YEAR 2020 EXAMINATION

ISC

Analysis of Pupil Performance

ACCOUNTS

Research Development and Consultancy Division

Council for the Indian School Certificate Examinations

New Delhi

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FOREWORD

This document of the Analysis of Pupils' Performance at the ISC Year 12 and ICSE Year 10 Examination is one of its kind. It has grown and evolved over the years to provide feedback to schools in terms of the strengths and weaknesses of the candidates in handling the examinations.

We commend the work of Mrs. Shilpi Gupta (Deputy Head) and the Research Development and Consultancy Division (RDCD) of the Council who have painstakingly prepared this analysis. We are grateful to the examiners who have contributed through their comments on the performance of the candidates under examination as well as for their suggestions to teachers and students for the effective transaction of the syllabus.

We hope the schools will find this document useful. We invite comments from schools on its utility and quality.

Gerry Arathoon
Chief Executive & Secretary

November 2020

PREFACE

The CISCE has been involved in the preparation of the ICSE and ISC Analysis of Pupil Performance documents since the year 1994. Over these years, these documents have facilitated the teaching-learning process by providing subject/ paper wise feedback to teachers regarding performance of students at the ICSE and ISC Examinations. With the aim of ensuring wider accessibility to all stakeholders, from the year 2014, the ICSE and the ISC documents have been made available on the CISCE website www.cisce.org.

The documents for the ICSE and ISC Examination Year 2020 include a detailed qualitative analysis of the performance of students in different subjects. The purpose of this analysis is to provide insights into how candidates have performed in individual questions set in the question paper. This section is based on inputs provided by examiners from examination centers across the country. It comprises of question wise feedback on the performance of candidates in the form of *Comments of Examiners* on the common errors made by candidates along with *Suggestions for Teachers* to rectify/ reduce these errors. The *Marking Scheme* for each question has also been provided to help teachers understand the criteria used for marking. Topics in the question paper that were generally found to be difficult or confusing by candidates, have also been listed down, along with general suggestions for candidates on how to prepare for the examination/ perform better in the examination.

The Analysis of Pupil Performance document for ICSE for the Examination Year 2020 covers the following subjects/papers: English (English Language, Literature in English), History and Civics, Mathematics, Physics, Chemistry, Commercial Studies and Environmental Science.

Subjects covered in the ISC Analysis of Pupil Performance document for the Year 2020 include English (English Language and Literature in English), Hindi, Physics, Chemistry, Mathematics, Computer Science, History, Political Science, Economics, Commerce, Accounts, and Environmental Science.

I would like to acknowledge the contribution of all the ICSE and the ISC examiners who have been an integral part of this exercise, whose valuable inputs have helped put this document together.

I would also like to thank the RDCD team of Dr. M.K. Gandhi, Dr. Manika Sharma, Mrs. Roshni George and Ms. Mansi Guleria, who have done a commendable job in preparing this document.

We hope that this document will enable teachers to guide their students more effectively and comprehensively so that students prepare for the ICSE/ ISC Examinations, with a better understanding of what is required from them.

Shilpi Gupta
Deputy Head - RDCD

November 2020

CONTENTS

SECTION A
PART I (12 Marks)
*Answer **all** questions*

Question 1

[6x2]

Answer briefly each of the following questions:

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

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

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

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

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

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

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

Comments of Examiners	Suggestions for Teachers
(i) Majority of the candidates were clear in their answer about goodwill not being a fictitious asset as it has a realisable value. Some candidates, however, wrote only its property that it has no physical existence. (ii) Most of the candidates were able to write this answer satisfactorily. However, some common incorrect responses were: Interest on capital will be given by the firm: 1. At the rate mentioned in the deed. 2. In the profit-sharing ratio. 3. It will not be allowed. 4. At 6% per annum. (iii) The question was well attempted by a majority of the students. However, some candidates wrote	▪ *Clearly explain to the students in Class XI, through examples, the meaning of and differences between intangible and fictitious assets and then reiterate the same in Class XII.* ▪ *Teach accounting provisions of Indian Partnership Act, 1932 with examples, and give sufficient practice in solving questions according to its provisions.* ▪ *Explain with examples different cases of IOC (when charged/ when appropriation) with examples.* ▪ *Conduct short question tests in partnership.* ▪ *Explain the nature and uses of Securities Premium Reserve.*

that Securities Premium Reserve was a revenue gain and so could be used to write off discount allowed to debtors. A few candidates wrote that discount allowed to debtors was a capital loss and hence could be written off from Securities Premium Reserve.

(iv) Majority of the candidates were able to write at least two items correctly. Some candidates wrote the items under the head 'Other Current Liabilities'.

(v) Majority of the candidates wrote ‘25% out of capital’ instead of 75%. Only a few candidates could connect the fact that since as per Rule 18 of the Companies (Share and Debentures) Rules 2014, a company is required to create out of profits, DRR equal to 25% of the debenture issue, accordingly 75% would be the maximum limit of debentures which a company can redeem out of capital.

(vi) (a) Majority of the candidates wrote the correct answer. Some candidates, however, wrote the circumstances leading to dissolution of partnership firm as they were not clear about the difference between dissolution of partnership and dissolution of partnership firm.

(b) Majority of the candidates were unable to write the correct answer. Most candidates wrote that the firm would close / cease to exist.

