Accountancy 2016 (Outside Delhi) SET I

Time allowed : 3 hours Maximum marks : 80

PART A

(Accounting for Partnership Firms and Companies)

1. A group of 40 people wants to form a partnership firm. They want your advice regarding the maximum number of persons that can be there in a partnership firm and the name of the Act under whose provisions it is given. [1]

Answer : Maximum number of partners : 50
According to the Companies Act, 2013.

2. P, Q and R were partners in a firm sharing profits in the ratio of 3 : 2 : 1. They admitted S as a new partner for $\frac{1}{8}$ th share in the profits which he acquired $\frac{1}{16}$ th from P and $\frac{1}{16}$ th from Q. Calculate new profit sharing ratio of P, Q, R and S. [1]

Answer :

$$\text{P's New share} = \frac{3}{6} - \frac{1}{16} = \frac{24-3}{48} = \frac{21}{48}$$

$$\text{Q's New share} = \frac{2}{6} - \frac{1}{16} = \frac{16-3}{48} = \frac{13}{48}$$

$$\text{R's New share} = \frac{1}{6} \times \frac{8}{8} = \frac{8}{48}$$

$$\text{S's New share} = \frac{1}{8} \times \frac{6}{6} = \frac{6}{48}$$

Thus, the new profit sharing ratio for P, Q, R and S will be 21 : 13 : 8 : 6.

3. On 28.2.2016 the first call of ₹ 2 per share became due on 50,000 equity shares alloted by Kumar Ltd. Komal a holder of 1,000 shares did not pay the first call money. Kovil a holder of 750 shares paid the second and final call of ₹ 4 per share alongwith the first call.
Pass the necessary journal entry for the amount received by opening calls-in-arrears and calls-in-advance account in the books of the company. [1]

Answer :

Kumar Ltd.
Journal

Date	Particulars		L.F.	Amount (₹)	Amount (₹)
2016	Bank A/c	Dr.		1,01,000	
Feb. 28	Calls-in-Arrears A/c	Dr.		2,000	
	To Equity Share First Call A/c				1,00,000
	To Calls-in-Advance A/c				3,000
	(Being call money received except on 1,000 shares and received advance on 750 shares)				

4. Distinguish between 'Dissolution of partnership' and 'Dissolution of partnership firm' on the basis of 'Economic Relationship'. [1]

Answer :

Basis	Dissolution of Partnership	Dissolution of Partnership Firm
Economic relationship	Economic relationship between the partners continues though in a changed form.	Economic relationship between the partners comes to an end.

5. State the provisions of Companies Act, 2013 for the creation of 'Debenture Redemption Reserve'. [1]

Answer : According to the provisions of the Companies Act, 2013, the companies are required to create Debenture Redemption Reserve of at least 25% of the face value of debentures before the redemption of debentures commences.

6. Tom and Harry were partners in a firm sharing profits in the ratio of 5 : 3. During the year ended 31.3.2015 Tom had withdrawn ₹ 40,000. Interest on his drawings amounted to ₹ 2,000.

Pass necessary journal entry for chargin)g interest on drawings assuming that the capitals of the partners were fluctuating. [3]

Answer :

Journal

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
2015 March 31	Tom's Capital A/c Dr. To Interest on Drawings A/c (Being interest on drawings charged)		2,000	2,000

7. On 2.3.2016 L and B Ltd. issued 635, 9% debentures of ₹ 500 each. Pass necessary journal entries for the issue of debentures in the following situations : [3]

(a) When debentures were issued at 5% discount, redeemable at 10% premium.

(b) When debentures were issued at 12% premium, redeemable at 6% premium.

Answer : (a)

L & B Ltd.

Journal

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
2016 March 2	Bank A/c Dr. To 9% Deb. Application and Allotment A/c (Being application money received)		3,01,625	3,01,625
March 2	9% Debenture Application and Allotment A/c Dr. Loss on Issue of Debentures A/c Dr. To 9% Debentures A/c To Premium on Redemption of Deb. A/c (Being transfer of application money to debenture account issued at a discount of 5%, but redeemable at 10% premium)		3,01,625 47,625	3,17,500 31,750

(b)

L & B Ltd.

Journal

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
2016 March 2	Bank A/c Dr. To 9% Debenture Application and Allotment A/c (Being application money received)		3,55,600	3,55,600

March 2	9% Debenture Application and Allotment A/c Dr. Loss on Issue of Debentures A/c Dr. To 9% Debentures A/c To Securities Premium Reserve A/c To Premium on Redemption of Debentures A/c (Being transfer of application money to debenture account issued at 12% premium but redeemable at premium of 6%)		3,55,600 19,050	 3,17,500 38,100 19,050

8. **State any three circumstances other than (i) death of a partner, (ii) admission of a partner and (iii) retirement of a partner when need for valuation of goodwill of a firm may arise.** **[3]**

Answer : In addition to the stated circumstances, the need for the valuation of goodwill in partnership arises in the following circumstances :

(a) Change in the profit sharing ratio amongst the existing partners.

(b) Dissolution of a firm involving sale of business as a going concern.

(c) Amalgamation of partnership firms.

9. **K Ltd. took over the assets of ₹ 15,00,000 and liabilities of ₹ 5,00,000 of P Ltd. for a purchase consideration of ₹ 13,68,500. ₹ 25,500 were paid by issuing a promissory note in favour of P Ltd. payable after two months and the balance was paid by issue of equity shares of ₹ 100 each at a premium of 25%.**

Pass necessary journal entries for the above transactions in the books of K Ltd. **[3]**

Answer :

K Ltd.

Journal

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
(i)	Sundry Assets A/c Dr. Goodwill A/c Dr. To Sundry Liabilities A/c To P Ltd. (Being assets and liabilities acquired)		15,00,000 3,68,500	 5,00,000 13,68,500
(ii)	P Ltd. Dr. To Bills Payable A/c To Equity Share Capital A/c To Securities Premium Reserve A/c (Being draft accepted and equity shares issued at a premium of 25%)		13,68,500	 25,500 10,74,400 2,68,600

10. **To provide employment to the youth and to develop Baramula district of Jammu and Kashmir, Jyoti Power Ltd. decided to setup a power plant. For raising funds the company decided to issue 8,50,000 equity shares of ₹ 10 each at a premium of ₹ 3 per share. The whole amount was payable on application. Applications for 20,00,000 shares were received. Applications for 3,00,000 shares were rejected and shares were alloted to the remaining applicants on pro-rata basis.**

Pass necessary journal entries for the above transactions in the books of the company and identify any two values which the company wants to propagate. **[3]**

Answer :

Jyoti Power Ltd.

Journal

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
(i)	Bank A/c Dr. To Equity Share Application and Allotment A/c (Being application and allotment money received for 20,00,000 shares)		2,60,00,000	 2,60,00,000

(ii)	Equity Share Application and Allotment A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c To Bank A/c (Being share application and allotment money adjusted)		2,60,00,000	 85,00,000 25,50,000 1,49,50,000

Two Values :

(i) Providing employment opportunities.

(ii) Development of backward areas.

11. Vikas and Vivek were partners in a firm sharing profits in the ratio of 3 : 2. On 1.4.2014 they admitted Vandana as a new partner for $\frac{1}{8}$ th share in the profits with a guaranteed profit of ₹ 1,50,000. The new profit sharing ratio between Vivek and Vikas will remain the same but they decided to bear any deficiency on account of guarantee to Vandana in the ratio 2 : 3. The profit of the firm for the year ended 31.3.2015 was ₹ 9,00,000.

Prepare Profit and Loss Appropriation Account of Vikas, Vivek and Vandana for the year ended 31.3.2015. **[4]**

Answer : **Profit and Loss Appropriation A/c**

Dr. *for the year ended 31st March, 2015* Cr.

Particulars		Amount (₹)	Particulars	Amount (₹)
To Partner's Capital A/c :			By Profit & Loss A/c	9,00,000
(transfer of profit)			(Net Profit)	
Vikas	4,72,500			
Less : Deficiency	15,000	4,57,500		
Vivek	3,15,000			
Less : Deficiency	22,500	2,92,500		
Vandana	1,12,500			
Add: From Vikas	15,000			
From Vivek	22,500	1,50,000		
		9,00,000		**9,00,000**

12. Manav, Nath and Narayan were partners in a firm sharing profits in the ratio of 1 : 2 : 1. The firm closes its books on 31st March every year. On 30th September, 2015 Nath died. On that date his capital account showed a debit balance of ₹ 5,000. There was a debit balance of ₹ 30,000 in the profit and loss account. The goodwill of the firm was valued at ₹ 3,80,000. Nath's share of profit in the year of his death was to be calculated on the basis of average profit of last 5 years, which was ₹ 90,000.

Pass necessary journal entries in the books of the firm on Nath's death. **[4]**

Answer : **Journal**

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
2015 Sep. 30	Manav's Capital A/c Dr. Narayan's Capital A/c Dr. To Nath's Capital A/c (Being Nath's share of goodwill adjusted in the capital A/c of the existing partners in their gaining ratio *i.e.*, 1 : 1)		95,000 95,000	 1,90,000

Sep. 30	Nath's Capital A/c Dr. To Profit & Loss A/c (Being Nath's share in debit balance of profit and loss A/c transferred)		15,000	15,000
Sep. 30	Profit & Loss Suspense A/c Dr. To Nath's Capital A/c (Being Nath's share of profit upto the date of death is transferred)		22,500	22,500
Sep. 30	Nath's Capital A/c Dr. To Nath's Executors' A/c (Being amount due to Nath transferred to his executors' A/c)		1,92,500	1,92,500

Working Notes :

(1) Nath's share of goodwill = $3,80,000 \times \frac{2}{4}$ = ₹ 1,90,000

Manav and Narayan Gaining Ratio 1 : 1

$$\text{Manav} = \frac{1}{2} \times 1,90,000 = ₹\ 95,000$$

$$\text{Narayan} = \frac{1}{2} \times 1,90,000 = ₹\ 95,000$$

(2) Nath's share in Profit & Loss (Dr.) = $30,000 \times \frac{2}{4}$ = ₹ 15,000

(3) Nath's share in current year profit = $90,000 \times \frac{6}{12} \times \frac{2}{4}$ = ₹ 22,500

(4) Amount due to Nath's Executor :

Dr. *for the year ended 31st March, 2015* Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	5,000	By Manav's Capital A/c	95,000
To Profit & Loss A/c	15,000	By Narayan's Capital A/c	95,000
To Nath's Executors' A/c	1,92,500	By P & L Suspense A/c	22,500
	2,12,500		**2,12,500**

13. Lal and Pal were partners in a firm sharing profits in the ratio of 3 : 7. On 1.4.2015 their firm was dissolved. After transferring assets (other than cash) and outsider's liabilities to realisation account, you are given the following information :

(a) A creditor of ₹ 3,60,000 accepted machinery valued at ₹ 5,00,000 and paid to the firm ₹ 1,40,000.

(b) A second creditor for ₹ 50,000 accepted stock at ₹ 45,000 in full settlement of his claim.

(c) A third creditor amounting to ₹ 90,000 accepted ₹ 45,000 in cash and investments worth ₹ 43,000 in full settlement of his claim.

(d) Loss on dissolution was ₹ 15,000.

Pass necessary journal entries for the above transactions in the books of firm assuming that all payments were made by cheque. **[6]**

Answer : **Journal of Lal and Pal**

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
(a)	Bank A/c Dr. To Realisation A/c (Being payment received from creditors)		1,40,000	1,40,000
(b)	No Entry			

(c)	Realisation A/c Dr. To Bank A/c (Being partial payment made to creditors through cheque)		45,000	45,000
(d)	Lal's Capital A/c Dr. Pal's Capital A/c Dr. To Realisation A/c (Being loss on realisation transferred to partner's capital A/c in the ratio 3 : 7)		45,000 10,500	15,000

14. R, S and T were partners in a firm sharing profits in the ratio of 1 : 2 : 3. Their Balance Sheet as on 31.3.2015 was as follows :

Balance Sheet of R, S and T as on 31.3.2015

Particulars		Amount (₹)	Particulars	Amount (₹)
Creditors		50,000	Land	50,000
Bills Payable		20,000	Building	50,000
General Reserve		30,000	Plant	1,00,000
Capitals :			Stock	40,000
R	1,00,000		Debtors	30,000
S	50,000		Bank	5,000
T	25,000	1,75,000		
		2,75,000		**2,75,000**

R, S and T decided to share the profits equally with effect from 1.4.2015. For this it was agreed that :

(a) Goodwill of the firm be valued at ₹ 1,50,000.

(b) Land be revalued at ₹ 80,000 and building be depreciated by 6%.

(c) Creditors of ₹ 6,000 were not likely to be claimed and hence be written off.

