ACCOUNTS

(Maximum Marks: 80)

(Time allowed: Three hours)

*(Candidates are allowed additional 15 minutes for **only** reading the paper.*

They must NOT start writing during this time.)

***Part I of Section A** is Compulsory.*

*Answer **any 4** Questions from **Part II of Section A** and **any two** questions from **either Section B or Section C**.*

The intended marks for questions or parts of questions are given in the brackets [ ].

Transactions should be recorded in the answer book.

All calculations should be shown clearly.

All working, including rough work, should be done on the same page as, and adjacent to, the rest of the answer.

SECTION A

PART I (12 Marks)

*Answer **all** questions.*

Question 1 **[6 × 2]**

Answer briefly each of the following questions:

(i) Why is goodwill considered to be an intangible asset and not a fictitious asset?

(ii) How will a firm deal with a situation when its partnership deed provides for interest on capital, but the profit earned by it is not enough to do so, at the rate mentioned in the deed?

(iii) State with reason whether Securities Premium Reserve can be used by a company to write off the discount allowed to its debtors.

(iv) List *any four* items that are shown under the sub-head 'Other Current Assets' in the Balance Sheet of a company prepared as per Schedule III of the Companies Act, 2013.

(v) What is the maximum limit of debentures which companies, other than Banking Companies and All India Financial Institutions, can redeem out of capital?

(vi) (a) Mention *any two* circumstances which can lead to dissolution of partnership.

(b) What is the status of the firm upon the dissolution of partnership?

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PART II (48 Marks)

*Answer **any four** questions.*

Question 2

(A) **From the following information, calculate goodwill of the firm of Anmol and Sujay at the time of admission of Dhruv:** [4]

(i) At three years' purchase of Super Profit.

(ii) On the basis of Capitalisation of Super Profit.

(a) Actual Average Profits of the firm for the last three years is ₹ 25,000.

(b) Normal Rate of Return is 10%.

(c)

Balance Sheet of Anmol and Sujay
As at 31st March, 2019

Liabilities		Amount (₹)	Assets	Amount (₹)
Sundry Creditors		40,000	Plant and Machinery	40,000
Bills Payable		10,000	Land and Building	80,000
General Reserve		20,000	Investments (Non-trade)	50,000
Capital Accounts:			Sundry Debtors	15,000
Anmol	80,000		Bank	55,000
Sujay	90,000	1,70,000		
		2,40,000		2,40,000

(B) Manoj, Hari and Karan are partners in a firm sharing profits and losses in the ratio 4:2:1. Their Balance Sheet as at 31st March, 2019, was as follows: [8]

Balance Sheet of Manoj, Hari and Karan
As at 31st March, 2019

Liabilities		Amount (₹)	Assets	Amount ₹)
Sundry Creditors		32,600	Plant and Machinery	20,000
Bills Payable		4,000	Goodwill	7,000
General Reserve		8,400	Stock	38,000
Capital Accounts:			Bank	20,000
Manoj	16,000			
Hari	14,000			
Karan	10,000	40,000		
		85,000		85,000

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Hari retired from the business on 1st April, 2019. The remaining partners decided to carry on the business. The terms of retirement provided the following:

(a) Out of the total insurance premium paid, ₹ 7,000 to be treated as prepaid insurance. The amount was earlier debited to Profit & Loss Account.

(b) General Reserve not to be distributed.

(c) Hari to be paid ₹ 24,400 in full settlement.

You are required to prepare Partners' Capital Accounts.

Question 3 **[12]**

Sudesh Ltd. was registered with an authorised capital of ₹ 40,00,000 divided into 4,00,000 Equity Shares of ₹ 10 each.

The company offered 50,000 shares to the public at a premium of ₹ 2 per share, payable as follows:

₹ 3 on application

₹ 6 on allotment (including premium)

₹ 3 on first and final call (due two months after allotment)

Applications were received for 60,000 shares and pro-rata allotment was made as follows:

Category A: The applicants of 40,000 shares were allotted 30,000 shares.

Category B: The applicants of 20,000 shares were allotted in full.

Excess money paid on application was utilized towards allotment.

Nobby, a shareholder from Category A, who had applied for 1,200 shares failed to pay the allotment and call money.

Vineet, a shareholder from Category B, who had been allotted 1,000 shares, paid the call money due, along with allotment.

The company forfeited Nobby's shares after the first and final call and paid interest on Calls-in-advance to Vineet @ 12% per annum on the day of the final call.

You are required to:

(i) Pass journal entries to record the above transactions in the books of the company (including entries for interest on Calls-in-advance).

