SAMPLE Paper 2

[Easy Concept]

Time Allowed : 3 hrs.] [*Max. Marks* : 80

Questions 1 to 6 (1 Mark); 7 to 10 (3 Marks); 11 to 12 (4 Marks); 13 to 15 (6 Marks); 16 to 17 (8 Marks); 18 to 19 (1 Mark); 20 to 22 (4 Marks); 23 (6 Marks)

PART-A

ACCOUNTING FOR NOT-FOR-PROFIT ORGANISATIONS, PARTNERSHIP FIRMS AND COMPANIES

1. What is the treatment of donation received for special purpose in a Not-for-Profit Organisation?

2. How are Calls-in Arrears and Calls-in-Advance disclosed in the Balance Sheet of a Company?

3. The Accountant of the firm has debited the Profit and Loss Appropriation A/c for rent paid to a partner. Is the treatment given by the Accountant correct? Give reason in support of your answer.

4. Gaurav and Saurabh are partners in a firm having capital balance of ₹ 90,000 and ₹ 60,000 respectively. They admitted Mohit as a new partner for 2/7th share in the firm. What will be Mohit's share of capital if he has to contribute capital in proportion to his profit sharing ratio?

5. State the treatment of payment of firm's debts and private debts.

6. What is meant by 'Unlimited liability of a partner'?

7. Kailash Ltd. purchased a running business from Rohan Ltd. for a sum of ₹ 4,00,000 payable by issue of 36,000 equity shares of ₹ 10 each at par and the balance by an acceptance of a Bill Payable. The assets and liabilities taken over were:

Stock of Goods ₹ 45,000; ₹ Machinery 1,25,000; ₹ Furniture 52,000; Building ₹ 2,00,000; Sundry Debtors ₹ 28,000 and Sundry Creditors ₹ 20,000.

Pass necessary journal entries for the above transactions.

8. X and Y are partners in a firm. They agree on the following:

X is entitled to a salary of ₹ 500 per month together with a commission of 10% of the net profit after charging salary, but before charging any commission. Y is entitled to a salary of ₹ 3,000 p.a. together with a commission of 8% of Net Profit after charging salary and all commissions. Net Profit before charging any commission but after charging salary for the year ended 31st March, 2018 is ₹ 60,000.

Prepare Profit and Loss Appropriation Account for this year.

9. Distinguish between Reserve Capital and Capital Reserve on the following basis.

(*i*) Meaning (*ii*) Usage (*iii*) Disclosure

10. Calculate the amount of consumable stores to be debited to Income and Expenditure Account for the year ended 31st March, 2018. Following information has been given to you:

	(₹)
Opening stock of consumable stores	80,000
Closing stock of consumable stores	1,20,000
Opening creditors of consumable stores	1,50,000
Closing creditors of consumable stores	90,000
Cash purchases of consumable stores during the year	3,20,000

11. Bimla and Shanta are partners sharing profits in the ratio 3:2. They admit Rekha for 1/5th share which she purchases from Bimla and Shanta in 2:3 ratio. Goodwill of the firm is valued at ₹ 1,20,000. Rekha contributes ₹ 90,000 as Capital and is able to contribute 80% of her share of Goodwill in cash. At the time of admission the Balance Sheet of the firm shows Goodwill at 20% of its present value. Complete journal entries on Rekha's admission and calculate the new profit sharing ratio.

In the books of Bimla, Shanta and Rekha

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	.... Dr.		....	
	Shanta's Capital A/c Dr.		....	
	To			....
	(Being existing goodwill written off)			
	.... Dr.		....	
	To Rekha's Capital A/c			....
	To			....
	(Being cash contributed towards capital and goodwill)			
	.... Dr.		....	
	.... Dr.			
	To			....
	To			....
	(Being premium for goodwill adjusted in sacrificing ratio)			

12. From the following Balance Sheet of Girish and Gokul, calculate interest on capital and interest on drawings @ 5% per annum for the year ended 31st March, 2018.

Liabilities	₹	Assets	₹
Capital Accounts:		Sundry Assets	1,84,000
Girish	90,000		
Gokul	70,000		
Profit and Loss Appropriation A/c (2017-2018)	24,000		
	1,84,000		1,84,000

During the year, Girish withdrew ₹ 2,000 at the beginning of every month and Gokul withdrew ₹ 15,000. The profits for the year ended 31st March, 2018 were ₹ 84,000.

13. Following is the Receipts and Payments Account for the year ended 31st March 2018 of Jaina Trust:

Receipts	₹	Payments	₹
To Balance b/d	72,000	By Rent	5,400
To Subscription	1,01,200	By Salary	12,000
To Sale of Investment	90,000	By Electricity Charges	7,200
To Interest of Investment	3,000	By Purchase of Books	8,000
To Sale of Furniture	5,200	By Purchase of Furniture	18,000
(Book value ₹ 6,000)		By Defence Bonds	50,000
		By Scholarship to Students	48,000
		By Balance c/d	1,22,800
	2,71,400		2,71,400

Prepare Income and Expenditure A/c for the year ending 31st March 2018 and Balance Sheet on that date on the basis of the following additional information:

(*a*) Subscription outstanding for the year ended 31st March 2017 and 2018 are ₹ 7,000 and 17,000 respectively. Subscription of ₹ 2,000 of last year is still outstanding.

