

ISC Paper 2019 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.
 - Answer Question 1 (Compulsory) from Part I and five questions from Part II, choosing two questions from Section A, two questions from Section B and one question from either Section A or Section B.
 - The intended marks for questions or parts of questions are given in 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.
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Section – A **Part – I (12 Marks)** **Answer all questions.**

Question 1.

Answer briefly each of the following questions :

- (i) List any two items which may appear on the credit side of a partner's fixed capital account,
- (ii) Give the journal entries to be passed when :
 - (a) Interest is due on debentures.
 - (b) Interest is paid to debenture holders.
- (iii) In what way, if any, can the balance in shares forfeited account be used ?
- (iv) Mention any two circumstances when there is need to revalue goodwill of a partnership firm,
- (v) Enumerate any two methods of redemption of debentures.
- (vi) Give the journal entry for closing the retiring partner's capital account when his share is paid to him privately by the remaining partners.

Answer:

- (i) Opening Balance of Capital Accounts, Additional Capital of any partner

- (ii) (a) Interest on Debentures A/c Dr.
To Debentures holders A/c
To Income Tax Payable A/c

(Being the Interest due to debenture holders and tax payable to Income tax Dept.)

(b) Debenture holders A/c Dr.

To Bank A/c

(Being the amount of interest paid to debenture holders)

(iii) Balance in share forfeiture account is capital gain and can be used to reissue to some other shareholder.

(iv) (a) When a new partner is added to a partnership firm.

(b) At the time of retirement of a partner.

(v) (a) Lump sum method

(b) Installment method

(vi) Retiring Partner's Capital A/c Dr.

To Remaining Partner's Capital A/c

(Being the amount of share of the retiring partner discharged)

Part – II (48 Marks)
Answer any four questions.

Question 2.

(A) Meera Co. Ltd. invited applications of 50,000 equity shares of ₹ 10 each at a premium of ₹ 2 per share, payable as follows :

On Application on 1st May, 2017 ₹ 2

On Allotment on 1st July, 2017 ₹ 5 (including premium)

On 1st and Final Call on 1st October, 2017 ₹ 5

The Company received applications for 62,500 shares.

It was decided to :

(a) Refuse allotment to the applicants of 2,500 shares.

(b) Allot in full to the applicants of 10,000 shares.

(c) Allot the balance of the shares applied on a pro-rata basis among the other applicants.

(d) Utilize the excess application money in part payment of allotment money.

(e) Charge interest on calls-in-arrears, if any, @ 10% per annum.

All the money due was received except from one shareholder to whom 200 shares had been allotted in full. The amount was due by him to the company even till the date of the Balance Sheet, which was 31st March, 2018.

The company charged interest on calls-in arrears from the shareholders from the date on which it was due till the Balance Sheet date. You are required to, for the year 2017-18.

(i) Prepare the Cash Book to record the above issue of shares.

(ii) Pass journal entries in the Journal Proper (including entries for interest on calls - in arrears).

(B) On 31st March, 2018, Vipul Ltd. had ₹ 30,00,000, 8% Debentures of ₹ 100 each outstanding. [4]

On 1st June, 2018, it purchased in the open market, 20,000 of its own debentures @ ₹ 102 per debenture and cancelled these debentures immediately.

On 31st December, 2018, the remaining debentures were purchased @ ₹ 98 per debenture for immediate cancellation.

You are required to pass necessary journal entries for the redemption of debentures. (Ignore interest on debentures and entries for provisions regarding Debenture Redemption Reserve and Debenture Redemption investment).

Answer:

(A) (i)

Cash Book

Particulars	₹	Particulars	₹
To Share Application money	1,25,000	By Share Application A/c	5,000
To Share Allotment A/c	2,50,000	By Share Allotment A/c	20,000
To Ist & Final Call A/c	2,50,000		
To Interest on Calls in arrears A/c	50	By Balance C/d	6,00,050
	6,25,050		6,25,050

(ii)

JOURNAL ENTRIES

Date	Particulars		₹	₹
May 1	Cash A/c Dr. To Share Application A/c (Being the application money received on 62,500 shares @ ₹ 2 per share)		1,25,000	1,25,000
May 1	Share Application A/c Dr. To Share Capital A/c To Cash A/c (Being share application money transferred to share capital A/c and money refunded for 2500 refused shares)		1,25,000	1,20,000 5,000
July 1	Cash A/c Dr. To Share Allotment A/c (Being Share Allotment money received for 50,000 @ ₹ 5 per share)		2,50,000	2,50,000
July 1	Share Allotment A/c Dr. To Share Capital A/c (Being Share Allotment money transferred to Share Capital A/c)		2,50,000	2,50,000
Oct 1	Cash A/c Dr. To First and Final call A/c (Being the 1st and Final Call money for 50,000 allotted shares @ ₹.2)		2,50,000	2,50,000
Oct 1	First and final call Dr. To Share Capital A/c (Being application money transferred to share capital A/c @ ₹ 5 for allotted shares)		2,50,000	2,50,000
Mar 31	Share Allotment A/c Dr. To Cash A/c (Being excess application money received on 10,000 shares @ ₹ 2)		20,000	20,000
Mar 31	Cash A/c Dr. To Interest on calls in arrears (Being the interest amount for 200 shares)		50	50

Working Notes .

