ISC SEMESTER 2 EXAMINATION

SPECIMEN QUESTION PAPER

ACCOUNTS

Maximum marks : 40

Time allowed : One and a half hour

(Candidates are allowed additional ***10 minutes*** *for* ***only*** *reading the paper)*

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 sheet as, and adjacent to, the rest of the answer.

All *questions of* ***Section A*** *are* ***compulsory.***
All *questions from* ***either Section B or Section C*** *are* ***compulsory***

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

SECTION A – 26 MARKS

(Answer ***all*** *questions)*

Question 1

Select the correct option for each of the following questions.

(i) Relay Ltd. (an unlisted Non NBFC) redeems its 8,000, 10% Debentures of ₹ 100 each in instalments as follows: **[1]**

Date of Redemption	Debentures to be redeemed
31st March, 2019	2,000
31st March, 2020	5,000
31st March, 2021	1,000

On the basis of the above details, what will be the amount of Debenture Redemption Reserve which the company will transfer to General Reserve on 31st March, 2021?

(a) ₹ 20,000

(b) ₹ 50,000

(c) ₹ 10,000

(d) ₹ 80,000

(ii) Which of the following transactions is debited to Revaluation Account? **[1]**

(a) Increase in the value of Furniture

(b) Increase in Provision for Doubtful Debts

(c) Creditors discharged at a discount

(d) Loss on revaluation of all assets and reassessment of all liabilities

(iii) Orange Ltd. took over assets of ₹ 7,00,000 and liabilities of ₹ 60,000 of Purple Ltd. for a purchase consideration of ₹ 6,30,000 payable by the issue of 10% Debentures of ₹100 each at a premium of 10% and if need be, a part of the purchase consideration in cash. **[1]**

How will the company meet the purchase consideration?

(a) By the issue of ₹ 5,72,727, 10% Debentures at a premium of ₹ 57,272 with no cash.

(b) By the issue of ₹ 5,72,000, 10% Debentures at a premium of ₹ 57,200 and cash of ₹ 800.

(c) By the issue of ₹ 5,72,720, 10% Debentures at a premium of ₹ 57,272 and cash of ₹ 8.

(d) By the issue of ₹ 5,72,700, 10% Debentures at a premium of ₹ 57,270 and cash of ₹ 30.

(iv) Anita and Binita are partners in a firm. Anita had taken a loan of ₹ 15,000 from the firm. How will Anita's loan be closed in the event of dissolution of the firm? **[1]**

(a) By crediting it to Anita's Capital Account

(b) By debiting it to Anita's Capital Account

(c) By crediting it to Realisation Account

(d) By debiting it to Cash Account

Question 2

(i) What is the maximum amount of debentures which an unlisted company, other than a NBFC and HFC, can redeem out of its capital? **[1]**

(ii) At the time of dissolution of a partnership firm, its Balance Sheet showed stock of ₹ 30,000 comprising easily marketable items, obsolete items and a few miscellaneous other items. These items were realized as: **[1]**

- Easily Marketable Items: 65% of the total inventory in full.
- Obsolete items: 20% of the total inventory had to be discarded.
- The miscellaneous other items in the stock at 40% of their book value.

You are required to pass the journal entry for the realisation of stock.

Question 3 **[5]**

On 1st April, 2012, Neptune Finance Company (a listed NBFC) issued 4,000, 9 % Debentures of ₹ 100 each to be redeemed at a premium of 5% on 31st March, 2021.

You are required to pass necessary journal entries for the *issue* and *redemption* of debentures.

Question 4

(i) Suhas Ltd. issued 1,000, 7% Debentures of ₹ 100 each to be redeemed after three years at a premium of 5%. The face value of the debentures was payable as: **[2]**

₹ 20 on Application

₹ 30 on Allotment (on 1st May, 2020)

₹ 30 on First call (on 1st October, 2020)

₹ 20 on Final call (on 1st January, 2021)

All the debentures were applied and allotted.

