
SAMPLE PAPER- 3 (solved)
Class – XII ACCOUNTANCY

Time allowed: 3 hours

Maximum Marks: 80

General Instructions:

1. This question paper contains Two parts A & B.
 2. Both the parts are compulsory for all.
 3. All parts of questions should be attempted at one place.
 4. Marks are given at the end of each question.
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Partnership, Share Capital and Debentures

1. Can a partner be exempted from sharing the losses in a firm? If yes, under what circumstances?
 - (a) If all partners agree
 - (b) If there is no partnership deed
 - (c) If one partner is new
 - (d) If one partner is active partner(1)
 2. When an asset is taken over by a partner, why is his capital account debited?
 - (a) To increase his capital account
 - (b) To reduce his capital balance
 - (c) To open his current account
 - (d) To close his current account(1)
 3. Apart from location and profitability, list any two other factors affecting Goodwill of a firm. (1)
 4. Can 'Securities premium' be used as working capital? Give reason in support of your answer. (1)
 5. What is the nature of interest on Debentures? (1)
 6. Vinod Limited purchased assets of Fukrey Limited for Rs.8,40,000 and took over the liabilities (creditors) of Rs.80,000 for an agreed purchase consideration of Rs.8,00,000. Vinod Limited issued 12% debentures of Rs.100 each at 25% premium for purchase consideration. Pass necessary Journal entries in the books of Vinod Limited. (3)
 7. A and B were partners in a firm sharing profits in 3:2 ratio. They admitted C and D as new partners. The new profit sharing ratio will be 2:2:1:1. C and D brought Rs.2, 75,000 each for their
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respective capitals and also necessary amount of premium for goodwill in cash. Goodwill was valued at Rs.2,40,000 for the firm. Calculate sacrificing ratio of A and B and pass necessary Journal entries for the above transactions in the books of the firm. (3)

8. Vinod Limited has 80,000; 8% Debentures of Rs.100 each due for redemption on 31st March, 2014. Assume that Debenture Redemption Reserve has a balance of Rs.38,00,000 on that date. Record necessary journal entries at the time of Redemption of Debentures. (3)

9. Vinod Limited forfeited 1,000 shares of Rs.10 each, issued at a discount of Rs.1 per share, for the non-payment of the first call of Rs.2 per share. The final call of Rs.3 per share has not yet been made. Subsequently, 400 of these shares were reissued at Rs.5 per share, Rs.7 paid-up, and 600 reissued at Rs.7 per share fully paid. Journalise the transactions to record the forfeiture and reissue of shares. (4)

10. DK, EK and FK were partners in a firm sharing profits in the ratio of 5:7:8. Their fixed capitals were ; DK Rs.10,00,000; EK Rs.14,00,000 and FK Rs.16,00,000. Their Partnership deed provided for the following:

(i) Interest on capital @ 10% per annum and Interest on drawings @ 12% per annum.

(ii) Salary of Rs.20,000 per month to FK.

DK Withdrew Rs.80,000 on 31st January, 2013; EK withdrew Rs.1,00,000 on 31st March, 2013 and FK withdrew Rs.60,000 on 31st December, 2013.

During the year ended 31st December, 2013, the firm earned a profit of Rs.7,00,000. Prepare P/L Appropriation Account. Partners have also decided to give more jobs in their business to the economically backward women. Identify the values disclosed by the partners. (4)

11. A, B and C are partners in a firm sharing profits in the ratio of 3 : 2: 1. Their balance sheet as at 31.12.2004 was as under:

Liabilities	Amount	Assets	Amount
Creditors	46,000	Cash in hand	18,000
General Reserve	12,000	Debtors	25,000
Capitals : A 40,000		Less: Provision	<u>3,000</u>
B 40,000		Stock	18,000
C <u>30,000</u>	1,10,000	Furniture	30,000
		Machinery	68,000
		Goodwill	12,000
	<u>1,68,000</u>		<u>1,68,000</u>

B retires on 1.1.2005 on the following terms:

- (a) Provision for doubtful debts will be raised by Rs.1,000.
 (b) Stock will be depreciated by 10% and Furniture by 5%.
 (c) There is an outstanding claim for damages of Rs.1,100 and it is to be provided for in the books.
 (d) Creditors will be written back by Rs.6,000.
 (e) Goodwill of the firm is valued at Rs.24,000, which is not to be shown in the books of the new firm.
 (f) B is paid in full with the cash brought in by A and C in such a manner that their capitals are in proportion to their profit sharing ratio 3:2.