Prepare Revaluation Account, Partner's Capital Accounts and the Balance Sheet of the reconstituted firm. **[6]**

Answer :

Dr. **Revaluation A/c** **Cr.**

Particulars		Amount (₹)	Particulars	Amount (₹)
To Building A/c		3,000	By Land A/c	30,000
To Partner's Capital A/c :			By Creditors A/c	6,000
(transfer of profit)				
R	5,500			
S	11,000			
T	16,500	33,000		
		36,000		**36,000**

Dr. **Partners' Capital A/c** **Cr.**

Particulars	R (₹)	S (₹)	T (₹)	Particulars	R (₹)	S (₹)	T (₹)
To T's Capital A/c	25,000			To Balance c/d	1,00,000	50,000	25,000
By Balance b/d	85,500	71,000	81,500	By Revaluation A/c	5,500	11,000	16,500
				By General Reserve A/c	5,000	10,000	15,000
				By R's Capital A/c			25,000
	1,10,500	**71,000**	**81,500**		**1,10,500**	**71,000**	**81,500**

Balance Sheet of R, S and T

as at 1st April, 2015

Liabilities		Amount (₹)	Assets	Amount (₹)
Creditors		44,000	Land	80,000
Bills Payable		20,000	Building	47,000
Capitals :			Plant	1,00,000
R	85,500		Stock	40,000
S	71,000		Debtors	30,000
T	81,500	2,38,000	Bank	5,000
		3,02,000		**3,02,000**

Working Notes :

Sacrificing Ratio = Old Ratio – New Ratio

$$R = \frac{1}{6} - \frac{1}{3} = \frac{1-2}{6} = \frac{-1}{6} \text{ (Gain)}$$

$$S = \frac{2}{6} - \frac{1}{3} = \frac{2-2}{6} = \frac{0}{6} = \text{Nil}$$

$$T = \frac{3}{6} - \frac{1}{3} = \frac{3-2}{6} = \frac{1}{6} \text{ (Sacrifice)}$$

15. On 1.4.2013 JJJ Ltd. had ₹ 1,00,00,000, 10% Debentures of ₹ 100 each outstanding.

(i) On 1.4.2014 the company purchased in the open market 30,000 of its own debentures for ₹ 99 each and cancelled the same immediately.**

(ii) On 28.2.2015 the company redeemed at par debentures of ₹ 50,00,000 by draw of a lot.

(iii) On 31.1.2016 the remaining debentures were purchased for immediate cancellation for ₹ 19,99,000.**

Ignoring interest on debentures and debenture redemption reserve, pass necessary journal entries for the above transactions in the books of the company. **[6]**

Answer : (ii)

JJJ Ltd

Journal

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
2015 Feb. 28	10% Debentures A/c Dr.		50,00,000	
	To Debentureholders A/c			50,00,000
	(Being payment due to debenture holders on redemption)			
Feb. 28	Debentureholders A/c Dr.		50,00,000	
	To Bank A/c			50,00,000
	(Being payment due to debenture holders discharged)			

16. SK Ltd. invited applications for issuing 3,20,000 equity shares of ₹ 10 each at a premium of ₹ 5 per share. The amount was payable as follows :

On application – ₹ 3 per share (including premium ₹ 1 per share)

On allotment – ₹ 5 per share (including premium ₹ 2 per share)

On First and Final Call – Balance.

Applications for 4,00,000 shares were received. Applications for 40,000 shares were rejected and application money refunded. Shares were alloted on pro-rata basis to the remaining applicants. Excess

** Answer is not given due to change in the present syllabus.

money received with applications was adjusted towards sums due on allotment. Jeevan holding 800 shares failed to pay the allotment money and his shares were immediately forfeited. Afterwards final call was made, Ganesh who had applied for 2,700 shares failed to pay the final call. His shares were also forfeited. Out of the forfeited shares 1,500 shares were re-issued at ₹ 8 per share fully paid up. The re-issued shares included all the forfeited shares of Jeevan.

Pass necessary journal entries for the above transactions in the books of the company. [8]

OR

BBG Ltd. had issued 1,00,000 equity shares of ₹ 10 each at a premium of ₹ 3 per share payable with application money. While passing the journal entries related to the issue, some blanks are left. You are required to complete these blanks. [8]

Books of BBG Ltd.

Journal

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
2015				
Jan. 05	.... Dr.		....	
	To			....
	(Application money received for 1,40,000 shares @ ₹ 6 per share including premium)			
Jan. 17	Equity Share Application A/c Dr.		....	
	To			....
	To			....
	To			....
	To			....
	(Application money transferred to share capital account, securities premium account, refunded for 20,000 shares for rejected applications and balance adjusted towards money due on allotment as shares were alloted on pro-rata basis)			
Jan. 17	.... Dr.		....	
	To			....
	(Allotment money due @ ₹ 4 per share)			
Feb. 20	.... Dr.		....	
	To			....
	(Balance allotment amount received)			
April. 1	.... Dr.		....	
	To			....
	(First and Final Call money due)			
April. 20	.... Dr.		....	
	Calls-in-arrears A/c Dr.		3,000	
	To			....
	(First and Final Call money received)			

May. 20	.... Dr. To .... To .... (Forfeited the shares on which First and Final Call was not received)		....	 ....
June. 15	.... Dr. .... Dr. To .... (Forfeited shares re-issued)		 3,000	 ....
....	.... Dr. To .... (..)		....	 ....

Answer :

SK LTD.

Journal

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
(i)	Bank A/c Dr. To Equity Share Application A/c (Being application money received on shares)		12,00,000	 12,00,000
(ii)	Equity Share Application A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c To Equity Share Allotment A/c To Bank A/c (Being application money transferred to Share Capital A/c)		12,00,000	 6,40,000 3,20,000 1,20,000 1,20,000
(iii)	Equity Share Allotment A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c (Being share allotment made due)		16,00,000	 9,60,000 6,40,000
(iv)	Bank A/c Dr. To Equity Share Allotment A/c (Being allotment money received except on 800 shares)		14,76,300	 14,76,300
(v)	Equity Share Capital A/c Dr. Securities Premium Reserve A/c Dr. To Share Forfeited A/c To Equity Share Allotment A/c (Being 800 shares of Jeevan forfeited after allotment)		4,000 1,600	 1,900 3,700
(vi)	Equity Share First and Final Call A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c (Being first & final call due on 3,19,200 shares)		22,34,400	 15,96,000 6,38,400
(vii)	Bank A/c Dr. To Equity Share First and Final Call A/c (Being first & final call money received except on 2,400 shares)		22,17,600	 22,17,600

(viii)	Equity Share Capital A/c Dr. Securities Premium Reserve A/c Dr. To Share Forfeited A/c To Equity Share First and Final Call A/c (Being 2,400 shares of Ganesh forfeited)		24,000 4,800	 12,000 16,800
(ix)	Bank A/c Dr. Share Forfeited A/c Dr. To Equity Share Capital A/c (Being 1,500 shares reissued for ₹ 8 per share fully paid up)		12,000 3,000	 15,000
(x)	Share Forfeited A/c Dr. To Capital Reserve A/c (Being gain on reissue of forfeited shares transferred to capital reserve account)		2,400	 2,400

OR

Books of BBG Ltd.

Journal

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
2015 Jan. 5	Bank A/c Dr. To Equity Share Application A/c (Being amount received on application for 1,40,000 shares @ ₹ 6 per share including premium)		8,40,000	 8,40,000
Jan. 17	Equity Share Application A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c To Bank A/c To Equity Share Allotment A/c (Being application money transferred to share capital, securities premium, money refunded for 20,000 shares for rejected applications and balance adjusted towards amount due on allotment as shares were alloted on pro-rata basis)		8,40,000	 3,00,000 3,00,000 1,20,000 1,20,000
Jan. 17	Equity Share Allotment A/c Dr. To Equity Share Capital A/c (Amount due on allotment @ ₹ 4 per share)		4,00,000	 4,00,000
Feb. 20	Bank A/c Dr. To Equity Share Allotment A/c (Balance allotment amount received)		2,80,000	 2,80,000
Apr. 1	Equity Share First and Final Call A/c Dr. To Equity Share Capital A/c (First and final call money due)		3,00,000	 3,00,000
Apr. 20	Bank A/c Dr. Calls in Arrears A/c Dr. To Equity Share First and Final Call A/c (First and final call money received)		2,97,000 3,000	 3,00,000

May 20	Equity Share Capital A/c Dr. To Share Forfeited A/c To Calls in Arrears A/c (orfeited the shares on which first and final call was not received)		10,000	 7,000 3,000
Jun. 15	Bank A/c Dr. Share Forfeited A/c Dr. To Equity Share Capital A/c (Being forfeited shares re-issued)		7,000 3,000	 10,000
2016 Mar. 31	Share Forfeited A/c Dr. To Capital Reserve A/c (Being gain on reissue of forfeited shares transferred to capital reserve account)		4,000	 4,000

17. L, M and N were partners in a firm sharing profits in the ratio of 3 : 2 : 1. Their Balance Sheet on 31.3.2015 was as follows :

Balance Sheet of L, M and N as on 31.3.2015

Liabilities		Amount (₹)	Assets	Amount (₹)
Creditors		1,68,000	Bank	34,000
General Reserve		42,000	Debtors	46,000
Capitals :			Stock	2,20,000
L	1,20,000		Investments	60,000
M	80,000		Furniture	60,000
N	40,000	2,40,000	Machinery	20,000
				70,000
		4,50,000		4,50,000

On the above date O was admitted as a new partner and it was decided that :

(i) The new profit sharing ratio between L, M, N and O will be 2 : 2 : 1 : 1.

(ii) Goodwill of the firm was valued at ₹ 1,80,000 and O brought his share of goodwill premium in cash.

(iii) The market value of investments was ₹ 36,000.

(iv) Machinery will be reduced to ₹ 58,000.

(v) A creditor of ₹ 6,000 was not likely to claim the amount and hence was to be written off.

(vi) O will bring proportionate capital so as to give him $\frac{1}{6}$ th the share in the profits of the firm.

Prepare Revaluation Account, Partner's Capital Accounts and the Balance Sheet of the New Firm. **[8]**

OR

J, H and K were partners in a firm sharing profits in the ratio of 5 : 3 : 2. On 31.3.2015 their Balance Sheet was as follows :

Balance Sheet of J, H and K as on 31.3.2015

Liabilities		Amount (₹)	Assets		Amount (₹)
Creditors		42,000	Land and Building		1,24,000
Investment Fluctuation Fund		20,000	Motor Vans		40,000
Profit and Loss Account		80,000	Investments		38,000
Capitals :			Machinery		24,000
J	1,00,000		Stock		30,000
H	80,000		Debtors	80,000	
K	40,000	2,20,000	*Less* : Provision	6,000	74,000
			Cash		32,000
		3,62,000			3,62,000

On the above date H retired and J and K agreed to continue the business on the following terms :

(i) Goodwill of the firm was valued at ₹ 1,02,000.

(ii) There was a claim of ₹ 8,000 for workmen's compensation.

(iii) Provision for bad debts was to be reduced by ₹ 2,000.

(iv) H will be paid ₹ 14,000 in cash and the balance will be transferred in his loan account which will be paid in four equal yearly instalments together with interest @ 10% p.a.

(v) The new profit sharing ratio between J and K will be 3 : 2 and their capitals will be in their new profit sharing ratio. The capital adjustments will be done by opening current accounts.

Prepare Revaluation Account, Partner's Capital Accounts and Balance Sheet of the new firm. [8]

Answer :

Dr. **Revaluation A/c** **Cr.**

Particulars	Amount (₹)	Particulars			Amount (₹)
To Investments A/c	24,000	By Creditors A/c			6,000
To Machinery A/c	12,000	By Partner's Capital A/c :			
		(transfer of loss)			
			L	15,000	
			M	10,000	
			N	5,000	30,000
	36,000				36,000

Dr. **Partner's Capital A/c** **Cr.**

Particulars	L	M	N	O	Particulars	L	M	N	O
To Revaluation A/c	15,000	10,000	5,000		By Balance b/d	1,20,000	80,000	40,000	
To Balance c/d	1,56,000	84,000	42,000	56,400	By General Reserve A/c	21,000	14,000	7,000	
					By Premium for Goodwill A/c	30,000			
					By Bank A/c				56,400
	1,71,000	94,000	47,000	56,400		1,71,000	94,000	47,000	56,400

Balance Sheet of L,M, N and O

as at 31st March, 2015

Liabilities		Amount (₹)	Assets	Amount (₹)
Creditors		1,62,000	Bank	1,20,400
Partner's Capitals :			Debtors	46,000
L	1,56,000		Stock	2,20,000
M	84,000		Investments	36,000
N	42,000		Machinery	58,000
O	56,400	3,38,400	Furniture & Fittings	20,000
		5,00,400		5,00,400

Working Notes :

$$\text{Sacrifice Ratio} = \text{Old Ratio} - \text{New Ratio}$$

$$\text{L's Sacrifice} = \frac{3}{6} - \frac{2}{6} = \frac{1}{6}$$

$$\text{M's Sacrifice} = \frac{2}{6} - \frac{2}{6} = \frac{0}{6} = \text{Nil}$$

$$\text{N's Sacrifice} = \frac{1}{6} - \frac{1}{6} = \frac{0}{6} = \text{Nil}$$

Let the firm's capital be 1

$$\text{O's share} = \frac{1}{6}$$

$$\text{Remaining share} = 1 - \frac{1}{6} = \frac{5}{6}$$

$$\text{Total capital for } \frac{5}{6}\text{th share} = ₹2,82,000$$

$$\text{Firm's Total capital} = 2,82,000 \times \frac{5}{6}$$
$$= ₹3,38,400$$

$$\text{O's share of capital} = 3,38,400 \times \frac{1}{6} = ₹56,400$$

OR

Revaluation A/c

Dr. Cr.

Particulars	Amount (₹)	Particulars		Amount (₹)
To Claim for Workmen Compensation A/c	8,000	By Provision for Bad Debs A/c		2,000
		By Partner's Capital A/c : (transfer of loss)		
		J	3,000	
		H	1,800	
		K	1,200	6,000
	8,000			**8,000**

Partners' Capital A/c

Dr. Cr.