- *Ensure that in Class XI itself, students are able to classify the expenses/ losses as revenue/ capital.*
- *Make students understand the basics of accounting.*
- *Clearly explain items in the Balance Sheet of a company and the reason for these items being under a particular head and sub-head.*
- *Refer to the guidelines pertaining to Schedule III of the Companies Act, 2013 issued by the Council and advise the students also to refer to the same.*
- *Teach the sources and methods of redemption of debentures through a flow chart.*
- *Explain to the students that admission / retirement/ death of a partner, basically involves reconstitution of the firm, leading to dissolution of partnership between/amongst the existing partners and formation of a new partnership between / amongst the new / remaining partners with the firm continuing as before.*

MARKING SCHEME

Question 1

(i)	Goodwill can be realized / sold while a fictitious asset cannot be realized/ cannot be sold/ has no value/ is written off.
(ii)	The available profit will be distributed between the partners in their capital ratio/ ratio of interest on capital. **OR** Through an example with information of: **Either**

	Partners' capitals, rate of IOC, trading profits and IOC brought down to the trading profits in the capital ratio. **OR** Absolute amount of IOC, trading profits and IOC brought down to the trading profits in the ratio of IOC.	
(iii)	No / Cannot be used Reason: Securities Premium Reserve a capital profit /capital gain /capital reserve. / Securities Premium Reserve can be used only for purposes mentioned in Section 52 (2) and Section 68 A of the Companies Act 2013/ can be used for issuing fully paid bonus shares to the members / to write off capital losses/ preliminary expenses of the company/expenses on the issue of shares and debentures / discount allowed on the issue of debentures/ to provide for premium payable on the redemption of Redeemable Preference Shares or on debentures of the company/ to purchase (buy back) its own shares /Discount allowed to debtors is a charge against profits/revenue expense/ revenue loss/ written off from revenue profits/ Provision for discount on debtors.	
(iv)	• Prepaid expenses (any expense specified) • Dividend Receivable • Interest accrued on investments / Accrued income (any income specified) • Advance Tax • Discount on issue of debentures / Loss on issue of debentures to be written off in the next financial year. • Any capital loss/ miscellaneous expenditure to be written off in the next financial/ accounting year.	
(v)	75% is the maximum limit of debentures which a company can redeem out of capital.	
(vi)	(a)	Dissolution of Partnership arises when there is a change in the constitution of partnership/ admission/retirement/ death of a partner/ change in the profit- sharing ratio/ reconstitution of the firm/ insolvency of one partner.
	(b)	In case of dissolution of partnership, the firm as a whole is *not* closed down/ it only results in the end of the old agreement between the partners and its replacement with the new agreement/ only the agreement between the partners comes to an end/ the firm continues to carry on the business with a new agreement/ no physical disposal of assets/ it *could/ may* result in the dissolution of partnership firm.

PART II (48 Marks)

*Answer **any four** questions*

Question 2

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

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

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

(a) Actual Average Profits of the firm for the last three years is ₹ 25,000.
(b) Normal Rate of Return is 10%.
(c)

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

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

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

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

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

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

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

(b) General Reserve not to be distributed.

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

You are required to prepare Partners' Capital Accounts.

Comments of Examiners

(A) Almost all the candidates were able to write the correct formulae for calculating goodwill by the Super Profit and Capitalisation of Super Profit Methods. However, majority of the candidates were unable to calculate the correct value of goodwill as they applied the incorrect formula for calculating capital employed. Most candidates did not subtract non-trade investments from the total assets.

(B) Majority of the candidates did not realise that they were supposed to calculate the retiring partner's share in the self-generated goodwill of the firm.

Many candidates did the posting in the retiring Partner's Capital A/c as per the following entry:

P/L Suspense A/c Dr 8,000

To Hari's Capital A/c 8,000

Instead of posting as per:

Manoj's Capital A/c Dr 6,400

Karan's Capital A/c Dr 1,600

To Hari's Capital A/c 8,000 (Hari's share of GW)

This clearly indicates that the candidates had no knowledge of the topic 'Hidden Goodwill' at the time of retirement of a partner.

Apart from this error, some candidates, for the amount to be paid to the retiring partner, instead of crediting the Cash A/c with it, either credited his loan account with this amount or carried it forward. A few candidates distributed the entire General Reserve whereas, according to the question it was not to be distributed.

Suggestions for Teachers

- *Do not depend upon the textbooks but constantly refer to the scope of the syllabus wherein the formula of capital employed being Total assets excluding purchased goodwill, non-trade investments and fictitious assets less outside liabilities is very clearly stated.*
- *The topic calculation of 'Hidden Goodwill' of the retiring partner is stated in Unit 1 C II (ii) of the scope of the syllabus. Question 2 of the Specimen Paper of the year 2018 deals with this topic.*

MARKING SCHEME

Question 2

(A) (i)

Goodwill = Super Profit × No. of years' purchase

Super profit = Actual/ Average (maintainable) profits – Normal profit

Normal profit = Average Capital Employed x $\frac{\text{Normal Rate of Rerturn}}{100}$

Actual Capital Employed = Total Assets (excluding goodwill if existing in the Balance Sheet, non-trade investments and fictitious assets) – outside liabilities.

Normal Profit = $\frac{10}{100}$× (2,40,000 – 50,000 – 50,000)

= $\frac{10}{100}$× 1,40,000 = 14,000

Super Profit = 25,000 – 14,000 = ₹ 11,000

Goodwill = 11,000 × 3 = ₹ 33,000

(ii)

Capitalisation of Super Profits Method

Goodwill= Capitalised Super Profit

Goodwill = Super profit x $\frac{\text{Normal Rate of Return}}{100}$

either formula

Goodwill = 11,000 ×$\frac{100}{10}$ = ₹ 1,10,000

(B)

Partners' Capital Accounts

Particulars	**Manoj**	**Hari**	**Karan**	**Particulars**	**Manoj**	**Hari**	**Karan**
To Goodwill	4,000	2,000	1,000	By Bal b/d	16,000	14,000	10,000
To Hari Cap	1,920		480	By Manoj Cap		1,920	
To Hari Cap	6,400		1,600	By Karan Cap		480	
To Bank		24,400		By Manoj Cap		6,400	
To Bal c/d	7,680		7,920	By Karan Cap		1,600	
				By Revaluation	4,000	2,000	1,000
	20,000	**26,400**	**11,000**		**20,000**	**26,400**	**11,000**

Question 3

[12]

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

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

₹ 3 on application

₹ 6 on allotment (including premium)

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

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

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

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

Excess money paid on application was utilized towards allotment.

