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Roll No.

Date:

NORTHWEST ACCREDITATION COMMISSION, USA

HIGH SCHOOL DIPLOMA (Sr. Secondary/12TH)

Subject- Accountancy

Subject Code – A406

Question Paper No. :

Question Paper code:

Important Instructions

1. OPENING AND CHECKING OF THE QUESTION-BOOKLET

Break open the seal of the Question-Booklet only when the announcement is made by the Invigilator. After breaking the seal and before attempting the questions, student should immediately check for:

a) The number of the printed page in the Question-Booklet is the same as mentioned on the cover page of the Booklet and

b) Any printing error in the Booklet pages, if any. Any discrepancy or error should be brought to the notice of the Invigilator who will then replace the Booklet. No additional time will be given for this.

2. No student, without the permission of the Superintendent, or the Invigilator concerned, is to leave his/her seat or the Examination Room.

3. FILLING UP THE REQUIRED INFORMATION ON QUESTION-BOOKLET AND ANSWER SHEET

After breaking open the seal and checking the Booklet, student should:

a) Fill up the **Question Paper No.** and **Question Paper Code** (mentioned on the cover of Question-Booklet) in the space provided on the First Answer Sheet.

b) Fill up his/her Roll Number on the First Answer Sheet and on each Supplementary Answer Sheet, if taken.

C) Student should mention the total number of **Supplementary Answer Sheet**, if taken, in the space provided on the First Answer Sheet and also fill up the Serial Number mentioned on each **Supplementary Answer Sheet** along with his/her Roll Number in the register maintained by the Invigilator. Student must tie all the Answer Sheets with the thread provided by the Invigilator.

4. INSTRUCTIONS ABOUT QUESTION PAPER

This Question Paper is divided into three Sections – **A, B** and **C**. All Sections are compulsory. Attempt all Sections as per instructions.

a) Section A question No. 1 to 10 are very short questions carrying 2 marks each.

b) Section B question No. 11 to 25 are short questions carrying 3 marks each.

c) Section C question No. 26 to 32 are long questions carrying 5 marks each.

5. Student found in possession of Cellular Phone / Mobile Phone / Pager or any other Communication Device and/or any Book/Note whether using or not, will be liable to be debarred for taking examination(s) either permanently or for specified period or/and dealt with as per law or/and ordinance of the School/SERI according to the nature of offence, or/and he/she may be proceeded against and shall be liable for prosecution under the relevant provision of the Statutory Law.

TIME: 3 Hours.

TOTAL MARKS: 100

THE ANSWER SHEET IS TO BE RETURNED ON COMPLETION OF THE TEST

P.T.O.

SECTION A

Total number of questions: 10	Marks allocated to each question: 2	Total marks: 20
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Question 1. When does a company create 'Debenture Redemption Reserve'?

Question 2. Differentiate between 'Profit and Loss Appropriation Account' and 'Profit and Loss Suspense Account'.

Question 3. Prachi, Komal and John were partners in a firm. They admitted Ajay their landlord as a partner in the firm. Ajay brought sufficient amount of capital and his share of goodwill premium. Ajay had given a loan of Rs. 3,00,000 @ 12% p.a. interest, to the partnership firm before he became the partner. Now the accountant of the firm is emphasizing that the interest on loan should be paid @ 6% p.a. Is he right in doing so? Give reason in support of your answer.

Question 4. How does the factor "location" affect the goodwill of a firm?

Question 5. Give the meaning of 'Reserve Capital'.

Question 6. What is meant by forfeiture of shares?

Question 7. What are Preliminary expenses?

Question 8. Fine Garments Ltd. is engaged in the export of readymade garments. The company purchased a machinery of Rs. 10,00,000 for the use in packaging of such garments. State giving reason whether the cash flow due to the purchase of machinery will be cash flow from operating activities, investing activities or financial activities?

Question 9. X, Y & Z are partners. Y retires and the new profit sharing ratio is 2 : 1. Calculate the gaining ratio of X & Z.

Question 10. What is meant by cash from operating activity?

