BALAJI TUTORIAL

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Series : BT **Code : 67/1/1**

Time : 150 mins Max. Marks : 80

General Instructions :

1. This question paper contains three parts A, B and C.
2. Part A is compulsory for all.
3. Attempt only one part of the remaining part B and C.
4. All parts of questions should be attempted at one place.

Part A

Q.1 Name the account which is opened to credit the share of profit of the deceased partner, till the time of his death to his capital account. **(1)**

Q.2 P, Q and R were partners in a firm sharing profits and losses in the ratio of 3:2:1. At the time of admission of a partner, the goodwill of the firm was valued at ₹ 4,00,000. The accountant of the firm passed the entry in the books of accounts and thereafter showed goodwill at ₹ 4,00,000 as an asset in the balance sheet. Was he correct in doing so? Why? **(1)**

Q.3 ABC Ltd issued 1,00,000 equity shares of ₹ 10 each. the amount was payable as follows :
On application - ₹ 3 per share
On allotment - ₹ 2 per share
On first and final call – The balance
Applications for 90,000 shares were received and shares were allotted to all the applicants. X, to whom 1,000 shares were allotted, paid her entire share money at the time of allotment, whereas Y did not pay the first and final call on his 600 shares. The amount received at the time of making first and final call was? **(1)**

Q.4 The firm with R, S and T partners earned a profit of ₹ 6,00,000 during the year ended 31st March, 2015. 20% of this profit was transferred to general reserve. Pass the necessary journal entry for the same. **(1)**

Q.5 Give one difference between sacrificing ratio and gaining ratio. **(1)**

Q.6 What is meant by reserve capital ? **(1)**

Q.7 A company had invited applications for 60,000 shares of ₹ 10 each at a premium of ₹ 2 each. the total application money received @ ₹ 2 per share was ₹ 1,44,000. Name the kind of subscription. List the three alternatives for allotting these shares. **(3)**

Q.8 Orchids Ltd. issued 1,000, 9% debentures of ₹ 1,000 each. Pass the necessary journal entries for the issue of debentures in the books of the company in the following case when debentures are issued at a premium of 25% to the vendors for machinery purchased for ₹ 12,50,000. **(3)**

Q.9 Ram, Shyam, Ghansham and Radhesham are partners sharing profits and losses in the ratio of 4:3:3:2. Their respective fixed capitals on 31^{st} March, 2012 were ₹ 1,20,000, ₹ 1,80,000 ₹ 2,40,000 and ₹ 1,80,000 respectively. After preparing the final accounts for the year ended 31st March, 2012, it was discovered that interest on capital @ 12% per annum was not allowed and interest on drawings amounting to ₹ 4,000, ₹ 5,000, ₹ 3,000 and ₹ 2,000 respectively was also not charged.
Pass the necessary adjustment journal entry showing your working clearly. **(3)**

Q.10 MNO Ltd. was formed on 1st December, 2014, with a capital of ₹ 5,00,000 divided into shares of ₹ 10 each. It offered 80% of the shares to the public.
The issue price was payable as follows :
30% of the face value per share was payable with application.

20% of the face value per share was payable with allotment.
The balance as and when required. The company did not call for the balance during the year.
All the shares offered by the company were subscribed for. The company did not received the allotment money on 3,000 shares.
You are required to show the share capital in the balance sheet of the company (prepared as per Schedule III of the Companies Act, 2013) at the end of the financial year. **(3)**

Q.11 Suresh and Mahesh are partners sharing profits and losses in the ratio of 3:1. On 1st January, 2012 they admitted Naresh as a new partner for ¼ share in the profits of the firm. Naresh brings ₹ 20,000 for his ¼ share in the profits of the firm. The capitals of Suresh and Mahesh after all adjustments in respect of goodwill, revaluation of assets and liabilities, etc. has been worked out at ₹ 50,000 for Suresh and ₹ 12,000 for Mahesh.
It is agreed that partner's capitals will be according to new profit sharing ratio. Calculate the new capitals of Suresh and Mahesh and pass the necessary journal entries assuming that Suresh and Mahesh brought in or withdrew the necessary cash as the case may be for making their capitals in proportion to their sharing ratio. **(4)**

