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ACCOUNTANCY

(Commerce)

(New Course)

Full Marks : 80

Time : 3 hours

The figures in the margin indicate full marks for the questions

General Instructions :

- (i) This question paper contains two Parts—A and B.
- (ii) Part—A and Part—B are compulsory for all candidates.
- (iii) All parts of the questions should be attempted at one place.

PART—A

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

(Marks : 60)

1. Choose and write the correct answer (any *seven*) : $1 \times 7 = 7$

(a) Life membership fee is

(i) liability

(ii) income

(iii) expense

(iv) earned income

(2)

(b) Income and Expenditure Account is

(i) Personal Account

(ii) Real Account

(iii) Nominal Account

(iv) Profit and Loss Account

(c) In the absence of partnership deed, interest on loan of a partner is allowed

(i) at 8% p.a.

(ii) at 6% p.a.

(iii) No interest is allowed

(iv) at 12% p.a.

(d) Goodwill of the firm on the basis of 2 years purchase of average profit of the last 3 years is ₹ 25,000. Find average profit.

(i) ₹ 50,000

(ii) ₹ 25,000

(iii) ₹ 10,000

(iv) ₹ 12,500

(3)

(e) A, B and C are partners sharing profits in the ratio of 4 : 3 : 2. D is admitted for $\frac{1}{3}$ rd share in future profits. What is the sacrificing ratio?

(i) 4 : 3 : 2

(ii) 1 : 1 : 1

(iii) 2 : 3 : 4

(iv) 5 : 4 : 3

(f) Goodwill already appearing in the Balance Sheet at the time of admission of a partner is transferred to

(i) New Partner's Capital Account

(ii) Old Partner's Capital Account

(iii) Revaluation Account

(iv) None of the above

(g) Profit or loss on Revaluation Account is transferred to

(i) Old Partner's Capital Account

(ii) New Partner's Capital Account

(iii) All Partners' Capital Account

(iv) Continuing Partners' Capital Account

- (h) Right issue of shares is issued to
- (i) directors
 - (ii) employees
 - (iii) existing shareholders
 - (iv) public
- (i) Capital Reserve is formed if shares are
- (i) issued
 - (ii) forfeited
 - (iii) forfeited and reissued
 - (iv) All of the above cases
- (j) Debenture is a certificate
- (i) issued by the managing director
 - (ii) issued by the company
 - (iii) issued by the banker of the company
 - (iv) issued to the trade creditors

(5)

2. Answer the following questions (any seven) : 1×7=7

- (a) Explain the term 'redemption of debentures'.
- (b) Name any two types of debentures.
- (c) What is meant by authorized capital of a company?
- (d) Give the meaning of 'forfeiture of shares'.
- (e) What is Employees Stock Option Plan?
- (f) What is sacrificing ratio?
- (g) What is Partnership Deed?
- (h) What is meant by reconstitution of partnership firm?
- (i) What is Revaluation Account?
- (j) State the two rights that a newly admitted partner acquires in the firm.

3. Calculate the amount of expenses to be debited to Income and Expenditure Account ending 31st March, 2019 :

3

	₹
Expenses outstanding on 1st April, 2018	350
Expenses outstanding on 31st March, 2019	600
Expenses prepaid on 31st March, 2019	720
Expenses prepaid on 1st April, 2018	540
Expenses paid in cash during 2018-2019	2,450

(6)

Or

From the following information, show the amount that will appear in Income and Expenditure Account in respect of 'stationery' on 31st March, 2019 :

	₹
Stock of stationery on 1st April, 2018	6,000
Stock of stationery on 31st March, 2019	1,000
Creditors for stationery on 1st April, 2018	4,000
Creditors for stationery on 31st March, 2019	2,600
Amount paid for stationery during the year	21,600

4. *M* Ltd. forfeited 2000 equity shares of ₹ 10 each issued at a premium of ₹ 5 per share held by Ram for non-payment of the final call of ₹ 3 per share. Of these, 100 shares were reissued to Vishu at ₹ 6 per share.

Pass necessary Journal Entries for forfeiture and its reissue.

3

5. *J* and *K* are partners in a firm. Their capitals are *J*—₹ 3,00,000 and *K*—₹ 2,00,000. During the year ended 31st March, 2019, the firm earned a profit of ₹ 1,50,000. Assuming that the normal rate of return is 20%, calculate the value of goodwill of the firm—

(a) by capitalization method;

(b) by superprofit method if the goodwill is valued at 2 years purchase of superprofits.

4

(7)

6. A and B entered into a partnership on 1st April, 2019. They contributed ₹ 1,00,000 and ₹ 2,00,000 respectively and agreed that—

(i) interest on capital should be allowed at 10% p.a.

