- Please check that this question paper contains **8** printed pages.
- Code number given on the right hand side of the question paper should be written on the title page of the answer-book by the candidate.
- Please check that this question paper contains **32** questions.
- **Please write down the Serial Number of the question before attempting it.**
- 15 minute time has been allotted to read this question paper. The students will read the question paper only and will not write any answer on the answer-book. during this period.

ACCOUNTANCY
CLASS XII

Time allowed : 3 hours *Maximum Marks : 80*

General Instructions :

*(i) This question paper contains two parts – **A** and **B**.*

*(ii) Part **A** is **compulsory** for all.*

*(iii) Part **B** – Analysis of Financial Statements*

(iv) All parts of a question should be attempted at one place.

PART A

(Accounting for Not-for-Profit Organizations, Partnership Firms and Companies)

1. Fund earmarked for investment in fixed assets is known as:
A. Annuity fund B. Loan Fund C. Assets fund D. Prize fund

2. A and B are partners. The profit sharing ratio between A and B is 3 : 2. They admit C in the partnership such that the profit sharing ratio between B and C is also 3 : 2. Find out the profit sharing ratio between A, B and C:
A. 3 : 2 : 2 B. 9 : 6 : 4 C. 4 : 3 : 2 D. 3 : 2 : 1

3. If debentures are issued as collateral security the journal entry will be _______
A. Debit debenture suspense A/c and Credit Debenture A/c
B. Debit Cash A/c and Credit Loan A/c
C. Debit Cash A/c and Credit Debentures A/c
D. Debit debenture Securities A/c and Credit Cash A/c

4. P and Q are the partners in a firm sharing profits and losses in the ratio 3:2 with capitals of Rs. 1,50,000 and Rs. 1,00,000 respectively. They admitted R as a partner with Rs. 90,000 as capital for 1/4th share in the profits of the firm. They adjust the capital of other partners according to R's capital and his share in the business. How much cash will be brought in by P?
A. Rs. 8,000 B. Rs. 9,000 C. Rs. 12,000 D. Rs. 10,000

5. In the event of dissolution of the firm, a liability under suit for damages included in creditors was settled at Rs.32, 000 as against only Rs.13, 000 provided in the books. Total creditors of the firm as per books were Rs.50, 000. How much cash would be shown in realization account as payment?
A. 32,000 B. 82,000 C. 50,000 D. 69,000

6. When shares are issued to promoters for the services offered by them, the A/c that will be debited with the nominal value of shares is _____________
A. Preliminary expenses B. Good will C. Asset A/c D. Share capital

7. A firm earns profit of Rs.1,10,000. The normal rate of return in similar type of business is 10%. The value of total assets(excluding goodwill) and total outside liabilities are Rs. 11,00,000 and Rs. 1,00,000 respectively. The value of goodwill by capitalization method is:
A. Rs.1,00,000 B. Rs.10,00,000 C. Rs.1,10,000 D.None of these

8. The subscribed share capital of S Ltd. is Rs.80,00,000 divided into shares of Rs.100 each. There were no calls in arrears till the final call was made. The final call made was paid on 77,500 shares. The calls in arrears amounted to Rs.67,500. The final call per share=?
A. Rs.27 B. Rs.20 C. Rs.25 D. Rs.62.50

9. Goodwill is not ....
A Intangible Asset B Fictitious Asset C None of these D Fixed Asset

10. M/s X Ltd. Took over the assets of Rs. 4,60,000 & liabilities of Rs. 30,000 of B Ltd. For a purchase consideration of Rs. 4,40,000. The company issued 10% debentures of Rs. 100 each at a premium of 10% towards the purchase consideration no. of debentures issued will be ________
A. 4,200 B. 4,000 C. 3,000 D. 4,400

11. A, B and C were partners sharing profits in the ratio of 5 : 4 : 3. They decided to change their profit sharing ratio to 2 : 2 : 1 w.e.f. 1st April, 2019. On that date, there was a balance of Rs. 3,00,000 in General Reserve and a debit balance of Rs. 4,80,000 in the Profit and Loss Account. Capital account of C will be:
A. Debited by 45000 B. Debited by 36000 C. Credited by 9000 D. Debited by 9000