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

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

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

You are required to:

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

(ii) **Prepare Calls-in-arrears Account.**

Comments of Examiners	Suggestions for Teachers
(i) Majority of the candidates were able to pass the correct journal entries. However, a few candidates did not pass the closing entry for interest on Calls-in- Advance. (ii) Some candidates, were unable to split the credit amount of ₹7,200 in Calls-in-arrear A/c into ₹5,400 for Share Capital A/c and ₹1,800 for Securities Premium Reserve A/c.	▪ *Ensure that the students pass closing journal entries for every expense/income.* ▪ *Explain to the students that if Securities Premium Reserve has not been received then Calls- in- arrears A/c will have to be credited with both Share Capital not received and Securities Premium not received.* ▪ *Lay stress not only in passing journal entries, but also in preparing ledger accounts.*

MARKING SCHEME

Question 3

(i)

Journal of Sudesh Ltd.

Date	Particulars		LF	Debit(₹)	Credit (₹)
	Bank A/c	Dr		1,80,000	
	To Share application A/c (Being share app received)				1,80,000
	Share application A/c	Dr		1,80,000	
	To Equity Share Capital A/c				1,50,000
	To Share allotment A/c				30,000
	(Being share app transferred to share capital and share allotment)				
	Share allotment A/c	Dr		3,00,000	
	To Equity Share Capital A/c				2,00,000
	To Securities Premium Reserve A/c				1,00,000
	(Being share allot due)				
	Bank A/c	Dr		2,68,500	
	Calls-in-arrears A/c	Dr		4,500	
	To Share allotment A/c				2,70,000
	To Call-in advance A/c				3,000
	(Being share allot and calls-in advance received)				
	Share First & Final Call A/c	Dr		1,50,000	
	To Equity Share Capital A/c				1,50,000
	(Being share final call due)				
	Bank A/c	Dr		1,44,300	
	Calls-in-arrears A/c	Dr		2,700	
	Call-in advance A/c	Dr		3,000	
	To Share First & Final Call A/c				1,50,000
	(Being share call received)				
	Equity Share Capital A/c	Dr		9,000	
	Securities Premium Reserve A/c	Dr		1,800	
	To Share Forfeiture A/c				3,600

	To Calls-in-arrears A/c			7,200
	(Being 900 shares forfeited)			
	Interest on Calls-in-advance A/c	Dr	60	
	To Shareholders / Sundry Members A/c			60
	(Being int on calls-in-advance due to shareholders)			
	Shareholders / Sundry Members A/c	Dr	60	
	To Bank A/c			60
	(Being int on calls-in-advance paid)			
	Statement of P/L	Dr	60	
	To Interest on Calls-in-advance A/c			60
	(Being interest on Calls-in-advance A/c transferred to St of P/L)			

(ii) **Call-in arrears A/c**

Particulars	**Amount (₹)**	**Particulars**	**Amount (₹)**
To Share Allotment A/c	4,500	By Share Capital A/c	5,400
To Share Final Call A/c	2,700	By Securities Premium Reserve A/c	1,800
	7,200		7,200

Question 4

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

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

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

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

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

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

You are required to prepare:

(i) **Realisation Account.**

(ii) **Partners' Capital Accounts.**

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

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

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

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

Comments of Examiners

(A) Majority of the candidates were unable to solve this question satisfactorily.

(i) The common errors made by most of the candidates were:

- Not calculating the book value of the realisable assets, either by preparing a Memorandum Balance Sheet or by applying the accounting equation.
- Taking the cash balance as the opening balance of the Realisation A/c when a Realisation A/c does not have an opening balance.
- Not taking into consideration the number of months while calculating the amount to be paid to the creditors.
- Taking the rebate being given on the discharge of the Bills Payable as the amount to be paid.

(ii) All candidates were able to prepare the partners' capital accounts.

(B) Very few candidates were able to rectify the error by passing journal ***entries***- entries for cancelling the incorrect profit, Sam meeting his guarantee and then the entry for distribution of the correct profit. Majority of the candidates either made a table showing the amounts to be debited or credited or passed a single journal entry which

Suggestions for Teachers

- *Prepare students with four types of problems in the topic 'Dissolution of Partnership Firm' and these are:-*
  - *(i) Preparing the Realisation Account, Partners' Capital A/c and Cash A/c from a given Balance Sheet and additional information*
  - *(ii) Passing journal entries- refer Analysis of Pupil Performance of the year 2014*
  - *(iii) Preparing only the Partners' Capital A/c with the profit/ loss on realisation of assets and settlement of liabilities being given in the question along with information related to partners' capital accounts- refer Analysis of Pupils Performance of the year 2019.*
  - *(iv) Preparing the Memorandum Balance Sheet to calculate the book value of realisable assets and then proceed with preparing the Realisation Account, Partners' Capital A/c and Cash A/c.*

was not the requirement of the question. A few candidates rectified the error through P/L Appropriation A/c instead of through P/L Adjustment A/c.

- *Ensure that the students know how to open and close the partners' capital accounts.*
- *Teach past adjustments through both, a single journal entry through capital accounts and multiple entries through P/L Adjustment A/c, which involve passing a journal entry to reverse the error and then adjusting and closing entries of what was supposed to be done according to the deed.*

MARKING SCHEME

Question 4

(A) (i)

Realisation Account

Particulars		**Amount**	**Particulars**		**Amount**
To Sundry Assets		16,30,000	By S. Liabilities		
To Cash A/c			Creditors	2,00,000	
Creditors	1,99,000		Bills Payable	60,000	
Bills Payable	59,000		WCC	40,000	
WCC	40,000		Other Liab	3,40,000	6,40,000
Other Liabilities	3,40,000				
Realisation Exp	30,000	6,68,000	By Cash A/c		14,00,000
			By Mike's Capital		1,54,800
			By Ajay's Capital		1,03,200
		22,98,000			22,98,000

(ii)

Partners' Capital Accounts

Particulars	**Mike**	**Ajay**	**Particulars**	**Mike**	**Ajay**
To Real(loss)	1,54,800	1,03,200	By Bal b/d	6,00,000	4,00,000
To Cash A/c	4,81,200	3,20,800	By WCR	36,000	24,000
	6,36,000	4,24,000		6,36,000	4,24,000

