ACCOUNTS

(Three hours)

*(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 **either Section B or Section C**.*

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.

SECTION A

PART I (12 Marks)

*Answer **all** questions.*

Question 1 **[6 × 2]**

Answer briefly each of the following questions:

(i) What is meant by an *operating cycle?*

(ii) State *one* difference between *partner's loan account* and *partner's capital account.*

(iii) Give the *adjusting entry* and the *closing entry* for recording commission allowed to a partner, when the firm follows the fixed capital method.

(iv) How will the firm record the payment of realization expenses which were to be borne by a partner, but paid by the firm on his behalf?

(v) Give the accounting treatment in the books of a co-venturer under the Memorandum Joint Venture Method, when he takes over the unsold stock.

(vi) What is the minimum price at which a company can reissue its forfeited shares which were originally issued at par?

This Paper consists of 10 printed pages.

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PART II (48 Marks)

(Answer any four)

Question 2 **[12]**

From the given Trial Balance, prepare the Balance Sheet of Moonlight Limited as at 31st March 2014.

Trial Balance as at 31st March, 2014

Particulars	**Debit ₹**	**Credit ₹**
Share Capital (40,000 Equity Shares of ₹ 10 each)		4,00,000
Bills receivable	90,000	
16% Mortgage Loan		1,70,000
Stores and Spares	1,15,000	
Debtors	1,66,000	
Plant and Machinery	2,90,000	
Goodwill	40,000	
Provision for Tax		26,000
General Reserve		1,30,000
Cash in Hand	18,000	
Calls in Arrears	2,000	
Marketable Securities	5,000	
Total	**7,26,000**	**7,26,000**

Question 3 **[12]**

Amit and Sumit entered into a joint venture to construct a shopping mall. They agreed to share the profits and losses in the ratio 5:3.

The contract price was agreed upon at ₹ 50,00,000, payable as ₹ 10,00,000 in cash and ₹ 40,00,000 in the form of shares of ₹ 10 each.

A Joint Bank Account was opened in which the co-venturers, Amit and Sumit, deposited their contributions of ₹ 25,00,000 and ₹ 10,00,000, respectively.

Amit also contributed bricks worth ₹ 4,80,000.

Sumit too contributed iron worth ₹ 55,000 and timber worth ₹ 3,25,000.

They acquired cement for ₹ 11,00,000 and plant for ₹ 15,40,000, from the funds of the venture.

Construction expenses amounted to ₹ 8,25,000.

The contract was completed and the contract price was received.

Amit took over the plant at ₹ 5,25,000.

The co-venturers sold the shares in the open market at a profit of 10%.

You are required to prepare:

(i) **Joint Bank Account.**

(ii) **Joint Venture Account.**

(iii) **Co-venturers' Accounts.**

Question 4 **[12]**

Gautam and Rahul are partners in a firm, sharing profits and losses in the ratio of 2:3. Their Balance Sheet as at 31st March, 2014, was as follows:

Balance Sheet as at 31st March, 2014

Liabilities		Amount ₹	Assets		Amount ₹
Sundry Creditors		5,000	Goodwill		10,000
Bills Payable		15,000	Furniture		25,000
General Reserve		10,000	Stock		15,000
Capital A/c:			S. Debtors	12,000	
Gautam	30,000		Less Provision for		
Rahul	40,000	70,000	Doubtful Debts	(2,000)	10,000
			Cash in hand		40,000
		1,00,000			**1,00,000**

Karim was to be taken as a partner with effect from 1st April, 2014, on the following terms:

(a) The new profit sharing ratio of Gautam, Rahul and Karim would be 5:3:2.

(b) Provision for Doubtful Debts would be raised to 20% of debtors.

(c) Karim would bring in cash, his share of capital of ₹ 40,000 and his share of goodwill valued at ₹ 10,000.

(d) Gautam would take over the furniture at ₹ 22,000.

You are required to:

(i) **Pass journal entries at the time of Karim's admission.**

(ii) **Prepare the Balance Sheet of the reconstituted firm.**

Question 5 **[12]**

Ram, Krishna and Mohan are partners in a firm, sharing profits and losses in the ratio of 3:5:2. On 31st March, 2014, their Balance Sheet was as under:

Balance Sheet as at 31st March, 2014

Liabilities		Amount ₹	Assets	Amount ₹
Creditors		39,200	Land and building	48,000
General Reserve		16,000	Plant	72,000
Capital A/c			Inventory	34,000
Ram	76,800		Trade Marks	26,400
Krishna	69,600		Bills Receivables	39,200
Mohan	54,000	2,00,400	Cash in Hand	24,000
			Advertisement Suspense	12,000
		2,55,600		**2,55,600**

Krishna died on 30th September, 2014. An agreement was reached amongst Ram, Mohan and Krishna's legal representative that:

(a) Goodwill to be valued at *2 years purchase of the average profits of the previous three years*, which were:

Year:	2011-12	2012-13	2013-14
Profit:	₹ 31,200	₹ 28,800	₹ 36,000

(b) Trade marks to be revalued at ₹ 19,200; plant at 80% of its book value and land building at ₹ 57,600.