Particulars	J (₹)	H (₹)	K (₹)	Particulars	J (₹)	H (₹)	K (₹)
To Revaluation A/c	3,000	1,800	1,200	By Balance b/d	1,00,000	80,000	40,000
To H's Capital A/c	10,200		20,400	By Investment Fluctuation Fund A/c	10,000	6,000	4,000
To Cash A/c		14,000		By Profit & Loss A/c	40,000	24,000	16,000
To H's Loan A/c		1,24,800		By J's Capital A/c		10,200	
To J's Current A/c	31,680			By K's Capital A/c		20,400	
To Balance c/d	1,05,120		70,080	By K's Current A/c			31,680
	1,50,000	**1,40,600**	**91,680**		**1,50,000**	**1,40,000**	**91,680**

Balance Sheet

as at 31st March 2015

Liabilities	Amount (₹)	Particulars	Amount (₹)
Creditors	42,000	Land & Building	1,24,000
Claim for Workmen Compensation	8,000	Motor Van	40,000
H's Loan A/C	1,24,800	Investment	38,000
		Machinery	24,000

			Stock		30,000
			Debtors	80,000	
J's Current A/c		31,680	*Less* : Provision	4,000	76,000
Partner's Capitals :			Cash		18,000
J	1,05,120		K's Current A/c		31,680
K	70,080	1,75,200			
		3,81,680			**3,81,680**

Working Notes :

1. H's Share of Goodwill $= 1{,}02{,}000 \times \frac{3}{10} =$ ₹ 30,600

2. Gaining Ratio = New Ratio – Old Ratio

$$\text{J's Gain} = \frac{3}{5} - \frac{5}{10} = \frac{6-5}{10} = \frac{1}{10}$$

$$\text{K's Gain} = \frac{2}{5} - \frac{2}{10} = \frac{4-2}{10} = \frac{2}{10}$$

Gaining Ratio = 1 : 2

PART B

(Analysis of Financial Statements)

18. Give the meaning of 'Cash Flow Statement'. **[1]**

Answer : A cash flow statement shows inflows and outflows of cash and cash equivalents due to operating, investing and financing activities of a company during a specified period.

19. 'An enterprise may hold securities and loans for dealing or trading purpose in which case they are similar to inventory acquired specifically for resale'. Is the statement correct ? Cash Flows from such activities will be classified under which type of activity while preparing Cash Flow Statement ? [1]

Answer : Yes, the statement is correct.

Operating Activity.

20. (a) One of the objectives of 'Financial Statement Analysis is to judge the ability of the firm to repay its debt and assessing the short term as well as the long term liquidity position of the firm.' State two more objectives of this analysis.

(b) List any two items that are presented under the head 'other current liabilities' and any two items that are presented under the head 'other current assets' as per Schedule III of the Companies Act, 2013. ** **[2 + 2 = 4]**

Answer : Objectives of Financial Statement Analysis :

(i) Assessing the earning capacity or profitability of the firm as a whole as well as its different departments so as to judge the financial health of the firm.

(ii) Assessing their own performance as well as of others through inter firm comparison.

21. (a) What is meant by 'Activity Ratios' ? **[2 + 2 = 4]**

(b) From the following information calculate inventory turnover ratio; Revenue from operations ₹ 16,00,000; Average Inventory ₹ 2,20,000; Gross Loss Ratio 5%.

** Answer is not given due to change in the present syllabus.

Answer : (a) Activity ratios refer to the ratios that are calculated for measuring the efficiency of operations of business based on effective utilisation of resources.

(b) Calculation of Inventory Turnover Ratio :

$$\text{Inventory Turnover Ratio} = \frac{\text{Cost of Revenue from Operations}}{\text{Average Inventory}}$$

$$\text{Gross Loss} = \text{Revenue from operations} \times \text{Gross Loss Ratio}$$

$$= 16{,}00{,}000 \times \frac{5}{100}$$

$$= ₹\ 80{,}000$$

$$\text{Cost of Revenue from Operations} = \text{Revenue from Operations} + \text{Gross Loss}$$

$$= 16{,}00{,}000 + 80{,}000$$

$$= ₹\ 16{,}80{,}000$$

$$\text{Average Inventory} = ₹\ 2{,}20{,}000$$

$$\text{Inventory Turnover Ratio} = \frac{16{,}80{,}000}{2{,}20{,}000} = 7.64 \text{ times}$$

22. Following is the Statement of Profit and Loss of Moon India Ltd. for the year ended 31st March 2015. **[4]**

Particulars	Note No.	31.3.2015 (₹)	31.3.2014 (₹)
Revenue from operations		50,00,000	40,00,000
Other Incomes		2,00,000	10,00,000
Employee benefit expenses		60% of total Revenue	50% of total Revenue
Other Expenses		10% of employee benefit expenses	20% of employee benefit expenses
Tax Rate		50%	40%

The motto of Moon India Ltd. is to produce and distribute green energy in the backward areas of India. It has also taken up a project of giving vocational training to the girls belonging to the backward areas of Rajasthan. You are required to prepare a Comparative Statement of Profit and Loss of Moon India Ltd. from the given Statement of Profit and Loss and also identify any two values that the company wishes to convey to the society.

Answer : **Comparative Statement of Profit & Loss**

for the years ended 31st March, 2014 and 2015

Particulars	Note No.	Absolute Figures 2013-14 (₹)	Absolute Figures 2014-15 (₹)	Absolute Change Increase/Decrease	Absolute Change (%)
I Revenue from Operations		40,00,000	50,00,000	10,00,000	25
II *Add :* Other Income		10,00,000	2,00,000	(8,00,000)	(80)
III Total Revenue (I + II)		50,00,000	52,00,000	2,00,000	4
IV Expenses :					

Employee Benefit Expenses		25,00,000	31,20,000	6,20,000	24.8
Other Expenses		5,00,000	3,12,000	(1,88,000)	(37.6)
Total Expenses		30,00,000	34,32,000	4,32,000	14.4
V Profit before Tax (III – IV)		20,00,000	17,68,000	(2,32,000)	(11.6)
VI Tax		8,00,000	8,84,000	84,000	10.5
VII Profit after Tax (V – VI)		12,00,000	8,84,000	(3,16,000)	(26.33)

Values : (1) Development of rural areas.

(2) Providing employment opportunities.

23. Following was the Balance Sheet of M.M. Ltd. at on 31.3.2015. **[6]**

M.M. Ltd.

Balance Sheet as at 31.3.2015

Particulars	Note No.	31.3.2015 (₹)	31.3.2014 (₹)
I. Equity and Liabilities			
(1) Shareholder's Funds			
(a) Share Capital		5,00,000	4,00,000
(b) Reserves and Surplus	1	2,00,000	(50,000)
(2) Non-Current Liabilities			
Long-term Borrowings	2	4,50,000	5,00,000
(3) Current Liabilities			
(a) Short-term Borrowings	3	1,50,000	50,000
(b) Short-term Provisions	4	70,000	90,000
Total		13,70,000	9,90,000
II. Assets			
(1) Non-Current Assets			
(a) Fixed Assets			
(i) Tangible	5	10,03,000	7,20,000
(ii) Intangible	6	20,000	30,000
(b) Non-Current Investments		1,00,000	75,00
(2) Current Assets			
(a) Current Investments	7	50,000	60,000
(b) Inventories		1,07,000	45,000
(c) Cash and Cash Equivalents		90,000	60,000
Total		13,70,000	9,90,000

Notes To Accounts

Note No.	Particulars	31.3.2015 (₹)	31.3.2014 (₹)
(1)	Reserves and Surplus		
	(Surplus *i.e.* Balance in Statement of Profit and Loss)	2,00,000	(50,000)
		2,00,000	(50,000)
(2)	Long-term Borrowings 12% Debentures	4,50,000	5,00,000
		4,50,000	5,00,000
(3)	Short-term Borrowings		

	Bank Overdraft	1,50,000	50,000
		1,50,000	50,000
(4)	Short-term Provisions		
	Provision for Tax	70,000	90,000
		70,000	90,000
(5)	Tangible Assets		
	Machinery	12,03,000	8,21,000
	Accumulated Depreciation	(2,00,000)	(1,01,000)
		10,03,000	7,20,000
(6)	Intangible Assets		
	Goodwill	20,000	30,000
		20,000	30,000
(7)	Inventories		
	Stock in trade	1,07,000	45,000
		1,07,000	45,000

Additional Information :

(i) 12% Debentures were redeemed on 31.3.2015.

(ii) Tax ₹ 70,000 was paid during the year.

Prepare Cash Flow Statement.

Answer : **Cash Flow Statement of M.M Ltd.**

for the year ended 31st March, 2015 as per AS-3 (Revised)

Particulars	Details (₹)	Amount (₹)
A. Cash Flows from Operating Activities		
Net profit before tax & extra ordinary items (Note 1)	3,00,000	
Add : Non Cash and Non-operating Charges		
Goodwill written off	10,000	
Depreciation on machinery	99,000	
Interest on debentures	60,000	
Operating Profit before Working Capital Charges	4,69,000	
Less : Increase in Current Assets		
Increase in stock in trade	(62,000)	
Cash from Operations	4,07,000	
Less : Tax paid	(70,000)	
Net Cash Generated from Operating Activities		3,37,000
B. Cash Flows from Investing Activities		
Purchase of machinery	(3,82,000)	
Purchase of non-current investments	(25,000)	
Net Cash Used in Investing Activities		(4,07,000)
C. Cash Flows from Financing Activities		
Issue of share capital	1,00,000	
Redemption of 12% debentures	(50,000)	
Interest on debentures paid	(60,000)	

Bank overdraft raised	1,00,000	
Net Cash Flow from Financing Activities		90,000
Net Increase in Cash and Cash Equivalents (A + B + C)		20,000
Add : Opening Balance of Cash & Cash Equivalents		
Current Investments	60,000	
Cash and Cash Equivalents	60,000	1,20,000
Closing Balance of Cash and Cash Equivalents		
Current Investments	50,000	
Cash and Cash Equivalents	90,000	1,40,000

Working Notes :

1. **Calculation of Net Profit before tax :**

Net Profit as per Statement of Profit & Loss	2,50,000
Add : Provision for tax made	50,000
Net Profit before tax and extraordinary items	3,00,000

2.

Dr. **Provision for Tax A/c** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Bank A/c (Paid)	70,000	By Balance b/d	90,000
To Balance c/d	70,000	By Statement of P & L (Bal. fig.)	50,000
	1,40,000		**1,40,000**

PART B
(Computerized Accounting)

18. List the steps that are involved in 'Data Processing Cycle'. **[1]**

Answer : Data capturing, Input, Processing and generating information needed by the users.

19. How is Accounting data computed in a computerized accounting software ? **[1]**

Answer : Accounting data is captured by identification of source documents, by feeding it into the device, storing and generating desired reports.

20. State the steps to construct 'Bank Reconciliation Statement' using accounting software tally. **[4]**

Answer : The following are the steps to construct BRS in tally :

1. Bring up the monthly summary of bank book.
2. Bring your cursor to the first month and press enter. This brings up the vouchers for the month. Since this is a bank account, an additional button F5 : reconcile will be visible on the right Press F5.
3. The display now becomes an Edit screen in Reconciliation mode. The primary components are : A column for the 'Bankers Date'.
4. Amounts not reflected in banks.
5. Balance as per bank.

21. Internal manipulation of records is much easier in computerized accounting than in manual accounting. How ? **[4]**

Answer : Internal manipulation of accounting records is much easier due to following reasons :

1. Defective logical sequence at programming stage.
2. Prone to hacking.

22. Explain any four advantages of Data Based Management System (DBMS). **[4]**

Answer : Advantages of DBMS :

(1) **Database can contral data inconsistency to a large extent :** Redundancy leads to inconsistency. In case of non-data base system updation and deletion of the information does not take place simultaneously, so the inconsistency creeps in. In case of database management system change at one place is automatically made at other places.

(2) **Database ensures standards :** Database management system ensures the maintenance of standard established by the enterprise and the industry. Sometimes national and international standards are also maintained. Standardisation facilitates interchange of data or migration between systems.

(3) **Database facilitates sharing of data :** Sharing of data means that the individual pieces of data are shared among different users, who have access to the same and each of them may use it for different purposes.

Database enables the sharing of old as well as new application without creating new store files.

(4) **Database reduces the data redundancy to a large extent :** Duplication of data is known as data redundancy. Non-database system maintains separate copy of data for each application. Maintaining separate copy leads to inconsistency and inaccuracy. For example, students records are kept in the admission register, class register, library and other places. If he informs change of his address, it is just possible that change may not be noted everywhere.

23. Rohit Kumar is a non-supervisor. He took leave for half a day during the month. His basic pay is ₹ 15,000. On the basis of the following information using Excel, give the formulae to compute, (a) Basic Pay Earned; (b) DA; (c) House Rent Allowance and (d) Transport Allowance.

Information :

Number of working days in the month are - 31, Rate of D.A. 45% of basic pay, HRA for supervisory staff is 25% of basic pay, HRA for non-supervisory staff 12% of basic pay. Transport allowance for supervisory staff ₹ 2,000 per month and transport allowance for non-supervisory staff ₹ 1,000 per month. [6]

Answer : (a) Basic Pay Earned = E11×F11/31

Where E11 is basic pay and F11 is number of effective working days which are 30.5 in this case.

(b) D.A. = G11×45%

Where G11 in the basic pay earned in part (a).

(c) House Rent Allowance = IF(C11="Nsup",G11×12%,IF(C11="Sup"×25%,0))

(d) Transport Allowance = IF(C11"Nsup",1000, IF(C11="Sup",2000,0))

●●

Accountancy 2016 (Outside Delhi) SET II

Time allowed : 3 hours **Maximum marks : 80**

Note : Except for the following questions, all the remaining questions have been asked in previous set.

PART A
(Accounting for Partnership Firms and Companies)

13. Prem and Suresh were partners in a firm sharing profits in the ratio of 7 : 8. On 1.4.2015 their firm was dissolved. After transferring assets (other than cash) and outsider's liabilities to realisation account, you are given the following information :

(a) Raman, a creditor of ₹ 4,00,000 accepted land valued at ₹ 7,00,000 and paid ₹ 3,00,000 to the firm.