Ali, to whom 20 debentures were allotted, paid the allotment money and the two calls on 31st March, 2021. The Articles of Association of the company provided for interest on calls-in-arrear to be charged @ 10% per annum, which Ali paid on 31st March, 2021.

You are required to pass journal entries in the books of Suhas Ltd. to record:

- **The *adjustment and receipt* of interest on calls in arrears**
- **The entry to *close the* interest on calls in arrears account**

(ii) Naresh, Dhruv and Azeem are partners sharing profits in the ratio of 5:3:7. **[3]**

Naresh retires from the firm. Dhruv and Azeem decided to share profits in the ratio of 2:3.

The adjusted capital accounts of Dhruv and Azeem at the time of Naresh's retirement showed the balances of ₹ 33,000 and ₹ 70,500 respectively.

The total amount to be paid to Naresh is ₹ 90,500 which is paid in cash immediately by the firm, the cash being contributed by Dhruv and Azeem in such a way that their capitals become proportionate to their new profit-sharing ratio and the firm maintains a minimum cash balance of ₹ 5,000 from its existing balance of ₹ 20,000.

You are required to pass journal entries to record:

- **Payment made to the retiring partner**
- **Cash brought in by the remaining partners to pay off the retiring partner**

Question 5

(i) Ravi, Vijay and Sujay were partners sharing profits in the ratio of $^1/_2 : {}^1/_3 : {}^1/_6$. **[2]**

Vijay decided to retire, his share being taken up by the remaining partners in the ratio 1:4.

On Vijay's retirement, a loss of ₹ 12,000 was determined upon revaluation of assets and liabilities.

You are required to:

(a) Calculate the new profit-sharing ratio of the remaining partners.

(b) Pass the journal entry to write off the loss on revaluation of assets and liabilities.

(ii) On 1st April, 2017, Prasad and Company Limited issued 1,000, 10% Debentures of ₹ 1,000 each at ₹ 980. Under the terms of issue, $^1/_5$ of the debentures is annually redeemable by drawings, the first redemption occurring on 31st March, 2019. **[3]**

On 31st March, 2018, the company had a balance of ₹ 4,000 in its Capital Reserve A/c.

The company wrote off the discount on issue of debentures over the life-time of the debentures.

You are required to prepare the *Discount on issue of Debentures Account* for the *first three years*.

Question 6 **[5]**

Sita and Gita were partners sharing profits and losses in the ratio of 4:5. They dissolved their partnership on 31st March, 2021, when their Balance Sheet showed the following balances:

Particulars	**(₹)**
Sita's Capital	30,000
Gita's Capital	35,000
Gita's Current A/c (Dr)	2,000
Contingency Reserve	18,000
P/L A/c (Dr)	4,500

On the date of dissolution:

(i) The firm, upon realisation of assets and settlement of liabilities, made a profit of ₹ 9,000.

(ii) Gita paid the realisation expenses of ₹ 2,000.

(iii) Gita discharged the outstanding salary of the manager of the firm of ₹ 1,000 which was unrecorded in the books.

You are required to prepare the Partners' Capital Accounts.

SECTION B – 14 MARKS

*(Answer **all** questions)*

Question 7

(i) **Select the correct option in the following question:** **[1]**

Which one of the following analysis is considered as a dynamic analysis?

(a) Vertical analysis

(b) Horizontal analysis

(c) Internal analysis

(d) External analysis

(ii) State with reason whether old furniture written off would lead to *inflow, outflow* or *no flow of Cash and Cash Equivalents.* **[1]**

Question 8 **[5]**

From the following extracts of a company's Balance Sheets and the additional information, you are required to calculate Cash from Financing Activities for the year ending 31st March, 2021.