Q.12 The balance sheet of R, O and N, who were sharing profits in the ratio of 3:3:4 as at 31st March, 2015 was as follows :

Balance Sheet
as at 31st March, 2015

Liabilities		Amt. (₹)	Assets	Amt. (₹)
Reserve		20,000	Cash in Hand	32,000
Bills Payable		10,000	Stock	88,000
Loan		24,000	Investments	94,000
Capital A/cs			Building	1,20,000
R	1,20,000		R's Loan	20,000
O	1,00,000			
N	80,000	3,00,000		
		3,54,000		**3,54,000**

R died on 30th June, 2015. The partnership deed provided for the following on the death of a partner
(i) Goodwill of the firm be valued at two years, purchase of average profits for the last three years.
(ii) R's share of profit or loss till the date of her death was to be calculated on the basis of sales. Sales for the year ended 31st March, 2015 amounted to ₹ 8,00,000 and that from 1st April to 30th June, 2015 to ₹ 3,00,000 and Profit on 31^{st} March, 2015 ₹ 2,00,000.
(iii) Interest on capital was to be provided @ 6% per annum.
(iv) The average profits of the last three years were ₹ 84,000.
(v) According to R's will, the executors should donate her share to an orphanage.
Prepare R's capital account to be rendered to his executors. Also identity the value being highlighted in the question. **(4)**

Q.13 R, I and M are partners in a firm. On 1st April, 2014 their capital accounts stood at ₹ 8,00,000, ₹ 6,00,000 and ₹ 4,00,000 respectively. They shared profits and losses in the proportion of 5:3:2. Partners are entitled to interest on capital @ 10% per annum and salary to I and M @ ₹ 4,000 per month and ₹ 6,000 per quarter respectively as per the provisions of the partnership deed.
I's share of profit (excluding interest on capital but including salary) is guaranteed at a minimum of ₹ 1,00,000 per annum. Any deficiency arising on that account shall be met by M. The profits of the firm for the year ended 31st March, 2015 amount to ₹ 4,00,000. Prepare profit and loss appropriation account for the year ended on 31st March, 2015.
Which value is shown by M by guaranteeing minimum profit of ₹ 1,00,000 to I in cash of deficiency? **(6)**

Q.14 (i) Pass the necessary journal entries for the issue of debentures in the following cases
(a) 20,000, 12% debentures of ₹ 100 each issued at par redeemable at 10% premium.
(b) ₹ 45,000, 15% debentures of ₹ 100 each issued at a premium of 5%, redeemable at premium

of 10%.

(ii) A company purchased 3,000, 9% own debentures of ₹ 100 each at ₹ 97 each for immediate cancellation. **(6)**

Q.15 A and B were partners sharing profits in the ratio 1:1. On 1st March, 2015 their firm was dissolved. The assets were realized and liabilities were paid off. The accountant prepared realization account, partners' capital account and cash account, but forgot to post few amounts in these accounts. You are required to complete these below account by posting correct amounts.

Realization Account

Particulars		Amt (₹)	Particulars		Amt (₹)
To Sundry Assets A/c			By Sundry Liabilities A/c		
Debtors	42,000		Creditors	60,000	
Stock	12,000		Investment Fluctuation Fund	2,000	
Investments	18,000		Provision for doubtful Debts	6,000	68,000
Plant & Machinery	41,000	1,13,000	By Cash A/c		
To cash A/c			Debtors	35,000	
Creditors		59,400	Plant & Machinery and Investment	60,000	95,000
To A's Capital A/c (Realization expenses)		2,000	By A's Capital A/c (Stock)		8,000
			By B's Capital A/c (Old computer)		1,200
			………………………		…..
		1,74,400			**1,74,400**

Partner CAPITAL ACCOUNTS

Particulars	A	B	Particulars	A	B
…………………	……….	…….	By Balance b/d	30,000	10,000
…………………	……….	…….	By General Reserve	7,500	7,500
…………………	……….	…….	…………………	……….	…….
To Cash A/c (Final Settlement)	30,400	15,200			
	39,500	17,500		39,500	17,500

Dr. **Cash Account** Cr.