Calculation of Interest

No. of shares = 200

Amount due = $200 \times 5 = ₹ 1,000$ Interest = $\frac{1000 \times 10 \times 6}{100 \times 12}$

= ₹ 50

(B)

JOURNAL ENTRIES

Date	Particulars		₹	₹
June 1	Debentures A/c Dr. Loss on Redemption A/c Dr. To Bank A/c (Being the loss on redemption @ ₹ 2 per debenture and Debentures money transferred to Bank A/c)		20,00,000 40,000	20,40,00
June 1	Profit and Loss A/c Dr. To Loss on Debentures A/c (Being the loss on 20000 debentures for premium @ ₹ 2)		40,000	40,000
Dec. 31	Debentures A/c Dr. To Profit on Redemption A/c To Bank A/c (Being the profit at 10,000 debentures @ ₹ 2 per debentures and money transferred to Bank A/c @ ₹ 98 per debenture)		10,00,000	20,000 9,80,000
Dec. 31	Profit on Redemption A/c Dr. To Capital Reserve A/c (Being the profit on redemption transferred to capital reserve A/c)		20,000	20,000

Question 3.

Mohit, Ali and John are partners in a firm, sharing profits and losses in the ratio of 3 : 1 : 1. Their Balance Sheet as at 31 st March, 2018, was as follows : [12]

Balance Sheet of Mohit, Ali and John
As at 31st March, 2018

Liabilities	Amount ₹	Assets	Amount ₹
Trade Creditors	15,000	Cash at Bank	40,000
General Reserve	6,000	Sundry Debtors	30,000
Investment Fluctuation Fund	9,000	Less Provision for Doubtful Debts	(5,000)
Capital A/c		Investments	35,000
Mohit	70,000	(Market value ₹ 40,000)	
Ali	50,000	Plant & Machinery	88,000
John	50,000	Goodwill	12,000
	2,00,000		2,00,000

Mohit retired on 1st April, 2018, subject to the following adjustments :

- (a) Goodwill of the firm to be valued at ₹ 20,000.
- (b) Mohit to take over the investments at the market value.
- (c) 25% of the General Reserve to be transferred to Provision for Doubtful Debts and the balance to be distributed amongst all the partners.
- (d) Creditors to be paid ₹ 3,000 less.
- (e) Investment Fluctuation Fund not to be distributed. For this, it was decided that the remaining partners would compensate the retiring partner through their capital accounts.
- (f) Mohit to be paid ₹ 20,000 immediately on retirement and the balance to be transferred to his loan account.

You are required to :

- (i) Pass journal entries on the date of Mohit 's retirement.
- (ii) Prepare the Balance Sheet of the reconstituted firm.

Answer:

JOURNAL ENTRIES

Date	Particulars	L.F.	Amt. ₹	Amt. ₹
April 1	Investments A/c Dr. Creditors A/c Dr. To Revaluation A/c (Being increase in market value of Investments and decrease in values of creditors)		5,000 3,000	8,000
April 1	Revaluation A/c Dr. To Mohit's Capital A/c To Ali's Capital A/c To John's Capital A/c (Being profit on revaluation adjusted to partners' capital account)		8,000	4,800 1600 1600

April 1	Ali's Capital A/c John's Capital A/c To Mohit's Capital A/c (Being Mohit's share of goodwill adjusted to Ali's and John's Capital accounts)	Dr. Dr.		6,000 6,000	12,000
April 1	Mohit's Capital A/c Ali's Capital A/c John's Capital A/c To Goodwill A/c (Being the share of goodwill of partners)	Dr. Dr. Dr.		7,200 2,400 2,400	12,000
April 1	Mohit's Capital A/c To Ali's Capital A/c To John's Capital A/c (Being the amount of investments distributed to the existing partners)	Dr.		40,000	20,000 20,000
April 1	Mohit's Capital A/c To Cash A/c (Being the Mohit's share paid in cash)	Dr.		20,000	20,000
April 1	Mohit's Capital A/c To Investment Fluctuation fund A/c (Being Mohit's Capital tfrd. to investment fluctuation fund)	Dr.		5,400	5,400
April 1	General Reserve A/c To Mohit's Capital A/c To Ali's Capital A/c To John's Capital A/c (Being General Reserve distributed among the partners)	Dr.		5,500	2,700 900 900
April 1	Mohit's Capital A/c To Mohit's Loan A/c (Being Mohit's Capital Transferred to his Loan A/c)	Dr.		16,900	16,900

Revaluation Account

Particulars	₹	Particulars	₹
		By Investments	5,000
		By Creditors	3,000
To Mohit 4,800			
To Ali 1,600			
To John 1,600	8,000		
	8,000		8,000

Partners' Capital Account

Particulars	Mohit	Ali	John	Particulars	Mohit	Ali	John
To Goodwill	7,200	2400	2400	By Balance	70,000	50,000	50,000
To Mohit (Goodwill)		6000	6000	By Ali and John	12,000		
To Investments	40,000			By Revaluation A/c	4,800	1,600	1,600
To Mohit (Cash)	20,000			By Investments		20,000	20,000
To Investment Fluctuation Fund	5,400			By Cash		10,000	10,000
To Mohit's Loan	16,900			By General Reserve	2,700	900	900
				By Investment Fluctuation Fund		2700	2700
	-	76,800	76,800				
	89,500	85,200	85,200		89500	85200	85200

Balance Sheet of Ali and John

As at 31.03.2018

Liabilities		Amt. ₹	Assets	Amt. ₹
Trade Creditors		12,000	Cash at Bank	80,000
Investment Fluctuation		9,000	Sundry Debtors	23,500
			Plant & Machinery	88,000
Mohit's Loan	16,900			
Ali	76,800			
John	76,800	1,70,500		
		1,91,500		1,91,500

Notes : Goodwill of the firm = ₹ 20,000

$$\text{Mohit's share} = 20,000 \times \frac{3}{5} = ₹ 12,000$$

Question 4.

