AL AIN JUNIORS SCHOOL

WINTER VACATION ASSIGNMENT(2018-19)

Grade : XII B

15/12/18

Accountancy (055)

ANSWER THE FOLLOWING QUESTIONS

1	Any change in the relationship of existing partners which results in an end of the existing agreement and enforces making of a new agreement is called (a) Revaluation of partnership. (b) Reconstitution of partnership. (c) Realization of partnership.
2	Karan, Nakul and Asha were partners in a firm sharing profits and losses in the ratio 3:2:1. At the time of admission of a partner, the goodwill of the firm was valued at ₹2,00,000. The accountant of the firm passed the entry in the books of accounts and thereafter showed goodwill at ₹2,00,000 as an asset in the Balance Sheet. Was he correct in doing so? Why?
3	Anu, Bina and Charan are partners. The firm had given a loan of ₹20,000 to Bina. They decided to dissolve the firm. In the event of dissolution, the loan will be settled by: (a) Transferring it to debit side of Realization account. (b)Transferring it to credit side of Realization account. (c)Transferring it to debit side of Bina's capital account (d) Bina paying Anu and Charan privately.
4	Differentiate between 'Capital Reserve' and 'Reserve Capital'
5	Metacaf Ltd. issued 50,000 shares of ₹100 each payable ₹20 on application (on 1st May 2012); ₹30 on allotment (on 1st January 2013); ₹20 on first call (on 1st July 2013) and the balance on final call (on 1st February 2014). Shankar, a shareholder holding 5,000 shares did not pay the first call on the due date. The second call was made and Shankar paid the first call amount along with the second call. All sums due were received. Total amount received on 1st February was: (a)₹15,00,000(b)₹16,00,000 (c) ₹10,00,000 (d) ₹11,00,000
6	Abha and Beena were partners sharing profits and losses in the ratio of 3:2. On April 1st 2013, they decided to admit Chanda for 1/5th share in the profits. They had a reserve of ₹25,000 which they wanted to show in their new balance sheet. Chanda agreed and the necessary adjustments were made in the books. On October 1st 2013, Abha met with an accident and died. Beena and Chanda decided to admit Abha's daughter Fiza in their partnership, who agreed to bring ₹2,00,000 as capital. Calculate Abha's share in the reserve on the date of her death

7	State any three purposes for which securities premium can be utilized	
8	Ankur and Bobby were into the business of providing software solutions in India. They were sharing profits and losses in the ratio 3:2. They admitted Rohit for a 1/5 share in the firm. Rohit, an alumni of IIT, Chennai would help them to expand their business to various South African countries where he had been working earlier. Rohit is guaranteed a minimum profit of ₹2,00,000 for the year. Any deficiency in Rohit's share is to be borne by Ankur and Bobby in the ratio 4:1. Losses for the year were ₹10,00,000.Pass the necessary journal entries	
9	Newbie Ltd. was registered with an authorized capital of ₹5,00,000 divided into 50,000 equity shares of₹10 each. Since the economy was in robust shape, the company decided to offer to the public forsubscription 30,000 equity shares of ₹10 each at a premium of ₹20 per share. Applications for 28,000 shares were received and allotment was made to all the applicants. All calls were made and duly received except the final call of ₹2 per share on 200 shares. Show the 'Share Capital' in the Balance Sheet of Newbie Ltd.as per Schedule VI of the Companies Act 1956. Also prepare Notes to Accounts for the same.	
10	Drumbeats Ltd. had a prosperous shoe business. They were manufacturing shoes in India and exporting to Italy. Being a socially aware organization, they wanted to pay back to the society. They decided to not only supply free shoes to 50 orphanages in various parts of the country but also give employment to children from those orphanages who were above 18 years of age. In order to meet the fund requirements, they decided to raise 50,000 equity shares of ₹50 each and 40,000 9% debentures of ₹40 each. Pass the necessary journal entries for issue of shares and debentures. Also identify one value which the company wants to communicate to the society.	
11	Following is the Balance Sheet of Punita, Rashi and Seema who are sharing profits in the ratio 2:1:2 as on 31st March 2013.	

Liabilities	Amount(₹)	Assets	Amount(₹)

Creditors	38,000	Building	2,40,000
Bills Payable	2,000	Stock	65,000
Capitals:		Debtors	30,000
Punita 1,44,000		Cash at bank	5,000
		Profit and Loss Account	
	4,00,000		4,00,000

Punita died on 30th September 2013. She had withdrawn ₹44,000 from her capital on July 1, 2013. According to the partnership agreement, she was entitled to interest on capital @8% p.a. Her share of profit till the date of death was to be calculated on the basis of the average profits of the last three years. Goodwill was to be calculated on the basis of three times the average profits of the last four years. The profits for the years ended 2009-10, 2010-11 and 2011-12 were ₹30,000, ₹70,000 and ₹80,000 respectively.

Prepare Punita's account to be rendered to her executors

12 Kanika and Gautam are partners doing a dry cleaning business in Lucknow, sharing profits in the ratio 2:1 with capitals ₹5,00,000 and ₹4,00,000 respectively. Kanika withdrew the following amounts during the year to pay the hostel expenses of her son.