(ii) Prepare Calls-in-arrears Account.

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Question 4

(A) Mike and Ajay are partners sharing profits and losses in proportion to their capitals, which on 31st March, 2019, stood at ₹ 6,00,000 and ₹ 4,00,000 respectively. On this date, the firm had ₹ 1,00,000 in its Workmen Compensation Reserve and its outside liabilities amounted to ₹ 6,00,000, which included *Creditors of ₹ 2,00,000 and Bills Payable of ₹ 60,000.* **[8]**

The firm was dissolved on 31st March, 2019, on which date, the assets, apart from Cash of ₹ 70,000, realised ₹ 14,00,000 and the liabilities were discharged as follows:

(a) Creditors due on 31st May, 2019, were paid off at a discount of 3% per annum.

(b) Bills Payable were discharged at a rebate of ₹ 1,000.

(c) Workmen Compensation Claim of ₹ 40,000 was met.

(d) Expenses of dissolution amounting to ₹ 30,000 were paid.

You are required to prepare:

(i) Realisation Account.

(ii) Partners' Capital Accounts.

(B) Xen, Sam and Tim are partners in a firm. For the year ended 31st March, 2019, the profits of the firm ₹ 1,20,000, were distributed *equally* amongst them, without providing for the following provisions of the partnership deed: **[4]**

(a) Sam's guarantee to the firm that the firm would earn a profit of at least ₹ 1,35,000. Any shortfall in these profits would be personally met by him.

(b) Profits to be shared in the ratio of 2:2:1.

You are required to pass the necessary *journal entries* to rectify the error in accounting.

Question 5

(A) *Zee Ltd. purchased a running business from Rainbow Ltd. for a sum of* ₹ 6,60,000. Zee Ltd. paid 5% of the purchase consideration by drawing a Promissory Note in favour of Rainbow Ltd. and the balance by the issue of fully paid 7% Debentures of ₹ 100 each at a premium of 10%. The assets and liabilities of Rainbow Ltd. consisted of: **[4]**

	(₹)
Fixed Assets	6,50,000
Sundry Creditors	80,000

You are required to pass the necessary journal entries in the books of Zee Ltd.

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(B) On 1st April, 2016, the following balances appeared in the books of Shikhar Ltd. **[8]**

10% Debentures	₹ 14,00,000
Premium on Redemption of Debentures	₹ 1,40,000
Debenture Redemption Reserve	₹ 75,000

The debentures were to be redeemed at a premium of 10% in *two equal annual instalments* beginning from 31st March, 2018. To meet the requirements of the Companies Act, 2013, the company transferred the balance amount to Debenture Redemption Reserve on 31st March, 2017. On 30th April, 2017, it met the requirements of the Companies Act, 2013 regarding Debenture Redemption Investment and redeemed the debentures on the scheduled dates.

You are required to pass necessary journal entries to record the above transactions in the books of Shikhar Ltd. (Ignore interest on Debentures).

Question 6 **[12]**

Anita and Tony, each doing business as sole proprietors, started a partnership on 1stApril, 2018. Anita brought in Plant and Machinery valued at ₹ 5,00,000 whereas Tony brought in furniture costing ₹ 50,000 and ₹ 7,00,000 in cash.

Since the business needed more funds, Tony gave a loan of ₹ 2,00,000 to the firm on 30th June, 2018.

Their partnership deed provided for:

(a) Interest on capital to be allowed @10% per annum.

(b) Interest on drawings to be charged @ 6% per annum.

(c) Anita to be given a commission of 4% on the *corrected* net profits before charging commission.

(d) Tony to be given a salary of ₹ 12,000 per annum.

Tony withdrew ₹ 5,000 at the end of every month and Anita withdrew ₹ 30,000 on 1st August,2018.

The net profit of the firm, for the year 2018-19, *after* debiting Tony's salary of ₹ 12,000 per annum but *before* considering any interest due to and due from the partners, was ₹ 4,00,000.

You are required to prepare for the year 2018-19:

(i) Profit and Loss Appropriation Account.

(ii) Partners' Capital Accounts.

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Question 7 **[12]**

Smita and Punita are partners in a firm sharing profits and losses in the ratio of 3:2. Their Balance Sheet as at 31st March, 2019, is as follows:

Balance Sheet of Smita and Punita
As at 31st March, 2019

Liabilities	Amount (₹)	Assets	Amount (₹)
Sundry Creditors	14,000	Cash in hand	30,000
Bank Loan	6,000	Sundry Debtors. 22,000	
General Reserve	10,000	*Less* Provision for doubtful debts (2000)	20,000
Capital Accounts:		Furniture	10,000
Smita 30,000		Stock	40,000
Punita 40,000	70,000		
	1,00,000		1,00,000

On 1st April, 2019, Mita is admitted as a new partner on the following terms:

(a) The new profit sharing ratio of Smita, Punita and Mita to be 5:3:2.

