

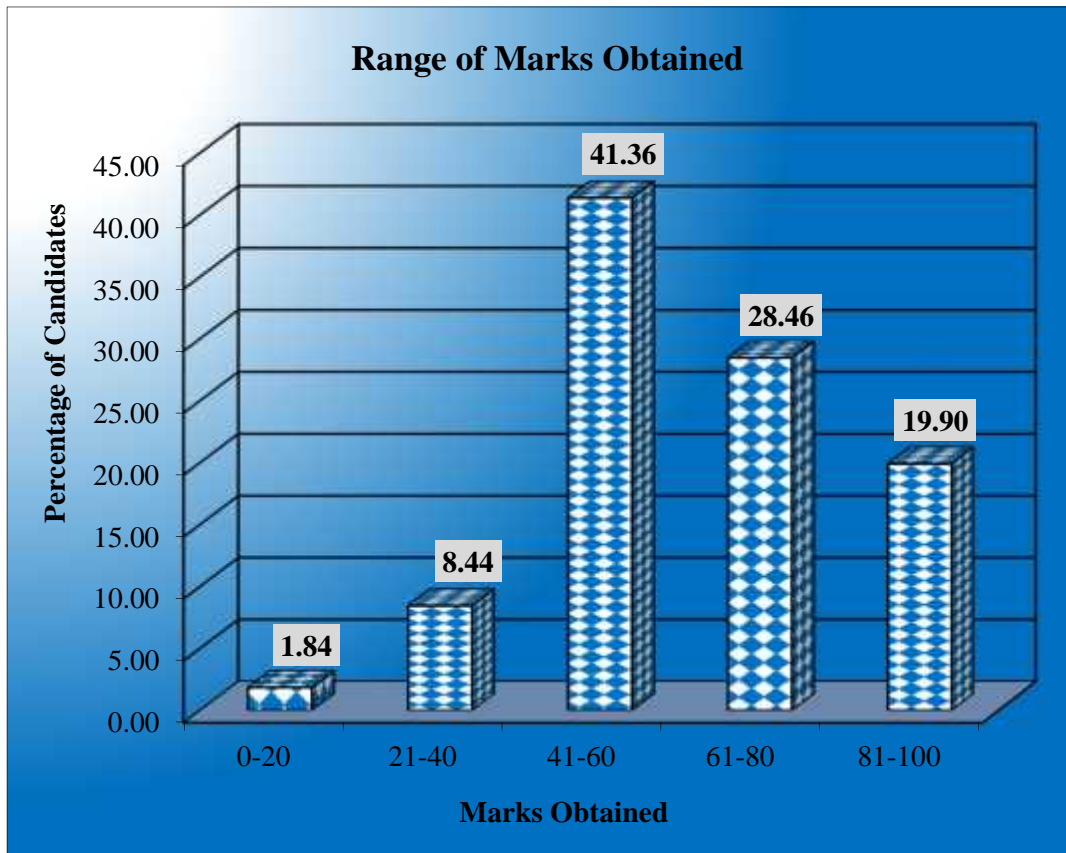
# ACCOUNTS

## STATISTICS AT A GLANCE

Total Number of students who took the examination	28,548
Highest Marks Obtained	100
Lowest Marks Obtained	1
Mean Marks Obtained	61.73

### Percentage of Candidates according to marks obtained

Details	Mark Range				
	<i>0-20</i>	<i>21-40</i>	<i>41-60</i>	<i>61-80</i>	<i>81-100</i>
Number of Candidates	526	2409	11808	8125	5680
Percentage of Candidates	1.84	8.44	41.36	28.46	19.90
Cumulative Number	526	2935	14743	22868	28548
Cumulative Percentage	1.84	10.28	51.64	80.10	100.00



## B. ANALYSIS OF PERFORMANCE

### 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?

#### Comments of Examiners

- (i) A number of candidates could not attempt this question correctly. Some candidates wrote the meaning of accounting cycle, while some others explained the meaning of an accounting year. There were candidates who were not clear about the difference between acquisition of assets and acquisition of assets for processing.
- (ii) In this part, a number of candidates gave the difference between interest on loan and interest on capital. Some candidates wrote incorrect items to be shown in the Partner's Loan Account and Partner's Capital Account.
- (iii) A number of candidates could answer this question satisfactorily. However, a few lost marks as they could not distinguish correctly between adjusting and closing entry. Some passed the entry through fluctuating capital account.
- (iv) Majority of the candidates could not answer this question satisfactorily. They passed the entry as if the

#### Suggestions for teachers

- Explain the meaning of the terms in the Schedule VI / Schedule III of the Companies Act. While explaining current assets and current liabilities, operating cycle needs to be discussed.
- The difference between *partner's loan account* and *partner's capital account* must be brought out through explanation when teaching their preparation.
- Clarify the meaning of adjusting and closing entries while teaching Financial Statements in class eleven itself.
- Stress should be laid (both in Partnership and Company Accounts) on passing the journal entries and not only on making ledger accounts.

expenses were met by the firm and not the firm making the payment on behalf of the firm.

