## PRE-BOARD 1 EXAMINATION (2023-24) <br> ACCOUNTANCY (O55) (Set 2)

MAX. MARK: 80
Time: 3 hours

## General Instructions:

1. This question paper contains 34 questions. All questions are compulsory.
2. This questions paper is divided into two parts, Part $A$ and $B$.

Part - A Accounting for partnership firms and companies. Part - B Analysis of Financial Statements
3. Questions 1 to 16 and 27 to 30 carries 1 mark each.
4. Questions 17 to 20,31 and 32 carries 3 marks each.
5. Questions 21, 22, and 33 carries 4 marks each.
6. Questions 23 to 26 and 34 carries 6 marks each.
7. There is no overall choice. However, an internal choice has been provided in 7 questions of one mark, 2 questions of three marks, 1 question of four marks and 2 questions of six marks.

## PART A

## (Accounting for Partnership Firms and companies)

1 Vijay and Ajay are partners in a firm. The partnership agreement provide for interest on drawings @12\% p.a. Which of the following accounts will be debited to transfer interest on drawings to profit and loss appropriation A/c
a) interest on drawings account
b) bank Account
c) partners` current Account d) partners` capital account

Read the statement Assertion (A) and Reason(R) choose the correct alternative from those given below
Assertion :(A) Admission of new partner involves revaluation of assets and liabilities as they are reassessed and their true value are arrived at.
Reason: (R) The profit or losses arising from this process are distributed amongst the old partners in their old profit sharing ratio.
a) Both $A$ and $R$ are correct, and $R$ is the correct explanation of $A$
b) Both $A$ and $R$ are correct but $R$ is not the correct explanation of $A$
c) $A$ is correct but $R$ is correct
d) A is incorrect, but $R$ is correct

3 For recording the issue of debentures as a collateral securities, the amount of debentures issued is debited to.
a) statement of profit and loss
b) debenture suspense account
c) debenture account
d) general reserve account

OR
If all the forfeited shares are reissued excess balance in the forfeited shares account will be transferred to. $\qquad$ ...
a) general reserve
b) share capital account
c) profit \& loss account
d) capital reserve

4 In the absence of partnership deed, partners` are entitled to an interest on amount of additional capital advanced by him to the firm @:
a) Entitled for $6 \%$ p.a. on the additional capital only when there is profit.
b) Entitled for $10 \%$ p.a. on their additional capital
c) Entitled for $12 \%$ p.a. on their additional capital
d) Not entitled for any interest on their additional capital

In a partnership firm Rs 65,000/- is to be transferred to general reserve from net profit. Journal entry would be:
a) General Reserve $\mathrm{A} / \mathrm{c} \mathrm{Dr} \quad 65,0000$
To Profit and Loss Appropriation A/c
65,0000
b) Profit and loss Appropriation A/c Dr 65,000
To General Reserve A/c
65,000
c) Profit and Loss A/c Dr 65,000
To General Reserve A/c
65,000
d) Profit and Loss Appropriation A/c Dr 90,000
To General Reserve A/c
90,000

## OR

Discount or loss on issue of debenture should be written off:
a) Within two years of issue of debentures
b) After the redemption of debentures
c) In the year of issue of debentures
d) During the life of debentures

6 Read the Assertion ( $A$ ) and Reason ( $R$ ) choose the correct alternative from those given below.
Assertion (A): securities premium reserve cannot be utilized for meeting the working capital requirements of the business.
Reason (R): securities premium reserve may be applied only for the purposes mentioned in $\mathrm{Sec} 52(2)$ of the Companies Act 2013.
a) Both $A$ and $R$ are correct, $R$ is the correct explanation of $A$
b) Both $A$ and $R$ are correct, but $R$ is not the correct explanation of $A$
c) $A$ is correct, $R$ is incorrect
d) $A$ is incorrect, but $R$ is correct

Credit balance of profit and loss account appearing in the balance sheet on the death of a partner is credited to. $\qquad$
a) deceased partner`s capital account b) all partners capital account including deceased partner`s capital account
c) profit and loss suspense $\mathrm{A} / \mathrm{c}$
d) executor's $\mathrm{A} / \mathrm{c}$

