

International Indian School – Dammam

Preliminary Examination 2012-2013

Accountancy ( Set – A)

Class XII

Max marks - 80

1. What is Sacrificing ratio? 1
  2. Why goodwill is considered an intangible assets but not a fictitious assets . 1.
  3. X and Y are partners sharing profits in the ratio of 3:1. They admit Z as a partner. X surrender  $\frac{1}{3}$  of his share and  $\frac{1}{4}$  of his share in favour of z. calculate new profit ratio? 1.
  4. Name two items which are credited to the capital account of a partner upon his death. 1.
  5. Why would an investor prefer to invest in shares of a company rather than in its debentures. 1.
  6. Give one point of distinction between authorized capital and issued capital. 1.
  7. State two purposes for which securities premium can use by a company. 1.
  8. A & B are partners in firm with a capital of Rs.2,00,000 & the market rate of interest is 15%. The profit for last 3 years was Rs 60,000, Rs 72,000 & Rs 84,000. Calculate the amount of goodwill on the basis of 2 years purchase of past 3 years average super profit. 3
  9. Issued 2,000, 12% debenture of Rs. 100 each at a discount of 2%, redeemable at a premium of 5%. Give journal entry for issue of debenture. 3.
  10. Universal Ltd. Issued 6,000, 10% debenture of Rs 100 each at 10% discount, redeemable at par and offered the holder's option to convert their holdings into equity shares of 10 each at 20% premium .60% holders exercised their option on due date. Give journal entries at the time of redemption. 3.
  11. A, B and C were partners having capitals of Rs. 70,000, Rs.70,000 & Rs. 60,000 (Dr) resp. According to the partnership deed the partners were entitled to an interest on capital @ 5% p.a. A being the working partner was entitled to a salary of Rs. 10,000 p.a. The profits were to be divided as follows :
    - a) The first Rs.40,000 in the ratio of 7:7:6
    - b) Next Rs. 30,000 in the ratio of 5:3:2
    - c) Remaining profits to be shared equally
- During the year the firm made a profit of Rs.1,56,000 before charging any of the above items. Prepare profit & loss appropriation account & show the distribution of profit to each partner. 4.
12. A, B & C were partners in a firm sharing profits in the ratio of 6 :5:4. Their capitals were A Rs 1,00,000, B Rs. 80,000 & C Rs 60,000 resp. On 1<sup>st</sup> April 2009 A retired from the firm & the

new profit sharing ratio between B & C was decided as 1:4. On A's retirement the goodwill of the firm was valued at Rs.1,80,000. Showing your calculations clearly pass necessary journal entry for the treatment of goodwill on A's retirement. 4.

13. (a) D Ltd. Purchased machinery for Rs 10,00,000 and a motor van for Rs. 5,00,000 from E Ltd. On 1-1-2012. Rs. 4,00,000 were paid immediately and balance was paid by issue of fully paid equity shares of Rs 100 at Rs 110 each. Pass the necessary journal entries for recordings the transactions in the books of D Ltd.

(b) D Ltd. Decided to give free laptops worth Rs. 5,00,000 to the disabled students of nearby schools .State the values involved in such decisions. (2+2=4)

14. (a)Z Ltd. Forfeited 300 shares of Rs. 100 each on which first call of Rs. 20 per share was not received, the second call of Rs. 30 per share has not yet been called. Out of these, 200 shares were reissued as Rs. 70 paid up for Rs. 55 per share. Pass forfeiture & reissue entries.

(b) Prepare share forfeiture account from the above part. (3+1=4)

15. (a)A, B and C are partner's profits in the ratio of 5:4:1. C is given a guarantee that his share of profits in any year would be Rs. 50,000. Deficiency if any, would be borne by A and B equally. The profits for the year ended 31<sup>st</sup> march 2012 amounted to Rs. 4, 00,000. Pass necessary journal entries in the books of the firm.

(b)Calculate interest on drawing of Mr. Arun @ 10% p.a. for the year ended 31<sup>st</sup> March , 2012 in each of the following cases :

If he withdrew Rs. 60000 during the year.

