ACCOUNTS

(Three hours)

Maximum Marks: 80

(*Candidates are allowed additional 15 minutes for **only** reading the paper.*
They must NOT start writing during this time.)

***Part I of Section A i**s 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]**

(i) What is meant by 'Current Maturities of Long Term Debt? How is it disclosed in the Balance Sheet of a company?

(ii) Mita and Mohan are partners sharing profits and losses in the ratio of 1:2 with capitals of ₹ 15,000 and ₹ 25,000 respectively. The partnership deed provides for interest on capital @ 6% per annum. The trading loss for the year ending 31st March, 2016 was ₹ 1,500. State, giving reason, the amount of interest of capital which will be allowed to the partners.

(iii) State the Application of Assets as per Section 48 of the Indian Partnership Act, 1932.

(iv) 'A company has to pay interest on debentures prior to paying dividend on shares'. Justify.

(v) Give *any two* differences between Securities Premium Reserve and Premium on Redemption of Debentures.

(vi) Mittal & Sons earned a profit of ₹ 2,75,000 during the year ended 31st March, 2016. 10% of this profit was to be transferred to Investment Fluctuation Reserve. Pass the necessary journal entry for the same.

PART II (48 Marks)

*Answer any **four** questions.*

Question 2

(A) Mohit and Keshav are two partners sharing profits and losses equally. The Balance Sheet of their firm as at 31st March, 2016, was as follows: **[8]**

Liabilities		Amount (₹)	Assets	Amount (₹)
Creditors		12,330	Cash in hand	13,000
General Reserve		2,000	Book Debts	10,200
Capital			Closing Stock	6,730
Mohit	19,030		Building	19,300
Keshav	18,870	37,900	Goodwill	3,000
		52,230		52,230

Keshav retires on 1st April, 2016 on which date:

(i) The Goodwill of the firm was valued at ₹ 9,000.

(ii) 20% of the General Reserve was kept aside as provision for doubtful debts.

(iii) There was a piece of furniture valued at ₹ 2,060 which was unrecorded in the books of the firm.

Mohit decided to pay off Keshav by giving him this piece of furniture and the balance in annual installments of ₹ 8,000 along with interest @ 5 % per annum.

You are required to prepare:

(a) Keshav's Capital Account.

(b) Keshav's Loan Account till it is finally closed.

(B) Arun and Barun are partners in a firm sharing profits and losses equally. Their capitals on 1st April, 2015, were ₹ 4,80,000 and ₹ 5,40,000. On 1st October, 2015, they decided that the total capital of the firm should be ₹10,00,000, to be contributed equally by both of them. According to the partnership deed, interest on capital is allowed to the partners @ 6 % p.a **[4]**

You are required to compute interest on capital for the year ending 31st March, 2016.

Question 3

(A) Nickel Ltd. issued Equity shares of ₹10 each at a premium of ₹3 per share payable as ₹4 per share on application, ₹5 per share on allotment (including premium), ₹2 per share on first call and ₹2 per share on final call. **[8]**

Amit, who had applied for 2,000 shares, was allotted 1,200 shares. He failed to pay the allotment money and on his failure to pay the first call his shares were forfeited.

Out of the forfeited shares, 1,000 were reissued at ₹7 per share.

You are required to pass journal entries for forfeiture and reissue.

(B) Carbon Ltd. forfeited 800 shares of ₹20 each issued at a premium of ₹2 per share (₹18 called up) on which first call of ₹4 per share was not paid. **[4]**

Of these 300 shares were re-issued @ ₹15 per share as ₹18 paid up.

You are required to pass journal entries for forfeiture and reissue.

Question 4

(A) On 1st April, 2015 Max Ltd. took over assets of ₹4,50,000 and liabilities of ₹ 60,000 of Prudence Ltd. for the purchase consideration of ₹4,40,000. It paid the purchase consideration by issuing 8% Debentures of ₹100 each at 10% premium. On the same date it issued another 3,000 8% Debentures of ₹100 each at a discount of 10%, redeemable at a premium of 5% after 5 years. According to the terms of the issue ₹30 is payable on application and the balance on the allotment of debentures. **[8]**

You are required to pass journal entries in the books of Max Ltd. to record the above transactions.