(ii) A must receive a salary of ₹ 20,000 p.a. and B ₹ 30,000 p.a.

The profits for the year amounted to ₹ 1,20,000 which are to be shared equally amongst the partners. Interest on drawings amounted to ₹ 3,000 for A and ₹ 4,500 for B.

Prepare Profit and Loss Appropriation Account.

4

7. Pass the necessary Journal Entries for issue of 8000, 8% debentures of ₹100 each in the following cases :

4

(i) Issued at a discount of 5% and redeemable at a premium of 4%

(ii) Issued at a premium of 10% and redeemable at a premium of 5%

Or

Arun Ltd. purchased an established business for ₹ 8,00,000 payable as ₹ 2,60,000 in cash and the balance by issue of 12% debentures of ₹ 100 each at a discount of 10%.

Journalize the above transactions in the books of purchasing company (Arun Ltd).

(8)

8. Following is the Receipts and Payments Account of Delhi Charitable Trust for the year ending 31st December, 2019 :

*Receipts & Payments Account of Delhi Charitable Trust
for the year ending on 31st December, 2019*

<i>Receipts</i>		₹	<i>Payments</i>		₹
To	Cash in Hand	11,500	By	Charity	11,500
”	Cash at Bank	12,600	”	Rent and Taxes	3,200
”	Donation	9,000	”	Salary	6,000
”	Subscriptions	42,800	”	Printing	600
”	Legacies	18,000	”	Postage	300
”	Interest on Investment	4,500	”	Advertisement	4,500
”	Sale of Old Newspapers	200	”	Insurance	2,000
			”	Furniture	21,600
			”	Investment	23,000
			”	Cash in Hand	9,900
			”	Cash at Bank	16,000
		<u>98,600</u>			<u>98,600</u>

Additional Information :

- (i) It was decided to treat one-third of the amount received on account of donation as income
- (ii) Insurance premium was paid in advance ₹ 500
- (iii) Interest on investment ₹ 1,100 accrued was not received
- (iv) Rent ₹ 600, salary ₹ 900 and advertisement expenses ₹ 1,000 outstanding as on 31st December, 2019

Prepare Income and Expenditure Account.

6

(9)

Or

From the following information supplied by the accountant of Lion Club for the year ended 31st March, 2019, prepare Income and Expenditure Account :

*Receipts & Payments Account
for the year ended 31st March, 2019*

<i>Receipts</i>	<i>₹</i>	<i>Payments</i>	<i>₹</i>
To Balance b/d	10,000	By Investments @ 8% p.a. on 1st Oct., 2018	10,000
” Subscriptions :		” Furniture	5,400
2018-2019	18,000	” Salaries	4,500
2019-2020	500	” Stationery	1,200
” Entrance Fee	350	” Electric Charges	2,400
” Income from Entertainment	3,400	” Balance c/d	8,900
” Sale of Old Newspapers	150		
	<u>32,400</u>		<u>32,400</u>

Additional Information :

- (i) The Club has 400 members each paying an annual subscription of ₹ 50. Subscriptions still outstanding for 2017-2018 ₹ 200
- (ii) Stock of stationery on 31st March, 2018 ₹ 780 and on 31st March, 2019 ₹ 860
- (iii) On 1st April, 2018, premises were ₹ 16,000. Depreciation on premises and furniture to be charged @ 5% and 10% p.a. respectively

(10)

9. Sharma, Verma and Gupta were partners sharing profits and losses in the ratio of 3 : 2 : 1 respectively. Their Balance Sheet as on 30th June, 2019 stood as follows :

<i>Liabilities</i>	₹	<i>Assets</i>	₹
Sundry Creditors	21,500	Cash	1,000
Loan	21,500	Stock	25,000
Capitals :		Debtors	18,000
Sharma	6,000	Furniture	5,000
Verma	5,000	Machinery	8,000
Gupta	3,000		
	<u>57,000</u>		<u>57,000</u>

The firm was dissolved on the above date. The fixed assets realized ₹ 2,000. Whereas stock and debtors realized ₹ 33,000 in all. The expenses on dissolution were ₹ 600.

Prepare Realization Account, Partners' Capital Accounts and Cash Account.

6

Or

X, Y and Z carrying on business as a partnership firm decided to dissolve the firm on 30th June, 2019 when their Balance Sheet was as follows :

<i>Liabilities</i>	₹	<i>Assets</i>	₹
Creditors	34,000	Cash	25,000
Capitals :		Debtors	62,000
X	1,20,000	Stock	37,000
Y	90,000	Tools	8,000
Z	60,000	Car	12,000
		Machinery	60,000
		Buildings	1,00,000
	<u>3,04,000</u>		<u>3,04,000</u>

(11)

The partnership deed provided that profits will be divided in the ratio of 3 : 2 : 1 respectively among X, Y and Z.