(A) Raina and Meena were partners in a firm sharing profits and losses equally. [8]

They dissolved their firm on 31st March, 2018.

On this date, the Balance Sheet of the firm, apart from realizable assets and outside liabilities showed the following:

Raina's Capital ₹ 40,000 (Cr.)

Meena's Capital ₹ 20,000 (Dr.)

Profit and Loss Account ₹ 10,000 (Dr.)

Raina's Loan to the firm ₹ 15,000

Contingency Reserve ₹ 7,000

On the date of dissolution of the firm :

- (a) Raina's loan was repaid by the firm along with interest of ₹ 500.
 (b) The dissolution expenses of ₹ 1,000 were paid by the firm on behalf of Raina who had to bear these expenses.
 (c) An unrecorded asset of ₹ 2,000 was taken over by Meena while Raina discharged an unrecorded liability of ₹ 3,000.
 (d) The dissolution resulted in a loss of ₹ 60,000 from the realization of assets and settlement of liabilities.
 You are required to prepare :
 (i) Partner's Capital Accounts.
 (ii) Raina's Loan Account.

(B) Vinay, Usha and Punit are partners in a firm. They have been sharing profits and losses in the ratio of 3 : 4 : 1. [4]

Punit wants the profits to be shared equally amongst the partners. He further wants the change in profit sharing ratio to be applicable retrospectively for the last two years. Vinay and Usha have no objection to this. The profits for the last two years were ₹ 70,000 and ₹ 50,000. You are required to record the adjustment by means of a single journal entry. (Show the workings clearly).

Answer:

(A)

**Balance Sheet
As at 31.03.2018**

Liabilities	Amt. ₹	Assets	Amt. ₹
Contingency Reserve	7,000		
Raina's Loan	15,000	Profit & Loss A/c	10,000
Raina's Capital	40,000	Meena's Capital	20,000
		Sundry Assets (Bal. Figure)	32,000
	62,000		62,000

Realisation Account

Particulars	₹	Particulars	₹
To Sundry Assets	32,000	By Loan A/c of Raina	15,500
To Raina's A/c (Liability paid)	3,000	By Meena's A/c (Furniture Purchased)	2,000
To Raina's A/c (Dissolution Expenses)	1,000		
To Profit on Realisation Account		By Capital A/cs (Loss on realisation)	
	20,750	Raina	30,000
	20,750	Meena	30,000
	41,500		60,000
	77,500		77,500

Partners' Capital Account

Particulars	Raina	Meena	Particulars	Raina	Meena
To Balance		20,000	By Balance	40,000	
To Loan A/c of Raina	15,500		By Profit on Realisation A/c	20,750	20,750
To Realisation A/c (Loss)	30,000	30,000	By Dissolution Expenses	1,000	
To Realisation A/c (Furniture)		2,000	By Liability Paid	3,000	
			By Contingency Reserve	3,500	3,500
To Bank A/c	22,750		By Bank A/c (Deficit brought in)		27,750
	68,250	52,000		68,250	52,000

Raina's Loan Account

Particulars	₹	Particulars	₹
To Balance b/d	15,500	By Bank's A/c	15,500
	15,500		15,500

(B)

	Vinay		Usha		Punit
Old Profit Sharing Ratio	3	:	4	:	1
New Profit Sharing Ratio	1	:	1	:	1

$$\text{Vinay's Sacrifice} = \frac{3}{8} - \frac{1}{3} = \frac{9-8}{24} = \frac{1}{24}$$

$$\text{Usha's Sacrifice} = \frac{4}{8} - \frac{1}{3} = \frac{12-8}{24} = \frac{4}{24} = \frac{1}{6}$$

$$\text{Punit's gain} = \frac{1}{3} - \frac{1}{8} = \frac{8-3}{24} = \frac{5}{24}$$

$$\text{Vinay's Sacrifice} = 1,20,000 \times \frac{1}{24} = 5,000$$

$$\text{Usha's sacrifice} = 1,20,000 \times \frac{1}{6} = 20,000$$

$$\text{Punit's gain} = 1,20,000 \times \frac{5}{24} = 25,000$$

Journal

Particulars		Amount ₹	Amount ₹
Vinay's Capital A/c	Dr.	5,000	
Usha's Capital A/c	Dr.	20,000	
To Punit's Capital A/c			25,000
(Being the gain of Punit due to profit sharing ratio)			

Question 5.

(A) Peter, Max and Som were partners in a firm sharing profits and losses in the ratio of 4:2:1. [4] Their fixed capital were ₹ 40,000, ₹ 30,000, respectively. Som was guaranteed a profit of ₹ 39,000 by the firm.

It was decided that any loss arising because of the guarantee would be shared by Peter and Max equally.

The trading profit of the firm for the year ended 31 st March, 2018, was ₹ 1,47,000. You are required to prepare the Profit and Loss Appropriation Account for the year 2017-18, showing the distribution of profits.

(B) Aditi and Parul are partners in a firm with capitals of ₹ 35,000 each. They shared profits and losses in the ratio of 3 : 1. [8]

On 1st April, 2017, they admit Chanda into their partnership with 1/5th share in the profits. Chanda brings in ₹ 40,000 as her capital and her share of goodwill in cash. Her share of goodwill is calculated on the basis of her capital contribution and her share of profits in the firm.

