Practice Paper-2 for March 2019

CLASS: XII **M.M : 80**
SUBJECT: Accountancy **TIME : 3 Hrs**

Note: -Questions should be attempted in serial order. Working notes must be shown properly with the solutions and Rough work should be done separately.

Part –A

Q1. A partner took over furniture valued at ₹30,000 , for ₹20,000. Journalise the transaction, at the time of dissolution of the firm. (1)

Q2. Why is it necessary to revalue assets and liabilities of a firm in case of retirement of a partner?
OR
Why are Reserves and Surplus distributed at the time of retirement of a partner ? (1)

Q3. State the basis of accounting on which 'Income and Expenditure Account' is prepared in case of Not-for Profit Organisation.
OR
What will be the treatment of Donation in the accounting records of a charitable hospital, if it is made by an old man for construction of two more rooms. (1)

Q4. One of the partners in a partnership firm has withdrawn ₹ 9,000 at the end of each month, for six months. Calculate interest on drawings at the rate of 6% per annum. (1)

Q5. Differentiate between 'Equity Share' and 'Preference Share' on the basis of voting right?
OR
What is the purpose of 'Employee Stock Option Plan'? (1)

Q6. Average Profit is ₹ 3,00,000, Capital Employed is ₹10,00,000, Normal Rate of Return is 20%. Calculate the value of goodwill on the basis of Capitalisation of Super Profit. (1)

Q7. P, Q and R are partners in a firm. Their profit-sharing ratio is 3 : 2 : 1. However, R is guaranteed a minimum amount of ₹1,00,000 as share of profit every year. Any deficiency arising on that account shall be borne by Q. The profits for two years ending 31st March, 2017 and 2018 were ₹4,50,000 and ₹7,50,000 respectively. Prepare Profit and Loss Appropriation Accounts for two years. (3)

Q8. P.K. International Ltd. issued 2,000, 10% Debentures of ₹ 100 each at a premium of 5% repayable at a premium of 10%. The Board of Directors decided to transfer the minimum required amount to Debenture Redemption Reserve as per the Companies Act, 2013 for the redemption. Give necessary Journal entries at the time of redemption of debentures. Assume that investments, as required by law were made and realised at 10% above the book value. (3)

Q9. (a) XYZ Ltd. issued 2,500; 10% Debentures of ₹ 1,000 each. Give Journal entries when:
(i) Debentures were issued at a premium of 20%.
(ii) Debentures were issued as a collateral security to Bank against a loan of ₹ 20,00,000.
(iii) Debentures were issued to a supplier of machinery costing ₹ 25,00,000. (3)

Q10. What amount of medicines should be posted to the Income and Expenditure account for the year ended 31-12-2017 and the Balance Sheet as at 31-12-2017?

Stock of medicines on 1-1-2017	₹ 6,000
Creditors for medicines on 1-1-2017	₹ 4,000
Stock of medicines on 31-12-2017	₹ 1,000
Amount paid for medicines during 2017	₹ 2,1600

Advance paid for medicines on 31-12-2017 ₹ 6,000 (3)

Q11. X,Y and Z are partners sharing profits in the ratio of 3:2:1.Their Balance Sheet as at 31st March,2017 stood as under:

Balance Sheet as at 31st March,2017

Liabilities	₹	Assets	₹
Capital A/cs:		Fixed assets	6,50,000
X 2,20,000		Investments	40,000
Y 1,40,000		Advertisement Suspense	30,000
Z 1,20,000	4,80,000	Account	
General Reserve	65,000		
Investment Fluctuation Fund	30,000		
Profit and Loss A/c	25,000		
Creditors	1,20,000		
	7,20,000		7,20,000

Partners decided that with effect from 1st April, 2017 they will share profits and losses equally. For this purpose goodwill of the firm was valued at ₹1,50,000. Investments to be valued at ₹ 20,000. The partners neither want to record goodwill nor want to distribute general reserve or any other profit or loss. Pass journal entries to record the change. (4)

Q12. On 31st December, 2017,the Balance sheet of P,Q and R who were the partners in a firm was as under:

Liabilities		₹	Assets	₹
Sundry creditors		25,000	Building	26,000
Reserve fund		20,000	Investments	15,000
P's capital	15,000		Debtors	15,000
Q's capital	10,000		Bills receivable	6,000
R's capital	10,000	35,000	Stock	12,000
			Bank Balance	6,000
		80,000		80,000

R died on 1st April, 2018. The partnership deed provides that the profits be shared in the ratio of 2:1:1 and in the event of death of partner, his executors are entitled to:

I. The capital to his credit at date of his last Balance sheet.
II. His proportion of reserves at the date of last balance sheet.
III. His proportion of profits to the date of death based on the average profit of the last three completed years.
IV. By way of goodwill, his proportion of the total profits for the three preceding years.
V. The net profit for the last three years was:
    a. 2015-₹ 16,000; 2016-₹ 16,000; 2017 -₹ 15,400.
VI. Investments were sold at par.

Half of the amount due to R was paid to his executors and for the balance, they accepted a Bills Payable. Prepare R's capital Account to be rendered to his executors . (4)

Q 13. Following is the Receipts and Payments Account of a recreation club for the year ended 31st March 2017: **Receipts and Payments Account, for the year ended 31st March 2017**

Receipts	(₹)	Payments	(₹)
To cash in Hand	8,320	By Rent of Hall	3,600
To Subscriptions	26,000	By Salaries	5,200
To Entrance Fees	3,900	By Sports Equipment	16,640
To Sale of refreshment	9,880	By Dance Expenses	4,940
To Sale of Dance Tickets	5,850	By Refreshment	6,760
To Interests on Investments @7%	4,550	By Honorarium	1,040
		By Sundry Expenses	3,250
		By Electricity charges	1,820
		By Cash at Bank	15,250
Total	58,500	Total	58,500

Additional information provided to you:
On 31st March, 2017: Subscription in arrears ₹1,950, Subscription received in advance ₹520.
On 31st March 2016: Subscription in arrear ₹1,690, Subscription received in advance ₹ 2,340.
50% of Entrance Fees is to be capitalized.
Depreciation to be provided @ 10% p.a. on Sports Equipment.
Prepare Income and Expenditure account for the year ended 31st March, 2017 (6)

Q14. Girija and Ganesh were partners in a firm sharing, profits and losses in the ratio of 2 : 3. On 31st March, 2017 their Balance Sheet was as follows :

Liabilities		(₹)	Assets		(₹)
Creditors		80,000	Cash at Bank		20,000
Bank Loan		50,000	Debtors	55,000	
Girija's brother's loan		77,000	Prov. for Doubtful Debts	2,000	53,000
Ganesh's loan		28,000	Stock		78,000
Investment Fluctuation Fund		15,000	Investment		89,000
Capitals:			Building		2,50,000
Girija	1,50,000		Profit and Loss Account		10,000
Ganesh	1,00,000	2,50,000			
		5,00,000			5,00,000

On the above date the firm was dissolved. The assets were realized and the liabilities were paid off as follows :
(a) Debtors of ₹6,000 were proved bad.
(b) Girija agreed to pay off her brother's Loan.
(c) One of the creditors for ₹10,000 was paid only ₹3,000 in full settlement of his account.
(d) Buildings were auctioned for ₹1,80,000 and the auctioneer's commission amounted to ₹8,000.
(e) Ganesh took over part of stock at ₹ 4,000 (being 20% less than the book value). Balance of the Stock was handed over to the remaining creditors in full settlement of their account.
(f) Investments realized ₹9,000 less.

(g) Realisation expenses amounted to ₹17,000 and were paid by Ganesh.
Prepare Realisation Account. (6)

Q15. Mridula, Sudha and Kamla are partners in a firm sharing profits in the ratio of 3:1:1. Their fixed capital balances are ₹4,00,000, ₹1,60,000 and ₹1,20,000 respectively. Net profit for the year ended 31st March, 2018 distributed amongst the partners was ₹1,00,000, without taking into account the following adjustments:
a) Interest on capitals @ 2.5% p.a.;
b) Salary to Mridula ₹18,000 p.a. and commission to Kamla ₹12,000
c) Mridula was allowed a commission of 6% of divisible profit after charging such commission.
Pass a rectifying journal entry in the books of the firm. Show workings clearly.