Assets realized as under :

	₹
Stock	40,000
Machinery	78,000
Car	25,000
Debtors	59,000
Tools	5,000
Buildings	84,000
Goodwill	60,000

Creditors were settled at a discount of ₹ 720.

There was an unrecorded asset valued at ₹ 3,000 which was handed over to X for ₹ 2,000.

Prepare Realization Account, Partners' Capital Accounts and Cash A/c.

10. The Balance Sheet of A and B as on 31st March, 2019 is given below :

<i>Liabilities</i>	₹	<i>Assets</i>	₹
A's Capital	60,000	Freehold Property	20,000
B's Capital	30,000	Furniture	6,000
General Reserve	24,000	Stock	12,000
Creditors	16,000	Debtors	80,000
		Cash	12,000
	<u>1,30,000</u>		<u>1,30,000</u>

(12)

A and B share profits and losses in the ratio of 2 : 1. They agree to admit P into the firm subject to the following terms and conditions :

- (i) P will bring in ₹ 21,000 of which ₹ 9,000 will be treated as his share of goodwill to be retained in the business
- (ii) P will be entitled to $\frac{1}{4}$ th share of profits of the firm
- (iii) A provision for doubtful debts is to be created at 3% of the debtors
- (iv) Furniture is to be depreciated by 5%
- (v) Stock is to be revalued at ₹ 10,500

Prepare Revaluation Account and Capital Accounts of the new firm.

8

Or

A, B and C were partners sharing profits in the proportions of $\frac{1}{2}$, $\frac{1}{3}$ and $\frac{1}{6}$ respectively. The Balance Sheet of the firm on 31st March, 2019 was as follows :

Liabilities	₹	Assets	₹
Sundry Creditors	12,600	Cash at Bank	4,100
Provident Fund	3,000	Debtors	30,000
Reserve Fund	9,000	Less : Provisions	<u>1,000</u>
Capitals :		Stock	25,000
A	40,000	Investments	10,000
B	36,500	Patents	5,000
C	20,000	Plant and Machinery	48,000
	<u>1,21,100</u>		<u>1,21,100</u>

(13)

C retired on the above mentioned date on the following terms :

- (i) Goodwill of the firm was valued at ₹ 27,000 but it was not to remain in the books of the new firm
- (ii) Value of the patents was to be reduced by 20% and that of Plant and Machinery by 10%
- (iii) Provision for doubtful debts was to be raised to 6%
- (iv) C took over the investments at a value of ₹ 15,800
- (v) Liability on account of Provident Fund was only ₹ 2,500

Prepare Revaluation Account and Partners' Capital Accounts.

- 11.** Mysore Lamp Ltd. invited the public to subscribe 10000 equity shares of ₹ 100 each at a premium of ₹ 10 per share payable on allotment. Payments were to be made as follows :

On application — ₹ 20

On allotment — ₹ 40

On first call — ₹ 30

On final call — ₹ 20

Applications were received for 13000 shares, applications for 2000 shares were rejected. Allotment was made proportionately to the remaining applicants. Both the calls were made and all the money were received except the final call on 300 shares which were forfeited after due notice. Later 200 shares of the forfeited shares were reissued as fully paid at ₹ 85 per share.

Pass Journal Entries in the books of the company.

8

(14)

Or

Famous Company Ltd. issued 6000 equity shares of ₹ 10 each at a premium of ₹ 2 per share payable as follows :

On application ₹ 3 per share

On allotment ₹ 5 per share including premium

On first and final call ₹ 4 per share

Subscriptions were received for 10000 shares. The excess money was refunded and the allotment money was received in full. In due course, the first and final call was made and the amount due was received with the exception of 200 shares.

These 200 shares were forfeited and 50 of the forfeited shares were subsequently reissued as fully paid for a consideration of ₹ 6 per share.

Pass necessary Journal Entries in the books of the company recording the above transactions.

(15)

PART—B

(**Analysis of Financial Statements**)

(Marks : 20)

12. Choose and write the correct answer (any *three*) : 1×3=3

(a) Which ratios measures the velocity of conversion of stock into sales?

(i) Working capital turnover ratio

(ii) Current ratio

(iii) Inventory turnover ratio

(iv) Liquid ratio

(b) Amount from current assets is realized within

(i) 1 month

(ii) 1 year

(iii) 2 years

(iv) 3 years

(c) Cash proceeds from issue of preference shares will be shown in Cash Flow Statement under

(i) operating activities

(ii) investing activities

(iii) financing activities

(iv) None of the above

(16)

(d) Cash flow from operating activities is derived from the _____ of the enterprise.