(c) Krishna's share of profit to the date of his death to be calculated on the basis of previous year's profit.

(d) Interest on capital to be provided @10% per annum.

(e) ₹ 60,080 to be paid in cash to Krishna's legal representative and balance to be transferred to the legal representative's loan account.

You are required to prepare:

(i) Revaluation Account.

(ii) Krishna's Capital Account.

(iii) Krishna's Legal Representative's Account.

Question 6 **[12]**

Pluto Ltd. issued 20,000 Equity shares of ₹ 10 each, payable as follows:

On Application	₹ 4
On Allotment	₹ 1
On 1st Call	₹ 3
On 2nd and Final Call	₹ 2

Applications were received for 30,000 shares and pro-rata allotment was made to all the applicants.

Excess money received on application was utilized towards allotment and subsequent calls. One shareholder holding 100 shares did not pay the final call and his shares were forfeited. Of the forfeited shares, the company reissued 70 shares as fully paid up at ₹ 12 per share.

You are required to pass journal entries in the books of the company for the year ending 31st March, 2014.

Question 7

(a) The partnership agreement of Rohit, Ali and Sneh provides that: **[10]**

1. Profits will be shared by them in the ratio of 2:2:1.
2. Interest on capital to be allowed at rate of 6% per annum.
3. Interest on drawings to be charged at the rate of 3% per annum.
4. Ali to be given a salary of ₹ 500 per month.
5. Ali's guarantee to the firm that the firm would earn a net profit of at least ₹ 80,000 per annum and any shortfall in these profits would be personally met by him.

The capitals of the partners on 1st April, 2013, were:

Rohit- ₹ 1,20,000; Ali- ₹ 1,00,000; Sneh- ₹ 1,00,000.

During the financial year 2013-14, all the three partners withdrew ₹ 1,000 each at the beginning of every month.

The net profit of the firm for the year 2013-14 was ₹ 70,000.

You are required to prepare for the year 2013-2014:

(i) Profit and Loss Appropriation Account.

(ii) Partners' Capital Accounts.

(b) Veera and Sia are partners, sharing profits in the ratio of 3:2. Profit for the year 2013-14, amounting to ₹ 18,000 was distributed wrongly in the ratio of 2:3. **[2]**

You are required to rectify the error by passing an adjusting journal entry.

Question 8 **[12]**

On 1st April, 2013, Sunshine Ltd. issued ₹ 10,00,000, 15% Debentures of ₹ 100 each at 8% discount payable:

₹ 40 on application

The balance on allotment.

These debentures were to be redeemed at a premium of 5% after five years. All the debentures were subscribed for by the public.

Interest on these debentures was to be paid half-yearly which was duly paid by the company.

You are required to:

(i) Pass journal entries in the first year of debenture issue (*including* entries for debenture interest.)

(ii) Prepare the 15 % Debenture Account for the year ending 31st March, 2014.

SECTION B

Answer any two questions

Question 9 **[10]**

You are required to prepare a Cash-Flow Statement (as per AS-3) for the year 2013-14 from the following Balance Sheets.

Balance Sheets of A.B.C. Ltd.
As at 31st March, 2014 and 31st March, 2013

		Particulars	Note No.	31.03.2014 ₹	31.03.2013 ₹
I		**EQUITY AND LIABILITIES**			
	1.	**Shareholders' Funds**			
		(a) Share Capital (Equity Share Capital)		6,00,000	4,00,000
		(b) Reserves and Surplus (Statement of P/L)		2,00,000	1,00,000
	2.	**Non-Current Liabilities**			
		(a) Long Term Borrowing		1,00,000	2,00,000
	3.	**Current Liabilities**			
		(a) Short term borrowings (Bank loan)		--	10,000
		(b) Trade Payables (Creditors)		45,000	60,000
		(c) Short Term Provisions	1.	1,30,000	1,20,000
		TOTAL		**10,75,000**	**8,90,000**
II		**ASSETS**			
	1.	**Non-Current Assets**			
		(a) Fixed Assets			
		(i) Tangible (Building)		6,00,000	6,00,000
		(ii) Intangible (Patents)		45,000	50,000
		(b) Non-Current Investments		75,000	--
	2.	**Current Assets**			
		(b) Inventories		15,000	10,000
		(c) Trade Receivables (Debtors)		2,55,000	2,00,000
		(d) Cash and Cash Equivalent (Cash)		85,000	30,000
		TOTAL		**10,75,000**	**8,90,000**

Notes to Accounts:

Particulars		31.03.2014 ₹	31.03.2013 ₹
1	**Short term provisions**		
	Proposed dividend	60,000	80,000
	Provision for taxation	70,000	40,000

Additional Information:

During the year 2013-14:

(i) Building costing ₹ 75,000 was purchased.