(b) Gopal, a second creditor for ₹ 1,05,000 accepted ₹ 90,000 in cash and investments of ₹ 14,000 in full settlement of his account.

(c) Hari, a third creditor amounting to ₹ 75,000 accepted stock of the book value of ₹ 60,000 for ₹ 45,000 and the balance was paid to him by cheque.

(d) Loss on dissolution was ₹ 45,000.

Pass necessary journal entries for the above transactions in the books of the firm. [6]

Answer :

Journal of Prem and Suresh

Date	Particulars		L.F.	Amount (₹)	Amount (₹)
(a)	Cash A/c	Dr.		3,00,000	
	To Realisation A/c				3,00,000
	(Being payment received from creditor)				
(b)	Realisation A/c	Dr.		90,000	
	To Cash A/c				90,000
	(Being partial payment made to creditor in cash)				
(c)	Realisation A/c	Dr.		30,000	
	To Bank A/c				30,000
	(Being partial payment made to creditor through cheque)				
(d)	Prem's Capital A/c	Dr.		21,000	
	Suresh's Capital A/c	Dr.		24,000	
	To Realisation A/c				45,.000
	(Being loss on realisation transferred to partner's capital account in the ratio of 7 : 8)				

14. Nardeep, Hardeep and Gagandeep were partners in a firm sharing profits in 2 : 1 : 3 ratio. Their Balance sheet as on 31.3.2015 was as follows :

Balance Sheet of Nardeep, Hardeep and Gagandeep as on 31.3.2015

Dr. Provision for Tax A/c Cr.

Liabilities		Amount (₹)	Assets	Amount (₹)
Creditors		1,00,000	Land	1,00,000
Bills Payable		40,000	Building	1,00,000
General Reserve		60,000	Plant	2,00,000
Capital :			Stock	80,000
Nardeep	2,00,000		Debtors	60,000
Hardeep	1,00,000		Bank	10,000
Gagandeep	50,000	3,50,000		
		5,50,000		**5,50,000**

From 1.4.2015 Nardeep, Hardeep and Gagandeep decided to share the future profits equally. For this purpose it was decided that :

(a) Goodwill of the firm be valued at ₹ 3,00,000.

(b) Land be revalued at ₹ 1,60,000 and building be depreciated by 6%.

(c) Creditors of ₹ 12,000 were not likely to be claimed and hence be written off.

Prepare Revaluation Account, Partners Capital Accounts and the Balance Sheet of the reconstituted firm. [6]

Answer :

Dr. Revaluation A/c Cr.

Liabilities		Amount (₹)	Assets	Amount (₹)
To Building A/c		6,000	By Land A/c	60,000
To Partner's Capital A/c :			By Creditors A/c	12,000
Nardeep	22,000			
Hardeep	11,000			
Gagandeep	33,000	66,000		
		72,000		**72,000**

Dr. Partner's Capital A/c Cr.

Particulars	Nardeep (₹)	Hardeep (₹)	Gagandeep (₹)	Particulars	Nardeep (₹)	Hardeep (₹)	Gagandeep (₹)
To Gagandeep's Capital A/c		50,000		By Balance b/d	2,00,000	1,00,000	50,000
				By General Reserve A/c	20,000	10,000	30,000
To Balance c/d	2,42,000	71,000	1,63,000	By Revaluation A/c	22,000	11,000	33,000
				By Hardeep's Capital A/c			50,000
	2,42,000	**1,21,000**	**1,63,000**		**2,42,000**	**1,21,000**	**1,63,000**

Balance Sheet of Nardeep, Hardeep and Gagandeep

as at 1st April, 2015

Liabilities		Amount (₹)	Assets	Amount (₹)
Creditors		88,000	Land	1,60,000
Bills Payable		40,000	Building	94,000
Capital :			Plant	2,00,000
Nardeep	2,42,000		Stock	80,000
Hardeep	71,000		Debtors	60,000
Gagandeep	1,63,000	4,76,000	Bank	10,000
		6,04,000		**6,04,000**

Working Notes :

Gain or Sacrifice : Nardeep $= \frac{2}{6} - \frac{1}{3} = \frac{2-2}{6} = \frac{0}{6}$ (Nil)

Hardeep $= \frac{1}{6} - \frac{1}{3} = \frac{1-2}{6} = -\frac{1}{6}$ (Gain)

Gagandeep $= \frac{3}{6} - \frac{1}{3} = \frac{3-2}{6} = \frac{1}{6}$ (Sacrifice)

15. On 1.4.2013 JMR Ltd. had 20,000, 9% debentures of ₹ 100 each outstanding.

(i) On 1.4.2014 the company purchased in the open market 6,000 of its own debentures for ₹ 98 each and cancelled the same immediately. **

(ii) On 28.2.2015 the company redeemed at par debentures of ₹ 10,00,000 by draw of a lot.

(iii) On 1.3.2016 the remaining debentures were purchased for immediate cancellation for ₹ 3,99,000.

Ignoring interest on debentures and debenture redemption reserve, pass necessary journal entries for the above transactions in the books of JMR Ltd.** **[6]**

Answer : **JMR Ltd.**

Journal

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
(ii) 2015 Feb. 28	9% Debentures A/c Dr. To Debenture holders A/c (Being payment due to debentureholders on redemption)		10,00,000	10,00,000
Feb. 28	Debenture holders A/c Dr. To Bank A/c (Being payment due to debentureholders discharged)		10,00,000	10,00,000

** Answer is not given due to change in the present syllbus.

PART B
(Analysis of Financial Statements)

18. State any two objectives of preparing 'Cash Flow Statement'. **[1]**

Answer : The basic objectives of preparing a Cash Flow Statement are :

(i) To ascertain the various sources of activities from which cash and cash equivalents have been generated by an enterprise during the specified period.

(ii) To ascertain the various uses of activities in which cash and cash equivalents have been used by an enterprise during the specified period.

20. (a) 'One of the objectives of analysis of financial statements is to ascertain the relative importance of the different components of the financial position of the firm'. State two other objectives of this analysis.

(b) List any four items of 'reserves' that are shown under the heading 'Reserves and Surplus' in the Balance Sheet of a company as per Schedule III of the Companies Act 2013.** **[2 + 2 = 4]**

Answer : (a) (i) To identify the magnitude and direction of changes in enterprise's financial position and performance.

(ii) To ascertain the strengths and weaknesses of the enterprise in terms of liquidity, profitability, solvency, etc.

21. (a) What is meant by 'Profitability Ratios' ? **[2]**

Answer : (a) Profitability ratios help to measure the earning capacity of the business. These ratios are expressed in percentage form. Some of the important profitability ratios are :

(i) Gross Profit Ratio

(ii) Net Profit Ratio

(iii) Operating Ratio

(iv) Operating Profit Ratio

(v) Return on Investment (R.O.I.)

PART B
(Computerized Accounting)

23. Ashok Kumar is a Non-supervisor. He took leave of two and half a days during the month. His basic pay is ₹ 8,500.

On the basis of the following information using Excel give the formulae to compute :

(a) Basic pay earned;

(b) D.A.;

(c) House rent allowance and

(d) Transport allowance.

Information :

Number of working days in the month–31, Rate of D.A. 50% of basic pay, HRA for supervisory staff is 30% of basic pay, HRA for non-supervisory staff 20% of basic pay, Transport allowance for supervisory staff ₹ 2,500 per month, transport allowance for non-supervisory staff ₹ 1,500 per month. **[6]**

Answer : (a) Basic Pay Earned = E11 × F11/31

Where E11 is basic pay and F11 is number of effective working days which are 28.5 in this case.

(b) D.A. = G11×50%

Where G11 is the basic pay earned in part (a).

(c) House Rent Allowance = IF(C11 = "Nsup",G11 × 20%, IF (C11 = "Sup" × 30%,0))

(d) Transport Allowance = IF(C11"Nsup",1500,IF(C11="Sup",2500,0))

** **Answer is not given due to change in the present syllabus.**

Accountancy 2016 (Outside Delhi) SET III

Time allowed : 3 hours **Maximum marks : 80**

Note : Except for the following questions, all the remaining questions have been asked in previous set.

PART A

(Accounting for Partnership Firms and Companies)

13. G and H were partners in a firm sharing profits in the ratio of 9 : 7. On 1.4.2015 their firm was dissolved. After transferring assets (other than cash) and outsider's liabilities to realisation account you are given the following information :
   (a) Mohan, a creditor of ₹ 2,30,000 accepted debtors of ₹ 2,00,000 at a discount of 10% and the balance was paid to him by cheque.
   (b) Sohan, a second creditor for ₹ 7,00,000 accepted land of the book value of ₹ 10,00,000 at ₹ 15,00,000 and paid the balance to the firm by cheque.
   (c) Ram, a third creditor for ₹ 80,000 took over stock of book value of ₹ 40,000 at ₹ 30,000 and investments of ₹ 48,000 in full settlement of his claim.
   (d) Loss on dissolution was ₹ 48,000.

   Pass necessary journal entries for the above transactions in the books of G and H. [6]

Answer :

M/s G and H

Journal

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
(a)	Realisation A/c Dr.		50,000	
	To Bank A/c			
	(Being partial payment made to creditor)			50,000
(b)	Bank A/c Dr.		8,00,000	
	To Realisation A/c			8,00,000
	(Being payment received from creditor)			
(c)	No Entry			
(d)	G's Capital A/c Dr.		27,000	
	H's Capital A/c Dr.		21,000	
	To Realisation A/c			48,000
	(Being loss on realisation transferred to partner's capital A/c)			

14. X, Y and Z were partners in a firm sharing profits in the ratio of 1 : 2 : 3. On 31.3.2015 their Balance Sheet was as follows :

Balance Sheet of X, Y and Z as on 31.3.2015

Liabilities		Amount (₹)	Assets	Amount (₹)
Creditors		25,000	Land	25,000
Bills Payable		10,000	Building	25,000
General Reserve		15,000	Plant	50,000
Capitals :			Stock	20,000
X	50,000		Debtors	15,000
Y	25,000		Bank	2,500
Z	12,500	87,500		
		1,37,500		1,37,500

X, Y and Z decided to share the profits equally with effect from 1.4.2015. For this it was agreed that :

(a) Goodwill of the firm be valued at ₹ 75,000.

(b) Land be revalued at ₹ 40,000 and building be depreciated by 6%.

(c) Creditors of ₹ 3,000 were not likely to be claimed and hence be written off.

Prepare Revaluation Account, Partner's Capital Accounts and the Balance Sheet of the reconstituted firm. [6]

Answer :

Dr. Revaluation A/c Cr.

Liabilities		Amount (₹)	Assets	Amount (₹)
To Building A/c		1,50,00	By Land A/c	15,000
To Partners' Capital :			By Creditors A/c	3,000
(transfer of profit)				
X	2,750			
Y	5,500			
Z	8,250	16,000		
		18,000		**18,000**

Dr. Partner's Capital A/c Cr.

Particulars	X (₹)	Y (₹)	Z (₹)	Particulars	X (₹)	Y (₹)	Z (₹)
To Z's Capital A/c	12,500	—	—	By Balance b/d	50,000	25,000	12,500
To Balance c/d	42,750	35,500	40,750	By Revaluation A/c	2,750	5,500	8,250
				By General Reserve A/c	2,500	5,000	7,500
				By X's Capital A/c	—	—	12,500
	55,250	**35,500**	**40,750**		**55,250**	**35,500**	**40,750**

Balance Sheet of X, Y and Z

as at 1st April, 2015

Liabilities		Amount (₹)	Assets	Amount (₹)
Creditors		22,000	Land	40,000
Bills Payable		10,000	Building	23,500
Capitals :			Plant	50,000
X	42,750		Stock	20,000
Y	35,500		Debtors	1,51,000
Z	40,750	1,19,000	Bank	2,500
		1,51,000		**1,51,000**

Working Notes :

Sacrifice Ratio = Old Ratio – New Ratio

$$X = \frac{1}{6} - \frac{1}{3} = -\frac{1}{6} \text{ (Gain)}$$

$$Y = \frac{2}{6} - \frac{1}{3} = \text{ (Nil)}$$

$$Z = \frac{3}{6} - \frac{1}{3} = \frac{1}{6} \text{ (Sacrifice)}$$

15. **On 1.4.2013 Roshni Ltd. had ₹ 50,00,000, 9% debentures of ₹ 100 each outstanding.**

(i) On 1.4.2014 the company purchased in the open market 20,000 of its own debentures at ₹ 98.50 each and cancelled the same immediately.* *

(ii) On 1.10.2014 the company redeemed at par debentures of ₹ 16,00,000 by draw of a lot.

(iii) On 31.3.2015 the remaining debentures were purchased for immediate cancellation for ₹ 9,98,000.

Ignoring interest on debentures and debenture redemption reserve, pass necessary journal entries for the above transactions in the books of Roshni Ltd.* * **[6]**

Answer : **Roshni Ltd.**

Journal

(ii)

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
2014 Oct. 1	9% Debentures A/c Dr. To Debenture holders A/c (Being payment due to debentureholders on redemption)		16,00,000	16,00,000
Oct. 1	Debenture holders A/c Dr. To Bank A/c (Being payment due to debentureholders dis-charged)		16,00,000	16,00,000

PART B

(Analysis of Financial Statements)

18. **Does movement between items that constitute cash or cash equivalents result into cash flow ? Give reason in support of your answer.** **[1]**

Answer : (1) No

(2) Movements between items that constitute cash or cash equivalents doesn't result into cash flow because these are the components of the cash and cash equivalents only.