- (v) Most of the candidates could not answer this question well. They either passed the entry through no separate set of books method wherein all covertures record all transactions or the journal entry where they debited Memorandum Joint Venture Account.
- (vi) Several candidates could not answer this part correctly.

- Explain the various conditions for payment of realization expenses.
- Give adequate practice to students on the entries to be passed regarding the treatment of realization expenses.
- Explain to students that the Memorandum Joint Venture A/c is not a part of the double entry system of accounting.
- Give practice to students on the entries to be passed in all the three methods of Joint Venture Accounts.
- Explain the concept of the amount of maximum discount to be given to the shareholders on the reissue of forfeited shares/ minimum price at which forfeited shares could be reissued while teaching the journal entries on reissue.

## MARKING SCHEME

### Question 1

- (i)
- An operating cycle is the time between the acquisition of assets for processing and their realization in cash or cash equivalents.
  - When the normal operating cycle cannot be identified, it is assumed to have a duration of 12 months.

(ii)

Partner's Loan Account		Partner's Capital Account	
(a)	In the absence of an agreement, a partner is entitled to receive interest @ 6% per annum on his loan a/c	(a)	In the absence of an agreement, no interest is allowed on a partner's capital account.
(b)	Partner's Loan Account will always reflect a Credit Balance	(b)	Partner's Capital Account may reflect a debit or a credit balance if the capitals are based on the fluctuating capital method.
(c)	Partner's Loan is repaid before Partner's Capital.		Partner's Capital is repaid after Partner's Loan.

*(any one)*

(iii) Adjusting entry:

Partner's commission A/c                      Dr.

    To Partner's current A/c

Closing entry:

Profit and Loss Appropriation A/c              Dr.

    To Partner's commission A/c

(iv) Partner's capital a/c                      Dr

    To Cash / Bank a/c

(v) Purchases / Stock/ Asset A/c                      Dr

    To Joint Venture with ..... A/c

(vi) Equal to the amount unpaid / calls in arrears on the forfeited shares

OR

It should not be less than the amount unpaid / calls in arrears on the forfeited shares.

OR

The minimum price is equal to the amount called up less amount forfeited/ received.

OR

The amount of discount given on the re-issued shares should not exceed the amount forfeited / received on these shares.

**PART II (48 Marks)**  
(Answer any *four*)

[12]

**Question 2**

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

**Trial Balance as at 31<sup>st</sup> 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	
<b>Total</b>	<b>7,26,000</b>	<b>7,26,000</b>

Comments of Examiners

Majority of the candidates could answer this question satisfactorily. A few candidates considered Stores and Spares as fixed tangible assets and not as current assets - inventories. Some candidates did not disclose 'Share Capital' in Notes to Accounts. A few candidates presented the Balance Sheet in the Horizontal format.

Suggestions for teachers

- Refer to the guidelines issued by the Council regarding the preparation of the Balance Sheet as per the Revised Schedule VI / Schedule III of the Companies Act and the type of problems to be done in the class from this topic.
- Emphasis must be laid on the heading of the Balance Sheet - Name of the company and the date of its preparation.
- Emphasis should be laid on preparation of Notes to Accounts.

## MARKING SCHEME

### Question 2

#### Balance Sheet of Moonlight Ltd. As at 31<sup>st</sup> March 2014

Particulars	Note	Current Year (₹)
<b>I EQUITY AND LIABILITIES</b>		
<b>1. Shareholders' Fund</b>		
(a) Share Capital	1	3,98,000
(b) Reserves & Surplus (General reserve)	2	1,30,000
<b>2. Non – Current Liabilities</b>		
(a) Long-Term Borrowings (16% mortgage loan)	3	1,70,000
<b>3. Current Liabilities</b>		
(a) Short Term Provisions (provision for tax)	4	26,000
<b>Total</b>		<u><u>7,24,000</u></u>
<b>II ASSETS</b>		
<b>1. Non-Current Assets</b>		
(a) Fixed Assets		
(i) Tangible Assets (Plant and Machinery)	5	2,90,000
(ii) Intangible Assets (Goodwill)	6	40,000
<b>2. Current Assets</b>		
(a) Current Investments (Marketable Securities)	7	5,000
(b) Inventories (Stores and Spares)	8	1,15,000
(c) Trade Receivables	9	2,56,000
(d) Cash & Cash Equivalents (Cash in hand)	10	18,000
<b>Total</b>		<u><u>7,24,000</u></u>

#### Notes to Accounts

Particulars	
<b>1. Share Capital</b>	
Authorized Capital	.....
.....Equity Shares of Rs.10 each	
Issued Capital	-----
..... equity shares of Rs.10 each	
Subscribed Capital	
Subscribed and Not Fully Paid Up	
40000 share of Rs.10 each	4,00,000
Less Calls in Arrears	(2,000)
	3,98,000

