

## Sample Question Paper

## Accountancy (055): Class XII: 2017-18

Time: 3 Hours

Maximum Marks: 80

*General Instructions:*

- 1) This question paper contains two parts- A and B.
- 2) Part A is compulsory for all.
- 3) Part B has two options- 'Analysis of Financial Statements' and 'Computerised Accounting'.
- 4) Attempt any one option of Part B.
- 5) All parts of a question should be attempted at one place.

## Part A

## (Accounting for Partnership Firms and Companies)

1. Six friends started a partnership business by investing Rs. 2,00,000 each. They decided to share profit equally. Name the terms by which they will be called individually and collectively. 1

Solution: Individually: Partners

½

Collectively: Firm

½

2. A, B and C were partners in a firm sharing profits in the ratio of 3 : 2 : 1. B was guaranteed a profit of Rs. 2,00,000. During the year the firm earned a profit of Rs. 84,000. Calculate the net amount of Profit / Loss transferred to the capital accounts of A and C.1

Solution: Net Amount of Loss transferred to:

A's Capital Account: Rs. 87,000

½

C's Capital Account: Rs. 29,000

½

3. H, P and S were partners in a firm sharing profits in the ratio of 4 : 3 : 3. On August 1, 2017, P died. His 20 % share was acquired by H and remaining by S. Calculate the new profit sharing ratio. 1

Solution: Ratio of H, P and S is 4 : 3 : 3

H's Gain =  $3/10 \times 20/100 = 3/50$ 

H's new share = H's old share + H's Gain

 $= 4/10 + 3/50 = 23/50$ 

½

S's Gain =  $3/10 \times 80/100 = 12/50$ 

S's new share = S's old share + S's Gain

 $= 3/10 + 12/50 = 27/50$ 

½

New Profit sharing Ratio of H and S is 23 : 27

4. How is dissolution of partnership different from dissolution of partnership firm? 1

Solution: In case of dissolution of partnership, the firm continues to do business but with a changed agreement. In case of dissolution of partnership firm, the firm ceases to exist, the assets of the firm are realised and its liabilities are discharged. 1

5. Why are irredeemable debentures also known as perpetual debentures?1

Solution: Irredeemable debentures are called perpetual debentures because these are not repayable during the life span of the company. 1

6. Distinguish between shares and debentures on the basis of convertibility.1

Solution: Shares cannot be converted into debentures or any other security whereas the debentures can be converted into shares or new debentures if the terms so provide. 1

7. K K Limited obtained a loan of Rs. 10,00,000 from State Bank of India @ 9 % interest. The company issued Rs. 15,00,000, 9 % debentures of Rs. 100/- each, in favour of State Bank of India as collateral security. Pass necessary Journal entries for the above transactions:

- (i) When company decided not to record the issue of 9 % Debentures as collateral security.
- (ii) When company decided to record the issue of 9 % Debentures as collateral security.

3

Solution: (i) K K Limited

Journal

| Date | Particulars   | L F | Dr. Amount (Rs.) | Cr. Amount (Rs.) |
|------|---|-----|------------------|------------------|
|      | Bank Account<br>To Bank Loan Account<br>(Obtained loan from State Bank of India @ 9 %.) | Dr. | 10,00,000        | 10,00,000        |

1

(ii) K K Limited

Journal

| Date | Particulars  | L F | Dr. Amount (Rs.) | Cr. Amount (Rs.) |
|------|--|-----|------------------|------------------|
|      | Bank Account<br>To Bank Loan Account<br>( Obtained loan from State Bank of India @ 9 %.)   | Dr. | 10,00,000        | 10,00,000        |
|      | Debenture Suspense Account<br>To 9 % Debentures Account<br>(Issued 9 % Debentures as collateral security in favour of State Bank of India) | Dr. | 15,00,000        | 15,00,000        |

1+1

8. P, Q and R were partners sharing profits in the ratio of 2 : 2 : 1. The firm closes its books on March 31 every year. On June 30, 2017, R died. The following information is provided on R's death:

- Balance in his capital account in the beginning of the year was Rs. 6,50,000.
- He withdrew Rs. 60,000 on May 15, 2017 for his personal use.

On the date of death of a partner the partnership deed provided for the following:

- Interest on capital @ 10 % per annum.
- Interest on drawings @ 12 % per annum.
- His share in the profit of the firm till the date of death, to be calculated on the basis of the rate of Net Profit on Sales of the previous year, which was 25 %. The Sales of the firm till June 30, 2017 were Rs. 6,00,000.

Prepare R's Capital Account on his death to be presented to his executors.3

Solution:

R's Capital Account

| Date 2017                  | Particulars                 | JF | Amount (Rs) | Date 2017 | Particulars                   | JF | Amount (Rs) |
|----------------------------|-----------------------------|----|-------------|-----------|-------------------------------|----|-------------|
| Jun 30                     | To Drawings A/C             |    | 60,000      | Apr 1     | By Balance b/d                |    | 6,50,000    |
| Jun 30                     | To Interest on Drawings A/C |    | 900         | Jun 30    | By Interest on Capital A/c    |    | 16,250      |
| Jun 30                     | To R's Executor's A/c       |    | 6,35,350    | Jun 30    | By Profit & Loss Suspense A/C |    | 30,000      |
|                            |                             |    | 6,96,250    |           |                               |    | 6,96,250    |
| $\frac{1}{2} \times 6 = 3$ |                             |    |             |           |                               |    |             |

Note:  $\frac{1}{2}$  mark may be deducted if the dates are not correctly recorded.

9. M M Limited is registered with an Authorised capital of Rs. 200 Crores divided into equity shares of Rs. 100 each. On 1<sup>st</sup> April 2016 the Subscribed and Called up capital of the company is Rs. 10,00,00,000. The company decided to help the unemployed youth of the naxal affected areas of Andhra Pradesh, Chhattisgarh and Odisha by opening 100 'Skill Development Centres'. The company also decided to provide free medical services to the villagers of these states by starting mobile dispensaries. To meet the capital expenditure of these activities the company further issued 1,00,000 equity shares during financial year 2016-17. These shares were fully subscribed and paid.

Present the share capital of the company in its Balance Sheet. Also identify any two values that the company wants to propagate. 3

Solution:

M M Limited

Balance Sheet

as at .....(Rs. In Crores)

| Particulars               | Note Number | 31-03-2017 Rs. | 31-03-2016 Rs. |
|---------------------------|-------------|----------------|----------------|
| I. Equity and Liabilities |             |                |                |
| 1. Shareholders' Funds    |             |                |                |
| a) Share Capital          | 1           | 11             | 10             |

## Notes to Accounts:

## Note Number 1

(Rs. In Crores)

| Particulars                               | 31-03-2017<br>Rs. |
|---|-------------------|
| <b>Share Capital:</b>                     |                   |
| Authorised Capital                        |                   |
| 2,00,00,000 Equity Shares of Rs. 100 each | 200               |
| Issued Capital                            |                   |
| 11,00,000 Equity shares of Rs. 100 each   | 11                |
| Subscribed Capital                        |                   |
| Subscribed and Fully paid                 |                   |
| 11,00,000 Equity shares of Rs. 100 each   | 11                |
|   | Share Capital     |
|   | 11                |

