No. of Printed Pages: 8

INDIAN SCHOOL SOHAR
TERM I EXAMINATION (2023-24)
ACCOUNTANCY (055)

CLASS: XII | **MAX. MARKS: 80**
Date: 24/09/2023 | **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.
3. Part - A is compulsory for all candidates.
4. Part -B Analysis of Financial Statements.
5. Questions 1 to 16 and 27 to 30 carry 1 mark each.
6. Questions 17 to 20, 31 and 32 carry 3 marks each.
7. Questions 21, 22 and 33 carry 4 marks each.
8. Questions 23 to 26 and 34 carry 6 marks each.
9. There will be 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. Mehar Ltd. invited applications for 28,000 shares. Applications for 35,000 shares are received. The company rejected 5,000 shares and gave full allotment to applicants of 8,000 shares, and pro rata allotment was given to the applicants in the ratio: [1]

(a) 6:5 (b) 11:10
(c) 8:3 (d) 9:8

2. Interest on drawings is charged @6% p.a. on total drawings of each partner and Suman a partner withdrew ₹ 10,000 during a year. Interest on drawings will be _____________. [1]

(a)₹ 50 (b) ₹ 300
(c) ₹ 100 (d) ₹ 600

OR

A, B and C are partners. Their partnership deed provides for interest on drawings @ 8% p.a. B withdraws a fixed amount in the middle of every month and his interest on drawings amounted to ₹ 4,800 at the end of the year. What was the amount of his monthly drawings?

(a) ₹ 10,000 (b) ₹ 5,000
(c) ₹ 1,20,000 (d) ₹ 48,000

3. **Read the following statements – Assertion (A) and Reason (R). Choose one of the correct alternatives.** [1]

Assertion (A): Any abnormal gain is excluded by deducting from and any abnormal loss is included by adding to the pasts.

Reason (R): Normal business profits earned by the business for the specified number of years are considered.

Alternatives:

(a) Both (A) and (R) are true, and (R) is the correct explanation of (A).
(b)Both (A) and (R) are true, and (R) is not the correct explanation of (A).
(c) Assertion (A) is true but reasons (R) is false.
(d) Assertion (A) is false but Reason (R) is true.

4. Aman Bipin and Chaman are partners sharing profits and losses in the ratio of 2:2:1. The extract of their Balance Sheet is as follows. [1]

Liabilities	Amount (₹)	Assets	Amount (₹)
		Machinery	2,90,000

If the value of Machinery is to be reduced by ₹ 40,000, give the journal entries to record the above transaction.

5.	As per Section 52 of the Companies Act 2013, Securities Premium Reserve cannot be utilized for : (a) Writing off capital losses (b) Issue of fully paid bonus shares (c) Writing off discount on issue of securities (d) Writing off preliminary expenses	[1]
6.	Wipro Ltd. invited applications for issuing 10,00,000 equity shares of ₹ 10 each. The public applied for 8,55,000 shares. Can the company proceed for the allotment of shares? Give reason.	[1]
7.	Amar, Akbar and Anthony are partners in a firm, At the time of division of profits for the year there was dispute between the partners (due to absence of deed); profit before interest on partner's capital was ₹ 60,000 and Akbar demanded 24% p.a. on his loan of ₹ 8,00,000. Amount payable to Amar, Akbar and Anthony respectively will be: (a) ₹ 20,000 to each partner. (b) Loss of ₹ 44,000 for Amar, Anthony and Akbar will take home ₹ 1,48,000. (c) ₹ 4,000 for Amar, ₹ 52,000 for Akbar and ₹ 4,000 for Anthony. (d) ₹ 24,000 to each partner. **OR** X and Y are partners with capitals of ₹ 20,00,000 and ₹ 16,00,000 respectively. The Partnership Deed provides for interest on capital @ 10% p.a. If the firm earned a profit of ₹ 2,70,000 for the year ended 31st March, 2023, then Interest on Capital respectively credited to the Partners Capital Accounts are: (a) ₹ 2,00,000 and ₹ 1,60,000. (b) ₹ 1,35,000 to each (c) No interest on capital will be allowed. (d) ₹ 1,50,000 and ₹ 1,20,000.	[1]
	Read the following hypothetical situation and answer Q. No. 8 and 9 Angel Export Limited was incorporated on 1st April, 2020 with registered office in Surat. The capital clause of Memorandum of Association reflected a registered capital of ₹ 2,00,000 equity shares of ₹ 10 each and 25,000 preference shares of ₹ 50 each. Since large investments were required for plant and machinery, the company in consultation with vendors, M/s Sangam International Limited issued 25,000 Equity Shares and 5,000 Preference shares at par to them in full consideration of assets acquired. Besides this the company issued 50,000 equity shares for cash at par payable as 3 on application, ₹ 2 on allotment ₹ 3 on first call and ₹ 2 on second call. Till date, second call has not yet been made and all the shareholders have paid except Rishant who did not pay allotment and calls on his 100 shares and Somu who did not pay first call on his 50 shares.	
8.	What is the total amount received on allotment of Equity Shares? (a) ₹ 1,00,000 (b) ₹ 99,800 (c) ₹ 99,700 (d) ₹ 1,00,200	[1]
9.	Give the Journal Entries for the issue of Preference Shares.	[1]
10.	X, Y and Z are partners in a firm sharing profits in the ratio of 3:3:2. From 1st April, 2023, they deiced to share profits in the ratio of 3:2:1. On the date their balance sheet showed contingency reserve of ₹ 1,92,000. They decided to show this contingency reserve in the new balance sheet. The correct accounting treatment for the above is: (a) Y's capital account will be debited by ₹ 24,000 and X and Z's capital account will be credited by ₹ 8,000 and ₹ 16,000. (b) Z's capital account will be debited by ₹ 24,000 and X and Y's capital account will be credited by ₹ 8,000 and ₹ 16,000 respectively. (c) X's capital account will be debited by ₹ 24,000 and Y and Z's capital account will be credited by ₹ 8,000 and ₹ 16,000 respectively. (d) Y and Z's capital account will be debited by ₹ 8,000 and ₹ 16,000 respectively and X's capital will be credited by ₹ 24,000.	[1]
11.	Which of the following statements is true in context of a partnership firm in the absence of a partnership deed? (i) Profits and losses will be shared in equal ratio, irrespective of the capital contribution and/or work performed by the partners.	[1]

