

ACCOUNTANCY

CLASS XII

1 mark question

- Q.1. A, B and C are partners in a firm having no partnership agreement. They contributed capital Rs.2,00,000, Rs.3,00,000 and Rs.10,00,000. A and B decided to share profits in capital ratio. C does not agree to this. Is C correct? Give reason.
- A.1. C is correct.
Reason: In absence of partnership deed, profits are shared equally.
- Q.2. State any two occasions on which a firm may be reconstituted.
- A.2. 1. Change in profit sharing ratio.
2. Admission of a new partner.
3. Retirement of an existing partner.
4. Death of a partner.
- Q.3. What is meant by minimum subscription?
- A.3. The minimum amount which must be raised through the issue of shares. It is 90% of the issued amount.
- Q.4. What is meant by 'Debentures issued as collateral security'?
- A.4. When debentures are issued as a secondary security for obtaining loan, such debentures are called issued as 'collateral security'.
- Q.5. What is meant by security premium?
- A.5. When shares/debentures are issued at higher price than their face value then the excess amount received is called security premium.
- Q.6. What rate of interest the company pays on call in advance if, it has not prepared its own articles of association?
- A.6. 6% per annum.
- Q.7. State the ratio in which the partners share the profits when there is a change in profit sharing ratio amongst existing partner.
- A.7. Profits are shared in old profit sharing ratio.
- Q.8. What is meant by call in arrears?
- A.8. The amount unpaid on share allotment or calls is called call in arrear.
- Q.9. If partner's capitals are fixed, where will you record interest on drawings?
- A.9. In partner's current account.
- Q.10. What is meant by reserve capital?

- A.10. It is a part of authorized capital which cannot be called up except the time of winding up of the company.
- Q.11. X. Ltd. has a DER at 3:1. According to management it should be maintained at 1:1. What are the two choices to do so?
- A.11. 1. To increase equity.
2. To reduce debt.
3. Increase equity and reduce debt.
- Q.12. What is meant by cash from operating activities?
- A.12. It means cash flow from business transactions which have a direct relation in calculating net income of business.
- Q.13. Under which type of activity will you classify 'commission and royalty received' while preparing cash flow statement?
- A.13. Operating/Investing activity.
- Q.14. State any one limitation of financial statement analysis.
- A.14. 1. Manipulation or window dressing.
2. Use of diverse procedures.
3. Qualitative aspect ignored.

3 marks questions

- Q.1. A, B and C are partners. They had omitted interest on capital @10% p.a. for three years ended 31st 2012. Their fixed capitals were A 1,00,000 B 8,00,000 and C 70,000. Give necessary adjusting journal entry with working notes.

A.1.

	INT	PT	ADJUSTMENT
A	30000	25000	5000 (Cr.)
B	24000	25000	1000 (Dr.)
C	21000	25000	4000 (Dr.)
	75000	75000	

B's current A/c.	Dr.	1000
C's current A/c	Dr.	4000
To A's current A/c.		5000

- Q.2. On 1st January, 2010, Rhythm Ltd. issued 1000 10% debentures of Rs.500 each at par. Debentures are redeemable after 7 years. However, the company gave an option to debenture holders to get their debentures converted into equity shares of Rs.100 each at a premium of Rs.25 per share. Shivansh, holder of 200 debentures, informed on Jan 1, 2012 that he wanted to exercise the option. The company accepted his request. Pass journal entries.

- A.2. Bank A/c Dr. 5,00,000
To 10% debentures application A/c 5,00,000

A.7.

S.No.	PARTICULARS	L.F.	AMOUNT	AMOUNT
	P/L A/c	Dr.	18,000	
i)	To X A/c			9,000
	To Y A/c			6,000
	To Z A/c			3,000
	X A/c	Dr.	50,000	
	To Realisation A/c			50,000
ii)	(Creditors) Realisation A/c	Dr.	4,000	
	To 7% Debenture App. A/c.			4,000

Q.8. List the items which are shown under the heading of 'Current Assets' in balance sheet as per provisions of Schedule VI.

