

# ACCOUNTS

(Three hours)

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

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**Part I of Section A is Compulsory. Answer any 4 Questions from Part II of Section A and any two questions from either Section B or Section C.**

The intended marks for questions or parts of questions are given in the 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 page as, and adjacent to, the rest of the answer.

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## SECTION A

### PART I (12 Marks)

Answer **all** questions.

#### Question 1

[6 × 2]

Answer briefly each of the following questions:

- (i) What is the accounting treatment when realization expenses are paid by the partner on behalf of the firm?
- (ii) Apart from issuing shares to the general public for cash, list *two* other groups to whom a company could issue shares for consideration other than cash.
- (iii) Give the *adjusting* and *closing* entry for recording interest on drawings charged from the partners when the firm follows the fixed capital method.
- (iv) Give *any two* points of difference (without examples) between tangible and intangible fixed assets.
- (v) What is meant by '*Capitalized value of Average Profits*'? Give the formula for determining it.
- (vi) Under what circumstances are no separate set of books kept for joint venture?

**PART II**  
(Answer any four)

**Question 2**

[12]

Anil and Sunil are partners sharing profits and losses in the ratio of 3:2. They admit Charan as a new partner from 1<sup>st</sup> April, 2013. Anil gives 1/3<sup>rd</sup> of his share while Sunil gives 1/10<sup>th</sup> from his share to Charan. Their Balance Sheet as on 31<sup>st</sup> March, 2013, is given below:

Liabilities	∖	Assets	∖
Anil's Capital	32,600	Land & Building	6,000
Sunil's Capital	40,400	Investments	
Workmen Compensation Fund	2,000	(Market Value `4,500)	5,000
Investment Fluctuation Fund	1,000	Debtors	30,000
Employees' Provident Fund	1,000	Stock	10,000
Provision for Doubtful Debts	1,000	Bank	27,000
	78,000		78,000

Terms of Charan's admission are as follows:

- (a) Charan's brings in `30,000 as his capital. His share of Goodwill was determined to be `18,000. He could bring in only 60% of his share.
- (b) Land & Building was found to be undervalued by `10,000, stock was found overvalued by `7,000 and provision for doubtful debts is to be made equal to 5% of the debtors.
- (c) Capital accounts of the old partners to be re-adjusted in the new profit sharing arrangement on the basis of Charan's capital, any excess or deficiency to be adjusted in cash.

**You are required to:**

- (i) Pass journal entries
- (ii) Prepare Partners' Capital Accounts
- (iii) Balance Sheet of the new firm.

Show your workings clearly.

**Question 3****[12]**

Hiren, Suren and Chaman were partners sharing profits and losses in the ratio of 2:1:1. They closed their books on 31<sup>st</sup> March each year. Hiren died on 31<sup>st</sup> August, 2013, when their Balance Sheet was as follows:

Liabilities		Assets	
Creditors	4,550	Bank	22,000
General Reserve	6,400	Sundry Debtors	6,600
Profit for 5 months - from 1.4.13 to 31.8.13 (before interest and salaries)	4,050	Advertisement Suspense a/c	6,400
Capital Accounts			
Hiren           6000			
Suren         10,000			
Chaman       4000			
	<u>20000</u>		
	35,000		<u>35,000</u>

According to the partnership deed:

- (i) Interest on capital was allowed to all partners @ 6% p.a.
- (ii) Hiren and Chaman were entitled to salaries at `100 and `50 per month respectively.
- (iii) In the event of death of a partner goodwill was to be valued at 3 years' purchase of the average net profits of 2 completed years preceding death. The net profits for the years 2011-12 and 2012-13 were `4,000 and `6,000 respectively.

Hiren's share was paid to his executors.

**You are required to prepare:**

- (i) Hiren's Capital Account.**
- (ii) Hiren's Executors' Account.**

**Question 4****[12]**

Moonlight Ltd. issued 50,000 Equity shares of ₹10 each at a discount of ₹1 per share payable:

On application                    ₹3

On allotment                     ₹3

On First and Final Call     The balance

The public applied for 65,000 shares. Pro-rata allotment was made to the applicants of 60,000 shares. Where no allotment was made, money was to be refunded in full. Shyam, who had applied for 600 shares failed to pay the allotment money and on his subsequent failure to pay the call money, his shares were forfeited.