<b>2. Reserves &amp; Surplus</b>	
General Reserve	1,30,000
<b>3. Long-Term Borrowings</b>	
16% Mortgage Loan	1,70,000
<b>4. Short Term Provisions</b>	
Provision for Tax	26,000
<b>5. Tangible Assets</b>	
Building	2,90,000
<b>6. Intangible Assets</b>	
Goodwill	40,000
<b>7. Current Investment</b>	
Marketable securities	5,000
<b>8. Inventories-</b>	
Stores & Spares	1,15,000
<b>9. Trade Receivables</b>	
Debtors	1,66,000
Bills receivable	<u>90,000</u>
	<u>2,56,000</u>
<b>10. Cash &amp; Cash Equivalents</b>	
Cash in Hand	18,000

### 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.**

Comments of Examiners

Majority of the candidates were able to attempt this question satisfactorily. However, a few candidates did not show the profit made on the sale of shares in the joint venture accounts. Some candidates did take the amount of profit but wrote incorrect particulars about it. Several candidates did not transfer the balance to be paid to the coventureres in the Joint Bank Account. A few candidates wrote 'Bank A/c' in the Joint Venture A/c instead of 'Joint Bank A/c'. Those candidates who solved the question through shares account got the correct solution.

Suggestions for teachers

- The contract sums, where part payment is done through debentures / shares must be explained to students through journal entries and ledger accounts.
- For better understanding, students must be taught this topic through the preparation of Shares / Debentures A/c
- While preparing ledger accounts, the correct particulars must be stressed upon.

**MARKING SCHEME**

**Question 3**

**Joint Bank A/c**

Particulars	Amount	Particulars	Amount
To Amit	25,00,000	By Joint Venture A/c	15,40,000
To Sumit	10,00,000	By Joint Venture A/c	11,00,000
To Joint Venture A/c	10,00,000	By Joint Venture A/c	8,25,000
To Shares / JV A/c	44,00,000	By Amit	34,55,000
		By Sumit	19,80,000
	89,00,000		89,00,000

**Joint Venture A/c**

Particulars	Amount ₹	Particulars	Amount ₹
To Amit (Bricks)	4,80,000	By Amit (Plant)	5,25,000
To Sumit (Iron)	55,000	By Joint Bank A/c	10,00,000



To Sumit (Timber)	3,25,000	By Shares / JB A/c	40,00,000
To Joint Bank (cement) A/c	11,00,000	By Shares (Gain) / JB A/c	4,00,000
To Joint Bank (exp) A/c	8,25,000		
To Joint Bank (plant) A/c	15,40,000		
To Profit			
Amit	10,00,000		
Sumit	6,00,000		
	59,25,000		59,25,000

Co- Venturers' A/c					
Particulars	Amit	Sumit	Particulars	Amit	Sumit
To Joint Venture	5,25,000		By Joint Bank A/c	25,00,000	10,00,000
To Joint Bank	34,55,000	19,80,000	By Joint Venture	4,80,000	
			By Joint Venture		55,000
			By Joint Venture		3,25,000
			By Joint Venture	10,00,000	6,00,000
	39,80,000	19,80,000		39,80,000	19,80,000

#### 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 31<sup>st</sup> March, 2014, was as follows:

#### Balance Sheet as at 31<sup>st</sup> 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	Doubtful Debts (2,000)	10,000
	70,000	Cash in hand	40,000
	<b>1,00,000</b>		<b>1,00,000</b>

Karim was to be taken as a partner with effect from 1<sup>st</sup> 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.**

#### Comments of Examiners

A number of candidates were unable to attempt this question satisfactorily.

Common errors made by candidates were:

- The date of the Balance Sheet of the reconstituted firm was either missing or was incorrect.
- Candidates could not calculate the gaining partner's compensation to the sacrificing partner regarding the self-generated goodwill.
- A few candidates did not take into account the reduction in the value of furniture. Hence they got an incorrect loss on revaluation of assets and liabilities.
- Some candidates prepared ledger accounts instead of passing journal entries.

#### Suggestions for teachers

- Give adequate practice to students in calculating the total goodwill of the firm on the basis of the new partner's goodwill and from there calculating the old partner's (the one who gains) compensation to the partner who sacrifices.
- Revaluation of assets and liabilities must be done thoroughly especially when a partner takes over an asset or discharges a liability at a value other than the book value.
- Stress upon writing the correct Balance Sheet date.
- Give adequate practice to students in passing journal entries.

## MARKING SCHEME

### Question 4

Working Notes: OR Gautam : Rahul= 2:3

NR: Gautam : Rahul: Karim = 5:3:2

SR Gautam=  $2/5 - 5/10 = -1/10$  (gain)

