ACCOUNTANCY ALL INDIA (Main paper) 2018

PART A

ACCOUNTING FOR PARTNERSHIP FIRM AND COMPANIES

1 Amit and Beena were partners in a firm sharing profits and losses in the ratio of 3 : 1. Chaman was admitted as a new partner for $^1/_6$ share in the profits. Chaman acquired $^2/_5$ of his share from Amit. How much share did Chaman acquire from Beena ?

2 Neetu, Meetu and Teetu were partners in a firm. On 1st January, 2018, Meetu retired. On Meetu's retirement the goodwill of the firm was valued at Rs 4,20,000.
Pass necessary journal entry for the treatment of goodwill on Meetu's retirement.

3 Distinguish between 'Dissolution of partnership' and 'Dissolution of partnership firm' on the basis of settlement of assets and liabilities.

4 Ritesh and Hitesh are childhood friends. Ritesh is a consultant whereas Hitesh is an architect. They contributed equal amounts and purchased a building for Rs 2 crores. After a year, they sold it for Rs 3 crores and shared the profits equally. Are they doing the business in partnership ? Give reason in support of your answer.

5 Is 'Reserve Capital' a part of 'Unsubscribed Capital' or 'Uncalled Capital' ?

6 Give the meaning of 'Debentures issued as Collateral Security'.

7 Jayant, Kartik and Leena were partners in a firm sharing profits and losses in the ratio of 5 : 2 : 3. Kartik died and Jayant and Leena decided to continue the business. Their gaining ratio was 2 : 3.

Calculate the new profit sharing ratio of Jayant and Leena.

8 What is meant by a 'Share' ? Give any two differences between 'Preference Shares' and 'Equity Shares'.

9 NK Ltd., a truck manufacturing company, is registered with an authorised capital of Rs 1,00,00,000 divided into equity shares of Rs 100 each. The subscribed and paid up capital of the company is Rs 50,00,000. The company decided to open technical schools in the Jhalawar district of Rajasthan to train the specially abled children of the area. It is planning to provide them employment in its various production units and industries in the neighbourhood area.

To meet the capital expenditure requirements of the project, the company offered 20,000 shares to the public for subscription. The shares were fully subscribed and paid.

Present the share capital in the Balance Sheet of the company as per the provisions of Schedule III of the Companies Act, 2013.

Also identify any two values that the company wants to communicate.

10 Complete the following journal entries left blank in the books of VK Ltd.

VK Ltd.

Journal

Date	Particulars	L.F.	Debit Amount Rs	Credit Amount Rs
2018 February 01	.... Dr .... (Purchased own 500, 9% debentures of Rs 100 each at Rs 97 each for immediate cancellation)		....	.... (credit)
February 01	Dr .... (Cancelled own debentures)		....	....
....	.... Dr ....)		....	....

11 Banwari, Girdhari and Murari are partners in a firm sharing profits and losses in the ratio of 4 : 5 : 6. On 31st March, 2014, Girdhari retired. On that date the capitals of Banwari, Girdhari and Murari before the necessary adjustments stood at Rs 2,00,000, Rs 1,00,000 and Rs 50,000 respectively. On Girdhari's retirement, goodwill of the firm was valued at Rs 1,14,000. Revaluation of assets and re-assessment of liabilities resulted in a profit of Rs 6,000. General Reserve stood in the books of the firm at Rs 30,000.

The amount payable to Girdhari was transferred to his loan account. Banwari and Murari agreed to pay Girdhari two yearly instalments of Rs 75,000 each including interest @ 10% p.a. on the outstanding balance during the first two years and the balance including interest in the third year. The firm closes its books on 31st March every year.

Prepare Girdhari's loan account till it is finally paid showing the working notes clearly.

12 Asha and Aditi are partners in a firm sharing profits and losses in the ratio of 3 : 2. They admit Raghav as a partner for $^1/_4$share in the profits of the firm. Raghav brings Rs 6,00,000 as his capital and his share of goodwill in cash. Goodwill of the firm is to be valued at two years' purchase of average profits of the last four years.

The profits of the firm during the last four years are given below :

Year	*Profit (Rs)*
2013 – 14	3,50,000
2014 – 15	4,75,000
2015 – 16	6,70,000
2016 – 17	7,45,000

The following additional information is given :

(i) To cover management cost an annual charge of Rs 56,250 should be made for the purpose of valuation of goodwill.