Prepare Revaluation A/c, Partners Capital A/cs and Balance Sheet. (6)

12. X Ltd. has an Authorized capital of Rs.15,00,000 divided into 1,00,000 Equity shares of Rs.10 each and 50,000 9% preference share of Rs.10 each .

The company invited applications for all the preference shares but only 90,000 equity shares. All the preference shares were subscribed, called and paid while subscriptions were received for only 85,000 equity shares. During the first year Rs.8 per share were called.

Ram holding 1,000 shares and Shyam holding 2,000 shares did not pay first call of Rs.2.

Shyam's shares were forfeited after the first call and later on 1,500 of the forfeited shares were reissued at Rs.6 per share Rs.8 called up.

(a) Show share capital in the Balance Sheet as per revised Schedule VI as at 31st March 2013.

(b) Prepare relevant 'Notes to Accounts' (4)

13. A, B and C are partners in a trading firm. The firm has a fixed total capital of Rs.60,000 held equally by all the partners. Under the partnership deed the partners were entitled to:

(a) A and B to a salary of Rs.1,800 and Rs.1,600 per month respectively.

(b) In the event of the death of a partner, Goodwill was to be valued at 2 years purchase of the Average profits of the last 3 years.

(c) Profit upto the date of the death based on the profit of the previous year.

(d) Partners were to be charged interest on drawings at 5% p.a. and allowed interest on capitals at 6% p.a.

B died on 1.1.2011. His drawings to the date of death were Rs.2,000 and the interest thereon was Rs.60. The profits for the three years ending 31.3.2008, 2009 and 2010 were Rs.21,200; Rs.3,200 (Dr.) and Rs.9,000 respectively.

Prepare A's Capital Account to calculate the amount to be paid to his executors. (6)

14. Following is the Balance Sheet of X and Y, who share profits and losses in the ratio of 4 : 1, as at 31st March 2012 :

Liabilities	Amount	Assets	Amount
Sundry Creditors	8,000	Bank	20,000
Bank Overdraft	6,000	Debtors 17,000	
X's Brother's Loan	8,000	Less : Provision <u>2,000</u>	15,000
Y's Loan	3,000	Stock	15,000
Investment Fluctuation fund	5,000	Investments	25,000
Capitals :		Buildings	25,000
X 50,000		Goodwill	10,000
Y 40,000	90,000	Profit and Loss A/c	10,000
	1,20,000		1,20,000

The firm was dissolved on the above date and the following arrangements were decided upon :

(i) X agreed to pay off his brother's loan.

(ii) Debtors of Rs.5,000 proved bad.

(iii) Other assets realized :- Investments 20% less ; and goodwill at 60%.

(iv) One of the creditors for Rs.5,000 was paid only Rs.3,000.

(v) Buildings were auctioned for Rs.30,000 and the auctioneer's commission amounted to Rs.1,000.

(vi) Y took a part of stock at Rs.4,000 (being 20% less than the book value) and balance stock was realized 50%.

(vii) Realisation expenses amounted to Rs.2,000.

Prepare Realisation Account, Partners Capital Account and Cash Account. (6)

15. X and Y were partners in a firm sharing profits in 3 : 1 ratio. They admitted Z as a new partner for $\frac{1}{4}$ th share in the profits. Z was to bring Rs.20,000 as his capital and the capitals of X and y were to be adjusted on the basis of Z's capital in the profit sharing ratio. The balance sheet of X and Y on 31.3.2006 was as follows:

Liabilities	Amount	Assets	Amount
Sundry Creditors	18,000	Cash	5,000
Bills Payable	10,000	Debtors	17,000
General Reserve	12,000	Stock	12,000
Capitals : X 25,000		Machinery	21,000
Y <u>10,000</u>	35,000	Building	20,000
	<u>75,000</u>		<u>75,000</u>

Other terms of agreement on Z's admission were as follows:

- Z will bring Rs.6,000 for his share of goodwill.
- Building will be valued at Rs.25,000 and Machinery at Rs.19,000.
- A Provision at 5% on debtors will be created for bad debts.
- Capital accounts of X and y were adjusted by opening current accounts.