12. WYE ltd redeemed 1,000, 10% debentures of Rs.100 each at a premium of Rs.10 per debenture. The company had a balance of Rs.50,000 in general reserve and Rs.27,000 in Profit & Loss a/c. For the purpose of redemption the company issued 5,000 equity shares of Rs. 10 each at a premium of 20%. The amount to be transferred to debenture Redemption Reserve will be:
A. Rs. 50,000 B. Rs. 1,00,000 C. Rs. 75,000 D. Rs. 25,000

13. X,Y and Z are partners in a firm. At the time of division of profits for the year, there was dispute between the partners. Profits before interest on partner's loan was Rs.6,000 and Y determined interest @ 24% p.a. on his loan of Rs.80,000. There was no agreement on this point. Calculate the amoun t payable to X,Y and Z respectively:
A. Rs.2,000 to each partner
B. loss of Rs.4,400 for X and Z and Y will take home Rs.14,800
C. Rs.400 for X, Rs.5,200 for Y and Rs.400 for Z
D. Rs.2,400 to each partner

14. In the absence of partnership agreement, interest on drawings of a partners is charged:
A. at 6% per annum B. at 9% per annum C. at 12% per annum D. no interest is charged

15. Present the following items in the Balance Sheet of Queen's Club as at 31st March, 2019 :

Capital Fund (1st April, 2018)	**Rs. 10,80,000**
Building Fund (1st April, 2018)	**Rs. 4,80,000**
Donation received for Building	**Rs. 6,00,000**
10% Building Fund Investments (1st April, 2018)	**Rs. 4,80,000**
Interest received on Building Fund Investments	**Rs. 48,000**
Expenditure on construction of building	**Rs. 3,60,000.**

The construction work is in progress and has not yet been completed.

16. On 1.4.2015, J.K. Ltd. issued 8,000, 9% debentures of Rs. 1,000 each at a discount of 6%, redeemable at a premium of 5% after three years. The company closes its books on 31st March every year. Interest on 9% debentures is payable 31st March every year.
The rate of tax deducted at source is 10%.
Pass necessary journal entries for the issue of debentures and debenture Interest for the year ended 31.3.2016. Do not transfer debenture interest to statement of profit and loss.

17. Sudha, rahim and kartik are partners in a firm sharing profits and losses in the ratio 3:3:4. Following is the balanced sheet as at 31st march,2019.

Balance sheet
As at 31.03.2019

Liabilities	Rs.	Assets	Rs.
Capitals		Cash	16,000
Sudha 60,000		Stock	44,000
Rahim 50,000		Investments	47,000
Kartik 40,000	1,50,000	Land and building	60,000
General reserve	10,000	Sudha's loan	10,000
Bills payable	5,000		

loan	12,000		
	1,77,000		1,77,000

Sudha died on june 30,2020 and it was agreed that she be allowed:

(i) Her share of capital and goodwill. Goodwill of the firm was calculated at 2 years' purchase of average profits of last 3 years which was Rs. 75,000. New ratio would be 1:1.

(ii) Her share of profit that was calculated on the basis of sales. Sales and profit for the year ended 31st march,2019 were Rs.4,00,000 and Rs.1,00,000 respectively. Profit for the current year till 30th june,2020 is Rs.1,50,000.

(iii) Interest on capital @12%p.a

(iv) Sudha's drawings were Rs.4,000 and interest to be charged @6% p.a.

Prepare Sudha's capital account to be rendered to her executors.

18. On 1st April, 2016, Ganesh Ltd. acquired assets of Rs. 6,00,000 and took over liabilities of Rs. 70,000 of Sohan Ltd. at an agreed value of Rs. 6,60,000. Ganesh Ltd. issued 12% Debentures of Rs. 100 each at a premium of 10% in full satisfaction of purchase consideration. The debentures were redeemable after three years at a premium of 5%. The company decided to transfer the minimum required amount to Debenture Redemption Reserve on 31st March, 2018. It also made the required investment in Government securities earning interest @ 10% p.a. on 1st April, 2018. Tax was deducted on interest earned @ 10%.
Ignoring entries relating to writing off loss on issue of debentures and interest paid on debentures, pass the necessary journal entries to record redemption of debentures.