1

Values: Generation of Employment opportunities in backward areas

Providing Healthcare/Medical facilities in rural areas. Or any other value 1

10. V K Limited purchased machinery from Modern Equipment Manufacturers Limited. The company paid the vendors by issue of some equity shares and debentures and the balance through an acceptance in their favour payable after three months. The accountant of the company, while Journalising the above mentioned transactions, left some items blank. You are required to fill in the blanks.3

V K Limited

Journal

| Date | Particulars  | Dr.   | Cr. Amount (Rs.) |
|------|--|-------|------------------|
|      | Machinery Account<br>To .....<br>(Purchased machinery for Rs. 7,00,000 from<br>Modern Equipment Manufacturers Limited )  | ..... | .....            |
|      | Modern Equipment Manufacturers Ltd. A/C<br>Loss on Issue of 9 % Debentures Account   | Dr.   | .....            |
|      | To .....<br>To .....<br>To Securities Premium Reserve Account<br>To Premium on Redemption of Debentures A/C<br>(Issued Rs. 1,00,000 9 % debentures at a<br>discount of 10 % redeemable at a premium of 10<br>% and 50,000 equity shares of Rs. 10 each issued<br>at a premium of 15 %) | ..... | .....            |
|      | .....<br>To .....<br>(.....)   | Dr.   | .....            |

Solution:

V K Limited

Journal

| Date | Particulars  | LF | Dr. Amount (Rs.)   | Cr. Amount (Rs.)                         |
|------|--|----|--------------------|--|
|      | Machinery Account Dr.<br>To Modern Equipment Manufacturers Limited<br>(Purchased machinery for Rs. 7,00,000 from<br>Modern Equipment Manufacturers Limited )   |    | 7,00,000           | 7,00,000                                 |
|      | Modern Equipment Manufacturers Ltd. A/C Dr.<br>Loss on Issue of 9 % Debentures Account Dr.<br>To 9 % Debentures Account<br>To Equity Share Capital Account<br>To Securities Premium Reserve Account<br>To Premium on Redemption of Debentures A/C<br>(Issued Rs. 1,00,000 9 % debentures at a<br>discount of 10 %,redeemable at a premium of 10<br>% and 50,000 equity shares of Rs. 10 each issued<br>at a premium of 15 %) |    | 6,65,000<br>20,000 | 1,00,000<br>5,00,000<br>75,000<br>10,000 |
|      | Modern Equipment Manufacturers Ltd. A/C Dr.<br>To Bills Payable Account<br>(Acceptance given to Modern Equipment<br>Manufacturers Limited)   |    | 35,000             | 35,000                                   |

1 + 1 +1 = 3

11. E, F and G were partners in a firm sharing profits in the ratio of 2 : 2 : 1. On March 31, 2017, their firm was dissolved. On the date of dissolution, the Balance Sheet of the firm was as follows:

Balance Sheet

as at March 31, 2017

| Liabilities          | Rs.             | Assets                | Rs.      |
|----------------------|-----------------|-----------------------|----------|
| Capitals:            |                 |                       |          |
| E                    | 1,30,000        | G's Capital           | 500      |
| F                    | <u>1,00,000</u> | Profit & Loss Account | 10,000   |
| Creditors            | 2,30,000        | Land & Building       | 1,00,000 |
| Outstanding Expenses | 45,000          | Furniture             | 50,000   |
|                      | 17,000          | Machinery             | 90,000   |
|                      |                 | Debtors               | 36,500   |
|                      |                 | Bank                  | 5,000    |
|                      | 2,92,000        |                       | 2,92,000 |

F was appointed to undertake the process of dissolution for which he was allowed a remuneration of Rs. 5,000. F agreed to bear the dissolution expenses. Assets realized as follows:

- (i) The Land & Building was sold for Rs. 1,08,900.
- (ii) Furniture was sold at 25% of book value.
- (iii) Machinery was sold as scrap for Rs. 9,000.
- (iv) All the Debtors were realized at full value.

Creditors were payable on an average of 3 months from the date of dissolution. On discharging the Creditors on the date of dissolution, they allowed a discount of 5%.

Pass necessary Journal entries for dissolution in the books of the firm.4

Solution: E, F and G

Journal

| Date | Particulars  | L F | Dr. Amount (Rs.)           | Cr. Amount (Rs.) |
|------|--|-----|----------------------------|------------------|
|      | Realisation Account Dr.<br>To Land & Building Account<br>To Furniture Account<br>To Machinery Account<br>To Debtors Account<br>(Individual Assets accounts closed by transferring their balances to Realisation Account) |     | 2,76,500                   |                  |
|      | Creditors Account Dr.<br>Outstanding Expenses Account Dr.<br>To Realisation Account<br>(Individual External Liabilities Accounts closed by transferring their balances to Realisation Account)                           |     | 45,000<br>17,000           | 62,000           |
|      | Bank Account Dr.<br>To Realisation Account<br>( Assets realized and debtors collected)   |     | 1,66,900                   | 1,66,900         |
|      | Realisation Account Dr.<br>To Bank Account<br>(Creditors paid at a discount of 5% and payment of outstanding expenses)   |     | 59,750                     | 59,750           |
|      | Realisation Account Dr.<br>To F's Capital Account<br>(Remuneration paid to F for undertaking dissolution process)  |     | 5,000                      | 5,000            |
|      | E's Capital Account Dr.<br>F's Capital Account Dr.<br>G's Capital Account Dr.<br>To Realisation Account<br>(Loss on Realisation transferred to partners' Capital Accounts)   |     | 44,940<br>44,940<br>22,470 | 1,12,350         |

|   |     |        |          |
|---|-----|--------|----------|
| E's Capital Account   | Dr. | 4,000  |          |
| F's Capital Account   | Dr. | 4,000  |          |
| G's Capital Account   | Dr. | 2,000  |          |
| To Profit & Loss Account<br>(Profit & Loss Account transferred to partners' Capital Accounts) |     |        | 10,000   |
| Bank Account  | Dr. | 24,970 |          |
| To G's Capital Account<br>(Final payment received from G)                                     |     |        | 24,970   |
| E's Capital Account   | Dr. | 81,060 |          |
| F's Capital Account   | Dr. | 56,060 |          |
| To Bank Account<br>(Final payment made to E and F)  |     |        | 1,37,120 |

4

12. A, B & C were partners in a firm sharing profits & losses in the ratio of 3 : 2 : 1. On March 31, 2017, their Balance Sheet was as follows:

#### Balance Sheet

as at March 31, 2017

| Liabilities              | Rs.           | Assets         | Rs.      |
|--------------------------|---------------|----------------|----------|
| Capitals:                |               |                |          |
| A                        | 50,000        | Fixed Assets   | 1,80,000 |
| B                        | 40,000        | Current Assets | 35,000   |
| C                        | <u>30,000</u> |                |          |
| Reserve Fund             |               | 18,000         |          |
| Creditors                |               | 27,000         |          |
| Employees Provident Fund |               | 50,000         |          |
|                          |               | 2,15,000       | 2,15,000 |

From April 1, 2017, they decided to share future profits equally. For this purpose the followings were agreed upon:

- (i) Goodwill of the firm was valued at Rs. 3,00,000.
- (ii) Fixed Assets will be depreciated by 10%.
- (iii) Capitals of the partners will be in proportion to their new profit sharing ratio. For this purpose, Current Accounts will be opened.