Calculate interest on drawings of Tarun @ 8\% p.a. for the year ended $31^{\text {st }}$ March 2022, if Tarun withdrew [1] Rs. $5000 /$-p.m. in the beginning of every month.
a) Rs. 2600
b) Rs. 2400
c) Rs. 2200
d) Rs. 2800
OR

Calculate manager`s commission, if profit is Rs. $66,000 /$-and commission is allowed @10\% after charging such commission
a) Rs. 6600/-
b) Rs.5500/-
c) Rs. 6000/-
d) Rs.5000/-

Choose the correct sequence of the following transactions in the context of Division of profits
I. Guarantee by firm to partners
II. Guarantee by Partners to firm
III. Transfer of profits to profit and loss appropriation account
IV. Guarantee by partner to partner
a) (i);(iii);(iv);(ii)
b) (iii);(i);(ii);(iv)
c) (iii);(ii);(i);(iv)
d) (ii);(iii);(iv);(i)

## Read the following hypothetical situation and answer question number (10) and(11)

Pooja and Neel are partners sharing profits in the ratio of 3:2 with the capital of Rs.2,50,000/ -and Rs.1, 50,000/-respectively. Interest on capital is agreed @ 6\%p.a. Neel is to be allowed an annual salary
of Rs.12,500/-. During the year ended $31^{\text {st }}$ March 2022 the profits for the year prior to calculation of interest on capital but after charging B's salary amounted to Rs.62,500/- A provision of 5\% of the profits is to be made in respect of manager's commission.

Profit and loss appropriation account

\begin{tabular}{|c|c|c|c|}
\hline Particulars \& Amount \& Particulars \& Amount <br>

\hline | To interest on capital |
| :--- |
| Pooja |
| Neel |
| To Neel's salary A/c |
| To Profits transferred to: |
| Pooja`s capital A/c |
| Neel’s capital A/c | \&  \& By Profit and Loss A/c \& ............ <br>

\hline \& ................... \& \& .............. <br>
\hline
\end{tabular}

Pooja`s profit will be
a) Rs.14,250/-
b) Rs. 20,850
c) Rs.18,000/-
d) Rs.15,400/-

Neel's profit will be

Zigma Ltd. took over assets worth Rs.20, 00,000/- from CG Ltd. by paying $30 \%$ through bank draft and
b) Rs.13,900/-
a) Rs.12,900/-
d) Rs.13,900/-
c) Rs.14,250/- balance by issue of shares of Rs 100/- each at a premium of $10 \%$. The entry to be passed by Zigma Ltd. for settlement will be:

| a | CG Ltd $\quad$ Dr <br> To share capital <br> To bank <br> To Securities Premium A/c <br> To statement of $\mathrm{P} / \mathrm{L}$ <br> (Being settlement of amount due to vendors) | 20,00,000 | $\begin{aligned} & 12,72,700 \\ & 1,27,270 \\ & 6,00,000 \\ & 30 \end{aligned}$ |
| :---: | :---: | :---: | :---: |
| b | CG Ltd Dr <br> To share Capital <br> To Securities Premium Reserve <br> To Bank <br> (Being settlement of amount due to vendors) | 20,00,000 | $\begin{aligned} & 12,72,700 \\ & 1,27,270 \\ & 6,00,030 \end{aligned}$ |
| c | CG Ltd Dr To Share capital A/c To Securities Premium Reserve To Bank A/c (Being settlement of amount due to vendors) | 20,00,000 | $\begin{aligned} & 12,72,700 \\ & 1,27,300 \\ & 6,00,000 \end{aligned}$ |
| d | CG Ltd Dr To Share Capital To Securities Premium A/c To Bank A/c (Being settlement of amount due to vendors) | 15,00,000 | $\begin{array}{\|l} 12,73,000 \\ 1,27,300 \\ 5,99,700 \end{array}$ |

13 An equity share of Rs.10/-fully called up on which Rs.6/- has been paid was forfeited for the nonpayment of the balance amount. At which of the following minimum price can it be re-issued?
a) Rs.4/-
b) Rs.10/-
c) Rs.16/-
d) Rs.6/-