Prepare Revaluation A/c, Partners Capital A/cs and Balance Sheet of new firm. (8)

16. Vinod Limited issued 30,000 shares of Rs.10 each at maximum discount, payable as follows:

Rs.3 per share on Application

Rs.2 per share on Allotment

Balance on first and final call

Applications were received for 50,000 shares.

Applications for 10,000 shares were rejected and allotment was made on pro-rata basis to the remaining applicants.

Harish who applied for 1,600 shares failed to pay the amount due on allotment and call. Company forfeited his shares. Later on out of the forfeited shares company reissued 800 shares at Rs.10 per share fully paid up.

Pass necessary journal entries in the books of Vinod Limited. (8)

Part – B

Financial Statement Analysis

- State with reason whether charging of depreciation on furniture will result into inflow, outflow or no flow of cash. (1)
- Interest received by a finance company is classified under which king of activity while preparing Cash Flow Statement. (1)
- State how qualitative aspects are ignored in Financial Statement Analysis. (1)
- Give major heads and sub heads under which following items will be disclosed in the Balance Sheet as per Revised Schedule VI of the Companies Act, 1956: (3)

(i) Tax Reserve	(iv) Premium on Redemption of debentures
(ii) Interest on calls in advance	(v) Loose Tools
(iii) Stores and spares	(vi) Bank Balance

21. From the following statement of profit and loss of VK Limited for the years ended 31st March 2010 and 2009.

Particulars	31 March 2010	31 March 2009
Revenue from operations	300% of cost of material consumed	200% of cost of material consumed
Cost of material consumed	12,00,000	10,00,000
Other Expenses	20% of cost of material consumed	10% of cost of material consumed
Tax	50%	50%

Prepare a comparative statement of profit and loss.

(4)

22. Calculate 'Return on Investment' and 'Debt Equity Ratio' from the following information:

Net Profit after interest and tax	3, 00,000
10% Debentures	5, 00,000
Tax Rate	40%
Capital Employed	40, 00,000

(4)

23. Following is the Balance Sheets of Greenland Limited as on 31st March 2012:

Particulars	Note No.	31 st March 2011-12 (Rs.)	31 st March 2010-11 (Rs.)
I. Equity and Liabilities			
1. Shareholders' Funds			
(a) Share Capital		12,00,000	8,00,000
(b) Reserves and Surplus (Profit Balance)		3,50,000	4,00,000
2. Non-current Liabilities			
Long-term Borrowings : Bank Loan		4,40,000	3,50,000
3. Current Liabilities			
(a) Trade Payables (Creditors)		60,000	50,000
Total		<u>20,50,000</u>	<u>16,00,000</u>
II Assets			
1. Non-current Assets			
(a) Fixed Assets:			
(i) Tangible Assets : Machinery		12,00,000	9,00,000
2. Current Assets			
(a) Inventories (Stock)		2,00,000	1,00,000
(b) Trade Receivables (Debtors)		3,10,000	2,30,000
(c) Cash and Cash Equivalents		3,40,000	3,70,000
Total		<u>20,50,000</u>	<u>16,00,000</u>

Adjustments:

(i) The Company paid interest Rs.36,000 on its long term borrowings.

(ii) Depreciation provided on fixed assets during the year amounted to Rs.1,20,000. (6)

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ACCOUNTANCY
Class – XII

Solution

1. Yes it can be done only if partners have agreed that one or more of them shall not be liable for losses.
2. The main purpose of debiting capital account is to reduce his capital for the asset taken over by him.
3. (i) Efficiency of Management (ii) Quality of Goods or Products
4. 'Securities Premium' cannot be used as working capital. According to Section 77 A and 78 of the Companies Act, 1956, Securities Premium can be utilised only for the specific purposes mentioned under these sections.
5. It is a charge against the profits because it will be paid whether there is profit or loss.
6. Journal