Pass necessary Journal entries for the above transactions in the books of the firm. 4

Solution: A, B and C

#### Journal

| Date | Particulars  | L F | Dr. Amount (Rs.) | Cr. Amount (Rs.) |
|------|--|-----|------------------|------------------|
|      | C's Capital Account<br>To A's Capital Account<br>(Treatment of goodwill due to change in profit) | Dr. | 50,000           | 50,000           |

|  |     |        |        |
|--|-----|--------|--------|
| sharing ratio)   |     |        |        |
| Reserve Fund Account   | Dr. | 18,000 |        |
| To A's Capital Account   |     |        | 9,000  |
| To B's Capital Account   |     |        | 6,000  |
| To C's Capital Account   |     |        | 3,000  |
| (Reserve Fund transferred to partners' capital accounts in their old profit sharing ratio) |     |        |        |
| Revaluation Account  | Dr. | 18,000 |        |
| To Fixed Assets Account  |     |        | 18,000 |
| (Revaluation of fixed assets on change in profit sharing ratio)                            |     |        |        |
| A's Capital Account  | Dr. | 9,000  |        |
| B's Capital Account  | Dr. | 6,000  |        |
| C's Capital Account  | Dr. | 3,000  |        |
| To Revaluation Account   |     |        | 18,000 |
| (Loss on revaluation transferred to partners' capital accounts)                            |     |        |        |
| A's Capital Account  | Dr. | 60,000 |        |
| To A's Current Account   |     |        | 60,000 |
| ( Adjustment of capital by opening of current account)                                     |     |        |        |
| C's Current Account  | Dr. | 60,000 |        |
| To C's Capital Account   |     |        | 60,000 |
| (Adjustment of capital by opening of current account)                                      |     |        |        |

---

4

13. L, M and N are partners in a firm sharing profits & losses in the ratio of 2 : 3 : 5.

On April 1, 2016 their fixed capitals were Rs. 2,00,000, Rs. 3,00,000 and Rs. 4,00,000 respectively. Their partnership deed provided for the following:

- (i) Interest on capital @ 9% per annum.
- (ii) Interest on Drawings @ 12% per annum.
- (iii) Interest on partners' loan @ 12% per annum

On July 1, 2016, L brought Rs. 1,00,000 as additional capital and N withdrew Rs. 1,00,000 from his capital. During the year L, M and N withdrew Rs. 12,000, Rs. 18,000 and Rs. 24,000 respectively for their personal use. On January 1, 2017 the firm obtained a Loan of Rs. 1,50,000 from M. The Net profit of the firm for the year ended March 31, 2017 after charging interest on M's Loan was Rs. 85,000.

Prepare Profit & Loss Appropriation Account and Partners Capital Account.6

## Solution: Profit & Loss Appropriation Account

for the year ended March 31, 2017

| Particulars | Amount<br>(Rs.) | Particulars | Amount<br>(Rs.) |
|-------------|-----------------|-------------|-----------------|
|-------------|-----------------|-------------|-----------------|

|   |               |  |  |        |  |              |        |
|---|---------------|--|--|--------|--|--------------|--------|
| To Interest on Capital:                             |               |  |  |        |  |              |        |
| L's Current Account                                 | 24,750        |  |  |        | By Profit & Loss Account- Net Profit b/d |              | 85,000 |
| M's Current Account                                 | 27,000        |  |  |        | By Interest on Partners' Drawings        |              |        |
| N's Current Account                                 | <u>29,250</u> |  |  |        | L's Current Account                      | 720          |        |
| To Profit transferred to Partners' Current Accounts |               |  |  | 81,000 | M's Current Account                      | 1,080        |        |
| L   | 1,448         |  |  |        | N's Current Account                      | <u>1,440</u> |        |
| M   | 2,172         |  |  |        |  |              |        |
| N   | <u>3,620</u>  |  |  |        |  |              |        |
|   |               |  |  | 7,240  |  |              |        |
|   |               |  |  | 88,240 |  |              |        |

4

### Partners' Capital Account

| Date           | Particulars     | L        | M        | N        | Date          | Particulars     | L        | M        | N        |
|----------------|-----------------|----------|----------|----------|---------------|-----------------|----------|----------|----------|
| 2016<br>Jul 1  | To Bank Account |          |          | 1,00,000 | 2016<br>Apr 1 | By Balance b/d  | 2,00,000 | 3,00,000 | 4,00,000 |
| 2017<br>Mar 31 | To Balance c/d  | 3,00,000 | 3,00,000 | 3,00,000 | Jul 1         | By Bank Account | 1,00,000 |          |          |
|                |                 | 3,00,000 | 3,00,000 | 4,00,000 |               |                 | 3,00,000 | 3,00,000 | 4,00,000 |

2

14. Himanshu and Vikrant are partners in a firm and share profits equally. Their Balance Sheet as on March 31, 2017 is as follows:

### Balance Sheet

as at March 31, 2017

| Liabilities             | Rs.      | Assets         | Rs.      |
|-------------------------|----------|----------------|----------|
| Capitals:               |          |                |          |
| Himanshu 2,00,000       |          | Fixed Assets   | 3,60,000 |
| Vikrant <u>1,40,000</u> |          | Current Assets | 40,000   |
|                         | 3,40,000 |                |          |
| Creditors               | 60,000   |                |          |
|                         | 4,00,000 |                | 4,00,000 |

During the year 2016-17, Himanshu's Drawings were Rs. 30,000 and Vikrant's Drawings were Rs. 40,000. During the year 2016-17 the firm earned profits of Rs. 1,00,000. While distributing profits for the year 2016-17, interest on capital @ 5 % per annum and interest on drawings @ 12 % per annum were ignored.

Showing your workings clearly, pass necessary rectifying entry.

6

Solution:

### Statement of Opening Capital

| Particulars                      | Himanshu | Vikrant  |
|----------------------------------|----------|----------|
| Closing Capital                  | 2,00,000 | 1,40,000 |
| Add: Drawings                    | 30,000   | 40,000   |
|                                  | 2,30,000 | 1,80,000 |
| Less: Profit already Distributed | 50,000   | 50,000   |
| Opening Capital                  | 1,80,000 | 1,30,000 |

### Statement Showing Adjustment

| Himanshu                        | Vikrant | Total      |             |        |
|---------------------------------|---------|------------|-------------|--------|
| 5 % Interest on Capital (Cr.)   |         | 9,000      | 6,500       | 15,500 |
| 12 % Interest on Drawings (Dr.) |         | 1,800      | 2,400       | 4,200  |
| Profit to be recovered (Dr.)    |         | 5,650      | 5,650       | 11,300 |
| Total (Dr.)                     |         | 7,450      | 8,050       | 15,500 |
| Adjustment                      |         | 1,550(Cr.) | 1,550 (Dr.) | 3      |

