

ACCOUNTANCY*Time Allowed: 3 hours**Maximum Marks: 80***General Instructions:**

- (i) *The paper contains two parts A and B.*
- (ii) *All parts of the questions should be attempted at one place.*
- (iii) *Both parts are compulsory for all candidates.*

PART A

1. What is Fixed Capital Account? 1
2. How would you deal with goodwill when new partner does not bring his share of goodwill in cash? 1
3. Give two circumstances when court may order dissolution of a firm. 1
4. How will you deal with the amount due to an outgoing partner in case it is not paid immediately? 1
5. Can a company issue shares at 10% discount in its Initial Public Offer (IPO)? Give reason. 1
6. Give a difference between premium on issue of debentures and premium on redemption of debentures. 1
7. Z Ltd. forfeited 100 shares of Rs. 100 each, issued at 10% premium for

non-payment of allotment money of Rs.50 per share (including premium) first call of Rs.40 per share and a second and final call of Rs.10 per share. Out of these 80 shares were re-issued as fully paid-up for Rs.95 per share. Pass necessary journal entries. 3

8. Pass necessary journal entries at the time of dissolution of the firm to record the following:
- a. The firm had an investment in shares but not recorded in the books of Rs. 50,000, which was sold for Rs. 21,000.
 - b. Loan of Ajay was adjusted through his capital account Rs. 15,000. 3

9. ABC Ltd. issued 2,00,000; 9% debentures of Rs. 100 each at Rs. 120 on 1st April, 2014. The issue was fully subscribed. Interest on debentures was payable at the end of the financial year. Pass journal entries for issue of debentures and debenture interest. 3

10. Goodluck Ltd. purchased furniture for Rs.3,00,000 from Jaya Ltd. Rs. 1,00,000 were paid by drawing a promissory note in favour of Jaya Ltd. The balance was paid by issue of equity shares of Rs. 10 each at a premium of 25%. Pass necessary journal entries. 3

11. The following is the Balance Sheet of A and B as on 31st Dec.

Balance Sheet

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Sundry Creditors	30,000	Cash in hand	500
Bills Payable	8,000	Cash at bank	8,000

Mrs. A's Loan	5,000	Stock in trade	5,000
Mrs. B's Loan	10,000	Investments	10,000
General Reserve	10,000	Debtors 20,000	
Investment Fluctuation Fund	1,000	Less: Provision	18,000
A's Capital	10,000	<u>2,000</u>	
B's Capital	10,000	Building	15,000
		Plant	20,000
		Goodwill	4,000
		Profit and Loss A/c	3,500
Total	84,000	Total	84,000

The firm was dissolved on 31st Dec.2013 on the following terms.

- A promised to pay off Mrs. A's Loan and took away stock Rs. 4,000
 - B took away half the investment at 10% discount.
 - Debtors realised Rs. 19,000
 - Creditors and bill payable were due on an average basis, one month after 31st Dec. but they were paid immediately on 31st Dec. at a discount of 6% p.a.
 - Plant realised Rs. 25,000, building Rs. 40,000, goodwill Rs.6,000 and remaining investments at Rs. 4,500.
 - There was an old typewriter in the firm, which had been written off completely from the books. It has an estimated value of Rs.300 and taken away by B.
 - Realisation expenses were Rs. 1,000
- You are required to prepare Realisation A/c.

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12. The following is the Balance Sheet of Amit and Sumit

Balance Sheet as on 31st March, 2010

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Sundry Creditors	50,000	Cash in hand	500
Bills Payable	26,000	Cash at bank	8,000
Reserve Fund	88,000	Stock in trade	5,000
Capital A/c's:		Investments	10,000
Amit 1,80,000		Debtors 20,000	
Sumi <u>1,40,000</u>	3,20,000	Less: Provision	18,000
		<u>2,000</u>	
		Building	3,15,000
		Plant	1,20,000
		Goodwill	4,000
		Profit and Loss A/c	3,500
Total	4,84,000	Total	4,84,000

The net profit of the firm for last three years was as follows:

Rs. 30,000, Rs. 50,000 and Rs. 52,000. Ascertain the value of goodwill at thrice the average super profit of the last 3 years, taking the normal rate of return on capital employed @ 10%

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- 13.** X, Y and Z were partners in a firm sharing profit and losses in the ratio of 5:3:2. On 31st March, 2013 their Balance Sheet was as follows:

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)

Sundry Creditors	42,500	Cash at bank	20,000
Capital A/c's:		Stock in trade	37,500
X 75,000		Debtors	20,000
Y 62,500		Building	50,000
Z <u>37,500</u>	1,75,000	Patents	15,000
		Machinery	75,000
Total	2,17,500	Total	2,17,500

Z died on 31st July 2010. It was agreed that:

- a. Goodwill be valued at two and half year's profit of the average profits of the last four years, which were as follows:

Year	Net Profit (Rs.)
2006-2007	32,500
2007-2008	30,000
2008-2009	40,000
2009-2010	37,500

- b. Machinery be valued at Rs. 70,000; Patents at Rs. 20,000 and Building at Rs. 62,500
- c. For the purpose of calculating Z's share of profits in the year of his death, the profits in 2010-2011 should be taken to have been accrued on the same scale as in 2009-2010.
- d. A sum of Rs. 17,500 was paid immediately to the executors of Z and the balance was paid in four half yearly installments together with interest at 12% p.a. starting from 31-01-2011.