Working Notes **Memorandum Balance Sheet**

As at 31st March, 2019

Liabilities	**Amount**	**Assets**	**Amount**

Capital Accounts		Cash	70,000
Mike 6,00,000		Sundry Assets	16,30,000
Ajay 4,00,000	10,00,000		
WCR	1,00,000		
Creditors	2,00,000		
Bills Payable	60,000		
Other Liabilities	3,40,000		
	17,00,000		17,00,000

(B)

Journal

Date	**Particulars**	**LF**	**Debit(₹)**	**Credit(₹)**
	Xen's Capital A/c Dr Sam's Capital A/c Dr Tim's Capital A/c Dr To P/L Adjustment A/c (Being incorrect profits cancelled)		40,000 40,000 40,000	 1,20,000
	Sam's Capital A/c Dr To P/L Adjustment A/c (Being Sam meeting his guarantee of shortfall in profits)		15,000	 15,000
	P/L Adjustment A/c Dr To Xen's Capital A/c To Sam's Capital A/c To Tim's Capital A/c (Being correct profits distributed in the profit- sharing ratio)		1,35,000	 54,000 54,000 27,000

Question 5

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

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

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

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

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

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

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

Comments of Examiners

(A) Majority of the candidates were able to pass the necessary journal entries. A few candidates, however, created a Promissory Note Account instead of a Bills Payable Account.

(B) Majority of the candidates were able to do this question. However, a few candidates calculated the amount of DRI to be purchased equal to 15% of the total face value of the debentures to be redeemed and not of the debentures to be redeemed in the year under consideration and so passed an incorrect journal entry. A few candidates, instead of transferring the proportionate amount of DRR to General Reserve in both the years of redemption,

Suggestions for Teachers

- *Give ample practice to calculate debentures issued for consideration other than cash, when issued at par, discount or premium.*
- *Ensure that the provisions of the Companies Act, 2013 are complied with when teaching the topic on Redemption of Debentures.*

transferred its entire amount at the end of the second year.

MARKING SCHEME

Question 5

(A) **Journal of Zee Ltd**

Date	Particulars		LF	Debit(₹)	Credit(₹)
	Fixed Assets A/c	Dr		6,50,000	
	Goodwill A/c	Dr		90,000	
	To Sundry Creditors A/c				80,000
	To Rainbow Ltd				6,60,000
	(Being business purchased)				
	Rainbow Ltd	Dr		6,60,000	
	To Bills Payable A/c				33,000
	To 5 % Debentures A/c				5,70,000
	To Securities Premium Reserve A/c / Securities Premium				57,000
	(Being payment made to Rainbow Ltd by accepting a B/P and by issuing 5,700 debentures @ premium of ₹ 10/deb)				

(B) **Journal of Shikhar Ltd.**

Date	Particulars		LF	Debit (₹)	Credit (₹)
31/3/17	Surplus in Statement of P/L	Dr		2,75,000	
	To Deb Redemption Reserve A/c				2,75,000
	(Being 25% of the total face value of deb transferred to DRR)				
30/4/17	Debenture Redemption Investment A/c	Dr		1,05,000	
	To Bank A/c				1,05,000
	(Being purchase of DRI equal to 15% of ₹7,00,000 debentures due for redemption)				
31/3/18	10% Debentures A/c	Dr		7,00,000	
	Premium on Redemption of Debentures A/c	Dr		70,000	
	To Debenture holders A/c				7,70,000
	(Being amount due to debenture holders)				
31/3/18	Debenture holders A/c	Dr		7,70,000	

	To Bank A/c				7,70,000
	(Being debentures redeemed)				
31/3/18	Debenture Redemption Reserve A/c	Dr		1,75,000	
	To General Reserve A/c				1,75,000
	(Being transfer of proportionate amount of DRR to General Reserve)				
31/3/19	Bank A/c	Dr		1,05,000	
	To Debenture Redemption Investment A/c				1,05,000
	(Being DRI sold)				
31/3/19	10% Debentures A/c	Dr		7,00,000	
	Premium on Redemption of Debentures A/c	Dr		70,000	
	To Debenture holders A/c				7,70,000
31/3/19	(Being amount due to debenture holders)				
31/3/19	Debenture holders A/c	Dr		7,70,000	
	To Bank A/c				7,70,000
	(Being debentures redeemed)				
31/3/19	Debenture Redemption Reserve A/c	Dr		1,75,000	
	To General Reserve A/c				1,75,000
	(Being proportionate DRR transferred to General Reserve)				

Question 6

[12]

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

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

Their partnership deed provided for:

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

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

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

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

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

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

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

(i) **Profit and Loss Appropriation Account.**

(ii) **Partners' Capital Accounts.**

Comments of Examiners	Suggestions for Teachers
(i) Majority of the candidates were able to prepare the P/L Appropriation A/c correctly. However, common errors made by some candidates were: (a) Not mentioning the period for which the account was being prepared. (b) Interchanging the interest on drawings of the partners. (c) Writing 'By Net Profit' instead of 'By Profit and Loss Account' while posting the trading profits in the P/L Appropriation A/c. (ii) Most of the candidates made errors in the Partners' Capital A/c. They did not realise that they were preparing the accounts of a newly started business wherein the partners were investing capital in cash and kind. They considered the capital balances as that of an ongoing business and thus brought down the capital balances of the partners as if they were the opening ones. Many candidates also interchanged the drawings of the two partners.	▪ *Spend sufficient time on the topic 'Fundamentals of Partnership' as this is the basis of the entire unit of partnership.* ▪ *Give sufficient practice in calculating interest on drawings* ▪ *Advise students to read the question carefully to see whether they are preparing the accounts of a newly formed business or an ongoing one.* ▪ *Explain the treatment of items which are charge against profits and which are appropriation of profit. This can best be done through adjusting and closing entries.* ▪ *Explain the transfer of net profit from P/L A/c to P/L Appropriation A/c and profits to the partners' capital accounts.*

MARKING SCHEME

Question 6

(i)

