

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.)

Part I of Section A is Compulsory.

Answer **any 4** Questions from **Part II of Section A** and **any two** questions from **either Section B or Section C.**

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.

SECTION A

PART I (12 Marks)

Answer **all** questions.

Question 1

[6×2]

- (i) Name the Head and Sub Head under which “Premium on Redemption of Debentures Account” is shown in the Balance Sheet of a company prepared as per Schedule III of the Companies Act, 2013.
 - (ii) Give any *one* difference between General Reserve and Reserve Fund.
 - (iii) When is the balance of Debenture Redemption Reserve transferred to General Reserve?
 - (iv) Give *any two* differences between Firm’s Debts and Private Debts of the partners.
 - (v) State the *two* conditions which must be fulfilled to re-issue the forfeited shares.
 - (vi) Raj and Shyam are partners in a firm having no partnership deed. Raj has advanced ₹10,000 as loan to the firm. He claims interest at the usual rate of interest of 12% p.a. as charged by the banks to which Shyam does not agree. State giving reason, which of the two is correct in this case.
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PART II

Answer any **four** questions.

Question 2

Vimal, Sanjay and Rusha are partners in a firm sharing profits and losses in proportion to their capital. Their Balance Sheet as at 31st March, 2017, is given below: [12]

Liabilities	Amount (₹)	Assets	Amount (₹)
Sundry Creditors	10,000	Cash at Bank	5,000
Workmen Compensation Fund	3,000	Sundry Debtors	22,000
Employees Provident Fund	7,000	Less Prov. for	
Capital Accounts:		Doubtful debts	(2,000)
Vimal	40,000	Stock	20,000
Sanjay	30,000	Plant & Machinery	30,000
Rusha	<u>30,000</u>	Land & Building	40,000
	1,00,000	Advertisement Expenditure	5,000
	<u>1,20,000</u>		<u>1,20,000</u>

Sanjay retired on 1st April, 2017, on the following terms:

- (a) Land & Building to be appreciated by 30%.
- (b) Plant & Machinery to be depreciated to 70%.
- (c) Bad debts ₹ 3,000 to be written off.
- (d) The claim, on account of Workmen Compensation Fund, was estimated at ₹ 2,000.
- (e) Sanjay to be paid ₹ 45,000 for which sufficient loan be taken from the bank.
- (f) Vimal and Rusha, in the new firm, to share profits and losses in the ratio of 3:2.
- (g) It was decided that the advertisement expenditure would be carried forward in the new firm's balance sheet.

You are required to:

- (i) Pass journal entries on the date of Sanjay's retirement.
- (ii) Prepare the *Opening Balance Sheet* of the new firm on the completion of the transactions. (Show your workings clearly).

Question 3

- (A) Vineet and Pawan are partners sharing profits and losses in the ratio of 3:2. During the year 2016-17, Vineet had made drawings of ₹ 10,000 on which, as per the partnership deed, interest @ 5 % p.a. had to be charged but was omitted while distributing the profit. [4]

You are required to pass an adjusting journal entry to rectify the lapse in accounting.

- (B) **You are required to pass the necessary *journal entries* to carry out the following arrangements:** [4]

Antony and John are partners sharing profits in the ratio of 4:1. On 1st April, 2016, Ronny was admitted into their partnership for 1/5th share in the profit which he acquired from Antony and John in the ratio of 3:1. Ronny brings in ₹ 30,000 as his capital and ₹ 20,000 as his share of goodwill. At the time of Ronny's admission, the firm had an Investment Fluctuation Reserve of ₹ 5,000 which the partners decided to show even in the reconstituted firm. Profit of the firm for the year ending 31st March, 2017, was Rs 1,00,000. The firm followed the fixed capital method.