	(ii) Partner is entitled to a salary or commission for taking active part in business activities. (iii) If there is a provision for the interest on capital in the partnership deed, it will be allowed only when there is a sufficient profit. (iv) Interest at the rate of 6% per annum will be allowed on a partner's loan by the firm even if there are losses to the firm. (a) Only (i) and (ii) (b) Only (i), (iii) and (iv) (c) All (i), (ii), (iii) and (iv) (d) Only (ii) and (iv)	
12.	What do you mean by Reserve Capital? How it is different from Capital Reserve? **OR** Which of the following appears in profit and loss appropriation account? (i) Interest on Partners' loan (ii) Manager's commission on net profit (iii) Interest on partner's capital (a) (i), (ii),(iii) (b) Only (i) and (ii) (c) Only (iii) (d) only (ii)	[1]
13.	Vandana Ltd., issued 6,000 equity shares of ₹ 10 each at 10% premium. The issue was fully subscribed. Amount per share was payable as follows: on application ₹ 3, on allotment ₹ 3(including premium), on first call ₹ 3 and on final call ₹ 2. A, a holder of 200 shares paid the entire money along with allotment. The amount received on allotment will be_____________. (a) ₹ 18,000 (b) ₹19,000 (c) ₹ 25,000 (d) ₹ 21,000 **OR** A share of ₹ 10 each, issued at ₹ 4 premium out of which ₹ 7 (including ₹ 2 premium) was called up and paid up. The uncalled Capital will be ___________.	[1]
14.	Avya, Divya and Kavya are partners in a firm sharing profits and losses in the ratio of 2:2:1. From 1st April they decided to share the future profits equally. An extract of their Balance sheet as at 31st March, 2023 is as follows:	[1]

Liabilities	Amount (₹)	Assets	Amount (₹)
Workmen Compensation Reserve	2,40,000		

If the claim for workmen compensation is estimated at ₹ 3,00,000, which of the following accounts will be debited and by what amount?

