

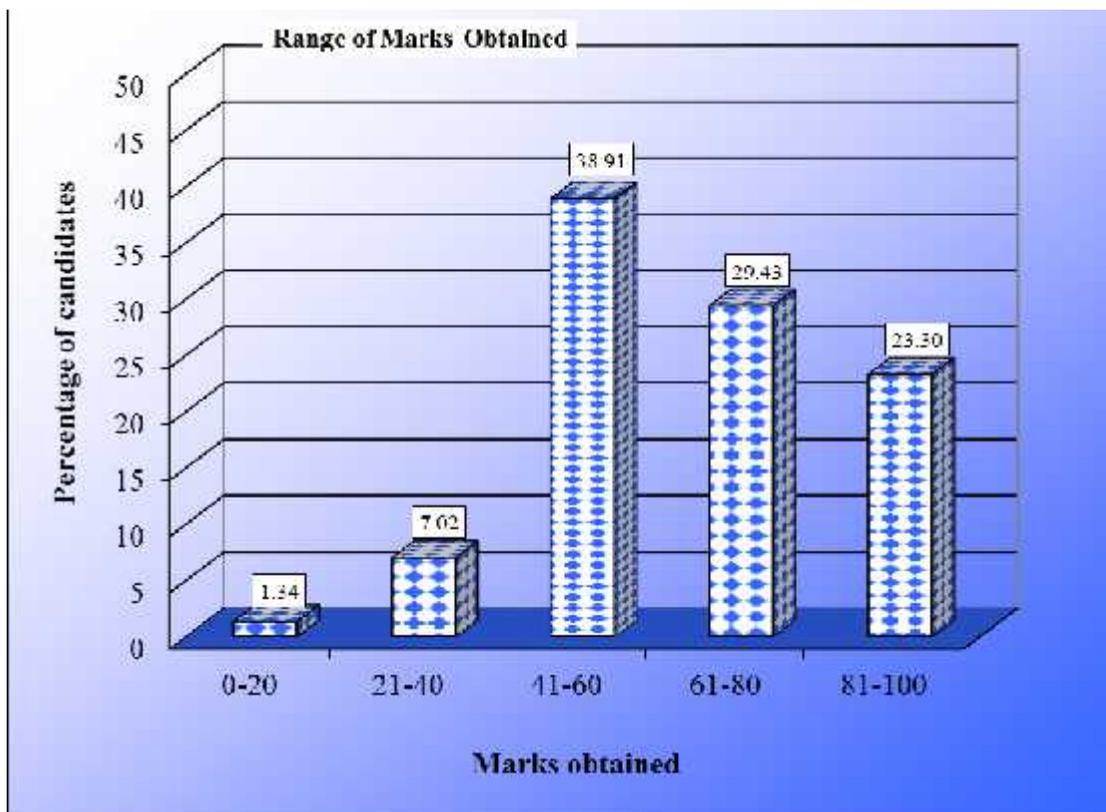
ACCOUNTS

A. STATISTICS AT A GLANCE

Total number of students taking the examination	27,748
Highest marks obtained	100
Lowest marks obtained	1
Mean marks obtained	63.72

Percentage of candidates according to marks obtained

	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	371	1949	10796	8166	6466
Percentage of candidates	1.34	7.02	38.91	29.43	23.30
Cumulative Number	371	2320	13116	21282	27748
Cumulative Percentage	1.34	8.36	47.27	76.70	100



B. ANALYSIS OF PERFORMANCE

SECTION A PART I (20 Marks) *Answer all questions.*

Question 1

[10 × 2]

Answer each of the following questions briefly:

- (i) Name the *two* accounts prepared to show the results of a joint venture when each co-venturer records all transactions.
- (ii) Give *any two* differences between *fixed capital method* and *fluctuating capital method*.
- (iii) What is the accounting treatment when debentures are issued as a collateral security?
- (iv) Give *any two* differences between *Revaluation Account* and *Realization Account*.
- (v) State with reason whether a company can issue a share having a face value of ₹ 20 at ₹ 17.
- (vi) Give the adjusting and closing entry for interest on calls in arrears due from a share holder.
- (vii) State the provisions of the Indian Partnership Act, 1932, regarding charging of interest on drawings from a partner when:
 - (a) The firm has a partnership deed.
 - (b) The firm does not have a partnership deed.
- (viii) What is meant by *number of years' purchase* in the valuation of a firm's goodwill?
- (ix) List *any four* items that may have to be deducted from a deceased partner's capital account while computing the amount payable to his legal representatives.
- (x) Why is premium received on the issue of debentures considered a capital profit?

Comments of Examiners

- (i) Many of the candidates wrote the accounts according to the separate set of books method- joint venture a/c and joint bank a/c while a few mentioned the memorandum joint venture account. Many candidates were not clear that net profit is the result of all activities of the business while CFO indicates the flow of cash only from its operating activities.
- (ii) The candidates could answer this question satisfactorily.
- (iii) Majority of the candidates wrote this answer satisfactorily. However, a few described the meaning of 'debentures as a collateral security' instead of showing its accounting treatment.
- (iv) Candidates could answer this question satisfactorily.
- (v) Many candidates could not connect the answer to a particular provision of Section 79 of the Companies Act which states that shares cannot be issued at a discount of more than 10% of the face value of the share unless sanctioned by the Company Law Board. They ended up writing randomly the other provisions of Section 79.
- (vi) Majority of the candidates could give the entry for interest due on calls in arrear but could not give the closing entry.
- (vii) The candidates could answer this question satisfactorily.
- (viii) Majority of the candidates gave a very sketchy answer to this question. It seemed that they had a vague idea of the term but were not absolutely clear.
- (ix) Candidates were able to answer this question with ease.
- (x) Most of the candidates answered this question correctly. However, some simply gave the reason as premium being an extra amount received on the issue of debentures.

