ACCOUNTS

(Three hours)

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

Section A - Answer **Question 1** *(compulsory) from Part I and any other* ***four*** *questions from Part II.*

Section B and Section C – Answer ***two*** *questions from* ***either*** *section B* ***or*** *Section C.*

The intended marks for questions or parts of questions are given in brackets [ ].

Transactions should be recorded in the answer book.

All calculations should be shown clearly.

All working, including rough work, should be done on the same sheet as, and adjacent to, the rest of the answer.

SECTION A

PART I (20 Marks)

Answer ***all*** *questions.*

Question 1 **[10 × 2]**

Answer each of the following questions briefly:

(i) Name the *two* accounts prepared to show the results of a joint venture when each co-venturer records all transactions.

(ii) Give *any two* differences between *fixed capital method* and *fluctuating capital method.*

(iii) What is the accounting treatment when debentures are issued as a collateral security?

(iv) Give *any two* differences between *Revaluation Account* and *Realization Account*.

(v) State with reason whether a company can issue a share having a face value of ₹ 20 at ₹17.

(vi) Give the adjusting and closing entry for interest on calls in arrears due from a share holder.

(vii) State the provisions of the Indian Partnership Act, 1932, regarding charging of interest on drawings from a partner when:

(a) The firm has a partnership deed.

(b) The firm does not have a partnership deed.

(viii) What is meant by *number of years' purchase* in the valuation of a firm's goodwill?

This Paper consists of 10 printed pages.

(ix) List *any four* items that may have to be deducted from a deceased partner's capital account while computing the amount payable to his legal representatives.

(x) Why is premium received on the issue of debentures considered a capital profit?

PART II (40 Marks)

Answer any four questions.

Question 2 **[10]**

Ronnie and Annie entered into a Joint Venture to sell coal, sharing profits and losses in the ratio of 1:1. Annie purchased 100 tonnes of coal @ ₹ 5,400 per tonne and paid ₹ 30,000 as freight for sending the coal to Ronnie to be sold on joint account.

During transit, 10 tonnes of coal was lost due to breaking in bulk (normal loss). Ronnie received the remaining tonnes of coal and paid ₹ 6,000 as landing charges. He accepted a bill drawn by Annie for ₹ 2,00,000.

Ronnie then sold 60% of the coal received by him for ₹ 4,21,200. His selling expenses amounted to ₹ 12,000.

The remaining stock, valued at original cost plus proportionate direct expenses, was shared equally by both the co-venturers. They settled their accounts by means of a bank draft.

You are required to prepare:

(i) **Memorandum Joint Venture Account.**

(ii) **Ronnie's Account in the books of Annie.**

Question 3 **[10]**

Mitra Ltd. invited applications from the public for the issue of 60,000 shares of ₹10 each, at a discount of 10%, payable as:

₹ 3 per share on application.

₹ 5 per share on allotment.

Balance on call.

The public subscribed for 50,000 shares. ₹ 2,49,000 were received by the company on allotment and ₹ 49,400 on call. The company forfeited those shares on which both, allotment and call money was not received. 70% of the forfeited shares were reissued at ₹ 7 per share, fully called up.

The company had ₹ 45,000 in its Security Premium Reserve Account which it used to write off any miscellaneous expenditure incurred during the year.

You are required to pass the necessary journal entries to record the above transactions.

Question 4 **[10]**

Angad, Kunal and Nitin were partners sharing profit and losses in the proportion of 2:2:1 respectively. The Balance Sheet of their firm as on 31st March, 2013, stood as follows:

Liabilities		Amount ₹	Assets		Amount ₹
Capital Accounts:			Stock		12,500
Angad	12,500		Machinery		17,500
Kunal	15,000		Motor Van		4,000
Nitin	20,000	47,500	Buildings		22,500
Creditors		10,000	Bank		1,250
Bills payable		2,000	Debtors	8,000	
General Reserve		6,000	Less provision for doubtful debts	(250)	7,750
		65,500			**65,500**

Kunal retires on 1st April, 2013, subject to the following adjustments:

(a) Provision for bad and doubtful debts to be increased by ₹ 975.

(b) Stock to be appreciated by 20% and Building by 10%.

(c) Machinery to be depreciated by 10% and Motor Van by 15%.

(d) Goodwill of the firm to be valued at ₹ 9,000.

(e) The capitals of the continuing partners are to be adjusted according to the new profit sharing ratio which is agreed between Angad and Nitin as 3:2 respectively.

(f) Excess or shortfall in Angad's and Nitin's Capital Accounts to be transferred to their respective Current Accounts.