(B) Palms Ltd. was formed on 1st November, 2015, with a capital ₹12,00,000 divided into Equity shares of ₹10 each at a premium of ₹2 per share. It offered 1,00,000 shares to the public. **[4]**

The issue price was payable as follows:

₹4 with application

₹6 with allotment (including premium)

The balance as and when required.

The balance was not called till the date of the Balance Sheet.

All the shares offered by the company were subscribed for. One shareholder holding 1,000 shares paid the balance with allotment.

Another shareholder holding 800 shares did not pay the allotment money when due.

You are required to show the items under Equity and Liabilities in the Balance Sheet of the Company (prepared as per Schedule III of the Companies Act 2013) at the end of the financial year with Notes to Accounts.

Question 5

(A) Diya and Riya were partners sharing profits and losses equally. On 31st March, 2016, the Balance Sheet of the firm was as follows: **[8]**

Liabilities	Amount (₹)	Assets	Amount (₹)
Sundry Creditors	60,000	Cash	25,000
Riya's Loan	15,000	Debtors 42,000	
General Reserve	15,000	*Less* Provision for Doubtful Debts (6000)	36,000
Investment Fluctuation Fund	2,000	Stock	12,000
Riya's Capital	30,000	Investments	18,000
Diya's Capital	10,000	Plant & Machinery	39,000
		Diya's Loan	2,000
	1,32,000		1,32,000

Their firm was dissolved on above date and the assets and liabilities were settled as follows:

(i) The creditors were paid off by giving them the plant and machinery at a discount of 10% and the balance in cash.

(ii) Riya's loan was paid off with interest of ₹500.

(iii) Debtors realized 10% less of the amount due from them.

(iv) Stock was taken over by Riya at ₹7,000.

(v) Investments realized 80% of their book value.

(vi) Realisation expenses ₹600 were paid by Diya.

You are required to prepare:

(a) Realisation Account.

(b) Riya's Loan Account.

(c) Diya's Loan Account.

(B) Cake and Muffin are partners sharing profits and losses in the ratio of 5:4. **[4]**

On April 1, 2016, they admit Cookie as a new partner for $1/6^{th}$ share in the profits of the firm and the new ratio agreed upon is 3:2:1.

Goodwill, at the time of Cookie's admission is to be valued on the basis of capitalisation of the average profits of the last three years. Profits for the last three years were:

Year ended 31st March, 2014	₹ 39,000 (including an abnormal loss of ₹ 9,000).
Year ended 31st March, 2015	₹ 83,000 (including an abnormal gain of ₹ 8,000).
Year ended 31st March, 2016	₹ 72,000.

On 1st April, 2016, the firm had assets of ₹ 8,00,000. Its creditors amounted to ₹ 3,60,000. The firm had a Reserve Fund of ₹ 40,000 while Partners' Capital Accounts showed a balance of ₹ 4,00,000.
The normal rate of return expected from this class of business is 13%.
Cookie brings in ₹ 2,00,000 for her capital but is unable to bring in cash her share of goodwill.

You are required to calculate:

(i) Calculate Cookie's share of Goodwill in the firm (Show your workings clearly).

(ii) Pass journal entries at the time of Cookie's admission.

Question 6 **[12]**

The capital accounts of Asif and Benny stood at ₹ 30,000 and ₹ 40,000 respectively after the necessary adjustments in respect of drawings and net profit for the year ended 31st March, 2016. It was subsequently ascertained that interest on capital @ 10% per annum and interest on drawings @ 5 % per annum were not taken into account in arriving at the divisible profits for the year.

The drawings of the partners had been: Asif ₹ 1,200 drawn at the end of each half year and Benny ₹ 1,200 drawn at the end of each quarter.

The net profit for the year amounted to ₹ 20,000. The partners share profits and losses in the ratio of 3:2.

You are required to:

(i) Pass the necessary *journal entries* to rectify the lapse in accounting.

(ii) Prepare the adjusted capital accounts of the partners.

