CBSE Class 12 Accountancy

Sample Paper 05 (2020-21)

Maximum Marks: 80

Time Allowed: 3 hours

General Instructions:

i. This question paper comprises two Parts – A and B. There are 32 questions in the question paper. All questions are compulsory.
ii. Part A is compulsory for all candidates.
iii. Part B has two options i.e. (1) Analysis of Financial Statements and (2) Computerized Accounting. You have to attempt only one of the given options.
iv. Question nos. 1 to 13 and 23 to 29 are very short answer type questions carrying 1 mark each.
v. Question nos. 14 and 30 are short answer type–I questions carrying 3 marks each.
vi. Question nos. 15 to 18 and 31 are short answer type–II questions carrying 4 marks each.
vii. Question nos. 19, 20 and 32 are long answer type–I questions carrying 6 marks each.
viii. Question nos. 21 and 22 are long answer type–II questions carrying 8 marks each.
ix. There is no overall choice. However, an internal choice has been provided in 2 questions of three marks, 2 questions of four marks and 2 questions of eight marks.

Section A

1. Profit and Loss appropriation account differs from Profit and Loss account as it is prepared by
   a. Only a partnership firm
   b. Only sole proprietorship
   c. Only company
   d. All business firms
2. A and B are partners in firm sharing profits in the ratio of 2 : 1. They admit C as a new partner for $\frac{1}{5}$ share. New Ratio will be 8:4:3. Sacrificing ratio will be:
   a. 1 : 2
   b. 2 : 1

c. 3 : 5
d. 1 : 7

3. Other name for registered capital is:
   a. nominal capital
   b. Issued capital
   c. None of the above.
   d. reserve capital
4. Which of the following is the accounting equation for a non-profit organization?
   a. Liabilities + capital = Assets
   b. Liabilities = Assets + Accumulated fund
   c. Accumulated fund + Liabilities = Assets
   d. Liabilities - capital = Assets
5. At the time of dissolution of a firm, assets taken over by a partner should be
   a. None of these
   b. Realisation A/c should neither be debited not credited
   c. Credited to Realisation A/c
   d. Debited to Realisation A/c
6. Far Ltd. invited application for 1000 shares of the value of ₹10 each at a premium of 10%. The amount is payable as ₹3 on application (including premium) and ₹2 on allotment and balance on First and Final call. The whole of the above issue was applied and cash duly received. Journal entry for the application money received:
   a. Bank A/c ... Dr. 30,000
      To Share Application A/c ... 30,000
   b. Bank A/c ... Dr. 30,000
      To Share Application A/c ... 20,000
      To Security Premium Reserve A/c ... 10,000
   c. Bank A/c ... Dr. 3,000
      To Share Application A/c ... 3,000
   d. Bank A/c ... Dr. 3,000
      To Share Application A/c ... 2,000
      To Security Premium Reserve A/c ... 1,000
7. At the time of dissolution, a partner's loan account is not transferred to _______ account but is retained as a separate account.

a. Realisation account
b. Revaluation Account
c. Partner's Capital account
d. Profit and Loss account

8. Why it is necessary to compare and revalue the assets and liabilities?
   A. Realizable value Assets and liabilities may differ from those shown in the balance sheet
   B. Realizable value of Assets and liabilities always similar to those shown in the balance sheet
   C. Both Realizable value Assets and liabilities may differ from those shown in the balance sheet and Realizable value of Assets and liabilities always similar to those shown in the balance sheet
   D. To prepare the profit and loss account
   a. (B)
   b. (A)
   c. (C)
   d. (D)
9. A revaluation account is operated to find out gain or loss at the time of _______ of a partner.
10. A, B and C were partners sharing profits and losses in the ratio of 1:2:3. Their capital are ₹23000, ₹30000 and ₹17000 respectively. B retired. Capital has to be fully paid in cash and the whole amount is brought in cash by A and C to make their capital thereafter equal. Calculate the amount brought by A.
    a. 35,000
    b. 12,000
    c. 17,000
    d. 15,000
11. Which account is used to pay the amount due to retiring partner with interest?
    a. Partner's Loan Account
    b. Executor's account
    c. Balance Sheet
    d. Partner's executor account
12. Normal profit is calculated to value goodwill

a. None of these
b. by adding abnormal losses
c. by deducting abnormal gains and adding abnormal losses
d. by deducting abnormal gains (profit)

13. Calculate interest on the drawing if Partner withdrew Rs. 6,000 at the end of each quarter. Rate of interest on drawings is 10% p.a. and the accounting period is 1st January to 31st December.
    a. Rs.900
    b. Rs. 1,800
    c. Rs. 975
    d. Rs. 950

14. How will the following information of Royal Sports Club be presented in the Income and Expenditure Account for the year ended 31st March 2019 and its Balance Sheet as on that date?

Particulars	**₹**
Tournament Fund as on 1st April 2018	5,00,000
Tournament expenses incurred during the year	8,00,000
Donations for Tournament Fund received during the year	1,20,000
Sale of Tournament tickets during the year	1,50,000

OR

From the following particulars relating to Shyamji Charitable Society, prepare a Receipts and Payments Account for the year ending 31st March 2019:

Particulars	**Amount ₹**
Cash in hand as on 1.4.2018	16,000
Cash at bank as on 1.4.2018	28,000
Subscriptions (including ₹ 11,000 for 2017 - 18)	60,000
Donations for building	2,90,000
Miscellaneous expenses	98,000

Locker rent	32,000
Entrance fees	41,000

15. Vikas and Vivek were partners in a firm sharing profits in the ratio of 3 : 2. On 1st April 2014, they admitted Vandana as a new partner for 1/8th share in the profits with a guaranteed profit of Rs 1,50,000. The new profit sharing ratio between Vivek and Vikas will remain the same but they decided to bear any deficiency on account of guarantee to Vandana in the ratio 2: 3. The profit of the firm for the year ended 31st March 2015 was Rs 9,00,000.
Prepare profit and loss appropriation account of Vikas, Vivek and Vandana for the year ended 31st March 2015.

