SAMPLE PAPER- 4 (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.

Partnership, Share Capital and Debentures

1. Do all firms of business organisations prepare the P/L Appropriation A/c?

   (a) Yes all firms prepare P/L App. A/c

   (b) Only registered firms require P/L App. A/c

   (c) Only unregistered firms require P/L App. A/c

   (d) Sole proprietorship firms do not require P/L App. A/c (1)

2. Where would you record the interest on capital when capital is fixed?

   (a) Cr. Side of Parners Capital Account

   (b) Dr. Side of Partners Capital Account

   (c) Cr. Side of Partners Current Account

   (d) Dr. Side of Partners Current Account (1)

3. In the absence of partnership deed, how are mutual relations of partners governed? (1)

4. In case of re-issue of shares which were originally issued at par or at a premium, what is the maximum permissible discount on re-issue? (1)

5. State the provision of the Companies Act, 1956 regarding DRR? (1)

6. On 31st March, 2005, after the closing of books of accounts, the Capital Accounts of A, B and C stood at Rs.24,000; Rs.20,000 and Rs.12,000 respectively. The profit for the year Rs.36,000 was distributed equally. Subsequently, it was found that interest on capital @ 5% p.a. had been omitted. The profit sharing ratio was 2:2:1. (3)

7. Vinod Limited has Rs.8,00,000; 9% Debentures to be redeemed out of profits on 1st October 2010 at a premium of 5%. The company had a DRR of Rs.4,14,000. Pass the necessary Journal entries at the time of redemption. (3)

8. Vinod Limited issued 25,000; 10% Debentures of Rs.100 each. Give the Journal entries in each o the following cases when:
   (a) The Debentures were issued at a premium of 20%.
   (b) The Debentures were issued at a collateral security to bank against a loan of Rs.20,00,000.
   (c) The Debentures were issued to Supplier of Machinery costing Rs.28,00,000 as his full and final payment. (3)

9. D, E and F were partners in a firm sharing profits in the ratio of 5:7:8. Their fixed capitals were ; D Rs.5,00,000; E Rs.7,00,000 and F Rs.8,00,000. Their Partnership deed provided for the following:
   (i) Interest on capital @ 10% per annum
   (ii) Interest on drawings @12% per annum.
   (iii) Salary of Rs.10,000 per month to F.

   D Withdrew Rs.40,000 on 31st January, 2009; E withdrew Rs.50,000 on 31st March, 2009 and F withdrew Rs.30,000 on 31st December, 2009.
   During the year ended 31st December, 2009, the firm earned a profit of Rs.3,50,000.
   Prepare P/L Appropriation Account. (4)

10. Vinod Limited invited applications for 40,000 shares of Rs.50 each isseud at a premium of Rs.10 per share. The amount was payable as follows:
    On Application and Allotment Rs.20 per share
    Balance on first and final call (including premium)
    Application for 70,000 shares were received. Applications for 20,000 shares were rejected and pro-rata allotment was made to the remaining applicants. First and final call was made and duly received except on 400 shares alloted to Rakesh. Give journal entries. (4)

11. Vijay, Vivek and Vinay were partners in a firm sharing profits in 2 : 2: 1 ratio. On 31.3.2006 Vivek retired from the firm. On the date of Vivek's retirement the Balance Sheet was as under:

Liabilities		Amount	Assets		Amount
Creditors		54,000	Bank		55,200
Bills Payable		24,000	Debtors	12,000	
Outstanding Rent		4,400	Less: Provision	800	11,200
Provision for Legal Claims		12,000	Stock		18,000
Capitals : Vijay	92,000		Furniture		8,000
Vivek	60,000		Premises		1,94,000
Vinay	40,000	1,92,000			
		2,86,400			2,86,400

On Vivek's retirement it was agreed that:
(a) Premises will be appreciated by 5% and Furniture will be appreciated by Rs.2,000. Stock will be depreciated by 10%.

(b) Provision for bad debts was to be made at 5% on debtors and provision for legal damages to be made for Rs.14,400.
(c) Goodwill of the firm was valued at Rs.48,000.
(d) Rs.50,000 from Vivek's Capital Account will be transferred to his loan account and the balance will be paid by cheque.