19. **Why is separate disclosure of cash flows from investing activities important ? State.** **[1]**

Answer : Separate disclosure of cash flows from investing activities is important because they represent the extent to which expenditures have been made for resources or purchase of assets.

20. **(a) Give the meaning of 'Long-Term Provisions'.** [2 + 2 = 4]

(b) List any four items other than 'stock-in-trade' that are presented under the sub-head 'inventories' as per Schedule III of the Companies Act, 2013.

Answer : (a) Provisions for which the related claims are expected to be settled beyond 12 months or operating cycle are classified as long term provisions.

(b) Inventories :

(1) Raw materials

(2) Work in progress

(3) Finished goods

(4) Stores and spares.

** Answer is not given due to change in the present syllabus.

PART B
(Computerized Accounting)

23. Rohit Kumar is a supervisor. He took leave for three days during the month. His basic pay is ₹ 25,000. **[6]**

On the basis of the following information using Excel give the formulae to compute :

(a) Basic pay earned;

(b) D.A.;

(c) House rent allowance and

(d) Transport allowance.

Information :

Number of working days in the month - 31, Rate of D.A. 55% of basic pay, HRA for supervisory staff is 25% of basic pay, HRA for non-supervisory staff 12% of basic pay, Transport allowance for supervisory staff ₹ 2,000 per month, transport allowance for non-supervisory staff ₹ 1,000 per month.

Answer : (a) Basic Pay Earned = E11×F11/31

Where E11 is basic pay and F11 is number of effective working days which are 28 in this case.

(b) D.A. = G11×55%

Where G11 is the basic pay earned in part (a).

(c) House Rent Allowance = IF(C11="Sup",G11×25%,IF(C11="Nsup"×12%,0))

(d) Transport Allowance = IF(C11"Sup",2000,IF(C11="Nsup",1000,0))

Accountancy 2016 (Delhi) SET I

Time allowed : 3 hours **Maximum marks : 80**

Note : Except for the following questions, all the remaining questions have been asked in previous sets.

PART A
(Accounting for Partnership Firms and Companies)

1. **What is the maximum number of partners that a partnership firm can have ? Name the Act that provides for the maximum number of partners in a partnership firm.** **[1]**

Answer : Maximum number of partners that a partnership firm can have is 50. The Act that provides for the maximum number of partners in a partnership firm is Companies Act, 2013.

2. **A, B and C were partners in a firm sharing profits in the ratio of 3 : 2 : 1. They admitted D as a new partner for 1/8th share in the profits, which he acquired 1/16th from B and 1/16th from C.** **[1]**

Calculate the new profit sharing ratio of A, B, C and D.

Answer : Profit Sharing Ratio of A, B & C = 3 : 2 : 1

$$\text{D's share} = \frac{1}{8} \text{(acquired } \frac{1}{16} \text{ th share of B and C both)}$$

$$\text{A's share} = \frac{3}{6} \text{ (original share)}$$

$$\text{B's new share} = \frac{2}{6} - \frac{1}{16} = \frac{13}{48}$$

$$\text{C's new share} = \frac{1}{6} - \frac{1}{16} = \frac{5}{48}$$

$$\text{New Ratio of A, B, C \& D} = \frac{3}{6} : \frac{13}{48} : \frac{5}{48} : \frac{1}{8}$$

$$= \frac{24:13:5:6}{48}$$

$$= 24:13:5:6$$

5. On 1-1-2016 the first call of ₹ 3 per share became due on 1,00,000 equity shares issued by Kamini Ltd. Karan, a holder of 500 shares did not pay the first call money. Arjun, a shareholder holding 1000 shares paid the second and final call of ₹ 5 per share along with the first call.

Pass the necessary journal entry for the amount received by opening 'Calls-in-arrears' and 'Calls-in-advance' account in the books of the company. [1]

Answer : **In the books of Kamini Ltd.**

Journal

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2016 Jan. 1	Equity Share First Call A/c Dr. To Equity Share Capital A/c (Being first call money due on 1,00,000 equity shares @ ₹ 3 each)		3,00,000	 3,00,000
	Bank A/c Dr. Calls-in-Arrears A/c Dr. To Equity Share First Call A/c To Calls-in-Advance A/c (Being amount received on first call except of 500 shares and second & final call received in advance of 1,000 shares)		3,03,500 1,500	 3,00,000 5,000

6. Nusrat and Sonu were partners in a firm sharing profits in the ratio of 3 : 2. During the year ended 31-3-2015 Nusrat had withdrawn ₹15,000. Interest on her drawings amounted to ₹ 300. [1]

Pass necessary journal entry for charging interest on drawings assuming that the capitals of the partners were fixed.

Answer : **Journal**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2015 March 31	Nusrat's Current A/c Dr. To Interest on Drawings A/c (Being interest charged on Nusrat's drawings)		300	 300

7. KTR Ltd., issued 365, 9% Debentures of ₹ 1,000 each on 4-3-2016. Pass necessary journal entries for the issue of debentures in the following situations :

(a) When debentures were issued at par redeemable at a premium of 10%.

(b) When debentures were issued at 6% discount redeemable at 5% premium. [3]

Answer : (a) **Journal**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2016 March 4	Bank A/c (365 × 1,000) Dr. To 9% Debenture Application and Allotment A/c (Being debenture application money received)		3,65,000	3,65,000
March 4	9% Debenture Application and Allotment A/c Dr. Loss on Issue of Debentures A/c Dr. To 9% Debentures A/c To Premium on Redemption of Debentures A/c (Being 9% debentures issued at par and redeemable at premium)		3,65,000 36,500	3,65,000 36,500

(b) **Journal**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2016 March 4	Bank A/c (365 × 940) Dr. To 9% Debenture Application and Allotment A/c (Being debenture application money received)		3,43,100	3,43,100
March 4	9% Debenture Application and Allotment A/c Dr. Loss on Issue of Debentures A/c Dr. To 9% Debentures A/c To Premium on Redemption of Debentures A/c (Being 9% debentures issued at discount and redeemable at premium)		3,43,100 40,150	3,65,000 18,250

9. Sandesh Ltd. took over the assets of ₹ 7,00,000 and liabilities of ₹ 2,00,000 from Sanchar Ltd. for a purchase consideration of ₹ 4,59,500. ₹ 8,500 were paid by accepting a draft in favour of Sanchar Ltd. payable after three months and the balance was paid by issue of equity shares of ₹ 10 each at a premium of 10% in favour of Sanchar Ltd.

Pass necessary journal entries for the above transactions in the books of Sandesh Ltd. **[3]**

Answer : (a) **Journal**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
	Sundry Assets A/c Dr. To Sundry Liabilities A/c To Sanchar Ltd. To Capital Reserve A/c (Being purchase of assets and liabilities of Sanchar Ltd.)		7,00,000	2,00,000 4,59,500 40,500
	Sanchar Ltd. Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c To Bills Payable A/c (Being payment to Sanchar Ltd. by issuing 41,000 equity shares of ₹ 10 each @ 10% premium and ₹ 8,500 by bank draft)		4,59,500	4,10,000 41,000 8,500

Working Note :

$$\text{Number of shares issued} = \frac{\text{Purchase Consideration}}{\text{Issue Price}}$$

$$= \frac{4,59,500 - 8,500}{10+1} = \frac{4,51,000}{11}$$

= 41,000 equity shares

10. To provide employment to the youth and to develop the Naxal affected backward areas of Chattisgarh. X Ltd. decided to set-up a power plant. For raising funds the company decided to issue 7,50,000 equity shares of ₹ 10 each at a premium of 50%. The whole amount was payable on application. Applications for 20,00,000 shares were received. Applications for 50,000 shares were rejected and shares were allotted to the remaining applicants on pro-rata basis.

Pass necessary journal entries for the above transactions in the books of the company and identify any two values which X Ltd. wants to propagate. [3]

Answer : **In the Books of X Ltd.**

Journal

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
	Bank A/c Dr.		3,00,00,000	
	To Equity Share Application & Allotment A/c			3,00,00,000
	(Being amount received on 20,00,000 equity shares @ ₹ 10 each at a premium of 50%)			
	Equity Share Application & Allotment A/c Dr.		3,00,00,000	
	To Equity Share Capital A/c			75,00,000
	To Securities Premium A/c			37,50,000
	To Bank A/c			1,87,50,000
	(Being application money transferred to share capital account and excess amount refunded)			

Following are the two values that X Ltd. wants to propagate :

(a) Providing employment to youth.

(b) Development of backward areas.

11. P and Q were partners in a firm sharing profits in the ratio of 5 : 3. On 1-4-2014 they admitted R as a new partner for 1/8th share in the profits with a guaranteed profit of ₹ 75,000. The new profit sharing ratio between P and Q will remain the same but they agreed to bear any deficiency on account of guarantee to R in the ratio 3 : 2. The profit of the firm for the year ended 31-3-2015 was ₹ 4,00,000.

Prepare Profit and Loss Appropriation Account of P, Q and R for the year ended 31-3-2015. [4]

Answer :

Profit and Loss Appropriation Account

Dr. **for the year ended March 31, 2015** **Cr.**

Particulars		Amount (₹)	Particulars	Amount (₹)
To Partner's Capital A/c : (transfer of profit)			By Profit and Loss A/c (net profit)	4,00,000
P :	2,18, 750			
Less : Deficiency	(15,00)	2,03,750		
Q :	1,31,250			
Less : Deficiency	(10,000)	1,21,250		
R :	50,000			
Add : From P	15,000			
From Q	10,000	75,000		
		4,00,000		**4,00,000**

Working Note :

(1)
$$\text{Let total share} = 1$$
$$\text{R's share} = \frac{1}{8}$$
$$\text{Remaining share} = 1 - \frac{1}{8} = \frac{7}{8}$$
$$\text{P's new share} = \frac{7}{8} \times \frac{5}{8} = \frac{35}{64}$$
$$\text{Q's new share} = \frac{7}{8} \times \frac{3}{8} = \frac{21}{64}$$
$$\text{New Ratio} = 35 : 21 : 8$$

(2)
$$\text{R's share in profit} = 4,00,000 \times \frac{1}{8} = ₹\,50,000$$
$$\text{Minimum guaranteed profit to R} = ₹\,75,000$$
$$\text{Deficiency} = 75,000 - 50,000 = ₹\,25,000$$
$$\text{Deficiency to be borne by P} = 25,000 \times \frac{3}{5} = ₹15,000$$
$$\text{Deficiency to be borne by Q} = 25,000 \times \frac{2}{5} = ₹10,000$$

(3)
$$\text{P's share in profit} = (4,00,000 \times \frac{35}{64}) - 15,000 = 2,18,750 - 15,000 = ₹\,2,03,750$$
$$\text{Q's share in profit} = (4,00,000 \times \frac{21}{64}) - 10,000 = 1,31,250 - 10,000 = ₹\,1,21,250$$

12. Vikas, Vishal and Vaibhav were partners in a firm sharing profits in the ratio of 2 : 2 : 1. The firm closes its books on 31st March every year. On 31-12-2015 Vaibhav died. On that date his Capital account showed a credit balance of ₹ 3,80,000 and Goodwill of the firm was valued at ₹ 1,20,000. There was a debit balance of ₹ 50,000 in the profit and loss account. Vaibhav's share of profit in the year of his death was to be calculated on the basis of the average profit of last five years. The average profit of last five years was ₹ 75,000. [4]

Pass necessary journal entries in the books of the firm on Vaibhav's death.

Answer :

Journal

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2015 Dec. 31	Vikas's Capital A/c Dr.		12,000	
	Vishal's Capital A/c Dr.		12,000	
	To Vaibhav's Capital A/c			24,000
	(Being Vaibhav's share of goodwill adjusted in the capital A/c of the existing partners in their gaining ratio *i.e.,* 1 : 1)			
Dec. 31	Vikas's Capital A/c Dr.		20,000	
	Vishal's Capital A/c Dr.		20,000	
	Vaibhav's Capital A/c Dr.		10,000	
	To Profit & Loss A/c			50,000
	(Being debit balance in P&L A/c written-off among partners in old ratio)			
Dec. 31	Profit and Loss Suspense A/c Dr.		11,250	
	To Vaibhav's Capital A/c			11,250
	(Being Vaibhav's share of profit upto the date of death dispensed through P & L Suspense A/c)			
Dec. 31	Vaibhav's Capital A/c Dr.		4,05,250	
	To Vaibhav's Executor's A/c			4,05,250
	(Being amount due to Vaibhav transferred to his Executor's A/c)			

Working Note :

$$\text{Vaibhav's share in profit} = 75{,}000 \times \frac{1}{5} \times \frac{9}{12}$$
$$= ₹\ 11{,}250$$

13. L and M were partners in a firm sharing profits profits in the ratio of 2 : 3. On 28-2-2016 the firm was dissolved. After transferring assets (other than cash) and outsiders' liabilities to realisation account you are given the following information :

(a) A creditor for ₹ 1,40,000 accepted building valued at ₹ 1,80,000 and paid to the firm ₹ 40,000.

(b) A second creditor for ₹ 30,000 accepted machinery valued at ₹ 28,000 in full settlement of his claim.

(c) A third creditor amounting to ₹ 70,000 accepted ₹ 30,000 in cash and investments of the book value of ₹ 45,000 in full settlement of his claim.

(d) Loss on dissolution was ₹ 4,000.