SECTION B

Total number of questions: 15	Marks allocated to each question: 3	Total marks: 45
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Question 11. On 1st April, 2012, a company issued 2,000 8% debentures of Rs. 100 each at a premium of Rs. 20 repayable at a premium of Rs. 20. The terms of issue provided for the redemption of Rs. 20,000 debentures every year commencing from 31st March, 2014 either by purchase from the open market or by draw of lots at the company's option. On 31st March, 2014, the company purchased for cancellation its own debentures of the face value of Rs.16,000 at Rs. 95 per debentures and of Rs. 4,000 at Rs. 90 per debenture. Show the Journal Entries for redemption of debentures.

Question 12. On 1st April, 2014 a firm had assets of Rs. 1,00,000 excluding stock of Rs. 20,000. Partners' capital accounts showed a balance of Rs. 60,000. The current liabilities were Rs. 10,000 and the balance constituted the reserve. If the normal rate of return is 8%, the 'Goodwill' of the firm is valued at Rs. 60,000 at four years of purchase of super profit, find the average profit of the firm.

Question 13. (a) Under which major headings and sub-headings the following items will be shown in the Balance Sheet of a Company as per Schedule VI, Part I of the Companies Act, 1956:

- (i) Loose tools
- (ii) Trademarks
- (iii) Bank-overdraft
- (iv) Bonds

(b) State any two objectives of financial statements analysis.

P.T.O.

Question 14. X, Y and Z are partners in a firm sharing profits in the ratio of 4 : 3 : 3. They admitted P as a new partner. X, Y and Z each surrendered 1/3rd of his share in favour of P. Calculate the new profit sharing ratio of X, Y, Z and P.

Question 15. From the following data prepare a Statement of Profits in the comparative form:

Particulars	31.3.2004 Rs.	31.3.2005 Rs.
Sales	8,00,000	8,00,000
GP Ratio	30%	40%
Administrative Expenses	50,000	1,00,000
Income Ta	50%	50%

Question 16. A company's Stock Turnover is 5 times. Stock at the end is Rs. 20,000 more than that at the beginning. Sales are Rs. 8,00,000. Rate of Gross Profit on cost 1/4; Current Liabilities Rs. 2,40,000. Acid Test Ratio 0.75. Calculate Current Ratio.

Question 17. Rohit Ltd. purchased for cancellation 1000 of its own 8% debentures of Rs. 250 each at Rs. 200 per debenture. The Board of Directors have also decided to transfer the required amount to Debenture Redemption Reserve Account. Journalise the transactions in the books of Rohit Ltd.

Question 18. Raghav limited purchased a running business from Krishna Traders for a sum of Rs. 15,00,000 payable Rs. 3,00,000 by cheque and for the balance issued equity shares of Rs. 100 each at a premium of 20%.

The assets and liabilities consisted of the following:

Plant and Machinery	4,00,000
Building	6,00,000
Stock	5,00,000
Sundry Debtors	3,00,000
Sundry Creditors	2,00,000

Record necessary Journal entires in the books of Raghav limited.

Question 19. Prepare a Comparative Income Statement with the following information:

Particulars	2010	2011
Net Sales	20,00,000	25,00,000
Cost of Goods Sold	60% of Sales	60% of Sales
Indirect Expenses	10% of Gross Profit	
Income Tax	50% of Net Profit before Tax	

Question 20. What is Data Redundancy?

Question 21. State the exceptions to the creation of Debenture Redemption Reserve as per SEBI Guidelines.

Question 22. Raja Ltd. purchased building from Ashoka Ltd. for Rs. 36,00,000. The vendors were paid by issue of equity shares of Rs. 10 each. Pass necessary entries in the books of Raja Ltd. When

- (i) shares were issued at par,
- (ii) shares were issued at 20% premium and
- (iii) shares were issued at 10% discount.

Question 23. What is meant by a debenture 'Distinguish between a debenture and a Share?

Question 24. State the conditions for the issue of shares at discount.

Question 25. The Profit and Loss account of Surya Ltd. for the year ended 31.3.2006 and the Balance Sheet of the Company as on 31.3.2006 is given below:

P.T.O.