Particulars	**31.3.2021 (₹)**	**31.3.2020 (₹)**
Equity Share Capital	9,00,000	7,00,000
10% Preference Share Capital	3,00,000	5,00,000
Securities Premium Reserve	30,000	5,000
12% Debentures	4,00,000	3,00,000
Cash Credit	12,000	10,000

Additional information:

1. During the year 2020-21:

   (a) Dividend proposed on Equity Shares in 2019-20 of ₹ 65,000 was declared and paid.

   (b) Debentures were issued on 1st July, 2020, at a discount of 10%.

   (c) Interest on cash credit of ₹ 500 was paid.

   (d) Underwriting commission of ₹ 25,000 was paid to the underwriters.

   (e) The Equity shares were issued at a premium.

2. The 10% Preference Shares were redeemed on 31st March, 2021.

Question 9 **[2]**

You are required to prepare a Comparative Statement of Profit & Loss from the following particulars of Nishant Ltd.

Particulars	**N. No.**	**31.03.2021 (₹)**	**31.03.2020 (₹)**
Revenue from operations		4,00,000	3,00,000
Cost of raw materials consumed		2,00,000	1,50,000
Changes in inventories of raw materials		25,000	(12,500)

Question 10 **[5]**

From the following extracts of a company's Balance Sheets, and the additional information, you are required to calculate Cash from Operating Activities for the year ending 31st March, 2021.

Anjan Ltd. reported a profit of ₹ 80,000 for the year ended 31st March, 2021, after considering the following:

	Particulars	**(₹)**
(i)	Tax provided during the year	4,000
(ii)	Amortization of Patents	10,000
(iii)	Profit on sale of Vehicle	3,000
(iv)	Writing off Preliminary expenses	2,000

(v) During the year, machinery costing ₹40,000 (accumulated depreciation thereon being ₹18,000) was sold for ₹6,000.

	31.03.2021 (₹)	**31.03.2020 (₹)**
Trade Receivable	20,000	16,000
Inventory	12,000	15,000
Cash at Bank	8,000	10,000
Trade Payable	9,000	11,000
Marketable Securities	5,000	2,000
Plant & Machinery	88,000	1,30,000

SECTION C – 14 MARKS

*(Answer **all** questions)*

Question 11

Select and write the correct option for each of the following questions.

(i) How is a top to bottom relationship among the items in a database established? **[1]**

(a) By Hierarchical schema

(b) By Network schema

(c) By Relational Schema

(d) By all of the above

(ii) Which property describes the various characteristics of an entity? **[1]**

(a) ER Diagram

(b) Column

(c) Relationship

(d) Attribute

Question 12

Answer each of the following questions briefly:

(i) List the models into which the development of database technology is divided. **[2]**

(ii) How is index hunting helpful? Give *any two* measures to achieve index hunting. **[2]**

(iii) Give the difference between data and information along with an example. **[2]**

(iv) What is meant by *Database Partitioning*? **[2]**

Question 13 **[2]**

Give *any two* basic commands of SQL.

Question 14 **[2]**

List the components of storage manager.

Answers

Section-A

Answer 1.

(i) (c) ₹10,000

Explanation :

Amount of Debenture Redemption Reserve, which the company will transfer to General Reserve on 31st March, 2021 is ₹10,000.

∴ 10% × ₹1,00,000 = ₹10,000.

(ii) (b) Increase in Provision for Doubtful Debts

Explanation :

Increase in the Provision for Doubtful Debts is debited to Revaluation Account.

(iii) (d) By the issue of ₹5,72,700, 10% Debentures at a premium of ₹57,270 and cash of ₹30.

Explanation :

The company will meet the purchase consideration, by the issue of ₹5,72,700, 10% Debentures at a premium of ₹57,270 and cash of ₹30.

Calculation of purchase consideration:

₹6,30,000 is the Net purchase consideration payable in 10% Debentures of ₹100 + ₹10 (premium)

$$\therefore \quad \frac{₹6,30,000}{₹110} = 5{,}727 \text{ debentures @ ₹100}$$

∴ ₹5,727, 10% Debentures of ₹100 each at a premium of ₹57,270 and balance in cash.