OR

A and B entered into a partnership on 1st April 2009 without any partnership deed. They introduced capital of Rs 5,00,000 and Rs 3,00,000 respectively. On 31st October 2009, A advanced Rs 2,00,000 by way of loan to the firm without any agreement as to interest. The profit and loss account for the year ended 31st March 2010 showed a profit of Rs 4,30,000, but the partners could not agree upon the amount of interest on a loan to be charged and the basis of division of profits.
Pass a journal entry for the distribution of the profit between the partners and prepare the capital accounts of both the partners and loan account of 'A'.

16. ABC Ltd. grants options to its 100 employees to subscribe 500 shares each of Rs. 10 each within 180 days from the end of vesting period of 3 years. The fair (market) value of each share is Rs. 45 whereas the price at which it is offered (exercise price) is Rs. 30.
Pass the necessary Journal entries if 75 employees exercised the option by the exercise date.

17. Journalise the following transactions regarding Realisation expenses:
    a. Realisation expenses amounted to Rs 2,500.
    b. Realisation expenses amounting to Rs 3,000 were paid by Ashok, one of the partners.
    c. Realisation expenses Rs 2,300 borne by Tarun, personally.
    d. Amit, a partner was appointed to realise the assets, at a cost of Rs 4,000. The actual

amount of Realisation amounted to Rs 3,000.

18. Give a format of Profit and Loss Appropriation Account.
19. The following is the receipts and payments account of Queen's Club for the year ended 31st March 2012.

Receipt and Payment Account

for the year ended 31st March 2012

Receipts	Amt (Rs.)	Payments	Amt (Rs.)
To Balance b/d	1,82,000	By Salaries	1,66,000
To Subscriptions	1,80,000	By Stationery	32,000
To Tournament fund	1,64,000	By Rent	48,000
To Interest (investment)	65,000	By Telephone expenses	8,000
To Donations	1,12,000	By Sports material and expenses	78,000
To Sale-concert tickets	2,47,000	By Investments 6%	5,00,000
		By Miscellaneous expenses	24,000
		By Concert expenses	58,000
		By Balance c/d	36,000
	9,50,000		9,50,000

Additional Information

i. Subscriptions include Rs. 12,000 for 2010-11 and Rs. 18,000 for 2012-13.
ii. The stock of stationery on 31st March 2011 and 2012 was Rs. 7,200 and Rs. 5,400 respectively.
iii. The stock of sports material at the beginning and end of the year was Rs. 12,000 and Rs. 21,000 respectively.
iv. Rent includes Rs. 4,000 paid for March 2011. Rent for March 2012 is outstanding.
v. Telephone expenses include Rs. 3,000 as quarterly rent up to 31st May 2012.
vi. The value of building as on 31st March 2011, was Rs. 8,00,000 and you are required to write-off depreciation at 10%.

vii. The value of investments on 31st March 2011 was Rs. 10,00,000 and the club made similar additional investments during the year on 1st October 2011.

You are required to prepare the income and expenditure account of the club for the year ended 31st March 2012.

20. Feeble Ltd.issued 10% Debentures at 94% for ₹ 20,00,000 on 1st July 2013 repayable by five equal annual instalments of ₹ 4,00,000 each starting from 30th June 2014. Calculate the amount of discount to be written off in every accounting year assuming that the company decides to write off the debentures discount during the life of the debentures.

21. Raman and Aman were partners in a firm sharing profits and losses in 3 : 1 ratio. On 31-3-2019 their balance sheet was as follows:

Balance Sheet of Raman and Aman

as on 31-3-2019

Liabilities		**Amount ₹**	**Assets**	**Amount ₹**
Provision for bad debts		7,000	Bank	24,000
Outstanding Expenses		18,000	Bills Receivable	80,000
Bills Payable		47,000	Sundry Debtors	95,000
Sundry Creditors		1,02,000	Stock	84,000
Workmen Compensation Reserve		55,000	Machinery	2,00,000
Capitals :			Land & Building	1,96,000
Raman	3,00,000			
Aman	1,50,000	4,50,000		
		6,79,000		**6,79,000**

On the above date Suman was admitted as a new partner for 1/5th share in the profits on the following conditions:

i. Suman will bring the capital of Rs.2,00,000 and a goodwill amount of Rs.20,000.

ii. Bad debts amounted to 5,000.

iii. Depreciate Machinery byRs.18,000 and land and building by Rs.54,000.
iv. Outstanding expenses are to be paid.
v. Workmen compensation liability amounted to Rs.60,000.

Pass necessary journal entries.

OR

M and N are partners in 5:3.

Balance Sheet of M and N
as at 31st March, 2021

Liabilities		**Rs.**	**Assets**	**Rs.**
Creditors		4000	Stock	8000
B/P		2000	Debtors	7200
Capital A/cs:			Bank	500
M	12000		Cash	300
N	10000	22000	Machinery	12000
		28000		**28000**

On the above date , R is admitted as a partner on the following terms:

a. New ratio of M, N and R will be 7:5:4 respectively.
b. R shall bring in Rs. 8000 as capital and Rs. 4000 as goodwill.
c. M and N will withdraw half of the goodwill in cash.
d. Machinery is to be valued at Rs. 15000; Stock at Rs. 10000 and a Provision for doubtful debts is to be created Rs. 1000.
e. Unrecorded Outstanding Salaries is to be recorded Rs. 2000.

Prepare Revaluation Account, Partner's Capital Account and Balance Sheet of the new firm.

22. Jeevan Dhara Ltd invited applications for issuing 1,20,000 equity shares of Rs. 10 each at a premium of Rs. 2 per share. The amount was payable as follows

On application — Rs. 2 per share

On allotment — Rs. 5 per share (including premium)

On first and final call — Balance

Applications for 1,50,000 shares were received. Shares were allotted to all the applicants on a pro-rata basis. Excess money received on applications was adjusted towards sums due on allotment. All calls were made. Manu who had applied for 3,000 shares failed to pay the amount due on the allotment and first and final call. Madhur who was allotted 2,400 shares failed to pay the first and final call. Shares of both Manu and Madhur were forfeited. The forfeited shares were reissued at Rs. 9 per share as fully paid-up.
Pass necessary journal entries for the above transactions in the books of Jeevan Dhara Ltd.