- (C) Sara, Sita and Meena were partners in a firm sharing profits and losses in the ratio of 2: 2:1. Sara dies on 30th June, 2017, whereas the firm closes its books on 31st March every year. According to their Partnership Deed Sara's representatives would be entitled to get shares in the interim profits of the firm calculated on sales basis. Sales and profit for the year 2016-17 were ₹ 6,00,000 & ₹ 1,80,000 respectively and sales and in the year 2017-18, till the date of her death amounted to ₹ 1,20,000. [4]

You are required to:

- (i) **Calculate Sara's share of interim profit.**
- (ii) **Pass the necessary *journal entry* for giving Sara her share of interim profit.**

Question 4

- (A) Zen Ltd. issued 10,000 equity shares of ₹10 each at a premium of ₹ 3 per share payable as: [8]

On Application	₹ 4
On Allotment	₹ 5 (including premium)
On First Call	₹ 2

The balance as and when required

The public applied for 12,000 shares. The company made pro-rata allotment to all the applicants. One shareholder who was allotted 900 shares paid the entire amount with allotment while another shareholder who had applied for 1,200 shares, failed to pay the allotment money and on his subsequent failure to pay the first call his shares were forfeited.

Of the forfeited shares, 800 were reissued at ₹ 7 per share.

You are required to prepare:

- (i) **Share Allotment Account.**

(ii) **Securities Premium Reserve Account.**

(iii) **Share Forfeiture Account.**

(iv) **Calls-in-Arrears Account.**

- (B) Moon craft Ltd. purchased machinery for ₹ 2, 70,000. As per the agreement, the payment is to be made by issuing sufficient number of 5% Debentures of ₹ 100 each. [4]

You are required calculate number of debentures to be issued & pass the necessary journal entries in the books of the Company if the said Debentures are issued:

(i) **at a discount of 10%.**

(ii) **at a premium of 20%.**

Question 5

- (A) Tej, Partho and Ginni are in partnership, sharing profits and losses in the ratio of 2:1:1. Throughout the half year ended 31st March, 2017, their capital accounts have remained unchanged at ₹ 60,000, ₹ 40,000 and ₹ 30,000 respectively. Their current account balances on 1st October, 2016, were: [8]

Tej ₹ 8,500 Dr.

Partho ₹ 6,000 Dr.

Ginni ₹ 10,000 Cr.

During the six-month period in 2016-2017:

Tej withdrew ₹ 200 at the beginning of each month.

Partho withdrew ₹ 400 at the end of each month.

Ginni withdrew ₹ 1,800 during this period.

Their Partnership Deed provides that:

- (a) Partners to be allowed interest on capital @ 5% p.a.
- (b) Partners to be allowed or charged interest on current account balances @ 4% p.a.
- (c) Interest on drawings to be charged @ 6% p.a.
- (d) Partho to be entitled to a salary of ₹ 500 per month.
- (e) Tej to be entitled to a commission of 5% of the correct net profit of the firm after charging such commission.

During the half year ended 31st March, 2017, the net profit of the firm was ₹ 2,07,000 after charging Partho's salary which had been debited to wages and salaries account.

You are required to prepare Profit and Loss Appropriation Account Profit and Loss Appropriation Account for the half year ending 31st March, 2017.

- (B) At the time of reconstitution of a partnership firm, goodwill was valued on the basis of three years' purchase of the weighted average profits of the last four years. The profits and losses of the preceding four years were: [4]

Year	Profit	Weights
2013-14	₹ 22,000	1
2014-15	₹ 27,000	2
2015-16	₹ 32,000	3
2016-17	₹ 35,000	4

While valuing the goodwill of the firm it was found that the closing stock of the year 2015-16 was undervalued by ₹ 2,000.

You are required to calculate the value of goodwill on the date of reconstitution of the firm.

Question 6

- (A) Ravi, Sam and Tukai were in partnership sharing profits and losses in the ratio of 6:5:4. The annual rent due to Sam for using his personal property for the use of the business is ₹ 9,000 and this is treated as a business expense. [8]

Accounts of the business are closed annually on 31st March.

