

Delhi Public School, Jammu
Accountancy
Assignment for Pre Board II

Time Allowed: 3 Hours

Max. Marks: 80

General Instructions:

1. This question paper contains two Parts A and B.
2. All questions are compulsory.
3. All parts of a question should be attempted at one place.
4. All workings are part of your answer.
5. Marks are indicated against each question.

Part –A

Accounting For Not For Profit Making Organizations, Partnership Firms and Companies

1. What is the nature of Revaluation Account? 1
2. Private property is applied to pay..... then towards firm's liability. 1
3. **True/False**
Assets (say, Debtors) having provisions (say, provision for doubtful debts) are transferred to Realization Account at its net value, when the firm is dissolved. 1
4. P and Q were partners in a firm sharing profits and losses equally. Their fixed capitals were Rs.2,00,000 and Rs.3,00,000 respectively. The Partnership Deed provided for interest on capital @ 12% per annum. For the year ended 31st March, 2018, the profit of the firm was distributed without providing interest on capital. Pass necessary adjustment entry to rectify the error.
OR
A and B are partners sharing profits and losses in the ratio of 2:3 with the capitals of Rs.2,00,000 and Rs.1,00,000 respectively. On 1st October, 2017, A and B granted loans of Rs.4,00,000 and Rs.2,00,000 respectively to the firm. The Partnership Deed is silent as to the interest on Partner's Loan. Profit for the financial year amounted to Rs. 25,000. Determine the amount of profit/loss to be distributed among partners for the year ended 31st March. 2018. 1
5. Two freshly qualified doctors set up clinic for equal share. They charge consulting fee from each patient @ Rs.500 per visit. At the same time, they give free consultation to patients who cannot pay their fees. Can this set up be termed as Not-for-Profit Organization? Why?
OR
Why receipts, irrespective of their nature and the period to which they relate are shown in Receipts and Payments Account? 1
6. Ritesh and Hitesh are childhood friends. Ritesh is a consultant whereas Hitesh is an architect. They contributed equal amounts and purchased a building for Rs.2 crores. After a year, they sold it for Rs.3 crores and shared the profits equally. Are they doing the business in partnership? Give reason in support of your answer. 1
7. Vijay and Pankaj are partners sharing profits in the ratio of 4:1. Their capitals were Rs.90,000 and Rs.70,000 respectively. They admitted Srivastav for 1/3rd share in profits. Srivastav brought Rs.1,00,000 as his capital. Calculate the value of firm's goodwill. 1
8. Differentiate between Reserve Capital and Capital Reserve on any one basis.
OR
Z Ltd. forfeited 1,000 equity shares of Rs.10 each for the non- payment of the final call of Rs.2 per share. Calculate the maximum amount of discount at which these shares can be reissued.1

9. A partnership firm earned net profit during the last four years as follows: 2014-15 Rs.1,50,000; 2015-16 Rs.2,30,000; 2016-17 Rs.2,70,000; and 2017-18 Rs.3,50,000. The capital employed in the firm throughout the above mentioned period has been Rs.5,00,000. Having regard to the risk involved, 20% is considered to be fair return on capital. The remuneration of all the partners during this period is estimated to be Rs.1,20,000 per annum. Calculate the value of goodwill on the basis of three years' purchase of super profits earned on average basis during the above mentioned period. 3

10. Show how will be the following items dealt while preparing the Final Accounts of Kings' Club for the year ending 31st March, 2018:

Opening Capital Fund	Rs.10,80,000	
Opening Building Fund	Rs.4,80,000	
Donation Received for Building	Rs.6,00,000	
10% Building Fund Investments	Rs.4,80,000	
Interest received on Building Fund Investment	Rs.48,000	3

11. C India Ltd. purchased machinery from B India Ltd. Payment to B India Ltd. was made as follows:

- i. By issuing 10,000 equity shares of Rs.10 each at a premium of 20%
- ii. By issuing 1,000, 9% Debentures of Rs.100 each at a discount of 5%
- iii. Balance by giving a Bank Draft of Rs.37,000.

Pass necessary Journal Entries in the books of C India Ltd. for the purchase of machinery and payment to B India Ltd.