Suggestions for teachers

- Explain the *meaning* of 'separate set of books' method and 'no separate set of books method-when each co-venturer records *all* transactions / *only* his own transactions'.
- While doing practical sums, the requirements should be worded according to the method followed. In this way the students will be able to connect the method with the accounts prepared in a particular method.
- Explain the concept along with its accounting treatment.
- Section 78 and Section 79 of the Companies Act must be explained clearly in the class and their provisions connected to the practical sums otherwise it becomes rote learning.
- Explain clearly each component of the formulae used to value goodwill.
- Teachers must clearly bring out the difference between revenue and capital profit. This topic has to be laid stress on in Class XI itself.

MARKING SCHEME

Question 1.

- (i) - Joint Venture Account
- Other Co-venturers' Account / personal A/c/ Co-venturer's A/c

- (ii) Differences between Fixed Capital Method and Fluctuating Capital Method.

Fixed Capital Method	Fluctuating Capital Method
1. The capital remains unchanged during the life time of the business except when capital is introduced or withdrawn permanently.	The capital fluctuates quite frequently from period to period / changes from time to time.
2. Two accounts are maintained (a) Fixed Capital Account (b) Drawing/Current Account	Only one account- Capital Account- is maintained
3. All adjustments for temporary drawings, interest on drawings, interest on capital, salary, share of profit/loss are made in Current Account	All adjustments for temporary drawings, interest on drawings, interest on capital, salary, share of profit/loss are made in Capital Account
4. Can never show a debit balance/ negative.	Can show a debit balance/ negative balance.
5. It will always show a credit balance	It can have a debit/ credit balance. <i>(Any two)</i>

- (iii) Debenture Suspense A/c Dr
To % Debentures A/c

Or

No entry but an explanation in the Balance Sheet / Notes to Accounts

(iv) Differences between Revaluation a/c and Realisation.

Revaluation Account	Realisation Account
1. Prepared at the time of re-constitution of partnership (eg on admission of a new partner, on retirement / death of a partner)	Prepared at the time of dissolution of the firm.
2. Records the effect of revaluation of assets and liabilities/ change in assets	Records the realization of various assets and settlement/re- payment of liabilities/ realisation/ sale of assets/ records the sale of assets and payment of liabilities
3. Is prepared to determine the net profit / loss on revaluation.	Is prepared to determine the net profit / loss on realisation
4. Even after the preparation of revaluation a/c, the firm continues to function, though with a changed relationship among the partners	The firm discontinues its business operations.
5. Only the difference between the book values and revised values of assets and liabilities is recorded in this account.	Book values of assets and liabilities, the realized values of assets and the actual payment of liabilities is recorded in this account.
6. This account may be prepared many times during the life time of a firm.	This account is prepared only once during the life time of a firm.

(v) A company **cannot** issue a ₹ 20 share at ₹ 17 as the discount is more than 10% of its face value. A company can issue shares at a maximum discount of 10% of its face value unless in special circumstances it is sanctioned by the Company Law Tribunal / Board

Or

Yes a company can issue a ₹ 20 share at ₹ 17 if it has got the sanction of the Company Law Tribunal / Board to issue shares at a discount of more than 10% of their face value.

(vi) Share holder a/c Dr

To interest on calls in arrears a/c

Interest on calls in arrears a/c Dr.

To Statement of P / L

(vii) If there is a deed – any rate

If there is no deed – no interest on drawings to be charged.

(viii) **Number of years purchase** is a notional figure, an estimate made by the owner of the business as to how long would his business continue to earn the calculated average profits. The logic behind the no. of years' purchase concept is that the new partner, would for some years earn profits due to the old partner's goodwill / effort before his own efforts begin to get due recognition. As such the new partner compensates the old partners for the few years' profits which he gets because of their efforts.

Or

Time required by the new business to reach the position of the old business.

- (ix) (a) Share of purchased goodwill written off.
(b) Share of loss from the date of the last Balance Sheet up to the date of his death.
(c) Share of Accumulated losses.
(d) Share of loss in Revaluation of Assets and Liabilities.
(e) Drawings up to the date of death.
(f) Interest on drawings charged in the year of death.
(g) Debit balance of his Current account.
(h) Deferred Revenue Expenditure written off.
(i) Loan advance taken by a partner
(j) IOL due by the partner (Any four)
- (x) It is considered as a capital profit because it is not an income arising from the normal course of business activities. / non-operating revenue / non- recurring profit / revenue arising from capital transactions.

PART II (40 Marks)

Answer any four questions.

Question 2

[10]

Ronnie and Annie entered into a Joint Venture to sell coal, sharing profits and losses in the ratio of 1:1. Annie purchased 100 tonnes of coal @ ₹ 5,400 per tonne and paid ₹ 30,000 as freight for sending the coal to Ronnie to be sold on joint account.

During transit, 10 tonnes of coal was lost due to breaking in bulk (normal loss). Ronnie received the remaining tonnes of coal and paid ₹ 6,000 as landing charges. He accepted a bill drawn by Annie for ₹ 2,00,000.

Ronnie then sold 60% of the coal received by him for ₹ 4,21,200. His selling expenses amounted to ₹ 12,000.

The remaining stock, valued at original cost plus proportionate direct expenses, was shared equally by both the co-venturers. They settled their accounts by means of a bank draft.

You are required to prepare:

- (i) **Memorandum Joint Venture Account.**
(ii) **Ronnie's Account in the books of Annie.**

Comments of Examiners

Majority of the candidates could not apply the concept of normal loss inflating the value of unsold stock while calculating the value of closing stock. They treated normal loss like abnormal loss.

Some candidates made mistakes while preparing the personal account of the co-venturer.

Suggestions for teachers

- Explain the difference between normal loss and abnormal loss and their treatment while calculating the value of unsold stock and give adequate practice to students.
- Give adequate practice with explanation / reasons of the types of accounts to be maintained under each method of Joint Venture

MARKING SCHEME

Question 2.