14 L and M are partners sharing profits and losses in the ratio of 3:2.Their capital were Rs.6,40,000/- and Rs. $4,00,000 /-$ respectively. N was admitted for $1 / 5^{\text {th }}$ share in profits of the firm. He brought Rs.4, 80,000/- as his capital. The goodwill of the firm will be:
a) Rs.8,80,000/-
b) Rs.1,76,000/-
c) Rs.13,60,000/
d) Rs.2,72,000/-
$P$ and $Q$ are partners in a firm. They are entitled to get interest on capital, but the net profit was not sufficient for this interest. The net profit will be distributed among the partners in :
a) agreed ratio
b) profit sharing ratio
c) capital ratio
d) equal ratio

## OR

Mona \&Tina are partners sharing profits in the ratio of 3:2. Naina was admitted with $1 / 6^{\text {th }}$ share in profits of the firm. At the time of admission workmen compensation reserve appeared in the balance sheet of the firm at Rs.32,000/-. The claim on account of workmen compensation was determined at Rs. $40,000 /$-.Excess of the claim over the reserve will be:
a) credited to revaluation account
b) debited to revaluation account
c) credited to all partners capital account
d) debited to all partners capital account

Investments of Rs.2,00,000/- were not shown in the books of the accounts. At the time of dissolution, creditor took these investments in full settlement of his debt of Rs.2, 20,000/-. How much amount will be payable to that creditor?
a) Rs.20,000/-
b) Rs.70,000/-
c) Rs.4,20,000/-
d) Rs.1,40,000/-

17 Asha, Suman and Verka were partners in a firm. Their capital were Rs.9,00,000/-, Rs.7,00,000/- and Rs.4, 00,000/- respectively as on $1^{\text {st }}$ April 2022. Net profit for the year ended 31st March 2023 were Rs.1,20,000/- which was distributed without providing for interest on capital @ 8\% p.a.as per partnership deed. Pass necessary adjustment entry.

OR
A, B and C are partners in a firm. On 1-4-2022 their capital stood at Rs.5, 00,000/- Rs.2, 50,000/- and Rs.2,50,000/- respectively. As per the provisions of the partnership deed:
(a) C was entitled for a salary of Rs.10,000/-p.m.
(b) Partners were entitled to interest on capital @ 5\%p.a.
(c) Profits were to be shared in the ratio of capitals.

The net profit for the year ended 31.3 .2023 of Rs.3, $30,000 /$ - was divided equally without providing for the above terms. Pass an adjustment entry to rectify the above error.
18 Tarun, Abhishek, Kamal and Vivek are partners in a firm sharing profits in the ratio of 5:3:2:2. Kamal retired from the firm on $31^{\text {st }}$ March 2022. Tarun, Abhishek and Varun decided to share future profits equally. On Kamal's` retirement, goodwill of the firm was valued at Rs 9,00,000/-. Showing your working clearly. Pass the necessary journal entry for treatment of Goodwill on Kamal's retirement. It was decided not to show good will in the books of the firm. 19 A, B and C are partners sharing profits and losses equally. They agree to admit D for equal share. For this purpose, goodwill is to be valued at 3 year`s purchase of average profits of last 5 years which were as follows:

- Year ending on $31^{\text {st }}$ March 2018
- Year ending on $31^{\text {st }}$ March 2019
- Year ending on $31^{\text {st }}$ March 2020
- Year ending on $31^{\text {st }}$ March 2021
- Year ending on $31^{\text {st }}$ March 2022

On $1^{\text {st }}$ October, 2021 a computer costing Rs. $40,000 /$ - was purchased and debited to office expenses account on which depreciation is to be charged @ $25 \%$ p.a. Calculate the value of goodwill.

Kuber Ltd. purchased assets worth Rs.10,00,000 and took over liabilities of Amrit Ltd. for a purchase consideration of Rs. $8,00,000 /-$. Kuber Ltd. paid Rs.2, 60,000/-through a cheque and the balance was settled by issuing $12 \%$ debentures of Rs.100/- each at a discount of $10 \%$. Pass necessary journal entries in the books of Kuber Ltd. for the above transactions.