Question 7 **[12]**

Dhruv and Ansh are partners in a firm sharing profits and losses: Dhruv 75% and Ansh 25% respectively.

Their Balance Sheet as at 31st March, 2016 is given below:

Liabilities		Amount (₹)	Assets		Amount (₹)
Sundry Creditors		39,000	Cash		10,000
Workmen Compensation			Sundry Debtors	18,500	
Reserve		5,000	Less Prov. for		
Profit & Loss Account		10,000	Doubtful debts	(1,500)	17,000
Capital Accounts:			Stock		37,000
Dhruv	30,000		Furniture		5,000
Ansh	20,000	50,000	Land & Buildings		25,000
			Goodwill		10,000
		1,04,000			1,04,000

On 1st April, 2016, Kavi is admitted as a new partner on the following terms:

(i) The value of stock is to be increased to ₹ 42,000.

(ii) Land and building is to be reduced by 20%.

(iii) Bad debts amounting to ₹ 1,800 are to be written off.

(iv) Creditors include an amount of ₹ 5,000 received as commission from Amar. The necessary adjustment is required to be made.

(v) The liability on Workmen Compensation Reserve is determined at ₹ 3,000.

(vi) Kavi is to pay ₹ 15,000 to the existing partners as premium for Goodwill for 20% of the future profits of the firm. He is also to bring in capital equal to 1/4th of the combined capitals of Dhruv and Ansh.

You are required to:

(i) Pass journal entries on the date of Kavi's admission.

(ii) Prepare the opening Balance sheet of the new firm on the completion of the transactions.

Question 8 **[12]**

Deepak and Rajesh enter into a Joint Venture to sell umbrellas. Deepak agreed to bring his contribution in cash. Accordingly, a Joint Bank account was opened by him for a sum of ₹ 90,000. Rajesh brought in umbrellas worth ₹ 40,000 as part of his share of capital.
Further, umbrellas worth ₹ 1,10,000 were purchased from Kamal who was paid ₹ 60,000 in cash and the balance by a promissory note signed by Deepak and Rajesh. The umbrellas were sent to distant markets for sale. Expenses totaling ₹ 6,000 were incurred in sending them.

Umbrellas originally costing ₹ 50,000 were damaged in transit and a sum of ₹ 40,000 was received from the insurance company. The remaining umbrellas were sold at a profit of 20% on the original cost + proportionate direct expenses.

The promissory note was retired at a rebate of ₹ 1,000.

Rajesh, who looked after the sales, was entitled to a commission @ 2% on the profit after charging such commission.

You are required to prepare:

(i) **Joint Bank Account.**

(ii) **Joint Venture Account.**

(iii) **Co- Venturers' Account.**

SECTION B (20 Marks)

Answer ***any two*** *questions.*

Question 9

(a) Why are Prepaid expenses not considered as Quick Assets? **[2]**

(b) **From the following, calculate Inventory Turnover Ratio:** **[2]**

Particulars	
Opening Inventory	₹ 28,000
Closing Inventory	₹ 52,000
Revenue from Operations	₹ 6,00,000
Gross Profit	25% on cost of revenue from operations

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

(i) Trade Receivables Turnover Ratio

(ii) Operating Profit Ratio

(iii) Net Profit Ratio

Cash Revenue from Operations	₹ 1,00,000
Net Purchases	₹ 2,97,000
Credit Revenue from Operations	₹ 3,00,000
Closing Debtors	₹ 80,000
Closing Bills Receivables	₹ 60,000
Carriage inward	₹ 3,000
Finance cost	₹ 5,000
Administrative expenses	₹ 40,000
Profit on sale of fixed asset	₹ 10,000
Discount received	₹ 7,000

Question 10

(A) **From the following particulars, calculate Cash Flow from Investing Activities:** **[4]**

Assets	**Note. No.**	**31.03.2016 (₹)**	**31.03.2015 (₹)**
Non-Current Assets			
(a) Fixed Assets			
(i) Tangible	1	13,40,000	11,20,000
(ii) Intangible	2	4,60,000	4,80,000
(b) Non-Current Investments	3	2,60,000	1,60,000

