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HS/XII/Com/Ac/OC/21

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ACCOUNTANCY

(Commerce)

(Old Course)

Full Marks : 80

Time : 3 hours

The figures in the margin indicate full marks for the questions

General Instructions :

- (i) This question paper contains two Parts—A and B.
- (ii) Part—A and Part—B are compulsory for all candidates.
- (iii) All parts of the questions should be attempted at one place.

PART—A

**(Accounting for Non-Profit Organizations,
Partnership Firms and Companies)**

(Marks : 60)

1. Choose and write the correct answer (any *four*) : 1×4=4

(a) Endowment Fund is

- (i) liability
- (ii) expense
- (iii) income
- (iv) asset

- (b) In the absence of an agreement or partnership deed among the partners, interest will be allowed to the partners for loans advanced by them to the firm at the rate of
- (i) 5% p.a.
 - (ii) 6% p.a.
 - (iii) 4% p.a.
 - (iv) 10% p.a.
- (c) In case of admission of a partner, the entry for unrecorded investments will be
- (i) Debit – Partners’ Capital Account
Credit – Investment Account
 - (ii) Debit – Revaluation Account
Credit – Investment Account
 - (iii) Debit – Investment Account
Credit – Partners’ Capital Account
 - (iv) Debit – Investment Account
Credit – Revaluation Account
- (d) The profit on re-issue of forfeited shares is transferred to
- (i) Reserve Capital Account
 - (ii) Share Capital Account
 - (iii) Capital Reserve Account
 - (iv) Profit and Loss Account

(3)

(e) Outstanding salary is

(i) asset

(ii) liability

(iii) income

(iv) outflow of cash

(f) Receipts and Payments Account is

(i) Real Account

(ii) Nominal Account

(iii) Personal Account

(iv) None of the above

(g) Life Membership Fee is

(i) liability

(ii) asset

(iii) revenue income

(iv) None of the above

(4)

2. Answer the following questions : 1×4=4
- (a) Write one feature of Receipts and Payments Account.
- (b) What is guarantee of profit to a partner?
- (c) What do you mean by weighted average profit method of valuation of goodwill?
- (d) Give one point of difference between Equity Share and Preference Share.
3. What do you mean by 'Not for Profit Organisations'? Give two examples. 2
4. Average profit of a firm based on profits of the last 5 years is ₹ 60,000. Its assets and liabilities are ₹ 8,00,000 and ₹ 3,50,000 respectively. Normal rate of return of the industry in which the firm operates is 12%. Find out the value of goodwill at 3 years' purchase of super profit. 2
5. Why do we prepare Revaluation Account at the time of Admission of a Partner? 2
6. Write the journal entry for issuing shares at a premium which is included in allotment. 2
7. What is Profit & Loss Appropriation Account? Why is it prepared? 2+1=3
8. Give three points of differences between Shares and Debentures. 3

(5)

9. X Ltd. forfeited 30 shares of ₹ 10 each, ₹ 7 called up, on which Mahesh has paid application and allotment money of ₹ 5 per share. Of these, 25 shares were reissued to Naresh as fully paid up at ₹ 6 per share.

Pass Journal entries for the forfeiture and reissue of shares in the books of X Ltd.

3

10. Write three uses of Securities Premium.

3

11. Prakash Ltd. purchased assets worth ₹ 2,20,000 and also took over the liabilities (creditors) of ₹ 40,000 of Ajay Ltd. for a purchase consideration of ₹ 1,92,000. Prakash Ltd. paid the purchase consideration by issuing 12% debentures of ₹ 100 each at a premium of 20%.

Pass necessary journal entries in the books of Prakash Ltd.

4

Or

Distinguish between a Joint Stock Company and a Partnership firm (any *four* points).

12. VKR Ltd. issued 975; 9% Debentures of ₹ 500 each on 4th March, 2016. Pass necessary journal entries for the issue of debentures under the following situations :

4

(a) When debentures were issued at a premium of 10%, redeemable at a premium of 6%.

