

INTERNATIONAL INDIAN SCHOOL DAMMAM
II TERM EXAM -2014
ACCOUNTANCY
SET-A

STD-12

TIME-3 HOURS

Instructions:-

- 1) The question paper contains two parts A and B
- 2) All questions are compulsory.
- 3) Draw proper formats.
- 4) All parts of a question should be attempted at one place.

Part-A

- 1) State the ratio in which the partners share profits or losses on the revaluation of assets and liabilities when there is a change in profit sharing ratio among existing partners? 1

- 2) A and B are partners in a firm without a partnership deed. A is an active partner and claims a salary of Rs 18,000 p.m. State with reasons whether his claim is valid or not? 1

- 3) What do you mean by Gaining Ratio 1

- 4) As per the SEBI rule how much amount is transferred to the debenture redemption reserve at the time of redeeming the debentures. 1

- 5) When can a company forfeit the shares held by the shareholder? 1

- 6) What do you mean by calls in arrears? 1

- 7) A and B earned an average profit of Rs 40,000. Their capital employed in the firm is Rs 70,000. It is expected that the average rate of profit is 15% on the capital. Calculate the amount of goodwill, if goodwill is valued at Rs 2 years purchase of Super Profits. 3

- 8) B and C were partners in a firm sharing profits and losses in the ratio of 4:3. They admitted D as a new partner for $\frac{1}{4}$ th share in the profits which he acquired from B and C in 3:4 ratio. D brought Rs 1,80,000 for his capital and Rs 42,000 for his $\frac{1}{4}$ th share in goodwill. Calculate new profit sharing ratio of B, C and D and pass necessary Journal Entries for the above transactions on D's admission in the books of the firm. 3

9) Sandeep, Praveen and Tara are partners sharing profits in the ratio of 3:2:1. 3

On 1 April 2012 Sandeep gave a notice to retire from the firm. Praveen and Tara decide to share future profits in the ratio of 2:3. The capital Accounts of Praveen and Tara after all adjustments showed a balance of Rs 64,000 and Rs 1,00,000 respectively. The total amount to be paid to Sandeep was Rs 1,23,000. This amount was to be paid by Praveen and Tara in such a way that their Capitals become proportionate to their new profit sharing ratio.

Pass necessary Journal Entries for the above transactions in the books of the firm. Show your workings clearly

10a) Rakesh Ltd decided to redeem Rs 50,000 10% debentures of Rs 100 each. It purchased Rs 40,000 debentures in the open market at Rs 95 each. The expenses being Rs 300. Give journal entries. 3

10b) X, Y and Z Ltd issued 10,000 12% debentures of Rs 100 each at a premium 10% to be redeemed at par after 10 years. Pass necessary Journal Entries for the issue of Debentures. 3

11) A and B are partners in a firm sharing profits in the ratio of 3:2, they decided to dissolve their firm. Pass necessary journal entries for the following to close the books of the firm 3

1. Differed Advertisement Account showed a balance of Rs 30,000
2. Creditors amounted to Rs 25,000 took investment worth RS 35,000 in full settlement of their claim.
3. Bank loan Rs 40,000 paid off .

12) R ltd purchased machinery from M ltd for Rs 4,00,000. A sum of Rs 1,75,000 was paid by means of a bank draft and for the balance issued equity shares of Rs 10 each at a discount of 10%. 3

Journalize the above transaction in the books of the company.

13) Rahul and Saniya decided to commence a partnership to export ready made garments. Their capital contributions were mutually agreed to be Rs 3,00,000 and Rs 2,00,000 respectively. The other clauses of the partnership deed were as follows:-

- A) Interest on capital @ 10%p.a
- B) Rahul and Saniya each to get a salary of Rs 10,000 per month.
- C) Profits to be shared in the ratio of capital contribution.

Operations were running smoothly for Rahul and Saniya until the day Rahul's son Vijay was detected with a major illness. The medical expenses to save Vijay soon began to weigh Rahul down, throwing his financial condition from favourable to a tighter position. Looking at Rahul's plight, Saniya advised him to draw a salary of Rs 5,000 per month, more out of her share for the next 6 months so that Rahuls needs are met while the firm is saved from suffering any extra costs. She also suggested Rahul that he could return her the shares of money in a years time from then

However Rahul although touched by Saniya suggestion, recommended to follow their previous arrangement itself till the time he can still manage things and keep them under control. He knew that Saniya is a single mother and has the entire responsibility of managing her entire household.