Rahul=  $3/5 - 3/10 = 3/10$

#### Journal

Date	Particulars	L.F	Amount	Amount
	Cash a/c Dr		50,000	
	To Karim's Capital a/c			40,000
	To Premium for goodwill a/c			10,000
	(Being cash brought in for capital and goodwill)			
	Gautam's Capital a/c Dr		5,000	
	Premium for goodwill a/c Dr		10,000	
	To Rahul's Capital a/c			15,000
	(Being Rahul compensated)			
	Revaluation a/c Dr		3,400	
	To Provision for doubtful debts			400
	To Furniture a/c			3,000
	(Being assets and liabilities revalued)			
	Gautam's Capital a/c Dr		1,360	
	Rahul's Capital a/c Dr		2,040	
	To Revaluation a/c			3,400
	(Being loss on revaluation incurred by the old partners)			
	Gautam's Capital a/c Dr		22,000	
	To furniture a/c			22,000
	(Being furniture taken over by Gautam)			
	General Reserve a/c Dr		10,000	
	To Gautam's Capital a/c			4,000
	To Rahul's Capital a/c			6,000
	(Being GR transferred to old partners capital accounts)			
	Gautam's Capital a/c Dr		4,000	
	Rahul's Capital a/c Dr		6,000	
	To Goodwill a/c			10,000
	(Being purchased goodwill w /off from the capital accounts of the old partners in the Old Ratio)			

**Balance Sheet of Gautam, Rahul and Karim**  
**As at 1<sup>st</sup> April, 2014**

Liabilities	Amount	Assets	Amount
Capital Accounts		Stock	15,000
Gautam 1,640		Debtors 12,000	
Rahul 52,960		Less Prov (2,400)	9,600
Karim 40,000	94,600		
Sundry Creditors	5,000	Cash 40,000	
Bills Payable	15,000	+ 50,000	90,000
	1,14,600		1,14,600

**Question 5**

[12]

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

**Balance Sheet as at 31<sup>st</sup> 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 <u>54,000</u>	2,00,400	Cash in Hand	24,000
		Advertisement Suspense	<u>12,000</u>
	<b>2,55,600</b>		<b>2,55,600</b>

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

- 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
- Trade marks to be revalued at ₹ 19,200; plant at 80% of its book value and land building at ₹ 57,600.
- Krishna's share of profit to the date of his death to be calculated on the basis of previous year's profit.
- Interest on capital to be provided @10% per annum.
- ₹ 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.**

Comments of Examiners

Majority of the candidates were able to attempt this question satisfactorily. However, some candidates could not calculate the revaluation loss as they took the revised value of the trade marks in the revaluation account instead of the change. Some candidates showed the payment in the deceased partner's capital account and not in his executor's account. In the deceased partner's capital account, a few candidates, posted the interest on capital amount directly through P/L Suspense A/c.

Suggestions for teachers

- Teach revaluation of assets and liabilities thoroughly
- Stress should be laid upon the correct mode of closing a deceased partner's capital account.

**MARKING SCHEME**

**Question 5**

**Working Notes**

**1. Krishna's share of goodwill:**

- Average profits of past three years =  $[31200 + 28800 + 36000] = 96000/3 = ₹ 32000$   
Value of firm's goodwill =  $2 \times 32000 = ₹ 64000$ -
- Krishna's share of goodwill -  $5/10^{\text{th}}$  of ₹ 64000 = ₹ 32000

**2. Krishna's share of Profit from the date of last balance sheet till his death**

- Previous year's profit i.e. for the year 2012-13 = ₹ 36000
- Firm's profit from 1.4.13 to 30.09.2014 based on previous year =  $36000 \times 6/12 = ₹ 18000$
- Krishna share of profit =  $₹ 18000 \times 5/10 = 9000$

**3. Krishna's Interest on capital for six months**

$69600 \times 10/100 \times 6/12 = ₹ 3480$

**Revaluation Account**

Particular	Amount	Particulars	Amount
To Trade Marks	7,200	By Land & Building	9,600
To Plant	14,400	By Loss : Ram 3,600	
		Krishna 6,000-	
		Mohan 2,400	12,000
	<u>21,600</u>		<u>21,600</u>

### Krishna's Capital Account

Particulars	Amount	Particulars	Amount
To Advertisement Suspense	6,000	By Balance b/d	69,600
To Revaluation	6,000	By General Reserve	8,000
To Krishna's Legal Representative A/c	1,10,080	By Ram's Capital	19,200
		By Mohan's Capital	12,800
		By Profit & Loss	
		Suspense	9,000
		By Interest on Capital	
			3,480
	<u>1,22,080</u>		<u>1,22,080</u>

### Krishna's Legal Representative Account

Particulars	Amount	Particulars	Amount
To Cash/Bank	60,080	By Krishna's Capital A/c	110080
To Krishna's L/R Loan A/c /	50000		
Balance c/d	<u>110080</u>		<u>110080</u>

### Question 6

[12]

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

On Application ₹ 4

On Allotment ₹ 1

On 1<sup>st</sup> Call ₹ 3

On 2<sup>nd</sup> 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 31<sup>st</sup> March, 2014.**

### Comments of Examiners

A number of candidates attempted this question satisfactorily. However, a few candidates did not take into consideration that the company was doing prorata allotment and hence they took the entire surplus as advance payment of allotment in advance instead of allotment and calls in advance. Several candidates did not open calls-in arrears a/c. Some candidates transferred securities premium received on reissue to capital reserve account. A few candidates did not write the narrations of the journal entries.

#### Suggestions for teachers

- Adequate practice must be given to students on problems involving pro-rata allotment of shares
- Insist that any installment not paid by a shareholder has to be taken in calls in arrears account and any call amount received in advance has to be transferred to calls in advance account and not to the concerned call account.
- Tell students that all journal entries must be accompanied with narrations.