(b) Provision for doubtful debts to be raised to 10% of the debtors.

(c) Punita to take over the firm's investments (not recorded in the books) at ₹ 3,000.

(d) Goodwill of the firm to be valued at ₹ 50,000. Mita to bring in cash for her share of goodwill.

(e) 50% of the goodwill to be withdrawn by the old partners.

(f) Mita to pay off the Bank Loan on behalf of the firm. The amount due to her by the firm, to be considered as part of her capital contribution.

(g) Mita to bring in the balance of her capital in cash, so as to make her capital equal to 1/5th of the total capital of the firm.

You are required to:

(i) Pass journal entries at the time of Mita's admission.

(ii) Prepare the Balance Sheet of the reconstituted firm.

Question 8

(A) Xylo Ltd. was formed on 1st April, 2017, with an authorized capital of ₹ 12,00,000 divided into Equity Shares of ₹ 10 each. It issued a prospectus inviting applications for 30,000 shares to be issued at par. The issue was fully subscribed and the amount due on the shares was received by the company. **[8]**

On 1st April, 2018, the company issued another 60,000 shares at a premium of ₹ 2 per share to be received with allotment. Applications for 55,000 shares were received which were duly allotted.

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All the amounts due on these shares were received except the final call of ₹ 2 per share on 1,000 shares.

On 1st October, 2018, the company also issued 2,000 6% debentures of ₹ 100 each at par, to be redeemed at par in *five equal annual instalments* beginning from 1st October, 2019. The entire issue price of these debentures was received by the company with application.

Half yearly interest on the debentures of ₹ 6,000 was paid by the company to the debenture holders on 31st March, 2019.

You are required to show the relevant items under:

(i) Equity and Liabilities in the Balance Sheet of the Company as at 31st March, 2019 (prepared as per Schedule III of the Companies Act, 2013).

(ii) Notes to Accounts.

(B) Under which **heads** and **sub-heads** will the following items appear in the Balance Sheet of a company as per Schedule III of the Companies Act, 2013: **[4]**

(i) Trade Debtors

(ii) Marketable Securities

(iii) Finished Goods

(iv) Patents

SECTION B (20 Marks)

Answer any two questions

Question 9

(A) Assuming that the current ratio of a company is 0·7 : 1, mention whether this ratio would *increase, decrease* or *not change* after the following transactions: **[2]**

(i) Payment of ₹ 15,000 made to a creditor.

(ii) Purchase of inventory worth ₹ 1,00,000 on credit.

(B) **Prepare a Comparative Statement of Profit and Loss of Cosmos Ltd. from the following information:** **[6]**

Particulars	**31.03.2019**	**31.03.2018**
Revenue from Operations	₹ 20,00,000	₹ 10,00,000
Purchases of stock-in-trade	₹ 12,00,000	₹ 6,00,000
Charge in Inventories of Stock-in-trade	25% of purchases of stock-in trade	20% of purchases of stock-in trade
Other Expenses	₹ 1,00,000	₹ 80,000
Tax Rate	40%	40%

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(C) From the following extract of the Balance Sheet of Regal Ltd., taking into consideration the additional information, **you are required to calculate the amounts of the following items to be shown in the company's Cash Flow Statement for the year 2018-19:** [2]

(i) Fixed asset purchased.

(ii) Fixed asset sold.

(iii) Profit/Loss on sale of fixed asset.

(iv) Depreciation charged on fixed assets.

Particulars	**31.03.2019 (₹)**	**31.03.2018 (₹)**
Fixed Asset	6,00,000	4,90,000

Additional information:

(i) The provision for depreciation on fixed assets stood at ₹ 1,40,000 on 31st March, 2018 and ₹ 1,80,000 on 31st March, 2019.

(ii) During the year 2018-19, a fixed asset costing ₹ 60,000 (book value ₹ 30,000) was sold for ₹ 20,000.

Question 10 [10]

You are required to prepare a Cash-Flow Statement (as per AS-3) for the year 2018-19 from the following Balance Sheets.

Balance Sheets of Hillock Ltd.