OR

Complete the following entries:

Date	Particulars	L.F.	Dr. (Rs.)	Cr. (Rs.)
	Sundry Assets A/c.....Dr.		18,00,000	
	To Sundry Creditors A/c			2,00,000
	To ?			?
	To ?			?
	(Being the business of Rohan & Co. purchased for a consideration of Rs.15,00,000)			
Dr.		?	
Dr.		?	
	To 9% Debentures A/c			?
	(Being the payment made to Rohan & Co. by issue off; 9% Debentures of Rs.150 each at a discount of Rs.50 per debenture)			

3 Marks

12. Pass the necessary Journal Entries for the issue of Debentures in the following cases:

- i. 20,000, 12% debentures of Rs.50 each issued at 10% premium, repayable at 20% premium.
- ii. 15,000, 10% debentures of Rs.100 each issued at 10% premium, repayable at par.
- iii. 20,000, 12 % debentures of Rs.50 each issued at par, repayable at 10% premium. 3 Marks

13. The Balance Sheet of Riya, Rahim and Karan who were sharing profit in the ratio of 3:3:4 as at 31st March 2018, was as follows:

Liabilities	Amount	Assets	Amount
General Reserve	10,000	Bank	16,000
Bills Payable	5,000	Stock	44,000
Loan	12,000	Investments	47,000
Capital Accounts:		Land & Building	50,000
Riya	60,000	Goodwill	15,000
Rahim	50,000	Riya's Loan	5,000
Karan	40,000		
	<u>1,50,000</u>		
	1,77,000		<u>1,77,000</u>

Riya died on June 30th, 2018. The Partnership Deed provided for the following on the death of a partner:

- Goodwill of the firm be valued at two years purchase of average profits of the last three years. The average profits of the last three years were Rs.42,000.
- Riya's share of profit or loss till the date of her death was to be calculated on the basis of sales. Sales for the year ended 31st March, 2018 amounted to Rs.4,00,000 and that from 1st April to 30th June 2018 amounted to Rs.1,50,000. The profit for the year ended 31st March, 2018 was Rs.1,00,000.
- Interest on capital was to be provided @ 6% p.a.

Prepare Riya's Capital Account to be rendered to her executor.

4

14. A and B are partners sharing profits in the ratio of 3:2. On 31st March, 2018 their balance sheet was as under:

Liabilities	Amount	Assets	Amount
General Reserve	23,400	Bank	26,700
Sundry Creditors	13,800	Trade Receivables	18,500
Investment Fluctuation Fund	20,000	Investments	30,000
Capital Accounts:		Land & Building	56,000
A	50,000	Furniture	16,000
B	40,000		
	<u>90,000</u>		
	1,47,200		<u>1,47,200</u>

The partners have decided to change their to 1:1 with immediate effect. For the purpose they decided that Investments to be valued at Rs.20,000; Goodwill of the firm is to be valued at Rs.24,000. General Reserve is not to be distributed among partners. You are required to pass necessary Journal Entries in the books of the firm.

4

15. From the following information prepared from Cash Book of Gymkhana Club, prepare Income & Expenditure Account for the year ended on 31st March, 2018 and Balance Sheet as on that date:

Receipts	Amount	Payments	Amount
To Balance b/d	4,800	By General Expenses	2,160
To Annual Subscription	6,520	By Salaries and wages	2,200
To Life Membership Fees	1,000	By Furniture	3,200
To Entrance Fees	4,960	By Rent and Taxes	2,240
To Interest on investment (Investment on 31 st March,2017:Rs.10,000)	570	By Stationery	500
To Sundry Receipts	320	By Balance c/d	7,870
	18,170		18,170

Adjustments:

- Annual Subscription Rs.1,200 is outstanding.
- General Expenses Rs.450 is outstanding and wages Rs.800 outstanding.
- The opening and closing balances of stationery are Rs.2,000 and Rs.750 respectively.
- Depreciate furniture by Rs.500.
- Life Membership fee will be capitalized.
- Accrued interest on investment Rs.190.

6

16. X, Y and Z are partners in a firm sharing profits in the ratio of 5:3:2. They decided to dissolve the firm. X was deputed to realize the assets and pay the liabilities. X was paid Rs.10,000 as remuneration for his services. On 31st March, 2018, their Balance Sheet was as follows:

Liabilities	Amount	Assets	Amount
Creditors	1,00,000	Furniture	3,70,000
Investment Fluctuation Fund	45,000	Stock	55,000
Capital Accounts:		Investments	1,50,000
X	4,00,000	Cash at Bank	90,000
Y	3,00,000	Z's Capital	1,80,000
	7,00,000		
	8,45,000		8,45,000

Following was agreed upon:

- X took over investments for Rs.1,25,000. Stock and furniture realized Rs.4,15,000.
- There was old furniture which had been written off from the books. Y agreed to take the same at the value of Rs.30,000.
- Compensation paid to the employees was Rs.80,000. This liability was not provided in the above Balance Sheet.
- Realization expenses were Rs.10,000.

