

ISC SEMESTER 2 EXAMINATION

SAMPLE PAPER - 1

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

Section-A (Answer all questions)

Question 1.

Select the correct option for each of the following questions.

- (i) Eagle Ltd., has 3,000; 10% Debentures of ₹100 each outstanding as on 31st March, 2020. These debentures are due for redemption on 31st March, 2021. The Debenture Redemption Reserve has a balance of ₹40,000 on 31st March, 2020. Amount of Debenture Redemption Reserve to be transferred before redemption of debentures would be:
- (a) ₹3,00,000 (b) ₹45,000 (c) ₹75,000 (d) ₹35,000
- (ii) Recording of an unrecorded liability on the reconstitution of firm will be:
- (a) Gain to the existing partners
(b) Loss to the existing partners
(c) Gain to all the partners including new partner
(d) Loss to the remaining partners after one partner retires
- (iii) X Ltd., took over running business of Y Ltd., having assets worth ₹30,00,000 and liabilities worth ₹2,00,000. It was also agreed to pay ₹80,000 for Goodwill. Y Ltd., issued debentures of ₹100 each at a discount of 4 per cent in full settlement of the purchase consideration. The number of debentures issued to vendor is:
- (a) ₹30,000 (b) ₹28,800 (c) ₹32,000 (d) ₹27,648
- (iv) Raj, a partner was appointed to look after dissolution process for which he was allowed a commission of ₹34,000. The actual dissolution expenses paid by him were ₹20,000. What will be the journal entry at

the time of dissolution of partnership firm?

(a) Realisation A/c	Dr	34,000	
To Raj's Capital A/c			34,000
(b) Realisation A/c	Dr	20,000	
To Raj's Capital A/c			20,000
(c) Realisation A/c	Dr	54,000	
To Raj's Capital A/c			54,000
(d) Realisation A/c	Dr	14,000	
To Raj's Capital A/c			14,000

Question 2.

- (i) List any two reserves which can be utilised to write off discount/loss on issue of debentures.
- (ii) On dissolution of partnership firm of A and B, Stock appeared in the balance sheet at ₹80,000. Some of the stock was taken over by partner A for ₹27,000 (at 90% of book value) and remaining stock realised at 80% of book value.

You are required to pass necessary journal entries for realisation of stock.

Question 3.

On 1st April, 2012, Dream Home Finance Company (a listed HFC) issued ₹5,00,000, 9% Debentures of ₹100 each at a discount of 10% 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) BGP Ltd. invited applications for issuing 15,000, 11% debentures of ₹100 each at a premium of ₹50 per debenture. The full amount was payable on application. Applications were received for 25,000 debentures. Applications for 5,000 debentures were rejected and the application money was refunded. Debentures were allotted to the remaining applicants on pro-rata basis.

You are required to pass the necessary journal entries for the above transactions in the books of BGP Ltd.

- (ii) A, B and C are partners sharing profits in the ratio of 3:2:1. B retires from the firm. A and C decided to share profits in the ratio of 3 : 2. The adjusted capital accounts of A, B and C at the time of B's retirement showed the balances of ₹33,000, ₹54,000 and ₹70,500 respectively. A and C decided to pay ₹60,000 to B in full settlement.

You are required to:

- Calculate Goodwill of the firm.
- Pass journal entry for adjustment of goodwill on B's retirement.

Question 5.

- (i) X, Y and Z are partners sharing profit and losses in the ratio of 2 : 2 : 1. Z decided to retire. X and Y decided to share future profits and losses in the ratio of 3 : 1. Following balances appeared in the balance sheet of firm on the date of Z's retirement:

General Reserve ₹1,00,000

Profit and Loss Account debit balance ₹20,000

X and Y decided to record the effect of the above reserves and accumulated profit/loss without affecting their book values by passing a single entry.

You are required to:

- (a) Calculate gain/sacrifice ratio of remaining partners.
- (b) Pass the journal entry for adjustment of reserve and accumulated profit/loss.

- (ii) Agam Ltd. issued 40,000 9% debentures of ₹100 each on April 1, 2019 at a discount of 10%, redeemable at a premium of 10%. Assuming that interest was paid half yearly on September 30 and March 31 and the tax deducted at source was 10%,

You are required to pass necessary journal entries relating to debenture interest for the year ended March 31, 2020.

Question 6.