At the time of Chanda 's admission :

(a) The firm had a Workman Compensation Reserve of ₹ 60,000 against which there was a claim of ₹ 20,000.

(b) Creditors of ₹ 8,000 were paid by Aditi privately for which she is not to be reimbursed.

(c) There was no change in the value of other assets and liabilities.

You are required to. on the date of Chanda's admission :

(i) Calculate the good will of the firm. (Show the workings clearly).

(ii) Pass the necessary journal entries to record the above transactions.

Answer:

**(A) Profit & Loss Appropriation
Account for the year 2017-18**

Particulars		₹	Particulars	₹
To Peter's Capital Ac	84,000		By Profit as per P & L A/c	1,47,000
Less Tfrd to Som	9,000	75,000		
To Max's Capital A/c	42,000			
Less Tfrd to Som	9,000	33,000		
To Som's Capital A/c	21,000			
Add from Peter	9,000			
Add from Max	9,000	39,000		
		1,47,000		1,47,000

Working Notes:

Profit of Peter = ₹ 1,47,000 × 4/7 = ₹ 84,000

Profit of max = ₹ 1,47,000 × 2/7 = ₹ 42,000

Profit of som = ₹ 1,47,000 × 1/7 = ₹ 21,000

(B) (i)

Revaluation Account

Particulars	₹	Particulars	₹
To Claim against workmen Compensation fund.	20,000	By Creditors	8,000
		By Loss Tfrd to :	
		Aditi	9,000
		Parul	3,000
			12,000
	20,000		20,000

Partners' Capital Accounts

Particulars	Aditi	Parul	Chanda	Particulars	Aditi	Parul	Chanda
By Balance c/d	68,750	46,250	35,000	By Balance b/d	35,000	35,000	
				By Workmen Compensation fund	30,000	10,000	–
				By Premium of Goodwill	3,750	1,250	
	68,750	46,250	35,000		68,750	46,250	35,000

**Opening Balance Sheet
as at 1st April 2017**

Particulars	₹	Particulars	₹
Workmen Compensation fund	40,000	Cash	40,000
Capital A/cs			
Aditi	68,750		
Parul	46,250	Bank	1,50,000
Chanda	35,000		
	1, 90,000		1, 90,000

Working Notes:

Assuming the capital of Chanda = ₹ 35,000

(equal to Capital of both existing partners)

Calculation of Goodwill

Old Profit Sharing Ratio of Aditi and Parul = 3 : 1

New Profit Sharing Ratio = $\frac{3}{5} : \frac{1}{5} = \frac{1}{5}$

= 3 : 1 = 1

Sacrifice of Aditi = $\frac{3}{4} - \frac{3}{5} = \frac{3}{20}$

Sacrifice of Parul = $\frac{1}{4} - \frac{1}{5} = \frac{1}{20}$

Gain of Chanda = 1/5

The amount of goodwill of Chanda = ₹ 5,000

Total Goodwill of the firm = $5/1 \times 5,000 ₹ 25,000$

(B) (ii)

Journal Entries

Date	Particulars	L.F.	Amt. ₹	Amt. ₹
April 1	Revaluation A/c Dr. To workmen compensation A/c (Being the claim against workmen compensation A/c)		20,000	20,000
April 1	Creditors A/c Dr. To Revaluation A/c (Being the amount of creditors paid)		8,000	8,000
April 1	Aditi's Capital A/c Dr. Parul's Capital A/c Dr. To Revaluation A/c (Being the Loss on revaluation adjusted to partners capital A/c)		9,000 3,000	12,000
April 1	Workmen compensation A/c Dr. To Aditi's Capital A/c To Parul's Capital A/c (Being the amount of workmen compensation tfrd. to capital accounts of existing partners)		40,000	30,000 10,000
April 1	Goodwill A/c Dr. To Aditi's Capital A/c To Parul's Capital A/c (Being the amount of goodwill share tfrd. to capital A/c of existing partners)		5,000	3,750 1,250

Question 6.

Ravi and Tiku are partners in a firm. According to their partnership deed :

- (i) Interest on capital will be allowed @ 5% per annum.
- (ii) Interest on drawings will be charged @ 4% per annum.
- (iii) Each partner will be given a salary of ₹ 1,000 per month.
- (iv) Partners will share profits and losses in the ratio of 2 : 1.

Following are the particulars of the capitals and drawings of the partners :

	Ravi ₹	Tiku ₹
Capital (1st April, 2017)	60,000	50,000
Drawings (made on 1st June, 2017)	3,000	6,000

Ravi had taken a loan of ₹ 10,000 from the firm on which interest of ₹ 200 was due by him to the firm.

The accounts for the year 2017-18 showed that the firm had made a profit of ₹ 77,000 before taken into account any interest, partners' salaries and manager's

salary of ₹ 18,000.

You are required to prepare :

- (i) Profit and Loss Appropriation Account for the year 2017-18.
- (ii) Partners' Capital Accounts.