Pass necessary journal entries for the above transactions in the books of the firm assuming that all payments were made by cheque. **[6]**

Answer : **Journal**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
(a)	Bank A/c Dr. To Realisation A/c (Being a creditor paid ₹ 40,000 to the firm)		40,000	40,000
(b)	No Entry			
(c)	Realisation A/c Dr. To Bank A/c (Being third creditor accepted ₹ 30,000 in cash and investments of the book value of ₹ 45,000 in full statement of his claim)		30,000	30,000
(d)	L's Capital A/c Dr. M's Capital A/c Dr. To Realisation A/c (Being loss on dissolution transferred to partners' capital accounts)		1,600 2,400	4,000

Note : *No entry will be made when asset is taken over by the creditor.*

14. Ashok, Bhim and Chetan were partners in a firm sharing profits in the ratio of 3 : 2 : 1. Their Balance Sheet as on 31-3-2015 was as follows :

Balance Sheet of Ashok, Bhim and Chetan as on 31-3-2015

Liabilities		Amount (₹)	Assets	Amount (₹)
Creditors		1,00,000	Land	1,00,000
Bills Payable		40,000	Building	1,00,000
General Reserve		60,000	Plant	2,00,000
Capitals :			Stock	80,000
Ashok	2,00,000		Debtors	60,000
Bhim	1,00,000		Bank	10,000
Chetan	50,000	3,50,000		
		5,50,000		5,50,000

Ashok, Bhim and Chetan decided to share the future profits equally, w.e.f. April 1, 2015. For this it was agreed that :

(i) Goodwill of the firm be valued at ₹ 3,00,000.

(ii) Land be revalued at ₹ 1,60,000 and building be depreciated by 6%.

(iii) Creditors of ₹ 12,000 were not likely to be claimed and hence be written off.

Prepare Revaluation Account, Partners' Capital Accounts and Balance Sheet of the reconstituted firm. **[6]**

Answer :

Dr. **Revaluation A/c** **Cr.**

Particulars		Amount (₹)	Particulars	Amount (₹)
To Building A/c		6,000	By Land A/c	60,000
To Partner's Capital A/cs :			By Creditors A/c	12,000
Ashok	33,000			
Bhim	22,000			
Chetan	11,000	66,000		
		72,000		**72,000**

Dr. **Partner's Capital A/c** **Cr.**

Particulars	Ashok	Bhim	Chetan	Particulars	Ashok	Bhim	Chetan
To Ashok's Capital A/c			50,000	By Balance b/d	2,00,000	1,00,000	50,000
				By Revaluation A/c	33,000	22,000	11,000
To Balance c/d	3,13,000	1,42,000	21,000	By General Reserve A/c	30,000	20,000	10,000
				By Chetan's Capital A/c	50,000		
	3,13,000	**1,42,000**	**71,000**		**3,13,000**	**1,42,000**	**71,000**

Balance Sheet

Liabilities		Amount (₹)	Assets		Amount (₹)
Creditors		88,000	Land		1,60,000
Bills Payable		40,000	Building	1,00,000	
Capital A/cs :			*Less* : Dep.	6,000	94,000
Ashok	3,13,000		Plant		2,00,000
Bhim	1,42,000		Stock		80,000
Chetan	21,000	4,76,000	Debtors		60,000
			Bank		10,000
		6,04,000			**6,04,000**

Working Notes :

Old Ratio = 3 : 2 : 1

New Ratio = 1 : 1 : 1

Gain/ Sacrifice :

$$\text{Ashok} = \frac{3}{6} - \frac{1}{3} = \frac{1}{6} \text{ (Sacrifice)}$$

$$\text{Bhim} = \frac{2}{6} - \frac{1}{3} = 0 \text{ (Nil)}$$

$$\text{Chetan} = \frac{1}{6} - \frac{1}{3} = -\frac{1}{6} \text{ (Gain)}$$

15. On 1-4-2013 JN Ltd. had 10,000, 9% Debentures of ₹ 100 each outstanding.

(i) On 1-4-2014 the company purchased in the open market 2000 of its own debentures for ₹ 101 each and cancelled the same immediately.**

(ii) On 1-4-2015 the company redeemed at par debentures of ₹ 4,00,000 by draw of a lot.

(iii) On 28-2-2016 the remaining debentures were purchased for immediate cancellation of ₹ 3,97,000.

Pass necessary journal entries for the above transactions in the books of the company ignoring debenture redemption reserve and interest on debentures.** **[6]**

** Answer is not given due to change in the present syllabus.

Answer : **In the books of JN Ltd.**

Journal

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
(ii) 2015 Apr. 01	9% Debentures A/c Dr. To Debenture holders A/c (Being 9% debentures due for redemption)		4,00,000	 4,00,000
	Debenture holders A/c Dr. To Bank A/c (Being amount paid to debentureholders)		4,00,000	 4,00,000

16. KS Ltd. invited applications for issuing 1,60,000 equity shares of ₹ 10 each at a premium of ₹ 6 per share. The amount was payable as follows :

On Application ₹ 4 per share (including premium ₹ 1 per share)

On Allotment ₹ 6 per share (including premium ₹ 3 per share)

One First and Final Call – Balance.

Applications for 3,20,000 shares were received. Applications for 80,000 share were rejected and application money refunded. Shares were allotted on pro-rata basis to the remaining applicants. Excess money received with applications was adjusted towards sums due on allotment. Jain holding 800 shares failed to pay the allotment money. His shares were forfeited immediately after allotment. Afterwards the final call was made. Gupta who had applied for 1200 shares failed to pay the final call. This shares were also forfeited. Out of the forfeited shares 1000 shares were re-issued at ₹ 8 per share fully paid up. The re-issued shares included all the forfeited shares of Jain.

Pass necessary journal entries for the above transactions in the books of KS Ltd. **[8]**

OR

CG Ltd. had issued 50,000 equity shares of ₹ 10 each at a premium of ₹ 2 per share payable with application money. The incomplete journal entries related to the issue are given below. You are required to complete these blanks. **[8]**

Books of CG Ltd.

Journal

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2015, Jan. 10	.... Dr. To .... (Amount received on application for 70,000 shares @ ₹ 5 per share including premium)		....	 ....
" 16	Equity Share Application A/c Dr. To .... To .... To .... To .... (Transfer of application money to share capital, securities premium, money refunded for 8000 shares for rejected applications and balance adjusted towards amount due on allotment as shares were alloted on pro-rata basis)		....	 ....
" 31	.... Dr. To .... (Amount due on allotment @ ₹ 4 per share)		....	 ....
Feb. 20	.... Dr. To .... (Balance amount received on allotment)		....	 ....

April 01	.... Dr. To .... (First and final call money due)		....	 ....
" 20	.... Dr. Calls-in-arrears A/c Dr. To .... (Money received on first and first call)		 1,500	 ....
Aug. 27	.... Dr. To .... To .... (Forfeited the shares on which call money was not received)		....	 ....
Oct. 3	.... Dr. .... Dr. To .... (Re-issued the forfeited shares @8 per share fully paid up)		....	 ....
....	.... Dr. To .... (..)		....	 ....

Answer :

RS Ltd.

Journal

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
	Bank A/c Dr. To Equity Share Application A/c (Being application money received for 3,20,000 shares)		12,80,000	 12,80,000
	Equity Share Application A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c To Equity Share Allotment A/c To Bank A/c (Being amount of application transferred to share capital, 80,000 shares application money refunded and excess money is adjusted towards allotment)		12,80,000	 4,80,000 1,60,000 3,20,000 3,20,000
	Equity Share Allotment A/c Dr. To Equity Share Capital Reserve A/c To Securities Premium Reserve A/c (Being amount due on allotment)		9,60,000	 4,80,000 4,80,000
	Bank A/c (9,60,000 – 3,20,000 – 3,200) Dr. To Equity Share Allotment A/c (Being amount received on share allotment)		6,36,800	 6,36,800

	Equity Share Capital A/c Dr. Securities Premium Reserve A/c Dr. To Equity Share Forfeiture A/c To Equity Share Allotment A/c (Being 800 shares of Jain are forfeited due to non-payment of allotment money)		4,800 2,400	4,000 3,200
	Equity Share First and Final Call A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c (Being amount due on first and final call on 1,59,200 shares)		9,55,200	6,36,800 3,18,400
	Bank A/c (9,55,200 – 4,800) Dr. To Equity Share First and Final Call A/c (Being amount received on share first and final call)		9,50,400	9,50,400
	Equity Share Capital A/c Dr. Securities Premium A/c Dr. To Equity Share Forfeiture A/c To Equity Share First and Final Call A/c (Being 800 shares of Gupta are forfeited due to non-payment of first and final call money)		8,000 1,600	4,800 4,800
	Bank A/c Dr. Equity Share Forfeiture A/c Dr. To Equity Share Capital A/c (Being 1,000 forfeited shares were reissued at ₹ 8 per share fully paid-up)		8,000 2,000	10,000
	Equity Share Forfeiture A/c Dr. To Capital Reserve A/c (Being excess amount on forfeiture is transferred to capital reserve)		3,200	3,200

OR

Books of CG Ltd.

Journal

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2015, Jan. 10	Bank A/c Dr. To Equity Share Application A/c (Amount received on application for 70,000 shares @ ₹5 per share including premium)		3,50,000	3,50,000

Jan. 16	Equity Share Application A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c To Equity Share Allotment A/c (12,000 × 5) To Bank A/c (Transfer of application money to share capital, securities premium, money refunded for 8,000 shares for rejected applications and balance adjusted towards amount due on allotment as shares were allotted on pro-rata basis)		3,50,000	 1,50,000 1,00,000 60,000 40,000
Jan. 31	Equity Share Allotment A/c Dr. To Equity Share Capital A/c (Amount due on allotment @ ₹ 4 per share)		2,00,000	 2,00,000
Feb. 20	Bank A/c Dr. To Equity Share Allotment A/c (Balance amount received on share allotment)		1,40,000	 1,40,000
Apr. 01	Equity Share First and Final Call A/c Dr. To Equity Share Capital A/c (First and final call money due)		1,50,000	 1,50,000
Apr. 20	Bank A/c Dr. Call-in-Arrears A/c Dr. To Equity Share First and Final Call A/c (Money received on first and final call)		1,48,500 1,500	 1,50,000
Aug. 27	Equity Share Capital A/c Dr. To Equity Share Forfeiture A/c To Calls in arrears A/c (Forfeited the shares on which call money was not received)		5,000	 3,500 1,500
Oct. 03	Bank A/c (500 × 8) Dr. Equity Share Forfeiture A/c (500 × 2) Dr. To Equity Share Capital A/c (Re-issued the forfeited shares @ ₹ 8 per share fully paid up)		4,000 1,000	 5,000
Oct. 03	Equity Share Forfeiture A/c Dr. To Capital Reserve A/c (Amount transferred to capital reserve)		2,500	 2,500

17. A, B and C were partners in a firm sharing profits in the ratio of 3 : 2 : 1. On 31-3-2015 their Balance Sheet was as follows :

Balance Sheet of A, B and C as on 31-3-2015

Liabilities		Amount (₹)	Assets	Amount (₹)
Creditors		84,000	Bank	17,000
General Reserve		21,000	Debtors	23,000
Capitals :			Stock	1,10,000
A	60,000		Investments	30,000
B	40,000		Furniture and Fittings	10,000
C	20,000	1,20,000	Machinery	35,000
		2,25,000		**2,25,000**

On the above date D was admitted as a new partner and it was decided that :

(i) The new profit sharing ratio between A, B, C and D will be 2 : 2 : 1 : 1.

(ii) Goodwill of the firm was valued at ₹ 90,000 and D brought his share of goodwill premium in cash.

(iii) The market value of investments was ₹ 24,000.

(iv) Machinery will be reduced to ₹ 29,000.

(v) A creditor of ₹ 3,000 was not likely to claim the amount and hence to be written off.

(vi) D will bring proportionate capital so as to give him 1/6th share in the profits of the firm.

Prepare Revaluation Account, Partner's Capital Accounts and the Balance Sheet of the reconstituted firm.

OR

X, Y and Z were partners in a firm sharing profits in the ratio of 5 : 3 : 2. On 31-3-2015 their Balance Sheet was as follows :

Balance Sheet of X, Y and Z as on 31st March, 2015

Liabilities		Amount (₹)	Assets		Amount (₹)
Creditors		21,000	Land and Building		62,000
Investment Fluctuation Fund		10,000	Motor Vans		20,000
P & L Account		40,000	Investments		19,000
Capitals :			Machinery		12,000
X	50,000		Stock		15,000
Y	40,000		Debtors	40,000	
Z	20,000	1,10,000	*Less* : Provision	3,000	37,000
			Cash		16,000
		1,81,000			**1,81,000**

On the above date Y retired and X and Z agreed to continue the business on the following terms :

(1) Goodwill of the firm was valued at ₹ 51,000.

(2) There was a claim of ₹ 4,000 for Workmen's Compensation.

(3) Provision for bad debts was to be reduced by ₹ 1,000.

(4) Y will be paid ₹ 8,200 in cash and the balance will be transferred in his loan account which will be paid in four equal yearly instalments together with interest @ 10% p.a.

(5) The new profit sharing ratio between X and Z will be 3 : 2 and their capitals will be in their new profit sharing ratio. The capital adjustments will be done by opening current accounts.

Prepare Revaluation Account, Partners' Capital Accounts and the Balance Sheet of the reconstituted firm. [8]

Answer :

Dr. Revaluation Account Cr.

Particulars	Amount (₹)	Particulars		Amount (₹)
To Investments A/c	6,000	By Creditors A/c		3,000
To Machinery A/c	6,000	By Partner's Capital A/c :		
		A	4,500	
		B	3,000	
		C	1,500	9,000
	12,000			**12,000**

Dr. **Partners' Capital Account** Cr.