(i) marketing activities

(ii) transactions within cash and bank

(iii) investing activities

(iv) principal revenue producing activities

13. Give the formula for calculating return on investment. 1
14. Compare current ratio and liquid ratio (any one point). 1
15. Give the meaning of 'Cash Flow Statement'. 1

Or

List any two investing activities which will result in out flow of cash.

16. From the following statement of profit and loss of Ferox Ltd. for the year ended 31st March, 2018 and 2019, prepare a comparative statement of profit and loss : 4

<i>Particulars</i>	<i>2019</i>	<i>2018</i>
	₹	₹
Revenue from operations	8,00,000	6,00,000
Other incomes	1,00,000	50,000
Expenses	5,00,000	4,00,000

Rate of income tax was 40%.

(17)

17. A firm has current ratio of 4 : 1 and quick ratio of 2.5 : 1. Assuming inventories are ₹ 22,500, find out total current assets and total current liabilities.

4

Or

Calculate Stock Turnover Ratio from the following information :

	₹
Opening Stock	29,000
Closing Stock	31,000
Sales	3,20,000

Gross Profit Ratio 25% on sales.

18. Following are the Balance Sheets of Dhara Ltd. as at 31st March, 2018 and 2019 :

Particulars	31.03.2019	31.03.2018
	₹	₹
I. <i>Equity and Liabilities</i>		
1. Shareholders' Fund :		
(a) Share Capital	30,00,000	28,00,000
(b) Reserves and Surplus (Profit and Loss Balance)	5,00,000	2,20,000
2. Non-current Liabilities :		
Long-term Borrowings	4,00,000	2,50,000
3. Current Liabilities :		
(a) Short-term Borrowings (Bank Overdraft)	24,000	20,000
(b) Trade Payables	30,000	1,66,000
(c) Short-term Provisions (Provision for Tax)	36,000	22,000
	<u>39,90,000</u>	<u>34,78,000</u>

<i>Particulars</i>	<i>31.03.2019</i>	<i>31.03.2018</i>
	₹	₹
II. Assets		
1. Non-current Assets :		
Fixed Assets :		
(a) Tangible Assets :		
Machinery	40,00,000	34,00,000
Less : Accumulated Depreciation	(2,80,000)	(1,80,000)
	<u>37,20,000</u>	<u>32,20,000</u>
(b) Intangible Assets :		
Patents	1,00,000	60,000
2. Current Assets :		
(a) Current Investments	16,000	10,000
(b) Inventories	74,000	1,18,000
(c) Trade Receivables	52,000	46,000
(d) Cash and Cash Equivalents	28,000	24,000
	<u>39,90,000</u>	<u>34,78,000</u>

Additional Information :

- (i) Tax paid during the year amounted to ₹ 32,000
- (ii) Machinery with a net book value of ₹ 20,000 (Accumulated Depreciation ₹ 80,000) was sold for ₹ 4,000

Prepare Cash Flow Statement.

6

Or

Following are the Balance Sheets of Anand Ltd. as at 31st March, 2018 and 31st March, 2019. Prepare Cash Flow Statement :

<i>Particulars</i>	<i>31.03.2019</i>	<i>31.03.2018</i>
	₹	₹
I. <i>Equity and Liabilities</i>		
1. Shareholders' Fund :		
(a) Share Capital	2,50,000	2,00,000
(b) Reserves and Surplus :		
(i) Surplus, i.e., Profit & Loss balance	30,600	30,500
(ii) General Reserve	60,000	50,000

(19)

<i>Particulars</i>	<i>31.03.2019</i>	<i>31.03.2018</i>
	₹	₹
2. Non-current Liabilities :		
Long-term Borrowings	—	70,000
3. Current Liabilities :		
(a) Trade Payables	1,35,200	1,50,000
(b) Short-term Provisions		
(Provision for Tax)	35,000	30,000
	<u>5,10,800</u>	<u>5,30,500</u>
II. Assets		
1. Non-current Assets :		
Fixed Assets :		
(a) Tangible Assets :		
(i) Land and Building	1,90,000	2,00,000
(ii) Plant and Machinery	1,69,000	1,50,000
(b) Intangible Assets :		
Goodwill	5,000	—
2. Current Assets :		
(a) Inventories	1,38,200	1,80,000
(b) Cash and Cash Equivalents	8,600	500
	<u>5,10,800</u>	<u>5,30,500</u>

Depreciation provided during the year was ₹ 40,000 on Land and Building and ₹ 30,000 on Plant and Machinery.

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