Sundry Assets A/c Dr.	8,40,000	
Goodwill A/c (Bal. Fig)	40,000	
To Liabilities A/c		80,000
To Fukrey Limited		8,00,000
 Fukrey Limited	8,00,000	
To 12% Debentures A/c		6,40,000
To Securities premium		1,60,000

No. of debentures issued = $8,00,000/125 = 6,400$

7. Journal

Bank A/c Dr.	6,30,000	
To C's Capital A/c		2,75,000
To D's Capital A/c		2,75,000
To Premium for goodwill		80,000
 Premium for goodwill Dr.	80,000	
To A's Capital A/c		64,000
To B's Capital A/c		16,000

8. Journal

2014 March 31	Statement of Profit and Loss Dr.	2,00,000	
	To Debenture Redemption Reserve		2,00,000
	8% Debentures A/c Dr.	80,00,000	
	To Debenture holders A/c		80,00,000
	Debenture holders A/c Dr	80,00,000	
	To Bank		80,00,000
	Debenture Redemption Reserve	40,00,000	
	To General Reserve		40,00,000

9. Journal

Share Capital A/c Dr.	7,000	
To Share Forfeiture A/c		4,000
To Share 1 st Call A/c		2,000
To Discount on issue of shares		1,000
Bank A/c Dr.	2,000	
Discount on issue of shares	400	
Share Forfeiture A/c	400	
To Share Capital		2,800
Bank A/c Dr.	4,200	
Discount on issue of shares	600	
Share Forfeiture A/c	1,200	
To Share Capital		6,000
Share Forfeiture A/c Dr.	2,400	
To Capital Reserve		2,400

10. Profit & Loss Appropriation Account

Particulars	Amount	Particulars	Amount
To Interest on capital:		By Profit b/d	7,00,000
DK's Current A/c	1,00,000	By Interest on drawings:	
EK's Current A/c	1,40,000	DK's Current A/c	8,800
FK's Current A/c	1,60,000	EK's Current A/c	9,000
To Salary:			
FK's Current A/c	2,40,000		
To Profit transferred to:			
DK's Current A/c	19,450		
EK's Current A/c	27,230		
FK's Current A/c	31,120		
	7,17,800		7,17,800

11. Revaluation Account

Particulars	Amount	Particulars	Amount
To Provision for doubtful debts	1,000	By Sundry creditors	6,000
To Stock	1,800		
To Furniture	1,500		
To Provision for out.damages	1,100		
To Profit transferred to:			
A	300		
B	200		
C	100		
	6,000		6,000

Partners' Capital Account

Particulars	A	B	C	Particulars	A	B	C
To Goodwill	6,000	4,000	2,000	By Balance b/d	40,000	40,000	30,000
To B's Capital	2,400	--	5,600	By A's Capital	--	2,400	--
To Balance c/d	37,900	48,200	24,500	By C's Capital	--	5,600	--
				By Revaluation A/c	300	200	100
				By General reserve	6,000	4,000	2,000
	46,300	52,200	32,100		46,300	52,200	32,100
To balance c/d	66,360	48,200	44,240	By Balance b/d	37,900	48,200	24,500
	66,360	48,200	44,240	By Cash (bal.fig)	28,460	--	19,740
					66,360	48,200	44,240

Balance Sheet

Liabilities	Amount	Assets	Amount
Capitals: A	66,360	Plant & Machinery	68,000
B	44,240	Furniture	28,500
Creditors	40,000	Stock	16,200
Provision for out. damages	1,100	Debtors less provision	21,000
		Cash	18,000
	1,51,700		1,51,700

12. Balance Sheet

(Extract only)

Particulars	Note No.	2012-13	2011-12
I Equity and Liabilities			
I. Equity and Liabilities			
1. Shareholders' Funds			
(a) Share Capital	1	11,77,000	
(b) Reserves & Surplus	2	6,000	
		11,83,000	

Notes to Accounts:

1. SHARE CAPITAL	
Authorised Capital	
1,00,000 equity shares of Rs.10 each	10,00,000
50,000 9% preference shares of Rs.10 each	<u>5,00,000</u>
Issued capital	
90,000 equity shares of Rs.10 each	9,00,000
50,000 9% preference shares of Rs.10 each	<u>5,00,000</u>
Subscribed Capital	
Subscribed and fully paid	
50,000, 9% preference shares of Rs.10 each	5,00,000
Subscribed but not fully paid	
84,500 equity shares of Rs.10 each Rs.8 called up	6,76,000
Less Calls in arrears (2,000)	6,74,000
Add shares forfeited	<u>3,000</u>
	11,77,000
2. RESERVES AND SURPLUS	
Capital Reserve	6,000
	11,83,000

13. B's Capital Account

Particulars	Amount	Particulars	Amount
To Drawings	2,000	By Balance b/d	20,000
To Interest on Drawings	60	By Salary	14,400
To B's Executor's A/c (Bal. fig)	41,490	By A's Capital	3,000
		By C's Capital	3,000
		By P/L Suspense	2,250
		By Interest on capital	900
	43,550		43,550

14. Realisation Account

Particulars	Amount	Particulars	Amount
To Sundry Assets:		By Investment F. Fund	5,000
Goodwill 10,000		By Provision for D. Debts	2,000
Building 25,000		By Creditors	8,000
Investment 25,000		By Bank Overdraft	6,000
Stock 15,000		By X's Brother's Loan	8,000
Debtors <u>17,000</u>	92,000	By Bank A/c (Assets realized):	
To X's Capital A/c (loan)	8,000	Goodwill 6,000	
To Bank A/c (liabilities paid)		Building 30,000	
Creditors 6,000		Investment 20,000	
Bank overdraft <u>6,000</u>	12,000	Stock 5,000	
To Bank A/c (Commission)	1,000	Debtors <u>12,000</u>	73,000
To Bank A/c (Exp.)	2,000	By Y's Capital A/c (stock)	4,000
		By Loss transferred to:	
		X	7,200
		Y	1,800
	1,15,000		1,15,000

Partners' Capital Account

Particulars	X	Y	Particulars	X	Y
To P/L A/c	8,000	2,000	By Balance b/d	50,000	40,000
To Realisation A/c	--	4,000	By Realisation A/c	8,000	--
To Realisation A/c	7,200	1,800			
To Bank A/c (payment)	42,800	32,200			
	58,000	40,000		58,000	40,000

Bank Account

Particulars	Amount	Particulars	Amount
To Balance b/d	20,000	By Realisation A/c (Liab.)	12,000
To Realisation A/c	73,000	By Realisation (Comm.)	1,000
		By Realisation (Exp.)	2,000
		By Y's Loan A/c	3,000
		By X's Capital A/c	42,800
		By Y's Capital A/c	32,200
	93,000		93,000

15. Revaluation Account

Particulars	Amount	Particulars	Amount
To Machinery A/c	2,000	By Building A/c	5,000
To Provision for doubtful debts	850		
To Profit transferred to:			
X	1,613		
Y	537		
	5,000		5,000

Partners' Capital Account

Particulars	X	Y	Z	Particulars	X	Y	Z
To Balance c/d	40,113	15,037	20,000	By Balance b/d	25,000	10,000	--
				By Revaluation A/c	1,613	537	--
				By Gen Reserve	9,000	3,000	--
				By Cash	--	--	20,000
				By Premium	4,500	1,500	--
	40,113	15,037	20,000		40,113	15,037	20,000
To Y's current A/c	--	37	--	By Balance b/d	40,113	15,037	20,000
To Bal. c/d	45,000	15,000	20,000	By X's current A/c	4,887	--	--
	45,000	15,037	20,000		45,000	15,037	20,000

Balance Sheet

Liabilities	Amount	Assets	Amount
Capitals: X 45,000		Building	25,000
Y 15,000		Machinery	19,000
Z <u>20,000</u>	80,000	Stock	12,000
Creditors	18,000	Debtors less provision	16,150
Bills Payable	10,000	Cash	31,000
Y's Current A/c	37	X's Current A/c	4,887
	1,08,037		1,08,037