Prepare Realization Account, Partners' Capital accounts and Bank account. 6

17. A and B are partners with capitals of Rs.5,00,000 and Rs.4,00,000 respectively, on which they are entitled to interest at 10% p.a. They divide profits in the ratio of 2:1. They take C into partnership with 1/4th share of profits and guaranteed that his share of profit will not be less than Rs.2,00,000. C brought Rs.3,00,000 as his capital. Any excess profit received by C over his 1/4th share will be borne by A and B in the ratio of 4:1. Profits at the end of the year before allowing interest on capital amounted to Rs.7,20,000. Prepare necessary account to show distribution of profit.

OR

A, B, C and D are partners having capitals of Rs.2,00,000; Rs.1,00,000; Rs.60,000 and Rs.40,000 respectively. They share profits and losses in the ratio of 3:2:1:1. They have agreed upon the following terms:

- i. Partners are entitled to interest on capital @7%.
- ii. A will get salary @ Rs.1,000 per month.
- iii. B's share of profits (including interest on capital) has been guaranteed to be not less than Rs.2,00,000.
- iv. D's share of profits (excluding interest on capital) has been guaranteed by A to be not less than Rs.95,000.

Net Profit for the year ended 31st March, 2018 was Rs.6,70,000. Prepare Profit and Loss Appropriation Account for the year ended 31st March, 2018 and also give necessary Journal entries regarding deficiencies borne by the partners. 6

18. Kanti Ltd. issued 10,00,000 shares of Rs.10 each at a premium of Rs.4 per share payable as follows:

- i. Rs.4 on application
- ii. Rs.6 on allotment
- iii. Rs.4 on call

Applications were received for 14,00,000 shares and pro-rata allotment was made as follows:

To the applicants of 10,00,000 shares, 8,00,000 shares issued and for the rest, 2,00,000 shares were issued. All money due were received except the allotment and call money from Brijesh who had applied for 15,000 shares (out of the group of 10,00,000 shares). All his shares were forfeited. 7,500 of the forfeited shares were re-issued for Rs.8 per share fully paid up. Pass necessary journal entries for the above transactions.

OR

Ram Ltd. invited applications for 8,00,000 equity shares of Rs.10 each at a premium of Rs.40 per share.

The amount was payable as follows:

On Application	Rs.35 per share (including Rs.30 premium)
On allotment	Rs.8 per share (including Rs.4 premium)
On first and final call	Balance

Applications for 7,70,000 shares were received. Shares were allotted to all applicants. Sumit to whom 70,000 shares were allotted failed to pay the allotment money. His shares were forfeited immediately after allotment. Afterwards the first and final call was made. Sohail, the holder of 5,000 shares failed to pay the first and final call made. His shares were also forfeited. Out of the forfeited shares 10,000 shares were reissued at Rs.50 per share fully paid up. The reissued shares included all the shares of Sohail. Pass necessary journal entries for the above transactions in the books of Ram Ltd. 8

19. Ram and Laxman are partners in a firm with equal ratio. The Balance Sheet of their firm as on 31st March, 2018 was as under:

Liabilities	Amount	Assets	Amount
Creditors	2,00,000	Bank	80,000
Bills Payable	1,20,000	Debtors	1,20,000
General Reserve	80,000	Building	4,00,000
Capital Accounts:		Machinery	2,00,000
Ram	4,00,000	Investment	80,000
Laxman	2,00,000	Patents	40,000
-----	6,00,000	Furniture	40,000

		Goodwill	40,000
	<u>10,00,000</u>		<u>10,00,000</u>

Adjustments:

- i. Bharat comes for 1/5th share and brings capital of Rs.2,00,000 and premium Rs.40,000 out of Rs.60,000.
- ii. Rs.20,000 included in creditors are not likely to be paid.
- iii. Patents are valueless.
- iv. 10% provision for doubtful debts on debtors out of general reserve.
- v. Capitals of Ram and Laxman be adjusted in new ratio which is 2:2:1 and difference to be adjusted in cash.

Prepare Revaluation A/c, Partners' Capital Accounts and Balance Sheet.

OR

Following is the Balance Sheet of A, B and C as at 31st March, 2018

Liabilities		Amount	Assets		Amount
Creditors		30,000	Cash in hand		18,000
Bills Payable		16,000	Debtors	25,000	
Reserve Fund		12,000	Less Provision	(3,000)	
A's Capital A/c	40,000	60,000			22,000
B's Capital A/c	40,000		Stock		18,000
C's Capital A/c	30,000		Furniture		30,000
			Machinery		68,000
			Goodwill		12,000
		<u>1,10,000</u>			
		<u>1,68,000</u>			<u>1,68,000</u>

B retired on 1st April, 2018 on the following terms:

- i. Provision for doubtful debts will be raised by Rs.1,000.
- ii. Stock will be reduced by 10% and Furniture by 5%.
- iii. There is an outstanding claim for damages of Rs.1,100 and it is to be provided in the books.
- iv. Creditors will be written back by Rs.6,000.
- v. Machinery be reduced by 5%.
- vi. Out of the fire insurance premium paid during the year, Rs.3,400 be carried forward as unexpired.
- vii. Goodwill of the firm is valued at Rs.24,000.
- viii. B is paid his dues with the amount brought in by A and C in a manner that their capitals are in proportion to their new profit sharing ratio of 3:2.