OR

Petromax Ltd. issued 50,000 shares of Rs. 10 each at a premium of Rs. 2 per share payable as Rs 3 on an application, Rs 5 including premium on an allotment and the balance in equal instalments over two calls. Applications were received for 92,000 shares and the allotment was done as under:

A. Applicants of 40,000 shares - Allotted 30,000 Shares
B. Applicants of 40,000 shares - Allotted 20,000 Shares
C. Applicants of 12,000 shares - Nil

Suresh, who had applied for 2,000 shares (Category A) did not pay any money other than application money.
Chander, who was allotted 800 shares (Category B) paid the call money due along with allotment.
All other allottees paid their dues as per schedule. Pass necessary Journal entries in the books of Petromax Ltd. to record the above.

Section B

23. The long term investment is part of ________ and short term investment is part of ________.

a. Cash and cash equivalents, investing activities
b. Investing activities only
c. Investing activities, operating activities
d. Investing activities, cash and cash equivalents

24. Give two uses of Ratio Analysis.
25. Why would the public be interested in analyzing financial statement?
    a. To know whether the business is able to pay the debt
    b. To know the liquidity of a business
    c. To know the earning capacity
    d. to know information about the continuance of an enterprise
26. Conversions of debentures into equity shares will be _______.
    a. No Effect
    b. Financing Activity
    c. Operating Activity
    d. Investing Activity
27. A reserve created out of the capital profit is known as _______.
28. Gross Profit Ratio and Net Profit Ratio is calculated under _______.
    a. Activity Ratio
    b. Solvency Ratio
    c. Profitability Ratios
    d. Liquidity Ratio
29. Which of the following is not concerned with the calculation of Cost of Revenue from Operations?
    a. Opening Inventory
    b. Indirect Expenses
    c. Net Purchases
    d. Direct Expenses
30. Calculate the debtors turnover ratio and average collection period from the following information:

    Cost of Goods Sold. Rs. 3,00,000

    Gross Profit on Cost 25%

    Cash Sales 20% of total sales

    Opening Debtors Rs. 50,000

    Closing Debtors Rs. 1,00,000

OR

Compute Working Capital Turnover Ratio from the following information:

Particulars	Rs.
Cash Sales	1,30,000
Credit Sales	3,80,000
Sales Return	10,000
Liquid Assets	1,40,000
Inventory	90,000
Current Liabilities	1,05,000

31. From the following statement of profit and loss of Fenox Ltd for the year ended 31st March 2013, prepare a comparative statement of profit and loss.

Particulars	**Note No.**	**2012 - 13 Amt (Rs.)**	**2011 - 12 Amt (Rs.)**
Revenue from Operations		8,00,000	6,00,000
Other Incomes		1,00,000	50,000
Expenses		5,00,000	4,00,000

Rate of income tax was 40%.

OR

Calculate the trend percentages from the following information taking year ending 1996 as the base year:

Current Assets	**As at 31st March**			
	1996 (Rs.)	**1997 (Rs.)**	**1998 (Rs.)**	**1999 (Rs.)**
Stock	1,00,000	1,25,000	1,40,000	1,50,000
Debtors	50,000	60,000	75,000	1,00,000
Cash at Bank	10,000	15,000	25,000	20,000
Other Current Assets	40,000	30,000	60,000	50,000
	2,00,000	2,30,000	3,00,000	50,000

32. From the following balance sheets of Mansi Ltd. as at 31st March 2017 and 31st march 2016 Prepare Cash Flow statement.

Particulars	Note No.	31st March 2017	31st March 2016
EQUITY AND LIABILITY			
Shareholders Fund			
Share capital	1	1000000	800000
Reserves and surplus	2	74000	60000
non-current liabilities		q	
15% Deb		130000	120000q
Current Liabilities			
Bank overdraft		136000	250000
Trade Payables		220000	240000
Short term Provisions	3	200000	160000
		1760000	1630000
Assets			
Non-current Asset			
Fixed Asset	4	500000	600000
Current Asset			
Inventories		700000	600000
Trade receivables		480000	400000
Cash		80000	30000
		1760000	1630000

Notes to accounts

Share capital		
Equity Share Capital	900000	800000

12% Preference Share capital	100000	-
	1000000	800000
Reserves & Surplus		
General Reserve	50000	40000
Surplus	24000	20000
	74000	60000
Short Term Provision		
Provision for tax	84000	60000
Proposed Dividend	116000	100000
	200000	160000
Fixed Asset		
Tangible Asset	800000	820000
- Dep	300000	220000
	500000	600000

Additional Information

i. Interest paid on debentures 18000
ii. Preference share was issued on March 31st 2017
iii. Tax provided during the year 84000.

Prepare cash flow statement.

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Solution

Section A

1. (a) Only partnership firm

   Explanation:

   i. Profit and loss appropriation account is prepared only in case of the partnership business. The main purpose of preparing this account to distribute the profits among the partners in the form of appropriations and profits.
   ii. Other firms i.e. companies and sole proprietorship firms are not required to prepare profit and loss appropriation account. These firms are required to prepare only profit and loss account to calculate profit or loss of business.