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1st April	10,000
1st June	9,000
1st Nov.	14,000
1st Dec.	5,000

Gautam withdrew `₹15,000 on the first day of April, July, October and January to pay rent for the accommodation of his family. He also paid ₹20,000 per month as rent for the office of partnership which was in a nearby shopping complex.

Calculate interest on Drawings @6% p.a.

13 (a) A firm earned profits of ₹80,000, ₹1,00,000, ₹1,20,000 and ₹1,80,000 during 2010-11, 2011-12, 2012-13 and 2013-14 respectively. The firm has capital investment of ₹5,00,000. A fair rate of return on investment is 15% p.a. Calculate goodwill of the firm based on three years' purchase of average super profits of last four years

(b) Kabir and Farid are partners sharing profits and losses in the ratio of 7:3. Kabir surrenders 2/10th from his share and Farid surrenders 1/10th from his share in favor of Jyoti, a new partner. Calculate new profit sharing ratio and sacrificing ratio

14 Sunrise Company Ltd. has an equity share capital of ₹10,00,000. The company earns a return on investment of 15% on its capital. The company needed funds for diversification. The finance manager had the following options: (i) Borrow ₹5,00,000 @15% p.a. from a bank payable in four equal quarterly installments starting from the end of the fifth year (ii) Issue ₹5,00,000, 9% Debentures of ₹100 each

	redeemable at a premium of 10% after five years. To increase the return to the shareholders, the company opted for option (ii). Pass the necessary journal entries for issue of debentures
15	Ashish and Neha were partners in a firm sharing profits and losses in the ratio 4:3. They decided to dissolve the firm on 1st May 2014. From the information given below, complete Realisation A/c, Partner Capital Accounts and Bank A/c:

Dr. Realisation A/c Cr.

Liabilities	Amount(₹)	Assets	Amount(₹)
To sundry assets:		By Sundry liabilities:	
-Machinery	5,60,000	-Creditors	40,000
-Stock	90,000	-Ashish's wife's loan	25,000
-Debtors	55,000		
		By Bank:	
To Bank:		-Machinery	4,80,000
-Creditors	…………..	-Debtors	10,000
To Ashish's Capital A/c:	34,000		
-Ashish's wife's loan		By Ashish's Capital A/c:	
		-Stock 1,28,000	
To Neha's Capital A/c;		-typewriter 70,000	1,98,000
-Realisation expenses	7,000		
		By Neha's Capital A/c	
To profit transferred to:		-Debtors	40,000
Ashish's capital A/c 4,000			
Neha's capital A/c 3,000	7,000		
	7,93,000		7,93,000

Dr. **Partner's Capital Accounts** Cr.

Particulars	**Ashish**	**Neha**	**Particulars**	**Ashish**	**Neha**

To Realisation A/c To Bank A/c	 4,00,000	……… 4,50,000	By……….. By……….. By…………	………… …………. ………….	……….. ………. ………….

Dr. **Bank A/c** Cr.

Part	Amount(₹)	Parti	Amount(₹)
To Balance b/d To Realisation A/c	……….. 4,90,000	By Realisation A/c By Ashish's Loan A/c By Ashish's Capital A/c	………… 4,000 4,00,000

A and B are partners in a firm sharing profits and losses in the ratio 3:1. They admit C ~~for a~~ ¼ share on 31st March 2014 when their Balance Sheet was as follows:

Liabilities	Amount(₹)	Assets	Amount(₹)
Employees Provident Fund	17,000	Stock	15,000
Workmen's Compensation Fund	6,000	Debtors 50,000 Less provision for doubtful debts 2,000	48,000
Investment Fluctuation Reserve	4,100	Investments	7,000
Capitals: A	54,000	Cash	6,100
B	35,000	Goodwill	40,000
	1,16,100		1,16,100

The following adjustments were agreed upon:

(a) C brings in ₹16,000 as goodwill and proportionate capital. (b) Bad debts amounted to ₹3,000.

(c) Market value of investment is ₹4,500.

(d) Liability on account of workmen's compensation reserve amounted to ₹2,000. Prepare Revaluation A/c and Partner's Capital A/cs.

OR

X, Y and Z are partners in a firm sharing profits in proportion of 1/2, 1/6 and 1/3 respectively. The BalanceSheet as on April 1, 2014 was as follows:

Liabilities	Amount(`)	Assets	Amount(`)
Employees Provident Fund	12,000	Freehold Premises	40,000
Sundry Creditors	18,000	Machinery	30,000
General Reserve	12,000	Furniture	12,000
Capitals		Stock	22,000
X	30,000	Debtors 20,000	
Y	30,000	Less provision for doubtful debts 1,000	
Z	28,000	Cash	
	1,30,000		1,30,000

Z retires from the business and the partners agree that:

(a) Machinery is to be depreciated by 10%.

(b) Provision for bad debts is to be increased to ₹ 1,500.

(c) Furniture was taken over by Z for ₹14,000.

(d) Goodwill is valued at ₹21,000 on Z's retirement.