### Journal

| Date          | Particulars   | L F | Dr. Amount (Rs.) | Cr. Amount (Rs.) |
|---------------|---|-----|------------------|------------------|
| 2017<br>Apr 1 | Vikrant's Capital Account<br>To Himanshu's Capital Account<br>(Adjustment of interest on Capital and<br>interest on drawings for previous year) | Dr. | 1,550            | 1,550            |

1

15. On April 1, 2013, XY Limited issued Rs. 9,00,000 10% debentures at a discount of 9%. The debentures were to be redeemed in three equal annual instalments starting from March 31, 2015. Prepare 'Discount on Issue of Debenture Account' for the first three years starting from April 1, 2013. Also show your workings clearly. 6

Solution:

### Discount on Issue of 10 % Debentures Account

| Date          | Particulars            | JF | Amount (Rs) | Date           | Particulars                                     | JF | Amount (Rs) |  |  |  |
|---------------|------------------------|----|-------------|----------------|---|----|-------------|--|--|--|
| 2013<br>Apr 1 | To 10 % Debentures A/C |    | 81,000      | 2014<br>Mar 31 | By Statement of Profit & Loss<br>By Balance c/d |    | 27,000      |  |  |  |
|               |                        |    | 81,000      |                |   |    | 54,000      |  |  |  |
|               |                        |    | 54,000      | 2015<br>Mar 31 | By Statement of Profit & Loss<br>By Balance c/d |    | 81,000      |  |  |  |
|               | To Balance b/d         |    | 54,000      |                |   |    | 27,000      |  |  |  |
|               |                        |    | 27,000      | 2016<br>Mar 31 | By Statement of Profit & Loss<br>By Balance c/d |    | 27,000      |  |  |  |
|               |                        |    | 27,000      |                |   |    | 54,000      |  |  |  |
| 2014<br>Apr 1 |                        |    |             |                |   |    | 18,000      |  |  |  |
|               |                        |    |             |                |   |    | 9,000       |  |  |  |
| 2015<br>Apr 1 |                        |    |             |                |   |    | 27,000      |  |  |  |

1.5+1.5+1.5=4.5

Working Notes

1.5

| Year ended    | Debentures Outstanding | Ratio | Discount written off amount |
|---------------|------------------------|-------|-----------------------------|
| 31 March 2013 | 9,00,000               | 3     | 3/9x 81000 = 27,000         |
| 31 March 2014 | 9,00,000               | 3     | 3/9x 81000 = 27,000         |
| 31 March 2015 | 6,00,000               | 2     | 2/9x 81000 = 18,000         |
| 31 March 2016 | 3,00,000               | 1     | 1/9x 81000 = 9,000          |

16. ZX Limited invited applications for issuing 5,00,000 Equity shares of Rs. 10 each payable at a premium of Rs. 10 each payable with Final call. Amount per share was payable as follows:

|                        | Rs.     |
|------------------------|---------|
| On Application         | 2       |
| On Allotment           | 3       |
| On First Call          | 2       |
| On Second & Final Call | Balance |

Applications for 8,00,000 shares were received. Applications for 50,000 shares were rejected and the application money was refunded. Allotment was made to the remaining applicants as follows:

| Category | Number of Shares Applied | Number of Shares Allotted |
|----------|--------------------------|---------------------------|
| I        | 2,00,000                 | 1,50,000                  |
| II       | 5,50,000                 | 3,50,000                  |

Excess application money received with applications was adjusted towards sums due on allotment. Balance, if any was adjusted towards future calls. Govind, a shareholder belonging to category I, to whom 1,500 shares were allotted, paid his entire share money with allotment. Manohar belonging to category II, who had applied for 11,000 shares failed to pay 'Second & Final Call money'. Manohar's shares were forfeited after the final call. The forfeited shares were reissued at Rs. 10 per share as fully paid up.

Assuming that the company maintains "Calls in Advance Account" and "Calls in Arrears Account", pass necessary Journal entries for the above transactions in the books of ZX Limited. 8

OR

- AX Limited forfeited 6,000 shares of Rs. 10 each for non-payment of First call of Rs. 2 per share. The Final call of Rs. 3 per share was yet to be made. The Final call was made after Forfeited of these shares. Of the forfeited shares, 4,000 shares were reissued at Rs. 9 per share as fully paid up. Assuming that the company maintains 'Calls in Advance Account' and 'Calls in Arrears Account', prepare "Share Forfeited Account" in the books of AX Limited.
- BG Limited issued 2,00,000 equity shares of Rs. 20 each at a premium of Rs. 5 per share. The shares were allotted in the proportion of 5 : 4 of shares applied and allotted to all the applicants. Deepak, who had applied for 900 shares, failed to pay Allotment money of Rs. 7 per share (including premium) and on his failure to pay 'First & Final Call' of Rs. 2 per share, his shares were forfeited. 400 of the forfeited shares were reissued at Rs. 15 per share as fully paid up. Showing your working clearly, pass necessary Journal entries for the Forfeited and reissue of Deepak's shares in the books of BG Limited. The company maintains 'Calls in Arrears' Account'.
- ML Limited forfeited 1,200 shares of Rs. 10 each allotted to Ravi for Non-payment of 'Second & Final Call' of Rs. 5 per share (including premium of Rs. 2 per share). The forfeited shares were reissued for Rs. 10,800 as fully paid up. Pass necessary Journal entries for reissue of shares in the books of ML Limited.

Solution:

Journal

| Date | Particulars | L F | Dr. Amount | Cr. Amount |
|------|-------------|-----|------------|------------|
|------|-------------|-----|------------|------------|

|  |   |     | (Rs.)     | (Rs.)     |
|--|---|-----|-----------|-----------|
|  | Bank Account  | Dr. | 16,00,000 | 16,00,000 |
|  | To Equity Share Application Account<br>(Application money received )  |     |           |           |
|  | Equity Share Application Account  | Dr. | 16,00,000 | 10,00,000 |
|  | To Equity Share Capital Account   |     |           | 5,00,000  |
|  | To Equity Share Allotment Account   |     |           | 1,00,000  |
|  | To Bank Account   |     |           |           |
|  | (Application money transferred to Equity Share Capital account, Equity Share Allotment account and remaining amount refunded) |     |           |           |
|  | Equity Share Allotment Account  | Dr. | 15,00,000 | 15,00,000 |
|  | To Equity Share Capital Account   |     |           |           |
|  | (Allotment money due on 5,00,000 equity shares @ Rs. 3 each)  |     |           |           |
|  | Bank Account  | Dr. | 10,22,500 | 10,00,000 |
|  | To Equity Share Allotment Account   |     |           | 22,500    |
|  | To Calls in Advance Account   |     |           |           |
|  | (Allotment money received along with Calls in Advance on 1,500 Shares)  |     |           |           |
|  | Equity Share First Call Account   | Dr. | 10,00,000 | 10,00,000 |
|  | To Equity Share Capital Account   |     |           |           |
|  | (First Call money due on 5,00,000 equity shares @ Rs. 2 each)   |     |           |           |
|  | Bank Account  | Dr. | 9,97,000  |           |
|  | Calls in Advance Account  | Dr. | 3,000     |           |
|  | To Equity Share First Call Account  |     |           | 10,00,000 |
|  | (First call money received)   |     |           |           |
|  | Equity Share Final Call Account   | Dr. | 65,00,000 | 15,00,000 |
|  | To Equity Share Capital Account   |     |           | 50,00,000 |
|  | To Securities Premium Reserve Account   |     |           |           |
|  | (Final Call money due on 5,00,000 equity shares @ Rs. 13 each including premium of Rs. 10 each)                               |     |           |           |
|  | Bank Account  | Dr. | 63,89,500 |           |
|  | Calls in Advance Account  | Dr. | 19,500    |           |
|  | Call in Arrears Account   | Dr. | 91,000    |           |
|  | To Equity Share Final Call Account  |     |           | 65,00,000 |
|  | (Final call money received)   |     |           |           |
|  | Equity Share Capital Account  | Dr. | 70,000    |           |
|  | Securities Premium Reserve Account  | Dr. | 70,000    | 49,000    |
|  | To Share Forfeited Account  |     |           | 91,000    |
|  | To Calls in Arrears Account   |     |           |           |
|  | ( Manohar's Shares forfeited )  |     |           |           |
|  | Bank Account  | Dr. | 70,000    | 70,000    |
|  | To Equity Share Capital Account   |     |           |           |
|  | (Forfeited Shares of Manohar re-issued)   |     |           |           |
|  | Share Forfeited Account   | Dr. | 49,000    | 49,000    |
|  | To Capital Reserve Account  |     |           |           |
|  | (Share forfeited account transferred to capital reserve account)  |     |           |           |