Profit and Loss Account for the year ended 31.3.2006

Debit		Credit	
Particulars	Amount Rs.	Particulars	Amount Rs.
Opening Stock	40,000	Sales	4,40,000
Purchase	2,50,000	Closing Stock	20,000
Direct Expenses	30,000		
Gross Profit	1,40,000		
	4,60,000		4,60,000
Salary	32,000	Gross Profit	1,40,000
Loss on sale of building	8,000		
Net Profit	1,00,000		
	1,40,000		1,40,000

Balance Sheet as on 31.3.2006

Liabilities	Amount Rs.	Assets	Amount Rs.
Equity Share Capital	3,00,000	Land	4,00,000
Profit and Loss Account	1,00,000	Stock	20,000
Creditors	1,50,000	Debtor	1,00,000
Outstanding Salary	50,000	Cash	80,000
	6,00,000		6,00,000

On the basis of the informations given in these two statements, calculate any two of the following ratios:

- (i) Current Ratio,
- (ii) Stock Turnover Ratio, and
- (iii) Proprietary Ratio.

SECTION C

Total number of questions: 7	Marks allocated to each question: 5	Total marks: 35
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Question 26. On March 31st, 2014, the balances in the capital accounts of Ekta, Ankit and Chahat after making adjustments for profits and drawings were Rs. 1,50,000, Rs. 2,10,000 and Rs. 2,70,000 respectively. Subsequently it was discovered that the interest on capital and drawings had been omitted.

- The profit for the year ended 31st March, 2014 was Rs. 1,20,000.
- During the year Ekta withdrew Rs. 24,000 and Ankit and Chahat each withdrew a sum of Rs. 24,000 in equal installments in the middle of each quarter.
- The interest on drawings is to be charged @ 5% p.a. and interest on capital is to be allowed @ 10% p.a.
- The profit sharing ratio among the partners was 1:2:3.
- Showing your working notes clearly, pass the necessary rectifying entry.

OR

- (a) A company's Stock Turnover is 5 times. Stock at the end is Rs. 20,000 more than that at the beginning. Sales are Rs. 8,00,000. Rate of Gross Profit on cost 1/4; Current Liabilities Rs. 2,40,000. Acid Test Ratio 0.75. Calculate Current Ratio.
- (b) With the help of the following information, calculate Return on Investment. Net profit after interest and tax Rs. 6,00,000; 10% Debentures Rs. 10,00,000; Tax @ 40%; Capital Employed Rs. 80,00,000.

Question 27. Laxmi Ltd. invited applications for issuing 10,00,000 equity shares of Rs. 100 each at a premium of Rs. 25 per share. The amount was payable as follows:

P.T.O.

- On Application Rs. 50 (including premium)
- On Allotment Rs. 50
- On First and Final call — Balance

Applications for 17,50,000 shares were received. Applications for 2,50,000 shares were rejected and pro-rata allotment was made to the remaining applicants. Over payments received on application were adjusted towards sums due on allotment. Victor, to whom 1,000 shares were allotted, failed to pay allotment and first and final call. His shares were forfeited. The forfeited shares were reissued for Rs. 11,000 fully paid up. Pass necessary journal entries in the books of Laxmi Ltd.

OR

Pass necessary journal entries in the books of a company for the following transactions

- (i) 400 equity shares of Rs. 100 each issued at a discount of 10% were forfeited for the non-payment of final call of Rs. 20 per share. The forfeited shares were re-issued for Rs. 40,000 fully paid up.

- (ii) 13,000 equity shares of Rs. 50 each issued at a premium of Rs. 8 per share, were forfeited for the non-payment of allotment money (including premium) of Rs. 23 per share. Application money of Rs. 15 per share had been received on these shares and the first and final call of Rs. 20 per share was not made. The forfeited shares were re-issued at Rs. 55 per share fully paid up.

Question 28. Bhuvan, Suraj and Ibrahim were partners in a firm sharing profits in the ratio of 3:2:1. On 30th June, 2014, they decided to dissolve the firm. Following was the Balance Sheet of the firm on that date.