Particulars	A	B	C	D	Particulars	A	B	C	D
To Revaluation A/c	4,500	3,000	1,500		By Balance b/d	60,000	40,000	20,000	
To Balance c/d	81,000	44,000	22,000	29,400	By General Reserve A/c	10,500	7,000	3,500	
					By Goodwill A/c	15,000			
					By Bank A/c				29,400
	85,500	**47,000**	**23,500**	**29,400**		**85,500**	**47,000**	**23,500**	**29,400**

Balance Sheet

as on March 31, 2015

Liabilities		Amount (₹)	Assets	Amount (₹)
Creditors		81,000	Bank (17,000 + 29,400 + 15,000)	61,400
Capitals :			Debtors	23,000
A	81,000		Stock	1,10,000
B	44,000		Investments	24,000
C	22,000		Furniture Fittings	10,000
D	29,400	1,76,400	Machinery	29,000
		2,57,400		**2,57,400**

OR

Dr. **Revaluation Account** Cr.

Particulars	Amount (₹)	Particulars		Amount (₹)
To Claim for Workmen's Compensation A/c	4,000	By Provision for Bad Debts A/c		1,000
		By Partner's Capital A/c :		
		X	1,500	
		Y	900	
		Z	600	3,000
	4,000			**4,000**

Dr. **Partners' Capital Account** Cr.

Particulars	X	Y	Z	Particulars	X	Y	Z
To Revaluation A/c	1,500	900	600	By Balance b/d	50,000	40,000	20,000
To Y's Capital A/c	5,100		10,200	By Investment Fluctuation Fund A/c	5,000	3,000	2,000
To Cash A/c		8,200		By P & L A/c	20,000	12,000	8,000
To Y's Loan A/c		61,200		By X's Capital A/c		5,100	
To Balance c/d	68,400		19,200	By Z's Capital A/c		10,200	
	75,000	**70,300**	**30,000**		**75,000**	**70,300**	**30,000**
To X's Current A/c	15,840			By Balance b/d	68,400		19,200
To Balance c/d	52,560		35,040	By Z's Current A/c			15,840
	68,400		**35,040**		**68,400**		**35,040**

Balance Sheet of X, Y and Z as at 31st March, 2015

Liabilities		Amount (₹)	Assets		Amount (₹)
Creditors		21,000	Land and Building		62,000
Capitals :			Motor Vans		20,000
X	52,560		Investments		19,000
Y	35,040	87,600	Machinery		12,000
X's Current A/c		15,840	Stock		15,000
Claim for Workmen's Compensation		4,000	Debtors	40,000	
			Less : Provision	2,000	38,000
Y's Loan		61,200	Cash (16,000 – 8,200)		7,800
			Z's Current A/c		15,840
		1,89,640			**1,89,640**

Working Notes :

1. Calculation of Gaining Ratio :

$$\text{Gaining ratio} = \text{New ratio} - \text{Old ratio}$$

$$\text{X's gain} = \frac{3}{5} - \frac{5}{10} = \frac{1}{10}$$

$$\text{Z's gain} = \frac{2}{5} - \frac{2}{10} = \frac{2}{10}$$

$$\text{Gaining Ratio} = 1 : 2$$

2. Adjustment of Goodwill :

$$\text{Y's share of Goodwill} = 51{,}000 \times \frac{3}{10} = ₹\ 15{,}300$$

₹ 15,300 will be given by gaining partners (X and Z)

$$\text{X's share} = 15{,}300 \times \frac{1}{3} = ₹\ 5{,}100$$

$$\text{Z's share} = 15{,}300 \times \frac{2}{3} = ₹\ 10{,}200$$

3. Adjustment of Capital :

$$\text{New firm's total capital} = 68{,}400 + 19{,}200 = ₹\ 87{,}600$$

$$\text{X's New Capital} = 87{,}600 \times \frac{3}{5} = ₹\ 52{,}560$$

$$\text{Z's New Capital} = 87{,}600 \times \frac{2}{5} = ₹\ 35{,}040$$

PART B

(Analysis of Financial Statements)

19. **Give the meaning of 'Cash Equivalents' highly liquid for the purpose of preparing Cash Flow Statement.** [1]

Answer : Cash equivalents are short-term highly liquid investments that can be easily converted into cash. They are meant for the purpose of meeting short-term cash requirements. E.g., Treasury bills, Commercial papers, etc.

20. **(a) One of the objectives of 'Financial Statement Analysis' is to identify the reasons for change in the financial position of the enterprise. State two more objectives of this analysis.**

(b) Name any two items that are shown under the head 'Other Current Liabilities' and any two items that are shown under the head 'Other Current Assets' in the Balance Sheet of a company as per Schedule III of the Companies Act, 2013.** [2 + 2 = 4]

** **Answer is not given due to change in the present syllabus.**

Answer : (a) Two more objectives of 'Financial Statement Analysis' are :

(i) It helps the management to take up decisions, in drafting various plans and to implement various cost-effective measures.

(ii) It helps in ascertaining the ability of the firm to pay off their short-term and long-term debts. It helps in checking the solvency position of the firm.

21. (a) What is meant by solvency of business ?

(b) From the following details obtained from the financial statements of Jeev Ltd., calculate interest coverage ratio :

Net Profit after tax ₹ 1,20,000,

12% Long-term Debt ₹ 20,00,000.

Tax Rate 40%. [2 + 2 = 4]

Answer : (a) Solvency of business means the ability of the business firms to pay off their long-term liabilities. Depending on the solvency position of the business firm, the market value of the firm is determined. The better the solvency position of business, the better is the market standing of such firms.

(b)

$$\text{Interest Coverage Ratio} = \frac{\text{Net Profit before Interest and Tax}}{\text{Fixed Interestchanges}}$$

$$\text{Net Profit after tax} = ₹\ 1{,}20{,}000$$

$$\text{Tax Rate} = 40\%$$

If profit after tax is 60, profit before tax must be 100, and if profit after tax is ₹ 1,20,000, profit before tax would be :

$$= \frac{100}{60} \times 1{,}20{,}000 = ₹\ 2{,}00{,}000$$

$$\text{12\% Long-term Debt} = ₹\ 20{,}00{,}000$$

$$\text{Interest on Long-term Debt} = \text{12\% of } ₹\ 20{,}00{,}000$$

$$= 20{,}00{,}000 \times \frac{12}{100}$$

$$= ₹\ 2{,}40{,}000$$

Profit before interest and tax would be ₹ 2,00,000 plus interest

$$= 2{,}00{,}000 + 2{,}40{,}000$$

$$= ₹\ 4{,}40{,}000$$

$$\text{Interest Coverage Ratio} = \frac{4{,}40{,}000}{2{,}40{,}000} = 1.83 \text{ times}$$

22. Following is the Statement of Profit and Loss of Sun India Ltd. for the year ended 31st March, 2015 :

Particulars	Note No.	31-3-2015 (₹)	31-3-2014 (₹)
Revenue from Operations		25,00,000	20,00,000
Other Income		1,00,000	5,00,000
Employee benefit-expenses		60% of total Revenue	50% of total Revenue
Other expenses		10% of employee benefit expenses	20% of employee benefit expenses
Tax Rate		50%	40%

The motto of Sun India Ltd. is to produce and supply green energy in the rural areas of India. It has also taken up a project of constructing a road that will pass through five villages, so that these villages could be connected to the nearby town. It will use the local resources and employ local people for construction of the road.

You are required to prepare a Comparative Statement of Profit and Loss of Sun India Ltd. from the given Statement of Profit and Loss. Also identify any two values that the company wishes to convey to the society. [4]

Answer :

Comparative Statement of Profit and Loss

for the years ended March 31, 2014 and 2015

Particulars	Note No.	31st March, 2014 (₹)	31st March, 2015 (₹)	Absolute Change (₹)	Percentage Change %
1. Revenue from Operations		20,00,000	25,00,000	5,00,000	25.00
2. Other Income		5,00,000	1,00,000	(4,00,000)	(80.00)
3. Total Revenue (1 + 2)		**25,00,000**	**26,00,000**	**1,00,000**	**4.00**
4. Expenses :					
Employees Benefit Expenses		12,50,000	15,60,000	3,10,000	24.80
Other Expenses		2,50,000	1,56,000	(94,000)	(37.60)
Total Expenses		**15,00,000**	**17,16,000**	**2,16,000**	**14.40**
5. Profit Before Tax (3 – 4)		10,00,000	8,84,000	(1,16,000)	(11.60)
Less : Income Tax		4,00,000	4,42,000	42,000	10.50]
6. Profit After Tax		**6,00,000**	**4,42,000**	**(1,58,000)**	**(26.33)**

Two values that the company wishes to convey to the society are :

(i) Development of rural areas.

(ii) Providing employment opportunities.

23. Following is the Balance Sheet of K.K. Ltd. as at 31-3-2015 : **[6]**

K.K. Ltd. Balance Sheet as at 31-3-2015

Particulars	Note No.	31-3-2015 (₹)	31-3-2014 (₹)
I. Equity and Liabilities :			
(1) Shareholders' Funds :			
(a) Share Capital		10,00,000	8,00,000
(b) Reserves and Surplus	1	4,00,000	(1,00,000)
(2) Non-current Liabilities :			
Long-term borrowings	2	9,00,000	10,00,000
(3) Current Liabilities :			
(a) Short-term borrowings	3	3,00,000	1,00,000
(b) Short-term provisions	4	1,40,000	1,80,000
Total :		**27,40,000**	**19,80,000**
II. Assets :			
(1) Non-current Assets :			
(a) Fixed Assets :			
(i) Tangible	5	20,06,000	14,40,000
(ii) Intangible	6	40,000	60,000
(b) Non-current Investments		2,00,000	1,50,000
(2) Current Assets :			
(a) Current Investments		1,00,000	1,20,000
(b) Inventories	7	2,14,000	90,000
(c) Cash and Cash Equivalents		1,80,000	1,20,000
Total :		**27,40,000**	**19,80,000**

Notes to Accounts :

Note No.	Particulars	31-3-2015 (₹)	31-3-2014 (₹)
1.	Reserves and Surplus		
	(Surplus *i.e.,* Balance in Statement of Profit and Loss)	4,00,000	(1,00,000)
		4,00,000	**(1,00,000)**
2.	Long-term borrowings :		
	12% Debentures	9,00,000	10,00,000
		9,00,000	**10,00,000**
3.	Short-term borrowings :		
	Bank Overdraft	3,00,000	1,00,000
		3,00,000	**1,00,000**
4.	Short-term provisions :		
	Provision for tax	1,40,000	1,80,000
		1,40,000	**1,80,000**
5.	Tangible Assets :		
	Machinery	24,06,000	16,42,000
	Accumulated Depreciation	(4,00,000)	(2,02,000)
		20,06,000	**14,40,000**
6.	Intangible Assets :		
	Goodwill	40,000	60,000
		40,000	**60,000**
7.	Inventories :		
	Stock in trade	2,14,000	90,000
		2,14,000	**90,000**

Additional Information :

(i) 12% Debentures were redeemed on 31-3-2015.

(ii) Tax ₹ 1,40,000 was paid during the year.

Prepare Cash Flow Statement.

Answer :

Cash Flow Statement of KK Ltd.

for the year ended 31st March, 2015 as per AS-3 (Reviesd)

	Particulars	Amount (₹)	Amount (₹)
A.	**Cash Flow from Operating Activities**		
	Net Profit before tax & extrordinary items (note 1)	6,00, 000	
	Add : Non-cash and non-operating charges		
	Goodwill written off	20,000	
	Depreciation on machinery	1,98,000	
	Interest on dedentures	1,20,000	
	Operating profit before working capital changes	9,37,000	
	Less : Increase in Current Assets		
	Increase in stock in trade	(1,24,000)	
	Cash from operations	8,14,000	
	Less : tax paid (1,40,000)		

	Net Cash generated from Operating Acivities	(1,40,000)	6,74,000
	B. Cash flows from Investing Activties :		
B.	Purchase of machinery	(7,64,000)	
	Purchase of non current investments	(50,000)	(8,14,000)
	Net Cash used in investing activities		
	C. Cash flows from Financial Activities :		
	Issue of share capital	2,00,000	
	Redemption of 12% debentures	(1,00,000)	
	Interest on debentures paid	(1,20,000)	
	Bank overdraft raised	2,00,000	
	Net Cash flow from financial activities		1,80,000
	Net increase in cash & cash equivalents (A+B+C)		40,000
	Add : Opening balance of cash & cash equivalents		
	Current Investments	1,20,000	
	Cash and Cash Equivalents	1,20,000	2,40,000
	Closing Balance of Cash & Cash equivalents		
	Current Investments	1,00,000	
	Cash and Cash Equivalents	1,80,000	2,80,000

Notes :

Calculation of Net Profit before tax :

Net profit as per statement of Profit & Loss	5,00,000
Add : Provision for tax made	1,00,100
Net Profit before tax and extraordinary items	6,00,000

Dr. **Provision for Tax Account** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Bank A/c (Paid)	1,40,000	By Balance b/d	1,80,000
To Balance c/d	1,40,000	By Statement of Profit and Loss	1,00,000
	2,80,000	(Bal. fig.)	**2,80,000**

Accountancy 2016 (Delhi) SET II

Time allowed : 3 hours **Maximum marks : 80**

Note : Except for the following questions, all the remaining questions have been asked in previous sets.

PART A

(Accounting for Partnership Firms and Companies)

7. VKR Ltd. issued 975, 9% Debentures of ₹ 500 each on 4-3-2016. Pass necessary journal entries for the issue of debentures under the following situations :

(a) When debentures were issued at a premium of 10% redeemable at a premium of 6%.

(b) When debentures were issued at a par redeemable at 9% premium. [3]

Answer :

(a)

VKR Ltd.