(*b*) Interest on defence bonds ₹ 5,000 is outstanding.

(*c*) Rent is outstanding for 3 months.

(*d*) The book value of investment sold is ₹ 1,00,000. Investment of ₹ 20,000 is still in hands.

(*e*) The trust owns a building of ₹ 90,000 and furniture of ₹ 30,000 in the beginning of the year. Depreciation @ 5% is to be provided on these assets.

14. Sushil and Sahil are partners in a firm sharing profits in the ratio 2:3. Their Balance Sheet as at 31st March, 2018 was as follows:

Liabilities		₹	Assets		₹
Bank Overdraft		10,000	Cash		32,000
Salary Outstanding		5,000	Debtors	48,000	
Creditors		13,000	*Less*: Provision for		
General Reserve		5,000	doubtful debts	(2,000)	46,000
Capital Account:			Stock		35,000
Sushil	80,000		Prepaid expenses		21,000
Sahil	1,20,000	2,00,000	Investments		60,000
			Furniture		38,000
			Advertisement Suspense A/c		1,000
		2,33,000			2,33,000

On the above date they admitted Sareen as a partner for 1/4th share in the business which he acquires equally from Sushil and Sahil. Following are the required adjustments:

(*a*) Sareen will contribute ₹ 60,000 as his share of capital and ₹ 30,000 towards goodwill.

(*b*) Stock is overvalued by ₹ 5,000.

(*c*) Market value of investments is ₹ 54,000.

(*d*) Provision for doubtful debts to be maintained at 5% on debtors.

Pass necessary journal entries on Sareen's admission.

5. The Balance Sheet of A, B and C who were sharing profits in the ratio of 1:2:2 as on 31 March, 2018 is as follows:

Balance Sheet

as at 31st March, 2015

Liabilities		₹	Assets	₹
General Reserve		6,000	Cash	15,600
Bills Payable		12,000	Stock	38,400
Loan		13,200	Investments	51,000
Capital A/c:			Land and Building	58,200
A	48,000		A's Loan	12,000
B	36,000			
C	60,000	1,44,000		
		1,75,200		1,75,200

A died on 31st July, 2018. The Partnership Deed provided for the following on the death of a partner:

(*i*) Goodwill of the firm is valued at two years' purchase of the average profit for the last three years.

(*ii*) A share of profit or loss till the date of his death was to be calculated on the basis of sales. Sales for the year ended 31st March, 2018 amounted to ₹ 3,00,000 and from 1st April, 2018 to 31st July, 2018 amounted to ₹ 1,83,000. The profit for the year ended 31st March, 2018 was ₹ 75,000.

(*iii*) Interest on capital was to be provided @ 8% p.a.

(*iv*) The average profit for the last three years was ₹ 33,000.

Prepare A's Capital Account to be rendered to his Executor.

16. Amit, Sumit and Nimit are partners in a firm sharing profits in the ratio 5:4:1. Their Balance Sheet as at 31st March, 2018 was as follows:

Liabilities		₹	Assets	₹
Capital Accounts:			Goodwill	27,000
Amit	85,000		Land	64,000
Sumit	54,000		Machinery	34,000
Nimit	36,000	1,75,000	Patents	2,000
General Reserve		20,000	Stock	25,000
Outstanding Expenses		14,000	Debtors	50,000
Creditors		47,000	Bank	54,000
		2,56,000		2,56,000

It was agreed that Amit will retire on the following terms:

(*i*) The Goodwill of the firm is valued at two years purchase of the average annual profits of the preceding three years. The profits for the last three years were ₹ 34,000, ₹ 42,000 and ₹ 50,000.

(*ii*) Provision for doubtful debts at 10% on Debtors to be created.

(*iii*) Land revalued at ₹ 82,000 and Machinery at ₹ 24,000.

(*iv*) Sundry Creditors have agreed to accept 5% less.

(*v*) Patents were valueless.

Prepare Revaluation A/c, Partners' Capital Accounts and the Balance Sheet of the newly constituted firm.

Following is the Balance Sheet of Kirti, Ritika and Babita as on 31st March, 2018 who shared profits in the ratio 3:2:1. They decided to dissolve their firm when the Balance Sheet was:

Liabilities	₹	Assets		₹
Capital Accounts:		Bank		69,500
Kirti	1,70,000	Accrued Interest		3,500
Ritika	1,40,000	Debtors	72,000	
Babita	1,20,000	*Less*: Provision for		
Investment Fluctuation Reserve	24,000	doubtful debts	(8,000)	64,000
Loan	32,000	Stock		70,000
Employees Provident Fund	42,000	Investment		75,000
Bills Payable	18,000	Furniture		98,000
Sundry Creditors	26,000	Machinery		1,32,000
		Goodwill		60,000
	5,72,000			5,72,000

Agreed terms of dissolution were as follows:

(*i*) Sundry Creditors agreed to take over an unrecorded asset as full and final payment.