P/L Appropriation A/c

For the year ending 31st March, 2019/ for the year 2018-19

Particulars	Amount (₹)	Particulars	Amount (₹)
To Interest on Capital A/c Anita's Capital 50,000 Tony's Capital 75,000	1,25,000	By P/L A/c 4,00,000 Add Tony's salary 12,000 Less IOL (9,000)	4,03,000
To Salary A/c Tony's Capital	12,000	By Interest on Drawings Anita's Capital 1,200 Tony's Capital 1,650	2,850
To Commission Anita's Capital	16,120		
To Anita's Capital (profit) To Tony's Capital (profit)	1,26,365 1,26,365		
	4,05,850		4,05,850

(ii)

Partners' Capital Accounts

Particulars	Anita	Tony	Particulars	Anita	Tony
To Drawings	30,000	60,000	By P/M	5,00,000	
To IOD	1,200	1,650	By Furniture		50,000
To Balance c/d	6,61,285	9,01,715	By Cash/Bank		7,00,000
			By IOC	50,000	75,000
			By Commission	16,120	
			By Salary		12,000
			By P/L App A/c	1,26,365	1,26,365
	6,92,485	9,63,635		6,92,485	9,63,635

Question 7

[12]

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

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

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

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

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

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

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

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

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

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

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

You are required to:

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

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

Comments of Examiners

(i) Many candidates were able to pass the correct journal entries. However, common errors made by some candidates were:

(a) Creating the provision for doubtful debts equal to 10% of the debtors and not with only the amount required to raise the existing provision to 10% of the debtors.

(b) Paying off the Bank Loan through the Revaluation A/c.

(c) Not passing the entry for revaluation of investment (unrecorded) and taken over by a partner.

(d) Not being able to calculate the gaining ratio and so incorrect amounts were credited to the old partners' capital accounts as compensation for self- generated goodwill.

(ii) Almost all the candidates were able to prepare the Balance Sheet with its correct date - Balance Sheet of... As at 1st April, 2019.

Suggestions for Teachers

- *Give sufficient practice to the students regarding revaluation of assets and liabilities.*
- *Sufficient practice needs to be given in calculating the gaining ratio.*
- *Ensure that right from Class XI, students are made to understand the basic accounting concepts, for example, when a liability decreases it has to be debited while an asset is credited when it decreases.*
- *Ensure that whenever a Balance Sheet is prepared by the students, they must mention the date of its preparation.*
- *Insist on the formation of a proper journal format with the heading 'Journal' and all journal entries to be accompanied with narrations.*

MARKING SCHEME

Question 7

(i)

	Smita		Punita		Mita
OR	3	:	2		
NR	5	:	3	:	2
SR	1	:	1		

Journal

Date	Particulars		L.F	Debit(₹)	Credit(₹)
	Cash / Bank A/c	Dr		25,200	
	Bank Loan A/c	Dr		6,000	
	To Mita's Capital A/c				21,200
	To Premium for goodwill A/c				10,000
	(Being cash brought in for capital and goodwill)				
	Premium for goodwill A/c	Dr		10,000	
	To Smita's Capital A/c				5,000

	To Punita's Capital A/c			5,000
	(Being old partners compensated for goodwill in Sacrificing Ratio)			
	Smita's Capital A/c Dr		2,500	
	Punita's Capital A/c Dr		2,500	
	To Cash/ Bank A/c			5,000
	(Being 50% of goodwill credited to old partners withdrawn by them)			
	General Reserve A/c Dr		10,000	
	To Smita's Capital A/c			6,000
	To Punita's Capital A/c			4,000
	(Being General Reserve distributed in the Old Ratio)			
	Investments A/c Dr		3,000	
	To Revaluation A/c			3,000
	(Being gain on revaluation of investments)			
	Revaluation A/c Dr		200	
	To Provision for Doubtful debts A/c			200
	(Being increase in prov. For doubtful debts)			
	Revaluation A/c Dr		2,800	
	To Smita's Capital A/c			1,680
	To Punita's Capital A/c			1,120
	(Being net gain on revaluation of assets and liabilities transferred to old partners in Old Ratio)			
	Punita's Capital A/c Dr		3,000	
	To Investments A/c			3,000
	(Being investments taken over by Punita)			
	In lieu of entry 1			
	Cash / Bank A/c *Dr*		25,200	

	To Mita's Capital A/c			15,200
	To Premium for goodwill A/c			10,000
	(Being balance of capital and GW brought in by the new partner)			
	Bank Loan A/c Dr		6,000	
	To Mita's Capital A/c			6,000
	(Being bank loan paid by Mita)			

(ii)

Balance Sheet of Smita, Punita and Mita
As at 1st April, 2019

Liabilities		**Amount (₹)**	**Assets**		**Amount (₹)**
Capital Accounts			Cash in hand		50,200
Smita	40,180		Sundry Debtors	22,000	
Punita	44,620		Less prov for d/d	(2,200)	19,800
Mita	21,200	1,06,000	Stock		40,000
Sundry Creditors		14,000	Furniture		10,000
		1,20,000			1,20,000

Working Notes:

Partners' Capital Accounts

Particulars	**Smita**	**Punita**	**Mita**	**Particulars**	**Smita**	**Punita**	**Mit**
To Cash	2,500	2,500		By Bal b/d	30,000	40,000	
To Invest		3,000		By Gen Res	6,000	4,000	
To Bal c/d	40,180	44,620	21,200	By Cash			15,2
				By Pr for GW	5,000	5,000	
				By Reval	1,680	1,120	
				By Bank Loan			6,00
	42,680	50,120	21,200		42,680	50,120	21,2

Calculation of Mita's Capital:

Final Capital of the firm= (40,180 + 44,620) × 5/4 = ₹1,06,000

Mita's Capital = 1/5 × 1,06,000 = ₹21,200

Question 8

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

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

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

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

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

You are required to show the relevant items under:

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

(ii) **Notes to Accounts**.

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

(i) Trade Debtors

(ii) Marketable Securities

(iii) Finished Goods

(iv) Patents

Comments of Examiners

(A) Majority of the candidates, who attempted this question, were able solve it correctly. However, some candidates:

(i) Did not show 1/5th of the Debentures as an 'Other Current Liability - Current maturities of long term debt'. They took the entire amount of Debentures as a Non-Current Liability.