If he withdrew Rs. 15000 at the end of every quarter. (4 +2=6)

16. Following is the Balance sheet of X and Y, who share profits and losses in the ratio of 4 : 1, as at 31<sup>st</sup> March, 2009

| Liabilities      | Rs.    | Assets              | Rs.    |
|------------------|--------|---------------------|--------|
| Creditors        | 8,000  | Buildings           | 25,000 |
| Bank overdraft   | 6,000  | Goodwill            | 10,000 |
| X's brother loan | 8,000  | Stock               | 15,000 |
| Y,s loan         | 3,000  | Debtors 17,000      |        |
| Investment       | 5,000  | Less provision2000  | 15,000 |
| fluctuation fund |        | Cash at bank        | 20,000 |
| Capital :-       |        | Investment          | 25,000 |
| X's capital      | 50,000 | Profit and loss A/c | 10,000 |
| Y's capital      | 40,000 |                     |        |

The firm was dissolved on the above data and the following arrangement was decided upon

- a) X agreed to pay off his brother loan
- b) Debtors of Rs. 5000 proved to be bad.
- c) Other assets realized – investment 20% less, and goodwill at 60%
- d) One of the creditors Rs 5,000 was paid only 3,000.
- e) Building was auctioned for 30,000 and the auctioneer's commission amounted to Rs. 1,000.
- f) Y took over part of the stock at Rs 4,000 (being 20% less the book value). Balance stock were realized 50%
- g) Realization expenses of Rs. 2,000.

Prepare necessary A/c.

6.

17. Global tourism Ltd. Invited application for issuing 10,000 equity shares of 100 Rs. Each at a discount 6%. The amount payable as follows:-

On application Rs 20 per share.

On allotment Rs 44 per share.

On first and final call – balance.

Application for 13,000 shares was received. Application for 500 shares was rejected and pro-rata allotment was made to the remaining applicants. Over payment received with application were adjusted towards sum due on allotment. All calls were made and were duly received except Shivansh who had applied for 250 shares failed to pay allotment and call money. His shares were forfeited. The forfeited shares were reissued at Rs. 22,000 fully paid up. Pass necessary journal entries in the books of the Company

Or

Sheila cosmetics Ltd. invited applications for 1, 00,000 equity shares of Rs 10 each at a premium of Rs 4 per share. The amount payable as follows:-

On application: - 6 (including premium 2)

On allotment Rs. 6 (including premium 2)

Balance on first and final call.

Application for 1, 50,000 shares were received. Allotment was made to all the applicants on prorata basis. Alka, to whom 200 shares were allotted were failed to pay allotment and call money. Suman to whom 400 shares were allotted failed to pay call money. Their shares were forfeited. 300 of these shares were reissued at Rs.12, the full of Alka's shares being included. Pass the necessary journal entries.

8.

18. Following is the Balance sheet of A,B and C, who share profits and losses in the ratio of 2:2:1 as on 31<sup>st</sup> March, 2009

| Liabilities | Rs.           | Assets       | Rs.           |
|-------------|---------------|--------------|---------------|
| Creditors   | 11,000        | Buildings    | 20,000        |
| Reserves    | 6,000         | Machinery    | 30,000        |
| A's capital | 30,000        | Stock        | 10,000        |
| B'S capital | 25,000        | Patents      | 11,000        |
| C's capital | 15,000        | Debtors      | 8,000         |
|             |               | Cash at bank | 8,000         |
|             | <b>87,000</b> |              | <b>87,000</b> |

A died on 1<sup>st</sup> October on 2009. it was agreed between his executors and the remaining partners that

- Goodwill will be valued at 2 ½ years purchase of the average profits of the previous 4 years , which were 2006 :- Rs. 13,000 , 2007:- Rs. 12,000 , 2008 :- 20,000 and 2009 :- 15,000.
- Patents are valued at Rs. 8,000; machinery Rs. 28,000 and building Rs. 25,000.
- Profits for the year 2009-10 are taken as having accrued at the same rate as that of previous year.
- Interest on capital is provided at 10% p.a.
- Half of the amount due to A to be paid immediately to the executor and the balance transferred to his (executors) loan A/c.

Prepare A's capital A/c and A's executors A/c as on 1<sup>st</sup> October 2009.

Or

P and Q are in partnership sharing profits and loss in the ratio of 3:2 . their balance sheet as on 31<sup>st</sup> march , 2008, was as under:-

| Liabilities       | Amount   | Assets               | Amount   |
|-------------------|----------|----------------------|----------|
| Creditors         | 1,50,000 | Cash                 | 50,000   |
| General reserve   | 1,20,000 | Debtors 2,00,000     |          |
| Capital account : |          | Less provision 8,000 | 1,92,000 |
| P                 | 6,00,000 | Patents              | 1,48,000 |
| Q                 | 3,00,000 | Investment           | 80,000   |
| Current account   |          | Fixed assets         | 7,20,000 |
| P                 | 1,00,000 | goodwill             | 1,00,000 |
| Q                 | 20,000   |                      |          |

They admit R on the following terms:

- A provision of 5% is to be created on debtors.
- Accrued income of Rs. 15,000 does not appear in the books and RS. 50,000 are outstanding for salaries.
- Present market value of investment is Rs. 60,000 . P takes over the investment at this value.