Singh and Jain were partners in a firm sharing profits and losses in the ratio of 3:7. On 31st March, 2019, their firm was dissolved. On that date the Balance Sheet showed a stock of ₹90,000 and creditors of ₹1,00,000. After transferring the assets and liabilities to the realisation account, the following transactions took place:

- Singh took over 50% of the total stock at 10% discount.
- 20% of the total stock was taken over by creditors of ₹20,000 in full settlement.
- Remaining stock was sold at 10% loss.
- 40% of the remaining creditors were paid by cheque at a discount of 5% and the balance were taken by Partner Jain.

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

Section-B (Answer all questions)

Question 7.

Select the correct option for each of the following questions.

- If Long-term Loans & Advances for 2020 is ₹3,60,000 and the absolute change is 20%, calculate Long-term Loans & Advances for 2019.
 (a) ₹2,40,000 (b) ₹72,000 (c) ₹4,50,000 (d) ₹3,00,000
- State with reason whether issue of bonus shares would lead to inflow, outflow or no flow of Cash and Cash Equivalents.

Question 8.

From the following details have been extracted from the Cash Flow Statement of Beta Ltd. for the year ended 31st March 2020.

CASH FLOW FROM OPERATING ACTIVITIES	Amount (₹)
Loss on sale of Machinery	5,000
Depreciation on Machinery	40,000
CASH FLOW FROM INVESTING ACTIVITIES	
Purchase of Machinery	(75,000)
Sale of Machinery	15,000

Fill in the missing figure in Note to Accounts.

	st March, 2020 (₹)	31st March, 2019 (₹)
Machinery at cost	?	1,00,000
Less : Accumulated Depreciation	60,000	30,000
	?	?

Question 9.

You are required to prepare a Comparative Statement of Income from the following information:

Particulars	31 st March, 2020	31 st March, 2019
Revenue from operations	₹16,00,000	₹10,00,000
Cost of material consumed	70% of Revenue from operations	70% of Revenue from operations
Other expenses	5% of Revenue from operations	5% of Revenue from operations
Rate of tax	50%	50%

Question 10.

From the following extracts of a company's Balance Sheet, and the additional information, you are required to calculate Cash Flow from Financing activities for the year ended 31st March 2020.

Particulars	31 st March, 2020 (₹)	31 st March, 2019 (₹)
Equity share capital	25,00,000	10,00,000
Securities premium	5,00,000	4,00,000
10% Debentures	1,50,000	2,00,000

Additional Information :

- During the year 2019-20, a bonus issue of 1 equity share for every 2 held was made. The face value of equity share was ₹10 per share.
- Remaining Shares were issued at a premium of 10%.
- 10% Debentures were redeemed on 1st April 2019.
- Proposed dividend for the year 2018-19 and 2019-20 were ₹40,000 and ₹60,000 respectively.



Section-A

Answer 1.

- (i) (d) ₹35,000

Explanation :

25% of ₹3,00,000	=	75,000
less:	=	40,000
	=	<u>₹35,000</u>

- (ii) (b) Loss to the existing partners
(iii) (a) ₹30,000

Explanation :

$$\begin{aligned}\text{Purchase Consideration} &= 30,00,000 - 2,00,000 + 80,000 \\ &= ₹28,80,000\end{aligned}$$

$$\text{Number of debentures to be issued} = \frac{28,80,000}{96}$$

$$= 30,000$$

- | | | | | |
|----------|----------------------|----|--------|--------|
| (iv) (c) | Realisation A/c | Dr | 20,000 | |
| | To Rai's Capital A/c | | | 20,000 |

Answer 2.

- (i) (a) Securities premium reserve
(b) Statement of profit and loss

(ii)	Stock = 80,000	
	Taken over by A Agreed value 27,000 which is 90% of book value.	Remaining stock = 80,000 – 30,000 = 50,000 which is realised at 80% of book value.
	Therefore book value = $\frac{27,000}{90} \times 100 = ₹30,000$	$50,000 \times \frac{80}{100} = ₹40,000$

Journal Entry

Date	Particulars	L. F.	Debit (₹)	Credit (₹)
	Bank A/c Dr. To Realisation A/c (Being stock realised)		40,000	40,000

Answer 3.

Journal Entries

For Issue of Debentures

Date	Particulars	L. F.	Debit (₹)	Credit (₹)
2012 April 1	Bank A/c Dr. To Debenture Application & Allotment A/c (Being Application money received)		4,50,000	4,50,000
April 1	Debenture Application & Allotment A/c Dr. Discount on Issue of Debentures A/c Dr. Loss on Issue of Debentures A/c Dr. To 9% Debentures A/c To Premium on Redemption of Debentures A/c (Being Application money transferred to debentures account)		4,50,000 50,000 25,000	5,00,000 25,000

For Redemption of Debentures

2021 Mar. 31	9% Debentures A/c Dr. Premium on Redemption A/c Dr. To Debentureholders A/c (Being Redemption of Debentures due)		5,00,000 25,000	5,25,000
Mar. 31	Debentureholders A/c Dr. To Bank A/c (Being Redemption of Debentures amount paid)		5,25,000	5,25,000

Answer 4.