You are required to prepare Z's Capital A/c to be rendered to his

executors.

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- 14.** X,Y and Z distributed profits for the year ended 31st March, 2012 Rs. 75,000 in the ratio of 3:2:1 without providing the following adjustments:
- Y and Z were entitled to a salary of Rs. 2,000 p.a. and Rs. 4,000 p.a. respectively.
 - Z was entitled to a commission of Rs. 5,000
 - Y and Z has guaranteed a minimum profit of Rs. 30,000 p.a. to X who was a single parent of two young kids.
 - Profits were to be shared in the ratio of 4:3:1

You are required to pass necessary journal entry for the above adjustments in the books of the firm. What value is highlighted is the above problem?

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- 15.** a. Pass the necessary journal entries for the issue of 7% debentures in following cases:
- 200 debentures of Rs. 150 each issue at 10% premium redeemable at Rs.200 each.
 - 200 debentures of Rs. 200 each issued at a discount of 10% Redeemable at par.
- b. Sanjay Ltd. purchased assets of Manoj Ltd. as under: Land and Building of Rs. 25,00,000 at Rs. 40,00,000; Plant and Machinery of Rs. 10,00,000 for Rs. 7,50,000 and Furniture of Rs. 3,00,000 for Rs. 1,00,000 for purchase consideration of Rs. 45,00,000. Sanjay Ltd. paid Rs. 3,00,000 in cash and remaining by issue of 9% debentures of Rs.500 each at a premium of 5%. Record necessary journal entries in the books of Sanjay Ltd.

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16. The Balance Sheet of A,B and C who shared profits in the ratio of 6:5:3 as on 31st March, 2012 was as follows:

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Sundry Creditors	9,000	Land and Building	24,000
Bills payable	3,000	Furniture	3,500
Capital A/c's:		Cash	900
A 19,000		Stock in trade	14,000
B 16,000		Debtors	12,600
C <u>8,000</u>	43,000		
Total	55,000	Total	55,000

They agreed to take D into partnership and give him 1/8th share on the following terms:

- D should bring in Rs. 4,200 as goodwill and Rs. 7,000 as his capital
- Furniture be depreciated by 12%
- Stock is valued at 90%
- A reserve of 5% is created for doubtful debts.
- Land and building valued at Rs. 31,000
- After making the above adjustments, the capital accounts of the old partners be adjusted on the basis of the proportion of D's capital to his share in the business and actual cash to pay off or brought in by the old partners as the case may be.

Prepare all necessary accounts and balance sheet of the new firm.

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OR

The Balance Sheet of X,Y and Z who were sharing their profits in

proportion to their capital stood as follows on 31st Dec., 20012:

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Sundry Creditors	7,000	Land and Building	25,000
Capital A/c's:		Cash at Bank	15,600
A 25,000		Sundry Debtors 5,000	
B 20,000		Less: Provision <u>100</u>	4,900
C <u>15,000</u>	60,000	Stock in trade	10,000
		Plant and Machinery	11,500
Total	67,000	Total	67,000

Y retires and the following adjustments of the assets and liabilities have been agreed upon before the ascertainment of the amount payable by the firm to Y:

- a. The stock is depreciated by 5%
- b. A provision for doubtful debts is increased to 5% on debtors.
- c. The land and building be appreciated by 20%
- d. A provision of Rs.750 is made in respect of outstanding legal charges.
- e. The goodwill of the entire firm is fixed at Rs. 16,200 and Y's share of the same is adjusted into the accounts of X and Z.
- f. X and Z decided to share the future profits of the firm in equal proportions.
- g. The entire capital of new firm is fixed at Rs. 48,000 between X and Z in equal proportions. For the purpose, actual cash is to be brought in or paid off.

You are required to prepare necessary ledger accounts and revised Balance Sheet after Y's retirement.

17. Raj Ltd. has been registered with an authorised capital of Rs. 3,00,000 divided into 3,000 shares of Rs. 100 each of which 1,500 shares were offered for public subscription at a premium of Rs. 5 per share payable as under:

On Application	Rs. 10
On Allotment	Rs. 25 (including premium)
On First Call	Rs. 40
On Final Call	Rs. 30

Applications were received for 2,000 shares of which applications for 200 shares were rejected, the rest of the applications were allotted 1,500 shares on pro-rata basis. Excess application money was transferred to allotment.

All money was duly received except from Sanjay, holder of 300 shares who failed to pay allotment money and first call money.

His shares were later forfeited and reissued to Suman at Rs. 60 per share Rs. 70 paid up.

Final call has not been made. Pass journal entries in the books of Raj Ltd.