You are required to prepare:

(i) **Revaluation Account.**

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

(iii) **Balance Sheet of the reconstituted firm.**

Question 5 **[10]**

Rahim and Sudesh, the two partners of a business firm, agreed to appropriate the profits of their firm on the following terms:

(a) Interest is payable on capital @ 5% per annum.

(b) Rahim will be entitled to a salary of ₹ 500 per month.

(c) Interest on loan to be given by the firm to the partners @ 10% per annum.

(d) Interest on drawings to be charged from the partners @ 5% per annum.

(e) Sudesh will get commission @ 1% on the sales made during the year.

(f) Rahim is entitled to a rent of ₹ 25,000 per annum for allowing the firm to carry on the business in his premises.

The net profit of the firm for the year ended 31st March, 2013, was ₹ 1,80,000 *before* taking into account any of the above terms.

	Rahim ₹	Sudesh ₹
Capital Balances on 1st April, 2012	1,50,000	1,40,000
Loan advanced on 1st October, 2012	—	1,00,000
Drawings made during the year	40,000	30,000

During the year 2012-13, sales of the firm amounted to ₹ 7,00,000.

From the above information, prepare:

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

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

Question 6 **[10]**

You are required to pass journal entries for the issue of debentures in the following conditions:

(a) Ben Ltd. issued 5,000, 12% Debentures of ₹ 100 each at par, redeemable at 5% premium after five years.

(b) Rex Ltd. issued ₹ 2,00,000, 12% Debentures of ₹ 100 each at a discount of 2%, redeemable at a premium of 5% after 10 years.

(c) Josh Ltd. issued 6000, 12% Debentures of ₹ 100 each at a premium of 5%, redeemable at a premium of 10% after 6 years.

(d) Oxygen Ltd. issued ₹ 30,000, 7% debentures of ₹ 100 each to a Creditor for ₹ 25,000 in full satisfaction of his claim. The company had purchased machinery from him.

Question 7

(a) Sharp Ltd. was formed on 1st December, 2013, with a capital of ₹ 5,00,000 divided into shares of ₹ 10 each. It offered 80% of the shares to the public. **[5]**

The issue price was payable as follows:

30% of the face value per share was payable with application.

20% of the face value per share was payable with allotment.

The balance as and when required. The company did not call for the balance during the year.

All the shares offered by the company were subscribed for. The company did not receive the allotment money on 3000 shares.

You are required to:

(i) **Show the Share Capital in the Balance Sheet of the Company (prepared as per Revised Schedule VI of the Companies Act, 1956) at the end of the financial year.**

(ii) **Prepare Notes to Accounts.**

(b) Under which **heads** and **sub heads** will the following items appear in the Balance Sheet of a company as per Revised Schedule VI of the Companies Act, 1956: **[5]**

(i) Bills Receivable

(ii) Interest accrued and due on debentures

(iii) Trade Creditors

(iv) Provision for Taxation

(v) Stores and spares

Question 8 **[10]**

Aman and Harsh were partners in a firm. They decided to dissolve their firm. **Pass necessary journal entries for the following after various assets (other than Cash and Bank) and third party liabilities have been transferred to Realisation A/c.**

(a) There was furniture worth ₹ 50,000. Aman took over 50% of the furniture at 10% discount and the remaining furniture was sold at 30% profit on book value.

(b) Profit and Loss Account was showing a credit balance of ₹ 15,000 which was distributed between the partners.

(c) Harsh's loan of ₹ 6,000 was discharged at ₹ 6,200.

(d) The firm paid realization expenses amounting to ₹ 5,000 on behalf of Harsh who had to bear these expenses.

(e) There was a bill for ₹ 1,200 under discount. The bill was received from Soham who proved insolvent and a first and final dividend of 25% was received from his estate.

(f) Creditors, to whom the firm owed ₹ 6,000, accepted stock of ₹ 5,000 at a discount of 5% and the balance in cash.

(g) The loss on dissolution was ₹ 8,000.

SECTION B

Answer **any two** questions.