(b) When debentures were issued at par, redeemable at 9% premium.

Or

Define any four types of Debentures.

(6)

13. Following is the Receipts and Payments Account of Star Literacy Club for the year ended 31st March, 2019 :

Dr.		₹	Payments	Cr.
	Receipts			₹
	Balance b/d	19,550	Salary	3,000
	Subscriptions :		Newspapers	2,050
	2017-2018	1,200	Electricity Bill	1,000
	2018-2019	26,500	Fixed Deposit	
	2019-2020	<u>500</u>	(on 1.7.2018 @ 9% p.a.)	20,000
	Sale of Old		Books	10,600
	Newspapers	1,250	Rent	6,800
	Government Grants	10,000	Furniture	10,500
	Sale of Old Furniture		Balance c/d	11,200
	(Book value ₹ 7,000)	5,700		
	Interest on Fixed Deposits	450		
		<u>65,150</u>		<u>65,150</u>

Additional Information :

(i) Subscriptions outstandings were for 2017-2018—₹ 2,000 and for 2018-2019—₹ 1,700.

(ii) On 31.03.2019, Salary outstanding was—₹ 600 and Rent outstanding was—₹ 1,200.

Prepare Income and Expenditure A/c for the year ended 31st March, 2019.

6

(7)

Or

From the following Receipts and Payments Account of a Club, prepare Income and Expenditure Account for the year ended December 31, 2018 :

*Receipts & Payments A/c
for the year ended 31st December, 2018*

<i>Dr.</i>		<i>₹</i>	<i>Payments</i>	<i>₹</i>	<i>Cr.</i>
<i>Receipts</i>					
Balance b/d		3,500	General Expenses		900
Subscriptions :			Salary		16,000
2017	2,000		Postage		1,300
2018	70,000		Electricity Charges		7,800
2019	<u>3,000</u>	75,000	Furniture		26,500
Sale of Old Books			Books		13,000
(Costing ₹ 3,200)		2,000	Newspapers		600
Rent from use of a Hall		17,000	Meeting Expenses		7,200
Sale of Old Newspapers		400	TV Sets		16,000
Profit from Entertainment		7,300	Balance c/d		15,900
		<u>1,05,200</u>			<u>1,05,200</u>

Additional Information :

- (i) The Club has 100 members each paying an annual subscription of ₹ 900. Subscriptions outstanding on December 31, 2017 were ₹ 3,800.
- (ii) On December 31, 2018, salary outstanding amounted to ₹ 1,000; salary paid included ₹ 1,000 for the year 2017.

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14. Excel Limited issued 1,00,000 shares of ₹ 10 each at par through public subscription. The amount was payable as follows :

On application—₹ 2

On allotment—₹ 4

On first call—₹ 3

On second and final call—₹ 1

Entire shares were subscribed and allotted. All the shareholders paid up to allotment. The company made first call and a shareholder holding 2000 shares could not pay the amount of first call. The company did not make the second call. Directors decided to forfeit these shares. After the forfeiture, the company reissued 1000 of the forfeited shares at ₹ 12 fully paid up.

Pass necessary Journal entries in the books of Excel Limited.

6

Or

Avian Limited issued 50000 Equity Shares of ₹ 50 each at par. Amount payable was as follows :

On application—₹ 15

On allotment—₹ 25

On first and final call—₹ 10

All the shares were subscribed. Alaska holding 200 shares could not pay the amount due on first and final call. Subsequently her shares were forfeited. In due course, the forfeited shares were reissued at ₹ 40 per share as fully paid up.

Pass necessary Journal entries in the books of Avian Limited.