OR

Partners of a firm, Ankit, Bilal and Chintu distributed the profits for the year ended 31st March, 2017, ₹ 80,000 in the ratio of 3:3:2 without providing for the following adjustments:
a) Ankit and Chintu were entitled to a salary of ₹1,500 each p.a.
b) Bilal was entitled for a commission of ₹4,000.
c) Bilal and Chintu had guaranteed a minimum profit of ₹35,000 p.a. to Ankit ,any deficiency to be borne equally by Bilal and Chintu.
Pass a Journal entry for the above adjustments in the books of the firm. Show workings clearly. (6)

Q16. X Ltd. invited applications for issuing 5,00,000 equity shares of ₹ 10 each at par. The amount per share was payable as follows :
On Application ₹ 1 per share
On Allotment ₹2 per share
On First call ₹3 per share
On Second and Final call – Balance.
Applications for 8,00,000 shares were received. Applications for 1,00,000 shares were rejected and pro-rata allotment was made to the remaining applicants. Excess money received with applications was adjusted towards sums due on allotment. All calls were made. Ashok a shareholder holding 5000 shares failed to pay the allotment and the call money. Mohan, a shareholder who had applied for 7000 shares, failed to pay the first and second and final call. Shares of Ashok and Mohan were forfeited after the second and final call. Of the forfeited shares 8000 shares were re-issued at ₹12 per share fully paid up. The re-issued shares included all the forfeited shares of Ashok.
Pass necessary journal entries in the books of X Ltd. for the above transactions by opening calls in arrears and calls in advance account wherever necessary.

OR

A company issued for public subscription 50,000 equity shares of ₹10 each at a premium of ₹ 4 per share, payable as under:

On application	₹ 2 per share
On allotment	₹ 5 per share(including premium)
On first call	₹ 4 per share(including premium)
On final call	₹ 3 per share

Applications were received for 75,000 equity shares. The shares were allotted on pro data basis to the applicants for 60,000 shares, the remaining applications being rejected. Money overpaid on applications was utilized towards sum due to allotment.

Ram, to whom 2,000 were allotted, failed to pay allotment and calls money and Sohan, to whom 2,500 shares were allotted ,failed to pay the two calls. These shares were, subsequently forfeited after the final call was made . All the forfeited shares were reissued to X as fully paid-up @8 per share.
Pass necessary journal entries in the books of this company for the above transactions by opening calls in arrears and calls in advance account wherever necessary. (8)

Q.17 Ishu and Vishu are the partners sharing profits in the ratio of 3:2. Their balance sheet as at 31st March, 2017 was as follows:

Liabilities	₹	Assets	₹
Creditors	66,000	Cash at bank	84,000
General reserve	10,000	Debtors	35,000
Capital A/cs:		Building	98,000
Ishu 1,19,000		Plant and machinery	90,000
Vishu 1,12,000	2,31,000		
	3,07,000		3,07,000

Nishu was admitted on that date for 1/6th share on the following terms:

(i) Nishu will bring ₹ 56,000 as his share of capital.
(ii) Goodwill of the firm is valued at ₹ 84,000 and Nishu will bring his share of goodwill in cash.
(iii) Plant and machinery be appreciated by 20%.
(iv) 20% of the General Reserve is to remain as a reserve for bad and doubtful debts.
(v) There is liability of ₹ 9,800 included in sundry creditors that is not likely to arise.
(vi) Capitals of Ishu and Vishu will be adjusted on the basis of Nishu's capital and any excess or deficiency will be made by withdrawing or bringing in cash by the concerned partner.