## OR

JCV Ltd. forfeited 200 shares of Rs.10/-each issued at a premium of Rs. 2 per share for the non-payment of allotment of Rs.3/-per share (including premium). The first and final call of Rs. 4 per share has not been made yet. $50 \%$ of forfeited shares were reissued at Rs. 8 per share fully paid-up. Pass necessary journal entries for the forfeiture and reissue of shares.
21 Pass necessary journal entries on the dissolution of a partnership firm in the following cases:
I. Expenses of dissolution were Rs.9, 000/-.
II. Expenses of dissolution of Rs.3, 400/- were paid by a partner Vishal.
III. Shiv, a partner agreed to do the work of dissolution for a commission of Rs.4, 500/-. He also agreed to bear the dissolution expenses. Actual dissolution expenses Rs.3, 900/-were paid from the firm's bank account.
IV. Vivek, a partner was appointed to look after the dissolution work for a remuneration of Rs.7000/-He agreed to bear the dissolution expenses. Actual dissolution expenses Rs.6500/were paid by Naveen.
Surya Tubes Limited issued 20,000 shares of Rs.100/- each. The due amount was received except for 500 shares on which Rs. 75 per share was received. These 500 shares were forfeited and 300 shares were re-issued for Rs.60/-each fully paid up. Prepare forfeited shares account and show the share capital in the balance sheet as at closing date.
23 ABC Ltd. was registered with an authorised capital of Rs.2, 00,000/- equity shares of Rs. 100 each. The company offered 60,000 equity shares for public subscription at $25 \%$ premium. The share was payable as Rs. 40 /-on application and balance on allotment with the premium. Public had applied for 85,000 shares. Pro-rata allotment was made in the ratio of $5: 4$ and remaining applications were sent letters of regret. Mr Anand holding 4,000 shares failed to pay allotment money and his shares were forfeited. Out of these 3,000 shares were re-issued at a discount of Rs. 20 per share. Pass necessary entries in the books of the ABC Ltd.

## OR

Dinesh Ltd. issued 5,000 shares of Rs.100/-each at par, payable as follows:
On Application Rs.25/-
On Allotment Rs.25/-
On First Call Rs.20/-
On Final call Rs.30/-
Anil holding 100 shares failed to pay the amount of allotment and first call and his shares were forfeited after the first call. Sunil, holding 200 shares failed to pay the amount due on final and his shares were also forfeited. Show entries in the cash book and journal of the company.
24 On $1^{\text {st }}$ April 2015, KK Ltd. issued 500, $9 \%$ debentures of Rs.500/-each at a discount of 4\% redeemable at a premium of $5 \%$ after three years. Pass necessary journal entries for the issue of debentures and debenture interest for the year ended $31^{\text {st }}$ March 2016 assuming that interest is payable on $30^{\text {th }}$ September and $31^{\text {st }}$ March. The company closes its books on $31^{\text {st }}$ March every year.
$25 \mathrm{~A}, \mathrm{~B}$ and C are partners sharing profits in the ratio of 2:2:1.The firm closes its books of accounts. On $31^{\text {st }}$ March every year. On June $30^{\text {th }} 2016$, C died. The following information is provided on C's death.
I. Balance in his capital accounts in the beginning of the year was Rs. $6,50,000 /-$
II. He withdrew Rs. 60,000 /-on May 15,2017 for his personal purpose.

On the date of death of a partner the partnership deed provided for the following:
a) Interest on capital @ $10 \%$ p.a.
b) Interest on drawings @12\% p.a.
c) His share in the profit of the firm till the date of death, to be calculated on the basis of the rate of net profit on sales of the previous year, which was $25 \%$.
d) The sales of the firm till June 30, 2017 were Rs 6,00,000/-

Prepare C's capital account on his death to be presented to his executors.
6 Goutham and Rahul are partners in a firm sharing profits and losses in the ratio of 2:3.Their balance sheet as at $31^{\text {st }}$ March 2023, was as follows.

