

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

**Part I of Section A is Compulsory. Answer any 4 Questions from Part II of Section A and any two questions from Section B.** The intended marks for questions or parts of questions are given in the brackets [ ]. Transactions should be recorded in the answer book. All calculations should be shown clearly. All working, including rough work, should be done on the same page as, and adjacent to the rest of the answer. Use calculator fx 82 ms. This paper consists of total 11 questions.

### Section –A

#### Part-I

#### Question-1

- What are important features of Inherent Goodwill ?
- What are the two rights of the new partner acquires after admission?
- Explain the effects of AS-26 in Partnership Accounts in case of Goodwill.
- Explain with journal entry, the fictitious assets which will not be transfer to realisation account in case of dissolution of a firm. Give example.
- Explain the provision of Section 53 of the Companies Act, 2013 in case of issue of shares.
- Explain the disclosure of 'Subscribed capital' under the head of 'Share Capital' in the Company's Balance Sheet as per Companies act 2013. [6x2]

#### Part-II

(Answer any four)

#### Question- 2

Anil and Sunil were trading in partnership, sharing profits and losses as Anil 7/12<sup>th</sup> and Sunil 5/12<sup>th</sup>. On 1.1.2015, they admit Sumit into partnership on the following terms: Sumit was to have 1/6<sup>th</sup> share, which he purchased 1/8<sup>th</sup> from Anil and 1/24<sup>th</sup> from Sunil paying ₹ 20,000 for that share of goodwill which amount was retained in the business as additional capital. Sumit also brought ₹25,000 as his capital into the firm. It was further agreed that machinery should be reduced by 10% and that investment should be reduced to their market value, ₹ 8,000.

The Balance Sheet of the firm as at 31<sup>st</sup> December 2014, was as follows:

Liabilities	Amt.	Assets	Amt.
Creditors	7,500	Machinery	20,000
Capital Accounts :		Furniture	5,000
Anil 30,000		Investment at cost	12,000
Sunil 20,000	50,000	Stock	8,000
		Debtors	7,000
		Cash	5,500
	<u>57500</u>		<u>57500</u>

Interest on Drawings is to be ignored, but interest on Capital Accounts is to be allowed at 5% p.a. The profits for the year ended 31<sup>st</sup> December, 2015 were ₹52,450, before charging interest on capital. Drawings during the year were: Anil ₹16,325; Sunil ₹13,875; Sumit ₹3,250. You are required to prepare necessary accounts of each partner as on 31<sup>st</sup> December 2015 and the Balance Sheet of 1<sup>st</sup> January 2015. [12]

### Question- 3

(A) Akash, Bikash, and Charan are in partnership sharing profits and losses in the ratio of 3:2:1.

The Balance Sheet of the firm as on 31<sup>st</sup> December, 2015 was as follows :

Liabilities	Amt.	Assets	Amt.
Capital Accounts:		Machinery	50,000
Akash	40,000	Less, Prov. For depn. <u>8,000</u>	42,000
Bikash	60,000	Furniture	1,000
Charan	<u>20,000</u>	Sundry Debtors	80,000
Reserve	30,000	Less, PBD	<u>3,000</u>
Sundry Creditors	60,000	Stock	50,000
		Cash	40,000
	<u>210,000</u>		<u>210,000</u>

On 31<sup>st</sup> March, 2016, Bikash retired and Akash and Charan Continued in partnership, sharing profits and losses in the ratio of 3:2. It was agreed that adjustments were to be made in the balance sheet as on 31<sup>st</sup> December, 2015, in respect of the following :

- The machinery was to be re-valued at ₹45,000.
- The stock was to be reduced by 2%.
- The furniture was to be reduced to ₹600.
- The provision for doubtful debts would be ₹4,000.
- A provision of ₹300 was to be made for outstanding expenses.

It was further agreed that the goodwill of the firm was to be valued at ₹24,000 and Bikash's share of the same was to be adjusted into the accounts of Akash and Charan. The profits up to the date of retirement was estimated ₹18,000.

Bikash was paid off in full. Akash and Charan were to bring such an amount in cash so as to make their capital in proportion to the new profit sharing ratio, subject to the condition that a cash balance of ₹20,000 was to be maintained as working capital.

Pass necessary Journal entries to give effect to the above arrangements (show your working clearly).

[8]

(B) P, Q and R were partner in a firm sharing profits in 3:2:1 ratio. The firm closes its books on 31<sup>st</sup> March every year. Q's died on 12<sup>th</sup> June, 2016. On Q's death the goodwill of the firm was valued at ₹60,000. His share in the profit of the firm till the time of his death was to be calculated on the basis of previous year's profit which was ₹1,50,000.

Calculate Q's share in the profit of the firm. Pass necessary journal entries for the treatment of goodwill and Q's share of profit at the of the death.

[4]

### Question- 4

(A) On 1<sup>st</sup> January 2017, Shriya and Priyanka commenced business as partners with an initial capital of ₹20,000 and ₹30,000 in their respective accounts. The partnership deed provided, inter-alia, that :

- Profit and losses shall be shared in the ratio 2:3 as between Shriya and Priyanka.
- Partners shall be entitled to interest on capital at the commencement of each year at 6% p.a.

