## ACCOUNTS

(Maximum Marks: 80)
(Time allowed: Three hours)
(Candidates are allowed additional 15 minutes for only reading the paper.
They must NOT start writing during this time.)
Part I of Section A is Compulsory.
Answer any 4 Questions from Part II of Section A and any two questions from either Section B or Section C.
The intended marks for questions or parts of questions are given in the brackets [ ].
Transactions should be recorded in the answer book.
All calculations should be shown clearly.
All working, including rough work, should be done on the same page as, and adjacent to, the rest of the answer.

# SECTION A <br> PART I (12 Marks) <br> Answer all questions. 

## Question 1

Answer briefly each of the following questions:
(i) Why is goodwill considered to be an intangible asset and not a fictitious asset?
(ii) How will a firm deal with a situation when its partnership deed provides for interest on capital, but the profit earned by it is not enough to do so, at the rate mentioned in the deed?
(iii) State with reason whether Securities Premium Reserve can be used by a company to write off the discount allowed to its debtors.
(iv) List any four items that are shown under the sub-head 'Other Current Assets' in the Balance Sheet of a company prepared as per Schedule III of the Companies Act, 2013.
(v) What is the maximum limit of debentures which companies, other than Banking Companies and All India Financial Institutions, can redeem out of capital?
(vi) (a) Mention any two circumstances which can lead to dissolution of partnership.
(b) What is the status of the firm upon the dissolution of partnership?

## PART II (48 Marks)

Answer any four questions.

## Question 2

(A) From the following information, calculate goodwill of the firm of Anmol and Sujay at the time of admission of Dhruv:
(i) At three years' purchase of Super Profit.
(ii) On the basis of Capitalisation of Super Profit.
(a) Actual Average Profits of the firm for the last three years is ₹ 25,000 .
(b) Normal Rate of Return is $10 \%$.
(c) Balance Sheet of Anmol and Sujay

As at 31 ${ }^{\text {st }}$ March, 2019

| Liabilities | Amount (₹) | Assets | Amount (₹) |
| :--- | ---: | :--- | ---: |
| Sundry Creditors | 40,000 | Plant and Machinery | 40,000 |
| Bills Payable | 10,000 | Land and Building | 80,000 |
| General Reserve | 20,000 | Investments (Non-trade) | 50,000 |
| Capital Accounts: |  | Sundry Debtors | 15,000 |
| Anmol 80,000 |  | Bank | 55,000 |
| Sujay 90,000 | $1,70,000$ |  |  |
|  | $2,40,000$ |  | $2,40,000$ |

(B) Manoj, Hari and Karan are partners in a firm sharing profits and losses in the ratio 4:2:1. Their Balance Sheet as at $31^{\text {st }}$ March, 2019, was as follows:

## Balance Sheet of Manoj, Hari and Karan <br> As at 31 ${ }^{\text {st }}$ March, 2019

| Liabilities | Amount (₹) | Assets | Amount ₹) |
| :--- | ---: | :--- | ---: |
| Sundry Creditors | 32,600 | Plant and Machinery | 20,000 |
| Bills Payable | 4,000 | Goodwill | 7,000 |
| General Reserve | 8,400 | Stock | 38,000 |
| Capital Accounts: |  | Bank | 20,000 |
| Manoj 16,000 |  |  |  |
| Hari 14,000 |  |  |  |
| Karan 10,000 | 40,000 |  | 85,000 |
|  | 85,000 |  |  |
|  |  |  |  |

Hari retired from the business on $1^{\text {st }}$ April, 2019. The remaining partners decided to carry on the business. The terms of retirement provided the following:
(a) Out of the total insurance premium paid, ₹ 7,000 to be treated as prepaid insurance. The amount was earlier debited to Profit \& Loss Account.
(b) General Reserve not to be distributed.
(c) Hari to be paid ₹ 24,400 in full settlement.

