**Practice Paper-2**

Class - XII Subject – Accountancy

Time allowed: 3 Hours Maximum Marks: 80

General Instructions:

* All parts of a question should be attempted at one place.
* Use of calculator is not allowed.

1. \_Prachi, Komal and John were partners in a firm. They admitted Ajay their landlord as a partner in the firm. Ajay brought sufficient amount of capital and his share of goodwill premium. Ajay had given a loan of `3,00,000 @ 12% p.a. interest, to the partnership firm before he became the partner. Now the accountant of the firm is emphasizing that the interest on loan should be paid @ 6% p.a. Is he right in doing so? Give reason in support of your answer. (1)
2. When a new partner is admitted, the balance of ‘General Reserve’ appearing in the Balance Sheet at the time of admission is credited to
   1. --------------------. (1)
3. Differentiate between ‘Profit and Loss Appropriation Account’ and ‘Profit and Loss Suspense Account.’ (1)
4. At the time of retirement of a partner ‘Loss on Revaluation’ is debited to
   1. -----------------.. (1)
5. Name the account to which the ‘Balance of Debenture Redemption Reserve’ is transferred after all the debentures have been redeemed. (1)
6. The part of issued capital which can be used only at the time of winding up of the company is called--------------.. (1)
7. On 1st April, 2012 a company issued 4,000 9% debentures of `100 each at a discount of 10%, repayable at a premium of 10%. The terms of issue provided for the redemption of `40,000 debentures every year commencing from March 31st, 2014, either by purchase from open market or by draw of lots at the company’s option. On March 31st, 2014, the company purchased for cancellation its own debentures of the face value of `32,000 at `95 per debenture and `8,000 at `90 per debenture. The expenses of purchase amounted to `1,000. Record necessary journal entries for redemption of 9% debentures. (3)
8. ‘Nandan Ltd.’ is a manufacturer of heavy machines in a town of Telangana. It follows high standards of environment safety in the process of manufacturing. The company runs a school to provide quality education and a medical centre to address health issues of the resident of that area. The company is doing well and is going to start a new manufacturing unit in Jharkhand creating livelihood for people, especially those from disadvantaged sections of the society. In order to raise funds the company decided to issue 50,000 shares of `100 each at par and 80,000, 10% debentures of `50 each. Pass necessary journal entries for the issue of shares and debentures. Also identify any one value which the company wants to communicate to the society.

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1. The average profit earned by a firm is `1,00,000 which includes undervaluation of stock of `40,000 on an average basis. The capital invested in the business is `6,30,000 and the normal rate of return is 5%. Calculate goodwill of the firm on the basis of 5 times the super profit. (3)
2. Alka Ltd. issued 9,000, 9% debentures of `500 each at a discount of 10% redeemable at a premium of 10% after 5 years. According to the terms of issue `350 per debenture was payable on application and balance on allotment of debentures. Record necessary Journal entries at the time of issue of 9% debentures. (3)
3. Priya, Karam and Anna were partners of a firm sharing profits in the ratio of 3 : 2 : 1. Their Balance Sheet on March 31st, 2014, was as follows :

|  |  |  |  |
| --- | --- | --- | --- |
| Liabilities | Amount ` | Assets | Amount ` |
| Capitals:  Priya 2,00,000  Karam 1,20,000  Anna 80,000  Bills Payable  Creditors  Reserves  Karam’s Loan @ 5% | 4,00,000  1,20,000  1,40,000  1,80,000  1,00,000 | Buildings  Advertisement Susp A/c  Stock  Cash  Debtors  B/R  Investments | 2,90,000 1,20,000 1,70,000 20,000  1,40,000  70,000  1,30,000 |
|  | 9,40,000 |  | 9,40,000 |

Karam died on June 12, 2014, and according to the Partnership deed his executors were entitled to be paid as under : (a) His share in the profits of the firm till the date of his death which will be calculated on the basis of average profits of last three completed years. (b) His share in the goodwill of the firm which will be calculated on the basis of two years purchase of total profits of last three years. (c) Profits for the last three years were : `30,000, `70,000 and `80,000. Prepare Karam’s capital A/c to be rendered to his executors. (4)