3. Interest and drawing shall be charged at 8% p.a.

During the year ended 31<sup>st</sup> December 2017, the firm made a profit of ₹19,280 before adjustment of interest on Capital and Drawings. The partners withdrew during the year ₹3,000 each at the end of every quarter commencing from 31<sup>st</sup> March 2017.

You are required to open Profit and Loss Appropriation Account and show also the Capital Accounts of the partner for the year assuming fluctuating capital method. [4]

(B) Rima and Rina are partners in a firm sharing profits and losses in the ratio of 3:2 with capitals of ₹10,00,000 and ₹5,00,000 respectively. As per the partnership deed, they are to be allowed interest on capital @ 8% p.a. The net profit for the year ended 31<sup>st</sup> March, 2016 before providing for interest on capital amounted to ₹45,000. Show the distribution of profit in Profit and Loss Appropriation Account. [4]

(C) On 1<sup>st</sup> April, 2015 the Capitals of Amit and Bimal were ₹4,00,000 and ₹2,00,000 respectively. They divided profits in their capital and ratio. Profits for the year ended 31<sup>st</sup> March, 2016 were ₹3,00,000 which have been duly distributed among the partner, but the following transactions were not passed through the books:-

- (a) Interest on capitals @ 12% p.a.
- (b) Interest on Drawings A ₹12,000; B ₹10,000.
- (c) Commission due to Bimal ₹20,000 on a special transaction.
- (d) Amit is to be paid a salary of ₹50,000.

You are required to pass a journal entry on 10<sup>th</sup> April, 2016 which will not affect the Profit and Loss Account of the and the same time will rectify the errors. [4]

### Question- 5

(A) Panicker Ltd. issued 20,000 equity shares of ₹10 each payable as follows :

Application	4	First Call	3
Allotment	1	Final Call	2

Applications were received for 30,500 shares and pro-rata allotment was made to all the applicants. Excess money received on application was utilised towards allotment and subsequent call afterwards surplus amount will be adjusted as per the rules. One shareholder holding 100 shares did not pay the final call and his shares were forfeited. Of the forfeited shares the company re-issued 70 shares as fully paid up at ₹12 per share.

You are required to pass the journal entries, prepare share forfeiture account and securities premium reserve account in the books of the company recording the above transactions. [8]

(B) Reliable Ltd. was incorporated with a share capital of ₹10,00,000 in shares of ₹10 each. The company purchased land and building from B. Sen for ₹2,00,000 payable in fully paid shares of the company. The board of directors also decided to allot 10,000 shares credited as fully paid shares to the promoter for the services. Half of the remaining shares were issued for cash and were taken up by the public and fully paid for. Give journal entries for the above mentioned transactions. [4]

### Question- 6

R, S and T were partner in a firm sharing profits in the ratio of 3:2:5. On 31<sup>st</sup> December 2015, their balance sheet was as follows :

	Amt.	Assets	Amt.
- Liabilities			

Capital Accounts:		Goodwill	3,00,000
R	4,00,000	Land and Building	5,00,000
S	2,00,000	Machinery	1,70,000
T	4,00,000	Stock	30,000
General Reserves	10,00,000	Debtors	1,20,000
	1,00,000	Cash	45,000
Loan from T	50,000	Profit and Loss A/c	60,000
Creditors	75,000		
	<u>12,25,000</u>		<u>12,25,000</u>

On 14<sup>th</sup> March 2016, S died. The Partnership deed provided that on the death of a partner the executors of the deceased partner is entitled to:

- (i) Balance in his capital account ;
  - (ii) Share in the profits up to the date of death on the basis of last years' profit.
  - (iii) His share in the profit/losses on the revaluation of assets and liabilities which were as follows:
    - (a) Land and Building was to be appreciated by ₹1,20,000.
    - (b) Machinery was to be depreciated to 1,35,000 and Stock to ₹25,000.
    - (c) A provision of 2.5% for bad debts was to be created.
    - (d) The value of Goodwill was to be taken as nil due to losses suffered.
  - (iv) The net amount payable to B's executors was transferred to their loan account which was to be paid later.
- R and T decided to continue the business keeping their capital balances in their new profit sharing ratio. Any difference will be transferred through current account.
- Pass journal entries. [12]

### Question- 7

- (A) Ashish Ltd. issues 1,000 14% Debenture of ₹100 each at par on January 1,2015.
- (a) Debenture interest is annually payable on 31<sup>st</sup> December every year; and
  - (b) Tax to be deducted at source @ 10%.
  - (c) 20% of the debenture are annually redeemable by drawing, the first redemption occurring on 31<sup>st</sup> December,2017. Pass necessary journal entries for the 2015 and 2016. [8]

(B)Z Limited purchased its own debenture of the face value of ₹20,000 from the open market for immediate cancellation at ₹92.Pass necessary journal entries. [4]