Memorandum Joint Venture A/C

Particulars	Amt.-Dr ₹	Particulars	Amt.-Cr ₹
To Annie:		By Annie:	
Purchases 5,40,000		Purchases	1,15,200
Freight 30,000	5,70,000		
To Ronnie:		By Ronnie:	
Landing charges 6,000		Sales 4,21,200	
Selling expenses <u>12,000</u>	18,000	Purchases <u>1,15,200</u>	5,36,400
To Profit			
Ronnie 31,800			
Annie 31,800	63,600		
	<u>6,51,600</u>		<u>6,51,600</u>

**In the books of Annie
Joint Venture with Ronnie**

Particulars	Amt.-Dr ₹	Particulars	Amt.-Cr ₹
To Cash (Purchases)	5,40,000	By Bills Receivable	2,00,000
To Cash (Freight)	30,000	By Purchases (Stock)	1,15,200
To Profit	31,800	By Bank	2,86,600
	<u>6,44,400</u>		<u>6,44,400</u>

Working Note 1.		In the books of Ronnie Joint Venture with Annie	
Particulars	Amt.-Dr ₹	Particulars	Amt.-Cr ₹
To Cash (Landing charges)	6,000	By Cash (Sales)	4,21,200
To Bills payable	2,00,000	By Purchases (Stock)	1,15,200
To Cash selling expenses)	12,000		
To profit	31,800		
To Bank	2,86,600		
	<u>5,36,400</u>		<u>5,36,400</u>
Working Note 2.			
	Units	Original cost ₹	Original cost+ expenses ₹
Purchases	100	5,40,000	5,40,000
Freight			30,000
	<u>100</u>	<u>5,40,000</u>	<u>5,70,000</u>
Normal loss	(10)	---	---
Received by Ronnie	<u>90</u>	<u>5,40,000</u>	<u>5,70,000</u>
landing charges			6,000
	<u>90</u>	<u>5,40,000</u>	<u>5,76,000</u>
Sold	(54)		
Unsold stock	<u>36</u>		<u>2,30,400</u>

Question 3

[10]

Mitra Ltd. invited applications from the public for the issue of 60,000 shares of ₹10 each, at a discount of 10%, payable as:

₹ 3 per share on application.

₹ 5 per share on allotment.

Balance on call.

The public subscribed for 50,000 shares. ₹ 2,49,000 were received by the company on allotment and ₹ 49,400 on call. The company forfeited those shares on which both, allotment and call money was not received. 70% of the forfeited shares were reissued at ₹ 7 per share, fully called up.

The company had ₹ 45,000 in its Security Premium Reserve Account which it used to write off any miscellaneous expenditure incurred during the year.

You are required to pass the necessary journal entries to record the above transactions.

Comments of Examiners

Candidates made errors in journal entry for recording issue of shares at a discount.

Majority of the candidates did not take into consideration that only 70% of the forfeited shares were reissued.

Many candidates were unable to write off the miscellaneous expenditure (discount on issue of shares) from the securities premium reserve.

Some candidates did not open calls-in arrears a/c.

Suggestions for teachers

- Explain to students the logic behind debiting discount on issue of shares at the time of allotting the shares.
- Adequate practice must be given regarding partial reissue of the forfeited shares.
- Theory of the chapter 'issue of shares' needs to be done thoroughly. Only then will the students be able to identify the miscellaneous expenditure (discount on issue of shares) and connect its writing off from the securities premium reserve (Section 78 of the Companies Act).
- For any instalment not received, it is mandatory to open calls-in-arrears a/c

MARKING SCHEME

Question 3.

Particulars	LF	Dr. ₹	Cr ₹
Bank A/c	Dr	1,50,000	
To share application a/c (Being share application received.)			1,50,000
Share Application a/c	Dr	1,50,000	
To share capital (Being share application transferred to share capital account)			1,50,000
Share allotment a/c	Dr	2,50,000	
Discount on issue of shares a/c	Dr.	50,000	
To share capital (Being share allotment due)			3,00,000
Bank a/c	Dr.	2,49,000	
Calls-in-arrears a/c	Dr.	1,000	

To share allotment a/c (Being share allotment received.)			2,50,000
Share 1 st and final call a/c	Dr	50,000	
To share capital (Being final call due)			50,000
Bank a/c	Dr.	49,400	
Calls-in-arrears a/c	Dr.	600	
To share 1 st and final call (Being share call due)			50,000
Share capital a/c	Dr.	2,000	
To discount on issue of share a/c			200
To share forfeiture a/c			600
To Calls-in-arrears a/c (Being 200 shares forfeited)			1,200
Bank a/c/	Dr.	980	
Share forfeited a/c	Dr.	280	
Discount on issue of shares a/c	Dr.	140	
To share capital (Being shares issued)			1,400
Shares forfeited a/c	Dr.	140	
To Capital Reserve (Being gain on reissue transferred to capital reserve.)			140
Securities Premium Reserve Account	Dr.	45,000	
Statement of P/L	Dr.	4,940	
To discount on issue of shares			49,940

Question 4**[10]**

Angad, Kunal and Nitin were partners sharing profits and losses in the proportion of 2:2:1 respectively. The Balance Sheet of their firm as on 31st March, 2013, stood as follows:

Liabilities		Amount ₹	Assets		Amount ₹
Capital Accounts:			Stock		12,500
Angad	12,500		Machinery		17,500
Kunal	15,000		Motor Van		4,000
Nitin	<u>20,000</u>	47,500	Buildings		22,500
Creditors		10,000	Bank		1,250
Bills payable		2,000	Debtors	8,000	
General Reserve		6,000	Less provision for doubtful debts	(250)	7,750
		65,500			65,500

Kunal retires on 1st April, 2013, subject to the following adjustments:

- Provision for bad and doubtful debts to be increased by ₹ 975.
- Stock to be appreciated by 20% and Building by 10%.
- Machinery to be depreciated by 10% and Motor Van by 15%.
- Goodwill of the firm to be valued at ₹ 9,000.
- The capitals of the continuing partners are to be adjusted according to the new profit sharing ratio which is agreed between Angad and Nitin as 3:2 respectively.
- Excess or shortfall in Angad's and Nitin's Capital Accounts to be transferred to their respective Current Accounts.