19. Srijan, raman and mamam were partners in a firm sharing profits in the ratio 2:2:1. On 31st march,2019 their balance sheet was as follows:

Balance sheet
As at 31.03.2019

Liabilities	Rs.	Assets	Rs.
Srijan's capital	2,00,000	Manan's capital	10,000
Raman's capital	1,50,000	Plant	2,20,000
Creditors	75,000	Investments	70,000
Bills payable	40,000	Stock	50,000
Outstanding salary	35,000	Debtors	60,000
Investments fluctuation reserve	5,000	Bank	90,000
Provision for bad debts	15,000	Goodwill	20,000
	5,20,000		5,20,000

They decided to dissolve the partnership firm and the following were the proceedings:

(i) Srijan was appointed to realize the assets and discharge liabilities. He was entitles @ 5% commission on sale of assets(excluding bank) and was to bear all expenses of realization.

(ii) 50% of stock was realized at 30% profit on book value. Further, 50% of the remaining stock was sold at a loss of Rs.2,500. Remaining stock was given to the creditors to settle an equivalent amount.

(iii) Plant was realized at Rs.85,000 and debtors were proved bad. Investments were realized at 110%. Rs. 7,500 unrecorded liability was settled.

(iv) Expenses on realization Rs.3,000 were paid by firm.

Prepare realization account.

20. A and B are partners in a firm. They decided to admit C as a partner for 1/3th share in profits on 31st march,2018 . C brought Rs.2,00,000 as capital and 60% of his share in goodwill premium in cash. The value of assets and liabilities as at that date were Rs.4,40,00 and Rs.1,00,000 respectively. The partners agreed upon the new profit sharing ratio to be 7:1:4.
A year later, due to losses the capitals of the three partners reduced drastically and stood at amounts as follows:

A's capital	Rs. 1,50,000
B's capital	Rs. 50,000
C's capital	Rs. 1,50,000

Thinking that the business is no longer profitable, B decided to retire from the firm on 31st march,2019.on that date, an unrecorded machinery was sold for Rs. 30,000. The new ratio between A and C would be 11:1 and goodwill was valued at Rs.3,00,000.

21. From the following, prepare income and expenditure account.

Balance Sheet
as at 31st March, 2018

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Capital Fund	72,000	Furniture	40,000
Subscriptions received in advance	6,000	Cash at Bank	30,000
		Cash in Hand	8,000
	78,000		78,000

Receipts and Payments Account
for the year ending 31st March, 2018

Receipts		Amount (Rs.)	Payments		Amount (Rs.)
To Balance b/d			By Computers (1.10.2018)		1,00,000
Cash at Bank	30,000		By Office Expenses		29,000
Cash in Hand	24,000	54,000	By Electric Charges		15,000
To Sale proceeds of old newspapers		900	By Postage and Stationery		9,000
To Locker's Rent		7,000	By 10% Investments (on 1.12.2017)		60,000
To Interest on Investments		1,600	By Balance c/d		
To Entrance Fees		50,000	Cash at Bank	80,000	
To Life Membership Fees		1,00,000	Cash in Hand	35,500	1,15,500
To Membership Subscriptions		98,000			
To Subscriptions for relief fund		17,000			
		3,28,500			3,28,500

Additional Information:

i. **Computers were to be depreciated @ 60% p.a. and furniture @ 10% p.a.**
ii. **Membership subscription included Rs.20,000 received in advance.**
iii. **Electric charges outstanding Rs.10,000.**