As at 31st March, 2018 and 31st March 2019

Particulars	**Note No.**	**31.3.2019 (₹)**	**31.3.2018 (₹)**
I. **EQUITY AND LIABILITIES**			
1. Shareholders' Funds:			
(a) Equity Share Capital		2,50,000	2,00,000
(b) Reserves and Surplus	1	90,000	50,000
2. Current Liabilities:			
(a) Short-term Borrowings (Bank overdraft)		--	10,000
(b) Trade Payables		20,000	15,000
(c) Other Current Liabilities	2	5,000	5,000
(d) Short-term Provisions (Provision for Tax)		25,000	20,000
Total		3,90,000	3,00,000

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II. **ASSETS**			
1. Non-Current Assets:			
Fixed Assets			
Tangible		2,55,000	2,35,000
2. Current Assets:			
(a) *Current Investments*		*30,000*	--
(b) Inventories		15,000	25,000
(c) Trade Receivables		40,000	10,000
(d) Cash and Bank Balances		50,000	30,000
Total		3,90,000	3,00,000

Notes to Accounts:

Particulars	**31.3.2019 (₹)**	**31.3.2018 (₹)**
1. Reserves and Surplus		
Balance in Statement of Profit and Loss	70,000	40,000
Securities Premium Reserve	20,000	10,000
	90,000	50,000
2. Other Current Liabilities		
Outstanding Expenses	1,000	5,000
Unclaimed Dividend	4,000	--
	5,000	5,000
3. Contingent Liability		
Proposed Dividend	5,000	10,000

Additional Information:

During the year 2018-19:

(i) *A tangible fixed asset costing ₹ 50,000 was purchased.*

(ii) Tax paid ₹ 15,000.

(iii) Interest of ₹ 1,000 was paid on the bank overdraft.

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Question 11

(A) State the objective of calculating Liquidity Ratios. **[2]**

(B) **From the following information, calculate Earnings per share (up to two decimal places):** **[2]**

Particulars	
10% Preference Share Capital	₹ 6,00,000
Equity Share Capital (3,00,000 shares of ₹ 10 each)	₹ 30,00,000
Profit before Tax	₹ 15,00,000
Tax Rate	30%

(C) **From the following information, calculate the following ratios (up to two decimal places):** **[6]**

(i) Debt to Total Assets Ratio

(ii) Proprietary Ratio

(iii) Inventory Turnover Ratio

Particulars	**(₹)**
Fixed Assets	14,00,000
Current Assets (including inventory of ₹ 2,00,000)	10,00,000
Shareholders' Funds	14,40,000
Non- Current Liabilities (10% Long-term Bank Loan)	8,00,000
Current Liabilities	5,00,000
Revenue from Operations	15,00,000
Gross Profit	6,00,000

SECTION C (20 Marks)

*Answer any **two** questions.*

Question 12

(a) You enter 50+16 in a cell. The worksheet does not display 66 in the cell, instead it shows 50 + 16. What is the reason for this? **[2]**

(b) Explain the meaning of the following functions: **[2]**

(i) Count(C15:30)

(ii) Max(A4:A10)

(c) What is Auto filling? **[2]**

(d) What does the error # VALUE mean? **[2]**

(e) Give the full form of SQL. **[2]**

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Question 13

The spread sheet below shows the sales of Nippon Ltd. made by four salesmen in the four quarters of the financial year 2018-19:

	A	B	C	D	E	F	G	H
1		Sales in ₹						
2	Salesman No.	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Total Sales	Commission @8% of sales	Commission @5% of sales
3	S1	7000	?	8500	9500			
4	S2	6000	7000	8400	9200			
5	S3	7200	8000	9300	9000			
6	S4	9100	9000	9600	8700			
7	Total							

Answer the following questions based on the above spreadsheet:

(a) It is the policy of the company to sell its goods at a profit of 25% on cost.

Write the formula to calculate:

(i) The profit made on the goods sold by Salesman No. S2 in Qtr 3. **[2]**

(ii) The cost of goods sold by Salesman No. S3 in Qtr 4. **[2]**

(iii) The total cost of the goods sold by the company in cell F7. **[2]**

(b) Calculate the price at which Salesman No. S1 would have made sales in Qtr 2 if the profit made on the sales was ₹ 1,500. **[2]**

(c) Write an expression to show the effect on the profits, if the rate of commission was reduced from 8% to 5% of the sales. **[2]**

Question 14

(a) What is meant by the terms *Back-end* and *Front-end* as used in data applications? **[4]**

(b) Define: **[2]**

(i) Table

(ii) Field

(c) Name *any two* business applications of DBMS **[2]**

(d) Give *any two* features of a primary key. **[2]**

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