Pass necessary journal entries. (8)

OR

A ,B and C are partners in a firm sharing profits in the ratio of 3:2:1 respectively. On March 31,2017, the Balance Sheet of The Firm stood as follows:

Liabilities	₹	Assets	₹
Creditors	13,590	Cash	4,700
Capital A/cs:		Debtors	8,000
A 15,000		Stock	11,690
B 10,000		Buildings	23,000
C 10,000	35,000	Profit and Loss A/c	1,200
	48,590		48,590

B retired on the above mentioned date on the following terms:
(i)Buildings to be appreciated by ₹7,000.
(ii)A provision for doubtful debts to be made at 5% on debtors.
(iii)Goodwill of the firm is valued at ₹18,000 and adjustment in this respect to be made in the continuing partners Capital Accounts without raising the Goodwill Account.

(iv) ₹3,000 to be paid to B immediately and the Balance in his capital Account to be transferred to his Loan Account.
Prepare the Revaluation Account, the Capital Accounts, the Cash Account and the Balance Sheet after B's retirement.

Part- B

Q18. Declaration of Final dividend would result in inflow, outflow or no flow of cash. Give your answer with reason. (1)

Q19. Under which type of activity will you classify ' Issuing 9% Debentures' while preparing Cash Flow Statement ? (1)

Q20. a)Under which head/sub-heads will the following items be placed in the Balance Sheet of a company as per Schedule III of the Companies Act, 2013:
(i) Debenture Redemption Reserve
(ii) Deferred Tax (Asset)
(iii) Loans repayable on demand
(iv) Cash and Cash Equivalents (4)

Q21. On the basis of the following information, calculate: (4)

(i)Debt –Equity Ratio and

(ii)Working Capital Turnover Ratio

Information:	**(₹)**
Net sales	60,00,000
Other current assets	11,00,000
Current liabilities	4,00,000
Cost of goods sold	45,00,000
Paid up share capital	6,00,000
6% Debentures	3,00,000
9% Loan	1,00,000
Debenture Redemption Reserve	2,00,000
Closing Stock	1,00,000

OR

From the following data, calculate Current ratio and Liquid Ratio:

Liquid Assets ₹ 75,000
Inventories(Includes Loose Tools of ₹20,000) ₹ 35,000
Prepaid expenses ₹10,000
Working Capital ₹ 60,000

Q22. From the following information provided prepare a Comparative Income Statement for the period 2016 and 2017. (4)

	2016	2017
Revenue From Operations	₹ 6,00,000	₹ 9,00,000
Gross Profit	40% on Revenue From Operations	50% on Revenue From Operations
Administrative expenses	20% on Gross profit	15% on Gross profit
Income tax	50%	50%

OR

From the above information , prepare a Common Size Income Statement for two years . (4)

Q23. From the following Balance Sheets of Vijaya Ltd. as on 31.3.2009 and 31.3.2010, Prepare Cash Flow Statement.

Particulars	2016(₹)	2017(₹)
I. EQUITY AND LIABILITIES		
1. Shareholder's Funds		
Share Capital	5,00,000	7,00,000
Reserves and Surplus:		
Statement of Profit and Loss	2,00,000	3,50,000
2. Non-Current Liabilities		
Bank Loan	1,00,000	50,000
3. Current Liabilities		
Trade Payables	55,000	52,000
Short term Provisions:		
Provision for Tax	80,000	1,20,000
	9,35,000	12,72,000
I. ASSETS		
1. Non-Current Assets		
(a) Fixed Assets		
(i) Tangible Assets : Plant & Machinery	5,00,000	5,00,000
Intangible Assets : Patents	1,00,000	95,000
(b) Investments	....	1,00,000
2. Current Assets:		
Trade Receivables	80,000	1,47,000
Stock	55,000	1,30,000
Bank	2,00,000	3,00,000
	9,35,000	12,72,000

Additional Information :

I. Tax paid during the year 2016-17 was ₹70,000.
II. During the year 2016-17 Machinery costing ₹ 1,00,000 was purchased. Loss on sale of Machinery amounted to ₹ 12,000. ₹ 18,000 depreciation was charged on Machinery . (6)

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