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

12. The authorized capital of Vinod Limited is Rs.50,00,000 divided into 25,000 shares of Rs.200 each. Out of these, the company issued 12,000 shares of Rs.200 each at a premium of 10%. The amount per share was payable as follows:
    Rs.60 on application; Rs.60 on allotment (including premium); Rs.30 on first call and balance on final call.
    Public applied for 11,000 shares. All the money was duly received.
    Prepare an extract of Balance Sheet of Vinod Limited as per Revised Schedule VI Part 1 of the Companies Act 1956 and also prepare notes to accounts. (4)

13. A, B and D are partners in a firm. On 1st April 2011 the balance in their capital accounts stood at Rs.4,00,000, Rs.3,00,000 and Rs.2,00,000 respectively. They shared profits in the proportion of 5 : 3 : 2 respectively. Partners are entitled to interest on capital @ 10% p.a. and salary to B and D @ Rs.2,000 per month and Rs.3,000 per quarter respectively as per the provisions of the partnership deed.
    B's Share of profit (excluding interest on capital but including salary) is guaranteed at a minimum of Rs.50,000 p.a. Any deficiency arising on that account shall be met by D. The profits of the firm for the year ended 31st March 2012 amounted to Rs.2,00,000. Prepare 'Profit and Loss Appropriation Account' for the year ended 31st March 2012. (6)

14. X, Y and Z were partners sharing profits in the ratio of 3 : 2: 1. On 31.3.08 their balance sheet stood as under:

Liabilities			Amount	Assets	Amount
Creditors			72,000	Cash at Bank	70,000
General Reserve			24,000	Investments	50,000
Capitals:	X	75,000		Patents	15,000
	Y	70,000		Stock	25,000
	Z	50,000	1,95,000	Debtors	20,000
				Buildings	75,000
				Machinery	36,000
			2,91,000		2,91,000

Z died on 31.5.2008. It was agreed that:
(a) Goodwill was valued at 3 years purchase of the average profits of the last five years, which were, 2003 : Rs.40,000; 2004: Rs.40,000; 2005: Rs.30,000; 2006: Rs.40,000 and 2007: Rs.50,000.
(b) Machinery was valued at Rs.70,000, Patents at Rs.20,000 and Buildings at Rs.66,000.
(c) For the purpose of calculating Z's share of profits till the date of death, it was agreed that the same be calculated based on the average profits for the last 2 years.

(d) The executor of the deceased partner is to be paid the entire amount due by means of a cheque.

Prepare Z's Capital A/c to be rendered to his executor and also a Journal entry for the settlement of the amount due to the executor. (6)

15. VK Limited issued Rs.10,00,000 new capital divided into Rs.100 at a premium of Rs.20 per share, payable as under:

On Application	Rs.10 per share
On Allotment	Rs.40 per share (including premium of Rs.10 per share)
On First and Final Call	Balance amount

Over-payments on application were to be applied towards sums due on allotment and first and final call. Where no allotment was made, money was to be refunded in full.

The issue was oversubscribed to the extent of 13,000 shares. Applicants for 12,000 shares were allotted only 2,000 shares and applicants for 3,000 shares were sent letters of regret. Shares were allotted in full to the remaining applicants.

All the money due was duly received.

Which value has been affected by rejecting the applications of the applicants who had applied for 3,000 shares? Suggest a better alternative for the same.

Give Journal Entries to record the above transactions (including cash transactions) in the books of the company. (8)

16. X and Y were partners in a firm sharing profits in 3 : 1 ratio. They admitted Z as a new partner for 1/4th 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	10,000	35,000	Building	20,000
			75,000		75,000

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

(i) Z will bring Rs.6,000 for his share of goodwill.

(ii) Building will be valued at Rs.25,000 and Machinery at Rs.19,000.

(iii) A Provision at 5% on debtors will be created for bad debts.

(iv) 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)

Part – B
Financial Statement Analysis

17. X Ltd. has a Debt Equity Ratio at 3 : 1. According to the management it should be maintained at 1 : 1. What are the two choices to do so? (1)

18. State whether cash deposited in bank will result in inflow/outflow or no flow of cash. (1)

19. Interest received by a finance company is classified under which kind of activity while preparing a cash flow statement? (1)

20. List the items which are shown under the heading. 'Current Assets' in the Balance Sheet of a company as per provisions of Schedule VI, of the Companies Act 1956. (3)

21. Prepare a 'Comparative Statement of Profit & Loss' with the help of following information: (4)

Particulars	2011	2012
Revenue from operations	20,00,000	30,00,000
Expenses	12,00,000	21,00,000
Other incomes	4,00,000	3,60,000
Income Tax	50%	50%

22. Find the value of current liabilities and current assets, if current ratio is 2.5: 1, liquid ratio is 1.2 : 1 and the value of inventory of the firm is Rs.78,000. (4)