| Liabilities | Amount | Asset | Amount |
| :--- | :--- | :--- | :--- |
| Sundry Creditors | 5000 | Goodwill | 10,000 |
| Bills Payable | 15,000 | Furniture | 25000 |
| General Reserve | 10,000 | Stock | 15,000 |
| Capitals <br> Goutham <br> Rahul | $\mathbf{3 0 , 0 0 0 0}$ |  |  |
| 40,000 |  |  |  |$\quad$| Sundry Debtors |
| :--- |

- Karim was taken as a partner with effect from $1^{\text {st }}$ April 2023 on the following terms:
- The new profit sharing ratio of Goutham, Rahul and Karim would be 5:3:2.
- Provision for doubtful debt was to be maintained at $20 \%$ on debtors.
- Karim would bring in cash, his share of capital of Rs.40,000/- and his share of goodwill valued at Rs.10,000.
- Gowtham would take over furniture at Rs.22,000/-.

Pass necessary journal entries at the time of Karim's admission and prepare balance sheet of the reconstituted firm.

## OR

$P, Q$ and $R$ were partners in a firm sharing profits in the ratio of 2:3:5.On 31-3-2021 their balance sheet was as follows:

| Liabilities | Amount | Asset | Amount |  |
| :--- | ---: | :--- | :--- | :--- |
| Creditors | 70,000 | Bank | 45,000 |  |
| Capitals |  | Debtors |  |  |
| P | 80,000 |  | Less provision | 50,000 |
| Q | 70,000 |  |  | 35,000 |
| R | 60,000 | 20,000 |  |  |
|  |  | Stock |  |  |
|  |  | Building | 50,000 |  |
|  |  |  | Profit and loss A/c | $1,40,000$ |
| Total | $\mathbf{2 , 8 0 , 0 0 0}$ | Total | 10,000 |  |

On the above date R retired from the firm.

- Building was to be depreciated by Rs.40,000/-
- Provision for doubtful debt was to be maintained at $20 \%$ on debtors.
- Salary outstanding of Rs.5000/- was to be recorded
- Creditors will not be claimed.
- R was to be paid Rs. $15,000 /-$ in cash through bank and the balance was to be transferred to his loan account. Prepare revaluation account, partner`s capital account and balance sheet of \(P\) and \(Q\) after R`s retirement.


## Part -B <br> Analysis of Financial Statement)

If total sales are Rs.2,50,000/- and credit sales are $25 \%$ on the cash sales. The amount of credit sales is. $\qquad$
a) Rs.50,000
b) Rs.2,50,000
c) Rs.16,000
d) Rs.3,00,000

Which of the following is not the limitations of financial statement analyses
a) it is affected by personal bias
b) Inter-firm comparative study
c) lack of qualitative Analyses
d) Ignores price level changes
OR
...... ratios are calculated the ability of the business to service it`s long run
a) Profitability
b) Solvency
c) Liquidity
d) Turn over

## Read the below statement and choose the correct option given

Statement I: Investing activity involves the purchase and sale of long term assets.
Statement II: These assets also include the purchase and sale of such investments which are not marketable securities.
a) Both statements are correct
b) Both statements are incorrect
c) Statement I correct, statement II incorrect
d) Statement I incorrect, statement II correct
OR

Which of the following is not included in cash and cash equivalents
a) balance with bank
b) bank deposit 100 days maturity
b) cheque and draft
d) cash in hand

XYZ Ltd. provided the following information, calculate net cash flow from financing activities

| Particulars | $\mathbf{2 0 1 5}$ | $\mathbf{2 0 1 6}$ |
| :--- | :--- | :--- |
| Equity share capital | $10,00,000$ | $12,00,000$ |
| 12\% Long term borrowings | $1,00,000$ | $\mathbf{2 , 0 0 , 0 0 0}$ |

## Additional information:

- Interest paid on debentures Rs.12,000/-
- Dividend paid Rs.50,000/-
a) Rs.2,38,000
c) Rs.2,36,000
b) Rs.2,42,000
d) Rs.2,49,000