2. (b) 2 : 1

   Explanation:

   If C is admitted for $\frac{1}{5}$ share then Remaining share = 1 - $\frac{1}{5}$ = $\frac{4}{5}$ share is available for A and B which they will share in the ratio of 2:1. So the new profit sharing ratio for A is = $\frac{4}{5} \times \frac{2}{3} = \frac{8}{15}$
   For B, new profit sharing ratio is $\frac{4}{5} \times \frac{1}{3} = \frac{4}{15}$
   So, new ratio is 8:4:3.
   Sacrificing ratio = Old Ratio - New Ratio.
   A's sacrificing ratio = $\frac{2}{3} - \frac{8}{15} = \frac{2}{15}$
   B's sacrificing ratio = $\frac{1}{3} - \frac{4}{15} = \frac{1}{15}$

3. (a) nominal capital

   Explanation: nominal capital

4. (c) Accumulated fund + Liabilities = Assets

   Explanation: The capital fund of a non-profit organization (NPO). Money is directed into the accumulated fund when revenues are greater than expenditures; money is directed away from the accumulated fund (withdrawn) when expenditures are greater than revenues.so, the equation in non-profit organisation NPO is:- Accumulated fund + Liabilities = Assets

5. (c) Credited to Realisation A/c

   Explanation: Credited to Realisation A/c
6. (c) Bank A/c ... Dr. 3,000

   To Share Application A/c ... 3,000

   Explanation: Application money received by the company ₹3,000.

   i.e. 1,000 shares × 3 per share (including premium) = 3,000

   The share application amount is debited with Rs.3000
7. (a) Realisation account

   Explanation: At the time of dissolution, the loan of the partner is not transferred to the realization account. For this, a separate account is prepared i.e. Partner's Loan A/c and final payment is made to the partner. Partner's loan is paid through Cash account.
8. (b) (A)

   Explanation: At the time of reconstitution of a partnership firm, it is necessary to revalue the assets and reassess the liabilities. For this purpose, the revaluation account is prepared to record any increase/decrease in the value of assets and liabilities. The value of some assets may increase or decrease with the passage of time. Similarly, some liabilities may also show an increase/decrease in value. The Revaluation account is credited if there is an increase in the value of assets or decrease in the value of liabilities. On the other hand, it is debited if there is any decrease in the value of assets or an increase in the value of liabilities. The net effect will be adjusted through Capital/ Current A/c of partner's capital A/c.
9. Admission / Retirement / Death
10. (b) 12,000

    Explanation: Amount payable to B = Rs. 30,000

    Total Capital of new firm = 23,000 + 30,000 + 17,000 = Rs. 70,000

    As they are distributing capital equal so,

    The new capital of A and C will be = Rs.35,000 each

    A will bring = 35,000 - 23,000 = Rs.12,000
11. (a) Partner's Loan Account

    Explanation: Sometimes amount due to the retiring partner is paid in instalment with interest. For this purpose, his loan account should be prepared separately and the amount due to him should be transferred to that account for the settlement and interest and instalments paid through this account on a time basis.

12. (c) by deducting abnormal gains and adding abnormal losses

    Explanation: by deducting abnormal gains and adding abnormal losses

13. (a) Rs.900

    Explanation: When drawings are made at the end of each quarter for the same amount, use these two steps to find out the interest on drawings:

Step 1: Average Time Period = $\frac{period\ after\ 1st\ installment + period\ after\ last\ installment}{2}$

= $\frac{9+0}{2}$ = $\frac{9}{2}$ = 4.5

Step 2: Interest on Drawings = 24,000 $\times \frac{10}{100} \times \frac{4.5}{12}$ = Rs. 900

14.

Income and Expenditure A/c

for the year ended March 31, 2019

Dr.			Cr.
Expenditure Amount	**(₹)**	**Income**	**(₹)**
To Tournament expenses	30,000		

Balance Sheet of Royal Sports Cub

as on 31st March 2019

Add Donations for tournament

Liabilities		**(₹)**	**Assets**	**(₹)**
Tournament Fund	5,00,000			
Add Sale of Tournament tickets	1,50,000			
Add Donations for tournament	1,20,000			
Less: Tournament expenses	(7,70,000)			

Since tournament expenses exceed fund amount so excess expenditure i.e, Rs.30,000 transfer to Income and Expenditure account only and not deducted from the fund amount.

OR

Receipts and Payments Account of Shyamji Charitable Society
for the year ended 31st March 2019

Dr.		Cr.	
Receipts	**(₹)**	**Payments**	**(₹)**
To Balance b/d		By Miscellaneous Expenses	98,000
Cash: 16,000		By Balance c/d	3,69,000
Bank: 28,000	44,000		
To Subscriptions			
2017-18: 11,000			
2018-19: 49,000	60,000		
To Donations	2,90,000		
To Locker Rent	32,000		
To Entrance Fees	41,000		
	4,67,000		4,67,000

15. **Profit and Loss Appropriation Account**
for the year ended 31st March 2015

Particulars	**Amt(Rs)**		**Particulars**	**Amt(Rs)**
To Profit Transferred to Capital A/Cs			By Profit and Loss A/c (Net profit)	9,00,000
Vikas Capital A/c [(9,00,000 - 1,12,500) × 3/5]	4,72,500			
(-) Vandana(Deficiency)	(15,000)	4,57,500		
Vivek Capital A/c[(9,00,000 -	3,15,000			

1,12,500) × 2/5]				
(-) Vandana(deficiency)	(22,500)	2,92,500		
Vandana Capital A/c (9,00,000 × 1/8)	1,12,500			
(+) From Vikas	15,000			
(+) From Vivek	22,500	1,50,000		
		9,00,000		9,00,000

Working Note

Minimum profit guaranteed to Vandana = Rs 1,50,000

Vandana's share in profit = 9,00,000 $\times \frac{1}{8}$ = Rs 1,12,500

Deficiency = 37,500 (1,50,000 -1,12,500) is to be borne by Vivek and Vikas in 2 : 3 ratio.