Suren, who was allotted 400 shares failed to pay the call money and his shares were forfeited after the call.

Later the company reissued 700 of the forfeited shares at ₹8 per share credited as fully paid up, the whole of Suren's shares being included.

**You are required to pass journal entries in the books of Moonlight Ltd.**

**Question 5****[12]**

Thread and Needle sharing profits and losses equally, entered into a Joint Venture to purchase and supply teak wood to Tips Builders Ltd. They opened a joint bank account each paying ₹8,00,000.

They purchased 6,000 cubic feet timber for ₹15,00,000 and spent ₹15,000 on freight and ₹10,000 as insurance in transit. They also incurred ₹2,000 as unloading charges.

It was reported to them by their manager that 500 cubic feet of timber was stolen from the warehouse for which the Insurance Company paid ₹27,000. Loss due to shrinkage was 100 cubic feet.

The co-venturers sold 5,000 cubic feet timber @ ₹500 per cubic feet to Tips Builders Ltd., the consideration money being received by cheque from them.

The venture was closed after this transaction, the co-venturers taking away the remaining timber in their profit and loss sharing ratio.

**You are required to prepare the necessary ledger accounts in the books of the venture.**

**Note: All calculations are to be made to the nearest rupee.**

## Question 6

- (a) Anand, Bihari and Shivin are equal partners in a firm. Bihari retires and his claim including his capital and his share of goodwill is ₹40,000. He is paid in kind, a vehicle valued at ₹20,000 which is unrecorded in the books of the firm till the date of retirement and the balance in cash. [4]

You are required to give the journal entries for recording the payment to Bihari in the books of the firm.

- (b) Rahul, Shiv and Kabir were three partners sharing profits and losses in the ratio of 3 : 2 : 3. As on 1<sup>st</sup> April, 2013, their capital account balances stood at ₹80,000, ₹70,000 and ₹20,000 (Dr) respectively. On this date they admitted Robert into the partnership with a capital of ₹40,000. He is to have 1/5<sup>th</sup> share of the profits with a guaranteed minimum share of distributable profit of ₹30,000. [8]

It was decided that Rahul, Shiv and Kabir would suffer any excess over 1/5<sup>th</sup> going to Robert in the ratio of 2 : 2 : 1 respectively.

The new profit sharing ratio among partners being Rahul : Shiv : Kabir : Robert = 3 : 2 : 3 : 2.

The profit of the firm for the year 2013-14 was ₹1,50,000 before the following adjustments were made:

- Interest on Capital @ 10% p.a. to be allowed to the partners.
- Interest on Drawings: Kabir : ₹2,000; Shiv: ₹4,000
- Salary to Partners: Shiv : ₹7,000; Robert: ₹10,000

**You are required to:**

- (i) **Prepare a Profit and Loss Appropriation Account**
- (ii) **Pass the journal entry to show the guaranteed minimum profits given to Robert by the firm.**

**Question 7****[12]**

Newtown Ltd. was formed on 1<sup>st</sup> April, 2012, with an authorized capital of `10,00,000 divided into equity shares of `10 each. It invited applications for 20,000 shares in the year of its formation, all of which were subscribed for and amount due on them fully received.

On 1<sup>st</sup> April, 2013, the company invited applications for another 50,000 shares. Applications for 45,000 shares were received. All calls were made and the amount received on them except the final call of `2 per share on 1,000 shares.

Out of the shares on which final call was not received, 600 were forfeited.

On 1<sup>st</sup> April, 2013, the company also issued 2,000 6% debentures of `100 each at a discount of 4% redeemable at a premium of 5% in four equal annual instalments beginning from the second year of the issue.

The company had a balance of `1,00,000 in its General Reserve on 31<sup>st</sup> March, 2014.

**You are required to show the items under the heading Equity and Liabilities in the Balance Sheet of the company as on 31<sup>st</sup> March, 2014 (as per Revised Schedule VI, showing clearly Notes to Accounts). Ignore interest on debentures.**

**Question 8****[12]**

On 1<sup>st</sup> April, 2013, Relaxo Ltd. purchased assets of `5,00,000 and took over liabilities of `90,000 of Greg Ltd. at an agreed value of `3,80,000. It issued to the vendor, 10% Debentures of `100 each at 5% discount, redeemable at par after 5 years, in full satisfaction of the purchase price.