(a) Workmen compensation reserve by ₹ 60,000
(b) Provision for Workmen compensation reserve by ₹ 60,000
(c) Revaluation A/c by ₹ 2,40,000
(d) Revaluation A/c by ₹ 60,000

15. Meera, Myra and Nyra were partners sharing profits in the ratio of 2:3:5. They decide to share future profits in the ratio of 5:3:2. They also decide to record the effect of the following revaluation and reassessment without affecting the book values of assets and liabilities by passing a single adjustment entry: [1]

	Book Value (₹)	Revised Value (₹)
Land and Building	3,00,000	3,50,000
Furniture	1,50,000	1,00,000
Sundry Creditors	60,000	20,000
Outstanding salaries	10,000	15,000

The single adjustment entry will be:

(a) Dr. Nyra and Cr. Meera A/c by ₹ 10,500
(b) Dr. Meera and Cr. Nyra A/c by ₹ 10,500
(c) Dr. Myra and Cr. Meera A/c by ₹ 10,500
(d) Dr. Nyra and Cr. Myra A/c by ₹ 10,500

16. Ram, Shyam and Bhim are partners sharing profits in the ratio of 3:3:2. As per the partnership agreement, Bhim is to get a minimum amount of ₹ 8,000 as his share of profits every year and any deficiency on this account is to be personally borne by Ram. The net profit for the year ended 31st March, 2021 amounted to ₹ 31,200. Calculate the amount of deficiency to be borne by Ram. [1]

(a) ₹ 800 (b) ₹ 100
(c) ₹ 200 (d) ₹ 400

OR

Falak and Bhoomi were partners. They shared profits and losses equally. On 1st April, 2020 their capital accounts showed a balance of ₹ 6,00,000 and ₹ 4,00,000 respectively. If the partnership deed provided for the interest on capital @ 10% p.a. and the firm earned a profit of ₹ 1,00,000 for the year ended 31st March, 2021 then the amount of profit to be distributed between the partners is:

(a) ₹ 1,00,000 (b) ₹ 60,000
(c) ₹ 40,000 (d) Nil

17. Roshan and Rahul are partners sharing profits in the ratio of 3:2 with capitals of ₹ 40,000 and ₹ 30,000 respectively. They withdraw from the firm the following amounts for personal use. [3]

Partner	Date	(₹)
Roshan	31st May, 2022	600
	30th June, 2022	500
	31st August, 2022	1,000
	1st November, 2022	400
	31st December, 2022	1,500
	31st January, 2023	300
	1st March, 2023	700
Raul	At the beginning of each month	400

Interest is to be charged @ 6% per annum. Calculate interest on drawing, assuming that books are closed on 31st March every year.

OR

Anil and Sunil are partners in the ratio 3:2. The firm maintains fluctuating capital accounts and the balance of the same on 31st March, 2022 amounted to ₹ 1,60,000 and ₹ 1,40,000 for Anil and Sunil respectively. Their drawings during the year were ₹ 30,000 each. As per partnership deed, interest on capital 10% p.a. on opening capitals had been provided to them. Calculate opening capitals of partners given that their profits were ₹ 90,000.

18. The average capital employed in a partnership business is ₹ 5,00,000 and the average net profit earned is ₹ 70,000. The normal rate of return on capital employed is 8% and employees remuneration of ₹ 20,000 is expected to be payable in the future. Compute the super profit of the firm and also compute the goodwill of the firm at 2.5 years' purchase of the super profits. [3]

19. General Trades Ltd. purchased a running business of Rajan Ltd. for ₹ 6,00,000 payable 10% by cheque and balance by issue of fully paid Equity Shares of ₹ 100 each at a premium of 20%. The Assets and Liabilities taken over were as follows: [3]

Particulars	Book Value(₹)	Agreed Value (₹)
Building	2,00,000	2,60,000
Plant & Machinery	1,50,000	1,00,000
Stock	2,20,000	2,00,000
Trade Receivables	1,20,000	1,00,000
Trade Payables	70,000	80,000

Pass the necessary Journal entries in the books of General Trades Ltd.