OR

(a)

Share Forfeited Account

| Date | Particulars | JF | Amount<br>(Rs.) | Date | Particulars | JF | Amount<br>(Rs.) |
|------|-------------|----|-----------------|------|-------------|----|-----------------|
|------|-------------|----|-----------------|------|-------------|----|-----------------|

|  |                          |  |        |  |                      |  |        |
|--|--------------------------|--|--------|--|----------------------|--|--------|
|  | To Share Capital Account |  | 4,000  |  | By Share Capital A/C |  | 30,000 |
|  | To Capital Reserve A/C   |  | 16,000 |  |                      |  |        |
|  | To Balance c/d           |  | 10,000 |  |                      |  |        |
|  |                          |  | 30,000 |  |                      |  | 30,000 |

$\frac{1}{2} \times 4 = 2$

(b)

Journal

| Date | Particulars  | L F        | Dr. Amount (Rs.) | Cr. Amount (Rs.) |
|------|--|------------|------------------|------------------|
|      | Share Capital Account<br>Securities Premium Reserve<br>To Share Forfeited Account<br>To Calls in Arrears Account<br>( 720 Shares forfeited ) | Dr.<br>Dr. | 14,400<br>2,160  | 12,960<br>3,600  |
|      | Bank Account<br>Share Forfeited Account<br>To Share Capital Account<br>( 400 Shares re-issued @ Rs. 15 each)                                 | Dr.<br>Dr. | 6,000<br>2,000   | 8,000            |
|      | Share Forfeited Account<br>To Capital Reserve Account<br>(Gain on re-issue of forfeited shares transferred to capital reserve account)       | Dr.        | 5,200            | 5,200            |

Working Notes:

- (i) Since the Shares are allotted in the proportion of 5 : 4, therefore for 900 applied shares, shares allotted are  $4/5 \times 900 = 720$  Shares.
- (ii) Application Money Received on 900 Shares =  $900 \times 16 = 14,400$   
Amount adjusted on Application =  $720 \times 16 = 11,520$   
Amount to be adjusted on Allotment =  $2,880$
- (iii) Allotment Money due on 720 Shares =  $720 \times 7 = 5,040$   
Less: Already received = 2,880  
Allotment Money not received = 2,160
- (iv) Calls in Arrears:  
Allotment Money = 2,160  
First & Final Call Money = 1,440  
3,600

(1 mark for each correct Journal Entry and 1 mark for Working Notes)

(c)

Journal

| Date | Particulars  | L F        | Dr. Amount (Rs.) | Cr. Amount (Rs.) |
|------|--|------------|------------------|------------------|
|      | Bank Account<br>Share Forfeited Account<br>To Share Capital Account<br>(1,200 Shares re-issued for Rs. 10,800 as fully paid up)        | Dr.<br>Dr. | 10,800<br>1,200  | 12,000           |
|      | Share Forfeited Account<br>To Capital Reserve Account<br>(Gain on re-issue of forfeited shares transferred to capital reserve account) | Dr.        | 7,200            | 7,200            |

$1 \times 2 = 2$

17. A, B & C were partners in a firm sharing profits & losses in proportion to their fixed capitals. Their Balance Sheet as at March 31, 2017 was as follows:

Balance Sheet

as at March 31, 2017

| Liabilities              | Rs.       | Assets  | Rs.       |
|--------------------------|-----------|---|-----------|
| Capitals:                |           | Bank  | 21,000    |
| A 5,00,000               |           | Stock   | 9,000     |
| B 3,00,000               |           | Debtors 15,000  |           |
| C <u>2,00,000</u>        | 10,00,000 | Less: Provision for Doubtful Debts 1,500                    | 13,500    |
| General Reserve 75,000   |           | A's Loan  | 35,500    |
| Creditors 23,000         |           | Plant & Machinery   | 2,00,000  |
| Outstanding Salary 7,000 |           | Land & Building   | 6,00,000  |
| B's Loan 15,000          |           | Profit & Loss Account (For the year ending 31st March 2017) | 2,41,000  |
|                          | 11,20,000 |   | 11,20,000 |

On the date of above Balance Sheet, C retired from the firm on the following terms:

- (i) Goodwill of the firm will be valued at two years purchase of the Average Profits of last three years. The Profits for the year ended March 31, 2015 & March 31, 2016 were Rs. 4,00,000 & Rs. 3,00,000 respectively.
- (ii) Provision for Bad Debts will be maintained at 5% of the Debtors.
- (iii) Land & Building will be appreciated by Rs. 90,000 and Plant & Machinery Will be reduced to Rs. 1,80,000.
- (iv) A agreed to repay his Loan.
- (v) The loan repaid by A was to be utilized to pay C. The balance of the amount payable to C was transferred to his Loan Account bearing interest @ 12% per annum.

Prepare Revaluation Account, Partners' Capital Accounts, Partners' Current Accounts and the Balance Sheet of the reconstituted firm.