You are required to prepare:

- Revaluation Account.**
- Partners' Capital Accounts.**
- Balance Sheet of the reconstituted firm.**

Comments of Examiners

Majority of the candidates were able to attempt this question satisfactorily. However, some common errors observed were:

The date of the Balance Sheet of the reconstituted firm was either missing or was incorrect.

A few candidates could not adjust the capitals of the remaining partners in the new profit sharing ratio.

Some candidates closed the retiring partner's capital accounts either by paying him off or by bringing down its balance instead of transferring it to his Loan a/c.

Some candidates paid off / received cash from the remaining partners instead of transferring the surplus / deficit to their current accounts as per the requirements of the question.

A few candidates did not transfer the Current a/c balances of the remaining partners to the Balance Sheet of the reconstituted firm.

Several candidates showed the treatment of goodwill by raising and writing it off.

Suggestions for teachers

- Give adequate practice to students in the three types of capital adjustments.
- Treatment of goodwill only through capital adjustment should be taught.
- Mentioning the date of the Balance Sheet must be stressed upon.
- Explain the treatment of closing the retiring partner's capital account in the absence of any information.

MARKING SCHEME

Question 4.

Revaluation Account

	₹		₹
To Machinery	1,750	By Stock	2,500
To Motor Van	600	By Buildings	2,250
To Prov. for D/D	975		
To Capital A/cs			
Angad	570		
Kunal	570		
Nitin	<u>285</u>		
	<u>1,425</u>		
	<u>4,750</u>		<u>4,750</u>

Partners' Capital Account

Particulars	Angad	Kunal	Nitin	Particulars	Angad	Kunal	Nitin
To Kunal's Capital	1,800	--	1,800	By Balance b/d	12,500	15,000	20,000
To Kunal's Loan A/c	--	21,570	--	By Reserve	2,400	2,400	1,200
To Nitin's current A/c	--	--	6,343	By Revaluation A/c	570	570	285
To Balance c/d	20,013	--	13,342	By Angad's Capital	--	1,800	--
				By Nitin's Capital	--	1,800	--
				By Angad's Current	6,343	--	--
	<u>21,813</u>	<u>21,570</u>	<u>21,485</u>		<u>21,283</u>	<u>21,570</u>	<u>21,485</u>

Balance Sheet of Angad and Nitin as on 1st April, 2013

Liabilities	₹	Assets	₹
Creditors	10,000	Bank	1,250
B/P	2,000	Debtors	8,000
Kunal's Loan	21,570	(-) Pro. for BDD	<u>1,225</u>
Capitals:		Stock	15,000
Angad	20,013	Machinery	15,750
Kunal	<u>13,342</u>	Motor Van	3,400
Nitin's Current A/c	6,343	Building	24,750
		Angad's Current A/c	6,343
	<u>73,268</u>		<u>73,268</u>

Workings:

Calculation of Partners' Capital:

Total Capital of Angad and Nitin = 13,670 + 19,685 = Rs. 33,355

Angad's Capital = 33,355 x 3/5 = Rs. 20,013

Nitin's Capital = 33,355 x 2/5 = Rs. 13,342.

Gaining ratio : 1 : 1

Question 5**[10]**

Rahim and Sudesh, the two partners of a business firm, agreed to appropriate the profits of their firm on the following terms:

- Interest is payable on capital @ 5% per annum.
- Rahim will be entitled to a salary of ₹ 500 per month.
- Interest on loan to be given by the firm to the partners @ 10% per annum.
- Interest on drawings to be charged from the partners @ 5% per annum.
- Sudesh will get commission @ 1% on the sales made during the year.
- Rahim is entitled to a rent of ₹ 25,000 per annum for allowing the firm to carry on the business in his premises.

The net profit of the firm for the year ended 31st March, 2013, was ₹ 1,80,000 *before* taking into account any of the above terms.

	Rahim ₹	Sudesh ₹
Capital Balances on 1 st April, 2012	1,50,000	1,40,000
Loan advanced on 1 st October, 2012	—	1,00,000
Drawings made during the year	40,000	30,000

During the year 2012-13, sales of the firm amounted to ₹ 7,00,000.

From the above information, prepare:

- Profit and Loss Appropriation Account.**
- Partners' Capital Accounts.**

Comments of Examiners

Most of the candidates could answer this question satisfactorily. Some common errors were:

A few candidates could not calculate the interest on drawings charged from the partners. They did not take into account the average time period.

Some candidates treated interest on loan and rent due to the partner as an appropriation of profit and not as a charge against profits.

Several candidates did not transfer the rent due to the partner to his capital account.

Instead of debiting the P/L Appropriation a/c with the appropriation a/c, a few candidates debited the partner's capital account, resulting in incorrect particulars.

Suggestions for teachers

- Give adequate practice to students in calculating interest on drawings.
- Distinction between appropriation of profit and charge against profit must be explained along with its treatment in the books of accounts.

MARKING SCHEME**Question 5.****Profit and Loss Appropriation Account for the year ended 31st March 2013**

Particulars	₹	Particulars	₹
To interest on capital		By P/L /NP b/d	1,80,000
Rahim's cap	7,500	Less int. on loan	5,000
Sudesh's cap	7,000	Less rent	<u>25,000</u>
To salary – Rahim's cap	6,000		1,50,000
To commission – Sudesh's cap	7,000	By interest on drawing	
To Profit		Rahim's cap	1,000
		Sudesh' cap	<u>750</u>
Rahim	62,125		1,750
Sudesh	62,125		
	<u>1,24,250</u>		
	<u>1,51,750</u>		<u>1,51,750</u>

Partners Capital Accounts

Particulars	Rahim ₹	Sudesh ₹	Particulars	Rahim ₹	Sudesh ₹
To drawings	40,000	30,000	By Bal b/d	1,50,000	1,40,000
To interest on drawings	1,000	750	By Interest on capital	7,500	7,000
To balance c/d	2,09,625	1,85,375	By salary	6,000	--
			By commission	--	7,000
			By rent	25,000	--
			By P/L appropriation	62,125	62,125
	<u>2,50,625</u>	<u>2,16,125</u>		<u>2,50,625</u>	<u>2,16,125</u>

Question 6**[10]**

You are required to pass journal entries for the issue of debentures in the following conditions:

- Ben Ltd. issued 5,000, 12% Debentures of ₹ 100 each at par, redeemable at 5% premium after five years.
- Rex Ltd. issued ₹ 2,00,000, 12% Debentures of ₹ 100 each at a discount of 2%, redeemable at a premium of 5% after 10 years.
- Josh Ltd. issued 6000, 12% Debentures of ₹ 100 each at a premium of 5%, redeemable at a premium of 10% after 6 years.
- Oxygen Ltd. issued ₹ 30,000, 7% debentures of ₹ 100 each to a Creditor for ₹ 25,000 in full satisfaction of his claim. The company had purchased machinery from him.

