

Half Yearly Examination 2017-2018

Std. : 12
Subject : ACCOUNTS

Full Marks : 80
Time : 3 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 Section B. 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. Use calculator fx 82 ms. This paper consists of total 11 questions.

Section-A

Part-I

Question-1

- (i) As per section 49 of partnership act write any two differences between Firm's Debts and Private Debts.
- (ii) A, B and C are sharing profits in the ratio of 3:2:1. Goodwill is appearing in the books at a value of ₹ 24,000. B retired and on the date of B's retirement Goodwill is valued at ₹ 60,000. A and C decided to share future profits in the ratio of 3:2. Pass the necessary Journal entries.
- (iii) Explain the treatment of interest on loan given by the firm and interest on loan taken by the firm. Give journal entry for both the conditions.
- (iv) What are the purposes where Securities premium reserve can be utilised as per section 52 companies act 2013 ?
- (v) State the two conditions which be fulfilled to reissue the forfeited shares. [12]

Part-II

Question-2

- (A) As per mutual agreement, Ms. Silver is entitled to commission @ 10% of the net profit of the of the year for managing the day-to-day affairs of the concern. The net loss suffered by the business before appropriating any such commission amounted to ₹ 59,975; due to mainly freak accident. This was fortunately more than buffered by a General Reserve of ₹ 1,40,000 built up the last two years, which is now to be written back in full. The other points of the agreement between the two partner were :
- Capital of both the partners and loans to fetch interest @ 10% p.a.
 - Both partner to be charged interest @ 6% p.a. for any drawings made during the year
 - One-hundredth of the current value of the business premises being used be paid annually to Ms. Gold, the owner of the property.
 - Losses and gains of the business activities to be shared in the ratio of 16:32.

- A quarter of the annual profit to be transferred to the General Reserve account. The books of accounts and other facts reviewed at the year end showed that :
- Ms. Silver had an opening capital balance of ₹ 95,000. Therefore, additional capital contribution were brought in by her on 1.2.2004, ₹60,000, and also 31.10.2004, ₹35,000.
- Ms. Gold had an opening capital balance on 1.11.2003 of ₹ 1,05,000. On 15th July she brought in a machine costing ₹ 30,000 and on 1.10.2004 cash ₹ 66,000.
- The current value of business premises in use is estimated mutually at rupees ten lakhs.
- Ms. Silver had totally withdrawn ₹ 12,000 during the year and Ms. Gold ₹18,000.
- Ms. Gold had not given any loan, but Ms. Silver had given loan ₹ 30,000 on 1.11.2003.
- Interest on loan is to be calculated as per partnership deed.

You are requested to draw up the necessary accounts showing the distribution of profits between the partners. [8]

(B) Following information is available about the business of a firm :

- (i) Profits : In 2010-40,000; 2011-50,000; 2012-60,000,
- (ii) Non recurring income of ₹1,000 is included in the profits of 2011
- (iii) Profits 2010 have been reduced by ? ₹6,000 because goods were destroyed by fire.
- (iv) Goods have not been insured but it is thought to insure them in future The insurance premium is estimated at ₹ 400 per year
- (v) Reasonable remuneration of the proprietor of business is ₹ 6,000 per year, but it has been taken not for calculation of above mentioned profits.
- (vi) Profits of 2012 include ₹5,000 income on investment.

Goodwill is agreed to be valued at two years' purchase of the weighted average profits of the past three years. The appropriate weights to be used are :-

2010-1; 2011-2; 2012-3

[4]

Question-3

(A) Amit and Vinod commenced business as partners on 1.1.2016, introducing ₹ 1,00,000 each for equal share in profits. However, as fresh capital of ₹ 50,000 was needed by 30.9.2016 and as this was introduced by Amit, the profit-sharing ratio was changed to 3:2 on and 1.10.2016.

Vinod was entitled to monthly drawing of ₹ 1,000, subject to interest at 6% p.a. He drew the amounts on the last working day of each month. The profit for the year 2016 before adjustment of interest on drawing was ₹ 24,000 and for the purpose of division between partners, it was assumed to have accrued evenly throughout the year. Show how the profit for the year is to be distributed between the partners and also their Capital Accounts. [4]

(B) From the following information prepare Zeenat's Executors account who died on 1.8.2011.

- (i) Amount due to Zeenat is ₹ 60500/- on the same date.