Prepare Revaluation A/c, Partners' Capital Accounts and Balance Sheet of the New Firm. 8

Part –B
Analysis of Financial Statements

20. State the primary objective of preparing a Cash Flow Statement.

21. Solvency of business is assessed by..... 1

22. High Working Capital Turnover Ratio shows efficient use of working capital. (True/ False) 1

23. “Interest received and paid’ is considered as which type of activity by a finance company while preparing a cash flow statement? 1

24.

25. Prepare a Common-Size Balance Sheet of Krutika Ltd. from the following information:

Particulars	31 st March, 2018(Rs)	31 st March, 2017(Rs)
I. Equity And Liabilities		
1. Shareholders’ Funds		
(a) Share Capital	8,00,000	4,00,000
2. Non-Current Liabilities		
<i>Long Term Borrowings: 12% Debentures</i>	5,00,000	2,00,000
3. Current Liabilities	3,00,000	2,00,000
Total	16,00,000	8,00,000
II. Assets		
1. Non-Current Assets	10,00,000	5,00,000
2. Current Assets	6,00,000	3,00,000
Total	16,00,000	8,00,000

OR

Prepare Comparative Statement of Profit and Loss from the following information:

Particulars	31 st March, 2018	31 st March, 2017
Revenue from operations	Rs.24,00,000	Rs.18,00,000
Other Income (% of Revenue from operations)	15%	25%
Expenses (% of Revenue from operations)	60%	50%
Tax Rate	40%	40%

4

26. From the following information obtained from books of Kundan Ltd., calculate the Inventory Turnover Ratio for the year 2016-17 and 2017-18:

Particulars	2016-17	2017-18
Revenue from operations	Rs.50,00,000	Rs.75,00,000
Inventory on 31 st March (Gross Profit is 25% on cost of Revenue from operations)	7,00,000	17,00,000

In the year 2016-17, inventory increased by Rs.2,00,000.

4

OR

From the following, calculate 'Gross Profit Ratio' and 'Working Capital Turnover Ratio': Revenue from operations Rs.30,00,000; Cost of Revenue from Operations Rs.20,00,000; Current Assets Rs.6,00,000; Current Liabilities Rs.2,00,000 and Paid Up share capital Rs.5,00,000. 4

27. a) Under which major headings and sub headings will the following items be shown in the Balance Sheet of a company as per Schedule III of Companies Act,2013.

- i. Provision for Employees Benefits
- ii. Calls in advance

b) State any two limitations of Analysis of Financial Statements.'

4

28. From the following Balance Sheets of Sanjeevani Ltd. as at 31st March, 2018 and 31st March, 2017, prepare Cash Flow Statement:

Particulars	31 st March, 2018(Rs)	31 st March, 2017(Rs)
I. Equity And Liabilities		
1. Shareholders' Funds		
(a) Share Capital	3,00,000	1,00,000
(b) Reserves and Surplus	25,000	1,20,000
2. Non-Current Liabilities		
<i>Long Term Borrowings: 12% Debentures</i>	80,000	60,000
3. Current Liabilities		
(a) Trade Payables (Creditors)	6,000	20,000
(b) Short Term Borrowings	68,000	70,000
Total	4,79,000	3,70,000
II. Assets		
1. Non-Current Assets		
(a) Fixed Assets	3,36,000	1,92,000
2. Current Assets		
(a) Inventories	67,000	60,000
(b) Trade Receivables (Debtors)	51,000	65,000
(c) Cash and Cash Equivalents	25,000	49,000
(d) Other Current Assets	-----	4,000
Total	4,79,000	3,70,000

Notes to Accounts:

Particulars	31st March, 2018(Rs)	31st March, 2017(Rs)
1. Reserves and Surplus		
Surplus, i.e., Balance in Statement of Profit & Loss	25,000	1,20,000
2. Short Term Provisions		
Provision for Tax	68,000	70,000
3. Fixed Assets		
Machinery	3,84,000	2,15,000
Accumulated Depreciation	(48,000)	(23,000)
	3,36,000	1,92,000

Additional Information:

(i) Additional loan was taken on 1st July, 2017.

ii) Tax of Rs.53,000 was paid during the year. Prepare Cash Flow Statement.

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