Comments of Examiners

- Most of the candidates attempted this part of the question satisfactorily. However, a few candidates combined the due and issue entries while a few wrote 'issue of shares' instead of 'issue of debentures'
- Most of the candidates attempted this part of the question satisfactorily. A few candidates combined the due and issue entries while a few wrote 'issue of shares' instead of 'issue of debentures'. Some candidates were unable to calculate the amount of loss on issue of debentures.
- Most of the candidates were able to attempt this part correctly. Some candidates combined the due and issue entries. Some could not distinguish between 'Premium on redemption of Debentures' and 'Securities Premium Reserve'.
- Most of the candidates attempted this part well. However a few candidates debited the 'Sundry Assets' a/c instead of 'Fixed Assets / Machinery a/c'.

Suggestions for teachers

- The meaning of 'Loss on Issue of Debentures' a/c needs to be explained and considerable practice given to calculate it.
- Distinction between "Premium on redemption of Debentures" and 'Securities Premium Reserve' must be made clear.
- Adequate practice should be given in sums dealing with issue of debentures for consideration other than cash.

MARKING SCHEME**Question 6.**

		₹	₹
(a)	Bank	Dr	5,00,000
	To Deb app & allot a/c		5,00,000
	(Being application and allotment money received)		
	Deb app & allotment a/c	Dr	5,00,000
	Loss on issue of debentures	Dr	25,000
	To 12% Debentures		5,00,000
	To Premium on Redemption		25,000
	(Being 5000 debentures issued)		

(b)	Bank a/c	Dr	1,96,000	
	To Deb app & allot a/c			1,96,000
	(Being application and allotment money received)			
	Deb app & allotment a/c	Dr	1,96,000	
	Loss on issue of debentures		14,000	
	To 12% Debentures			2,00,000
	To Premium on Redemption			10,000
	(Being 2000 debentures issued)			
(c)	Bank a/c	Dr	6,30,000	
	To Deb app & allot a/c			6,30,000
	(Being application and allotment money received)			
	Deb app & allotment a/c	Dr	6,30,000	
	Loss on issue of debentures		60,000	
	To 12% Debentures			6,00,000
	To Premium on Redemption			60,000
	To Security Premium Reserve			30,000
	(Being 6000 debentures issued)			
(d)	Machine a/c	Dr	25,000	
	To Vender / Creditor			25,000
	(Being machinery purchased)			
(e)	Vender / Creditor a/c	Dr	25,000	
	Discount on issue of debentures a/c		5,000	
	To 7% debentures			30,000
	(Being 3000 debentures issued to vendor)			

Question 7

- (a) Sharp Ltd. was formed on 1st December, 2013, with a capital of ₹ 5,00,000 divided into shares of ₹ 10 each. It offered 80% of the shares to the public. [5]

The issue price was payable as follows:

30% of the face value per share was payable with application.

20% of the face value per share was payable with allotment.

The balance as and when required. The company did not call for the balance during the year.

All the shares offered by the company were subscribed for. The company did not receive the allotment money on 3000 shares.

You are required to:

- (i) **Show the Share Capital in the Balance Sheet of the Company (prepared as per Revised Schedule VI of the Companies Act, 1956) at the end of the financial year.**
 - (ii) **Prepare Notes to Accounts.**
- (b) Under which **heads** and **sub heads** will the following items appear in the Balance Sheet of a company as per Revised Schedule VI of the Companies Act, 1956: [5]
- (i) Bills Receivable
 - (ii) Interest accrued and due on debentures
 - (iii) Trade Creditors
 - (iv) Provision for Taxation
 - (v) Stores and spares

Comments of Examiners

- (a) Few candidates attempted this question. Among those who attempted, majority gave the correct solution. However, common errors made by candidates were: incorrect headings and sub headings; incorrect date of the Balance Sheet.
- (b) Majority of the candidates answered this question satisfactorily.

Suggestion for teachers

- Refer to the guidelines issued by the Council regarding the preparation of the Balance Sheet as per the Revised Schedule VI and the type of problems to be done in the class from this topic.

MARKING SCHEME**Question 7.**

(a)

Balance Sheet of Sharp Ltd.
As at 31st March, 2014 (an extract)

Particulars	Note No.	31-3-2014	31-3-2013
1.	2	3	4.
I. EQUITY AND LIABILITIES	1.		
Shareholders Funds			
Share Capital	1	1,94,000	

Notes to Accounts: 1.