Deficiency to be borne by Vivek = 37,500 $\times \frac{3}{5}$ = Rs 22,500

Deficiency to be borne by Vikas = 37,500 $\times \frac{2}{5}$ = Rs 15,000

OR

JOURNAL

Date	Particulars	LF	Amt(Dr)	Amt(Cr)
31 Mar 2010	Profit and Loss Appropriation A/c		4,25,000	
	To A's Capital A/c			2,12,500
	To B's Capital A/c (Being profit distributed among the partners in equal ratio)			2,12,500

Partner's capital account

Dr							Cr
Date	**Particulars**	**A(Rs)**	**B(Rs)**	**Date**	**Particulars**	**A(Rs)**	**B(Rs)**

31 Mar 2010	To Balance c/d	7,12,500	5,12,500	1 Apr 2009	By Balance b/d	5,00,000	3,00,000
				31 Mar 2010	By Profit and Loss Appropriation A/c	2,12,500	2,12,500
		7,12,500	5,12,500			7,12,500	5,12,500

A's Loan account

Dr							**Cr**
Date	**Particulars**	**LF**	**Amt(Rs)**	**Date**	**Particulars**	**LF**	**Amt(Rs)**
31 Mar 2010	To Balance c/d		2,05,000	31 Oct 2009	By Cash A/c		2,00,000
				31 Mar 2010	By interest on Loan A/c		5,000
			2,05,000				2,05,000

Working Notes

i. **Profit and Loss Appropriation Account**
   for the year ending 31st March 2010

Dr				**Cr**
Particulars		**Amt(Rs)**	**Particulars**	**Amt(Rs)**
To profit transferred to			By Profit and Loss A/c(Net profit) (4,30,000 - 5,000)	4,25,000
A's capital A/c	2,12,500			
B's capital A/c	2,12,500	4,25,000		
		4,25,000		4,25,000

ii. In the absence of agreement,partners are entitled to get interest @6%p.a. on loan advanced.

i.e Interest on A's loan = 2,00,000$\times \frac{6}{100} \times \frac{5}{12}$ = Rs 5,000

iii. In the absence of partnership deed, profits among the partners will be divided equally

iv. Interest on partner's loan is a charge against profit. It means that a partner will get interested on loan whether the firm has earned profit or has incurred loss and it will be subtracted from the net profit before distributing profit to the partners.

16. In this question, Shares are issued under option scheme which means, employee stock option that grants specified employees of a company the right to buy a certain amount of company shares at a predetermined price for a specific period. An employee stock option differs slightly from an exchange-traded option because it is not traded between investors on an exchange.

So, According to the Employee Stock Option Scheme, the journal entries can be done as follows:-

In the Books of XYZ Ltd.

Journal

Date	Particulars		L.F.	Dr.(Rs.)	Cr.(Rs.)
Year 1	Employees Compensation Expense A/c	Dr.		2,50,000	
	To Shares Options Outstanding A/c (Being the one-third amount of difference between fair value and exercise price recognised as an expense)				2,50,000
Year 2	Employees Compensation Expense A/c	Dr.		2,50,000	
	To Shares Options Outstanding A/c (Being the one-third amount of difference between fair value and exercise price recognised as an expense)				2,50,000
Year	Employees Compensation Expense A/c	Dr.		2,50,000	

3					
	To Shares Options Outstanding A/c (Being the one-third amount of difference between fair value and exercise price recognised as an expense)				2,50,000
Year 4	Bank A/c	Dr.		11,25,000	
	Shares Options Outstanding A/c	Dr.		7,50,000	
	To Share Capital A/c				3,75,000
	To Securities Premium A/c				13,12,500
	To General Reserve A/c(Being the shares allotted to 75 employees who exercised the option. Amount out of Shares Options Outstanding Account relating to 37,500 shares transferred to Securities Premium Reserve and that relating to Options not exercised transferred to General Reserve)				1,87,500

17. **JOURNAL**

	Particulars		L.F.	Amount (Rs)	Amount (Rs)
(a)	Realisation A/c	Dr.		2,500	
	To Bank A/c				2,500
	(Being Realisation expenses paid)				
(b)	Realisation A/c	Dr.		3,000	
	To Ashok's Capital A/c				3,000
	(Being Realisation expenses paid by Ashok)				

(c)	No entry, as all Realisation expenses, are borne and paid personally by Tarun				
(d)	Realisation A/c	Dr.		4,000	
	To Amit's Capital A/c				4,000
	(Being Realisation expenses paid to Amit)				

It is to be noted that in case (a) the question does not specify who is to bear the dissolution expenses, then the expenses are treated to be borne and paid by the firm. It is assumed that all the transactions are carried through Bank A/c

18. Profit and Loss Appropriation Account. It is a special account which a firm prepares to show the distribution of profits/losses among the partners or partner's capital.

Profit and Loss Appropriation A/c

Dr			**Cr**
Particulars	**(Rs)**	**Particulars**	**(Rs)**
To Interest on partner's Capital	----	By Profit and Loss A/c (Net profit transferred from P & L A/c)	----
To Partner's salary	----	By interest on Drawings	----
To Partner's Commission	----	By Loss transferred to partner's Capital/Current A/cs(if any)	----
To Profit transferred to Partner's Capital/Current A/c(if any)	----		

19. **Income and Expenditure Account**

for the year ended 31st March 2012

Dr					Cr
Expenditure		**Amt (Rs.)**	**Income**		**Amt (Rs.)**
To Salaries		1,66,000	By	1,80,000	

			Subscriptions		
To Stationary (consumed)			(-) Subscription for		
Opening Stock	7,200		(2010-11) 12,000		
(+) Purchases	32,000		(2012 -13) 18,000	30,000	1,50,000
	39,200		By Interest on Investment		75,000
(-) Closing Stock	5,400	33,800	By Sale of Concert Tickets	2,47,000	
To Rent	48,000				
(-) Paid for March 2011	4,000		(-) Concert Expenses	58,000	1,89,000
	44,000		By Donations		1,12,000
(+) Outstanding for March 2012	4,000	48,000			
To Telephone Expenses(wn2)		6,000			
To Sports Material					
Opening Stock	12,000				
(+) Purchases	78,000				
	90,000				
(-) Closing Stock	21,000	69,000			
To Miscellaneous Expenses		24,000			
To Depreciation on Building (wn1)		80,000			
To Surplus i.e., Excess of Income Over Expenditure		99,200			
		5,26,000			5,26,000

working notes:

1. Building value Rs.8,00,000

   Rate of depreciation = 10%

   Depreciation = Rs 8,00,000 × 10/100 = Rs.80,000
2. Telephone expenses = Rs.8,000

   Less prepaid expenses Rs.3 000 × 2/3 = Rs.2,000

   Net telephone expenses = Rs.6,000
3. Interest on investment = 65,000 + 10,000 (accrued interest) = Rs. 75,000