15. A and B share the profits of a business in the ratio of 5 : 3. They admit C, into the firm for $\frac{1}{4}$ th share in the profits to be contributed equally by A and B. On the date of admission of C, the Balance Sheet of the firm was as follows :

*Balance Sheet of A and B
as on 31st March, 2019*

<i>Liabilities</i>	<i>₹</i>	<i>Assets</i>	<i>₹</i>
A's Capital	40,000	Machinery	30,000
B's Capital	30,000	Furniture	20,000
Workmen's		Stock	15,000
Compensation Reserve	4,000	Debtors	15,000
Creditors	2,000	Bank	6,000
Provident Fund	10,000		
	<u>86,000</u>		<u>86,000</u>

Terms of C's admission were as follows :

- (i) C will bring ₹ 24,000 for his share of capital and ₹ 6,000 as share of goodwill.
- (ii) Furniture is undervalued by ₹ 12,000 and the value of stock is reduced to ₹ 13,000.
- (iii) Provident Fund be raised by ₹ 1,000.
- (iv) Creditors are unrecorded to the extent of ₹ 6,000.

Prepare Revaluation Account, Partners' Capital Accounts
and the Balance Sheet of the new firm. 2+2+2=6

(10)

Or

Ajit and Baljit share profits as 4 : 1. They admit Charanjit for $\frac{1}{5}$ th share in profits. Their Balance Sheet as on March 31, 2018 was as follows :

*Balance Sheet of Ajit and Baljit
as on 31st March, 2018*

<i>Liabilities</i>	₹	<i>Assets</i>	₹
Capital Accounts :		Cash	15,000
Ajit 80,000		Debtors	40,000
Baljit <u>80,000</u>	1,60,000	Stock	50,000
Creditors	1,00,000	Machinery	1,20,000
		Furniture	35,000
	<u>2,60,000</u>		<u>2,60,000</u>

The terms of admission were as follows :

- (i) Charanjit was to bring in ₹ 60,000 as capital and ₹ 15,000 as goodwill. Assume that the share of goodwill had been fully withdrawn by the old partners.
- (ii) There was a claim for damage for ₹ 1,000 not shown in the Balance Sheet.
- (iii) Depreciate machinery and furniture by 10%.
- (iv) Provision for doubtful debts was to be created @ 5% on debtors.

Prepare Revaluation Account, Partners' Capital Accounts and the Balance Sheet of the new firm. 2+2+2=6

(11)

16. A, B and C were partners sharing profits in the ratio of their capitals. B retired from the firm on 31st December, 2019 the date on which the Balance Sheet of the firm was as follows :

*Balance Sheet of A, B and C
as on 31st December, 2019*

<i>Liabilities</i>	<i>₹</i>	<i>Assets</i>	<i>₹</i>
Sundry Creditors	24,000	Cash	32,400
Bills Payable	18,000	Debtors	36,000
Capital Accounts :		Less : Provision	<u>2,400</u>
A	1,80,000	Stock	60,000
B	1,44,000	Fixed Assets	3,48,000
C	<u>1,08,000</u>		
	<u>4,32,000</u>		<u>4,74,000</u>

The terms of retirement were :

- (i) Fixed Assets appreciated by 20%
- (ii) Stock depreciated by 10%
- (iii) Goodwill of the firm was valued at ₹ 72,000 and B's share was to be adjusted into the Capital Accounts of A and C without opening Goodwill Account
- (iv) New profit sharing ratio was decided as 3 : 2

Prepare Revaluation Account, Partners' Capital Accounts and the Balance Sheet after B's retirement.

6

(12)

Or

P, *Q* and *R* were partners sharing profits in the ratio of 2 : 2 : 1. Individual policies of ₹ 50,000, ₹ 30,000 and ₹ 20,000 on the lives of *P*, *Q*, and *R* respectively were taken and premium paid was charged to Profit and Loss Account (Prepared on 31st December each year).