On the same date, the company issued 500, 11% Debentures of `100 each as a collateral security to a bank who had advanced a loan of `45,000 to it for a period of 3 years and also issued 5,000, 12% Debentures of `100 each at par, redeemable after 3 years at 5% premium.

*Additional information:*

The interest on debentures is paid half yearly on 30<sup>th</sup> September and 31<sup>st</sup> March each year. Tax deducted at source @ 20%. The Company had `1,20,000 in its Security Premium Reserve Account at the end of the year. (Ignore interest on bank loan)

**You are required to show pass journal entries in the books of Relaxo Ltd for the year ending 31<sup>st</sup> March 2014.**

## SECTION B

Answer any *two* questions.

### Question 9

- (a) What is a Comparative Balance Sheet? [2]
- (b) From the information given below, prepare a Common Size Income Statement of Relay Ltd.: [2]

Particulars	31 <sup>st</sup> March, 2014	31 <sup>st</sup> March, 2013
Revenue from Operations	51,73,000	49,70,000
Other Income	35,000	40,000
Purchase of Stock-in Trade	40,50,000	33,20,000
Change in Inventories	(90,000)	1,00,000
Other Expenses	1,70,000	1,50,000

- (c) The following balances appeared in the Plant & Machinery Account and Accumulated Depreciation Account in the books of Piyush Ltd: [2]

Balances as at	31.3.2014	31.3.2013
Plant & Machinery	9,32,000	8,50,000
<i>Less Accumulated Depreciation</i>	<i>(4,40,000)</i>	<i>(4,32,000)</i>

During the year 2013-14, the company provided depreciation amounting to `80,000 and a machine costing `1,05,000 was sold at a profit of 20% on its book value.

**You are required to calculate Cash from Investing Activities.**

- (d) **From the following information, calculate (up to two decimal places):** [4]
- (i) **Gross Profit Ratio**
- (ii) **Operating Ratio**

Net Revenue from Operations	14,00,000
Credit Revenue from Operations	10,00,000
Gross Profit	5,00,000
Depreciation on fixed assets	40,000
Profit on sale of land	10,000
Selling Expenses	60,000

**Question 10**

- (a) Classify the following into cash flows from *Investing activities*, *Financing activities* and *Operating activities* while preparing a Cash Flow Statement: [2]

- (i) Receipt of Dividend
- (ii) Purchase of Goodwill
- (iii) Repayment of Public Deposits
- (iv) Payment of Tax

- (b) From the following Balance Sheets of Diamond Limited as on 31<sup>st</sup> March, 2013, and 31<sup>st</sup> March, 2014, prepare a Cash Flow Statement (as per Accounting Standard 3). [8]

Particulars	Note No.	31 <sup>st</sup> March, 2014	31 <sup>st</sup> March, 2013
<b>I. EQUITY AND LIABILITIES</b>			
<b>(i) Shareholders' Funds</b>			
(a) Share Capital	1	4,00,000	3,40,000
(b) Reserves and Surplus	2	1,60,000	1,20,000
<b>(ii) Non-Current Liabilities</b>			
Long Term Borrowings	3	3,50,000	2,60,000
<b>(iii) Current Liabilities</b>			
(a) Trade Payables	4	55,000	30,000
(b) Other Current Liabilities	5	2,000	5,000
<b>Total</b>		<u>9,67,000</u>	<u>7,55,000</u>
<b>II. ASSETS</b>			
<b>1. Non-Current Assets</b>			
Fixed Assets (Tangible)	6	6,00,000	4,80,000
<b>2. Current Assets</b>			
(a) Inventories		73,000	50,000
(b) Trade Receivables	7	1,55,000	1,30,000
(c) Cash and Cash Equivalents	8	1,39,000	95,000
<b>Total</b>		<u>9,67,000</u>	<u>7,55,000</u>

**Notes to Accounts:**

Particulars	31 <sup>st</sup> March, 2014	31 <sup>st</sup> March, 2013
<b>1. Share Capital</b>		
Equity Share Capital	4,00,000	3,40,000
<b>2. Reserves and Surplus</b>		
General Reserve	50,000	42,000
Statement of Profit and Loss	1,10,000	78,000
<b>3. Long Term Borrowings</b>		
5% Debentures	3,50,000	2,60,000
<b>4. Trade Payables</b>		
Creditors	45,000	18,000
Bills Payable	10,000	12,000
<b>5. Other Current Liabilities</b>		
Outstanding expenses	2,000	5,000
<b>6. Fixed Assets</b>		
Building	4,40,000	2,90,000
Plant and Machinery	1,60,000	1,90,000
<b>7. Trade Receivables</b>		
Debtors	1,55,000	1,30,000
<b>8. Cash &amp; Cash Equivalents</b>		
Cash at Bank	1,39,000	95,000