(ii) Added the interest paid on debentures to the amount of debentures instead of showing it

Suggestions for Teachers

- *Explain each and every item of the Balance Sheet of a company which is included in the scope of the syllabus. The explanation must include the reason for the item being under a particular head and sub-head.*

under the heading Shareholders' Funds, sub-heading Reserves and Surplus.

(B) Almost all the candidates who attempted this question were able to write the items under the proper heads and sub-heads. However, some candidates classified ‘finished goods’ as ‘non-current assets’ and ‘marketable securities’ as ‘cash and cash equivalents’. For patents, a few candidates wrote 'Intangible Assets' under the sub-head without mentioning 'Fixed Assets'.

- *Teach the students how to present Authorised, Issued and Subscribed Capital in the Notes to Accounts.*
- *Explain heads and sub-heads and the items under each sub-head in Balance Sheet of a Company prepared as per Schedule III of the Companies Act,2013, and conduct quizzes and short tests on this chapter.*

MARKING SCHEME

Question 8

(A) (i)

Balance Sheets of Xylo Ltd.

As at 31st March,2019

				Note No.	31.3.2019 (₹)
		Particulars			
I	**1.**	***EQUITY AND LIABILITIES*** ***Shareholders' Funds***			
		(a)	Share Capital	1	8,48,000
		(b)	Reserves and Surplus	2	1,04,000
	2.	***Non- Current Liabilities***			
			Long Term Borrowing	3	1,60,000
	3.	***Current Liabilities***			
			Other Current Liabilities	4	40,000

(ii) **Notes to Accounts:**

Particulars		₹
1.	Share Capital	
	Authorised Capital	
	1,20,000 Equity Shares @ ₹10 each	12,00,000
	Issued Capital	
	90,000 Equity Shares @ ₹10 each	9,00,000
	Subscribed Capital	
	Subscribed and fully paid	

	84,000 Equity Shares @ ₹10 each		
	Subscribed but not fully paid		8,40,000
	1,000 Equity Shares @ ₹ 10 each	10,000	
	Less Calls-in-arrears	(2,000)	8,000
			8,48,000
2.	Reserves and Surplus		
	Securities Premium Reserve		1,10,000
	Balance of Statement of P/L (interest on debentures)		(6,000)
			1,04,000
3.	Long Term Borrowing		1,60,000
	1,600, 6% Debentures of ₹ 100 each		
4.	Other Current Liabilities		40,000
	Current Maturity of Long-Term Debt- 400, 6% Debentures of ₹100 each		

(B)

	Item	Head	Sub-head
(i)	Trade Debtors	Current Assets	Trade Receivables
(ii)	Marketable Securities	Current Assets	Current Investments
(iii)	Finished Goods	Current Assets	Inventory
(iv)	Patents	Non-Current Assets	Fixed Assets (intangible)

SECTION B (20 Marks)

*Answer any **two** questions*

Question 9

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

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

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

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

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

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

(i) **Fixed asset purchased.**

(ii) **Fixed asset sold.**

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

(iv) **Depreciation charged on fixed assets.**

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

Additional information:

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

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

Comments of Examiners

(A) Almost all the candidates who attempted this question were able to write the correct answer of both the parts.

(B) This part was well answered by almost all the candidates. However, the heading written by some candidates was incomplete as it did not include the date of the previous year with which

Suggestions for Teachers

- *Clearly explain formulas of ratios and the effect on a ratio when there is an increase or decrease in any of its components.*
- *Ensure that while preparing a comparative statement, the students*

the current year figures were being compared. A few candidates prepared a Common Size Statement of P/L.

(C) Almost all the candidates who attempted this question were able to write the sale price of the asset and calculate the correct loss incurred on sale. Many students were able to calculate the depreciation charged during the year and the purchase price of the asset. However, some candidates considered the accumulated depreciation on the asset sold as the depreciation charged during the year and hence got an incorrect value of the asset purchased.

always mention the dates/ years of both the years under consideration.

- *Lay stress in Class XI, on the Methods of Recording Depreciation especially when Provision for Depreciation Account is opened, as the basics of this topic is required in Class XII while preparing Cash Flow Statement.*

MARKING SCHEME

Question 9

(A)	(i)	Decrease
	(ii)	Increase

(B)

Comparative Statement of Profit & Loss

For the years ending 31st March, 2018 and 31st March,2019

Particulars	**31.3.2019** (₹)	**31.3.2018** (₹)	**Absolute Change**	**% change**
Revenue from Operations	20,00,000	10,00,000	10,00,000	100
Expenses				
Purchase of Stock-in Trade	12,00,000	6,00,000	6,00,000	100
Changes of Inventories	3,00,000	1,20,000	1,80,000	150
Other Expenses	1,00,000	80,000	20,000	25
Total Expenses	16,00,000	8,00,000	8,00,000	100
Profit before Tax	4,00,000	2,00,000	2,00,000	100
Less Tax	(1,60,000)	(80,000)	(80,000)	100
Profit after Tax	2,40,000	1,20,000	1,20,000	100

(C)

Fixed Asset A/c

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d (NV)	4,90,000	By Depreciation	70,000
To Cash	2,10,000	By Cash	20,000
		By Loss on sale	10,000
		By Balance c/d	6,00,000
	7,00,000		7,00,000

Accumulated Depreciation A/c

Particulars	Amount (₹)	Particulars	Amount (₹)
To Fixed Asset A/c	30,000	By Balance b/d	1,40,000
To Balance c/d	1,80,000	By Statement of P/L/ dep	70,000
	2,10,000		2,10,000

Or

Fixed Asset A/c

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d (GV)	6,30,000	By Acc Depreciation	30,000
To Cash	2,10,000	By Cash	20,000
		By Loss on sale	10,000
		By Balance c/d	7,80,000
	8,40,000		8,40,000

Accumulated Depreciation A/c

Particulars	Amount (₹)	Particulars	Amount (₹)
To Fixed Asset A/c	30,000	By Balance b/d	1,40,000
To Balance c/d	1,80,000	By Statement of P/L/ dep	70,000
	2,10,000		2,10,000

Or

		(₹)
(i)	Fixed Asset purchased	2,10,000
(ii)	Fixed Asset sold	20,000
(iii)	Loss on sale of fixed asset	10,000
(iv)	Depreciation charged on fixed assets	70,000

Question 10

[10]

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

Balance Sheets of Hillock Ltd.