R died on 31st March, 2018. On that date, surrender values were 50% of the amount of policies. Under the partnership deed the executors of deceased partners were entitled to :

- (i) His capital as per last Balance Sheet
- (ii) Interest on capital @ 10% to the date of death
- (iii) His share of profit to the date of death, calculated on the basis of last year's profit
- (iv) His share of insurance money
- (v) Interest on drawings is to be charged at an average rate of 6% irrespective of the period

R's capital on 31st December, 2017 stood at ₹ 80,000 and his drawings from that date to the date of his death were ₹ 14,000. Last year's profit was ₹ 40,000 (for the year ended 31st December, 2017).

Prepare *R*'s Capital Account, *R*'s Executor's Account and also show the necessary workings.

(13)

PART—B

(**Financial Statement Analysis**)

(Marks : 20)

- 17.** Choose and write the correct answer : 1×2=2
- (a) An example of cash flow from investing activities is
- (i) payment of dividend
 - (ii) issue of debentures
 - (iii) payment of income tax
 - (iv) purchase of machinery
- (b) Ideal Liquid Ratio is
- (i) 1 : 1
 - (ii) 2 : 1
 - (iii) 1 : 2
 - (iv) 3 : 1
- 18.** (a) Give the formula of Debt-Equity Ratio. 1
- (b) What are 'Cash Equivalents' for the purpose of preparing Cashflow Statement? 1
- 19.** List three tools for analysing financial statements. 3
- 20.** What is Return on Investment (ROI)? How is it calculated? 2+1=3
- 21.** From the following information, calculate—
- (a) Current Ratio;
 - (b) Quick Ratio;

(14)

(c) Debt-Equity Ratio;

(d) Proprietary Ratio :

4

<i>Information</i>	₹
Inventory	30,000
Prepaid Expenses	2,000
Liquid Assets	50,000
Current Liabilities	40,000
12% Debentures	30,000
Profit and Loss Balance	10,000
Equity Share Capital	1,00,000
Long-term Investments	15,000
Fixed Assets	83,000

22. Calculate Cash Flow from operating activities from the following information :

6

*Statement of Profit and Loss
for the year ended 31st March, 2019*

<i>Particulars</i>	₹
I. Revenue from Operations	3,00,000
II. Other Incomes :	
Interest received	4,000
Profit on sale of machinery	<u>6,000</u>
	10,000
III. Total Revenue	<u>3,10,000</u>
IV. Expenses :	
Cost of Materials Consumed	2,00,000
Employees Benefit Expenses	30,000
Depreciation	10,000
Goodwill written off	5,000
Office Expenses	3,000
Loss on Sale of Furniture	5,000
Total Expenses	<u>2,53,000</u>
V. Profit before Tax	57,000
Less : Tax Paid	<u>17,100</u>
VI. Profit after Tax	<u>39,900</u>

(15)

Or

Prepare a Cashflow Statement from the following Balance Sheet :

<i>Particulars</i>	<i>Note No.</i>	<i>31.03.2019</i> ₹	<i>31.03.2018</i> ₹
I. Equity and Liabilities :			
1. Shareholders' Funds :			
(a) Share Capital		10,50,000	8,00,000
(b) Reserve and Surplus		3,00,000	1,80,000
2. Non-Current Liabilities :			
Long-term Borrowings		3,80,000	2,00,000
3. Current Liabilities :			
Trade Payable		60,000	75,000
Total		<u>17,90,000</u>	<u>12,55,000</u>
II. Assets			
1. Non-current Assets :			
Fixed Assets :			
Tangible Assets		10,00,000	8,00,000
2. Current Assets :			
(a) Inventories		5,00,000	3,05,000
(b) Trade Receivables		1,70,000	1,00,000
(c) Cash and Cash Equivalents		1,20,000	50,000
Total		<u>17,90,000</u>	<u>12,55,000</u>

Adjustments :

- (i) A tangible asset of the book value of ₹ 50,000 was sold for ₹ 40,000 during the year
- (ii) Depreciation provided on tangible assets during the year was ₹ 1,50,000

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