- d) New profit sharing ratio of partners will be 4:3:2. R will bring in Rs. 2,00,000 as his capital.
- e) R is pay in cash an amount equal to his share in firm's goodwill valued at twice the average profits of the last 3 years which were Rs. 3,00,000 ; Rs. 2,60,000 and Rs. 2,50,000 respectively.
- f) Half the amount of goodwill is withdrawn by old partners.
- You are required to pass journal entries , prepare Revaluation account , capital account and balance sheet of the new firm. 8.

**Part - B**

19. Trade payable turnover ratio of a company is 5 times. What will be the impact of credit purchase of Rs. 50,000 on this ratio? State with reason. 1.
20. Give two examples of cash equivalents. 1.
21. A mutual fund company receives a dividend of Rs. 20 lakhs on its investments in another company's shares. Where will it appear in a cash flow statement? Give reason. 1.
22. Give the major headings under which the following items will be shown in company's balance sheet as per schedule VI part I of the companies act, 1956: 3.
- I. Sundry creditors
  - II. Provision of tax
  - III. Preliminary expenses
  - IV. Loose tools
  - V. Interest accrued on investment
  - VI. Goodwill
23. Prepare the Commonsize Balance Sheet from the following information 4.

| Particulars        | 2011            | 2012            |
|--------------------|-----------------|-----------------|
| <b>Liabilities</b> |                 |                 |
| Share capital      | 40,000          | 70,000          |
| Reserves           | 12,000          | 10,000          |
| Long term loans    | 50,000          | 50,000          |
| <b>Total</b>       | <b>1,02,000</b> | <b>1,30,000</b> |
| <b>Assests</b>     |                 |                 |
| Fixed Assets       | 80,000          | 1,02,000        |
| Sundry Debtors     | 10,000          | 20,000          |
| Bank balance       | 12,000          | 8,000           |
| <b>Total</b>       | <b>1,02,000</b> | <b>1,30,000</b> |

24. The current ratio is 5:3 representing the current assets worth Rs 5,00,000 & current liabilities worth Rs 3,00,000. The management desires the current ratio to maintain at 2:1 by making payment of certain current liabilities. Advise the management how much current liabilities should be paid to attain the desired ratio. 4.

25. Following are the balance sheet of ghosh Ltd. As on 31.3.2011 and 31.3.2012:

| Particulars                   | Note no. | 31.3.2011       | 31.3.2012       |
|-------------------------------|----------|-----------------|-----------------|
| <b>EQUITY AND LIABILITIES</b> |          |                 |                 |
| <b>Shareholders fund</b>      |          |                 |                 |
| Share capital                 |          | 4,00,000        | 7,00,000        |
| Reserve and surplus           | 1        | (50,000)        | (3,20,000)      |
| <b>Noncurrent liabilities</b> |          |                 |                 |
| Long term borrowings          | 2        | 2,00,000        | 4,00,000        |
| <b>Current liabilities</b>    |          |                 |                 |
| Trade payables                |          | 1,10,000        | 1,50,000        |
| Outstanding expenses          |          | 10,000          | 20,000          |
| <b>TOTAL</b>                  |          | <b>6,70,000</b> | <b>9,50,000</b> |
| <b>II ASSETS</b>              |          |                 |                 |
| <b>Non-current assets</b>     |          |                 |                 |
| Fixed assets non – current    |          | 3,00,000        | 5,00,000        |
| investment                    |          | 2,00,000        | 1,40,000        |
| <b>Current assets</b>         |          |                 |                 |
| Inventory                     |          | 50,000          | 1,00,000        |
| Trade receivable              |          | 1,00,000        | 1,70,000        |
| Cash and cash equivalents     |          | 20,000          | 40,000          |
| <b>TOTAL</b>                  |          | <b>6,70,000</b> | <b>9,50,000</b> |

NOTES : (1) reserve and surplus:  
 Profit & loss balance 31.3.2011 31.3.2012  
(50,000) (3,20,000)

(2) long term borrowings :  
 9% debenture 2,00,000 4,00,000

**Additional information:-**

Included in the fixed assets was a piece of machinery costing Rs. 70,000 on which depreciation charged was Rs. 40,000 and it was sold for Rs. 30,000 . During the year Rs. 1,40,000 depreciation was charged on fixed assets.

Prepare a cash flow statement.

6.