## You are required to prepare Partners' Capital Accounts.

## Question 3

Sudesh Ltd. was registered with an authorised capital of ₹ $40,00,000$ divided into $4,00,000$ Equity Shares of ₹ 10 each.
The company offered 50,000 shares to the public at a premium of ₹ 2 per share, payable as follows:
₹ 3 on application
₹ 6 on allotment (including premium)
₹ 3 on first and final call (due two months after allotment)
Applications were received for 60,000 shares and pro-rata allotment was made as follows:

Category A: The applicants of 40,000 shares were allotted 30,000 shares.
Category B: The applicants of 20,000 shares were allotted in full.
Excess money paid on application was utilized towards allotment.
Nobby, a shareholder from Category A, who had applied for 1,200 shares failed to pay the allotment and call money.
Vineet, a shareholder from Category B, who had been allotted 1,000 shares, paid the call money due, along with allotment.
The company forfeited Nobby's shares after the first and final call and paid interest on Calls-in-advance to Vineet @ 12\% per annum on the day of the final call.
You are required to:
(i) Pass journal entries to record the above transactions in the books of the company (including entries for interest on Calls-in-advance).
(ii) Prepare Calls-in-arrears Account.

## Question 4

(A) Mike and Ajay are partners sharing profits and losses in proportion to their capitals, which on $31^{\text {st }}$ March, 2019, stood at ₹ $6,00,000$ and ₹ $4,00,000$ respectively. On this date, the firm had ₹ $1,00,000$ in its Workmen Compensation Reserve and its outside liabilities amounted to ₹ $6,00,000$, which included Creditors of ₹ $2,00,000$ and Bills Payable of ₹ 60,000 .

The firm was dissolved on $31^{\text {st }}$ March, 2019, on which date, the assets, apart from Cash of ₹ 70,000 , realised ₹ $14,00,000$ and the liabilities were discharged as follows:
(a) Creditors due on $31^{\text {st }}$ May, 2019, were paid off at a discount of $3 \%$ per annum.
(b) Bills Payable were discharged at a rebate of ₹ 1,000 .
(c) Workmen Compensation Claim of ₹ 40,000 was met.
(d) Expenses of dissolution amounting to ₹ 30,000 were paid.

## You are required to prepare:

(i) Realisation Account.
(ii) Partners' Capital Accounts.
(B) Xen, Sam and Tim are partners in a firm. For the year ended $31^{\text {st }}$ March, 2019, the profits of the firm ₹ $1,20,000$, were distributed equally amongst them, without providing for the following provisions of the partnership deed:
(a) Sam's guarantee to the firm that the firm would earn a profit of at least $₹ 1,35,000$. Any shortfall in these profits would be personally met by him.
(b) Profits to be shared in the ratio of 2:2:1.

You are required to pass the necessary journal entries to rectify the error in accounting.

## Question 5

(A) Zee Ltd. purchased a running business from Rainbow Ltd. for a sum of ₹ $6,60,000$. Zee Ltd. paid $5 \%$ of the purchase consideration by drawing a Promissory Note in favour of Rainbow Ltd. and the balance by the issue of fully paid $7 \%$ Debentures of ₹ 100 each at a premium of $10 \%$. The assets and liabilities of Rainbow Ltd. consisted of:

| Fixed Assets | $6,50,000$ |
| :--- | ---: |
| Sundry Creditors | 80,000 |

## You are required to pass the necessary journal entries in the books of Zee Ltd.

(B) On $1^{\text {st }}$ April, 2016, the following balances appeared in the books of Shikhar Ltd.

| $10 \%$ Debentures | ₹ $14,00,000$ |  |
| :--- | :---: | :---: |
| Premium on Redemption of Debentures | ₹ $1,40,000$ |  |
| Debenture Redemption Reserve | $₹$ | 75,000 |

The debentures were to be redeemed at a premium of $10 \%$ in two equal annual instalments beginning from $31^{\text {st }}$ March, 2018. To meet the requirements of the Companies Act, 2013, the company transferred the balance amount to Debenture Redemption Reserve on $31^{\text {st }}$ March, 2017. On $30^{\text {th }}$ April, 2017, it met the requirements of the Companies Act, 2013 regarding Debenture Redemption Investment and redeemed the debentures on the scheduled dates.

You are required to pass necessary journal entries to record the above transactions in the books of Shikhar Ltd. (Ignore interest on Debentures).

## Question 6

Anita and Tony, each doing business as sole proprietors, started a partnership on $1^{\text {st }}$ April, 2018. Anita brought in Plant and Machinery valued at ₹ $5,00,000$ whereas Tony brought in furniture costing ₹ 50,000 and ₹ $7,00,000$ in cash.