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Creditors	50,400	Cash	13,700
Investment Fluctuation Fund	10,000	Stock	20,100
Reserve Fund	12,000	Debtors	62,600
<u>Capitals:</u>		Investments	16,000
Bhuvan 30,000		Furniture	20,000
Suraj 20,000			
Ibrahim <u>10,000</u>	60,000		
	1,32,400		1,32,400

The assets were realized and the liabilities were paid off as follows :

- (a) Investments were taken over by Bhuvan for Rs. 18,000.
 (b) Stock was taken over by Suraj for Rs. 17,500 and furniture was taken over by Ibrahim at book value.
 (c) Rs. 60,500 were realized from the debtors.
 (d) Creditors were settled in full and realization expenses were Rs. 4,500.
 Prepare Realisation account, Cash account and Partners' Capital accounts.

OR

Following is the Balance Sheet of P, K and B as on 31.3.2006. They shared profits in the ratio of their capitals.

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Creditors	4,600	Building	23,000
Reserve	5,400	Machinery	13,000
<u>Capitals:</u>		Stock	4,700
P: 24,000		Debtors	6,500
K: 12,000		Cash	6,400
B: <u>8,000</u>	44,000		
	54,000		54,000

P.T.O.

P died on 30.6.2006. Under the terms of partnership the executors of a deceased partner were entitled to:

- (i) Amount standing to the credit of the Partner's Capital Account.
 (ii) Interest on capital at 12% per annum.
 (iii) Share of goodwill of the firm which was valued at Rs. 36,000 on P's death.
 (iv) Share of profit from the closing of last financial year to the date of death on the basis of last year's profit.
 Profit for the year ended 31.3.2006 was Rs. 7,000.

Prepare P's Capital Account to be rendered to his executors.

Question 29. From the following Balance Sheets of Vijaya Ltd. as on 31-3-2009 and 31-3-2010 prepare a Cash Flow Statement.

Liabilities	31-3-2009 (Rs.)	31-3-2010 (Rs.)	Assets	31-3-2009 (Rs.)	31-3-2010 (Rs.)

Share Capital	45,000	65,000	Fixed Assets	46,700	83,000
General Reserve	15,000	27,500	Stock	11,000	13,000
Profit & Loss Account	10,000	15,000	Debtors	18,000	19,500
Trade Creditors	8,700	11,000	Cash	2,000	2,500
			Preliminary Expenses	1,000	500
	78,700	1,18,500		78,700	1,18,500

Additional Information:

- (i) Depreciation on Fixed Assets for the year 2009-2010 was Rs. 14,700.
(ii) An interim dividend Rs. 7,000 has been paid to the shareholders during the year.

OR

Following are the Balance sheets of Wisben Ltd. as on 31st March 2012 and 2011.

Particulars	Note No.	2012	2011
1. Equity & Liabilities			
(i) Shareholder Fund			
(a) Share capital		7,00,000	6,00,000
(b) Reserve & Surplus		2,00,000	1,10,000
(ii) Non-current liabilities			
Long term borrowings		3,00,000	2,00,000
(iii) Current liabilities			
Trade payable		30,000	25,000
Total		12,30,000	9,35,000
2. Assets			
(i) Non-Current Assets			
(a) Fixed Assets			
Tangible assets		11,00,000	8,00,000
(ii) Current Assets			
(a) Inventories		70,000	60,000
(b) Trade Receivables		32,000	40,000
(c) Cash and Cash equivalents		28,000	35,000
Total		12,30,000	9,35,000

Adjustments

At the beginning of the year a piece of machinery of the book value of Rs. 80,000 was sold for Rs. 65,000.
Depreciation provided on tangible assets during the year amounted to Rs. 2,00,000.
Prepare a Cash Flow Statement.

P.T.O.