The partnership deed provides that the representatives of a deceased partner are entitled to:

- (a) The deceased partner's capital as appearing in the last Balance Sheet.
- (b) Interest on capital @ 6% per annum to the date of his death.
- (c) Interest on drawings @ 5% per annum.
- (d) His share of profits calculated till the date of his death on the average of the last three years' profits.
- (e) Share of goodwill calculated at two years' purchase of the average profits for the last three years prior to charging the rent but after charging interest on capital.

The profits of the firm for the years 2014-15, 2015-16 and 2016-17 after charging rent and interest on capital amounted to ₹ 62,000, ₹ 63,000 and ₹ 73,000 respectively.

Sam died on 30th June, 2017.

His drawings from 1st April, 2017 to the date of his death amounted to ₹ 3,000.

His capital shown in the Balance Sheet of 31st March, 2017, was ₹ 90,000.

You are required to prepare Sam's Capital Account to show the amount due to his estate from the firm.

- (B) Hari and Kavi are partners sharing profits and losses in the ratio of 3:2. They admit Ravi as a partner who contributes ₹ 30,000 as his capital for $\frac{1}{5}$ th share in the profits of the firm. It is decided that after Ravi's admission, the capitals of the Hari and Kavi will be adjusted on the basis of Ravi's share of capital in the business, any surplus or deficiency to be adjusted through current accounts. Before any adjustments were made, the capitals of Hari and Kavi were: ₹ 59,000 and ₹ 35,000 respectively. [4]

At the time of Ravi's admission:

- (a) The firm's goodwill was ₹ 40,000.
- (b) General Reserve was ₹ 25,000.
- (c) Loss on revaluation of assets and liabilities was ₹ 4,000.

You are required to pass the journal entries to adjust the capital of the old partners.

Question 7

- (A) Sparrow Ltd. purchased its own 100, 10% debentures of ₹ 100 each from the open market for cancellation at ₹ 94. [4]

You are required to pass journal entries for purchase and cancellation of own debentures.

- (B) Eagle Ltd. has 3,000; 10% Debentures of ₹ 100 each outstanding as on 31st March, 2016. [4]
These debentures are due for redemption on 31st March, 2017. The Debenture Redemption Reserve has a balance of ₹ 40,000 on 31st March, 2016.

You are required to pass journal entries to complete the redemption of Debentures.

- (C) Ajmera Ltd. raised the following loans in the year 2016-17: [4]

12% Bank Loan from SBI on 1st April, 2016: ₹ 15,00,000

10,000; 10% Debentures of ₹100 each, redeemable at par in

4 equal yearly instalments, on 1st October, 2016: ₹ 10,00,000

The terms of the loans were:

- (i) The redemption of Debentures to begin from 30th September, 2017.
- (ii) Interest on the Bank Loan to be paid annually but interest on Debentures to be paid half-yearly.

The company had not paid the interest, both on the Bank Loan and on the Debentures, till the Balance Sheet date.

You are required to show the above items under Equity and Liabilities of the Balance Sheet of the company as at 31st March, 2017.

Question 8

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 dissolve the partnership with effect from 1st April, 2017, on which date the firm's Balance Sheet was as follows: [12]

Balance Sheet of Erica, Aditi and Tarini**As at 1st April, 2017**

Liabilities	Amount (₹)	Assets	Amount (₹)
Employees' Provident Fund	8,000	Cash at Bank	20,000
Sundry Creditors	10,000	Debtors 22,000	
		Less Prov. for d/d (2,000)	20,000
Investment Fluctuation Reserve	4,000	Stock	12,000
		Plant and Machinery	30,000
Current Accounts		Land & Building	45,000
Erica 8,000		Investments	35,000
Aditi <u>10,000</u>	18,000	Advertisement Suspense A/c	3,000
Capital Accounts		Current Account	
Erica 60,000		Tarini	5,000
Aditi 40,000			
Tarini <u>30,000</u>	1,30,000		
	1,70,000		1,70,000