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

Particulars	**Note No.**	**31.3.2019 (₹)**	**31.3.2018 (₹)**
I. **EQUITY AND LIABILITIES**			
1. Shareholders' Funds:			
(a) Equity Share Capital	1	2,50,000	2,00,000
(b) Reserves and Surplus	2	90,000	50,000
2. Current Liabilities:		--	
(a) Short-term Borrowings (Bank overdraft)			10,000
(b) Trade Payables		20,000	15,000
(c) Other Current Liabilities		5,000	5,000
(d) Short-term Provisions (Provision for Tax)		25,000	20,000
Total		**3,90,000**	**3,00,000**
II. **ASSETS**			
1. Non-Current Assets:			
Fixed Assets Tangible		2,55,000	2,35,000
2. Current Assets:			
(a) Current Investments		30,000	--
(b) Inventories		15,000	25,000
(c) Trade Receivables		40,000	10,000
(d) Cash and Bank Balances		50,000	30,000
Total		**3,90,000**	**3,00,000**

Notes to Accounts:

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

Additional Information:

During the year 2018-19:

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

(ii) Tax paid ₹ 15,000.

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

Comments of Examiners

A large number of the candidates were able to do this question correctly. However, some candidates, despite the fact that there was no information of sale of any Plant & Machinery, considered the decrease in the amount of Plant & Machinery as sale of the asset instead of as depreciation charged during the year on it. A few candidates did not reduce the outflow of dividend paid by the amount of unclaimed dividend but considered unclaimed dividend as an item of change in the working capital. A few candidates also did not mention the period for which the Cash Flow Statement was being prepared.

Suggestions for Teachers

- *Ensure that the students have clearly understood the preparation of the Asset A/c at its Gross Value along with the Accumulated Depreciation A/c and the Asset A/c at its Net Value.*
- *Explain to the students that any amount of unclaimed dividend / dividend payable would result in less amount of dividend paid (to the extent of dividend payable).*
- *Ensure that the students show the calculation of 'Net Profit before Tax' as a working note and not in the main body of the Cash Flow Statement.*
- *Clarify to the students that Bank Overdraft is a financing activity.*
- *Insist that every Cash Flow Statement prepared by the students must have the period for which it is being prepared.*

MARKING SCHEME

Question 10

Working Note: 1 **Plant & Machinery A/c**

Particulars	**Amount (₹)**	**Particulars**	**Amount (₹)**
To Balance b/d	2,35,000	By Depreciation	30,000
To Cash	50,000	By Balance c/d	2,55,000
	2,85,000		2,85,000

Working Note: 2 **Provision for Tax A/c**

Particulars	**Amount (₹)**	**Particulars**	**Amount (₹)**
To Cash A/c	15,000	By Balance b/d	20,000
To Balance c/d	25,000	By Statement of P/L	20,000
	40,000		40,000

Working Note: 3 (₹)

Net Profit for the year	30,000
Dividend declared	10,000
Provision for Tax	20,000
Net Profit before Tax	60,000

Cash Flow Statement of Global Ltd.

For the year ending 31st March, 2019/ For the year 2018-19

Particulars	**₹**	**₹**	**₹**
I. Cash from Operating Activities			
NP before Tax (WN 3)		60,000	
Add non op / non cash exp			
Depreciation on Plant & Machinery		30,000	
Interest on Bank overdraft		1,000	
Net Op Profit before WC changes		91,000	
Add Trade Payables	5,000		
Less Trade Receivables	(30,000)		
Less Outstanding expenses	(4,000)		
Less Current Investments	(30,000)		
Add Inventories	10,000	(49,000)	
Cash from Operating Activities before Tax pd		42,000	
Less Tax paid		(15,000)	
Cash flow from Operating Activities			27,000
II. Cash from Investing Activities			

Purchase of Plant & Machinery		(50,000)	
Cash used in Investing Activities			(50,000)
III. Cash from Financing Activities			
Issue of Share Capital		50,000	
Bank overdraft repaid		(10,000)	
Interest on bank overdraft paid		(1,000)	
Dividend paid		(6,000)	
Securities Premium Reserve		10,000	
Cash Flow from Financing Activities			43,000
Net increase in Cash as per I, II and III			20,000
Add Op Cash and Cash Equivalents			
Cash at Bank			30,000
Closing Cash and Cash Equivalents			
Cash at Bank		50,000	
		50,000	50,000

Question 11

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

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

Particulars

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

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

(i) **Debt to Total Assets Ratio**

(ii) **Proprietary Ratio**

(iii) **Inventory Turnover Ratio**

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

Comments of Examiners

(A) Majority of the candidates were able to write the answer to this question satisfactorily. However, a few candidates simply wrote the formula of Current Ratio/ Liquid Ratio.

(B) A large number of candidates were able to calculate the Earning per Share. But some candidates lost marks in the formula. They wrote ‘Net Profit after Tax and Dividend’ or ‘Preference Shares’ instead of ‘Preference Dividend’. A few candidates, instead of considering Number of Equity Shares in the denominator wrote Number of Shares.

(C) Many candidates were unable to calculate the Debt to Total Assets Ratio and Proprietary Ratio as they took the total of Fixed Assets and Current Assets to be Total Assets. Almost all candidates were able to calculate the Inventory Turnover Ratio.