(ii) The closing stock for the year ended 31.3.2017 was overvalued by Rs 15,000.

Pass necessary journal entries on Raghav's admission showing the working notes clearly.

13 Pranav, Karan and Rahim were partners in a firm sharing profits and losses in the ratio of 2 : 2 : 1. On 31st March, 2017 their Balance Sheet was as follows :

Balance Sheet of Pranav, Karan and Rahim as on 31.3.2017

Liabilities	Amount	Assets	Amount
Creditors	3,00,000	Fixed Assets	4,50,000
General Reserve	1,50,000	Stock	1,50,000

Capitals		Debtors	2,00,000
Pranav 2,00,000		Bank	1,50,000
Karan 2,00,000			
Rahim 1,00,000	5,00,000		
	9,50,000		9,50,000

Karan died on 12.6.2017. According to the partnership deed, the legal representatives of the deceased partner were entitled to the following :

(i) Balance in his Capital Account.
(ii) Interest on Capital @ 12% p.a.
(iii) Share of goodwill. Goodwill of the firm on Karan's death was valued at Rs 60,000.
(iv) Share in the profits of the firm till the date of his death, calculated on the basis of last year's profit. The profit of the firm for the year ended 31.3.2017 was Rs 5,00,000.

Prepare Karan's Capital Account to be presented to his representatives.

14

Chander and Damini were partners in a firm sharing profits and losses equally. On 31st March, 2017 their Balance Sheet was as follows :

Balance Sheet of Chander and Damini as on 31.3.2017

Liabilities	Amount	Assets	Amount
Sundry Creditors	1,04,000	Cash at Bank	30,000
Capitals		Bills Receivable	45,000
Chander 2,50,000		Debtors	75,000
Damini 2,16,000			
	4,66,000	Furniture	1,10,000

		Land and Building	3,10,000
	5,70,000		5,70,000

On 1.4.2017, they admitted Elina as a new partner for $1/3$ share in the profits on the following conditions :

(i) Elina will bring Rs 3,00,000 as her capital and Rs 50,000 as her share of goodwill premium, half of which will be withdrawn by Chander and Damini.

(ii) Debtors to the extent of Rs 5,000 were unrecorded.

(iii) Furniture will be reduced by 10% and 5% provision for bad and doubtful debts will be created on bills receivables and debtors.

(iv) Value of land and building will be appreciated by 20%.

(v) There being a claim against the firm for damages, a liability to the extent of Rs 8,000 will be created for the same.

Prepare Revaluation Account and Partners' Capital Accounts.

15 On 1st April, 2014, KK Ltd. invited applications for issuing 5,000 10% debentures of Rs 1,000 each at a discount of 6%. These debentures were repayable at the end of 3rd year at a premium of 10%. Applications for 6,000 debentures were received and the debentures were allotted on pro-rata basis to all the applicants. Excess money received with applications was refunded.

The directors decided to transfer the minimum amount to Debenture Redemption Reserve on 31.3.2016. On 1.4.2016, the company invested the necessary amount in 9% bank fixed deposit as per the provisions of the Companies Act, 2013. Tax was deducted at source by bank on interest @ 10% p.a.

Pass the necessary journal entries for issue and redemption of debentures. Ignore entries relating to writing off loss on issue of debentures and interest paid on debentures.

16 Srijan, Raman and Manan were partners in a firm sharing profits and losses in the ratio of 2 : 2 : 1. On 31st March, 2017 their Balance Sheet was as follows :

Balance Sheet of Srijan, Raman and Manan as on 31.3.2017

Liabilities		Amount	Assets	Amount
Capitals :			Capital : Manan	10,000
Srijan	2,00,000		Plant	2,20,000
Raman	1,50,000	3,50,000	Investments	70,000

Creditors	75,000	Stock	50,000
Bills Payable	40,000	Debtors	60,000
Outstanding Salary	35,000	Bank	10,000
		P & L	80,000
	5,00,000		5,00,000

On the above date they decided to dissolve the firm.