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OR

P & K were partners in a firm. On March 31, 2017 their Balance Sheet was as follows:

Balance Sheet

as at March 31, 2017

| Liabilities | Rs. | Assets | Rs.    |
|-------------|-----|--------|--------|
| Capitals:   |     | Bank   | 18,000 |
| P 3,00,000  |     | Stock  | 19,000 |

|  |                 |                 |   |        |                 |
|--|-----------------|-----------------|---|--------|-----------------|
| K  | <u>2,00,000</u> | 5,00,000        | Debtors   | 22,000 |                 |
| General Reserve                            |                 | 1,00,000        | Less: Provision for Doubtful Debts <u>1,500</u> |        | 20,500          |
| Creditors                                  |                 | 50,000          | Unexpired Insurance                             |        | 5,000           |
| Outstanding Expenses                       |                 | 8,000           | Shares in X Limited                             |        | 65,000          |
| C's Loan                                   |                 | 1,20,000        | Plant & Machinery                               |        | 1,45,500        |
| Profit & Loss Account (Profit for 2016-17) |                 | 55,000          | Land & Building                                 |        | 5,60,000        |
|  |                 | <b>8,33,000</b> |   |        | <b>8,33,000</b> |

On April 1, 2017, they decided to admit C as a new partner for  $1/4^{\text{th}}$  share in profits on the following terms:

- (i) C's Loan will be converted into his capital.
- (ii) C will bring his share of goodwill premium by cheque. Goodwill of the firm will be calculated on the basis of Average Profits of previous three years. Profits for the year ended March 31, 2015 and March 31, 2016 were Rs. 55,000 and Rs. 1,00,000 respectively.
- (iii) 10% depreciation will be charged on Plant & Machinery and Land & Building will be appreciated by 5%.
- (iv) Capitals of P & K will be adjusted on the basis C's capital. Adjustments be done through bank and in case required overdraft facility be availed.

Pass necessary Journal entries on C's admission.

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#### Solution: Revaluation Account

| Particulars   |               | Amount (Rs.) | Particulars                     |  | Amount (Rs.) |
|---|---------------|--------------|---------------------------------|--|--------------|
| To Plant & Machinery                                |               | 20,000       | By Provision for Doubtful Debts |  | 750          |
| To Profit transferred to Partners' Current Accounts |               |              | By Land & Building              |  | 90,000       |
| A   | 35,375        |              |                                 |  |              |
| B   | 21,225        |              |                                 |  |              |
| C   | <u>14,150</u> |              |                                 |  |              |
|   |               | 70,750       |                                 |  |              |
|   |               | 90,750       |                                 |  |              |
|   |               |              |                                 |  | 90,750       |

#### Partners' Current Accounts

| Date        | Particulars            | A        | B      | C      | Date        | Particulars            | A        | B      | C      |
|-------------|------------------------|----------|--------|--------|-------------|------------------------|----------|--------|--------|
| 2017 Mar 31 | To C's Current Account | 38,250   | 22,950 |        | 2017 Mar 31 | By Revaluation Account | 35,375   | 21,225 | 14,150 |
|             | To Profit & Loss A/C   | 1,20,500 | 72,300 | 48,200 |             | By A's Current Account |          |        | 38,250 |
|             | To C's Capital Account |          |        | 42,150 |             | By B's Current Account |          |        | 22,950 |
|             |                        |          |        |        |             | By General Reserve     | 37,500   | 22,500 | 15,000 |
|             |                        |          |        |        |             | By Balance c/d         | 85,875   | 51,525 |        |
|             |                        | 1,58,750 | 95,250 | 90,350 |             |                        | 1,58,750 | 95,250 | 90,350 |

### Partners' Capital Accounts

| Date           | Particulars  | A | B | C                  | Date           | Particulars                              | A        | B        | C                  |
|----------------|--|---|---|--------------------|----------------|--|----------|----------|--------------------|
| 2017<br>Mar 31 | To Bank Account<br>To C's Loan Account<br>To Balance c/d |   |   | 35,500<br>2,06,650 | 2017<br>Mar 31 | By Balance b/d<br>By C's Current Account | 5,00,000 | 3,00,000 | 2,00,000<br>42,150 |
|                | 5,00,000<br>3,00,000                                     |   |   | 2,42,150           |                |  | 5,00,000 | 3,00,000 | 2,42,150           |
|                |  |   |   |                    |                |  |          |          |                    |

### Balance Sheet

as at March 31, 2017

| Liabilities        | Amount<br>(Rs.) | Assets                       | Amount<br>(Rs.)     |
|--------------------|-----------------|------------------------------|---------------------|
| Capitals:          |                 |                              |                     |
| A                  | 5,00,000        | Bank                         | 21,000              |
| B                  | <u>3,00,000</u> | Stock                        | 9,000               |
| C's Loan           |                 | Debtors                      | 15,000              |
| Creditors          |                 | Less: Provision for D. Debts | 750                 |
| Outstanding Salary |                 | Plant & Machinery            | 14,250              |
| B's Loan           |                 | Land & Building              | 1,80,000            |
|                    |                 | A's Current Account          | 6,90,000            |
|                    |                 | B's Current Account          | 85,875              |
|                    |                 |                              | 51,525              |
|                    |                 |                              | 10,51,650           |
|                    |                 |                              |                     |
|                    |                 |                              | 10,51,650           |
|                    |                 |                              |                     |
|                    |                 |                              | $2 + 2 + 2 + 2 = 8$ |

OR

### Journal

| Date | Particulars   | L F | Dr. Amount (Rs.) | Cr. Amount (Rs.) |
|------|---|-----|------------------|------------------|
|      | C's Loan Account<br>To C's Capital Account<br>(C's Loan account transferred to his capital account)   | Dr. | 1,20,000         | 1,20,000         |
|      | Bank Account<br>To Premium for Goodwill Account<br>(New partner C brings in his share of goodwill)  | Dr. | 17,500           | 17,500           |
|      | Premium for Goodwill Account<br>To P's Capital Account<br>To K's Capital Account<br>(Premium for Goodwill transferred to old partners' capital accounts in their sacrificing ratio) | Dr. | 17,500           | 8,750<br>8,750   |
|      | Revaluation Account<br>To Plant & Machinery Account<br>(Revaluation of Plant & Machinery on admission of new partner)   | Dr. | 14,550           | 14,550           |
|      | Land & Building Account<br>To Revaluation Account<br>(Revaluation of Land & Building on admission of new partner)   | Dr. | 28,000           | 28,000           |
|      | Revaluation Account<br>To P's Capital Account<br>To K's Capital Account<br>(Profit on revaluation transferred to partners' capital accounts)  | Dr. | 13,450           | 6,725<br>6,725   |

|   |     |                      |                  |
|---|-----|----------------------|------------------|
| General Reserve Account<br>To P's Capital Account<br>To K's Capital Account<br>(General Reserve transferred to partners' capital account)     | Dr. | 1,00,000             | 50,000<br>50,000 |
| Profit & Loss Account<br>To P's Capital Account<br>To K's Capital Account<br>(Profit & Loss account transferred to partners' capital account) | Dr. | 55,000               | 27,500<br>27,500 |
| P's Capital Account<br>K's Capital Account<br>To Bank Account<br>(Cash paid to P and K for adjustment of capital)                             | Dr. | 2,12,975<br>1,12,975 | 3,25,950         |

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## Part B

### Option I

#### (Analysis of Financial Statements)

18. Give any two examples of cash inflows from operating activities other than cash receipts from sale of goods & rendering of services. 1

Solution: Any two of the followings:

- (i) Royalties
- (ii) Commission Received
- (iii) Sale of Scrap

$\frac{1}{2} \times 2 = 1$

19. P P Limited is Share Broker Company. G G Limited is engaged in manufacturing of packaged food. P P Limited purchased 5,000 equity shares of Rs. 100 each of Savita Limited. G G Limited also purchased 10,000 equity shares of Rs. 100 each of Savita Limited.