∴ ₹6,30,000 – 5,72,700 – 57,270 = ₹30 (in cash).

(iv) (b) By debiting it to Anita's Capital Account

Explanation :

Anita's loan should be closed in the event of dissolution of the firm, by debiting it to Anita's Capital Account.

Answer 2.

(i) 90% of the face value of the debentures to be redeemed as 10% is to be transferred to DRR.

(ii)

Cash/Bank A/c	Dr.	21,300	
To Realisation A/c			21,300
(Being stock realised)			

Working Note:

Calculation of the amount of realisation of stock:

Total ₹30,000

Easily Marketable items	Obsolete items	Balance 15%
65% × ₹30,000	20% × ₹30,000	15% × ₹30,000
= ₹19,500	= ₹6,000	= ₹4,500
(Full realisation)	(Zero value)	↓
		Realised at 40%
		= ₹1,800

∴ ₹19,500 + 0 + ₹1,800 = ₹21,300.

Answer 3.

In the Books of Neptune Finance Company
Journal Entries

Date	Particulars	L.F.	Debit (₹)	Credit (₹)
2012				
April 1	Bank A/c Dr.		4,00,000	
	To Debenture Application & Allotment A/c			4,00,000
	(Being application & allotment amount received)			
April 1	Debenture Application & Allotment A/c Dr.		4,00,000	
	Loss on Issue of Debentures A/c Dr.		20,000	
	To 9% Debentures A/c			4,00,000
	To Premium on Redemption of Debentures A/c			20,000
	(Being 4,000 9% Debentures issued at par and redeemable @ 5% premium)			
2020				
April 1	Debenture Redemption Investment A/c Dr.		60,000	
	To Bank A/c			60,000
	(Being amount invested)			
2021				
Mar. 31	Bank A/c Dr.		60,000	
	To Debenture Redemption Investment A/c			60,000
	(Being DRI realised)			
" 31	9% Debentures A/c Dr.		4,00,000	
	Premium on Redemption of Debentures A/c Dr.		20,000	
	To Debentureholders A/c			4,20,000
	(Being amount due)			
" 31	Debentureholders A/c Dr.		4,20,000	
	To Bank A/c			4,20,000
	(Being amount paid)			

Note : A listed NBFC is not required to create DRR but has to invest 15% of the value in DRI (Debenture Redemption Investment).

Working Notes :

(1) Premium on Redemption of Debentures = 5% × ₹4,00,000 = ₹20,000

(2) Amount invested in Debenture Redemption Investment = 15% × ₹4,00,000 = ₹60,000.

Answer 4.

(i) **In the Books of Suhas Ltd.**

JOURNAL

Date	Particulars	L.F.	Debit (₹)	Credit (₹)
2021	Debentureholders A/c Dr.		95	
Mar. 31	To Interest on Calls in Arrears A/c			95
	(Being interest due)			
2021	Bank A/c Dr.		95	
Mar. 31	To Debentureholders A/c			95
	(Being interest received)			

Mar. 31 2021	Interest on calls in Arrears A/c Dr. To Statement of Profit & Loss (Being interest on calls in arrears account closed)		95	 95

Working Note :

$$\text{Calculation of Interest on Calls in Arrears} = 600\times\frac{10}{100}\times\frac{11}{12}+600\times\frac{10}{100}\times\frac{6}{12}+400\times\frac{10}{100}\times\frac{3}{12}$$

$$= 55 + 30 + 10$$

$$= ₹\ 95.$$

(ii) **JOURNAL ENTRIES**

Date	Particulars	L.F.	Debit (₹)	Credit (₹)
	Naresh's Capital A/c Dr. To Cash A/c (Being cash paid)		90,500	 90,500
	Cash A/c Dr. To Dhruv's Capital A/c To Azeem's Capital A/c (Being cash brought in)		75,500	 38,600 36,900