Particulars	Amount (₹)
(a) Share Capital	
Authorised Capital	
50,000 shares of ₹ 10 each	5,00,000
Issued Capital	
40,000 shares of ₹ 10 each	4,00,000
Subscribed Capital	
Subscribed but not fully paid up	
40,000. Shares of ₹ 10 each, ₹ 5 Called up	2,00,000
Less calls –in- arrear	(6,000)
	1,94,000
TOTAL	1,94,000

(b)

	Item	Head	Sub head
(i)	Bills Receivable	Current Asset	Trade Receivable
(ii)	Interest accrued and due on debentures	Current Liabilities	Other Current Liabilities
(iii)	Trade Creditors	Current Liabilities	Trade Payables
(iv)	Provision for Taxation	Current Liabilities	Short Term Provision
(v)	Stores and Spares	Current Assets	Inventories

Question 8**[10]**

Aman and Harsh were partners in a firm. They decided to dissolve their firm. **Pass necessary journal entries for the following after various assets (other than Cash and Bank) and third party liabilities have been transferred to Realisation A/c.**

- There was furniture worth ₹ 50,000. Aman took over 50% of the furniture at 10% discount and the remaining furniture was sold at 30% profit on book value.
- Profit and Loss Account was showing a credit balance of ₹ 15,000 which was distributed between the partners.
- Harsh's loan of ₹ 6,000 was discharged at ₹ 6,200.
- The firm paid realization expenses amounting to ₹ 5,000 on behalf of Harsh who had to bear these expenses.
- There was a bill for ₹ 1,200 under discount. The bill was received from Soham who proved insolvent and a first and final dividend of 25% was received from his estate.
- Creditors, to whom the firm owed ₹ 6,000, accepted stock of ₹ 5,000 at a discount of 5% and the balance in cash.
- The loss on dissolution was ₹ 8,000.

Comments of Examiners

- Majority of the candidates answered this question satisfactorily.
- Instead of debiting P/L a/c, many candidates credited it.
- Several candidates did not take into account the interest on the partner's loan.
- A number of candidates did not debit the partner's capital account.
- Many candidates answered this question satisfactorily.
- Several candidates seemed unaware that there is no accounting treatment when a creditor is paid off by giving him an asset.
- This part was answered well by most of the candidates.

Suggestion for teachers

- Adequate practice needs to be given in passing journal entries in the chapter 'Dissolution of Partnership firm'.

MARKING SCHEME**Question 8.**

(a)	Aman's Capital a/c	Dr	22,500	--
	Cash/Bank a/c	Dr	32,500	
	To Realisation a/c			55,000
	(Being furniture sold)			
(b)	Profit & Loss a/c	Dr	15,000	
	To Aman's Capital a/c			7,500
	To Harsh's Capital a/c			7,500
	(Being P/L distributed)			

(c)	Harsh's loan a/c	Dr	6,000	
	Realisation	Dr	200	
	To Cash/Bank a/c			6,200
	(Being Harsh's loan discharged)			
(d)	Harsh's Capital a/c	Dr	5,000	
	To Cash/Bank a/c			5,000
	(Being realization expenses made by firm)			
(e)	Cash/Bank a/c	Dr	300	
	To Realization a/c			300
	(Being first and final dividend of 25% received from Soham)			
	Realization a/c	Dr	1,200	
	To Bank/Cash a/c			1,200
	(Being payment made to bankers)			
(f)	Realisation a/c	Dr	1,250	
	To Cash/Bank a/c			1,250
	(Being payment made to creditors)			
(g)	Aman's Capital a/c	Dr	4,000	
	Harsh's Capital a/c	Dr	4,000	
	To Realization ac			8,000
	(Being loss on realization written off)			

SECTION B

Answer **any two** questions.

Question 9

(a) How does the quality of Ratio Analysis of a business depend upon the accuracy of its financial statements? [2]

(b) **From the following information, calculate Trade Receivables Turnover Ratio:** [2]

Particulars

Credit Revenue from Operations	₹ 9,60,000
Gross Debtors	₹ 1,90,000
Bills Receivable	₹ 50,000
Provision for Doubtful Debts	₹ 10,000

- (c) From the following information, calculate the following ratios (up to two decimal places): [6]
- Debt-Equity Ratio
 - Interest Coverage Ratio
 - Proprietary Ratio

	Amount ₹
Equity Share Capital	2,00,000
5% Preference Share Capital	60,000
General Reserve	1,20,000
Fixed Assets	5,05,000
Current Assets	1,20,000
Current Liabilities	40,000
Loan @ 10% interest	5,00,000
Tax paid during the year	30,000
Profit for the current year after interest and tax (available for the shareholders)	90,000

Comments of Examiners

- Most candidates could answer this question with ease.
- A number of candidates could answer this question satisfactorily. However, a few wrote incorrect formula or considered debtors instead of gross debtors.
- Majority of the candidates did not take profit for the current year as part of Equity.

Suggestion for teachers

- Make students understand the logic behind the formula and accordingly explain to them the components of the ratio.

MARKING SCHEME

Question 9.

- Ratios are calculated from the financial statements, so the reliability of ratios is dependent upon the correctness of the financial statements.
If the financial statements are not true and fair the analysis will give a false picture of the affairs of the business. E.g. if the closing stock is over-valued, not only will the profitability will be overstated but the financial position will also appear to be better. Thus ratios are as accurate as accounts.

- Trade Receivables Turnover Ratio** = $\frac{\text{Credit Revenue from Operation}}{\text{Average Trade Receivable}}$

$$\text{Trade Receivable Turnover Ratio} = \frac{9,60,000}{1,90,000 + 50,000} = 4 \text{ times}$$

(c)

$$\begin{aligned} \text{(i) Debt to Equity Ratio:} &= \frac{\text{Debt / Long Term Debt}}{\text{Equity / Shareholders' Funds}} \\ &= \frac{5,00,000}{2,00,000 + 60,000 + 1,20,000 + 90,000} \\ &= 5,00,000 / 4,70,000 \\ &= \mathbf{1.06:1} \end{aligned}$$

$$\begin{aligned} \text{(ii) Interest coverage ratio} &= \frac{\text{Net profit before interest and taxes}}{\text{Interest}} \\ &= \frac{90,000 + 30,000 + 50,000}{50,000} \\ &= 1,70,000 / 50,000 \\ &= \mathbf{3.4 \text{ times}} \end{aligned}$$

$$\begin{aligned} \text{(iii) Proprietary Ratio} &= \frac{\text{Shareholders Funds/ Equity}}{\text{Total Assets}} \\ &= \frac{4,70,000}{5,05,000(\text{fixed assets}) + 1,20,000(\text{current assets})} \\ &= 4,70,000 / 6,25,000 \\ &= \mathbf{0.75:1} \end{aligned}$$