(ii) An old building, the book value of which was ₹ 63,000, was sold at a loss of ₹ 5,000.

(iii) Tax provided during the year was ₹ 80,000.

Question 10

(a) Give *any two* objectives of preparing Common Size Statements. [2]

(b) **From the following data, prepare a Comparative Statement of Profit and Loss of Simon Ltd.** [4]

Particulars	31.3.2014 ₹	31.3.2013 ₹
Revenue from Operations	15,00,000	12,00,000
Other Income	30,000	20,000
Cost of Materials consumed	7,00,000	5,50,000

(c) **From the following data, prepare Common Size Balance Sheet of Mint Ltd.** [4]

Particulars	31.3.2014 ₹	31.3.2013 ₹
Share Capital	1,50,000	1,20,000
Reserves and Surplus	30,000	30,000
Trade Payables	20,000	40,000
Fixed Tangible Assets	2,00,000	1,90,000

Question 11

(a) **From the following information calculate (up to two decimal places) :** **[6]**

(i) **Gross Profit Ratio**
(ii) **Inventory Turnover Ratio**
(iii) **Net Profit Ratio**

Cash Revenue from Operations	₹ 70,000
Net Purchases	₹ 2,97,000
Credit Revenue from Operations	₹ 2,80,000
Closing Inventory	₹ 80,000
Opening Inventory	₹ 60,000
Carriage inward	₹ 3,000
Selling expenses	₹ 5,000
Administrative expenses	₹ 40,000
Loss on sale of fixed asset	₹ 10,000
Dividend received	₹ 7,000

(b) The Current Ratio of a company is 2:1. State whether the following will increase, reduce or not change the ratio: **[2]**

(i) Bills Payable ₹ 5,000 discharged.

(ii) Purchase of inventory ₹ 20,000 on credit.

(c) Give the formulae for calculating: **[2]**

(i) Earning per share

(ii) Trade Payables Turnover Ratio

SECTION C

Answer any two questions

Question 12

(a) Give the address of the cell at 25^{th} row and the 8^{th} column. [2]

(b) What do you mean by range of cells? How is a range specified? [2]

(c) List the types of entries which are allowed in a worksheet? [2]

(d) You enter 45+15 in a cell. The worksheet does not display the sum 60 in the cell, instead, it shows 45+15. What is the reason for this? [2]

(e) Write the formula to calculate the interest amount for a principal amount which is stored in cell B5, on the basis of the following specifications: [2]

The time is stored in cell C5

if principal amount ≥ 50000 rate of interest 6%

if principal amount < 50000 rate of interest 5%.

Question 13

The spread sheet below shows the sales of Jupiter Ltd. made by four salesmen in the four quarters of the financial year 2013-14:

	A	B	C	D	E	F	G	H
1		Sales in ₹						
2	Salesman	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Total Sales	Commission @10% of sales	Commission @12% of sales
3	S1	3000	3000	4500	5500			
4	S2	4000	3500	4200	4300			
5	S3	4000	4000	4500	4500			
6	S4	6000	6000	?	6,000			
7	Total							

Answer questions (a) to (d) based on the above spreadsheet:

(a) It is the policy of the company to sell its goods at a profit of 20% on its sales.

(i) Write the formula to calculate the cost of the goods sold by Salesman S1 in Qtr 4. [2]

(ii) Salesman S4 sold goods costing ₹ 4,800 in Qtr 3. Calculate the price at which he sold the goods. [2]

(b) Write the formula to calculate the total sales made by the company in cell F7. [2]

(c) The company gives a commission of 10% to a salesman on his total sales. Write the formula to calculate the commission earned by Salesman S3 in cell G5. [2]

(d) Write an expression to show the effect on the profits if the rate of commission was increased from 10% to 12% of the sales. [2]

Question 14

(a) What is the use of SQL in database management system? [2]

(b) Define the term 'field' as used in DBMS. [2]

(c) Arrange the following in hierarchy to create a DBMS: [2]

FIELD, DATA, FILE, RECORD

(d) How are the following SQL functions useful in RDBMS: [2]

(i) MAX

(ii) SQRT

(e) What is a table? [2]