- (ii) A sum of ₹ 10500/- is to be paid immediately to the executor's of Zeenat and the balance to be paid in four equal half-yearly instalments along with interest @ 10%p.a. (interest accrued but not due basis) and the firm closes its accounts on 31.3.2011. [4]

(C) Following is the balance sheet of a partnership firm on 31.3.2017:

Liabilities	Amt.	Assets	Amt.
Capital accounts :		sundry Assets	54,000
Rajan 32,000			
Rama <u>24,000</u>	56,000	Goodwill	10,000
General Reserves	8,000	Cash at Bank	6,000
Trade Creditors	6,000		
	<u>70,000</u>		<u>70,000</u>

They admit Rakesh as a third partner on 1.4.2017, with 1/4th share in the future profit of The firm and, for the purpose, goodwill of the is valued at ₹16,000. He is bring ₹ 20,000 In cash which includes the required amount of premium for goodwill. Show the necessary journal entries. [4]

Question-4

(A) The Balance Sheet of Abraham,Bharat.and Chitra who were sharing profits in proportion to 2:1:1 stood as follows as at 31.3.2016 :

Liabilities	Amt.	Assets	Amt.
Creditors	84,000	Cash at Bank	35,000
Reserve	26,000	Debtors	1,80,000
Capitals Accounts:		Stock	2,15,000
Abraham 3,00,000		Fixed Assets	4,00,000
Bharat 2,00,000		Chitra's Loan	20,000
Chitra 2,00,000	7,00,000		
Profit for the year 2015-16	40,000		
	<u>8.50.000</u>		<u>8.50,000</u>

The above balance sheet is wrong since Chitra has retired with effect from 1.1.2016. No adjustments have been made in the books on C's retirement.

You are required to prepare Chitra's capital account. The Goodwill of the firm was valued ₹ 72,000. [8]

(B) Give the Journal entry to distribute 'Workmen Compensation Reserve' of ₹ 70,000 at the time retirement of Neeti when there is a claim of ₹ 25,000 against it. The firm has three partner Raveena. Neeti and Rajat. [4]

Question-5

Erica, Aditi and Tarini were partners in a firm sharing profits and losses in the ratio of 5:3:2. Due to difference of opinion,they decided to wind up their partnership firm with effect from 1.4.17. On which date the firm's Balance Sheet was as follows :

Balance Sheet
As at 1.4.17

Liabilities		Amt.	Assets	Amt.
Employees Providend Fund		8,000	Cash at Bank	20,000
Sundry Creditors		10,000	Debtors	22,000
Investment Fluctuation Reserve		4,000	Less.Prov. For d/d	(2,000)
Aditi's Loan		5,000		20,000
Current Accounts			Stock	12,000
Erica	8,000		Plant and Machinery	30,000
Adit	10,000	18,000	Land and Building	45,000
Capital Accounts			Investments	35,000
Erica	60,000		Erica's Loan	3,000
Aditi	40,000		Current Accounts :	
Tarini	30,000	130,000	Tarini	5,000
			Advertisement Suspense	5,000
		<u>1,75,000</u>		<u>1,75,000</u>

The following additional information was given:

- Plant and Machinery costing ₹ 20,000 was taken over by Erica at ₹ 16,000 and the remaining machineries realised ₹ 9,000.
- Land and Building realised ₹ 42,000.
- Investment were taken over by Aditi at ₹ 28,000.
- A creditor for ₹ 2,000 was untraceable and other creditors accepted payments allowing 10% discount.
- Interest on loan is to be charged to Erica for ₹ 500.
- After all the payments made if there is any balance left in bank account will be adjusted as per the law. Prepare necessary accounts.(strictly follow the rules of section 48 of partnership act.) [12]

Question-6

- (A) Zen Co. Ltd. was incorporated with an authorised share capital of 1,00,000 equity shares of ₹10 each. The directors decided to allot 10,000 shares credited as fully paid to the promoters for their services.

The company also purchased land and building from Ambika co. Ltd. for ₹4,00,000 payable in fully paid-up shares of the company. The balance of the shares were issued to the public.which were fully subscribed and paid for. You are required to pass necessary journal entries. [4]

- (B) Dynamic Ltd. makes an issue of 5,000 equity shares of ₹ 100 each at a premium of ₹12.50 per share payable as follows :

Application	₹12.50	
Allotment	₹25	(including premium)
First call	₹50	
Second call	₹15	
Final call	₹10	

The Application and Allotment money are duly received and in addition, holders of 2,500 shares pay in full on allotment. Holders of 100 shares fail to pay the First call, after due notice, their shares are forfeited. The amounts payable on the Second call(made after the forfeiture) are paid in full except that a holder of 50 shares fail to pay. 75 of the 100 forfeited shares are reissued, credited with ₹90 paid for 265 per share. The holder pays for these shares in full. The balance of ₹10 per share being treated as calls in advance. The final call is met in full including the arrears of the Second Calls.

Show the necessary journal (excluding cash transactions) and prepare Cash Book, Share Capital Account, Share Forfeiture Account, Calls in advance Account. [8]

Question-7

(A) X Ltd. purchased machinery for ₹ 5,50,000 from Y Ltd. ₹ 55,000 were paid by X Ltd. in cash and the balance was paid by issue of 9% debentures of ₹ 1,000 each at 10% premium redeemable after three years. Pass necessary journal in the books of the company. [4]

(B) X Ltd. purchased the following assets of Y Ltd :

Land-₹30,00,000; Building - ₹ 10,00,000 ; Furniture - ₹ 5,00,000.

XLtd. has also taken over the following liabilities :

Long - term Bank Loan - ₹ 10,00,000; Sundry Creditors - ₹5,00,000.