Since the business needed more funds, Tony gave a loan of ₹ $2,00,000$ to the firm on $30^{\text {th }}$ June, 2018.

Their partnership deed provided for:
(a) Interest on capital to be allowed @ $10 \%$ per annum.
(b) Interest on drawings to be charged @ 6\% per annum.
(c) Anita to be given a commission of $4 \%$ on the corrected net profits before charging commission.
(d) Tony to be given a salary of ₹ 12,000 per annum.

Tony withdrew ₹ 5,000 at the end of every month and Anita withdrew ₹ 30,000 on $1^{\text {st }}$ August, 2018.

The net profit of the firm, for the year 2018-19, after debiting Tony's salary of ₹ 12,000 per annum but before considering any interest due to and due from the partners, was ₹ $4,00,000$.

## You are required to prepare for the year 2018-19:

## (i) Profit and Loss Appropriation Account.

(ii) Partners' Capital Accounts.

Question 7
Smita and Punita are partners in a firm sharing profits and losses in the ratio of 3:2. Their Balance Sheet as at $31^{\text {st }}$ March, 2019, is as follows:

## Balance Sheet of Smita and Punita

As at 31 ${ }^{\text {st }}$ March, 2019

| Liabilities | Amount (₹) | Assets | Amount (₹) |
| :--- | ---: | :--- | ---: |
| Sundry Creditors | 14,000 | Cash in hand | 30,000 |
| Bank Loan | 6,000 | Sundry Debtors. 22,000 |  |
| General Reserve | 10,000 | Less Provision for |  |
|  |  | doubtful debts (2000) | 20,000 |
| Capital Accounts: |  | Furniture | 10,000 |
| Smita 30,000 |  | Stock | 40,000 |
| Punita 40,000 | 70,000 |  |  |
|  | $1,00,000$ |  | $1,00,000$ |

On $1^{\text {st }}$ April, 2019, Mita is admitted as a new partner on the following terms:
(a) The new profit sharing ratio of Smita, Punita and Mita to be 5:3:2.
(b) Provision for doubtful debts to be raised to $10 \%$ of the debtors.
(c) Punita to take over the firm's investments (not recorded in the books) at ₹ 3,000 .
(d) Goodwill of the firm to be valued at ₹ 50,000 . Mita to bring in cash for her share of goodwill.
(e) $50 \%$ of the goodwill to be withdrawn by the old partners.
(f) Mita to pay off the Bank Loan on behalf of the firm. The amount due to her by the firm, to be considered as part of her capital contribution.
(g) Mita to bring in the balance of her capital in cash, so as to make her capital equal to $1 / 5^{\text {th }}$ of the total capital of the firm.

## You are required to:

(i) Pass journal entries at the time of Mita's admission.
(ii) Prepare the Balance Sheet of the reconstituted firm.

## Question 8

(A) Xylo Ltd. was formed on $1^{\text {st }}$ April, 2017, with an authorized capital of ₹ $12,00,000$ divided into Equity Shares of ₹ 10 each. It issued a prospectus inviting applications for 30,000 shares to be issued at par. The issue was fully subscribed and the amount due on the shares was received by the company. On $1^{\text {st }}$ April, 2018, the company issued another 60,000 shares at a premium of ₹ 2 per share to be received with allotment. Applications for 55,000 shares
were received which were duly allotted.
All the amounts due on these shares were received except the final call of ₹ 2 per share on 1,000 shares.
On $1^{\text {st }}$ October, 2018, the company also issued 2,000 $6 \%$ debentures of ₹ 100 each at par, to be redeemed at par in five equal annual instalments beginning from $1^{\text {st }}$ October, 2019. The entire issue price of these debentures was received by the company with application.