20. Calculation of the amount of Discount to be written off every year:

Amount of Discount = 20,00,000 $\times \frac{6}{100}$ = 1,20,000

Period	Year-End	Outstanding Amount (Rs.)	Months Used	Product	Ratio	Discount	Total Discount to be written off
2013-14	31st March, 2014	20,00,000	9	1,80,00,000	180	1,20,000 $\times \frac{180}{720}$ = 30,000	30,000
2014-15	30th June, 2014	20,00,000	3	60,00,000	60	1,20,000 $\times \frac{60}{720}$ = 10,000	
	31st March, 2015	16,00,000	9	1,44,00,000	144	1,20,000 $\times \frac{144}{720}$ = 24,000	34,000
2015-16	30th June, 2015	16,00,000	3	48,00,000	48	1,20,000 $\times \frac{48}{720}$ = 8,000	
	31st March, 2016	12,00,000	9	1,08,00,000	108	1,20,000 $\times \frac{108}{720}$ = 18,000	26,000
2016-	30th					1,20,000	

17	June, 2016	12,00,000	3	36,00,000	36	$\times \frac{36}{720}$ = 6,000	
	31st March, 2017	8,00,000	9	72,00,000	72	1,20,000 $\times \frac{72}{720}$ = 12,000	18,000
2017-18	30th June, 2017	8,00,000	3	24,00,000	24	1,20,000 $\times \frac{24}{720}$ = 4,000	
	31st March, 2018	4,00,000	9	36,00,000	36	1,20,000 $\times \frac{36}{720}$ = 6,000	10,000
2018-19	30th June, 2018	4,00,000	3	12,00,000	12	1,20,000 $\times \frac{12}{720}$ = 2,000	2,000
		Total		**7,20,00,000**	**720**	**1,20,000**	**1,20,000**

21.

Journal

Date	**Particulars**	**L.F.**	**Dr. (₹)**	**Cr. (₹)**
	Bank A/c Dr.		2,20,000	
	To Suman's Capital A/c			2,00,000
	To Premium for goodwill A/c			20,000
	(Capital and premium for goodwill brought in by Suman)			
	Premium for goodwill A/c Dr.		20,000	
	To Raman's Capital A/c			15,000
	To Aman's Capital A/c			5,000
	(Premium for goodwill credited to the capital accounts of old partners in the sacrificing ratio)			

	Outstanding Expenses A/c Dr.		18,000	
	To Bank A/c			18,000
	(Outstanding expenses paid off)			
	Bad debts A/c Dr.		5,000	
	To Debtors A/c			5,000
	(Bad debts written off)			
	Provision for bad debts A/c Dr.		5,000	
	To Bad Debts A/c			5,000
	(Bad debts adjusted from the provision)			
	Revaluation A/c Dr.		2,000	
	To Provision for bad debts A/c			2,000
	(Provision for bad debts created)			
	Workmen's Compensation Reserve A/c Dr.		55,000	
	Revaluation A/c Dr.		5,000	
	To Workmen's Compensation claim A/c			60,000
	(Workmen's compensation claim recorded)			
	Revaluation A/c Dr.		72,000	
	To Machinery A/c			18,000
	To Land and Building A/c			54,000
	(Machinery and Land and building depreciated)			
	Raman's Capital A/c Dr.		59,625	
	Aman's Capital A/c Dr.		19,875	
	To Revaluation A/c			79,500
	(Loss on Revaluation debited to old partners in the old ratio)			

Goodwill is distributed between old partners in their sacrificing ratio.
Bad debts arise of Rs.5,000 and the remaining 2,000 charged through provision for doubtful debts.

OR

Revaluation Account

Particulars		Rs.	Particulars	Rs.
To Provision for doubtful debts		1000	By Machinery	3000
To Outstanding Salaries		2000	By Stock	2000
To Profit Transferred:				
M	1250			
N	750	2000		
		5000		**5000**

Partner's Capital Accounts

Particulars	M	N	R	Particulars	M	N	R
To Cash	1500	500	-	By Balance b/d	12000	10000	-
To Balance c/d	14750	11250	8000	By Cash	-	-	8000
				By Premium for goodwill	3000	1000	-
				By Revaluation	1250	750	-
	16250	**11750**	**8000**		**16250**	**11750**	**8000**

Balance Sheet

Liabilities		Rs.	Assets		Rs.
Outstanding Salaries		2000	Machinery		15000
Creditors		4000	Stock		10000
B/P		2000	Debtors	7200	

Capital A/cs:			Less: Provision	1000	6200
M	14750		Bank		500
N	11250		Cash		10300
R	8000	34000			
		42000			**42000**

Working Notes: Calculating Sacrificing Ratio:-

Old Ratio of M and N = 5:3

New Ratio of M, N and R = 7:5:4

Sacrificing Ratio = Old Ratio - New Ratio

M = 5/8 - 7/16 = 3/16

N = 3/8 - 5/16 = 1/16

Therefore, the **Sacrificing Ratio** = **3:1**.

22. **Working Note 1.**

Category	No of Shares Applied	No of shares Allotted	Excess amount received on Application	Amount to be received On Allotment	Amount to be adjusted on allotment	Amount Refunded
I	1,50,000	1,20,000	30,000 Shares × 6 = 60,000	1,20,000 shares × 5 = 600,,000	60,000	Nil
Total	1,50,000	1,20,000			60,000	Nil

Working Note 2.

Manu:

No of shares Applied = 3000 shares

No of shares Allotted = 3000 shares × 1,50,00share /1,20,000share = 2400 shares

Excess amount on share application received = (3000 - 2400) 600 shares × Rs. 2 = Rs.1200

Amount to be received on Allotment = 2400 shares * Rs.5 = Rs.12000

Outstanding on allotment = Rs.12000 – Rs.1200 = Rs.10800

Madhur:

No of shares Allotted = 2400 shares

No of shares Applied = 2400 shares × 1,50,000 share /1,20,000share = 3000 shares

Amount due on 1st and Final Call = 2400 shares × Rs.5 = Rs. 12000

Working Note 3.