Working Note :

Total capital of the new firm = 33,000 + 70,500 + 90,500 – 15,000
= ₹1,79,000

Dhruv's New Capital = 1,79,000 × $\frac{2}{5}$ = ₹71,600

Hence, Cash to be brought in by Dhruv = 71,600 – 33,000
= ₹38,600

Azeem's New Capital = 1,79,000 × $\frac{3}{5}$
= ₹1,07,400

Hence, Cash to be brought in by Azeem = 1,07,400 – 70,500
= ₹36,900.

Answer 5.

(i) (a) Calculation of New profit sharing ratio:

Old Ratio = 3 : 2 : 1

Share of Vijay acquired by Ravi $= \frac{1}{5}\times\frac{2}{6}$

$= \frac{2}{30}$ or $\frac{1}{15}$

Share of Vijay acquired by Sujay $= \frac{4}{5}\times\frac{2}{6}$

$= \frac{8}{30}$ or $\frac{4}{15}$

$\Rightarrow$ Ravi's new share $= \frac{3}{6}+\frac{1}{15} = \frac{15+2}{30}$

$= \frac{17}{30}$

$$\text{Sujay's new share} = \frac{1}{6} + \frac{4}{15}$$

$$= \frac{5+8}{30}$$

$$= \frac{13}{30}$$

$\therefore$ New Ratio = 17 : 13.

(b) Ravi's Capital A/c Dr. 6,000
Vijay's Capital A/c Dr. 4,000
Sujay's Capital A/c Dr. 2,000
To Revaluation A/c 12,000
(Being revaluation loss written off in the old ratio 3 : 2 : 1).

(ii) **Dr.** **Discount on Issue of Debentures Account** **Cr.**

Date	Particulars	L.F.	Amount	Date	Particulars	L.F.	Amount
2017				2018			
Apr. 1	To 10% Debentures A/c		20,000	Mar. 31	By Statement of Profit & Loss		5,000
				" 31	By Balance c/d		15,000
			20,000				**20,000**
2018				2019			
Apr. 1	To Balance b/d		15,000	Mar. 31	By Statement of Profit & Loss		5,000
				" 31	By Balance c/d		10,000
			15,000				**15,000**
2019				2020			
Apr. 1	To Balance b/d		10,000	Mar. 31	By Statement of Profit & Loss		4,000
				" 31	By Balance c/d		6,000
			10,000				**10,000**
2020							
Apr. 1	To Balance b/d		6,000				

Working Note :

Ratio for writing off the discount on issue of debentures = 1,000 : 1,000 : 800 : 600 : 400 : 200
= 5 : 5 : 4 : 3 : 2 : 1

Discount on Issue of Debentures = 1,000 × 200
= ₹20,000

$$\text{Discount written off in the first year} = 20{,}000 \times \frac{5}{20}$$

= ₹5,000

$$\text{Discount written off in the second year} = 20{,}000 \times \frac{5}{20} = ₹5{,}000$$

$$\text{Discount written off in the third year} = 20{,}000 \times \frac{4}{20} = ₹4{,}000$$

Answer 6.

Dr. **Capital Accounts** **Cr.**

Date	Particulars	Sita	Gita	Date	Particulars	Sita	Gita
2021				2021			
Mar. 31	To Gita's current A/c		2,000	Mar. 31	By Balance b/d	30,000	35,000
" 31	To P & L A/c (Dr.)	2,000	2,500	" 31	By Contingency Reserve	8,000	10,000
" 31	To Cash/Bank A/c	40,000	48,500	" 31	By Realisation A/c (profit)	4,000	5,000
	(Final settlement)			" 31	By Realisation A/c (expenses)		2,000
				" 31	By Realisation A/c (salary)		1,000
		42,000	**53,000**			**42,000**	**53,000**

Section-B

Answer 7.