1. Alok, Narendra and Shiv were partners in a firm sharing profits in the ratio of 5: 3:2. Goodwill appeared at `90,000 and general reserve at `50,000 in the books of the firm. Narendra decided to retire from the firm. On the date of his retirement goodwill of the firm was valued at `2,40,000. The new profit sharing ratio of Alok and Shiv was 2 : 3. Record necessary journal entries on Narendra’s retirement. (4)
2. Bhuvan, Suraj and Ibrahim were partners in a firm sharing profits in the ratio of 3:2:1. On 30th June, 2014, they decided to dissolve the firm. Following was the Balance Sheet of the firm on that date.

|  |  |  |  |
| --- | --- | --- | --- |
| Liabilities | Amount ` | Assets | Amount ` |
| Capitals:  Bhuvan 30,000  Suraj 20,000  Ibrahim 10,000  Creditors  Reserves  Investment Fluctuat. Fund | 60,000  50,400  12,000  10,000 | Stock  Cash  Debtors  Furniture  Investments | 20,100 13,700  62,600  20,000  16,000 |
|  | 1,32,400 |  | 1,32,400 |

The assets were realized and the liabilities were paid off as follows : (a) Investments were taken over by Bhuvan for `18,000. (b) Stock was taken over by Suraj for `17,500 and furniture was taken over by Ibrahim at book value. (c) `60,500 were realized from the debtors. (d) Creditors were settled in full and realization expenses were `4,500. Prepare Realisation account, Cash account and Partners’ Capital accounts. (6)

1. On March 31st, 2014, the balances in the capital accounts of Raman, Naman and Chaman after making adjustments for profits and drawings were `1,60,000, ` 1,20,000 and `1,60,000 respectively. Subsequently it was discovered that interest on capital and drawings had been omitted.

• The profit for the year ended 31st March, 2014 was `60,000.

• During the year Raman and Naman each withdrew a total sum of `48,000 in equal installment in the middle of every month and Chaman withdrew a total sum of ` 36,000 in equal installments at the end of each month.

• The interest on drawings was to be charged @ 8% and interest on capital is to be allowed @ 10% p.a.

• The profit sharing ratio among the partners was 1 : 2 : 1.

Showing your working notes clearly, pass the necessary rectifying entry. (6)

1. (A) Fill in the blank spaces in the journal entries given below : (6)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Date | Particulars | Folio | Dr. (`) | Cr. (`) |
|  | Share Capital A/c. Dr.  --------------------- Dr.  To Share Forfeited A/c  To Share Allotment A/c  To Share First Call A/c  (Being 2,000 shares of `10 each `8 called up issued at a premium of ` 2 per share forfeited for non payment of allotment of `5 per share including premium and first call of  ` 2 per share) |  | \_\_\_\_\_  \_\_\_\_\_  19600  \_\_\_\_\_ | 6000  \_\_\_\_\_  \_\_\_\_\_  \_\_\_\_\_  \_\_\_\_\_  \_\_\_\_\_ |
| Bank A/c. Dr.  To Share Capital A/c  To \_\_\_\_\_\_\_\_\_\_\_\_\_  (Being 1400 shares reissued for  ` 19,600 as fully paid up). |
| Share Forfeited A/c. Dr.  To Capital Reserve A/c.  (Being profit on reissue of forfeited shares transferred to capital reserve) |

**(B) Journal**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Date** | **Particulars** | **LF** | **Dr. Amt**  **(**R**)** | **Cr. Amt**  **(**R **)** |
|  | Share Capital A/c Dr.  To Share Forfeited A/c  **To \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**  To Share first Call A/c  (Being 1,000 shares of R 100 each. R 80 called up issued at a discount of 10% forfeited for non payment of first call) |  | 80,000 | \_\_\_\_\_\_  \_\_\_\_\_\_  60,000 |
|  | Bank A/c Dr.  **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_** Dr.To Share Capital A/c  (Being 800 shares reissued @ R 70 per share  R 80 paid-up) |  | 56,000  \_\_\_\_\_ | \_\_\_\_\_\_ |
|  | Share forfeited A/c Dr.  To Capital Reserve A/c  (Being profit on reissue of forfeited shares transferred to capital reserve) |  | \_\_\_\_\_ | \_\_\_\_\_\_ |
|  |