For the purpose of preparing their respective Cash Flow Statements, under which category of activities the purchase of shares will be classified by P P Limited and G G Limited? 1

Solution: For P P Limited: Investing Activity  $\frac{1}{2}$

For G G Limited: Investing Activity  $\frac{1}{2}$

20. M K Limited is a computer hardware manufacturing company. While preparing its accounting records it takes into consideration the various accounting principles and maintains transparency. At the end of the accounting year, the company follows the '*Companies Act, 2013 and Rules thereunder*' for the preparation of its Financial Statements. It also prepares its Income Statement and Balance Sheet as per the format provided in Schedule III to the Act. Its Financial Statements depict its true & fair financial position. For the financial year ending March 31, 2017, the accountant of the company is not certain about the presentation of the following items under relevant Major Heads & Sub Heads, if any, in its Balance Sheet:

- (i) Securities Premium Reserve

(ii) Calls in Advance

(iii) Stores & Spares

(a) Advice the accountant of the company under which Major Heads and Sub Heads, if any, he should present the above items in the Balance Sheet of the company,

(b) List any two values that the company is observing in the maintenance of its accounting records and preparation of its financial statements.4

Solution: (a)

| S. No. | Items                      | Major Head          | Sub Head                  |
|--------|----------------------------|---------------------|---------------------------|
| (i)    | Securities Premium Reserve | Shareholders' Funds | Reserves & Surplus        |
| (ii)   | Calls in Advance           | Current Liabilities | Other Current Liabilities |
| (iii)  | Stores & Spares            | Current Assets      | Inventory                 |

3

(b) Any two of the following values: Transparency, Honesty, Abiding the Law. (Or any other relevant value) 1

21. For the year ended March 31, 2017, Net Profit after tax of K X Limited was Rs. 6,00,000. The company has Rs. 40,00,000 12% Debentures of Rs. 100 each. Calculate Interest Coverage Ratio assuming 40% tax rate. State its significance also. Will the Interest Coverage Ratio change if during the year 2017-18, the company decides to redeem debentures of Rs. 5,00,000 and expects to maintain the same rate of Net Profit and assume that the Tax rate will not change. 4

Solution: Interest Coverage Ratio= Net Profit before Interest and Tax/ Interest on Long Term Debts

Net Profit after Tax = Rs. 6,00,000 Tax Rate = 40 %

Net Profit before tax =  $100/(100 - \text{Tax}) \times \text{Net Profit after tax}$

$$= 100/ 60 \times 6,00,000 = 10,00,000$$

Net Profit before Interest & Tax = Net Profit before tax + Interest on Long Term Debts

$$= 10,00,000 + 4,80,000 = 14,80,000$$

Interest Coverage Ratio= Net Profit before Interest and Tax / Interest on Long Term Debts 1

$$= 14,80,000 / 4,80,000 = 3.08 \text{ Times}$$

1

Significance of Interest Coverage Ratio: It reveals the number of times Interest on Long Term Debts is covered by the profits available. A higher ratio ensures safety of interest on Long Term Debts. 1

The Interest coverage ratio will improve if the company decides to redeem Rs. 5,00,000 debentures assuming that Net Profit after interest and the tax rate will be same. 1

22. Following is the Statement of Profit & Loss of X L Limited for the year ended March 31, 2017:

#### Statement of Profit & Loss

for the year ended March 31, 2017

| Particulars                          | Notes to Accounts | 2015-16 Amount (Rs.) | 2016-17 Amount (Rs.) |
|--------------------------------------|-------------------|----------------------|----------------------|
| Revenue from Operations<br>Expenses: |                   | 50,00,000            | 80,00,000            |

|  |  |  |           |           |
|--|--|--|-----------|-----------|
| (a) Employee Benefit Expenses: 10 % of Revenue from Operations |  |  | 10,00,000 | 12,00,000 |
| (b) Other Expenses   |  |  |           |           |
| Tax Rate 40 %  |  |  |           |           |

Prepare Comparative Statement of Profit & Loss of X L Limited.4

Solution: X L Limited

Comparative Statement of Profit & Loss

for the year ended March 31, 2016 and 2017

| Particulars  | 2015-16<br>Amount<br>(Rs.) | 2016-17<br>Amount<br>(Rs.) | Absolute<br>Change (Rs.) | % age<br>Change |
|--|----------------------------|----------------------------|--------------------------|-----------------|
| Revenue from Operations  | 50,00,000                  | 80,00,000                  | 30,00,000                | 60              |
| Expenses:  |                            |                            |                          |                 |
| (a) Employee Benefit Expenses: 10 % of Revenue from Operations | 5,00,000                   | 8,00,000                   | 3,00,000                 | 60              |
| (b) Other Expenses   | 10,00,000                  | 12,00,000                  | 2,00,000                 | 20              |
| Net Profit before Tax  | 35,00,000                  | 60,00,000                  | 25,00,000                | 71.43           |
| Less: Tax  | 14,00,000                  | 24,00,000                  | 10,00,000                | 71.43           |
| Net Profit after Tax   | 21,00,000                  | 36,00,000                  | 15,00,000                | 71.43           |

(1 mark for each column)4

23. From the following Balance Sheet of Ajanta Limited as on March 31, 2017, prepare a Cash Flow Statement:

| Particulars                          | Note<br>Number | 31-3-2017<br>(Rs.) | 31-3-2016<br>(Rs.) |
|--------------------------------------|----------------|--------------------|--------------------|
| <b>I. Equity and Liabilities</b>     |                |                    |                    |
| (1) Shareholders' Funds              |                |                    |                    |
| (a) Equity Share Capital             |                | 10,00,000          | 10,00,000          |
| (b) Reserves and Surplus             | 1              | 2,40,000           | 1,20,000           |
| (2) Non- Current Liabilities         |                |                    |                    |
| Long-Term Borrowings- 9 % Debentures |                | 3,20,000           | 2,40,000           |
| (3) Current Liabilities              |                |                    |                    |
| (a) Trade Payables                   | 2              | 1,80,000           | 2,40,000           |
| (b) Other Current Liabilities        | 3              | 1,80,000           | 1,60,000           |
| <b>Total</b>                         |                | 19,20,000          | 17,60,000          |
| <b>II. Assets</b>                    |                |                    |                    |
| (1) Non-Current Assets               |                |                    |                    |
| (a) Fixed Assets                     |                |                    |                    |
| Tangible Assets                      | 4              | 13,40,000          | 12,00,000          |
| (b) Non-Current Investments          | 5              | 2,40,000           | 1,60,000           |
| (2) Current Assets                   |                |                    |                    |
| (a) Inventories                      |                | 1,20,000           | 1,60,000           |
| (b) Trade Receivables                |                | 1,60,000           | 1,60,000           |
| (c) Cash and Cash Equivalents        |                | 60,000             | 80,000             |
| <b>Total</b>                         |                | 19,20,000          | 17,60,000          |