Half yearly interest on the debentures of ₹ 6,000 was paid by the company to the debenture holders on $31^{\text {st }}$ March, 2019.
You are required to show the relevant items under:
(i) Equity and Liabilities in the Balance Sheet of the Company as at $31^{\text {st }}$ March, 2019 (prepared as per Schedule III of the Companies Act, 2013).
(ii) Notes to Accounts.
(B) Under which heads and sub-heads will the following items appear in the Balance Sheet of a company as per Schedule III of the Companies Act, 2013:
(i) Trade Debtors
(ii) Marketable Securities
(iii) Finished Goods
(iv) Patents

## SECTION B (20 Marks)

Answer any two questions

## Question 9

(A) Assuming that the current ratio of a company is $0.7: 1$, mention whether this ratio would increase, decrease or not change after the following transactions:
(i) Payment of ₹ 15,000 made to a creditor.
(ii) Purchase of inventory worth ₹ $1,00,000$ on credit.
(B) Prepare a Comparative Statement of Profit and Loss of Cosmos Ltd. from the following information:

| Particulars | 31.03.2019 | 31.03.2018 |
| :--- | :---: | :---: |
| Revenue from Operations | ₹ $20,00,000$ | ₹ $10,00,000$ |
| Purchases of stock-in-trade | $₹ 12,00,000$ | $₹ 6,00,000$ |
| Charge in Inventories of Stock-in-trade | $25 \%$ of | $20 \%$ of |
|  | purchases of | purchases of |
| Other Expenses | stock-in trade | stock-in trade |
|  | $₹ 1,00,000$ | $₹ 80,000$ |

(C) From the following extract of the Balance Sheet of Regal Ltd., taking into consideration the additional information, you are required to calculate the amounts of the following items to be shown in the company's Cash Flow Statement for the year 2018-19:
(i) Fixed asset purchased.
(ii) Fixed asset sold.
(iii) Profit/Loss on sale of fixed asset.
(iv) Depreciation charged on fixed assets.

| Particulars | $\mathbf{3 1 . 0 3 . 2 0 1 9}$ (₹) | 31.03.2018 (₹) |
| :--- | ---: | ---: |
| Fixed Asset | $6,00,000$ | $4,90,000$ |

Additional information:
(i) The provision for depreciation on fixed assets stood at ₹ $1,40,000$ on $31^{\text {st }}$ March, 2018 and ₹ $1,80,000$ on $31^{\text {st }}$ March, 2019.
(ii) During the year 2018-19, a fixed asset costing ₹ 60,000 (book value ₹ 30,000 ) was sold for ₹ 20,000 .

## Question 10

You are required to prepare a Cash-Flow Statement (as per AS-3) for the year 2018-19 from the following Balance Sheets.

Balance Sheets of Hillock Ltd.
As at 31 ${ }^{\text {st }}$ March, 2018 and 31 ${ }^{\text {st }}$ March 2019

| Particulars | Note No. | $\begin{gathered} \hline \text { 31.3.2019 } \\ (\boldsymbol{₹}) \end{gathered}$ | 31.3.2018 <br> (₹) |
| :---: | :---: | :---: | :---: |
| I. EQUITY AND LIABILITIES |  |  |  |
| 1. Shareholders' Funds: |  |  |  |
| (a) Equity Share Capital |  | 2,50,000 | 2,00,000 |
| (b) Reserves and Surplus | 1 | 90,000 | 50,000 |
| 2. Current Liabilities: |  |  |  |
| (a) Short-term Borrowings (Bank overdraft) |  | -- | 10,000 |
| (b) Trade Payables |  | 20,000 | 15,000 |
| (c) Other Current Liabilities | 2 | 5,000 | 5,000 |
| (d) Short-term Provisions (Provision for Tax) |  | 25,000 | 20,000 |


| Total | 3,90,000 | 3,00,000 |
| :---: | :---: | :---: |
| II. ASSETS |  |  |
| 1. Non-Current Assets: |  |  |
| Fixed Assets Tangible <br> 2. Current Assets: | 2,55,000 | 2,35,000 |
| (a) Current Investments | 30,000 | -- |
| (b) Inventories | 15,000 | 25,000 |
| (c) Trade Receivables | 40,000 | 10,000 |
| (d) Cash and Bank Balances | 50,000 | 30,000 |
| Total | 3,90,000 | 3,00,000 |