## Additional Information:

- (i) Depreciation charged on building `20,000.
- (ii) A machine with a book value of `10,000 was sold for `8,000.
- (iii) Debentures were issued on 1<sup>st</sup> April, 2013, at a discount of 10% .The discount was written off from General Reserve.

### Question 11

(a) State the formula for computing *any one* Solvency Ratio. [2]

(b) **From the following information, calculate:** [8]

- (i) **Revenue from Operations**
- (ii) **Cost of Revenue from Operations**
- (iii) **Working Capital**
- (iv) **Current Assets**

Trade Receivables Turnover Ratio 4 times

Current Liabilities `5,000

Average Debtors `1,80,000

Working Capital Turnover Ratio 8 times

Cash Revenue from Operations 25% of Revenue from Operations.

Gross Profit Ratio  $33\frac{1}{3}\%$

### SECTION C

Answer any *two* questions.

#### Question 12

- (a) Write the steps to use the RATE function in a spreadsheet for the interest calculation on a ₹5,000 loan where monthly payments of ₹250 are made for 2 years, under the following conditions: [2]

- (i) When all payments are made at the end of the period.
- (ii) When all payments are made at the beginning of the period.

- (b) Explain the meaning of the following functions: [3]

- (i) Count(B15:B35)
- (ii) Max(A4:A14)
- (iii) AVG (value 1, value 2 .....

- (c) The following table gives information for calculation of conveyance allowance for the sales personnel of Ajanta Ltd., where conveyance allowance is calculated on the basis of sales made by its employees.

	A	B	C
1		Salesperson 1	Salesperson 2
2	Number of units sold		
3	Price of each unit	50	50
4	Expected sales	50,000	65,000
5	Actual sales	55,000	70,000
6	Conveyance Allowance	?	?

- (i) Write the formula in a spreadsheet for calculating the difference between the expected sales and actual sales. [1]

- (ii) Write the formula and calculate the Conveyance Allowance under each of the conditions given below: [4]

1. The conveyance allowance will be ₹5000 if the employee meets the expected sales target and for every extra unit sold he would get ₹50.
2. The conveyance allowance will be ₹1000 even if expected units are not sold.

### Question 13

The spreadsheet below shows the Golf Club's initial stock at the beginning of November and the stock sold during the month.

	A	B	C	D	E	F
1	ITEM	SELLING PRICE	INITIAL STOCK	NUMBER SOLD	REMAINING STOCK	VALUE OF SALES
2	Trolley	29.99	6	3	3	?
3	Golf Bag	35.00	5	4	1	140.00
4	Ball Marker	0.50	65	56	9	28.00
5	Tees-Wooden (pack of 20)	2.00	150	50	100	100.00
6	Tees – Plastic (pack of 20)	2.00	50	10	40	20.00
7	Golf Balls (pack of 12)	10.99	120	65	55	708.50
8	<b>TOTAL VALUE OF ALL SALES</b>					?

Answer questions (i) to (vi) based on the spreadsheet above.

- (i) Write the formula and calculate the value of sales in cell F2. [2]
- (ii) Write the formula and calculate the Total Value of All Sales in F8. [2]
- (iii) The selling price of golf bags was wrongly entered and is corrected to **38**. What effect will this have on the spreadsheet? [2]
- (iv) The figure in cell B7 is changed to 9.99. Which two cell figures will change and what will be their new value? [2]
- (v) What is the main advantage of using a spreadsheet as compared to handwritten records? [1]
- (vi) If all the golf bags had been sold, which cell would have shown as "0"? [1]

### Question 14

- (i) Explain *any two* features of DBMS packages. [2]
- (ii) Distinguish between *field* and *records*. [2]
- (iii) What is meant by *Querying*? [2]
- (iv) What is meant by the terms Back-end and Front-end as used in database applications? [2]
- (v) What are database functions? Give the use of DSUM and DCOUNT functions with the help of an example. [2]