(*ii*) Ritika took over half the stock at 10% discount and also agreed to settle the Bills Payable.

(*iii*) Remaining stock realised 55% of the book value.

(*iv*) ₹ 7,000 of Debtors proved bad.

(*v*) Other assets realised:

Machinery : ₹ 1,15,050

Furniture : ₹ 76,000

Accrued Interest : Full amount

Goodwill ₹ 24,000.

(*vi*) Investments were sold in the market at a loss of 10%.

(*vii*) Firm had to pay ₹ 6,300 for outstanding Rent which was not provided for in the books.

(*viii*) Realisation expenses were ₹ 3,000 paid by Babita.

Prepare Realisation A/c, Partners' Capital Account and Bank A/c.

17. Arjun Ltd. invited applications for 50,000 equity shares of ₹ 10 each at a premium of 10% payable along with allotment. The amounts were payable as follows:

On Application ₹ 4 per share.

On Allotment ₹ 4 per share (including premium)

On First & Final call - balance

Applications for 70,000 shares were received, of which 10,000 shares were rejected and the remaining applicants were given pro-rata allotment. Excess application money was applied towards sums due on allotment.

Arvind to whom 1,500 shares were allotted failed to pay the allotment money. His shares were forfeited immediately after allotment. The forfeited shares were reissued @ 8 per share as fully paid-up. Afterwards the final call was made. Ritu who had applied for 1800 shares failed to pay the final call. Her shares were also forfeited and afterwards reissued @ 9 per share fully paid up.

Journalise the above transactions.

Or

Ashok Limited invited applications for 1,00,000 Equity shares of ₹ 10 each payable as under:-

On Application ₹ 4 per share

On Allotment ₹ 3 per share

On First Call ₹ 2 per share

On Final Call ₹ 1 per share

All payments due on application, allotment and calls have been received with the following exceptions.

X, a holder of 1,000 shares, failed to pay allotment and call money.

Y, a holder of 500 shares, failed to pay the amount due on first call and final call.

Z, a holder of 300 shares, failed to pay final call.

The shares of all the above defaulters were forfeited and were subsequently reissued at a discount of 10%.

Pass necessary journal entries in the books of the Company for the above transactions.

PART-B

ANALYSIS OF FINANCIAL STATEMENTS

18. Where will a manufacturing company record dividend/interest received while preparing Cash Flow Statement?

19. Sale of Marketable Securities at par would result in inflow, outflow or no flow of cash.

20. Give major heading and sub-heading under which following items will be shown in a Company's Balance Sheet as per Schedule III, Part I of the Companies Act 2013:

(*a*) Preliminary Expenses

(*b*) Goodwill

(*c*) Long-term Investments

(*d*) Securities Premium Reserve

(*e*) Unclaimed Dividend

(*f*) Encashment of Employees Earned Leave payable on retirement

(*g*) Provision for Doubtful Debts

(*h*) Interest on Calls-in-Arrears

21. (*a*) What is the meaning and purpose of Analysis of Financial Statements?

(*b*) Name any two tools of Analysis of Financial Statements.

22. From the following information calculate the Working Capital Turnover Ratio.

Cost of Revenue from Operations	₹ 5,00,000
Gross Profit Ratio	20%
Fixed Assets	₹ 5,00,000
Capital Employed	₹ 7,50,000

23. Following is the Balance Sheet of Amitabh Limited as on 31st March, 2018 and 2017.

Balance Sheet of Amitabh Limited
as on 31st March 2018 and 2017

Particulars	Note No.	31 March 2018 ₹	31 March 2017 ₹
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds:			
(a) Share Capital		19,60,000	14,00,000
(b) Reserves and Surplus	1	7,00,000	5,60,000
2. Non-Current Liabilities:			
Long-term Borrowing		7,00,000	1,96,000
3. Current Liabilities:			
(a) Trade Payables		1,40,000	84,000
(b) Short-term Provisions	2	1,12,000	84,000
Total		36,12,000	23,24,000
II. ASSETS			
1. Non-Current Assets:			
(a) Fixed Assets			
(i) Tangible Assets	3	22,40,000	12,60,000
(ii) Intangible Assets	4	1,96,000	2,80,000
2. Current Assets:			
(a) Inventories		3,50,000	2,80,000
(b) Trade Receivables		7,00,000	4,20,000
(c) Cash and Cash Equivalents		1,26,000	84,000
Total		36,12,000	23,24,000

Notes to Accounts:

Particulars	31st March 2018 ₹	31st March 2017 ₹
1. Reserves and Surplus		
Surplus i.e., Balance in Statement of Profit and Loss	7,00,000	5,60,000
2. Short-tern Provisions		
Provision for Tax	1,12,000	84,000
3. Tangible Assets		
Machinery	24,64,000	14,00,000
Less: Accumulated Depreciation	(2,24,000)	(1,40,000)
	22,40,000	12,60,000
4. Intangible Assets		
Goodwill	1,96,000	2,80,000

Prepare Cash Flow Statement after into account the following adjustments:

Tax paid during the year amounted to ₹ 98,000.