The following additional information was given:

- Plant & Machinery costing ₹ 20,000 was taken over by Erica at ₹ 16,000 and the remaining machineries realised ₹ 9,000.
- Land & Building realised ₹ 42,000.
- Investments were taken over by Aditi at ₹ 28,000.
- Sundry debtors included a bad debt for ₹ 1,000 and the amount was realised from the good debtors subject to a cash discount of 10%.
- A creditor for ₹ 2,000 was untraceable and other creditors accepted payments allowing 10% discount.
- Erica was allowed to retain the whole of the stock as her remuneration for services rendered by her in the course of dissolution of the firm.

You are required to prepare:

- Realisation Account.**
- Partners' Capital Accounts.**
- Bank Account.**

SECTION B (20 Marks)

Answer *any two* questions.

Question 9

(A) From the following statement, calculate Cash from Operating Activities:

[6]

Statement of Profit and Loss
for the year ending 31st March, 2017

Particulars	Note No.	(₹)
Revenue from operations		1,00,000
Other Income	1	10,000
Total Revenue		1,10,000
Expenses:		
Employee Benefit Expenses		10,000
Depreciation and Amortization Expenses	2	28,000
Finance Cost (Interest on Debentures)		5,000
Other Expenses	3	12,000
Total Expenses		55,000
Profit before Tax		55,000
Less Provision for Tax		(27,000)
Profit after Tax		28,000
Less: Appropriations:		
Proposed Dividend		12,000
Balance of Profit		16,000

Notes to Accounts:

Particulars	(₹)
1. Other Income	
Profit on sale of Land and Building	6,000
Interest on investments (including interest accrued 1,000)	4,000
	10,000
2. Depreciation and Amortization Expenses:	
Depreciation on Land and Building	18,000
Amortisation of Patents	10,000
	28,000
3. Other Expenses	
Commission (including outstanding commission 5,000)	6,000
Carriage inward	6,000
	12,000

Additional information: During the year 2016-17, tax paid was ₹ 25,000.

(B) From the following particulars, calculate Cash from Investing Activities: [4]

Particulars	Opening Balances (₹)	Closing Balances (₹)
Plant & Machinery (at cost)	3,00,000	3,20,000
Accumulated Depreciation	90,000	1,00,000
Patents	2,60,000	1,40,000
Goodwill	80,000	1,00,000

Additional information:

During the year:

- (i) Depreciation charged on Plant and Machinery ₹36,000.
- (ii) A machine having a book value of ₹20,000 was sold for ₹16,000.
- (iii) Patents having a book value of ₹ 80,000 were sold for ₹1, 10,000.

Question 10

(A) From the following, calculate Operating Profit Ratio: [2]

	(₹)
Revenue from Operations	6,00,000
Cost of Revenue from Operations	4,00,000
Discount received	50,000
Selling Expenses	60,000
Interest on Debentures	30,000

(B) From the following information, calculate Debt Equity Ratio: [2]

Liquid Ratio	1.5:1
Net Working Capital	₹ 60,000
Inventories	₹ 30,000
Total Assets	₹ 2,20,000
Total Debt	₹ 1,60,000

(C) The Debt Equity Ratio of a company is 2:1. State which of the following would *improve*, *reduce* or *not change the ratio*: [2]

- (i) Issue of Equity Shares for the purchase of Plant and Machinery worth ₹ 4, 00,000.
- (ii) Sale of Furniture (Book value ₹ 4, 00,000) for ₹ 3, 50,000.