22. AXN Ltd. invited applications for issuing 1,00,000 equity shares of Rs 10 each at a premium of Rs 6 per share.
The amount was payable as follows:
On Application Rs 4 per share (including Rs 2 premium).
On Allotment Rs 5 per share Including Rs 2 premium).
On First Call Rs 4 per share (including Rs 2 premium).
On Second and Final Call – Balance Amount.
The issue was fully subscribed.
Kumar the holder of 400 shares did not pay the allotment money and Ravi the holder of 1,000 shares paid his entire share money along with allotment money.
Kumar's shares were forfeited immediately after allotment. Afterwards first call was made. Gupta a holder of 300 shares failed to pay the first call money and Gopal a holder of 600 shares paid the second call money also along with first call. Gupta's shares were forfeited immediately after the first call. Second and final call was made afterwards. The whole amount due on second call was received.
All the forfeited shares were re-issued at Rs 9 per share fully paid up.
Pass necessary Journal Entries for the above transactions in the books of the company.

23. W and R are partners in a firm sharing profits and losses in the ratio 3:2. Their balance sheet on 31st march 2019 was as follows:

Balance sheet
As at 31.03.2019

Liabilities	Rs.	Assets	Rs.
Capitals W	60,000	Cash	12,000
R	40,000	Debtors	18,000
General reserve	5,000	Stock	20,000
Outstanding salary	3,000	Furniture	40,000
Provision for bad debts	2,000	Machinery	40,000
creditors	20,000		
	1,30,000		1,30,000

On 1st april,2019, C was admitted for 1/6th share in profits and the following were agreed upon:

i. **C will bring Rs.30,000 as his capital and Rs.10,000 for his share of goodwill premium, half of which would be withdrawn by W and R.**
ii. **Debtors of Rs.1,500 will be written off and provision for bad debts will be maintained at 5%.**
iii. **Outstanding salary will be paid off.**
iv. **Stock will be depreciated by 10% and furniture be reduced to 70%. Machinery was overvalued by 20% and the same was to be corrected.**
v. **60% of the general reserve is to be retained.**
vi. **Capitals and W and R will be adjusted on the basis of capital of C.**

Prepare the requisite accounts to demonstrate the agreed upon reconstitution in the books.

PART B
(Analysis of Financial Statements)

24. When using the statement of cash flows to evaluate a company's continuing solvency, the most important factor to consider is the cash:

a. balance at the end of the period.
b. flows from (used for) operating activities.
c. flows from (used for) investing activities.
d. flows from (used for) financing activities.

25. Easton Bank has received loan applications from three companies in the computer service business and will grant a loan to the company with the best prospect of fulfilling the loan obligations. Specific data, shown below, has been selected from these applications for review and comparison with industry averages.

	CompGo	Astor	SysGen	Industry
Total sales (millions)	\$4.27	\$3.91	\$4.86	\$4.30
Net profit margin	9.55%	9.85%	10.05%	9.65%
Current ratio	1.82	2.02	1.96	1.95
Return on assets	12.0%	12.6%	11.4%	12.4%
Debt/equity ratio	52.5%	44.6%	49.6%	48.3%

Based on the information above, select the strategy that would fulfill Easton's objective:

a. Easton should not grant any loans as none of these companies represents a good credit risk.
b. Grant the loan to CompGo as all the company's data approximate the industry average.
c. Grant the loan to Astor as both the debt/equity ratio and current ratio are better than the industry average.
d. Grant the loan to SysGen as the company has the highest net profit margin and total sales.

26. Kelli Company acquired land by assuming a mortgage for the full acquisition cost. This transaction should be disclosed on Kelli's Statement of Cash Flows as a(n):

a. financing activity. b. investing activity. c. non-cash financing and investing activity.