Answer:

(i)

Profit and Loss Appropriation
Account for the year 2017-18

Particulars		₹	Particulars		₹
To Interest on Capital			By Net Profit as per P/L A/c		77,000
			By Interest on Ravi's Loan		200
Ravi	3,000				
Tiku	2,500	5,500			
To Salary			By Interest on drawings		
Ravi	12,000		Ravi	100	
Tiku	12,000	24,000	Tiku	200	300
To Manager's Salary		18,000			
To Profit Tfrd to					
Ravi	20,000				
Tiku	10,000	30,000			
	77,500				77,500

Partners' Capital Account					
Particulars	Ravi	Tiku	Particulars	Ravi	Tiku
To Interest on drawings	100	200	By Balance b/d	60,000	50,000
To drawings	3,000	6,000	By P & L A/c	20,000	10,000
			By Interest on Capital	3,000	2,500
To Interest on loan	200	–	By Salary	12,000	12,000
To Balance c/d	91,700	68,300			
	95,000	74,500		95,000	74,500

Working Notes :

Interest on drawings

Ravi

$$3,000 \times \frac{10}{12} \times \frac{4}{100}$$

= ₹ 100

Tiku

$$6,000 \times \frac{10}{12} \times \frac{4}{100}$$

₹ 200

Question 7.

The trainee accountant of Rudra Ltd. drafted the following Balance Sheet. He did not prepare it according to the format prescribed as per schedule III of the Companies Act, 2013 . He also classified a few items incorrectly.

**Balance Sheet of Rudra Ltd.
for the year ending 31st March, 2018**

Assets	Amount ₹	Liabilities	Amount ₹
General Reserve	1,20,000	Capital (1,30,000 Equity shares @ ₹10 each)	13,00,000
Plant & Machinery	6,00,000	Share Forfeiture	10,000
Land & Building	8,00,000	Goodwill	1,00,000
Profit & Loss (Debit Balance)	1,50,000	Trade Receivables	20,000
Cash & Bank Balances	2,50,000	Trade Payables	50,000
Unclaimed Dividend	30,000	Inventories	30,000
Calls-in-arrears (₹4 per share)	40,000	Fixed Deposit accepted	4,50,000
		Calls-in-advance	30,000
	19,90,000		19,90,000

Foot note : The company had an authorized capital of 2,00,000 Equity shares of ₹ 10 each. You are required to prepare, as at 31st March, 2018:

- (i) The Balance Sheet of Rudra Ltd. as per Schedule III of the Companies Act, 2013.
- (ii) Notes to Accounts.

Answer:

**(i) Balance Sheet of Rudra Ltd.
As at 31.03.2018**

Particulars	Note no.	Amt. ₹	Amt. ₹
I. Equity and Liabilities			
1. Shareholder's funds			
(a) Share Capital	1	12,70,000	
(b) Reserves and Surplus	2	(30,000)	12,40,000
2. Share application money pending allotment			

3. Non-Current Liabilities			
(a) Short term borrowings			
(b) Trade payables	3	50,000	
(c) Other current Liabilities	4	5,10,000	5,60,000
(d) Short term Provisions			
TOTAL			18,00,000
II. Assets			
1. Non-Current Assets			
(a) Fixed Assets	5	14,00,000	
(i) Tangible Assets			
(ii) Intangible Assets	6	1,00,000	15,00,000
(b) Non-current Investments			
(c) Non-current Investments			
(d) Other Non-Current Assets			
2. Current Assets			
(a) Current Investments			
(b) Inventories	8	30,000	
(c) Trade receivables	7	20,000	
(d) Cash and Cash Equivalents	9	2,50,000	3,00,000
(e) Short term Loans and Advances			
(f) Other Current Assets			
TOTAL			18,00,000

(ii) Notes to Accounts :

Particulars		Amt. ₹	Amt. ₹
1. Share Capital			
Authorised : 2,00,000 Equity Shares of ₹ 10 each			20,00,000
Issued : ... Equity shares of ₹ 10 each			
Subscribed capital :			
Subscribed and Fully Paid Share Capital			
1,20,000 equity shares of ₹ 10 each		12,00,000	
Subscribed but not fully paid capital :			
10,000 shares of ₹ 10 each	1,00,000		
Less : Calls in arrears	40,000		
Add : Share Forefeiture	10,000	70,000	12,70,000
2. Reserve and Surplus :			
General Reserve		1,20,000	
Profit and Loss Account (Dr Balance)		(1,50,000)	(30,000)

3. Trade Payables			
Trade Payables			50,000
4. Other Current Liabilities :			
Calls in advance		30,000	
Unclaimed dividends		30,000	
FD Accepted		4,50,000	5,10,000
5. Tangible Assets			
Plant & Machinery		6,00,000	
Land & Building		8,00,000	14,00,000
6. Intangible Assets			
Goodwill			1,00,000
7. Trade Receivables			20,000
8. Current Assets			
Inventories			30,000
9. Cash & Bank Balances			2,50,000

Question 8.

You are required to pass journal entries to record the following issue of debentures and to write off any capital losses.

(a) Zoom Ltd. issues 6,000, 12% Debentures of ₹ 100 each at par redeemable after 5 years also at par.

(b) Zola Ltd. issues 5,000, 13% Debentures of ₹ 100 each at a discount of 10% to be redeemed at par after 7 years.

(c) Zubic Ltd. issues 11% Debentures of the total face value of ₹12,00,000 at a premium of 5% to be redeemed at par after 6 years.

(d) Ruby Ltd. issues ₹ 5,00,000, 12% Debentures at a premium of 5% to be redeemed at 10% premium after 10 years.

(e) Emerald Ltd. issues 3,000, 9% Debentures of ₹ 100 each at a discount of 7% to be redeemed at a premium of 10% after 4 years.

