

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. Name two sources of finance for Redemption of Debentures.
2. A and B are partners sharing profits. They admit C as a new partner. C contributes Stock ₹ 30,000; Furniture ₹ 40,000; Machinery ₹ 1,00,000 and Cash ₹ 20,000 towards his Capital and Goodwill. Goodwill on the date of admission was valued at ₹ 1,80,000. Calculate C's share of Goodwill and Capital.
3. Why is gaining ratio calculated in case of retirement of a partner?
4. The total assets of a firm were ₹ 5,00,000 and outsiders liabilities were ₹ 80,000. Actual profits earned by the firm were ₹ 60,000. Calculate the total capitalised value of the business if the normal rate of return is 10%.
5. Will "Adarsh Social Club" run by seven members be deemed a partnership firm? Give reasons in support of your answer.
6. List two main sources of income of not-for-profit organisations.
7. M, N and O entered into partnership of manufacturing electronics, introducing capitals of ₹ 3,00,000, ₹ 2,00,000 and ₹ 1,00,000 respectively. It decided to set aside ₹ 20,000 from their net profit as reserves. They decided to share profits in 3:2:1 ratio. N and O guaranteed that M's share of profit after charging interest on capital @ 10% p.a. will not be less than ₹ 25,000 and any deficit will be borne equally. The profits for the year ended 31<sup>st</sup> March, 2018 amounted to ₹ 1,25,000.  
Prepare Profit and Loss Appropriation A/c to show the distribution of profits.
8. From the following information calculate the amount of subscription outstanding for the year 2017-18.  
A club has 120 members each paying ₹ 1,800 as annual subscription. The Receipts and Payments Account for the year showed a sum of ₹ 2,38,000 received as subscription. The following additional information is provided:

	₹
Subscription outstanding as on 31st March 2017	57,000
Subscription received in advance as on 31st March 2018	48,000
Subscription received in advance as on 31st March 2017	42,000

9. Aashima Limited issued 2,500, 9% Debentures of ₹ 100 each on 1<sup>st</sup> April, 2018 redeemable at a premium of 8% after 3 years.  
According to the terms of the prospectus ₹ 40 is payable on application and the balance on allotment of debentures, Record the necessary entries regarding issue of Debentures.
10. Karishma Limited issued 10,000 shares of ₹ 10 each credited as fully paid to the promoters for their services and issued 8,000 shares of ₹ 10 each credited as fully paid to the underwriters for their underwriting services.  
Journalise these transactions.



11. Salma, Sahira and Sajal were partners in a firm sharing profits in the ratio 4:3:2. Their Balance Sheet as on 31<sup>st</sup> March, 2018 was as follows:

Liabilities	₹	Assets	₹
Capital Accounts:		Sajal's Capital	22,000
Salma	1,00,000	Goodwill	36,000
Sahira	80,000	Machinery	1,04,000
Bank Loan	70,000	Stock	39,000
Employees Provident Fund	25,000	Debtors	48,000
Sundry Creditors	26,000	Bank	52,000
	3,01,000		3,01,000

Sajal died on 30<sup>th</sup> September 2018. Under the terms of the deed the executor of the deceased partner was entitled to the following:

- Interest on Capital at 12% p.a.
- Share of goodwill on the basis of twice the average of past three year's profits.
- The deceased partner will be entitled to his share of profit up to the date of death calculated on the basis of previous year's profit. Profits for the last three years were :

2015-2016 ₹ 36,000

2016-2017 ₹ 54,000

2017-2018 ₹ 78,000

Complete Sajal's Capital A/c to be rendered to her executors.

Dr.

Sajal's Capital A/c

Cr.

Particulars	₹	Particulars	₹
To .....	.....	By .....	.....
To .....	.....	By .....	.....
To .....	.....	By .....	.....
	33,555		33,555

12. A, B and C were partners in a firm. Their Fixed Capitals were ₹ 3,00,000, ₹ 2,00,000 and ₹ 2,00,000 respectively. According to the partnership deed they were entitled to interest on capital @ 5% p.a. In addition B was also entitled to draw a salary of ₹ 5,000 per month. C was entitled to a commission of 10% on the profits after charging interest on capital but before charging salary payable to B. The net profit for the year was ₹ 2,10,000, distributed in the ratio of their capitals without providing for any of the above adjustments. The remaining profits were to be shared in the ratio of 2:2:1. Pass the necessary adjustment entry showing the working clearly.



13. Following is the Receipts and Payments Account of Wellness Club for the year ending March 31, 2018.

Dr. **Receipts and Payments A/c** Cr.

Receipts	₹	Payments	₹
To Balance b/d	7,200	By Salaries	32,800
To Subscription	59,780	By Printing and Stationery	5,200
To Donation	12,120	By Rent	12,800
To Sale of Old Furniture (Book value ₹ 5,620)	4,200	By Repairs	8,100
To Entrance Fee	4,800	By Building purchased	45,000
To Life Membership Fee	18,100	By Balance c/d	6,800
To Interest on investment (@ 5% for full year)	4,500		
	1,10,700		1,10,700

**Additional Information:**

(a) The club possessed the following assets on 1st April 2017.