20.	Anita, Kavita and Sunita were partners sharing profits in the ratio 5:3:2. Their capitals were ₹ 6,00,000; ₹ 8,00,000 and ₹ 11,00,000 as on 1st April, 2023. As per Partnership deed, Interest on Capitals was to be provided @ 8% p.a. For the year ended March 31, 2023, profits of ₹ 2,00,000 were distributed without providing for Interest on Capitals. Pass an adjustment entry and show the workings clearly.	[3]
21.	The authorized capital of Narain Laxmi Ltd. is ₹ 50, 00,000 divided into 25,000 shares of ₹ 200 each. Out of these, the company issued 12,000 shares of ₹200 each at a premium of 10%. The amount per share was payable as follows: ₹ 60 on application, ₹ 60 on allotment (including premium), ₹ 30 on first call and balance on final call. Public applied for 11,000 shares. All the money was duly received. Prepare an extract of Balance Sheet of Narain Laxmi Ltd. as per Schedule III Part I of the Companies Act, 2013 disclosing the above information. Also prepare 'Notes to Account' for the same.	[4]
22.	Ajay, Vijay and Sujay are partners with fixed capitals of ₹ 1,50,000, ₹1,20,000 and ₹ 1,00,000 respectively. The partnership deed provided for the following: (i) Interest on capital at 5% p.a. (ii) Interest on drawings at 6% p.a (iii) Each partner withdrew ₹ 10,000 on 1st October 2022. (iv) ₹ 30,000 transferred to a Reserve Account. (v) Profit and Loss to be shared in the proportion of 3:2:1. Net profit of the firm before above adjustments was ₹ 1,25,400. From the above information, prepare Profit and Loss appropriation Account for the year ended 31st March, 2023.	[4]
23.	Pass the journal entries for forfeiture and re-issue in both the following cases: (a) Vikram Ltd. forfeited 5,000 shares of Johnson, who had applied for 6,000 shares for non-payment of allotment money of ₹ 5 per share and first and final call of ₹ 2 per share. Only application money of ₹ 3 was paid by him. Out of these 3,000 shares were re-issued @ ₹ 12 per share as fully paid. (b) Alok Ltd. forfeited 200 shares of ₹ 100 each, ₹ 70 called up on which the shareholders had paid application and allotment of ₹ 50 per share. Out of these, 150 shares were reissued to Nikhil as ₹ 70 per share paid up for ₹ 80 per share.	[6]
24.	Hari, Kunal and Uma are partners in a firm sharing profits and losses in the ratio of 5:3:2. From 1st April, 2023 they decided to share future profits and losses in the ratio of 2:5:3. Their balance sheet showed a balance of ₹ 75,000 in the Profit and Loss Account and a balance of ₹ 15,000 in Investment Fluctuation Fund. For this purpose, it was agreed that: (i) Goodwill of the firm was valued at ₹ 3,00,000. (ii) The investments (having a book value of ₹ 50,000) were valued at ₹ 35,000. (iii) The stock having a book value of ₹ 50,000 is depreciated by 10%. Pass the necessary journal entries for the above in the books of the firm. **OR** (a) Suraj, Mahesh and Tarun are partners sharing profits and losses of 4:3:2. They decided to share future profits in the ratio of 2:3:4 with effect from 1st April 2023. An extract of their balance sheet a s at 31st March, 2022 is as under. Balance Sheet (Extract) ….as at 31st March, 2023 Liabilities | Amount (₹) | Assets | Amount (₹) Investment Fluctuation Reserve | 36,000 | Investments(at cost) | 4,00,000 Show the accounting treatment under the following alternative cases. (i) If the market value of investments is ₹ 3,82,000. (ii) If the market value of investments is ₹ 3,46,000.	[6]

(b) Richa, Megha and Samiksha are partners sharing profits and losses equally. From 1st April, 2023, they decide to share profits in the ratio of 2:1:1. Richa's share has been increased because she introduced additional capital of ₹ 1,50,000. At the time of reconstitution, the following assets and liabilities are revalued and reassessed.

Items	Book figure (₹)	Revised figure (₹)
Freehold premises	7,50,000	8,00,000
Stock	2,25,000	2,00,000
Debtors	75,000	72,500
Furniture	1,00,000	90,000
Creditors	30,000	25,000

Partners decided to record the above adjustments without affecting the book value of assets and liabilities by passing a single adjustment entry. Pass the necessary entry.

25. MCS Ltd issued 40,000 shares of ₹ 10 each payable at ₹ 2 on application, ₹ 4 on allotment and balance in two equal installments. 6

Applications were received for 80,000 shares and the allotment was made as follows.

(i) Applications of 50,000 shares were allotted 30,000 shares.

(ii) Applications of 30,000 shares were allotted 10,000 shares.

Neeraj to whom 600 shares were allotted from category (i) failed to pay the allotment money.

Pass the necessary journal entries up to allotment only.

OR

Excel Company Limited made an issue of 1,00,000 equity shares of ₹ 10 each payable as follows:

On application: ₹ 2.50 per share.

On Allotment: ₹ 2.50 per share.

On First and Final Call: ₹ 5.00 per share.

Rohan, the holder of 400 shares did not pay the call money and his shares were forfeited. 200 of the forfeited shares were reissued as fully paid-up at ₹ 8 per share. Draft necessary journal entries and prepare Share Capital Account and Forfeited shares account in the books of the company.

26. (a) On 1st Jan., 2023 the first call of ₹ 3 per share became due on 1,00,000 equity shares issued by Bliss Products Ltd. Kishan a holder of 500 shares did not pay the first call money. Arjun a shareholder holding 1,000 shares paid the second and final call of ₹ 5 per share along with the first call. [6]

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.

