  
 v) R took over the investments at market value.  
 vi) R's share of goodwill is estimated at ₹ 60,000  
 Amount due to R is to be settled as follows:-50 % on retirement, 50 % of the balance within one year and the remaining by a bill of exchange (without interest) at 2 months.  
 Prepare Revaluation Account and Partner's Capital Accounts and Balance Sheet.

OR

A & B are partners sharing profits and losses in the state of 3:2. On 31st March 1995, their Balance Sheet was as follows:-

Liabilities	₹	Assets	₹
Capital A/Cs: A's Capital 50,000 B's Capital 60,000	1,10,000	Goodwill	5,000
General Reserve	50,000	Plant & Machinery	65,000
Creditors	10,000	Furniture	15,000
		Investments	20,000
		Stock	20,000
		Sundry Debtors	30,000
		Cash in Hand	15,000
	1,70,000		1,70,000

C was admitted on the following terms:

- C is to bring ₹ 15,000 as his share of goodwill.
- Partner agreed to share future profits in the ratio 5:3:2
- Half the investments were to be taken over by A & B in their profit sharing ratio and the remaining investment were appreciated by ₹ 4,000
- One customer who owed the firm ₹ 2,000 becomes insolvent and nothing could be realized from him.
- Creditors will be written back by ₹ 2,000 and furniture was overvalued by 10%
- Outstanding bill for repairs ₹ 1,000 will be provided for
- Interest accrued on investments ₹ 2,000. C would bring further cash as would make his capital equal to 20% of the total capital of the new firm after the above revaluation and adjustments are carried out.

17. Kalyan Ltd. invited applications for issuing 12,000 equity shares of ₹ 10 each at a (8) premium of ₹ 3 per share. The amount was payable as follows:-  
 On application and allotment - ₹ 6 per share (including Premium)  
 On first call - ₹ 4 per share

On second and final call            The balance.  
Applications for 18,000 shares were received and pro rata allotment was made to all the applicants. Excess money received with applications was adjusted towards sums due on first call. All calls were made and were duly received except the first call and second and final call on 120 shares allotted to Vinay. His shares were forfeited. The forfeited shares were reissued at the maximum permissible discount as per the provisions of the Companies Act, 2013. Pass necessary journal entries for the above transactions in the books of the company.

**OR**

Ladek Ltd, invited applications for 3,00,000 equity shares of ₹ 10 each at a premium of ₹ 5 per share. The amount was payable as follows:-

On application - ₹ 8 (including premium ₹ 3)

On allotment     ₹ 4 (including premium ₹ 2)

Balance on first and final call.

Applications for 4,00,000 shares were received. Allotment was made to all the applicants on pro-rata basis. Rakesh, who applied for 2,000 shares failed to pay allotment and call money. Alina, to whom 1,200 shares were allotted failed to pay the call money. Their shares were forfeited and afterwards 2,000 shares were reissued @ ₹ 9 per share, whole of Rakesh's shares being included. Pass the necessary journal entries.

**PART B**

**(Analysis of Financial Statements)**

18. Cash Flow Statement shows inflows and outflows of 'Cash' and 'Cash Equivalents' from various activities of an enterprise during a particular period. Give the meaning of 'cash' for the purpose of preparing Cash Flow Statement. (1)
19. Krati Ltd is carrying on a Mutual Fund business. It invested ₹ 15,00,000 in shares and ₹ 7,50,000 in debentures of various companies during the year. It received ₹ 1,50,000 as dividend and interest. Find out cash flows from investing activities. (1)
20. (a) Classify the following items under Major Head and Sub-Head (if any) in the Balance Sheet of a company as per Schedule III of the Companies Act, 2013 : (4)
  - (i) Capital Advances.
  - (ii) Encashment of employees earned leave payable on retirement(b) State any two limitations of Analysis of Financial Statements

21. From the following information, prepare Comparative Statement of Profit and Loss: (4)

Particulars	31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2015
Revenue from Operations	₹ 36,00,000	₹ 24,00,000
Other Income (% of Revenue from Operations)	12 %	20%
Expenses (% of Revenue from Operations)	70 %	60%
Tax Rate	30%	30 %

22. (a) Gross Profit Ratio of a company was 25%. Its credit sales were ₹ 18,00,000 and cash sales 10% of total sales. If the indirect expense of the company is ₹ 50,000. Calculate net profit ratio (4)
- (b) Rate of Gross profit on cost of a company is 25%. Its Gross profit is ₹ 5,00,000. Its shareholders' Funds are ₹ 12,00,000; Current liabilities are ₹ 3,00,000 and Current Assets are ₹ 10,00,000. Calculate its Working Capital Turnover ratio.
23. Prepare Cash Flow Statement on the basis of the information given in the Balance Sheet of Shah Brothers Ltd. at 31<sup>st</sup> March, 2015 and 2016: (6)

Particulars	Note No	31 <sup>st</sup> March, 2016 (₹)	31 <sup>st</sup> March, 2015 (₹)
<b>I. EQUITY AND LIABILITIES:-</b>			
<b>1. Shareholders' Funds</b>			
a) Share Capital		4,50,000	3,80,000
b) Reserves and Surplus:	1	2,06,000	1,74,000
<b>2. Non-Current Liabilities</b>			
(a) Long Term Borrowings	2	75,000	50,000
<b>3. Current Liabilities:-</b>	3	50,000	20,000
a) Short term borrowings			
b) Trade Payables		43,000	42,000
<b>Total</b>		<b>8,24,000</b>	<b>6,66,000</b>
<b>II. ASSETS</b>			
<b>1. Non-Current Assets</b>			
a) Fixed Assets			
Tangible Assets(Machinery)		2,10,000	1,75,000
b) Non-Current Investment		40,000	25,000
<b>2. Current Assets</b>			
(a) Inventories		3,00,000	2,80,000
(b) Trade Receivables		2,44,000	1,52,000
(c) Cash and Cash Equivalents:		30,000	34,000
<b>Total</b>		<b>8,24,000</b>	<b>6,66,000</b>

Notes to Accounts:-

Notes	Particulars	31 <sup>st</sup> March 2016 (₹)	31 <sup>st</sup> March 2015 (₹)
1)	Reserves and Surplus:		
	Surplus i.e; Balance in statement of P&L	66,000	74,000
	General Reserve	1,40,000	1,00,000
		<b>2,06,000</b>	<b>1,74,000</b>
2)	Long-Term Borrowings:		
	10% Public Deposits	75,000	50,000
		<b>75,000</b>	<b>50,000</b>
3)	Short term Borrowings:		
	Cash Credit	50,000	20,000
		<b>50,000</b>	<b>20,000</b>

Additional Information:

- i) Interest paid on public deposits ₹ 5,000.
- ii) Non-Current Investment costing ₹ 25,000 were sold at a loss of ₹ 3,000 during the year .

Submitted by

Pravitha raju