Note: All the companies write off their capital losses in the year in which they occur.

Answer:

(a) **Journal of Zoom Ltd.**

Date	Particulars	L.F.	Amt. Dr.	Amt. Cr.
	Bank A/c Dr. To 12% Debenture Application & Allotment A/c (Being the Application money received on 6000 Debentures @ ₹ 100 each)		6,00,000	6,00,000
	12% Debenture Application & Allotment A/c Dr. To 12% Debentures A/c (Being the transfer of application money to Debentures Account, issued at par)		6,00,000	6,00,000

(b) **JOURNAL OF ZOLA LTD.**

Date	Particulars	L.F.	Amt. Dr.	Amt. Cr.
	Bank A/c Dr. To 13% Debenture Application & Allotment A/c (Being the Application money received on 5000 Debentures @ ₹ 100 each)		4,50,000	4,50,000
	13% Debenture Application & Allotment A/c Dr. Discount on issue of Debentures A/c Dr. To 13% Debentures A/c (Being the transfer of application money to Debentures Account, issued at a discount of 10%)		4,50,000 50,000	5,00,000

(c) **JOURNAL OF ZUBIC LTD.**

Date	Particulars	L.F.	Amt. Dr.	Amt. Cr.
	Bank A/c Dr. To 11% Debenture Application & Allotment A/c (Being the Application money received on ₹ 12,00,000 Debentures at a Premium of 5%)		12,60,000	12,60,000
	11% Debenture Application & Allotment A/c Dr. To 11% Debentures A/c (Being the transfer of application money to Debentures Account, issued at a premium of 5%)		12,60,000	12,60,000

(d)

JOURNAL OF RUBY LTD.

Date	Particulars	L.F.	Amt. Dr.	Amt. Cr.
	Bank A/c Dr. To 12% Debenture Application & Allotment A/c (Being the Application money received on ₹ 5,00,000 Debentures at a Premium of 5%)		5,25,000	5,25,000
	12% Debenture Application & Allotment A/c Dr. Loss on issue of Debentures A/c Dr.		5,25,000 50,000	
	To 11% Debentures A/c To Securities Premium Reserve A/c To Premium on Redemption A/c (Being the transfer of application money to Debentures Account, issued at a premium of 5% and redeemable a premium of 10%)			5,00,000 25,000 50,000

(e)

JOURNAL OF EMERALD LTD.

Date	Particulars	L.F.	Amt. Dr.	Amt. Cr.
	Bank A/c Dr. To 9% Debenture Application & Allotment A/c (Being the Application money received on ₹ 3000 Debentures @ ₹ 93 each)		2,79,000	2,79,000
	9% Debenture Application & Allotment A/c Dr. Loss on issue of Debentures A/c Dr.		2,79,000 51,000	
	To 12% Debentures A/c To Premium on Redemption A/c (Being the transfer of application money to Debentures Account, issued at a discount of 7% and redeemable at a premium of 10%)			3,00,000 30,000

Note : Loss on issue A/c has been debited by ₹ 51,000. By grouping together the discount on issue ₹ 21,000 and premium on redemption ₹ 30,000.

Section – B**(20 Marks)****Answer any two questions****Question 9.**

(A) Mention any two commonly used tools for comparison of financial statements.

[2]

(B) While preparing a Cash Flow Statement, identify the following transactions as belonging to Operating Activities, Investing Activities, Financing Activities, Cash and

Cash Equivalents : [2]

(i) Bank overdraft repaid.

(ii) Purchase of Marketable Securities to be sold within 90 days.

(C) From the following data, prepare a Common Size Balance Sheet of Palms Ltd. as at 31st March, 2018. [6]

(All calculations up to two decimal places)

Particulars	31.03.2018 ₹	
Share Capital	24,00,000	
Trade Payables	2,40,000	
Fixed Assets (Tangible)	20,00,000	
Fixed Assets (Intangible)	2,00,000	
Reserves and Surplus	3,60,000	
Cash and Bank Balances	8,00,000	
Short-term Loans and Advances	2,00,000	
Short-term Borrowings	40,000	
Long-term Borrowings	1,60,000	

Answer:

(A) (i) Ratios

(ii) Balance sheet

(iii) Cash flow statement

(B) (i) Cash and cash Equivalent

(ii) Cash and Cash Equivalent

(C)

	Standard Balance sheet	Common Size Balance sheet
Current Assets		
Cash and Bank Balance	8,00,000	25.00%
Short term loans & Advances	2,00,000	6.25%
Total Current Assets	8,00,000	31.25%
Fixed Assets		
Tangible Assets	20,00,000	62.5%
Intangible Assets	2,00,000	6.25%
Total Fixed Assets	22,00,000	68.75%
Total Assets	32,00,000	100%
Current Liabilities		
Trade Payable	2,40,000	7.50%
Short term borrowings	40,000	1.25%
Total current liabilities	2,80,000	8.75%
Long term borrowings	1,60,000	5.00%
Total Liabilities	4,40,000	13.75%
Equity		
Share Capital	24,00,000	75.00%
Reserves and Surplus	3,60,000	11.25%
Total Equity	27,60,000	86.25%
Total Liabilities and Equity	32,00,000	100%

Question 10.