### **MARKING SCHEME**

#### **Question 6**

Date	Particulars	L.F	Amount	Amount
	Bank a/c Dr		120000	
	To Share Application a/c			120000
	(Being share application money received)			
	Share Application a/c Dr		120000	
	To Share Capital a/c			80000
	To Share Allotment a/c			20000
	To Calls- in advance a/c			20000
	(Being share application money transferred to share capital, surplus to share allotment and 1 <sup>st</sup> call)			
	Share Allotment a/c Dr		20000	
	To Share Capital a/c			20000
	(Being share allotment due)			
	Share 1 <sup>st</sup> Call a/c Dr		60000	
	To Share Capital a/c			60000
	(Being share 1 <sup>st</sup> call due)			
	Bank a/c Dr		40000	
	Calls-in-advance a/c Dr		20000	

	To Share 1 <sup>st</sup> Call a/c			60000
	(Being share 1 <sup>st</sup> call received)			
	Share 2 <sup>nd</sup> and Final call a/c	Dr	40000	
	To Share Capital a/c			40000
	(Being 2 <sup>nd</sup> call due)			
	Bank a/c	Dr	39800	
	Calls-in-arrears a/c	Dr	200	
	To Share 2 <sup>nd</sup> and Final Call a/c			40000
	(Being share 2 <sup>nd</sup> call received)			
	Share Capital a/c Dr		1000	
	To Share Forfeiture a/c			800
	To Calls –in-arrears a/c			200
	(Being 100 shares forfeited)			
	Bank A/c	Dr	840	
	To Share Capital A/c			700
	To Securities Premium Reserve A/c			140
	(Being 70 Shares reissued)			
	Share Forfeiture A/c	Dr	560	
	To Capital Reserve A/c			560
	(Being Net gain on forfeited gain transferred to Capital Reserve)			

### Question 7

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

- Profits will be shared by them in the ratio of 2:2:1.
- Interest on capital to be allowed at rate of 6% per annum.
- Interest on drawings to be charged at the rate of 3% per annum.
- Ali to be given a salary of ₹ 500 per month.
- 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 1<sup>st</sup> April, 2013, were:

Rohit- ₹ 1,20,000; Ali- ₹ 1,00,000; Sneha- ₹ 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. Profits 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.**

Comments of Examiners

(a) Most of the candidates attempted this part of the question satisfactorily. However,

- a few candidates did not take the partner's guarantee to the firm into consideration and hence got incorrect profits;
- some candidates went wrong in the calculation of partners' interest on drawings.

(b) Many candidates answered this question satisfactorily. However, a few lost marks for not preparing the journal format or writing the narration. Several candidates passed the rectified entry through the partners' current accounts and not capital accounts.

Suggestions for teachers

- Give adequate practice to students in calculating interest on drawings.
- Deal with all the three forms of guarantee.
- Even for a single journal entry, insist upon journal format and narration of the entry.

**MARKING SCHEME**

**Question 7**

(a) Profit and Loss Appropriation A/c							
Particulars		Amount		Particulars		Amount	
To Interest on capital				By Net Profit b/d		70,000	
Rohit	7,200			By Ali's Capital		10,000	
Ali	6,000			By interest on drawings			
Sneh	6,000	19,200		Rohit	195		
To Salary (Ali)		6,000		Ali	195		
To Profit / Capital				Sneh	195	585	
Rohit	22,154						
Ali	22,154						
Sneh	11,077	55,385					
		80,585				80,585	
	Partners' Capital A/c						
Particulars	Rohit	Ali	Sneh	Particulars	Rohit	Ali	Sneh
To Drawings	12,000	12,000	12,000	By Bal. b/d	1,20,000	1,00,000	1,00,000
To IOD	195	195	195	By IOC	7,200	6,000	6,000
To P/L App		10,000		By Salary		6,000	
To Bal. c/d	1,37,159	1,11,959	1,04,882	By Profit	22,154	22,154	11,077
	1,49,354	1,34,154	1,17,077		1,49,354	1,34,154	1,17,077

<b>(b) Adjusting Journal entry</b>				
Date	Particulars	L.F	Amount	Amount
	Sia's capital A/c <span style="float: right;">Dr</span>		3,600	
	To Veera's Capital A/c			3,600
	(Being error rectified)			
<b>Working Notes:</b>				
Table Showing adjustments				
Partners	Amount which has been credited	Amount which should have been credited	Difference (Debit or Credit)	
Veera	7,200	10,800	3,600 (Credit)	
Sia	10,800	7,200	3,600 (Debit)	

### Question 8

[12]

On 1<sup>st</sup> 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 31<sup>st</sup> March, 2014.

### Comments of Examiners

Majority of the candidates answered this question satisfactorily. Some candidates attempted the question by considering issue of ten lakh debentures instead of one lakh debentures. Several candidates calculated the incorrect amount of interest on debentures. A few candidates did not pass the entry to close the interest on debentures account.

#### Suggestion for teachers

- Give adequate practice to students on calculating interest on debentures and lay stress on the fact that all expenses accounts have to be closed at the end of the year.