- A.8. i) Current investments.
 ii) Inventories.
 iii) Trade receivables.
 iv) Cash and cash equivalents.
 v) Short term loans and advances.
 vi) Other current assets.

Q.9. Under what heads the following items will appear in balance sheet:

- i) Loose tools ii) Bank balance iii) Mining rights

A.9. i) Current Assets ii) Cash and cash equivalents iii) Intangible Assets.

Q.10. DER is 2:1. State with reasons whether this will increase, decrease or no change in following transactions:

- i) A trade payable of Rs.5,000 was paid.
 ii) Issued equity shares of Rs.2,00,000.
 iii) Issued 9% debentures of Rs.1,00,000.

A.10. i) 2,00,000	ii) 2,00,000	iii) 2,00,000+1,00,000
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1,00,000	1,00,000 + 2,00,000	1,00,000
No change.	Reduce	Improve.

4 marks questions

Q.1. A, B and C were partners sharing profits in ratio of 5:3:2. Balance sheet on 1st April, 2011 was as

follows:

LIABILITIES		AMOUNT	ASSETS		AMOUNT
Creditors		20000	Cash	16000	
Employee PF		26000	Debtors	16000	
Capitals:	A	100000	Stock	80000	
	B	70000	Furniture	34000	
	C	50000	Building	120000	
		266000		266000	

C retires on the above date and it was agreed that:

- i) C's share of goodwill was Rs.80,000.
- ii) 5% provision for doubtful debts was to be made on debtors.
- iii) Creditors were valued Rs.4,000 more than the book value.

Pass necessary journal entries for the above transactions.

A.1.	S.No.	Particulars	L.F.	Amount	Amount
	i)	Revaluation A/c. Dr.		4800	
		To provision for bad debts.			800
		To creditors			4000
	ii)	A's Capital A/c. Dr.		2400	
		B's Capital A/c. Dr.		1440	
		C's Capital A/c. Dr.		960	
		To revaluation A/c.			4800
	iii)	A's Capital A/c. Dr.		5000	
		B's Capital A/c. Dr.		3000	
		To C's capital A/c.			8000
	iv)	C's Capital A/c. Dr.		57040	
		To C's loan A/c.			57040
		Opening capital		50000	
		+ G/W share		8000	
		- Loss on rev.		960	
				57040	

- Q.2. Reghav 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:
Machinery Rs.4,00,000, Building Rs.6,00,000, Stock Rs.5,00,000, Debtors Rs.3,00,000, Creditors Rs.2,00,000. Record journal entries in books of Raghav.

A.2.	S.No.	Particulars	L.F.	Amount	Amount
	i)	Machinery A/c Dr.		400000	
		Building A/c Dr.		600000	
		Stock A/c Dr.		500000	
		Debtors A/c Dr.		300000	
		To Creditors A/c.			200000
		To Krishna			1500000

		To Capital Reserve.		100000
ii)	Krishna A/c	Dr.	300000	
		To Bank A/c.		300000
iii)	Krishna A/c.	Dr.	300000	
		To Share Cap. A/c.		100000
		To Sec. Premium A/c.		200000

Q.3. Company issued 100000 shares of Rs.10 each. The amount payable on application was Rs.2, Rs.4 on allotment and Rs.4 on first call. A shareholder holding 100 shares failed to pay allotment money and his shares were forfeited. Company did not call the first call. Show how the 'share capital' will be shown in Balance Sheet.

A.3.

PARTICULARS	AMOUNT
1. Equity and liabilities:	
Shareholders fund	
(a) Share cap.	59600
Notes to Accounts	
Share capital:	
Authorised capital	
Issued capital:	
10000 equity shares @10 each	100000
Subscribed capital:	
9900 shares of 10 each	
Rs.6 called up	59400
+ share forfeited	200

Q.4. N, D and A are partners sharing profits in ratio of 5:3:7. On 1.4.2012 N retired and D and A decide to share future profits in ratio of 2:3. Capital accounts of D and A show a balance of Rs.33000 and Rs.70500. The total amount paid to N is 90500.