Building ₹ 2,00,000, Furniture ₹ 80,000 and Stock of Stationery ₹ 1,800. Depreciation @ 5% is to be provided on building.

(b) Following are the outstanding and advance receipts and payments:

	As on 1st April 2017 (₹)	As on 31st March 2018 (₹)
Subscription received in advance	1,200	2,800
Outstanding subscription	2,000	3,700
Outstanding rent	1,200	1,800

Prepare Income and Expenditure Account for the year ended 31<sup>st</sup> March, 2018 and Balance Sheet as on that date.

14. P, Q and R are partners in a firm sharing profits in the ratio of 5:3:2. On 31<sup>st</sup> March, 2018 the firm was dissolved. On dissolution, the following particulars are available:

- Assets realised ₹ 1,70,000 after a loss of ₹ 20,000.
- Liabilities were paid ₹ 27,000 including an unrecorded liability of ₹ 1,000.
- Realisation expenses were ₹ 700, out of which ₹ 400 were paid by the firm and balance by partner P.
- On the date of dissolution, partners' capital was in the ratio of 2:2:1.

Prepare Realisation account, Partners' Capital accounts and Bank account.

15. (a) The amount payable to Z on his retirement amounted to ₹ 1,96,000. He took over stock worth ₹ 24,000 and 25% of the investments after which an amount of ₹ 90,000 was due and transferred to his Loan A/c. Calculate the total value of Investments

(b) Sunil and Puri are partners in a firm sharing profits and losses in the ratio of 3:2 respectively. The fixed capital of Sunil is ₹ 1,20,000 and Puri is ₹ 75,000. On 1<sup>st</sup> April 2018 they admitted Kaushal as a new partner for 1/5<sup>th</sup> share in future profits. Kaushal brought ₹ 75,000 as his capital. Calculate the value of goodwill of the firm and record Journal entries on Kaushal's admission.



16. Following is the Balance Sheet of Arvind, Mehta and Sinha as on 31<sup>st</sup> March, 2018 who shared profits in the ratio 5:4:1.

Liabilities	₹	Assets	₹
Capital Accounts:		Machinery	2,50,000
Arvind	2,80,000	Investment	84,000
Mehta	1,70,000	Stock	58,000
Sinha	90,000	Debtors	75,000
Bills Payable	22,000	Bills Receivable	38,000
Sundry Creditors	25,000	Bank	48,000
Workmen's Compensation Fund	26,000	Goodwill	60,000
	6,13,000		6,13,000

Mehta died on 31<sup>st</sup> August 2018. Under the terms of the deed the executor of the deceased partner was entitled to the following:

- Amount standing to the credit of the Partner's Capital Account.
- Interest on Capital at 12% p.a.
- Mehta had withdrawn ₹ 23,000 during the current year.
- The deceased partner will be entitled to his share of profit up to the date of death based on the sales during that period which amounted to ₹ 2,40,000. The rate of profit during the last three years has been 10% on Sales.
- There was a claim on Workmen's Compensation of ₹ 9,000.
- Share of Goodwill was to be calculated by taking twice the amount of profit credited to his account in the last year less 20%. Profits for the year – 2017-2018 ₹ 72,000.
- Mehta's Executors agreed to take over Investment at its book value, 30% of the balance amount due to be paid immediately and the remaining amount to be transferred to Loan Account to be paid in two annual instalments with interest @ 10% p.a.

Prepare Mehta's Capital A/c to be rendered to his Executor and Executor's Account as on August 31, 2018.

Or

Arun and Varun are partners sharing profits and losses in the ratio of 3:2. Their Balance Sheet as at 31<sup>st</sup> March, 2018 was as follows:

Liabilities	₹	Assets	₹
Outstanding Expenses	12,000	Cash in hand	71,000
Bills Payable	60,000	Debtors	1,50,000
Creditors	96,000	Less: Provision for doubtful debts	(25,000)
Employee Provident Fund	18,000		1,25,000
Investment Fluctuation Fund	20,000	Stock	50,000
Reserve	40,000	Investments (Market value of investments ₹ 90,000)	1,20,000
Capital Accounts:			
Arun	2,50,000	Machinery	60,000
Varun	1,50,000	Building	2,00,000
		Profit & Loss A/c	20,000
	6,46,000		6,46,000



On 1<sup>st</sup> April, 2018 they admitted Tarun as a partner for 1/5<sup>th</sup> share in profits on the following terms:

- (i) Tarun will contribute proportionate capital and his share of goodwill in cash.
- (ii) The Goodwill of the firm is valued at ₹ 50,000.
- (iii) Provision on debtors was found to be in excess by ₹ 5,000.
- (iv) Outstanding expenses will be increased by ₹ 1,000.
- (v) A liability of ₹ 6,000 included in Sundry Creditors is not likely to arise.