Amount transfer to Capital Reserve = 18000 - 4800 = Rs. 3200

In The Books Of Jeevan Dhara Ltd.

Journal

Date	Particulars		L.F.	Debit (Rs.)	Credit (Rs.)
1.	Bank A/c	Dr.		3,00,000	
	To Equity Share Application A/c				3,00,000
	(Being Amount Received on the application of share @2 per share on 1,50,00 shares)				
2.	Equity Share Application A/c	Dr.		3,00,000	
	To Equity Share Capital A/c				2,40,000
	To Equity shares Allotment A/c				60,000
	(Being amount transfer to capital a/c and adjustment of pro-rata made.)				
3.	Equity Share Allotment A/c	Dr.		6,00,0000	
	To Equity Share Capital A/c				3,60,000
	To Security Premium Reserve A/c				2,40,000
	(Being Amount on allotment Due on 1,60,000 shares @ 6 each including 3 rs. as premium)				

4.	Bank A/c	Dr.		5,29,200	
	To Equity Share Allotment A/c **(6,00,000 – 60,000-10800)**				5,29,200
	(Being amount received on Allotment)				
5.	Equity Share First & Final call A/c	Dr.		6,00,000	
	To Equity share Capital A/c				6,00,000
	(Being amount Due on 1st & Final Call Recorded)				
6.	Bank A/c	Dr.		5,76,000	
	To Equity Share First & Final call A/c **(6,00,000 – 12000 - 12000)**				5,76,000
	(Being Amount received on First and Final calls)				
7.	Equity Share Capital A/c	Dr.		48,000	
	Security Premium Reserve A/c	Dr.		4,800	
	To Equity Share Forfeited A/c				18,000
	To Equity Share Allotment A/c				10800
	To Equity Share First & Final call A/c				24000
	(Being shares forfeited on which amount of call not received)				
8.	Bank A/c	Dr.		43,200	

	Equity Share Forfeited A/c			4,800	
	To Equity Share Capital A/c				48,000
	(Being shares Forfeited on which amount of call not received)				
10.	Equity Share Forfeited A/c	Dr.		13200	
	To Capital Reserve A/c				13200
	(Being amount of share forfeited transfer to Capital Reserve transfer A/c)				

OR

Books of Petromax Ltd.
Journal Entries

Date	Particulars		L.F.	Dr.(Rs.)	Cr.(Rs.)
	Bank A/c	Dr.		2,76,000	
	To Share Application A/c (Being the application money received on 92,000 shares @ Rs 3 per share)				2,76,000
	Share Application A/c	Dr.		2,76,000	
	To Share capital A/c (50,000 × Rs. 3)				1,50,000
	To Bank A/c (12,000 × Rs. 3)				36,000
	To Share Allotment A/c (30,000 × Rs. 3) (Being the share application money adjusted)				90,000
	Share Allotment A/c (50,000 × Rs. 5)	Dr.		2,50,000	
	To Share Capital A/c (50,000 × Rs. 3)				1,50,000
	To Securities Premium Reserve A/c (50,000 × Rs. 2)				

	(Being the allotment money due on 50,000 shares)				1,00,000
	Bank A/c (W.N. 4)	Dr.		1,57,200	
	Calls-in-Arrears A/c	Dr.		6,000	
	To Share Allotment A/c				1,60,000
	To Calls-in-Advance A/c (Being the allotment money received except for 1,500 shares of Suresh and call money is also received in advance for 800 shares)				3,200
	Share First Call A/c (50,000 × Rs. 2)	Dr.		1,00,000	
	To Share Capital A/c (Being the first call money due on 50,000 shares)				1,00,000
	Bank A/c	Dr.		95,400	
	Calls-in-Advance A/c (800 × Rs. 2)	Dr.		1,600	
	Calls-in-Arrears A/c (1,500 × Rs. 2)	Dr.		3,000	
	To Share First Call A/c (Being the first call money received except for 1,500 shares and calls-in-advance adjusted towards 800 shares on first call money)				1,00,000
	Share Final Call A/c	Dr.		1,00,000	
	To Share Capital A/c (Being the final call money due on 50,000 shares)				1,00,000
	Bank A/c	Dr.		95,400	
	Calls-in-Advance A/c	Dr.		1,600	
	Calls-in-Arrears A/c	Dr.		3,000	
	To Share Final Call A/c (Being the final call money received except for 1,500 shares and calls-in-advance adjusted towards				1,00,000

	800 shares)				

Working Notes:

1. Money due from Suresh on Allotment:
   i. Number of shares allotted to Suresh = 30,000/40,000 × 2,000 = 1,500 Shares.
   ii. Application money paid by Suresh = 2,000 × Rs 3 = Rs 6,000.
   iii. Application money required = 1,500 × Rs 3 = Rs 4,500.
   iv. Excess application money adjusted on allottment = [(ii) Rs. 6,000 - (iii) Rs. 4,500] = Rs. 1,500.
   v.

Money due from Suresh on allotment = 1,500 × Rs 5	7,500
Less: Excess application money adjusted (iv)	1,500
Money due from Suresh on the allotment	6,000

2.

Calculation of Money received on Allotment:	
Total amount due on allotment	2,50,000
Less: Excess application money adjusted	90,000
	1,60,000
Less: Money not paid by Suresh (WN 1)	6,000
Money received on Allotment:	1,54,000

3. Calls-in-Advance in case of 800 shares = 800 × Rs. 4 = Rs 3,200
4. Total Money received at the Time of Allotment
   = Rs. 1,54,000 (Note 2) + Rs. 3,200 (Note 3) = Rs. 1,57,200
5. The Companies Act 2013 (Sec 52(1)) requires that the amount of premium received on securities to be credited to Securities Premium Account. Securities Premium is a capital receipt which is shown under the head Reserve & Surplus on the liability side of the balance sheet.
6. If a shareholder defaults in payment of the call amount due on the allotment or on any calls according to the terms, the amount not received against the amount called is Calls in arrears. The unpaid amount may or may not be transferred to Calls in arrears

account. The company can charge interest on calls in arrears as per mentioned in articles of association or 6% as per Table F(if articles are silent). The Directors have the right to wave the interest.