### QUESTION-8

- (A) Abhilash and Aman were partners sharing profits in the ratio of 3:2.On the date of dissolution their capitals were Abhilash ₹7,650 and Aman ₹4,300.The creditors amounted to ₹27,500.The balance of cash was ₹760. The assets realised ₹25,430 and the expenses of realisation were ₹540.All the partners were solvent. Prepare necessary accounts to close the books of the firm. [4]
- (B) A, B and C were in partnership, sharing profits and losses in the ratio 3:2:1. They decide to dissolve the partnership on 31st December, 2015, when the partnership assets and liabilities were as under:

<i>Liabilities</i>	₹	<i>Assets</i>	₹
Capital Accounts:			
A	42,000	Plant and Machinery	1,06,380
B	22,500	Furniture	6,465
C	<u>12,000</u>	Stock	23,670
Loan- Mrs. A	15,000	Book Debts	53,400
Sundry Creditors	56,700	Accrued Agency Commn.	14,055
Bank Overdraft	<u>60,645</u>	Cash at Bank	<u>4,875</u>
	<u>2,08,845</u>		<u>2,08,845</u>

The following particulars are pertinent:

- 1). Some investments not recorded in the books were sold for ₹ 23,250.
- 2). A took over Plant and Machinery for ₹ 90,000.
- 3). A also agreed to discharge Bank Overdraft and loan from Mrs. A.
- 4). Furniture and Stock were divided equally between A and B at an agreed valuation of ₹ 36,000.
- 5). Book Debts were assigned to firm's creditors in full satisfaction of their claim.
- 6). The agency commission was received in time.
- 7). A Bill Receivable discounted was returned dishonoured and subsequently proved valueless ₹3,075 (including ₹ 50 noting charges).
- 8). A paid the expenses of dissolution ₹ 1,800. You are required to pass journal entries relating to final dissolution of the firm. [8]

#### SECTION-B

( Answer any TWO from this section)

#### Question-9

(A) Write any two reasons for which inventories are not considered as quick assets. [2]

(B) From the following information, calculate Earning per share :

Profit before tax	18,17,400		
Tax on income	5,45,400		
Preference Dividend	72,000		
Equity Share Capital( 10 each)	15,00,000		[2]

(C) From the following information, calculate Return on Investment:

Share Capital(2,00,000 eq. sh of 10 each)	20,00,000	15% Debentures	30,00,000
General Reserve	15,00,000	Profit before tax	14,00,000
P/L Balance	5,00,000		[2]

(D) A business has a current ratio of 3:1 and a quick ratio of 1.2:1. If the working capital is ₹ 1,80,000, calculate total current assets and value of inventory. [4]

#### Question-10

(A) On the basis of information given below , calculate Debt Equity Ratio and Working Capital Turnover Ratio.

Net Revenue from operations	3,75,000	Current Assets	4,25,000
Cost of revenue from operation	2,50,000	Equity share Capital	1,90,000
Current Liabilities	1,20,000	Debentures	75,000
Loan	60,000		[4]

(B) Prepare a Common Size Statement of Profit and Loss from the following information of X Ltd.

31.3.13

31.3.12

Revenue from Operations	60,00,000	40,00,000
Purchase of Stock in Trade	43,20,000	30,40,000
Changes in Inventories	1,20,000	(80,000)
Other Income	1,50,000	60,000
Other Expenses	3,60,000	2,00,000
		[4]

- (C) Explain the treatment of Bank Overdraft and Current Investment while preparing Cash flow Statement. [2]

### Question-11

- (A) The following balances appeared in the Plant and Machinery Account and Accumulated Depreciation Account in the books of Rajan Ltd.

	31.3.14	31.3.13
Plant and Machinery	9,32,000	8,50,000
Less, Accumulated Depreciation	(4,40,000)	(4,32,000)

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

You are required to Calculate Cash flow from Investing Activities. [2]

- (B) Balance Sheet of M/S A and B as on 1.1.2015 and 31.12.2015, were as follows:

Liabilities	1.1.15	31.12.15	Assets	1.1.15	31.12.15
Creditors	80,000	88,000	Cash	20,000	14,000
Mrs.A's Loan	50,000	—	Debtors	60,000	1,00,000
Loan from Bank	80,000	1,00,000	Stock	70,000	50,000
Capital	2,50,000	3,06,000	Machinery	1,60,000	1,10,000
			Land	80,000	1,00,000
			Building	70,000	1,20,000
	<u>4,60,000</u>	<u>4,94,000</u>		<u>4,60,000</u>	<u>4,94,000</u>

During the year a machine costing ₹20,000 (accumulated depreciation ₹ 6,000) was sold for ₹10,000. The provision for depreciation against machinery as on 1.1.15 was ₹50,000 and on 31.12.2015 ₹80,000. Profit for the year amounted to ₹90,000 (after charging interest on loans ₹10,500).

You are required to prepare cash flow from operating activities and prepare machinery account and provision for depreciation account. [8]

END