In less than 6 months Vijay was cured of his illness and Rahul was finally relieved. The year ended on a good note with the firm exhibiting 15% more profits than the previous years at Rs 6,00,000 on 31 March 2012 before making the above appropriations.

Given the above situation, answer the following questions:-

- 1) What values were displayed by Saniya in suggesting a new arrangement to their partnership for a while and by Rahul in by politely refusing it? Enumerate at least 2 for each. 1
- 2) What social values are reflected by the partnership that Rahul and Saniya shared? 1
- 3) Prepare the Profit and Loss Appropriation Account for the above. 4

14) A, B and C were partners in a firm sharing profits in the proportion of their capitals. On 31st March 2006 their Balance Sheet was as follows:- 6

BALANCE SHEET			
Liabilities	Amount Rs	Assets	Amount Rs
Creditors	16,000	Building	1,40,000
Reserve	12,000	Machinery	60,000
Capitals		Stock	8,000
A 40,000		Debtors	12,000
B 60,000		Cash	8,000
C <u>1,00,000</u>	<u>2,00,000</u>		
	<u>2,28,000</u>		<u>2,28,000</u>

B died on 30.6.2006. Under the partnership agreement the executors of a deceased partner were entitled to:-

- i) Amount standing to the credit of partners capital account.
- ii) Interest on capital at 12%p.a.
- iii) Share of goodwill. The goodwill of the firm on B's death was valued at Rs 2,40,000./
- iv) Share of profit from the closing of last financial year to the date of death on the basis of last years profit. Profit for the year ended 31.3.2006 was Rs 15,000.

Prepare B's Capital Account to be rendered to his executor.

15) The balance sheet of Siddhart and Veenu sharing profits and losses in the ratio of 3:2 as at 31st March 2010 is:-

8

BALANCE SHEET

Liabilities	Amount Rs	Assets	Amount Rs
Siddharts Capital	4,60,000	Building	3,00,000
Veenus Capital	3,40,000	Machinery	3,50,000
Creditors	1,50,000	Stock	28,000
		Debtors	1,60,000
		Less: Pro. for doubtful debts	
			8,000
		Bank	1,20,000
	9,50,000		9,50,000

On the same date Beenu was admitted as a partner on the following terms:-

- Provision for doubtful debts to be increased by Rs 2,000.
- Stock is to be reduced by Rs 10,000
- Factory building be appreciated up to Rs 4,10,000.
- Machinery was found overvalued by RS 10,000
- An amount of Rs 7,000 included in sundry creditors be written back as no longer payable.
- Beenu introduced Rs 4,50,000 as his capital for his 1/5th share in profits.
- The goodwill of the firm is valued at Rs 5,00,000 and Beenu could not bring in his share of goodwill in cash. It is decided among the partners to open Beenu's current account temporarily in the books of firm for the adjustment of the goodwill.
- Capitals of the old partners be adjusted on the basis of Beenu's capital adjustments to be made through bank.

Prepare Revaluation account, Partners capital accounts and the balance sheet of the new firm

OR

15) Balance Sheet of A, B and C who are partners in a firm sharing profits according to their capitals as on 31st March 2013 was as follows:-

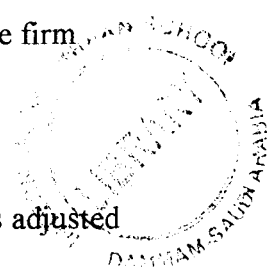
8

Liabilities	Rs	Assets	Rs
Creditors	21,000	Buildings	1,00,000
A's Capital	80,000	Machinery	50,000
B's Capital	40,000	Stock	18,000
C's Capital	40,000	Debtors	20,000
General Reserve	20,000	Less: Provision	
		For Bad Debts	1,000
		Cash at Bank	14,000
	2,01,000		2,01,000

On that day B decided to Retire from the firm and was paid for his share in the firm subject to the following:-

- A) Buildings to be appreciated by 20%
- B) Provision for Bad Debts to be increased to 15% on Debtors
- C) Machinery to be depreciated by 20%
- D) Good will of the firm is valued at Rs 72,000 and the retiring partner's share is adjusted through the capital Accounts of the remaining partners.
- E) The Capital of the new firm be fixed at Rs 1,20,000

Prepare Revaluation Account, Capital Accounts of the partners and the Balance Sheet after retirement of B.



16) Pass necessary Journal entries in the books of Raman Ltd for the following transactions:- 6

A) 400 equity shares of Rs 100 each issued at a discount of 10% were forfeited for the non-payment of final call of Rs 20 per share. 200 of the forfeited shares were re-issued for Rs 18,000 fully paid up.