<b>MARKING SCHEME</b>				
<b>Question 8</b>				
Date	Particulars	L.F	Amount	Amount
1/3	Bank a/c Dr To Debenture Application a/c (Being deb app money received)		4,00,000	4,00,000
	Deb App a/c Dr To 15% Debenture a/c (Being deb app money tsfd to deb a/c)		4,00,000	4,00,000
	Deb Allot a/c Dr Loss on issue of Deb a/c Dr To 15% Debentures a/c To Premium on Redemption of Deb a/c ( Being allot money due)		5,20,000 1,30,000	6,00,000 50,000
	Bank a/c Dr To Debenture allotment a/c (Being debenture allot received)		5,20,000	5,20,000
30/9	Interest on Debentures a/c Dr To Debenture holders a/c (Being int on deb due)		75,000	75,000
	Debenture holders a/c Dr To Bank a/c (Being interest on debentures paid)		75,000	75,000
31/3	Interest on Debentures a/c Dr To Debenture holders a/c (Being int on deb due)		75,000	75,000
	Debenture holders a/c Dr To Bank a/c (Being interest on debentures paid)		75,000	75,000
31/3	Statement of P/L Dr To interest on Debentures To Loss on Issue of Debentures (Being Loss on issue of Debe and interest on deb written off from St of P/L)		2,80,000	1,50,000 1,30,000

**Debentures A/c**

Particulars	Amount	Particulars	Amount
To Balance c/d	10,00,000	By Debenture app a/c	4,00,000
		By Debenture allot a/c	5,20,000
		By Loss on Issue of Deb a/c	80,000
	10,00,000		10,00,000

## 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 31<sup>st</sup> March, 2014 and 31<sup>st</sup> March, 2013**

	Particulars	Note No.	31.03.2014 ₹	31.03.2013 ₹
<b>I</b>	<b>EQUITY AND LIABILITIES</b>			
<b>1.</b>	<b>Shareholders' Funds</b>			
	(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
<b>2.</b>	<b>Non-Current Liabilities</b>			
	(a) Long Term Borrowing		1,00,000	2,00,000
<b>3.</b>	<b>Current Liabilities</b>			
	(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
	<b>TOTAL</b>		<b>10,75,000</b>	<b>8,90,000</b>
<b>II</b>	<b>ASSETS</b>			
<b>1.</b>	<b>Non-Current Assets</b>			
	(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	--
<b>2.</b>	<b>Current Assets</b>			
	(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
	<b>TOTAL</b>		<b>10,75,000</b>	<b>8,90,000</b>

**Notes to Accounts:**

Particulars		31.03.2014 ₹	31.03.2013 ₹
<b>1</b>	<b>Short term provisions</b>		
	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.

Comments of Examiners

While a number of candidates could answer this question satisfactorily, a few lost marks for considering bank loan as an item in working capital changes whereas it should have been considered as a financing activity. Some candidates were not able to calculate the depreciation charged on fixed assets. A few could not calculate the tax paid during the year.

Suggestions for teachers

- Refer to the scope of the syllabus for the treatment of the items while preparing a Cash Flow Statement.
- Give adequate practice to students to find out depreciation charged on fixed assets through the preparation of relevant accounts.
- Adequate practice should also be given to students to prepare Provision for Tax A/c. The students need to be taught to write the year for which the Cash Flow Statement is prepared.

**MARKING SCHEME****Question 9****Working Note: 1****Building A/c**

<b>Particulars</b>	<b>Amount</b>	<b>Particulars</b>	<b>Amount</b>
To Balance b/d	6,00,000	By depreciation	12,000
To Cash (purchase)	75,000	By Cash a/c (sale)	58,000
		By loss on sale a/c	5,000
		By Balance c/d	6,00,000
	6,75,000		6,75,000

**Working Note: 2****Provision for Tax A/c**

<b>Particulars</b>	<b>Amount</b>	<b>Particulars</b>	<b>Amount</b>
To Cash a/c	50,000	By Balance b/d	40,000
To Balance c/d	70,000	By St of P/L	80,000
	1,20,000		1,20,000

**Working Note :3**

St of P/L	1,00,000
Proposed dividend	60,000
Provision for Tax	80,000
Net Profit before Tax	2,40,000

**Cash Flow Statement for the year ending 31<sup>st</sup> March, 2014**

<b>Particulars</b>			
<b>I. Cash From Operating Activities</b>			
<b>NP before Tax (WN 3)</b>		2,40,000	
<u>Add non op / non cash exp</u>			