16. Journal

Date	Particulars	L.F	Debit	Credit
	Bank A/c Dr.		1,50,000	
	To Share Application A/c			1,50,000
	Share Application A/c Dr.		1,50,000	
	To Share Capital			90,000
	To Share Allotment			30,000
	To Bank A/c			30,000
	Share Allotment A/c Dr.		60,000	
	Discount on issue of shares		30,000	
	To Share capital			90,000
	Bank A/c Dr.		28,800	
	To Share Allotment A/c			28,800
	Share final call A/c		1,20,000	
	To Share Capital A/c			1,20,000
	Bank A/c Dr.		1,15,200	
	To Share Final call			1,15,200
	Share Capital A/c Dr.		12,000	
	To Share Allotment			1,200
	To Share Final call			4,800
	To Discount on issue of shares			1,200
	To Share Forfeiture			4,800

Bank A/c		8,000	
To Share Capital			8,000
Share Forfeiture		3,200	
To Capital Reserve			3,200

17. Depreciation is a non-cash expense. Therefore, there is no flow of cash.

18. Operating Activity

19. Financial statements are concerned with the monetary aspect only, the qualitative aspect like quality of goods, efficiency of management and workers etc. are ignored while carrying out the analysis of financial statements.

20. Major Head and Sub-head

Particulars	Major Headings	Sub-headings
(i) Tax Reserve	Shareholders' funds	Reserves & Surplus
(ii) Interest on calls in advance	Current Liabilities	Other current liabilities
(iii) Stores and spares	Current Assets	Inventories
(iv) Premium on Redemption of debentures	Non-current Liabilities	Other long term liabilities
(v) Loose Tools	Current Assets	Inventories
(vi) Bank Balance	Current Assets	Cash & Cash Equivalents

21. Comparative Statement of Profit & Loss

Particulars	Note No.	31-3-2010	31-3-2009	Absolute change	% change
Revenue from operations		36,00,000	20,00,000	16,00,000	80%
Other income					
Less: Expenses:					
Cost of Material consumed		12,00,000	10,00,000	2,00,000	20%
Other Expenses		2,40,000	1,00,000	1,40,000	140%
Total Expenses		14,40,000	11,00,000	3,40,000	30.90%
Total Revenue		21,60,000	9,00,000	12,60,000	140%
Less : Tax		10,80,000	4,50,000	6,30,000	140%
Profit after tax		10,80,000	4,50,000	6,30,000	140%

22. Return on investment (ROI) = EBIT/Capital Employed

Earning after interest and tax = 3,00,000 + 50,000 interest + 2,00,000 tax = 5,50,000

Now ROI is = 5,50,000/40,00,000 x 100 = 13.75%

Debt Equity Ratio = Debt/Equity i.e. 5,00,000/35,00,000 = 1:7

Debt = 10% Debentures Rs.5,00,000

Equity = Capital Employed – Debt i.e. 40,00,000 – 5,00,000 = 35,00,000

23. Cash Flow Statement

(A) Cash Flow from Operating Activities	
Net Loss during the year	(50,000)
Add: Interest on Borrowings	36,000
Depreciation	<u>1,20,000</u>
<i>Operating Profit/loss before working capital changes</i>	1,06,000
Add: Increase in Trade Payables	10,000
Less : Increase in Inventories	(1,00,000)
Less: Increase in Trade Receivables	<u>(80,000)</u>
<i>Cash used in Operating Activities</i>	(64,000)
(B) Cash Flow from Investing Activities	
Purchased of fixed assets	<u>(4,20,000)</u>
<i>Cash used in investing activities</i>	(4,20,000)
(C) Cash Flow from Financing Activities	
Proceeds from issue of share capital	4,00,000
Interest paid on debentures	(36,000)
Long term borrowings (raised)	90,000
<i>Cash flow from financing activities</i>	<u>4,54,000</u>
(D) Net increase/decrease in cash and cash equivalents (A+B+C)	(30,000)
Add: Cash & Cash Equivalents in the beginning of the year	<u>3,70,000</u>
Cash and Cash Equivalents at the end of the period	3,40,000

Fixed Assets Account

Particulars	Amount	Particulars	Amount
To Balance b/d	9,00,000	By P/L A/c (Dep.)	1,20,000
To Cash (Purchase)	4,20,000	By Balance c/d	12,00,000
	13,20,000		13,20,000