Suggestions for Teachers

- *Clearly explain the objective behind preparing the liquidity, solvency, turnover and profitability ratios.*
- *Explain that EPS is calculated only for equity shareholders.*
- *Teach the Balance Sheet Ratios through the accounting equation A= L+C or through the equation= Shareholders' Funds + NCL + CL = NCA + CA.*
- *Teach the formulae of the ratios as per the scope of the syllabus.*

MARKING SCHEME

Question 11

(A)		Liquidity means the capacity or ability of a firm to meet its short-term liabilities as and when they become due. These ratios show the short-term solvency of the business / capacity or ability of a firm to meet its short-term liabilities/ Current Liabilities as and when they become due.
(B)		**Earnings per share** = $\frac{\text{Net Profit after Tax and Preference Dividend}}{\text{No. of Equity Shares}}$ Net profit after tax and preference dividend = 15,00,000 – 4,50,000 – 60,000= 9,90,000 EPS = $\frac{9,90,000}{3,00,000}$ = ₹ 3·30
(C)	(i)	**Debt to Total Asset Ratio** = $\frac{\text{Long Term Debt}}{\text{Total Assets}}$ Total Assets = 14,40,000 +5,00,000 + 8,00,000 = 27,40,000 = $\frac{8,00,000}{27,40,000}$ = 0·29:1
	(ii)	**Proprietary Ratio** = $\frac{\text{Shareholders Funds/ Equity}}{\text{Total Assets}}$ = $\frac{14,40,000}{27,40,000}$ = 0·53:1
	(iii)	**Inventory Turnover Ratio** = $\frac{\text{Cost of Revenue from Operations}}{\text{Average Inventory}}$ = $\frac{9,00,000}{2,00,000}$ = 4·5 times

SECTION C (20 Marks)

*Answer any **two** questions.*

Question 12

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

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

(i) Count(C15:30)

(ii) Max(A4:A10)

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

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

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

Comments of Examiners	Suggestions for Teachers
Very few candidates attempted this question but those who did attempt it were able to write the correct answer.	▪ *Explain the theory of the Worksheet in detail.*

MARKING SCHEME

Question 12

(a)	Because in MS Excel, formulae start with equal to sign (=).	
(b)	(i)	Function will count the number of cells from (C15:30) that contains numbers.
	(ii)	Function will give the largest value in the range of A4 to A10.
(c)	Auto filling occurs when Excel automatically fills selected cells with data. Excel has several pre-set series, for example, months of the year and days of the week that are used with the fill handle. If January is typed in a cell and the fill handle is used to select adjacent cells, Excel will those cells with the next names in the series … February, March, April and so on. (*Any other example*)	
(d)	It means wrong type of data in a formula or function, such as trying to add numbers and text (any other example)	
(e)	Structured Query Language	

Question 13

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

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

Answer the following questions based on the above spreadsheet:

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

Write the formula to calculate:

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

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

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

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

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

Comments of Examiners

Very few candidates attempted this question but those who did attempt it were unable write to write the correct formula as they took the profit on sales instead of on cost as given in the question.

Suggestions for Teachers

- *Ensure that from Class XI itself, students are able to calculate profit when given as % of cost / sales.*
- *Give more practice to students in attempting questions based on application of spreadsheets.*

MARKING SCHEME

Question 13

(a)	(i)	= D4*20% Or = D4*0·20 Or = (D4 - D4*80%) Or = (D4 – D4*0·80) Or = (D4 *0·25/125) 8400 - 6720 = ₹ 1680
	(ii)	= E5 *80% Or = E5 *0·80 Or = (E5 – E5*20%) Or = (E5 – E5*0·20) Or = (E5/125) *100 9000-1800= ₹ 7200
	(iii)	= Sum (B3:E6) *80% Or = Sum (B3:E6) *0·80 Or = (F3 + F4 + F5 + F6) *80% Or = (F3 + F4 + F5 + F6) * 0·80 Or = (F3 + F4 + F5 + F6)/125 * 100

(b)	1,500 * 125/25 = ₹ 7,500
(c)	= (G7- H7) Or = F7*0·08 - F7 *0·05 Or = F7*8% - F7 *5%

Question 14

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

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

(i) Table

(ii) Field

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

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

Comments of Examiners	Suggestions for Teachers
Not many candidates attempted this question and those who did attempt it were unable to write the correct answers.	▪ *Explain Database Management system in detail to students.*

MARKING SCHEME

Question 14

(a)	Back-end: It is an application where data is stored. For example: MS Access, Oracle, Excel Front-end: It is an interface through which data is accessed from the back-end. For example: Visual Basic, Java	
(b)	(i)	Table: An object of database where records of an entity is stored.
	(ii)	Field: The column names to store same type of data.
(c)	• Inventory Management system • Bank Reconciliation Statement • Payroll Management System • Employee Database Management System • Flight Reservation System *(any two)*	

(d)	• Uniquely identifies a record in a tableannot accept null values • By default, primary key is clustered index and data in the database table is physically organized in the sequence of clustered index. • There can be only one Primary key in a table *(any two)*

GENERAL COMMENTS

Topics found difficult by candidates

- Valuation of Goodwill- calculation of Capital Employed
- Calculating Hidden Goodwill at the time of retirement of a partner.
- Preparation of Calls-in-arrears A/c.
- Calculation of the book value of the assets at the time of dissolution of the partnership firm and calculating the amount to be paid to the creditors.
- Posting of Capital brought in kind in the Partners' Capital Accounts.
- Passing journal entries for goodwill compensation being withdrawn by the old partners and a partner discharging a firm's liability.
- Redemption of Debentures.
- Calculating depreciation charged on assets while preparing Cash Flow Statement.
- Determining the correct amount of Total Assets in order to calculate the ratios.

Concepts in which candidates got confused

- Circumstances leading to dissolution of partnership and the status of the firm after dissolution of partnership.
- Depreciation charged on assets while preparing Cash Flow Statement.
- Posting in Partners' Capital A/c when capital had been introduced in kind.

Suggestions for Students

- Not to neglect the Class XI syllabus.
- Ensure that the accounting concepts are clear. This will help in answering the theory questions.
- Understand the concept before attempting any question.
- Do not resort to selective study. The entire syllabus must be done in totality.
- The scope of the syllabus should be strictly adhered to.
- Do not write short forms in the formulae of the ratios.
- Always practice sums with proper formats drawn and correct dates/ years.
- All journal entries must be accompanied with narrations.
- Practice solving past years' question papers.
- Solve the sample papers released by the Council.