## Notes to Accounts:

| Particulars | $\mathbf{3 1 . 3 . 2 0 1 9}$ <br> (₹) | $\mathbf{3 1 . 3 . 2 0 1 8}$ <br> (₹) |
| :--- | ---: | ---: |
| 1. Reserves and Surplus |  |  |
| Balance in Statement of Profit and Loss | 70,000 | 40,000 |
| Securities Premium Reserve | 20,000 | 10,000 |
|  | 90,000 | 50,000 |
| 2. Other Current Liabilities |  |  |
| Outstanding Expenses | 1,000 | 5,000 |
| Unclaimed Dividend | 4,000 | -- |
| 3. Contingent Liability | 5,000 | 5,000 |
| Proposed Dividend |  |  |
|  |  | 5,000 |

## Additional Information:

During the year 2018-19:
(i) A tangible fixed asset costing ₹ 50,000 was purchased.
(ii) Tax paid ₹ 15,000 .
(iii) Interest of ₹ 1,000 was paid on the bank overdraft.

## Question 11

(A) State the objective of calculating Liquidity Ratios.
(B) From the following information, calculate Earnings per share (up to two ..... [2] decimal places):
Particulars

| $10 \%$ Preference Share Capital | ₹ $6,00,000$ |
| :--- | ---: |
| Equity Share Capital ( $3,00,000$ shares of ₹ 10 each $)$ | ₹ $30,00,000$ |
| Profit before Tax | ₹ $15,00,000$ |
| Tax Rate | $30 \%$ |

(C) From the following information, calculate the following ratios (up to two decimal places):(i) Debt to Total Assets Ratio
(ii) Proprietary Ratio
(iii) Inventory Turnover Ratio
Particulars(₹)
Fixed Assets ..... 14,00,000
Current Assets (including inventory of ₹ $2,00,000$ ) ..... 10,00,000
Shareholders' Funds ..... 14,40,000
Non- Current Liabilities (10\% Long-term Bank Loan) ..... 8,00,000
Current Liabilities ..... 5,00,000
Revenue from Operations ..... 15,00,000
Gross Profit ..... 6,00,000[2]
SECTION C (20 Marks)
Answer any two questions.
Question 12
(a) You enter 50+16 in a cell. The worksheet does not display 66 in the cell, instead[2]it shows $50+16$. What is the reason for this?
(b) Explain the meaning of the following functions:[2]
(i) $\operatorname{Count}(\mathrm{C} 15: 30)$
(ii) $\operatorname{Max}(\mathrm{A} 4: \mathrm{A} 10)$
(c) What is Auto filling? ..... [2]
(d) What does the error \# VALUE mean? ..... [2]
(e) Give the full form of SQL. ..... [2]

## Question 13

The spread sheet below shows the sales of Nippon Ltd. made by four salesmen in the four quarters of the financial year 2018-19:

|  | A | B | C | D | E | F | G | H |
| :---: | :--- | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| 1 | Sales in ₹ |  |  |  |  |  |  |  |
| 2 | Salesman <br> No. | Qtr 1 | Qtr <br> 2 | Qtr 3 | Qtr 4 | Total <br> Sales | Commission <br> @ 8\% of <br> sales | Commission <br> @5\% of <br> sales |
| 3 | S1 | 7000 | $?$ | 8500 | 9500 |  |  |  |
| 4 | S2 | 6000 | 7000 | 8400 | 9200 |  |  |  |
| 5 | S3 | 7200 | 8000 | 9300 | 9000 |  |  |  |
| 6 | S4 | 9100 | 9000 | 9600 | 8700 |  |  |  |
| 7 | Total |  |  |  |  |  |  |  |

Answer the following questions based on the above spreadsheet:
(a) It is the policy of the company to sell its goods at a profit of $25 \%$ on cost.

Write the formula to calculate:
(i) The profit made on the goods sold by Salesman No. S2 in Qtr 3.
(ii) The cost of goods sold by Salesman No. S3 in Qtr 4.
(iii) The total cost of the goods sold by the company in cell F7.
(b) Calculate the price at which Salesman No. S1 would have made sales in Qtr 2 if the profit made on the sales was ₹ 1,500 .
(c) Write an expression to show the effect on the profits, if the rate of commission was reduced from $8 \%$ to $5 \%$ of the sales.

## Question 14

(a) What is meant by the terms Back-end and Front-end as used in data applications?
(b) Define:
(i) Table
(ii) Field
(c) Name any two business applications of DBMS
(d) Give any two features of a primary key.