B) 300 equity shares of Rs 100 each issued at a premium of 20% were forfeited for the non-payment of the allotment money of Rs 60 per share (including premium). The first and final call of Rs 20 per share was not made. The forfeited shares were re-issued for Rs 80 fully paid up.

17) Shankar and Mehta are partners in the firm. Their balance sheet on 31st December was as follows. 6

BALANCE SHEET

Liabilities	Amount	Assets	Amount
Capitals		Plant and Machinery	10,000
Shankar 15,000		Stock	7,500
Mehta 10,000	25,000	Debtors	20,000
Creditors	15,000	Cash at bank	2,500
Investment Fluctuation Fund	20,000	Investment	20,000
	60,000		60,000

The partners decided to wind up the firm and the assets and liabilities were disposed off in the following manner

Plant and Machinery and stock were sold away at the reduction of 20%. Debtors realised Rs 18,000. Expenses of realisation amounted to Rs 1,200. Creditors were paid Rs 14,500 in all.

Prepare necessary ledger accounts to close the books of the firm.

18) Citymax Ltd issued 50,000 shares of Rs 10 each at a premium of Rs 2 per Share payable as Rs 3 on Application, Rs 5 on Allotment including premium and the balance in equal installments over 2 calls. Applications were received for 92,000 shares and the allotment was done as under:- 8

A) Applicants of 40,000 shares-Allotted 30,000 shares

B) Applicants of 40,000 shares-Allotted 20,000 shares

C) Applicants of 12,000 shares- Nil

Suresh who applied for 2,000 shares (Category A) did not pay any money other than application money.

Chandar who was Allotted 800 shares (Category B) paid the call money due along with allotment.

All other Allottees paid their dues as per schedule.

Pass Journal Entries in the books of Citymax Ltd to record the above.

OR

18) Firdos Ltd invited applications for issuing 70,000 shares of Rs 10 each at a discount of 10%. The amount was payable as follows:- 8

On application Rs 4 per share

On Allotment Rs 3 per share

On First and Final call-Balance

Applications for 80,000 shares were received. Applications for 5,000 shares were rejected and the shares were allotted on pro-rata basis to the remaining applicants. Excess money received with applications was utilized towards sums due on allotment. Jonney who had applied for 1,500 shares, failed to pay the Allotment money. His shares were forfeited immediately after allotment. Afterwards the First and Final call was made. First and Final call was not received on 700 shares held by Rommy. Her shares were also forfeited. 1,500 forfeited shares were re-issued at Rs 13 per share fully paid up. The re-issued shares included all the shares of Jonney.

Pass the necessary Journal Entries in the books of Firdos Ltd for the above transactions.

Part-B

19) Declaration of Dividend will result in uniform/outflow or no flow of cash. 1

20) State one limitations of financial Statement Analysis. 1

21) What do you mean by Cash Flow Statement? 1

22) From the following information prepare comparative income statement 4

particulars	Note no	2012-13	2014-15
Revenue from operations		20,00,000	12,00,000
Other income		12,00,000	9,00,000
Expenses		13,00,000	10,00,00

Income Tax paid @50%

23) From the following prepare Cash flow Statement

6

Particulars	Note No	31 st March 2012	31 st March 2011
I) EQUITY AND LIABILITIES			
1) Share holders Funds			
A) Share Capital	1	1,70,000	92,000
B) Reserve and Surplus	2	34,000	48,000
2) Non-Current Liabilities			
A) Long-Term Borrowings	3	36,000	40,000
Total		2,40,000	1,80,000
II) ASSETS			
1) Non-Current Assets			
A) Fixed Assets			
i) Tangible Assets		1,40,000	1,00,000
2) Current Assets			
A) Inventories		50,000	42,000
B) Trade Receivables		38,000	28,000
C) Cash and Cash Equivalents		12,000	10,000
Total		2,40,000	1,80,000

Notes to Accounts:-

Particulars	31 st March 2012	31 st March 2011
1. Reserves and Surplus		
General Reserve	10,000	14,000
Statement of Profit and Loss	<u>24,000</u>	<u>34,000</u>
	<u>34,000</u>	<u>48,000</u>
2. Long Term Borrowings		
10% Debentures	36,000	40,000

Additional Information-

1. During the year machine costing Rs 16,000 was sold for Rs 10,000.
2. Dividend paid was Rs 20,000