Question 30. X, Y and Z were partners in a firm. Their capitals were Rs.1,00,000; Rs.2,00,000 and Rs.2,50,000. Their agreement provided the following:

- (a) The profit sharing ratio will be 1:2:2
(b) X is being guaranteed a share of Profit Rs.50,000
(c) Y will be allowed a salary of Rs.12,000 p.a.
(d) Interest on capital will be allowed @ 12% p.a.

The interest on drawings were Rs.500, Rs.600, and Rs. 800 for X,Y and Z. The firm earned a profit of Rs.2,88,900 during the year.

Prepare profit & loss appropriation account and show the workings.

OR

Ram and Shyam were partners in a firm sharing profits in the ratio of 7:5. Their fixed capitals were Rs.10,00,000 and Rs. 7,00,000 respectively. The partnership deed provided for the following:

- (a) Interest on capital @12% p.a.
 (b) Ram's salary Rs. 6000 per month and Shyam's salary Rs.60000 per year.
 (c) Interest on drawing Ram Rs.350 and Shyam Rs 250.
 The profit for the year ended 31.12.2010 was Rs. 5,03,400 which was distributed equally without providing for the above. Pass necessary adjustment entry. Show your workings clearly.

Question 31. From the following extract of Receipts and Payments Account of Sonic club and the given additional information, show the Salaries items in the Income and Expenditure Account for the year ending 31st Dec. 2006 and the Balance Sheet as on 31st December, 2005 and 31st December, 2006.

**An Extract of Receipts and Payments Account
for the year ending 31st December, 2006**

Receipts	Rs.	Payment	Rs.
		By Salaries	
		2005	20,000
		2006	2,80,000
		2007	18,000

Additional Information:

	Rs.
(a) Salaries outstanding on 31.12.2005	25,000
(b) Salaries outstanding on 31.12.2006	45,000
(c) Salaries paid in advance on 31.12.2005	10,000

OR

From the following Receipts and Payments Account of Sonic Club and from the given additional information; prepare Income and Expenditure Account for the year ending 31st December, 2006 and the Balance Sheet as on that date:

Dr.		Cr.	
Receipts	Rs.	Payments	Rs.
To Balance b/d	1,90,000	By Salaries	3,30,000
To Subscriptions	6,60,000	By Sports Equipment	4,00,000
To Interest on Investments @ 8% p.a. for full year	40,000	By Balance c/d	1,60,000
	8,90,000		8,90,000

Additional Information:

- (a) The club had received Rs. 20,000 for subscription in 2005 for 2006.
 (b) Salaries had been paid only for 11 months
 (c) Stock of Sports Equipment on 31st December, 2005 was Rs. 3,00,000 and on 31st December, 2006 Rs. 6,50,000.

P.T.O.

Question 32. Vineet was the Managing Director of Lalit Plastics Ltd. For the last six years the company had been consistently earning good profits. Vineet followed democratic style of leadership. He believed in giving respect to his subordinates by agreeing to their good suggestions. The company also opened a school for girls in the locality and also contributed towards the cleanliness of the locality. Following is the comparative 'Statement of Profit & Loss' of Lalit Plastics Ltd. for the years ended 31st March, 2014:

Particulars	Note No.	2012-13 (Rs.)	2013-14 (Rs.)	Absolute Change (Rs.)	Percentage Change
Revenue from Operations		12,00,000	16,00,000	4,00,000	33.33
Less : Employee benefit		3,00,000	4,00,000	1,00,000	33.33

expenses					
Profit before tax		9,00,000	12,00,000	3,00,000	33.33
Tax @ 40%		3,60,000	4,80,000	1,20,000	33.33
Profit after tax		5,40,000	7,20,000	1,80,000	33.33

- (a) Calculate Net Profit ratio for the years ending 31st March, 2013 and 2014.
(b) Identify any two values which are being communicated to the society in the above case.

OR

- (a) Under which major headings and sub-headings the following items will be shown in the Balance Sheet of a company as per schedule VI, Part I of the Companies Act, 1956.

- (i) Long term loans
- (ii) Loose tools
- (iii) Trademarks
- (iv) Drafts in hand

- (b) State any two objectives of financial statements analysis.

END OF THE QUESTION PAPER