Notes to Accounts:

Particulars	**31.03.2016 (₹)**	**31.03.2015 (₹)**
1 Tangible Fixed Assets		
Machinery	12,40,000	10,20,000
Land	1,00,000	1,00,000
	13,40,000	11,20,000
2 Intangible Assets		
Goodwill	2,00,000	1,00,000
Patents	2,60,000	3,80,000
	4,60,000	4,80,000
3. Non- Current Investments		
Shares of Finance Ltd.	2,60,000	1,60,000

Additional Information:

(i) Patents were written off to the extent of ₹ 40,000 and some patents were sold at a profit of ₹ 20,000.

(ii) A Machine costing ₹ 1,40,000 (depreciation provided thereon ₹ 60,000) was sold for ₹ 50,000.

(iii) Depreciation charged during the year on Plant and Machinery was ₹ 1,40,000.

(iv) Dividend received on shares ₹ 40,000.

(B) **From the following extracts of a company's Balance Sheets, calculate Cash from Financing Activities for the year ending 31st March, 2016:** **[6]**

Particulars	**31.3.2016 (₹)**	**31.3.2015 (₹)**
Equity Share Capital	9,00,000	7,00,000
Securities Premium Reserve	1,25,000	1,00,000
12% Debentures	4,00,000	3,00,000
Proposed Dividend	60,000	70,000
Bank Overdraft	12,000	10,000

Additional information:

(i) Dividend proposed on Equity Shares ₹ 65,000.

(ii) Debentures were issued on 1st April, 2015, at a discount of 10%.

(iii) Unclaimed Dividend ₹ 7,000.

Question 11

(A) Name any *two* commonly used tools for comparison of Financial Statements. **[2]**

(B) (i) State whether declaration of final dividend would result in inflow, outflow or no flow of cash. **[2]**

(ii) Give one difference between an Operating Activity and an Investing Activity.

(C) **Give the formulae for calculating the following ratios:** **[2]**

(i) Interest Coverage Ratio

(ii) Proprietary Ratio

(D) **From the following data, prepare a Common Size Statement of Profit & Loss of Pitambar Ltd.** **[4]**

Particulars	**31.03.2016 (₹)**	**31.03.2015 (₹)**
Revenue from Operations (% of Other Income)	200%	200%
Other Income	2,00,000	1,50,000
Cost of Materials consumed (% of Operating Revenue)	60%	50%
Other Expenses (% of Material Cost)	10%	20%
Tax Rate	30%	30%

SECTION C (20 Marks)

Answer ***any two*** *questions.*

Question 12

(i) Describe *range* with an example. **[2]**

(ii) What is *fill handle*? Why is it used? **[2]**

(iii) Mention, with an example, the important criteria for using any formula in excel. **[2]**

(iv) State *any two* methods to increase or decrease the column width. **[2]**

(v) Write the formula for calculating: **[2]**

(a) Minimum of cell values

(b) Sum of the values in a range that meet specific criteria

Question 13

From the given table:

Employee code	Basic Salary (₹)	DA (₹)	HRA (₹)	Gross Salary (₹)
001	12500	1875	5000	19375
002	9800	1470	3920	15190
003	10100	1515	4040	15655
004	11800	1770	4720	18290
005	13200	1980	5280	20460

(i) Give the expression for calculating Gross Salary of each employee for the column ‘Gross’. **[2]**

(ii) Write the expression for retrieving maximum salary paid. **[2]**

(iii) Mention *any two* methods to introduce a new column to the left of the column ‘Gross’. **[2]**

(iv) Name the above column **‘PF’**, and give an expression to calculate values as 10% of (Basic + DA). **[2]**

(v) How will the formula to calculate ‘Gross’, which is a total of Basic, DA, HRA and PF, be changed? **[2]**

Question 14

(i) Name *any two* specific uses of SQL functions. **[2]**

(ii) Write the command to retrieve data from a table. **[2]**

(iii) What is the difference between Char & Varchar? **[2]**

(iv) Write the command to insert a column in a Table. **[2]**

(v) How can a table from the database be deleted? **[2]**