Journal

Date	Particulars		L.F.	Debit Amount (₹)	Credit Amount (₹)
	Bank A/c (975 × 550)	Dr.		5,36,250	
	To 9% Debenture Application and Allotment A/c				5,36,250
	(Being debenture application money received)				
	9% Debenture Application Allotment A/c	Dr.		5,36,250	
	Loss on Issue of Debentures A/c (975 × 30)	Dr.		29,250	
	To 9% Debentures A/c				4,87,500
	To Premium on Redemption of Debenture A/c (975 × 30)				29,250
	To Securities Premium Reserve A/c (975 × 50)				48,750
	(Being debentures issued at 10% premium and redeemable at 6% premium)				

(b)

Journal

Date	Particulars		L.F.	Debit Amount (₹)	Credit Amount (₹)
	Bank A/c (975 × 500)	Dr.		4,87,500	
	To 9% Debenture Application and Allotment A/c				4,87,500
	(Being debenture application money received)				
	9% Debenture Application and Allotment A/c	Dr.		4,87,500	
	Loss on Issue of Debentures A/c	Dr.		43,875	
	To 9% Debentures A/c				4,87,500
	To Premium on Redemption of Debentures A/c				43,875
	(Being debentures issued at par and redeemable at 9% premium)				

9. **Samachar India Ltd. took over the assets of ₹ 14,00,000 and liabilities of ₹ 4,00,000 from News Ltd. for a purchase consideration of ₹ 9,19,000. Samachar India Ltd. issued a promissory note of ₹ 17,000 payable after 60 days in favour of News Ltd. and the balance amount was paid by issue of equity shares of ₹ 100 each at a premium of ₹ 25 per share.**

Pass necessary journal entries for the above transactions in the books of Samachar India Ltd. [3]

Answer :

Samachar India Ltd.

Journal

Date	Particulars		L.F.	Debit Amount (₹)	Credit Amount (₹)
	Sundry Assets A/c	Dr.		14,00,000	
	To Sundry Liabilities A/c				4,00,000
	To News Ltd.				9,19,000
	To Capital Reserve A/c				81,000
	(Being purchase of assets and liabilities of News Ltd.)				
	News Ltd.	Dr.		9,19,000	
	To Equity Share Capital A/c				7,21,600
	To Securities Premium Reserve A/c				1,80,400
	To Bills Payable A/c				17,000
	(Being payment to News Ltd. by issuing 7,216 equity shares of ₹ 100 each @ ₹ 25 premium and a promissory note of ₹ 17,000)				

13. C and D were partners in a firm sharing profits in the ratio of 3 : 2. On 28-2-2016 the firm was dissolved. After transferring assets (other than cash) and outsiders' liabilities to realisation account you are given the following information :

(a) A creditor for ₹ 2,00,000 accepted building of ₹ 2,80,000 at ₹ 2,20,000 and paid the firm ₹ 20,000.

(b) A second creditor for ₹ 75,000 accepted furniture at ₹ 60,000 in full settlement of his claim.

(c) A third creditor amounting to ₹ 80,000 accepted ₹ 20,000 in cash and investments of the book value of ₹ 65,000 in full settlement of his claim.

(d) Loss on dissolution was ₹ 7,500.

Pass necessary journal entries for the above transactions in the books of the firm assuming that all payments were made by cheque. [6]

Answer : Journal

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
(a)	Bank A/c Dr.		20,000	
	To Realisation A/c			20,000
	(Being a creditor paid ₹ 20,000 to the firm)			
(b)	No Entry			
(c)	Realisation A/c Dr.		20,000	
	To Bank A/c			20,000
	(Being third creditor accepted ₹ 20,000 in cash and investments of the book value of ₹ 65,000 in full settlement of his claim)			
(d)	C's Capital A/c Dr.		4,500	
	D's Capital A/c Dr.		3,000	
	To Realisation A/c			7,500
	(Being loss on dissolution transferred to partners' capital accounts)			

Note : No entry will be made when asset is taken over by the creditor.

15. On 1-4-2013 KL Ltd. had 5,000, 10% Debentures of ₹ 100 each outstanding.

(i) On 1-4-2014 the company purchased in the open market 2000 of its own debentures for ₹ 105 each and cancelled the same immediately.**

(ii) On 1-4-2015 the company redeemed at par debentures of ₹ 1,00,000 by draw of a lot.

(iii) On 28-2-2016 the remaining debentures were purchased for immediate cancellation for ₹ 1,97,000.

Pass necessary journal entries for the above transactions in the books of the company ignoring debenture redemption reserve and interest on debentures.** [6]

Answer : In the books of KL Ltd.

Journal

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
(ii) 2015 Apr. 01	10% Debentures A/c Dr.		1,00,000	
	To Debentureholders A/c			1,00,000
	(Being 10% debentures due for redemption)			
	Debentureholders A/c Dr.		1,00,000	
	To Bank A/c			1,00,000
	(Being amount paid to debentureholders)			

** Answer is not given due to change in the present syllabus.

PART B

(Analysis of Financial Statements)

21. (a) What is meant by 'Liquidity of Business' ?

(b) From the following information calculate operating ratio :

Revenue from operations ₹ 6,80,000; Rate of Gross Profit on cost 25%; Selling expenses ₹ 1,44,000; Administrative expenses ₹ 73,000. **[2 + 2 = 4]**

Answer : Liquidity of business refers to the ability of a business to meet their immediate and short-term obligations *i.e.*, cash requirements. Liquidity or short-term financial position of the business can be assessed by calculating current ratio and liquid ratio.

(b)

$$\text{Operating Ratio} = \frac{\text{Operating Cost}}{\text{Net Sales}} \times 100$$

$$\text{Operating Cost} = \text{Cost of Revenue from operations} + \text{Operating Expenses}$$

$$\text{Gross Profit} = 25\% \text{ of cost}$$

$$= \frac{25}{125} \times 6{,}80{,}000$$

$$= ₹\ 1{,}36{,}000$$

Let the cost of goods sold be '*a*'

So,
$$1{,}36{,}000 = \frac{25}{100} \times a$$

$$a = ₹\ 5{,}44{,}000 \text{ (Cost of Goods Sold)}$$

$$\text{Operating Cost} = ₹\ 5{,}44{,}000 + 1{,}44{,}000 + 73{,}000$$

$$= ₹\ 7{,}61{,}000$$

$$\text{Operating Ratio} = \frac{7{,}61{,}000}{6{,}80{,}000} \times 100$$

$$= 111.91\%$$

●●

Accountancy 2016 (Delhi) SET III

Time allowed : 3 hours **Maximum marks : 80**

Note : Except for the following questions, all the remaining questions have been asked in previous sets.

PART A

(Accounting for Partnership Firms and Companies)

13. E and F were partners in a firm sharing profits in the ratio of 7 : 3. On 28-2-2016 the firm was dissolved. After transferring assets (other than cash) and outsiders' liabilities to realisation account you are given the following information :

(a) A creditor for ₹ 3,00,000 accepted building valued at ₹ 3,75,000 and paid the firm ₹ 75,000.

(b) A second creditor for ₹ 93,000 accepted stock valued at ₹ 90,000 in full settlement of his claim.

(c) A third creditor amounting to ₹ 60,000 accepted ₹ 37,000 in cash and investments of the book value of ₹ 40,000 in full settlement of his claim.

(d) Loss on dissolution was ₹ 7,000.

Pass necessary journal entries for the above transactions in the books of the firm assuming that all payments were made by cheque. **[6]**

Answer : **Journal of E and F**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
(a)	Bank A/c Dr.		75,000	
	To Realisation A/c			75,000
	(Being a creditor paid ₹ 75,000 to the firm)			
(b)	No Entry			
(c)	Realisation A/c Dr.		37,000	
	To Bank A/c			37,000
	(Being third creditor accepted ₹ 37,000 in cash and investments of the book value of ₹ 40,000 in full settlement of his claim)			
	E's Capital A/c Dr.		4,900	
(d)	F's Capital A/c Dr.		2,100	
	To Realisation A/c			7,000
	(Being loss on dissolution ₹ 7,000 transferred to partners' capital accounts)			

***Note :** No entry will be made when asset is taken over by the creditor.*

14. A, B and C were partners in a firm sharing profits in the ratio of 3 : 2 : 1. Their Balance Sheet as on 31-3-2015 was as follows :

Balance Sheet of A, B and C as on 31-3-2015

Liabilities	Amount (₹)	Assets	Amount (₹)
Creditors	50,000	Land	50,000
Bills Payable	20,000	Building	50,000
Capitals :		Plant	1,00,000
A 1,00,000		Stock	40,000
B 50,000		Debtors	30,000
C 25,000	1,75,000	Bank	5,000
General Reserve	30,000		
	2,75,000		**2,75,000**

From 1st April, 2015 A, B and C decided to share profits equally. For this it was agreed that :

(i) Goodwill of the firm will be valued at ₹ 1,50,000.

(ii) Land will be revalued at ₹ 80,000 and building be depreciated by 6%.

(iii) Creditors of ₹ 6,000 were not likely to be claimed and hence should be written off.

Prepare Revaluation Account, Partners' Capital Accounts and Balance Sheet of the reconstituted firm. **[6]**

Answer :

Dr. **Revaluation A/c** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Building A/c	3,000	By Land A/c	30,000
To Partner's Capital A/c :		By Creditors A/c	6,000
A 16,500			
B 11,000			
C 5,500	33,000		
	36,000		**36,000**

Dr. **Partner's Capital A/c** Cr.

Particulars	A	B	C	Particulars	A	B	C
To A's Capital A/c			25,000	By Balance b/d	1,00,000	50,000	25,000
To Balance c/d	1,56,500	71,000	10,500	By Revaluation A/c	16,500	11,000	5,500
				By General Reserve A/c	15,000	10,000	5,000
				By C's Capital A/c	25,000		
	1,56,500	**71,000**	**35,500**		**1,56,500**	**71,000**	**35,500**

Balance Sheet

as at 1st April, 2015 of A, B and C

Liabilities		Amount (₹)	Assets		Amount (₹)
Creditors		44,000	Land		80,000
Bills Payable		20,000	Building	50,000	
Capital A/cs :			*Less* : Dep.	3,000	47,000
A	1,56,500		Plant		1,00,000
B	71,000		Stock		40,000
C	10,500	2,38,000	Debtors		30,000
			Bank		5,000
		3,02,000			**3,02,000**

Working Note : Old Ratio = 3 : 2 : 1

New Ratio = 1 : 1 : 1

Gain/ Sacrifice :

$$A = \frac{3}{6} - \frac{1}{3} = \frac{1}{6} \text{ (Sacrifice)}$$

$$B = \frac{2}{6} - \frac{1}{3} = 0 \text{ (Nil)}$$

$$C = \frac{1}{6} - \frac{1}{3} = -\frac{1}{6} \text{ (Gain)}$$

15. On 1-4-2013 NK Ltd. had 20,000, 11% Debentures of ₹ 100 each outstanding.

(i) On 1-4-2014 the company purchased in the open market 4000 of its own debentures at ₹ 102 each and cancelled the same immediately.**

(ii) On 1-4-2015 the company redeemed at par debentures of ₹ 8,00,000 by draw of a lot.

(iii) On 28-2-2016 the remaining debentures were purchased for immediate cancellation for ₹ 7,89,900.

Pass necessary journal entries for the above transactions in the books of company ignoring debenture redemption reserve and interest on debentures.** **[6]**

Answer : **In the books of NK Ltd.**

Journal

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
(ii) 2015 Apr. 01	11% Debentures A/c Dr. To Debenture holders A/c (Being 11% debentures due for redemption)		8,00,000	8,00,000
	Debenture holders A/c Dr. To Bank A/c (Being amount paid to debenture holders)		8,00,000	8,00,000

** Answer is not given due to change in the present syllbus.

PART B
(Analysis of Financial Statements)

21. (a) What is meant by 'Profitability' of business ?

(b) From the following information calculate Operating Profit Ratio :

Opening Stock ₹ 10,000; Purchases ₹ 1,20,000; Revenue from operations ₹ 4,00,000; Purchase Returns ₹ 5,000; Returns from Revenue from operations ₹ 15,000; Selling Expenses ₹ 70,000; Administrative Expenses ₹ 40,000; Closing Stock ₹ 60,000. [2 + 2 = 4]

Answer : (a) Profitability refers to the earning capacity of the business. Profitability is one of the objectives of every business as it is required to earn adequate profits in relation to the capital invested by the entrepreneur in it. Profitability ratios measure the efficiency and success of a business. Some of the ratios that help us to measure the profitability of the business are gross profit ratio, operating ratio, operating profit ratio, net profit ratio and return on investment.

(b) $$\text{Operating Profit Ratio} = \frac{\text{Operating Profit}}{\text{New Revenue from Operations}} \times 100$$

Net Revenue from Opertions : ₹ 4,00,000- ₹ 15,000 = ₹ 3,85,000

Cost of revenue from Operations = Opening Stock + Purchases – Purchase return - Closing Stock

= ₹ (10,000 + 1,20, 000 - 5,000 - 60,0000)

= ₹ (65,000)

Gross Profit = Net Revenue from operations - Cost of revenue from operations

= ₹ 3, 85,000 – ₹ 65,000

= ₹ 3, 20,000

Operating Expenses = Selling expenses + Administrative expenses

= ₹ 70, 000 + ₹ 40,0000

= ₹ 1,10,000

Operating Profit = Gross Profit - Operating Expenses

= ₹ 3, 20,000 – ₹ 1,10,000

= ₹ 2, 10, 000

$$\text{Operating Profit Ratio} = ₹\,\frac{2,10,000}{3,85,000} \times 100$$

= 54.55%