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

17. Pass necessary journal entries for forfeiture and reissue of shares in the following cases:

- (a) Saman Ltd. forfeited 200 equity shares of ₹ 100 each ₹ 80 called up on which application and allotment money ₹ 50 per share was received from the shareholders. Out of these 100 shares were reissued as ₹ 80 per share paid up for ₹ 90 per share.
- (b) Bharat Ltd. forfeited the following shares of ₹ 10 face value after the final call was made:
  - 100 shares held by Akhil who paid ₹ 4 (Application and Allotment money)
  - 300 shares held by Ganga who paid ₹ 7 (Application, Allotment & First call).
  - 200 shares were later reissued for ₹ 9 per share, including all shares of Akhil.

Or

AB Ltd. invited applications for 1,00,000 equity shares of ₹ 10 each. The amount were payable as follows:

On Application ₹ 3 per share.

On Allotment ₹ 4 per share.

On First & Final call ₹ 3.

Applications for 1,40,000 shares were received and pro-rata allotment was made as follows:

Applicants for 60,000 shares were allotted 30,000 shares on pro-rata basis.

Applicants for 80,000 shares were allotted 70,000 shares on pro-rata basis.

Shaan to whom 1,000 shares were allotted out of the group applying for 60,000 shares failed to pay the allotment money. His shares were forfeited immediately after allotment.

Gaurav who applied for 1,600 shares out of the group applying for 80,000 shares failed to pay the first and final call. His shares were also forfeited.

All the forfeited shares were reissued @ ₹ 8 per share fully paid up. Journalise the above transactions.

## PART-B

### ANALYSIS OF FINANCIAL STATEMENTS

- 18. If the net profits before appropriation made during the year is ₹ 50,000 and the bills receivable have decreased by ₹ 10,000 during the year what will be the cash flow from operating activities.
- 19. Under what type of activity is payment of cash to acquire debentures by an Investment Company be shown while preparing Cash Flow Statement?



20. (a) Panaroma Machines Ltd. has an opening balance of ₹ 5,00,000 in Securities Premium Reserve and also a debit balance of ₹ 10,00,000 in Surplus i.e., Statement in Balance of Profit and Loss under Reserves and Surplus. During the year ended 31<sup>st</sup> March, 2018, it incurred a loss of ₹ 15,00,000. How will it be shown in Note to Accounts on Reserves and Surplus?

(b) State two features of Financial Statement Analysis.

21. From the following information of Anand Ltd. Prepare a Comparative Statement of Profit and Loss for the year ended 31<sup>st</sup> March 2017 and 31<sup>st</sup> March 2018.

Particulars	Note No.	31 <sup>st</sup> March 2017 ₹	31 <sup>st</sup> March 2018 ₹
I. Revenue from Operations		19,20,000	32,00,000
II. Other Income		14,40,000	19,20,000
III. Expenses		11,20,000	12,80,000
IV. Tax Rate		40%	40%

22. (a) Current Ratio of a Company is 2:1. State giving reasons, which of the following will improve, reduce or not change the ratio.

(i) Redemption of Debentures.

(ii) Purchase of goods against cash.

(b) Current Assets of a Company are ₹ 9,00,000. Its Current Ratio is 3:1 and Liquid Ratio is 1.2:1. Calculate Current Liabilities and Liquid Assets.

23. From the following information, calculate Cash flow from Operating Activities:

**Statement of Profit and Loss**  
*for the year ended 31st March, 2018*

Particulars	Note No.	₹
I. Revenue from Operations (Net Sales)		15,36,000
II. Other Income	1	23,040
III. Total Revenue (I+II)		15,59,040
IV. Expenses:		
(a) Purchases of Stock-in-Trade		9,52,320
(b) Changes in Inventories or Stock-in-trade		39,680
(c) Depreciation and Amortisation Expenses		38,400
(d) Other Expenses	2	3,80,160
Total Expenses (a + b + c + d)		14,10,560
V. Profit before Tax (III-IV)		1,48,480
VI. Less: Tax		46,080
VII. Profit after Tax		1,02,400

## Notes to Accounts:

Particulars	₹
<b>1. Other Income:</b>	
(i) Gain (Profit) on sale of Furniture	19,200
(ii) Interest	3,840
	23,040
<b>2. Other Expenses:</b>	
(i) Selling and Distribution Expenses	83,200
(ii) Office Expenses	1,92,000
(iii) Loss on sale of Machinery	1,04,960
	3,80,160

### Additional information:

Particulars	31 <sup>st</sup> March 2018 ₹	31 <sup>st</sup> March 2017 ₹
Trade Receivables	2,09,920	1,79,200
Inventories	1,07,520	1,47,200
Trade Payables	96,000	80,000
Outstanding Expenses	2,560	4,480