(i)

Journal Entries

Date	Particulars	L. F.	Debit (₹)	Credit (₹)
	Bank A/c Dr. To Debenture Application & Allotment A/c (Being application money received)		37,50,000	37,50,000
	Debenture Application & Allotment A/c Dr. To 9% Debentures A/c (15,000 × 100) To 9% Securities Premium A/c (15,000 × 50) To 9% Bank A/c (10,000 Debentures × ₹150) (Being application money transferred to debentures account and excess money refunded)		37,50,000	15,00,000 7,50,000 15,00,000

(ii) (a) **Calculation for goodwill of the firm:**

Adjusted Capital of B = ₹54,000

Amount paid to B in final settlement = ₹60,000

B's share in goodwill premium = 60,000 – 54,000 = ₹6,000

B's share in profit = $\frac{2}{6}$ or $\frac{1}{3}$

Goodwill of the firm = 6,000 × $\frac{3}{1}$ = ₹18,000

(b) **Journal entry for goodwill adjustment on B's retirement :**

Gaining Ratio = New Ratio – Old Ratio

$$A = \frac{3}{5} - \frac{3}{6} = \frac{3}{30}$$

$$C = \frac{2}{5} - \frac{1}{6} = \frac{7}{30}$$

Gaining ratio of A and C is 3 : 7. Therefore, B's share of goodwill premium ₹6,000 will be credited to B's Capital A/c and debited to A and C's Capital A/c in the ratio of 3 : 7.

Journal Entry

Date	Particulars	L. F.	Debit (₹)	Credit (₹)
	A's Capital A/c Dr.		1,800	
	C's Capital A/c Dr.		4,200	
	To B's Capital A/c			6,000
	(Being adjustment entry made for goodwill)			

Answer 5.

(i) (a) **Calculation of gain/sacrifice ratio of remaining partners:**

Gaining Ratio = New Ratio – Old Ratio

$$X = \frac{3}{4} - \frac{2}{5} = \frac{7}{20} \text{ (Gain)}$$

$$Y = \frac{1}{4} - \frac{2}{5} = \frac{3}{20} \text{ (Sacrifice)}$$

(b) **Journal entry for adjustment of reserve and accumulated profit/loss:**

General Reserve	1,00,000
Profit and Loss debit balance	(20,000)
Net surplus	80,000

Net Surplus credited to retiring partner Z = 80,000 × $\frac{1}{5}$ = ₹16,000

Net Surplus debited to gaining partner X = 80,000 × $\frac{7}{20}$ = ₹28,000

Net Surplus credited to sacrificing partner Y = 80,000 × $\frac{3}{20}$ = ₹12,000

Journal Entry

Date	Particulars	L. F.	Debit (₹)	Credit (₹)
	X's Capital A/c Dr.		28,000	
	To Y's Capital A/c			12,000
	To Z's Capital A/c			16,000
	(Being adjustment entry done for accumulated profit/loss and reserve)			

(ii)

Journal Entries

Date	Particulars	L. F.	Debit (₹)	Credit (₹)
2019	Debenture Interest A/c Dr.		1,80,000	
Sep. 30	To Debentureholders A/c			1,62,000
	To TDS Payable A/c			18,000
	(Being Debenture interest made due)			
Sep. 30	Debentureholders A/c Dr.		1,62,000	
	TDS Payable A/c Dr.		18,000	
	To Bank A/c			1,80,000
	(Being Debenture interest paid)			
2020	Debenture Interest A/c Dr.		180,000	
Mar. 31	To Debentureholders A/c			1,62,000
	To TDS Payable A/c			18,000
	(Being Debenture interest made due)			
Mar. 31	Debentureholders A/c Dr.		1,62,000	
	TDS Payable A/c Dr.		18,000	
	To Bank A/c			1,80,000
	(Being Debenture interest paid)			
Mar. 31	Statement of Profit & Loss A/c Dr.		3,60,000	
	To Debenture Interest A/c			3,60,000
	(Being Debenture interest transferred to profit and loss statement)			

Answer 6.