Section B

23. (d) Investing activities, cash and cash equivalents

    Explanation: The long term investment is part of investing activities. The short term investment is part of cash and cash equivalents. As these are Non-current Assets and Current Assets respectively. The short term investment is Cash and cash equivalent because it is converted into cash within a short period.

24.
    i. It helps the management to evaluate its own performance with the performance of other business in the same area/industry or with its past performances.
    ii. It helps to assess and evaluate the financial position, profitability, efficiency and the strength of the business.

25. (d) to know information about the continuance of an enterprise

    Explanation: Public have an interest in information about the continuance of an enterprise, especially when they have a long term involvement with, or are dependent on, the enterprise.

26. (a) No Effect

    Explanation: Conversions of debentures into shares will not make any effect on financing activities. Because both debentures and shares are concerned with financing activities and there is no cash flow taken place. There is no flow of cash hence it is not be shown in the cash statement.

27. Capital Reserve
28. (c) Profitability Ratios

    Explanation: Profitability ratios are used to assess a business's ability to generate earnings compared to its expenses and other relevant costs incurred during a specific period of time.

29. (b) Indirect Expenses

    Explanation: Revenue from operations means income generated from the main activity of the business. Indirect expenses are not directly related to the business. Hence it cannot be included in revenue from operations.

30. **(i)** Debtors Turnover Ratio or Trade Receivables Turnover Ratio

$= \frac{\text{Net Credit Sales}}{\text{Average Debtors}}$

$= \frac{3,00,000}{75,000}$

= 4 times

(ii) Average Collection Period

$= \frac{365}{\text{Debtors Turnover Ratio}}$

$= \frac{365}{4}$

= 91.25 days

Working Note:

1. Average Debtors = $\frac{50,000+1,00,000}{2}$

= Rs. 75,000

2. Net Credit Sales = Net Sales (W. N. 3) - Cash Sales

= 3,75,000 - (20% of 3,75,000)

= 3,75,000 - 75,000

= Rs. 3,00,000

3. Net Sales = Cash of Goods Sold + Gross Profit

= 3,00,000 + (25% of 3,00,000)

= 3,00,000 + 75,000

= Rs. 3,75,000

OR

The working capital turnover ratio measures how well a company is utilising its working capital to support a given level of sales which should be calculated as follows:-

Working Capital Turnover Ratio

$= \frac{\text{RevenuefromOperation/NetSales}}{\text{NetWorkingCapital}}$

Net Sales = Cash Sales + Credit Sales – Sales Return

= 1,30,000+3,80,000-10,000 = Rs. 5,00,000

Working Capital = Current Assets – Current Liabilities

Current Assets = Liquid Assets + Inventory

= 1,40,000+90,000 = Rs. 2,30,000

Working Capital = 2,30,000 - 1,05,000 = Rs. 1,25,000

Working Capital Turnover Ratio

$$= \frac{5,00,000}{1,25,000} = 4 \text{ Times}$$

31. **Comparative Statement of Profit and Loss**

for the year ended 31st March 2013

	2011-12	2012-13	Absolute Change (Increase or Decrease) (Rs.)	Percentage Change (Increase or Decrease) (%)
I. Revenue from Operations	6,00,000	8,00,000	2,00,000	33.33%
II.Other Incomes	50,000	1,00,000	50,000	100%
III. Total Revenue (I + II)	6,50,000	9,00,000	2,50,000	38.46%
IV. Expenses	4,00,000	5,00,000	1,00,000	25%
V. Profit before Tax (III - IV)	2,50,000	4,00,000	1,50,000	60%
VI. Tax @ 40%	(1,00,000)	(1,60,000)	(60,000)	60%
VII. Profit after Tax (V-VI)	1,50,000	2,40,000	90,000	60%

OR

Comparative Balance Sheets

as at 31st March 1999

Current Assets	Absolute Amounts				Trend Percentage			
	1996	1997	1998	1999	1996	1997	1998	1999

	Amount (Rs.)	Amount (Rs.)	Amount (Rs.)	Amount (Rs.)	(%)	(%)	(%)	(%)
Stock	1,00,000	1,25,000	1,40,000	1,50,000	100	125	140	150
Debtors	50,000	60,000	75,000	1,00,000	100	120	150	200
Cash at Bank	10,000	15,000	25,000	20,000	100	150	250	200
Other Current Assets	40,000	30,000	60,000	50,000	100	75	150	125
Total	2,00,000	2,30,000	3,00,000	3,20,000	100	115	150	160

Trend analysis involves the collection of information from multiple time periods and plotting the information on a horizontal line for further review. The intent of this analysis is to spot actionable patterns in the presented information.

32. **Cash Flow Statement**

I. Cash Flow from operating activities :		
Net profit after tax and extraordinary items	**4000**	
+ Transfer to General Reserve	10000	
Provision for tax	84000	
Proposed dividend	116000	
Net profit before tax and extraordinary items	**214000**	
+ Depreciation	80000	
Interest on debt paid	18000	
Operating profit before working capital changes	**312000**	
- Trade Receivables	-80000	
Inventories	-100000	
Trade payables	-20000	
Cash Generated from operations	**112000**	
- Income Tax	60000	**52000**

II. <u>Cash Flow from investing activities</u> :		
Sale of a fixed asset	<u>20000</u>	**20000**
III. <u>Cash Flow from Financing Activities</u> :		
Issue of equity shares	100000	
Issue of Preference shares	100000	
Issue of Debentures	10000	
Interest on Debentures	-18000	
Bank overdraft	-114000	
Dividend paid	-<u>100000</u>	**<u>-22000</u>**
Net Cash Flow		**50000**
+ opening		<u>30000</u>
Closing		<u>80000</u>