1. Following is the Balance Sheet of Amit and Vidya as at 31st March, 2014.

|  |  |  |  |
| --- | --- | --- | --- |
| Liabilities | Amount ` | Assets | Amount ` |
| Capitals:  Amit 1,10,000  Vidya 60,000  Creditors  Employees Provident Fund  Workmen Compensat. Fund | 1,70,000  26,000  16,000  30,000 | Stock  Bank  Debtors 44,000  Less Provision 2,000  Plant & Machinery  Goodwill  P & L A/c | 30,000 20,000  42,000  1,20,000  20,000  10,000 |
|  | 2,42,000 |  | 2,42,000 |

On the above date Chintan was admitted as a partner for 1/4 share in the profits of the firm with the following terms : (a) `2,900 will be written off as bad debts. (b) Stock was taken over by Vidya at `35,000. (c) Goodwill of the firm was valued at `40,000. Chintan brought his share of goodwill premium in cash. (d) Chintan brought proportionate capital and the capitals of the other partners were adjusted on the basis of Chintan’s capital. For this necessary cash was to be brought in or paid off to the partners as the case many be. Prepare Revaluation Account and Partners’ Capital Accounts.

**OR**

Lokesh, Mansoor and Nihal were partners in a firm sharing profits as 50%, 30% and 20% respectively. On 31st March, 2014, their Balance Sheet was as follows :

|  |  |  |  |
| --- | --- | --- | --- |
| Liabilities | Amount ` | Assets | Amount ` |
| Capitals:  Lokesh 1,40,000  Mansoor 80,000  Nihal 50,000  Creditors  Provident Fund  Investment Fluctuat. Fund | 2,70,000  34,000  10,000  20,000 | Stock  Cash  Debtors 94,000  Less Provision 6,000  Investment  Goodwill  P & L A/c | 38,000 68,000  88,000  80,000  40,000  20,000 |
|  | 3,34,000 |  | 3,34,000 |

On the above date, Mansoor retired and Lokesh and Nihal agreed to continue on the following terms: (a) Firm’s goodwill was valued at the `1,02,000 and it was decided to adjust Mansoor’s share of goodwill into the capital accounts of the continuing partners. (b) There was a claim for workmen’s compensation to the extent of `12,000 and investments were brought down to `30,000. (c) Provision for bad debts was to be reduced by `2,000. (d) Mansoor was to be paid `20,600 in cash and the balance will be transferred to his loan account which was paid in two equal instalments together with interest @ 10% p.a. (e) Lokesh’s and Nihal’s capital were to be adjusted in their new profit sharing ratio by bringining in or paying off cash as the case may be. Prepare Revaluation Account and Partners’ Capital Accounts. (8)

1. Dogra Ltd. had an Authorised capital of `10,00,000 divided into Equity shares of `100 each. The company offered 84,000 shares to the public at premium. The amount was payable as follows: On Application – `30 per share On Allotment – `40 per share (including premium) On First & Final call – `50 per share.

Applications were received for 80,000 shares. All sums were duly received

except the following: Lakhan, a holder of 200 shares did not pay allotment and

call money. Paras, a holder of 400 shares did not pay call money. The

company, forfeited the shares of Lakhan and Paras subsequently, the forfeited

shares were reissued for` 80 per share fully paid-up. Show the entries for the

above transaction in the cash book and Journal of the company. (8)

OR

Alpha Ltd issued for public subscription 40,000 equity shares of Rs. 10 each.

At a premium of Rs. 2 per share payable as under:

On application Rs. 2 per share, on allotment Rs. 5 per share (including

premium), on first call Rs. 2 per share and on second call Rs. 3 per share.

Applications were received for 60,000 shares. Allotment was made pro rata

basis to the applicants for 48000 shares, the remaining applications being

refused. Money overpaid on application was applied towards sums due on

allotment. A, to whom 1,600 shares were allotted, failed to pay the allotment

money and B, to whom 2,000 shares were allotted failed to pay the two calls.