Journal Entries

Date	Particulars	L. F.	Debit (₹)	Credit (₹)
31 Mar. 2019	Singh's Capital A/c Dr. To Realisation A/c (Being Singh took over stock, 50% of 90,000 less 10%. 45,000 – 4,500 = 40,500)		40,500	40,500
	No Entry is required for creditors of ₹20,000 took over 20% stock i.e. stock of ₹18,000			
	Bank A/c Dr. To Realisation A/c (Being Remaining stock i.e. 90,000 – 45,000 – 18,000 = ₹27,000 sold at a loss of 10%. 27,000 – 2,700 = ₹24,300)		24,300	24,300
	Realisation A/c Dr. To Bank A/c (Being 40% of remaining creditors paid at 5% discount) = 40% of (1,00,000 – 20,000) less 5% = 32,000 – 1,600 = ₹30,400		30,400	30,400
	Realisation A/c Dr. To Jain's Capital A/c (Being remaining creditors were taken over by Jain) 1,00,000 – 20,000 – 32,000 = ₹48,000		48,000	48,000

Section-B

Answer 7.

(i) (d) ₹3,00,000

Explanation :

$$3,60,000 \times \frac{100}{120} = ₹3,00,000$$

(ii) Issue of bonus shares will not affect cash and cash equivalents because bonus shares are issued out of reserves and accumulated profits. Issue of bonus shares increases share capital and decreases reserves and accumulated profits. Hence, no inflow or outflow of cash is generated by issue of bonus shares.

Answer 8.

Dr.		Machinery Account		Cr.	
Particulars	Amount (₹)	Particulars	Amount (₹)		
To Balance b/d	1,00,000	By Bank A/c (sale)	15,000		
To Bank A/c (Bal. fig.) (purchase)	75,000	By Accumulated Depreciation	10,000		
		By Loss on sale of machinery	5,000		
		By Balance c/d	1,45,000		
	1,75,000		1,75,000		

Dr. Accumulated Depreciation on Machinery Account		Cr.	
Particulars	Amount (₹)	Particulars	Amount (₹)
To Machinery A/c	10,000	By Balance b/d	30,000
To Balance c/d	60,000	By Depreciation A/c	40,000
	70,000		70,000

Notes to Accounts:

Particulars	31 st March, 2020 (₹)	31 st March, 2019 (₹)
Machinery at cost	1,45,000	1,00,000
Less: Accumulated Depreciation	(60,000)	(30,000)
	85,000	70,000

Answer 9.

Comparative Statement of Profit and Loss Account

Particulars	Note No.	31 st March, 2019 (a)	31 st March, 2020 (b)	Absolute Change (c)	Percentage Change (d) = $\frac{c}{a} \times 100$
Revenue from operation		10,00,000	16,00,000	6,00,000	60.00
Total Revenue (A)		10,00,000	16,00,000	6,00,000	60.00
Cost of material consumed		7,00,000	11,20,000	4,20,000	60.00
Other expenses		50,000	80,000	30,000	60.00
Total Expenses (B)		7,50,000	12,00,000	4,50,000	60.00
Profit before tax (A-B)		2,50,000	4,00,000	1,50,000	60.00
Less : Tax		1,25,000	2,00,000	75,000	60.00
Profit After Tax		1,25,000	2,00,000	75,000	60.00

Answer 10.

Particulars	Amount (₹)
Cash Flow From Financing Activities	
Proceeds from issue of Equity Shares (at the start of current year, company had share capital of ₹10,00,000 i.e. 1,00,000 shares of ₹10 each, bonus is given 1 new share for every 2 held, so share capital after bonus will be, ₹10,00,000 + Bonus 5,00,000 = 15,00,000) Share capital given at the end of current year is ₹25,00,000 which means company had issued new shares after bonus. Face value of new share issued = 25,00,000 – 15,00,000 = 10,00,000 Issued at premium of 10% = 10% of ₹10,00,000 = ₹1,00,000 Total proceeds = ₹10,00,000 + ₹1,00,000 = ₹11,00,000	11,00,000
Redemption of 10% Debentures Previous years debentures ₹2,00,000 less current year debentures ₹1,50,000.	(50,000)
Interest on Debentures (10% of 1,50,000) Debentures were redeemed on the first day of the current financial year. Company carried debentures of ₹1,50,000 (2,00,000 – 50,000) throughout the year, therefore, interest will be paid on ₹1,50,000	(15,000)
Dividend paid (2018 - 19) Proposed dividend of previous year paid during current year. Proposed dividend of current year will be paid next year.	(40,000)
Net Cash Flow from Financing Activities	9,95,000