Depreciation on Building		12,000	
Loss on sale of Building		5,000	
Patents w/off		5,000	
<b>Net Op Profit before WC changes</b>		2,62,000	
Less Trade Payables	(15,000)		
Less Inventories	(5,000)		
Less Trade Receivables	(55,000)	(75,000)	
<b>Cash from Operating Activities before Tax paid</b>		1,87,000	
Less Tax paid		(50,000)	
<b>Cash Flow from Operating Activities</b>			1,37,000
<b>II. Cash From Investing Activities</b>			
Purchase of Building		(75,000)	
Sale of Building		58,000	
Purchase of Non- Current Investment		(75,000)	
<b>Cash used in Investing Activities</b>			(92,000)
<b>III. Cash From Financing Activities</b>			
Issue of Share Capital		2,00,000	
Repayment of long term borrowing		(1,00,000)	
Dividend paid		(80,000)	
Bank Loan repaid		(10,000)	
<b>Cash Flow from Financing Activities</b>			10,000
<b>Net increase in Cash as per I, II and III</b>			55,000
Add Op Cash and Cash Equivalents			30,000
Cash			
Closing Cash and Cash Equivalents			
Cash		<u>85,000</u>	<u>85,000</u>
		85,000	85,000

**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

**Comments of Examiners**

- (a) A number of candidates were unable to answer this question.
- (b) While many candidates could attempt this question satisfactorily, some lost marks for not putting the periods for which the statements were being compared.
- (c) Most of the candidates were able to answer this question. However, some candidates did not put the dates for which the statements were being prepared.

**Suggestions for teachers**

- Explain to students the reason behind the preparation of Common size statements.
- Insist upon the complete heading along with the date / period of any account / statement to be prepared by students.



## MARKING SCHEME

### Question 10

- (a)
- To explain changes in various items in relation to revenue from operations, total assets and total liabilities.
  - To establish a relationship between various items in the income statement or balance sheet with revenue from operations and total assets / liabilities.
  - To provide a common base for comparison.
  - To compare companies of different sizes in the same industry.
  - To point out important changes in the components from one year to the next.

(any two)

(b) **Comparative Statement of Profit and Loss of Simon Ltd.  
For the years ending 31<sup>st</sup> March 2014 and 31<sup>st</sup> March 2013**

Particulars	31.03.2014	31.03.2013	Absolute change	Percentage change
Revenue from operations	15,00,000	12,00,000	3,00,000	25
Other income	30,000	20,000	10,000	50
<b>Total revenue</b>	15,30,000	12,20,000	3,10,000	25.41
Cost of materials consumed	7,00,000	5,50,000	1,50,000	27.27
<b>Total expenses</b>	7,00,000	5,50,000	1,50,000	27.27
<b>Profit before tax</b>	8,30,000	6,70,000	1,60,000	23.88

(c) **Common size Balance Sheet of Mint Ltd.  
as at 31<sup>st</sup> March 2014 and 31<sup>st</sup> March 2013**

Particulars	Years		% of Balance sheet total	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
I. Equity and Liabilities				
1. Shareholders funds				
(a) Share capital	1,50,000	1,20,000	75	63.16
(b) Reserves and surplus	30,000	30,000	15	15.79
2. Current liabilities				
(a) Trade payables	20,000	40,000	10	21.05
Total Liabilities	2,00,000	1,90,000	100	100
II. Assets				
1. Non-current assets				
(a) Fixed Assets				
(i) Tangible Asset	2,00,000	1,90,000	100	100
Total Assets	2,00,000	1,90,000	100	100

### 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

### Comments of Examiners

- (a) Most of the candidates could calculate Inventory Turnover Ratio satisfactorily. For Gross Profit Ratio, a few candidates used the term Net Sales instead of Revenue from operations, as given in the question. Many candidates were unable to calculate the correct net profit. They did not take dividend received as an income.
- (b) A number of candidates could not answer this question satisfactorily. They did not seem to be familiar with the concept.
- (c) While giving the formula for Earning per share, a few candidates took number of shares into consideration instead of number of equity shares. For Trade Payables turnover ratio, instead of Average Trade Payables, a few candidates expanded Average Trade Payables and while showing its components, they used the term Average Creditors instead of Average Trade Creditors.

#### Suggestions for teachers

- Refer to the scope of the syllabus for correct terminology to be used in the formulae for calculating ratios. Adequate practice must be given for calculating profit made by the business from information given in the form of an extract.
- Explain ratios in detail. The scope of the syllabus, sample papers and guidelines must be referred to for specimen questions which could be asked from the students in the examination.

### **MARKING SCHEME**

#### **Question 11**

(a) (i) **Gross Profit Ratio:** 
$$\frac{\text{Gross Profit}}{\text{Revenue from Operations}} \times 100$$

$$\begin{aligned}\text{Gross profit} &= [70,000 + 2,80,000] + 80,000 - [60,000 + 2,97,000 + 3,000] \\ &= 4,30,000 - 3,60,000 = 70,000 \\ \text{GP Ratio} &= \frac{70,000}{3,50,000} \times 100 \\ &= 20 \%\end{aligned}$$

(ii) **Inventory Turnover Ratio =**

$$\begin{aligned}& \frac{\text{Cost of Revenue from Operation}}{\text{Average Inventory}} \\ &= \frac{2,80,000}{70,000} \\ &= 4 \text{ times}\end{aligned}$$

(iii) **Net Profit Ratio:**

$$\frac{\text{Net Profit}}{\text{Revenue from Operations}} \times 100$$

$$= \frac{22,000}{3,50,000} \times 100$$

$$= 6.29\%$$

(b) (i) Increase

(ii) Reduce

(c) (i) **Earning per share:**

$$\frac{\text{Net Profit after Tax and Preference Dividend}}{\text{No. of Equity Shares}}$$

(ii) **Trade Payables Turnover Ratio:**

$$\frac{\text{Net Credit Purchases}}{\text{Average Trade Payables}}$$

## SECTION C

*Answer any **two** questions*

### Question 12

- (a) Give the address of the cell at 25<sup>th</sup> row and the 8<sup>th</sup> 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%.