(i) (b) Horizontal analysis

Explanation :

Horizontal analysis is considered as a dynamic analysis. It interprets the change in financial statements over two or more accounting periods based on the historical data.

(ii) An old furniture written off would not result in any kind of inflow, outflow or cash and cash equivalents. The journal entry passed in this case would be:

Depreciation A/c Dr.
 To Old Furniture A/c

This is mere entry to write off the old furniture in the books of accounts and does not denote any kind of inflow, outflow of cash and cash equivalents.

Answer 8.

Cash Flow from Financing Activities	₹
Proceeds from the issue of equity shares	2,00,000
Redemption of preference shares	(2,00,000)
Issue of Debentures	90,000
Cash credit taken	2,000
Interest paid on cash credit	(500)
Payment of underwriting commission	(25,000)
Dividend paid on equity shares	(65,000)
Dividend paid on preference shares	(50,000)
Interest paid on Debentures (Refer to working notes)	(45,000)
Securities premium received (Refer to working notes)	60,000
Net Cash Flow from Financing Activities	**(33,500)**

Working Notes:

(1) Calculation of Interest on Debentures:

$$\left[3,00,000\times\frac{12}{100}\right]+\left[1,00,000\times\frac{12}{100}\times\frac{9}{12}(1{\cdot}7{\cdot}20-31{\cdot}3{\cdot}21)\right] = ₹36,000 + ₹9,000 = ₹45,000.$$

(2) Dividend on Preference Shares = 10% × ₹5,00,000 = ₹50,000.

(3) Securities Premium Received = ₹30,000 + ₹10,000 + ₹25,000 – ₹5,000 = ₹60,000.

(4) Note that Discount on issue of debentures of ₹10,000 and underwriting commission of ₹25,000 have been written off from Securities Premium Reserve as per the provision of the Companies Act.

Answer 9.

Comparative Statement of Profit & Loss of Nishant Ltd.

(for the year ended 31st March, 2021)

Particulars	31-3-2021	31-3-2020	Absolute change	% change
I. Income				
Revenue from operations	4,00,000	3,00,000	1,00,000	33·33
Total	4,00,000	3,00,000	1,00,000	33·33
II. Expenses				
Cost of materials consumed	2,00,000	1,50,000	50,000	33·33
Change in inventories of raw materials	25,000	(12,500)	37,500	300
	2,25,000	1,37,500	87,500	63·64
Net profit before Tax (I-II)	1,75,000	1,62,500	12,500	7·69

Working Notes:

Absolute change = Current Years Amount – Previous Years Amount

$$\% \text{ change} = \frac{\text{Absolute Change}}{\text{Previous Year Amount}} \times 100$$

Answer 10.

Cash Flow from Operating Activities		₹
Net Profit (After Tax)		80,000
Add : Provision for Tax		4,000
Net Profit Before Tax		84,000
Add : **Non-cash items and non-operating expenses**	₹	
Preliminary expenses written off :	2,000	
Amortisation of patents :	10,000	
Depreciation :	18,000	
Loss on sale of Machinery :	16,000	46,000
		1,30,000
Less : **Non-operating incomes**		(3,000)
Profit on sale of vehicle		
Operating profit before changes in working capital		1,27,000
Less : Increase in Trade Receivable		(4,000)
Add : Decrease in Inventory		3,000
Less : Decrease in Trade Payable		(2,000)
Net Cash Flow from Operating Activities		**1,24,000**

Working Notes:

(1) Tax provided during the year will be added to Net Profit (After Tax) to derive Net Profit Before Tax.

(2) Change in the balance of plant and machinery will be considered in Cash Flow from Investing Activities.

(3) Machinery cost : ₹ 40,000

(–) Accumulated depreciation (18,000)

Book value 22,000

(–) Sale value (6,000)

Loss on sale 16,000

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