From the following information, compute "Proprietary Ratio":

| Particulars | Amount (Rs) |
| :--- | :--- |
| $\bullet$ Long-term Borrowings | $\bullet 2,00,000$ |
| $\bullet$ Long term provisions | $\bullet 1,00,000$ |
| $\bullet$ Current Liabilities | $\bullet 50,000$ |
| $\bullet$ Non-Current Assets | $\bullet 3,00,000$ |
| $\bullet$ Current Assets | $\bullet 90,000$ |

Under which major headings and subheadings will the following items be shown in the balance sheet of a company as per Schedule III part 1 of the Companies Act 2013.

| Balance of the statement of Profit and Loss | Loan of Rs.1,00,000/-payable after 3 years |
| :--- | :--- |
| Short term deposits payable after three years | Short term deposits payable on demand |
| Loose tools | Land |

From the following information prepare a comparative statement of profit and loss of Y Ltd. for the
years ended $31^{\text {st }}$ March 2022 and $31^{\text {st }}$ March 2023

| Particular | $\mathbf{3 1 - 3 - 2 0 2 3}$ | $\mathbf{3 1 - 3 - 2 0 2 2}$ |
| :--- | :--- | :--- |
| Revenue from operations | Rs 20,00,000 | Rs10,00,000 |
| Cost of materials consumed | Rs 15,00,000 | Rs6,00,000 |
| Other expenses | $12 \%$ cost of materials consumed | $10 \%$ cost of material consumed |
| Income tax | $40 \%$ | $30 \%$ |

OR
From the following statement of profit and loss for the year ended $31^{\text {st }}$ March 2023,Prepare common size statement of profit and loss:

| Particulars | Note <br> no | $\mathbf{3 1}^{\text {st }}$ March 2023 | $\mathbf{3 1}^{\text {st }}$ March $\mathbf{2 0 2 2}$ |  |
| :--- | :--- | :--- | :--- | :--- |
| I. | Revenue from operations |  | $6,25,000$ | $5,00,000$ |
| II.Expenses <br> Purchases of stock in trade |  | $4,35,000$ | $3,60,000$ |  |
|  | Changes in inventories (stock) |  | $(10,000)$ | 15,000 |
|  | Employees Benefit Expenses |  | 15000 | 10,000 |
|  | Depreciation and ammortisation |  | 25,000 | 15,000 |
|  | Total Expenses | $\underline{4,65,000}$ | $\underline{4,00,000}$ |  |
| III. | Profit before tax(1-11) |  | $1,60,000$ | $1,00,000$ |
| IV. | Less: Tax @40\% | 64,000 | 40,000 |  |
| V. | Profit after Tax(111-1V) |  | $\underline{96000}$ | $\underline{96000}$ |

34 a) From the following information relating to year ended $31^{\text {st }}$ March 2019,Calculate net profit before tax and extra ordinary activities:

| Particulars | Amount (Rs) |
| :--- | :--- |
| Surplus i.e.; balance in the statement of Profit and Loss(opening) | $1,00,000 /-$ |
| Surplus i.e.; balance in the statement of Profit and Loss(closing) | $2,24,000 /-$ |
| Transfer to DRR | $50,000 /-$ |
| Proposed dividend for the previous year ended 31 ${ }^{\text {st }}$ March 2018 | $60,000 /-$ |
| Interim dividend paid during the year | $48,000 /-$ |
| Provision for tax made during the year | $1,00,000 /-$ |
| Income tax Paid | $72,000 /-$ |

b) From the following information calculate cash flow from investing activities:

| Particulars | $\mathbf{2 0 1 9 ( R s )}$ | $\mathbf{2 0 2 0 ( R s )}$ |
| :--- | :--- | :--- |
| Plant and machinery | $8,50,000$ | $10,00,000$ |
| Non-current investment | 40,000 | $1,00,000$ |
| Land (at cost) | $2,00,000$ | $1,00,000$ |

Additional information:
i. Depreciation charged on Plant \&Machinery Rs.50, 000/-.
ii. Plant \& machinery with a book value Of Rs.60, 000/-was sold for Rs.40, 000/-.
iii. Land was sold at a profit of Rs.60, 000/-.
iv. No investment was sold during the year.