### Comments of Examiners

Few candidates attempted this question. Many of those who attempted this question could not answer it correctly.

### Suggestion for teachers

- Give more practice to students in attempting similar type of questions.

## **MARKING SCHEME**

### **Question 12**

- (a) H25
- (b) Range of cells is a group of one or more contiguous/ adjacent cells (cells sharing common border) that forms a rectangular area in shape.  
It is specified by giving the addresses of the first cell and the last cell.
- (c) Three types of entries allowed in a worksheet are
- (i) Label- The text entry
  - (ii) Value- The numbers
  - (iii) Formulas
- (d) Because in MS Excel, the formula starts with equal to sign (=), otherwise the entry will be treated as a 'text'.
- (e) = B5 \* C5\* IF (B5>=50000,6%,5%)  
Or  
=IF (B5>=50000,6%,5%) \* B5 \* C5  
OR  
= B5 \* C5\* (IF (B5>=50000,6%,5%))  
Or  
= (IF (B5>=50000,6%,5%)) \* B5 \* C5

*Any one*

### 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]

#### Comments of Examiners

Few candidates attempted this question. Many of those who attempted this question could not answer it correctly

#### Suggestion for teachers

- Give more practice to students in attempting similar type of questions.

#### MARKING SCHEME

##### Question 13

- (a) (i) = E3\*80%  
Or  
= E3\*.08  
Or  
=(E3-E3\*20%)  
Or  
= (E3-E3\*0.2)

Any one

(ii)	$= 4,800 * 125\%$ Or $= 4,800 * 1.25$ Or $= 4,800 + 4800 * 25\%$ Or $= 4,800 + 4,800 * 0.25$ Or Rs 6,000	<i>Any one</i>
(b)	$= F3 + F4 + F5 + F6$ Or $= \text{Sum}(F3:F6)$	<i>Any one</i>
(c)	$= \text{Sum}(B5:E5) * 10\%$ Or $= (B5 + C5 + D5 + E5) * 10\%$ OR $= (B5 + C5 + D5 + E5) * 0.10$ Or Calculate F5 by using the formula $= \text{Sum}(B5:E5)$ or $= B5 + C5 + D5 + E5$ Then use the formula $= F5 * 10\%$ Or $F5 * 0.10$	<i>Any one</i>
(d)	$= (G7 - H7)$ Or $= F7 * 0.10 - F7 * 0.12$ Or $= F7 * 10\% - F7 * 12\%$	<i>Any one</i>

#### 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]

### Comments of Examiners

Few candidates attempted this question. Many of those who attempted this question could not answer it correctly

#### Suggestion for teachers

- Give more practice to students in attempting similar type of questions.

### **MARKING SCHEME**

#### **Question 14**

- (a) SQL is a Structured Query Language, which is a computer language for sorting, manipulating and retrieving data stored in a relational database. / Easy access to all records.
- (b) Every table is broken up into smaller entities called fields. The fields in the CUSTOMERS table consists of ID, NAME, AGE, ADDRESS and SALARY.

A field is a column in a table that is designed to maintain specific information about every record in a table./ Characteristics of an entity in a table.

- (c) FILE, RECORD, FIELD, DATA
- (d) (i) The SQL MAX aggregate function allows the operator to select the highest (maximum) value in a certain column.  
(ii) SQL SQRT is used to generate a square root of a given number.
- (e) *Table:*  
The data in RDBMS is stored in database objects called **tables**. The table is a collection of related data entries and it consists of column and rows. Matrix of rows and columns/ fields. A table is the most common and simplest form of data storage in a relational database.

### **GENERAL COMMENTS:**

#### **(a) Topics found difficult by candidates in the Question Paper:**

- Passing of correct Journal entries in Part I of Section A.
- Calculation of interest on drawings.
- Ratio Analysis- Formulae and calculations.
- Cash Flow Statement- Treatment of Bank loan.
- Issue of shares- pro rata allotment.
- Balance Sheet of Company- Classification of Marketable Securities.
- Section C- Computerized Accounting.

#### **(b) Concepts in which candidates got confused:**

- Closing entry, adjusting entry for commission to partner
- Treatment of surplus funds received with the application money while issuing shares.
- Calculation of Net Profit to compute Net Profit Ratio.



**(c) Suggestions for candidates:**

- Do not neglect the Class XI syllabus.
- Understanding the concepts is very important. This will help in answering the theory questions.
- Study the entire syllabus thoroughly.
- Practice sums regularly. Always practice sums with proper formats drawn.
- Do not write short forms in the ratios formulae.
- Solve past years question papers.