23. Following are the Balance Sheets of Krishtec Limited for the year ended 31st March 2011 and 2012:

Particulars	**2011-12**	**2010-11**
I. Equity and Liabilities		
(1) Shareholders Funds :		
(a) Share Capital	12,00,000	8,00,000
(b) Reserves & Surplus (Statement of P/L)	3,50,000	4,00,000
(2) Non-current Liabilities:		
Long term borrowings	4,40,000	3,50,000
(3) Current Liabilities:		
Trade Payables	60,000	50,000
Total	20,50,000	16,00,000
II. Assets		
(1) Non-current Assets:		
(a) Fixed Assets:		
(i) Tangible Assets	12,00,000	9,00,000
(2) Current Assets:		
(a) Inventories	2,00,000	1,00,000
(b) Trade Receivables	3,10,000	2,30,000
(c) Cash and Cash Equivalents	3,40,000	3,70,000
Total	20,50,000	16,00,000

Prepare a Cash Flow Statement after taking into account the following adjustment:

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

(b) Depreciation charged on tangible fixed assets was Rs.1,20,000. (6)

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ACCOUNTANCY
Class – XII

Solution

1. No, all firms of business organisations do not prepare the P/L Appropriation Account. In case of sole proprietorship it is not required.
2. Partners Current Account Credit Side
3. In the absence of a partnership deed mutual relations are governed by the Partnership Act, 1932.
4. Amount credited to 'Share Forfeiture Account' plus amount of original discount (if any, allowed earlier)
5. A company is required to transfer adequate amount out of its profits every year to DRR (until such debentures are redeemed) as per Section 117 (c).
6. Opening Capitals A Rs.12,000; B Rs.8,000 ; C Nil

	A	B	C
Wrongly taken (Pofit 3 years)	12,000	12,000	12,000
Should get (Profit 35,000 + Interest 1,000)	14,600	14,400	7,000

Entry : C's Capital A/c Dr.5,000; A's Capital A/c Cr.2,600; B's Capital A/c Cr.2,400

7. Journal

Statement of P/L	3,86,000	
To DRR		3,86,000
9% Debentures A/c	8,00,000	
Premium on Redemption of Debentures	40,000	
To Debentureholders A/c		8,40,000
Debentureholders A/c	8,40,000	
To Bank A/c		8,40,000
DRR A/c Dr.	8,00,000	
To General reserve		8,00,000

8. Journal

(a)	Bank A/c Dr.	30,00,000	
	To Deb. App. & Allot		30,00,000
	Deb. App & Allot A/c Dr.	30,00,000	
	To 10% Debenture A/c		25,00,000
	To Securities Premium		5,00,000
(b)	Deb. Suspense A/c Dr.	25,00,000	
	To 10% Debentures		25,00,000

(c)	Vendor's A/c Dr. To 10% Debentures A/c To Discount Received	28,00,000	 25,00,000 3,00,000

9. Profit and Loss Appropriation Account

Particulars	Amount	Particulars	Amount
To Interest on capital: D 50,000 E 70,000 F <u>80,000</u> To Salary to F To Profit Transferred: D 9,725 E 13,615 F <u>15,560</u>	 2,00,000 1,20,000 38,900	By Net Profit By Interest on Drawings: D 4,400 E 4,500	3,50,000 8,900
	3,58,900		3,58,900

10. Journal

Bank A/c Dr. To Sh. App. & Allot	14,00,000	 14,00,000
Sh. App & Allot A/c Dr. To Share Capital To Bank A/c	14,00,000	 8,00,000 6,00,000
Sh. 1st & final call A/c Dr. To Share Capital To Securities Premium	16,00,000	 12,00,000 4,00,000
Bank A/c Dr. To Sh. 1st. & final call	15,84,000	 15,84,000

11. Revaluation Profit Rs.7,700
    Loan of Vivek is Rs.50,000 and payement made to him Rs.32,280
    Vijay's Capital Account Rs.82,280 and Vinay Rs.35,140
    Bank Balance Rs.22,920 and Balance Sheet Rs.2,64,220.

12. Balance Sheet (Extract)

Particulars	Note No.	Amount
I. Equity and Liabilities		
(a) Shareholders funds:		
(i) Share Capital	1	22,00,000
(ii) Reserves & Surplus	2	2,20,000
Total		24,20,000
II. Assets		
Current Assets	3	24,20,000
Total		24,20,000

Notes to Accounts:

Particulars	Amount
I. Share Capital	
Authorised Capital: 25,000 shares @Rs.200 each	50,00,000
Issued Capital : 12,000 shares @ Rs.200 each	24,00,000
Subscribed & fully paid up capital : 11,000 shares @ Rs.200 each	22,00,000
2. Reserves & Surplus	
Securities Premium Reserve	2,20,000
3. Current Assets	
Cash & Cash Equivalents	24,20,000