Notes to Accounts

| Note<br>Number | Particulars | 31-3-2017<br>(Rs.) | 31-3-2016<br>(Rs.) |
|----------------|-------------|--------------------|--------------------|
|                |             |                    |                    |

|   |                                       |  |            |            |
|---|---------------------------------------|--|------------|------------|
| 1 | Reserves and Surplus                  |  | 1,20,000   | 1,20,000   |
|   | General Reserve                       |  | 1,20,000   | .....      |
|   | Balance in Statement of Profit & Loss |  | 2,40,000   | 1,20,000   |
| 2 | Trade Payables                        |  | 1,40,000   | 1,20,000   |
|   | Creditors                             |  | 40,000     | 1,20,000   |
|   | Bills Payable                         |  | 1,80,000   | 2,40,000   |
| 3 | Other Current Liabilities             |  | 1,80,000   | 1,60,000   |
|   | Outstanding Rent                      |  | 1,80,000   | 1,60,000   |
|   |                                       |  |            |            |
| 4 | Tangible Assets                       |  | 14,90,000  | 13,00,000  |
|   | Plant & Machinery                     |  | (1,50,000) | (1,00,000) |
|   | Accumulated Depreciation              |  | 13,40,000  | 12,00,000  |
| 5 | Non-Current Investments               |  | 2,40,000   | 1,60,000   |
|   | Shares in XYZ Limited                 |  | 2,40,000   | 1,60,000   |
|   |                                       |  |            |            |

Additional Information:

(a) During the year 2016-17, a machinery costing Rs. 50,000 and accumulated depreciation thereon Rs. 15,000 was sold for Rs. 32,000.

(b) 9 % Debentures Rs. 80,000 were issued on April 1, 2016.

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Solution: Ajanta Limited

#### Cash Flow Statement

for the year ended 31st March, 2014

| Particulars  | Amount<br>(Rs.) |
|--|-----------------|
| <b>I – CASH FLOW FROM OPERATING ACTIVITIES</b>                       |                 |
| Surplus: Balance in the Statement of Profit & Loss                   | 1,20,000        |
| Adjustment for Non- Cash and Non-Operating Items                     |                 |
| Depreciation   | 65,000          |
| Loss on sale of Machinery  | 3,000           |
| Interest on Debentures   | <u>28,800</u>   |
|  | 96,800          |
| Operating Profit before changes in working capital                   | 2,16,800        |
| Add: Decrease in Current Assets and Increase in Current Liabilities  |                 |
| Inventories  | 40,000          |
| Outstanding Rent   | 20,000          |
| Creditors  | <u>20,000</u>   |
|  | 80,000          |
| Less: Increase in Current Assets and Decrease in Current Liabilities |                 |
| Bills Payable  | (80,000)        |
|  | 2,16,800        |
| Cash Flow from Operating Activities                                  | 2,16,800        |
| <b>II- CASH FLOW FROM INVESTING ACTIVITIES</b>                       |                 |
| Purchase of Machinery  | (2,40,000)      |
| Sale of Machinery  | 32,000          |
| Purchase of Shares in XYZ Limited                                    | (80,000)        |
|  | (2,88,000)      |

|   |          |            |
|---|----------|------------|
| Cash Flow from Investing Activities               |          | (2,88,000) |
| III- CASH FLOW FROM FINANCING ACTIVITIES          | 80,000   |            |
| Issue of 9 % Debentures                           | (28,800) |            |
| Interest on Debentures                            | 51,200   |            |
| Cash Flow from Financing Activities               |          | 51,200     |
| Net Cash Flow                                     |          | (20,000)   |
| Add: Opening Balance of Cash and Cash Equivalents |          | 80,000     |
| Closing Balance of Cash and Cash Equivalents      |          | 60,000     |

2+1+1

### Plant & Machinery Account

| Particulars     | Amount (Rs.) | Particulars                         | Amount (Rs.) |
|-----------------|--------------|-------------------------------------|--------------|
| To Balance b/d  | 13,00,000    | By Bank Account                     | 32,000       |
| To Bank Account | 2,40,000     | By Accumulated Depreciation Account | 15,000       |
|                 |              | By Statement of Profit & Loss       | 3,000        |
|                 | 15,40,000    | By Balance c/d                      | 14,90,000    |
|                 |              |                                     | 15,40,000    |

1

### Accumulated Depreciation Account

| Particulars                  | Amount (Rs.) | Particulars                   | Amount (Rs.) |
|------------------------------|--------------|-------------------------------|--------------|
| To Plant & Machinery Account | 15,000       | By Balance b/d                | 1,00,000     |
| To Balance c/d               | 1,50,000     | By Statement of Profit & Loss | 65,000       |
|                              | 1,65,000     |                               | 1,65,000     |

1

## PART – B

### Option-II

#### Computerised Accounting

18. While navigating in the workbook, which of the following commands is used to move to the beginning of the Current row: 1

- a. [ctrl] + [home]
- b. [page up]
- c. [Home]
- d. [ctrl] + [Back space]

Sol: (c)

19. Join line in the context of Access table means: 1

- a. Graphical representation of tables between tables
- b. Lines bonding the data within table
- c. Line connecting two fields of a table

d. Line connecting two records of a table

Sol: (b)

20. Enumerate the basic requirements of computerized accounting system for a business organization.

Sol: The computerized accounting is one the database-oriented applications wherein the transaction data is stored in well-organized database. The user operates on such database using the required interface and also takes the required reports by suitable transformations of stored data into information. Therefore, the fundamentals of computerized accounting include all the basic requirements of any database-oriented application in computers. 4

Accounting framework..... [2]

It is the application environment of the computerized accounting. A healthy accounting framework in terms of accounting principles, coding and grouping structure is a pre-condition for any computerized accounting system.

Operating procedure..... [2]

A well-conceived and designed operating procedure blended with suitable operating environment of the enterprise is necessary to work with the computerized accounting system.

21. The generation of ledger accounts is not a necessary condition for making trial balance in a computerized accounting system. Explain. 4

Sol: In computerized accounting system, every day business transactions are recorded with the help of computer software. Logical scheme is applied for codification of account and transaction. Every account and transaction is assigned a unique code. The grouping of accounts is done from the first stage.

[Briefly explaining what is account groups and hierarchy of ledger.]

The hierarchy of ledger accounts is maintained and the data is transferred into Ledger accounts automatically by the computer. In order to produce ledger accounts the stored transaction data is processed to appear as classified so that same is presented in the form of report. The preparation of financial statements is independent of producing the trial balance. 4

22. Internal manipulation of accounting records is much easier in computerized accounting than in manual accounting. How? 4

Sol: Internal manipulation of accounting records is much easier in computerized accounting due to the following:

i. Defective logical sequence at the programming stage

ii. Prone to hacking

23. Computerisation of accounting data on one hand stores voluminous data in a systematic and organized manner whereas on the other hand suffers from threats of vulnerability and manipulations. Discuss the security measures you would like to employ for securing the data from such threats. 6

Sol: Every accounting software ensures data security, safety and confidentiality. Therefore every, software should provide for the following:

• Password Security: Password is a mechanism, which enables a user to access a system including data. The system facilitates defining the user rights according to organization policy. Consequently, a person in an organization may be given access to a particular set of a data while he may be denied access to another set of data. 2

• Data Audit: This feature enables one to know as to who and what changes have been made in the original data thereby helping and fixing the responsibility of the person who has manipulated the data and also ensures data integrity. Basically, this feature is similar to Audit Trial. 2

• Data Vault: Software provides additional security through data encryption. 2