D) From the following information calculate the Return on Investment: [4]

Net Profit (after) Tax Ratio	20%
Tax Rate	40%
	(₹)
Revenue from Operations	12,00,000
Net Fixed Assets	7,00,000
Non- Current Investments (Trade)	1,00,000
Non- Current Investments (Non-Trade)	50,000
Current Assets	1,80,000
Total Debt	5,00,000
10% Debentures	4,00,000
Trade Payables	50,000

Question 11

(A) Give **any two** advantages of a Comparative Balance Sheet. [2]

(B) State, with reason, which of the following would result in **inflow, outflow** or **no flow of cash**: [2]

- (i) Cash deposited in the bank.
- (ii) Proposed Dividend.

(C) From the following information, calculate Proprietary Ratio: [2]

	(₹)
Equity Share Capital	2,00,000
10 % Preference Share Capital	4,75,000
Reserves and Surplus	50,000
Creditors	1,10,000
6% Bank Loan	1,00,000
Fixed Assets	7,00,000
Non- Trade Investments	2,35,000
Current Assets	1,00,000

(D) Prepare a Common Size Income Statement from the following: [4]

	31.3.2017 (₹)	31.3.2016 (₹)
Revenue from Operations	4,00,000	3,00,000
Expenses	50% of revenue from operations	60% of revenue from operations

Interest on investments ₹10,000 and taxes payable @ 40% for both the years.

SECTION C (20 Marks)
Computerized Accounting System

Answer *any two* questions.

Question 12

- (a) Name a common field on which two tables are linked. [1]
- (b) The spreadsheet software is user friendly with a GUI. What does GUI stand for? [1]
- (c) State *any four* basic requirements of a database application. [2]
- (d) Write the Query - assuming, there is a CUSTOMERS_BKP table available which is backup of CUSTOMERS table. The following example updates SALARY by 0.25 times in the CUSTOMERS table for all the customers whose AGE is greater than or equal to 27. [2]
- (e) Write the formulas for the operations (i) – (iv) based on the spreadsheet given below along with the relevant cell address: [4]

	A	B	C	D	E	F	G	H
1	Sr. No	Name	English	Accounts	Commerce	Economics	Total	Average
2	1	Ayesha	70	92	94	79		
3	2	Sahel	85	89	88	90		
4	3	Rita	86	91	85	96		
5	4	Sherry	92	79	79	84		
6	5	Adnan	83	68	78	92		
7								
8								

- I. To calculate the Total Marks as sum of English, Accounts, Commerce and Economics for each student to be displayed in column G.
- II. To calculate the average marks for each student to be displayed in column H.
- III. To calculate the highest marks in Commerce to be displayed in cell E7.
- IV. To calculate total number of students appearing for the English test to be displayed in cell C7.

Question 13

- (a) What are 'Tables' and 'Fields'? [2]
- (b) State and apply the techniques of changing layout, types and models of graphs and charts for representing business data, using spreadsheet. [3]
- (c) Write the Query - Consider a table BACKUP_EMPLOYEE with similar structure as EMPLOYEE table. Now to copy the complete EMPLOYEE table into the BACKUP_EMPLOYEE table. [1]
- (d) Write the steps of a query to compute House Rent Allowance for employees in Microsoft Access. [4]

Question 14

- (a) What is meant by the term 'Back End' and 'Front End' used in data base application? [1]
- (b) Define the terms [2]
 - (i) DDL
 - (ii) DML
- (c) Give any two differences between "Tailor Made" and "Ready to Use" Accounting Software. [2]
- (d) **From the table given below:**

Employee code	BASIC SALARY	DA	HRA	Gross Salary
01	12500	1875	5000	19375
02	9800	1470	3920	15190
03	10100	1515	4040	15655
04	11800	1770	4720	18290
05	13200	1980	5280	20460

- (i) Give the expression for calculating Gross Salary of each employee. [1]
- (ii) Write the expression for retrieving Maximum Salary paid. [1]
- (iii) Mention *any two* methods to introduce a new column to the left of Gross Column. [1]
- (iv) Name the above column "PF" and give an expression to calculate values as 10% of Basic + DA. [1]
- (v) How will the formula to calculate "Gross", which is a total of Basic, DA, HRA and PF be changed? [1]