13. Profit and Loss Appropriation Account

Particulars	Amount	Particulars	Amount
To Interest on capital:		By Net Profit	2,00,000
A 40,000			
B 30,000			
D 20,000	90,000		
To Salary :			
B	24,000		
D	12,000		
To Profit Transferred:			
A	37,000		
B 22,200 + 3,800	26,000		
D 14,800 – 3,800	11,000		
	2,00,000		2,00,000

14. Z's Capital Account

Particulars	Amount	Particulars	Amount
To Z's Executor's A/c	80,250	By Balance b/d	50,000
		By General Reserve	4,000
		By Revaluation Profit	5,000

		By X's Capital A/c By Y's Capital A/c By P/L Suspense	12,000 8,000 1,250
	80,250		80,250

15. Journal

Bank A/c Dr. To Share Application A/c (Being Application money received)	2,30,000	2,30,000
Share Application A/c Dr. To Share Capital A/c To Share Allotment A/c To calls-in-advance A/c To Bank A/c (Being application money adjusted)	2,30,000	1,00,000 80,000 20,000 30,000
Share Allotment A/c Dr. To Share Capital A/c To Securities Premium Reserve A/c (Being allotment money Reserve due)	4,00,000	3,00,000 1,00,000
Bank A/c Dr. To Share Allotment A/c (Being allotment money due)	3,20,000	3,20,000
Share First & Final Call A/c Dr. To Share Capital A/c To Securities Premium Reserve A/c (Being Call money due)	7,00,000	6,00,000 1,00,000
Bank A/c Dr. Call in advance A/c Dr. To Share First & Final Call A/c (Being call money received)	6,80,000 20,000	7,00,000

16. Revaluation Profit 2,150

Partners Capital A/c

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

Balance Sheet

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

17. The two choices to maintain Debt equity at 1:1 from 3:1 are: (Any Two)
    (i) To increase equity Or
    (ii) To reduce Debt
    (iii) Both i.e. increase equity and reduce Debt.
18. No Flow
19. Operating Activity
20. Balance Sheet (Extract)

Assets	Note No.	Amount
Current Assets		
(a) Current Investments		
(b) Inventories		
(c) Trade Receivables		
(d) Cash and Cash Equivalents		
(e) Short Term loans and Advances		
(f) Other Current Assets		

21. Comparative Statement of Profit and Loss

Particulars	**Absolute Figures 2011-12** (Rs.)	**2012-13** (Rs.)	**Absolute Change** (Rs.)	**Percentage Change** (%)
I. Revenue from operations	20,00,000	30,00,000	10,00,000	50%
II. Add: other Incomes	4,00,000	3,60,000	(40,000)	10%
III. Total Revenue (I+II)	24,00,000	33,60,000	9,60,000	40%
Less Expenses	12,00,000	21,00,000	9,00,000	75%
Profit before Tax	12,00,000	12,60,000	60,000	5%
IV. Less Tax (50%)	6,00,000	6,30,000	30,000	5%
PROFIT AFTER TAX	6,00,000	6,30,000	30,000	5%

22. Current Ratio = Current Assets/Current Liabilities = 2.5

    Quick Ratio = 1.2

    CA – Inventory = 1.2 CL ; CA – 78,000 = 1.2 CL; CA – 1.2 CL = 78,000

    1.3 CL = 78,000

CL = 78,000/1.3 = 60,000

CA = 60,000 x 2.5 = 1,50,000

23. Cash Flow Statement

Particulars	Details (Rs.)	Amount (Rs.)
A. Cash Flow From Operating Activities		
Net Profit before Tax (3,50,000 – 4,00,000)	50,000	
Adjustment for Non-cash and Non-operating items:		
Depreciation	1,20,000	
Interest on Borrowings	36,000	
Operating Profit before Working Capital Changes	1,06,000	
Less : Increase in Trade Receivables	(80,000)	
Less : Increase in Inventories	(1,00,000)	
Add : Increase in Trade Payables	10,000	
Cash Flow from Operating Activities		(64,000)
B. Cash Flow From Investing Activities		
Purchase of Fixed Assets	(4,20,000)	
Cash used in investing activities		(4,20,000)
C. Cash Flow From Financing Activities		
Proceeds from issue of share	4,00,000	
Raising long-term borrowings	90,000	
Interest paid	(36,000)	
Cash flow from Financing Activities		4,54,000
D. Net increase in cash & cash equivalents		(30,000)
Add : Cash & Cash equivalents in the beginning		3,70,000
E. Cash & Cash Equivalents at the end		3,40,000

Working Note: Tangible Fixed Assets Account

Particulars	Amount	Particulars	Amount
To Balance b/d	9,00,000	By Depreciation A/c	1,20,000
To Bank (Purchase)	4,20,000	By Balance c/d	12,00,000
	13,20,000		13,20,000