(i) Srijan was appointed to realise the assets and discharge the liabilities. Srijan was to receive 5% commission on sale of assets (except cash) and was to bear all expenses of realisation.

(ii) Assets were realised as follows :

	(Rs)
Plant	85,000
Stock	33,000
Debtors	47,000

(iii) Investments were realised at 95% of the book value.
(iv) The firm had to pay Rs 7,500 for an outstanding repair bill not provided for earlier.
(v) A contingent liability in respect of bills receivable, discounted with the bank had also materialised and had to be discharged for Rs 15,000.
(vi) Expenses of realisation amounting to Rs 3,000 were paid by Srijan.
Prepare Realisation Account, Partners' Capital Accounts and Bank Account.

OR

Moli, Bhola and Raj were partners in a firm sharing profits and losses in the ratio of 3 : 3 : 4. Their partnership deed provided for the following :

(i) Interest on capital @ 5% p.a.
(ii) Interest on drawing @ 12% p.a.
(iii) Interest on partners' loan @ 6% p.a.
(iv) Moli was allowed an annual salary of Rs 4,000; Bhola was allowed a commission of 10% of net profit as shown by Profit and Loss Account and Raj was guaranteed a profit of Rs 1,50,000 after making all the adjustments as provided in the partnership agreement.

Their fixed capitals were Moli : Rs 5,00,000; Bhola : Rs 8,00,000 and Raj : Rs 4,00,000. On 1st April, 2016 Bhola extended a loan of Rs 1,00,000 to the firm. The net profit of the firm for the year ended 31st March, 2017 before interest on Bhola's loan was Rs 3,06,000.

Prepare Profit and Loss Appropriation Account of Moli, Bhola and Raj for the year ended 31st March, 2017 and their Current Accounts assuming that Bhola withdrew Rs 5,000 at the end of each month, Moli withdrew 10,000 at the end of each quarter and Raj withdrew Rs 40,000 at the end of each half year.

17 X Ltd. invited applications for issuing 50,000 equity shares of Rs 10 each. The amount was payable as follows :

On Application	:	Rs 2 per share
On Allotment	:	Rs 2 per share
On First Call	:	Rs 3 per share
On Second and Final Call	:	Balance amount

Applications for 70,000 shares were received. Applications for 10,000 shares were rejected and the application money was refunded.

Shares were allotted to the remaining applicants on a pro-rata basis and excess money received with applications was transferred towards sums due on allotment and calls, if any.

Gopal, who applied for 600 shares, paid his entire share money with application. Ghosh, who had applied for 6,000 shares, failed to pay the allotment money and his shares were immediately forfeited. These forfeited shares were re-issued to Sultan for Rs 20,000; Rs 4 per share paid up. The first call money and the second and final call money was called and duly received.

Pass necessary journal entries for the above transactions in the books of

X Ltd. Open Calls-in-Advance Account and Calls-in-Arrears Account wherever necessary.

OR

A Ltd. invited applications for issuing 1,00,000 shares of Rs 10 each at a premium of Rs 1 per share. The amount was payable as follows :

On Application	:	Rs 3 per share
On Allotment	:	Rs 3 per share (including premium)
On First Call	:	Rs 3 per share

On Second and Final Call : Balance amount

Applications for 1,60,000 shares were received. Allotment was made on the following basis :

(i) To applicants for 90,000 shares :40,000 shares

(ii) To applicants for 50,000 shares :40,000 shares

(iii) To applicants for 20,000 shares :full shares

Excess money paid on application is to be adjusted against the amount due on allotment and calls.

Rishabh, a shareholder, who applied for 1,500 shares and belonged to category (ii), did not pay allotment, first and second and final call money. Another shareholder, Sudha, who applied for 1,800 shares and belonged to category (i), did not pay the first and second and final call money.

All the shares of Rishabh and Sudha were forfeited and were subsequently re-issued at Rs 7 per share fully paid.

Pass the necessary journal entries in the books of A Ltd. Open Calls-in-Arrears Account and Calls-in-Advance Account wherever required.

PART B

(Analysis of Financial Statements)

18 State the primary objective of preparing a Cash Flow Statement.

19 'Interest received and paid' is considered as which type of activity by a finance company while preparing a Cash Flow Statement ?