(A) Calculate the Gross Profit Ratio from the following information : [2]

Particulars

Opening Inventory ₹80,000

Closing Inventory ₹1,00,000

Revenue from Operations ₹9,00,000

Inventory Turnover Ratio 8 times

(B) From the following Statement of Profit and Loss of Gama Ltd. for the year 2017-18, calculate (up-to two decimal places): [8]

(i) Net Profit Ratio

(ii) Operating Profit Ratio

(iii) Current Ratio

(iv) Quick Ratio

Statement of Profit and Loss of Gama Ltd.
For the year ending 31st March, 2018

Particulars	Note No.	₹
Revenue from operations		3,00,000
Other income (Dividend received)		40,000
Total Revenue		3,40,000
Expenses :		
Purchases		1,80,000
Change in Inventories	1	(4,000)
Employee Benefit Expenses (Salaries)		10,000
Depreciation and Amortization (Depreciation of Fixed Assets)		28,000
Other Expenses	2	6,000
Total Expenses		2,20,000
Profit before tax		1,20,000
Less Provision for Tax		(48,000)
Profit after Tax		72,000

Notes to Accounts :

	Particulars	₹
1.	Change in Inventories	
	Opening Inventory	8,000
	Closing Inventory	12,000
		(4,000)
2.	Other Expenses :	
	Carriage Outward	4,000
	Rent	2,000
		6,000

Additional Information :

Total Current Liabilities as on 31st March, 2018	₹ 50,000
Current Assets (other than inventory) as on 31st March, 2018	₹ 70,000

Answer:

A.
$$\text{Gross Profit Ratio} = \frac{\text{Gross Profit}}{\text{Net Revenue from operations}} \times 100$$
$$\text{Gross Profit} = \text{Revenue from operations} - \text{Cost of Revenue from operations}$$
$$\text{Average Inventory} = \frac{80,000 + 1,00,000}{2} = 90,000.$$
$$\text{Inventory Turnover Ratio} = 8$$
$$\therefore \text{Cost of revenue from operations} = 8 \times 90,000$$
$$= 7,20,000$$
$$\text{Gross Profit} = 9,00,000 - 7,20,000$$
$$= ₹ 1,80,000$$
$$\text{Gross Profit Ratio} = \frac{1,80,000}{9,00,000} \times 100 = 20\%$$

B. (i)
$$\text{Net Profit Ratio} = \frac{\text{Net Profit}}{\text{Revenue from operations}} \times 100$$
$$= \frac{72,000}{3,00,000} \times 100 = 24\%$$

(ii)
$$\text{Operating Profit Ratio} = \frac{\text{Operating Profit}}{\text{Revenue from operations}} \times 100$$
$$\text{Operating Profit} = \text{Gross Profit} - \text{Employee Benefit Expenses}$$
$$\quad \quad \quad - \text{Depreciation}$$
$$\quad \quad \quad - \text{Other expenses}$$
$$\text{Gross Profit} = \text{Revenue from operations} - (\text{Opening Inventory} + \text{Purchases} - \text{Closing Inventory})$$
$$= 3,00,000 - (8,000 + 1,80,000 - 12,000)$$
$$= 3,00,000 - 1,76,000$$
$$= 1,24,000$$
$$\text{Operating Profit} = 1,24,000 - 10,000 - 28,000 - 2,000$$
$$= 84,000$$
$$\text{Operating Profit Ratio} = \frac{84,000}{3,00,000} \times 100 = 28\%$$

(iii)
$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

$$\text{Current Assets} = \text{Inventory} + \text{Debtors}$$

$$\text{Current Liabilities} = ₹ 50,000$$

$$\text{Current Assets} = 12,000 + 70,000 = 92,000$$

$$\text{Current Ratio} = \frac{92,000}{50,000} = 1.84$$

(iv)
$$\text{Quick Ratio} = \frac{\text{Quick Assets}}{\text{Current Liabilities}}$$

$$= \frac{70,000}{50,000} = 1.4$$

Question 11.

(A) Mention whether the following would result in inflow, outflow or no flow of cash :
[2]

(i) Issue of fully paid Bonus Shares

(ii) Cash withdrawn from Bank

(B) From the following information and extracts of Balance Sheets of Pioneer Ltd. as at 31st March, 2017 and 31st March 2018, calculate for the year 2017-18. [8]

(i) Cash from Operating Activities

(ii) Cash from Investing Activities

Particulars	31.03.2018 (₹)	31.03.2017 (₹)
General Reserve	40,000	30,000
Balance in statement of Profit and Loss	2,40,000	1,40,000
Provision for Tax	1,20,000	90,000
Trade Payables	32,000	44,000
Plant and Machinery (at cost)	2,90,000	2,45,000
Accumulated depreciation on Plant and Machinery	30,000	40,000
Patents	50,000	1,50,000
10% Debentures	1,20,000	10,000
Goodwill	15,000	12,000

Note: Proposed dividends for the years 2016-17 and 2017-18 were ₹ 40,000 and ₹ 50,000 respectively.

Additional Information:

During the year 2017-18 :

(a) The company provided depreciation on Plant and Machinery amounting to

₹24,000.

(b) A machine had been condemned and scrapped.

(c) Interest of ₹12,000 paid on Debentures.

(d) Tax paid ₹50,000.

(e) Patents worth ₹ 30,000 were written off while some patents were sold for ₹ 75,000 at a profit of ₹ 5,000. No new patents were purchased.

(f) Dividend proposed in 2016-17 was approved by the shareholders and paid by the company.