The purchased consideration was agreed at ₹ 33,00,000.

X Ltd. paid the purchase consideration by issuing 10% Debenture of ₹ 100 each at a premium of 10%. You are required to pass necessary journal entries in the books of XLtd [4].

(C) From the following details show how the capital structure and other items relating to a limited company would appear in its Balance Sheet :

The authorised capital consisted of 3,000, 10% cumulative preference shares of ₹ 100 each and 8,000 equity shares of ₹100 each, out of which 1,000 cumulative preference shares were issued to the public, fully called and paid up, and 3,000 shares have been issued and fully called up but there are arrears of ₹ 20 per shares on 400 shares. Capital Reserve Account ₹ 15,000, Mortgage Debentures ₹ 50,000, Bank Overdraft ₹ 25,000, Profit and Loss Surplus ₹76,000, Securities Premium Reserve Account ₹ 22,000. [4]

Question-8

Bijoli and Jonaki are partners in a firm sharing profits and losses as 3:2. Their Balance Sheet on 31.12.16, stands as follows:

Liabilities	Amt.	Assets	Amt.
Creditors	35,000	Cash	4,000
Capital Accounts :		Debtors	22,000
Bijoli 40,000		Less.PBD	2,000
Jonaki 20,000	60,000	Stock	18,000
		Machinery	20,000
		Land and Building	33,000
	<u>95,000</u>		<u>95,000</u>

On 1.1.2017, they agree to take Aleya as a partner on the following conditions:

- (i) That goodwill of the shall be valued at ₹ 23,750 and Aleya shall pay her share of goodwill in cash.
- (ii) That Aleya shall contribute ₹15,000 as her share of capital.
- (iii) That land and building shall be increased to ₹ 42,000, machinery shall be depreciated to ₹ 20,000, provision for bad debts shall be raised to 3,000 and another provision shall made for a probable liability for damages amounting to ₹ 1,300.
- (iv) That the profit and loss sharing ratio shall be so adjusted between Bijoli and Jonaki the former ratio is maintained, while between Jonaki and Aleya there shall be the same ratio as between Bijoli and Jonaki.
- (v) That the capitals shall be adjusted (without disturbing the new total capital) so as to correspond with the new ratio. the excess or deficit being transferred to their respective current accounts. Show Journal entries to give the effect and prepare partners capital account. (Show your workings clearly).

[12]

Section-B

(Answer any two from this section)

Question-9

- (A) Calculate the amount of Opening Trade receivable and Closing Trade Receivable from the following figures;

Trade Receivable turnover ratio	4 Times
Cost of revenue from operations	₹ 6,40,000
Gross Profit Ratio	20%

Closing trade receivables were ₹ 20,000 more than at the beginning.

Cash sales being 33 1/3rd % of Credit sales.

[4]

- (B) The current ratio of a company is 2:1. State giving reasons which of the following would improve, reduce or not change the ratio :

- (a) Repayment of current liability
- (b) Purchase of goods in cash.

[4]

- (C) Write any two importance of ratios.

[2]

Question-10

- (A) The following data has been abstracted from the accounts of a company.

Share Capital- (20000 eq. share @10 each)	2,00,000
General Reserve	1,50,000
Securities premium reserves	50,000
15% Long term loan	3,00,000
Profit before tax	1,40,000
Provision for taxation	84,000
Proposed Dividend	10,000
Fixed Assets	6,00,000

Current Assets 4,00,000

From the details given above, calculate the following ratios:

- (a) Debt equity Ratio
- (b) Interest coverage ratio, and
- (c) Earning per share. [6]

- (B) From the following information drawn from statement of Profit and Loss of Gold Star Ltd. for the years ended 31st March, 2014 and 2013, prepare comparative statement of Profit and Loss :

Particulars	31st March 2014 (₹)	31st March 2013 (₹)
Revenue from operations	40,00,000	32,00,000
Employees Benefit expenses	20,00,000	16,00,000
Other expenses	2,00,000	4,00,000
Tax Rate 40%		[4]

Question-11

- (A) From the following Balance sheet of XYZ Ltd. as at 31st March, 2014 and 2013, prepare common size balance sheet.

Balance sheet as at 31st March, 2014 & 2013

Particulars	31st March 2014 (₹)	31st March 2013 (₹)
I. Equity and Liabilities		
1. Shareholders Funds		
a) Share Capital	10,00,000	5,00,000
b) Reserves and surplus	2,00,000	3,00,000
2. Non-current Liabilities		
Long-term Borrowings (12% Loan)	8,00,000	5,00,000
3. Current Liabilities		
Trade Payables	4,00,000	2,00,000
Total	<u>24,00,000</u>	<u>15,00,000</u>
II. Assets		
1. Non-current Assets		
(a) Fixed Assets (Tangible)	15,00,000	10,00,000
2. Current Assets		
(a) Cash and bank balance	9,00,000	5,00,000
Total	<u>24,00,000</u>	<u>15,00,000</u>

[8]

- (B) Distinguish between comparative and common size. [2]