20 Prepare a common size Balance Sheet of KJ Ltd. from the following information :

	Particulars	Note No.	31.3.2017 Rs	31.3.2016 Rs
I – Equity and Liabilities :				
	1. Shareholder's Funds		8,00,000	4,00,000

2.	Non-Current Liabilities			5,00,000	2,00,000
3.	Current Liabilities			3,00,000	2,00,000
		Total		16,00,000	8,00,000
II – Assets :					
1.	Non-Current Assets			10,00,000	5,00,000
2.	Current Assets			6,00,000	3,00,000
		Total		16,00,000	8,00,000

21 From the following information obtained from the books of Kundan Ltd., calculate the inventory turnover ratio for the years 2015 – 16 and 2016 –

	2015 – 16	2016 – 17
	Rs	Rs
Inventory on 31st March	7,00,000	17,00,000
Revenue from operations	50,00,000	75,00,000

(Gross profit is 25% on cost of revenue from operations) In the year 2015 – 16, inventory increased by Rs 2,00,000.

22 JW Ltd. was a company manufacturing geysers. As a part of its long term goal for expansion, the company decided to identify the opportunity in rural areas. Initial plan was rolled out for Bhiwani village in Haryana. Since the village did not have regular supply of electricity, the company decided to manufacture solar geysers. The core team consisting of the Regional Manager, Accountant and the Marketing Manager was taken from the Head Office and the remaining employees were selected from the village and neighbourhood areas.

At the time of preparation of financial statements, the accountant of the company fell sick and the company deputed a junior accountant temporarily from the village for two months.

The Balance Sheet prepared by the junior accountant showed the following items against the Major Heads and Sub-heads mentioned which were not as per Schedule III of the Companies Act, 2013.

Item	*Major Head/Sub-Head*
Loose Tools	Trade Receivables
Cheques in Hand	Current Investments
Term Loan from Bank	Other L.T Liabilities
Computer Software	Tangible Fixed Assets

Identify any two values that the company wants to communicate to the society. Also present the above items under the correct major heads and sub-heads as per Schedule III of the Companies Act, 2013.

23 From the following Balance Sheet of JY Ltd. as at 31st March 2017, prepare a Cash Flow Statement :

Balance Sheet of JY Ltd. as at 31.3.2017

	Particulars	Note No.	31.3.2017 Rs	31.3.2016 Rs
I – Equity and Liabilities :				
1.	**Shareholder's Funds :**			
	(a) Share Capital		5,00,000	5,00,000
	(b) Reserves and Surplus	1	1,00,000	(25,000)
2.	**Non-Current Liabilities :**			
	Long-term Borrowings	2	2,50,000	1,50,000

3.	**Current Liabilities :**			
	(a) Short-term Borrowings	3	1,50,000	1,00,000
	(b) Short-term Provisions	4	2,00,000	1,25,000
	Total		12,00,000	8,50,000
II	**– Assets :**			
1	**Non-Current Assets :**			
	(a) Fixed Assets :			
	(i) Tangible	5	6,00,000	4,50,000
2.	**Current Assets :**			
	(a) Trade Receivables		2,75,000	2,25,000
	(b) Cash and Cash Equivalents		1,25,000	75,000
	(c) Short-term Loans and Advances		2,00,000	1,00,000
	Total		12,00,000	8,50,000

Notes to Accounts :

Note No.	Particulars	31.3.2017 Rs	31.3.2016 Rs
1.	**Reserves and Surplus :** (Surplus, i.e., Balance in the Statement of Profit and Loss)	1,00,000	(25,000)
		1,00,000	(25,000)
2.	**Long-term Borrowings :**		
	10% Debentures	2,50,000	1,50,000
		2,50,000	1,50,000

3.	**Short-term Borrowings :**		
	Bank Overdraft	1,50,000	1,00,000
		1,50,000	1,00,000
4.	**Short-term Provisions :**		
	(i) Proposed Dividend	75,000	50,000
	(ii) Provision for Tax	1,25,000	75,000
		2,00,000	1,25,000
5.	**Tangible Assets :**		
	Machinery	7,37,500	5,25,000
	Accumulated Depreciation	(1,37,500)	(75,000)
		6,00,000	4,50,000

Additional Information :

1,00,000, 10% debentures were issued on 31.3.2017.