These were subsequently forfeited after the second call was made. Pass

journal entries. (8)

**PART – B (Analysis of Financial Statements)**

1. ‘Shri Ltd.’ was carrying on a business of packaging in Delhi and earned good profits in the past years. The company wanted to expand its business and required additional funds. To meet its requirements the company issued equity shares of ` 30,00,000. It purchased a computerized machine of `20,00,000. It also purchased raw material amounting to `2,00,000. During the current year the Net Profit of the company was `15,00,000. Find out ‘Cash flows from operating activities’ from the above transactions. (1)
2. ‘Koval Ltd.’ is a financing company. Under which activity will the amount of interest paid on a loan settled in the current year be shown. (1)

20. From the following information, calculate Total Assets to Debt Ratio, Proprietary ratio:

Capital Employed `22,50,000

Investment `1,20,000

Land `10,00,000

Trade Receivables `3,00,000

Cash and Cash Equivalents `1,80,000

Equity Share Capital `10,50,000

8% Debentures `8,00,000

Capital Reserve `2,60,000

Surplus (Balance in statement of profit and loss) ` (35,000) (4)

1. (a) Under which major headings and sub-headings the following items will be shown in the Balance Sheet of a company as per schedule iii, Part I of the Companies Act, 2013

* Bank overdraft.
* Stores and spares.
* Bonds.
* Capital Reserves.

(b) State any two objectives of financial statements analysis. (4)

1. Nishit was the Managing Director of ‘Lalita Electronics Ltd’. He had been earning good revenues and profits for the company. He believed in giving respect to his subordinates as his moral responsibility. He was the one who recognized the need to find ecofriendly ways to treat waste. Following is the Statement of Profit and Loss of ‘Lalita Electronics Ltd.’ for the years ended 31st March, 2013 and 2014.

|  |  |  |  |
| --- | --- | --- | --- |
| Particulars | Note No. | 2012-13  (`) | 2013-14  (`) |
| Revenue from Operations  Less:Employee benefit exp  Profit before tax  Tax @ 30%  Profit after tax |  | 14,00,000  4,00,000  10,00,000  3,00,000  7,00,000 | 18,00,000  5,00,000  13,00,000  3,90,000  9,10,000 |

* Prepare a comparative statement of Profit & Lose.
* Identify any two values which are being communicated to the society in the above case. (4)

1. Following is the Balance Sheet of Sreshtha Ltd. as on 31st March, 2014.

|  |  |  |  |
| --- | --- | --- | --- |
| Particulars | Note No. | 2013-14  ` | 2012-13  ` |
| I EQUITY AND LIABILITIES   * Shareholders Funds * Share Capital * Reserves and Surplus * Non-Current Liabilities   Long Term Borrowings   * Current Liabilities * Trade Payables * Short Term Provisions | 1  2 | 40,00,000  10,00,000  6,00,000  3,00,000  1,40,000 | 30,00,000  6,00,000  4,00,000  4,00,000  1,20,000 |
| Total |  | **60,40,000** | **45,20,000** |
| II ASSETS   * Non-current Assets * Fixed Assets * Tangible assets * Intangible assets * Current Assets * Inventories * Trade Receivables * Cash and Cash Equivalents | 3  4 | 38,00,000  9,40,000  5,00,000  4,20,000  3,80,000 | 30,00,000  5,40,000  3,20,000  4,20,000  2,40,000 |
|  |  | **60,40,000** | **45,20,000** |

Notes to Accounts :

|  |  |  |  |
| --- | --- | --- | --- |
| S. No. | Particulars | As on 31-3-2014  ` | As on 31-3-2013  ` |
| 1  2  3  4 | Reserves and Surplus  Surplus (Balance in Statement of Profit and Loss)  Short Term provisions  Provision for tax  Tangible Assets  Machinery  Accumulated Depreciation  Intangible Assets  Goodwill | 10,00,000  1,40,000  42,00,000  (4,00,000)  9,40,000 | 6,00,000  1,20,000  33,00,000  (3,00,000)  5,40,000 |

Prepare a Cash Flow Statement after taking into account the following adjustment : During the year a piece of machinery costing `40,000 on which accumulated depreciation was `30,000, was sold for `9,000. (6)