Answer:

(A) (i) Cash no flow

(ii) Cash no flow

(B) Cash from Operating Activities for the year ended 31st March 2018

Cash flow from operating Activities		1,60,000	
A. <u>Net Profit before tax</u> Adjustment for non-cash and non-operating activities			
Add : Sales of Patents		75,000	
Add : Interest Paid		12,000	
Less : Depreciation on fixed assets written off	10,000	2,47,000	
Less : Decrease in current liabilities	12,000		
Less : Income Tax	80,000	1,02,000	
		1,45,000	1,45,000
B. <u>Cash flow from Investing Activities</u>			
Purchase of Plant & Machinery		(69,000)	
Purchase of goodwill		(3,000)	(72,000)
C. <u>Cash flows from financing Activities</u>			
Issue of debentures		1,10,000	
Interest on debentures		(1,000)	
Payment for dividend (for 2017)		(40,000)	
		69,000	69,000
Cash and Cash Equivalent at the end of the period			1,42,000

Notes :**1. Net profit before tax**

General Reserve on 31.03.2018	₹ 40,000
– Reserve on 31.03.2017	₹ 30,000
+ P & L A/c on 31.03.2018	₹ 2,40,000
– P & L A/c on 31.03.2017	₹ 1,40,000
+ Proposed dividend for current year	₹ 50,000

₹ 1,60,000

2. Plant & Machinery A/c

To Balance b/d	2,45,000	By Depreciation	24,000
To Bank A/c (purchase)	69,000	By Balance c/d	2,90,000
	3,14,000		3,14,000

Accumulated Depreciation A/c

To Balance c/d	30,000	By Balance b/d	40,000
To Statement of P&L (balancing figure)	10,000		
	40,000		40,000

Patents A/c

Particulars	₹	Particulars	₹
To Balance b/d	1,50,000	By Statement of P&L (written off) A/c	30,000
To Profit on sale	5,000	By Bank A/c (Sales)	75,000
		By Balance c/d	50,000
	1,55,000		1,55,000

Tax A/c

Particulars	₹	Particulars	₹
To Bank (Tax Paid)	50,000	By Balance b/d	90,000
		By Statement of P&L A/c	80,000
To Balance c/d	1,20,000		
	1,70,000		1,70,000

Section – C**(20 Marks)****Answer any two questions**

Question 12.

The spreadsheet below shows the payroll structure of Pluto Ltd.

EMPLOYEE CODE	BASIC	DA 35% OF BASIC	HRA 10% OF BASIC	MED FIXED	SPL ALL OW	GROSS	PF10% OF BASIC & DA	PROF TAX FIXED	I TAX	NET PAY
EMP001	11000	3850	1100	300	1200	17450	1485	150	0	15815
EMP002	10400	3640	1040	300	1200	16580	1404	150	0	?
EMP003	17800	6230	1780	300	1200	27310	2403	150	?	22026
EMP004	11350	3973	1135	300	1200	17958	?	150	0	16275
EMP005	?	6300	1800	300	1200	27600	2430	150	2760	22260

Based on the information give in the spreadsheet, write the formula for calculating each of the following:

- Net Pay of EMP002 [2]
- Provident Fund (PF) amount of EMP004. [2]
- Income Tax (I TAX) of EMP003 [2]
- The total gross salary of all the employees. [2]
- The basic salary of EMP005 [2]

Answer:

- Net pay of EMP002 = G3 – H3 – I3 – J3
- Provident Fund amount of EMP004 = 10/100*(B5 + C5)
- Income Tax of EMP003 = G4* 10/100
- Total gross salary of all the employees = SUM (G2 : G6)
- The basic salary of EMP005 = G6 – C6 – D6 – E6 – F6

Question 13.

- List any two types of entries that are allowed in a worksheet. [2]
- You enter 40-10 in a cell. The worksheet does not display the difference 30 in the cell, instead it shows 40-10. What is the reason for this ? [2]
- Give the full form of DBMS. [2]
- Explain the term 'Charts in MS Excel. [2]
- Write a shortcut key for each of the following [2]
 - To minimize the worksheet
 - To redo an action.

Answer:

- Text, Numbers, Formulas
- Put + sign before 40 – 10 i.e., = 40 – 10. Without = sign, it understands the data as text.
- Database Management System.
- Chart is a visual representation of data in a worksheet showing the data along x-axis and y-axis.

(e) Ctrl + F9 keys
Ctrl + Y

Question 14.

- (a) (i) What is the option used to adjust the text within a cell ? [2]
- (ii) Give the procedure to use this option.
- (b) What is a unique key ? [2]
- (c) State any two types of data based structures. [2]
- (d) What is meant by a cell in a spreadsheet ? [2]
- (e) State the steps involved in merging two cells in a spreadsheet. [2]

Answer:

- (a) (i) Wrap text
- (ii) (a) Right click the cell in which text is to be wrapped.
- (b) Click Format Cells option.
- (c) In Format Cells dialog box. click Alignment tab.
- (d) Click Wrap text check box.
- (e) Click OK.

(b) A unique key is a set of one or more than one fields of a table that uniquely identify a record in a database table. It can accept only one null value and it cannot have duplicate values.

(c) Relational database. Network database.

(d) A cell in a spreadsheet is an intersection of a column and row. It is represented by a combination of letter and numeral. For example B5 means, that the pointer is in column B and row number five.

- (e) (i) Select the cells which are to be merged.
- (ii) Right click on the selected cells.
- (iii) Click Format Cells option.
- (iv) In Format Cells dialog box, click Alignment tab.
- (v) Click Merge cells check box.
- (vi) Click OK.