(e) The continuing partners' have decided to adjust their capitals in their new profit sharing ratio after retirement of Z. Surplus or deficit if any, in their capital accounts will be adjusted through their current accounts.

Prepare Revaluation A/c and Partners' Capital A/c's.

Amrit Ltd. issued 50,000 shares of ₹10 each at a premium of ₹2 per share payable as ₹3 on application, ₹4 on allotment (including premium), ₹2 on first call and the remaining on second call. Applications were received for 75,000 shares and a pro-rata allotment was made to all the applicants.All moneys due were received except allotment and first call from Sonu who applied for 1,200 shares. All his shares were forfeited. The forfeited shares were reissued for ₹9,600. Final call was not made. Pass necessary journal entries.

OR

Velco Ltd. issued 30,000 shares of ₹ 10 each at a discount of ₹1 per share payable as ₹3 on application, ₹2 on allotment, ₹2 on first Call and ₹2 on second call.

Applications were received for 40,000 shares and a pro-rata allotment was made to all the applicants. All money due were received except allotment and first call from Mohit who had applied for 2,000 shares. His shares were forfeited after first call. Subsequently, the second call was duly made and duly received. Thereafter, the forfeited shares were reissued for ₹9 fully paid. Pass the necessary journal entries

PART B: ANALYSIS OF FINANCIAL STATEMENTS

Cash deposit with the bank with a maturity date after two months belongs to which of the following while preparing cash flow statement:

(a) Investing activities

(b) Financing activities

(c) Cash and Cash equivalents

(d) Operating activities

Finserve Ltd is carrying on a Mutual Fund business. It invested ₹30,00,000 in shares and ₹15,00,000 in debentures of various companies during the year. It received ₹3,00,000 as dividend and interest. Find out cash flows from investing activities

(a) Name the sub heads under the head 'Current Liabilities' in the Equity and Liabilities part of the Balance Sheet as per Schedule VI of the Companies Act 1956.

(b) State any two objectives of Financial Statements Analysis

(a) From the following details, calculate Opening inventory: Closing inventory ₹60,000; Total Revenue from operations ₹5,00,000 (including cash revenue from operations ₹1,00,000); Total purchases ₹3,00,000 (including credit purchases ₹60,000). Goods are sold at a profit of 25% on cost.

(b) Current Assets of a company are ₹17,00,000. Its current ratio is 2.5 and liquid ratio is 0.95. Calculate Current Liabilities and Inventory.

Nimani Ltd. is into the business of back office operations. Honesty and hard work are the two pillars on which the business has been built. It has a good turnover and profits. Encouraged by huge profits, it decided to give the workers bonus equal to two months salary. Following is the Comparative Statement of Profit and Loss of Nimani Ltd. for the years ended 31st March 2013 and 2014.

(a) Calculate Net Profit ratio for the years ending 31st March 2013 and 2014

(b) Identify any two values which Nimani Ltd. wants to communicate to the society

Particulars	Note No.	2012-13 (₹)	2013-14(₹)	Absolute Change	Percentage Change
Revenue from operations		20,00,000	30,00,000	10,00,000	50
Less Employees benefit expenses		8,00,000	10,00,000	2,00,000	25
Profit before tax		12,00,000	28,00,000	8,00,000	66.67
Tax rate 40%		4,80,000	8,00,000	3,20,000	66.67
Profit after tax		7,20,000	12,00,000	4,80,000	66.67

Following are the Balance Sheets of Krishna Ltd. as on 31st March 2013 and 2014:

Particulars	**Note No.**	**2013-14 (₹)**	**2012-13(₹)**
EQUITY AND LIABILITIES			
(1) Shareholders Funds			
(a) Share capital		14,00,000	10,00,000
(b) Reserves and Surplus	1	5,00,000	4,00,000
(2) Non Current Liabilities			
Long term borrowings		5,00,000	1,40,000
(3) Current Liabilities			
Trade Payables		1,00,000	60,000
Short term Provisions	2	80,000	60,000
Total		25,80,000	16,60,000

ASSETS			
(1) Non Current Assets			
(a) Fixed assets			
(i) Tangible assets	3	16,00,000	9,00,000
(ii) Intangible Assets	4	1,40,000	2,00,000
(2) Current Assets			
(a) Inventories		2,50,000	2,00,000
(b) Trade Receivables		5,00,000	3,00,000
(c) Cash and Cash Equivalents		90,000	60,000
Total		25,80,000	16,60,000

Notes to Accounts:

S. No	Particulars	As on 31.3.2014	As on 31.3.2013
1.	Reserves and Surplus		
	Surplus (i.e. balance in Statement of Profit and Loss)	5,00,000	4,00,000
2.	Short Term provisions		
	Provision for tax	80,000	60,000
3.	Tangible assets		
	Machinery	17,60,000	10,00,000
	Less Accumulated depreciation	(1,60,000)	(1,00,000)
4.	Intangible Assets		
	Goodwill	1,40,000	2,00,000

Prepare a Cash Flow Statement after taking into account the following adjustment:

(i) Tax paid during the year amounted to ₹70,000.