Particulars	(₹)	Particulars	(₹)
To Balance b/d	25,000	By A's Loan	15,000
To Realization A/c (Sale of assets)	95,000	………………….	……
		By A's Capital A/c	……….
		By B's capital A/c	……….
	1,20,000		**1,20,000**

Q. 16 XYZ Ltd issued applications for 1,00,000 equity shares of ₹ 10 each at a premium of ₹ 3 per share. The amount was payable as follows :

(i) On application : ₹ 2

(ii) On allotment : ₹ 5 (including premium)

(iii) Balance on the first and the final call.

Application were received for 1,50,000 shares. Allotment was made pro-rata to all applicants. A who had applied for 300 shares failed to pay allotment and call money. His shares were forfeited after the first and the final call. Of these, 170 shares were-re issued to B at ₹ 9 per share fully paid. Pass the necessary journal entries to show above transactions. Show your working clearly. **(8)**

Q. 17(A) **(8)**

A, B and C were partners sharing profit and losses in the proportion of 2:2:1 respectively. the balance sheet of their firm as on 31st March, 2013, stood as follows

Balance Sheet
as at 31st March, 2013

Liabilities		Amt (₹)	Assets	Amt (₹)
Capital A/cs			Stock	12,500
A	12,500		Machinery	17,500

B	15,000		Motor Van		4,000
C	20,000	47,500	Buildings		22,500
Creditors		10,000	Bank		1,250
Bills Payable		2,000	Debtors	8,000	
General Reserve		6,000	(-) Provision for Doubtful debts	(250)	7,750
		65,500			**65,500**

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

(i) Provision for doubtful debts to be increased by ₹ 975.

(ii) Stock to be appreciated by 20% and building by 10%.

(iii) Machinery to be depreciated by 1% and motor van by 15%.

(iv) Goodwill of the firm to e valued at ₹ 9,000.

(v) The capital of the continuing partners are to be adjusted according to the new profit sharing ratio which is agreed between A and C as 3:2 respectively.

(vi) Excess or shortfall in A's and C's capital accounts to be transferred to their respective current accounts.

You are required to prepare

(i) Revaluation account

(ii) Partners' capital Account

(iii) Balance Sheet of the recognize firm.

Q. 17(B)

The following was the balance sheet of W, I and N sharing profits and losses in the ratio of respectively.

$\frac{6}{14}:\frac{5}{14}:\frac{3}{14}$ respectively.

Balance Sheet

Liabilities		Amt (₹)	Assets	Amt (₹)
Creditors		18,000	Buildings	48,000
Bills Payable		6,000	Furniture and Fixtures	7,000
Capital A/cs			Stock	28,000
W	38,000		Sundry Debtors	25,200
I	32,000		Cash	1,800
N	16,000	86,000		
		1,10,000		**1,10,000**

They agreed to take M in to partnership and give him a share of 1/8 on the following terms

(i) M should bring in ₹ 8,400 as goodwill and ₹ 14,000 as his as his capital.

(ii) Furniture be depreciated by 12%.

(iii) Stock be depreciated by 10%.

(iv) A provision of 5% be created for doubtful debts.

(v) The value of building having appreciated be brought upto ₹ 62,000.

(vi) After making the adjustments, the capital accounts of the old partners (who continue to share in the same proportion as before) be adjusted on the basis of the proportion of M's capital to his share in the business i.e., actual cash to be paid off to or brought in by the old partners as the case may be.