27. Gordon has had the following financial results for the last four years.

	Year 1	Year 2	Year 3	Year 4
Sales	$1,250,000	$1,300,000	$1,359,000	$1,400,000
Cost of goods sold	750,000	785,000	825,000	850,000
Gross profit	500,000	515,000	534,000	550,000
Inflation factor	1.00	1.03	1.07	1.10

Gordon has analyzed these results using vertical common-size analysis to determine trends. The performance of Gordon can best be characterized by which one of the following statements?

a. The common-size gross profit percentage has decreased as a result of an increasing commonsize trend in cost of goods sold.

b. The common-size trend in sales is increasing and is resulting in an increasing trend in the common-size gross profit margin.

c. The common-size trend in cost of goods sold is decreasing which is resulting in an increasing trend in the common-size gross profit margin.

d. The increased trend in the common-size gross profit percentage is the result of both the increasing trend in sales and the decreasing trend in cost of goods sold.

28. Both the current ratio and the quick ratio for Spartan Corporation have been slowly decreasing. For the past two years, the current ratio has been 2.3 to 1 and 2.0 to 1. During the same time period, the quick ratio has decreased from 1.2 to 1 to 1.0 to 1. The disparity between the current and quick ratios can be explained by which one of the following?

a. The current portion of long-term debt has been steadily increasing.

b. The cash balance is unusually low.

c. The accounts receivable balance has decreased.

d. The inventory balance is unusually high.

29. In a company's balance sheet Assets are shown in the order of …..

a. Liquidity b. None of these c. Permanence d. Market Value

30. State under which major headings and sub-headings will the following items be presented in the Balance Sheet of a company as per Schedule-III, Part-I of the Companies Act, 2013.

(i) Prepaid Insurance
(ii) Investment in Debentures
(iii) Calls-in-arrears
(iv) Unpaid dividend
(v) Capital Reserve
(vi) Loose Tools
(vii) Capital work-in-progress
(viii) Patents being developed by the company.

31. (a) Compute current ratio from the following:

- **Inventory turnover ratio 4 times**
- **Inventory at the end was Rs. 20000 more than the beginning inventory**
- **Revenue from operations Rs. 300000**
- **Gross profit ratio 25%**
- **Current liabilities Rs. 40000**
- **Quick ratio 0.75:1**

(b) What does return on working capital indicate?

32. From the following Balance Sheet of DCX Ltd. and the additional information as at 31st March, 2018 prepare a Cash Flow Statement :

DCX Ltd.

Balance Sheet as at 31st March, 2018

	Particular		Note No.	31.3.2018 (Rs.)	31.03.2017 (Rs.)
I	Equity and Liabilities:				
1	Shareholder's Funds :				
(a)	Share Capital			30,00,000	21,00,000
(b)	Reserve and Surplus		1	4,00,000	5,00,000
2	Non-Current Liabilities:				
	Long-term Borrowings		2	8,00,000	5,00,000
3	Current Liabilities:				
(a)	Trade payables			1,50,000	1,00,000
(b)	Short-term Provisions		3	76,000	56,000
		Total		44,26,000	32,56,000
II	Assets:				
1	Non-Current Assets:				
	Fixed Assets:				
(i)	Tangible Assets		4	27,00,000	20,00,000
(ii)	Intangible Assets			8,00,000	7,00,000
2	Current Assets:				
(a)	Current Investments			89,000	78,000
(b)	Inventories			8,00,000	4,00,000
(c)	Cash and cash equivalents			37,000	78,000
		Total		44,26,000	32,56,000

Notes to Accounts:

Note No.	Particulars	31.3.2018 (Rs.)	31.3.2017 (Rs.)
1	Reserves and Surplus:		
	(Surplus i.e. Balance in the Statement of Profit and Loss)	4,00,000	5,00,000
		4,00,000	5,00,000
2	Long-Term Borrowings:		
	8% Debentures	8,00,000	5,00,000
		8,00,000	5,00,000
3	Short-term Provisions:		
	Provision for Tax	76,000	56,000
		76,000	56,000
4	Tangible Asset:		
	Machinery	33,00,000	25,00,000
	Less: Accumulated Depreciation	(6,00,000)	(5,00,000)
		27,00,000	27,00,000

Additional Information:

i. **During the year a machinery costing Rs.8,00,000 on which accumulated depreciation was Rs.3,20,000 was sold for Rs.6,40,000.**
ii. **Debentures were issued on 1st April, 2017.**