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PART B

18. What is indicated by high stock turnover ratio? 1
19. Give two examples of non cash transactions of a company. 1
20. What do you understand by marketable securities in relation to cash flow statement? 1

21. a. Calculate current assets of a company from the following information: Stock turnover ratio 4 times; stock at the end Rs. 20,000 more than in the beginning; sales Rs. 3,00,000. Gross profit ratio 25%; current liabilities Rs. 40,000; quick ratio 0.75

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b. Calculate debtors in the beginning and at the end of the year. Debtors Turnover Ratio 5 times Net Credit Sales Rs. 2,50,000 Debtors at the end is Rs.10,000 more than at the beginning.

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22. From the following Balance Sheets of Jain Ltd. on 31st March, 2009 and 2010. Prepare a Comparative Balance Sheet.

Balance Sheets as on 31st March, 2009 and 2010

Liabilities	2009 (Rs.)	2010 (Rs.)	Assets	2009 (Rs.)	2010 (Rs.)
Equity Share Capital	3,00,000	4,50,000	Fixed Assets	6,00,000	7,50,000
Preference Share Capital	1,50,000	3,00,000	Investments	1,50,000	1,50,000
Reserve and Surplus	1,50,000	1,50,000	Current Assets	3,00,000	6,00,000
10% Debentures	3,00,000	3,00,000			
Current Liabilities	1,50,000	3,00,000			

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23. Prepare a Cash Flow Statement on the basis of the information given in the Balance Sheet of Liva Ltd. as at 31.3.2013 and 31.3.2012:

	Particulars	Note No	31.3.2013	31.3.2012

1.	I-Equity and Liabilities:			
	Shareholder's Funds:			
	(a) Share Capital		2,10,000	1,80,000
	(b) Reserve and Surplus		1,32,000	24,000
2.	Non-Current Liabilities:			
	Long Term Borrowing		1,50,000	1,50,000
3.	Current Liabilities:			
	Trade Payables		75,000	27,000
	Total		5,67,000	3,81,000
1.	II-Assets:			
	Non Current Assets:			
	(a) Fixed Assets			
	(i) Tangible Assets		2,94,000	2,52,000
	(b) Non Current Investment		48,000	18,000
2.	Current Assets:			
	(a) Current Investment		54,000	60,000
	(b) Inventories		1,07,000	24,000
	(c) Trade Receivables		40,000	17,500
	(d) Cash and cash Equivalent		24,000	9,500
	Total		5,67,000	3,81,000

Notes to Accounts:

Note 1

Particulars	2013	2012
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	(Rs.)	(Rs.)
Reserve and Surplus	1,32,000	1,24,000
Surplus(balance in statement of profit and loss)		

ANSWERS

Part - A

1. Those capital accounts in which balance of capital account usually remains same from time to time.
2. Share of new partner's goodwill is debited to new partners' capital account and credited to old partners' capital account in sacrificing ratio.
3.
 - a. When partner becomes of unsound mind
 - b. Permanent incapability of partner
4. The amount can be treated as a loan by partner to the firm and will be paid in installments along with a fixed rate of interest.
5. A company cannot issue shares at 10% discount in its Initial Public Offer because as per Sec. 79 of Companies Act, 1956, a period of one year must have been lapsed.
6. Premium on issue of debentures is a capital profit to a company; whereas premium on redemption of debentures is a capital loss to a company.
7. Capital Reserve Rs.400
8.
 - a. Dr. Cash A/c and Cr. Realisation A/c Rs. 21,000
 - b. Dr. Ajay Capital's A/c and Cr. Ajay's Loan A/c Rs. 15,000

9. Interest on Debentures Rs.18,00,000

10. a. Dr. Furniture and Cr. Jaya Ltd. by Rs. 3,00,000.
b. Dr. Jaya Ltd. and Cr. Bills Payable A/c Rs.1,00,000
c. Dr. Jaya Ltd. Rs. 2,00,000 Cr. Equity Share Capital Rs. 1,60,000 and Security Premium Rs. 40,000.

11. Profit on realisation Rs. 31,490

12. Goodwill Rs. 9,600

13. Balance of Z's Capital A/c Rs. 60,000

14. Debit X's Capital A/c Rs. 5,500; Credit Y's Capital A/c 1,000 and Z's Capital A/c Rs. 4,500; Value of social justice and Support

15. No. of debentures issued= 8,000; Capital Reserve = Rs. 3,50,000

16. Balance sheet total Rs. 68,000

OR

Balance Sheet total Rs. 55,750

17. Capital Reserve Rs.600

Part - B

18. High stock turnover ratio indicates that stock is being rotated into sales more quickly.
19.
 - a. Conversion of debentures into shares
 - b. Acquisition of fixed assets by issue of debentures or shares
20. Marketable securities are highly liquid investments and they are a part of cash equivalents.
21.
 - a. Current Assets Rs. 96,250
 - b. Debtors at the beginning Rs. 45,000; Debtors at the end Rs. 55,000
22. Proportionate change Fixed Assets: 25%; Capital Employed 33.33%
Shareholders Fund 50%
23. Cash and cash equivalents at the end of the year Rs.78,000.