(b) Gopal Ltd. purchased furniture from Aman Ltd. for a sum of ₹ 1,50,000. The payment of ₹ 1,20,000 was made by issuing fully paid equity shares of ₹ 10 each at a premium of 25% and a balance by a bank draft. Also issued 2,500 equity shares of ₹ 10 each as fully paid to the promoters for the services rendered to incorporate the company.

PART-B
(Analysis of Financial Statements)

27. Which of the following liabilities are taken into account for acid test ratio? [1]

(i) Redeemable Debentures	(ii)Outstanding expenses	(iii) Bills Payable
(iv) Bank Overdraft	(v)Trade Creditors	

Alternatives:

(a) (i), (ii), (iii),(iv), (v) (b) (ii), (iii),(iv), (v)

(c) (ii), (iii) and (v) (d) (i), (iii),(iv) and (v)

OR

If current liabilities are ₹ 9,000 and current assets are 2/3rd of current liabilities, then current ratio is ______.

(a) 1:1 (b) 1:2

(c) 0.67:1 (d) 0.33:1

28. Which of the following is not correct? [1]

(i) Sale of fixed asset (book value ₹ 40,000) at a loss ₹ 5,000 will increase debt-equity ratio.
(ii) Issue of new shares for cash will increase debt-equity ratio.
(iii) Redemption of debentures for cash will decrease debt-equity ratio.
(iv) Declaration of final dividend will decrease debt-equity ratio.

Alternatives:

(a) (i) and (ii) (b) Only (i)
(c) (i) and (iv) (d) Only (iv)

29. Which of the following is correct in relation to the tools of vertical analysis? [1]

(i) Ratio Analysis
(ii) Comparative Statements
(iii) Common-Size Statement

(a) Both (i) and (iii) (b) Only (i)
(c) Only (ii) (d) both (i) and (ii)

OR

Modern Tools Private Limited sold its machinery used in business at a profit ₹ 42,000. How will it be shown in the Statement of Profit and Loss?

(a) Other income (b) Finance Cost
(c) Revenue from Operations (d) Indirect Expenses

30. 20,000, 8% Debentures issued on 1st April, 2022 and redeemable on 31st March, 2027 will be shown under: [1]

(a)Other long- term liabilities (b) Long- term Borrowings
(c) Current Liabilities (d) other Current Liabilities

31. Under which major heads and sub-heads will the following items be presented in the Balance Sheet of the company as per Schedule III, Part I of the Companies Act, 2013? [3]

(i) Bank Overdraft (ii) Subsidy Reserve
(iii) Capital Redemption Reserve (iv) Mining Rights
(v) Patents (vi) Debit balance in Statement of Profit and Loss

32. Prepare a Common-size Balance sheet of Jayanth Ltd. from the following information [3]

Particulars	Note No	31st March 2017(₹)	31st March 2016(₹)
I. EQUITY AND LIABILITIES			
1. Shareholders' 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

OR

From the following information, prepare a comparative statement of profit and loss of Universe Ltd.

Particulars	31st March 2015	31st March 2014
Revenue from Operations	₹ 20,00,000	₹10,00,000
Cost of materials consumed	₹ 15,00,000	₹ 6,00,000
Other expenses	12% of Cost of materials consumed	10% od Cost of materials consumed
Income Tax	40%	30%

33. Assuming that the Debt to Equity ratio of a company is 0.50, state giving reasons whether this ratio would increase, decrease or remain unchanged in the following cases: [4]

(i) Purchase of fixed assets on a credit of 3 months.
(ii) Issue of new shares for cash.
(iii) Purchased machinery and paid to the vendors by issue of equity shares.
(iv) Obtained 8% long term loan.

OR

From the following information, calculate the following ratios:

(a) Debt to equity ratio (b) Working Capital Turnover Ratio (c) Return on Investment

Additional Information:

Equity Share Capital ₹ 25,000, general reserve ₹ 2,500, balance of statement of profit and loss account after tax ₹ 7,500, 9% debentures ₹ 10,000, creditors ₹ 7,500, land and building ₹ 32,500, equipments ₹ 7,500, debtors ₹ 7,250, cash ₹ 2,750, revenue from operations for the year ended 31st March, 2022 was ₹ 25,000, tax rate is 50%.

34. (a) How the earning capacity of a business is assessed by financial statement analysis? [6]

(b) How does subjectivity become a limitation of financial statement analysis?
(c) 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.

****