Question 9

(a) How does the quality of Ratio Analysis of a business depend upon the accuracy of its financial statements? **[2]**

(b) **From the following information, calculate Trade Receivables Turnover Ratio:** **[2]**

Particulars	
Credit Revenue from Operations	₹ 9,60,000
Gross Debtors	₹ 1,90,000
Bills Receivable	₹ 50,000
Provision for Doubtful Debts	₹ 10,000

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

(i) Debt-Equity Ratio

(ii) Interest Coverage Ratio

(iii) Proprietary Ratio

	Amount ₹
Equity Share Capital	2,00,000
5% Preference Share Capital	60,000
General Reserve	1,20,000
Fixed Assets	5,05,000
Current Assets	1,20,000
Current Liabilities	40,000
Loan @ 10% interest	5,00,000
Tax paid during the year	30,000
Profit for the current year after interest and tax (available for the shareholders)	90,000

Question 10 **[10]**

From the following data, prepare a Common Size Balance Sheet of Teak Wood Ltd:

(**Note**: *Current year's figures appear in the first column and the previous year's figures are in the second column.)*

Particulars	**31.03.2013** ₹	**31.03.2012** ₹
Share Capital	3,00,000	2,40,000
Reserves and Surplus	80,000	70,000
Trade Payables	1,00,000	1,10,000
Trade Receivables	1,90,000	1,80,000
Short Term Provision	40,000	15,000
Fixed Assets	2,90,000	2,30,000
Long Term Provision	80,000	65,000
Current Investments	10,000	8,000
Inventory	1,01,000	72,000
Cash and Cash Equivalents	9,000	10,000

Question 11

(a) State with reason whether the following would result in *inflow*, *outflow* or *no flow* of cash: **[2]**

(i) Charging depreciation on furniture.

(ii) Cash withdrawn for bank for office use.

(b) **From the following extracts of a company's Balance Sheets, calculate for the year ending 31st March, 2013:** **[8]**

(i) **Cash from investing activities.**

(ii) **Cash from financing activities.**

(**Note**: *Current year's figures appear in the first column and the previous year's figures are in the second column.)*

Particulars	**2012-13** ₹	**2011-12** ₹
Equity Share Capital	13,00,000	12,00,000
Long Term Borrowing (10% Bank Loan)	60,000	1,00,000
Proposed Dividend	20,000	21,000
Fixed assets:		
Plant and Machinery	1,70,000	1,40,000
Less Accumulated Depreciation	(24,000)	(40,500)
	1,46,000	99,500
Non-current investments	1,00,000	20,000
Land (at cost)	5,00,000	7,00,000
Goodwill	30,000	40,000

Additional information:

(i) The Loan instalment and interest on loan was paid at the end of the financial year.

(ii) During the year 2012-13:

(a) Dividend of ₹ 17,000 was proposed.

(b) The company provided depreciation on Plant and Machinery amounting to ₹ 13,500.

(c) The company sold 70% of its non-current investments which it held at the beginning of the year, at a profit of 20% on its book value.

SECTION – C

Answer any two questions

Question 12 **[10]**

(a) Mention *any two* demerits of using electronic spreadsheets.

(b) Write a formula in spreadsheet for calculating the *"Take Home Pay"* under the given condition:

Salary is more than ₹50,000 then the *"Take Home Pay"* is 80%.

(c) How would you create a filter for data stored in a column in a spreadsheet?

(d) State the steps involved in merging two cells in a spreadsheet.

(e) What is the difference between the functions AVERAGEA ( ) and AVERAGEIFS ( )?

Question 13 **[10]**

	A	B	C	D	E
1	Particulars	2010	2011	2012	2013 (Estimates)
2	SALES OF GOODS	10,000	15,000	18,000	
3	SALES OF SERVICES	1,200	1,280	1,500	
4	INCOME FROM OTHER SOURCES	800	900	1,000	
5	GROSS PROFIT				
6	SALARIES	9,000	10,000	12,000	
7	RENTS	900	1,000	1,500	
8	PURCHASES	1,100	1,200	1,400	
9	NET PROFIT				

(a) Write the expression to calculate GROSS PROFIT & NET PROFIT in the Cells (B5, B9), for the Year 2010.

(b) Write the expression to calculate the average GROSS PROFIT for the year 2010, 2011 and 2012.

(c) Write a function to select the maximum Value for NET PROFIT for the years 2010, 2011 and 2012.

(d) Write a suitable expression to calculate the following for 2013 (Estimates) where:

  (i) SALES OF GOODS in Cell E2 where SALES OF GOODS have decreased 10% over 2012.

  (ii) SALES OF SERVICES in Cell E3 where SALES OF SERVICES have increased 10% over 2011.

(iii) INCOME FROM OTHER SOURCES in Cell E4 where INCOME FROM OTHER SOURCES have increased 25% over 2010.

(iv) GROSS PROFIT in Cell E5.

Question 14 **[10]**

(a) What is the use of Data dictionary in RDBMS?

(b) What is SQL?

(c) What is a Unique Key?

(d) Define SQL update statement.

(e) What is meant by normalization of a database system?