Prepare cash account, revaluation account and the opening balance sheet of the new firm.

Part B

Q. 18 Ramesh finance Ltd, a company engaged in providing loans and investing into shares has received divided on shares. How will it be shown in the cash flow statement? Give reason. **(1)**

Q.19 While preparing cash flow statement, dividend paid by a financial enterprise is shown under which activity? **(1)**

Q.20 **(a)** Under what heads and sub-heads the following items will appear in the balance sheet of a company as per Received Schedule III Part I or the Companies Act, 2013? **(3)**

(i) Premium on redemption of debentures

(ii) Loose tools

(iv) Balance with bank

(v) Capital reserve
(vi) Call-in-advance
(vii) Unclaimed dividend

(b) State the significance of analysis of financial statements to the 'lenders'. **(1)**

Q.21 Arvind Ltd is in the business of manufacturing clothes. It decided to set up a new manufacturing unit in Nepal it decided to do so because of the natural calamity struck in the state. It decided to employ factory staff from the local population after giving them adequate training to develop the skill in them. Each trainee was paid stipend during the training period. Its common size statement of profit and loss is given below.

Common Size Income Statement
for the years ended 2014 and 2015

Particulars	Absolute Amounts		Percentage of Revenue from Operation (Net Sales)	
	2014 (₹)	2015 (₹)	2014 (₹)	2015 (₹)
I. **Revenue from Operation** (Net Sales)	5,00,000	6,25,000	100.00	100.00
II. Expenses				
(a) Purchase of Stock-in-Trade	3,60,000	4,35,000	72.00	69.60
(b) Changes in Inventories of Stock-in-Trade	15,000	(10,000)	3.00	(1.60)
(c) Depreciation and Amortization	10,000	15,000	2.00	2.40
(d) Other Expenses	15,000	25,000	3.00	4.00
Total Expenses	4,00,000	4,65,000	80.00	74.40
III. **Profit before Tax** (I-II)	1,00,000	1,60,000	20.00	25.60

Compute gross profit ratio from the above common size income statement as at 31st March, 2014 and 2015. Also identify the values practiced by the company. **(4)**

Q.22 From the following information, calculate following ratios
(i) Debt-equity ratio (ii) Working capital turnover ratio
Additional Information
Equity share capital ₹ 50,000; general reserve ₹ 5,000; Balance in statement of profit and loss after tax and interest ₹ 15,000; 9% debentures ₹ 20,000; creditors ₹ 15,000; Land and building ₹ 65,000; equipment ₹ 15,000; debtors ₹ 14,500 and cash ₹ 5,500. Revenue from operation for the year ended 31st March ₹ 1,50,000. Tax Rate 50 %. **(4)**

Q.23 Following are the balance sheet of XYZ Ltd for the year ended 31st March, 2014 and 2015. **(6)**

Particulars	2014-15 (₹)	2013-14 (₹)
I. EQUITY AND LIABILITIES		
1. Shareholder's Funds		
(a) Share Capital	12,00,000	8,00,000
(b) Reserves and Surplus (Statement of profit and loss balance)	3,50,000	4,00,000
2. Non-current Liabilities		
Long-term Borrowings	4,40,000	3,50,000
3. Current Liabilities		
Trade Payables	60,000	50,000
Total	20,50,000	16,00,000
ASSETS		
1. Non-current Assets		
(a) Fixed Assets		
(i) Tangible Assets	12,00,000	9,00,000
2. Current Assets		
(a) Inventories	2,00,000	1,00,000
(b) Trade Receivables	3,10,000	2,30,000
(c) Cash and Cash Equivalents	3,40,000	3,70,000
Total	20,50,000	16,000,000

Prepare a cash flow statement after taking into account the following adjustments :
(i) The company paid interest ₹ 36,000 on its long-term borrowings.
(ii) Depreciation charged on tangible fixed assets was ₹ 1,20,000.