OR

$$\begin{aligned} &= \frac{4,70,000}{4,70,000 (\text{Equity}) + 5,00,000 (\text{Loan}) + 40,000 (\text{Current Liabilities})} \\ &= 4,70,000 / 10,10,000 \\ &= \mathbf{0.47:1} \end{aligned}$$

Question 10**[10]**

From the following data, prepare a Common Size Balance Sheet of Teak Wood Ltd:

(**Note:** *Current year's figures appear in the first column and the previous year's figures are in the second column.*)

Particulars	31.03.2013	31.03.2012
	₹	₹
Share Capital	3,00,000	2,40,000
Reserves and Surplus	80,000	70,000
Trade Payables	1,00,000	1,10,000
Trade Receivables	1,90,000	1,80,000
Short Term Provision	40,000	15,000
Fixed Assets	2,90,000	2,30,000
Long Term Provision	80,000	65,000
Current Investments	10,000	8,000
Inventory	1,01,000	72,000
Cash and Cash Equivalent	9,000	10,000

Comments of Examiners

Most candidates could answer this question satisfactorily. However, a few candidates did not write the dates of the Balance Sheets.

Some candidates lost marks in this question as they ended up preparing the Comparative Balance Sheet instead of the Common Size Balance Sheet.

A few candidates took the Fixed Assets and Share Capital as the base instead of Total Assets and Total Liabilities.

Suggestion for teachers

- Teachers need to give adequate practice to students

MARKING SCHEME**Question 10.**

**Common Size Balance Sheet of Teak Wood Ltd.
as at 31st March 2013 and 2012**

Particulars	Note No.	Absolute Amount		% of Balance Sheet Total	
		2012-13	2011-12	2012-13	2011-12
I. EQUITY AND LIABILITIES					
Shareholders Funds				50.00	
(a) Share Capital		3,00,000	2,40,000	13.33	48.00
(b) Reserves and Surplus		80,000	70,000		14.00
Non- Current Liabilities			65,000	13.33	
Long Term Provision		80,000			13.00
Current Liabilities			1,10,000	16.67	
(a) Trade payable		1,00,000	15,000	6.67	22.00
(b) Short term provision		40,000			3.00
TOTAL		6,00,000	5,00,000	100	100
II. ASSETS					
Non- Current Assets					
Fixed Assets		2,90,000	2,30,000	48.33	46.00
Current Assets					
(a) Current Investments		10,000	8,000		1.60
(b) Inventories		1,01,000	72,000	1.67	14.40
(c) Trade Receivables		1,90,000	1,80,000	16.83	36.00
(d) Cash and cash equivalents		9,000	10,000	31.67	2.00
				1.50	
TOTAL		6,00,000	5,00,000	100	100

Question 11

- (a) State with reason whether the following would result in *inflow*, *outflow* or *no flow* of cash: [2]
- (i) Charging depreciation on furniture.
 - (ii) Cash withdrawn for bank for office use.

(b) From the following extracts of a company's Balance Sheets, calculate for the year ending 31st March, 2013:

[8]

(i) Cash from investing activities.

(ii) Cash from financing activities.

(Note: Current year's figures appear in the first column and the previous year's figures are in the second column.)

Particulars	2012-13 ₹	2011-12 ₹
Equity Share Capital	13,00,000	12,00,000
Long Term Borrowing (10% Bank Loan)	60,000	1,00,000
Proposed Dividend	20,000	21,000
Fixed assets:		
Plant and Machinery	1,70,000	1,40,000
<i>Less Accumulated Depreciation</i>	<i>(24,000)</i>	<i>(40,500)</i>
	<u>1,46,000</u>	<u>99,500</u>
Non-current investments	1,00,000	20,000
Land (at cost)	5,00,000	7,00,000
Goodwill	30,000	40,000

Additional information:

(i) The Loan instalment and interest on loan was paid at the end of the financial year.

(ii) During the year 2012-13:

(a) Dividend of ₹ 17,000 was proposed.

(b) The company provided depreciation on Plant and Machinery amounting to ₹ 13,500.

(c) The company sold 70% of its non-current investments which it held at the beginning of the year, at a profit of 20% on its book value.

Comments of Examiners

(a) A number of candidates could answer this question satisfactorily

(b) While many candidates could answer this question satisfactorily, a few candidates did not seem to know the treatment of accumulated depreciation. Some candidates were not clear with the concept of machine discarded.

Suggestions for teachers

- Give sufficient practice to students in calculating the amount spent on purchase of a fixed asset from its net value / gross value.
- The scope of the syllabus must be referred to.

MARKING SCHEME

Question 11.

- (a) (i) **No flow.** It does not involve cash as it is a non-cash expense / book entry.
(ii) **No flow.** It represents movement between items of cash / cash and cash equivalent

(b) **Working Note: 1**

Plant & Machinery a/c			
Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	1,40,000	By acc.depreciation	30,000
To Cash	60,000	By Balance c/d	1,70,000
	<u>2,00,000</u>		<u>2,00,000</u>

Working Note: 2

Accumulated Depreciation a/c			
Particulars	Amount (₹)	Particulars	Amount (₹)
To P/M(dep on asset discarded) bal figure	30,000	By Balance b/d	40,500
To Balance c/d	24,000	By St of P/L	13,500
	<u>54,000</u>		<u>54,000</u>

Working Note: 3

Investments a/c			
Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	20,000	By cash	16,800
To gain on sale of Inv.	2,800	By Balance c/d	1,00,000
To Cash	94,000		
	<u>1,16,800</u>		<u>1,16,800</u>

Working Note: 4

Proposed Dividend a/c			
Particulars	Amount (₹)	Particulars	Amount (₹)
To Cash	18,000	By Balance b/d	21,000
To Balance cd	20,000	By St of P/L	17,000
	<u>38,000</u>		<u>38,000</u>

Solution:

	₹	₹
<u>Cash from Investing Activities</u>		
Purchase of P/M	(60,000)	
Sale of Land	2,00,000	
Sale of Investments	16,800	
Purchase of Investments	<u>(94,000)</u>	
Cash flow from Investing Activities		62,800
<u>Cash from Financing activities</u>		
Issue of Share Capital	1,00,000	
Repayment of Bank Loan	(40,000)	
Interest paid on Bank Loan	<u>(10,000)</u>	

	Dividend paid		(18,000)	
	Cash flow from Financing activities			32,000

SECTION – C

Answer any *two* questions

Question 12

[10]

- (a) Mention *any two* demerits of using electronic spreadsheets.
- (b) Write a formula in spreadsheet for calculating the “*Take Home Pay*” under the given condition:
Salary is more than ₹50,000 then the “*Take Home Pay*” is 80%.
- (c) How would you create a filter for data stored in a column in a spreadsheet?
- (d) State the steps involved in merging two cells in a spreadsheet.
- (e) What is the difference between the functions AVERAGEA () and AVERAGEIFS ()?

Comments of Examiners

Very few candidates attempted this question. Many of those who did make an attempt, could not answer it correctly.

Suggestion for teachers

- Teachers need to be well versed with the Excel and DBMS to teach the topics included in the scope of the syllabus.

MARKING SCHEME

Question 12.

- (a) Demerits of using Electronic Spreadsheets:
- If an error is made in a formula, every single calculation done where that formula is used on that spread sheet will be incorrect.
 - Sometimes, it is difficult to apply very complex models and the layouts become difficult to understand.
 - In case of hardware/software failures, the spread-sheet cannot be used.
 - System is dependent on a working hardware and spreadsheet software
 - Formatting/printing of an electronic spread-sheet needs to be learnt.
- (b) = IF(A2>50000, A2*80/100,A2)
= IF(A2>50000, A2-20%*A2,A2)
= IF(A2>50000, A2-0.2*A2,A2)
= IF(A2>50000, A2*0.8,A2)
= IF(A2>50000, A2*80%,A2)
“Take Home Pay” = IF (Salary >50000,Salary*0.8,Salary)

- (c) The candidate can do the filter operation in many ways, such as:
- (i)
 - Go to the first row of the column.
 - Select the column and click the filter option in the DATA sub-menu.
- OR**
- (ii)
 - Select the Data by the use of keyboard / mouse.
 - Filter by the use of right click button of the mouse or touch pad.
 - (iii)
 - Go to the first row of the column.
 - Click on Sort & Filter Option in the HOME sub-menu.
 - Click on filter from the drop down menu.
- (d)
- (i) Select the two cells by moving the cursor over both the cells being merged.
 - (ii) Click *format* option from the menu.
 - (iii) Select cells under the format drop down menu.
 - (iv) Select the option *alignment*.
 - (v) Click *merge cells*.
- Or*
- *Select the two cells by moving the cursor over both the cells being merged.*
 - *Select \Rightarrow Format Cells \Rightarrow Alignment \Rightarrow Merge cells*
- Or*
- *Select the two cells by moving the cursor over both the cells being merged.*
 - *Click on  on the HOME sub-menu.*
- (e) AVERAGEA() and AVERAGEIFS() are both statistical functions. AVERAGEA() is used to include logical values and text representations as part of calculations. AVERAGEIFS() is used to calculate the average of only the values that meet the criteria.

Question 13

[10]

	A	B	C	D	E
1	Particulars	2010	2011	2012	2013 (Estimates)
2	SALES OF GOODS	10,000	15,000	18,000	
3	SALES OF SERVICES	1,200	1,280	1,500	
4	INCOME FROM OTHER SOURCES	800	900	1,000	
5	GROSS PROFIT				
6	SALARIES	9,000	10,000	12,000	
7	RENTS	900	1,000	1,500	
8	PURCHASES	1,100	1,200	1,400	
9	NET PROFIT				

- (a) Write the expression to calculate GROSS PROFIT & NET PROFIT in the Cells (B5, B9), for the Year 2010.
- (b) Write the expression to calculate the average GROSS PROFIT for the year 2010, 2011 and 2012.
- (c) Write a function to select the maximum Value for NET PROFIT for the years 2010, 2011 and 2012.
- (d) Write a suitable expression to calculate the following for 2013 (Estimates) where:
- (i) SALES OF GOODS in Cell E2 where SALES OF GOODS have decreased 10% over 2012.
 - (ii) SALES OF SERVICES in Cell E3 where SALES OF SERVICES have increased 10% over 2011.
 - (iii) INCOME FROM OTHER SOURCES in Cell E4 where INCOME FROM OTHER SOURCES have increased 25% over 2010.
 - (iv) GROSS PROFIT in Cell E5.

Comments of Examiners

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

Suggestion for teachers

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

MARKING SCHEME

Question 13.

(a) Gross profit = B5 = B2 + B3 - B8

or B2 - B8

or B5 = Sum (B2 : B3) - B8

For Cell B9

Net Profit = (B2 + B3 + B4) - (B6 + B7 + B8)

or B5 + B4 - B6 - B7

or B5 + B3 + B4 - B6 - B7

or = Sum (B2 : B4) - Sum (B6 : B8)

or = Sum (B4 : B5) - Sum (B6 : B7)

or = Sum (B3 : B5) - Sum (B6 : B7)

(b) Go to another cell, say, F5, and select the function AVG

= AVG (B5:D5)

Or

= Sum (B5:D5) / 3 Or

= (B5+C5+D5) / 3

(c) = MAX (B9 : D9)

Or

In say F9, chose the function MAX and select the range B9: D9.

(d) (i) Go to Row (Sales of goods) of Column E (2013 Estimates) **OR** Go to Cell E2

Enter = (90/100)*D2

Any one of the following

E2 = (.9)*D2

E2 = D2*(.9)

E2 = D2*(90/100)

E2 = D2*90%

(ii) Go to Row (Sales of services) of Column E (2013 Estimates) OR Go to cell E3

Enter = (110/100)*C3

Any one of the following as correct:

E3 = (1.10)*C3

E3 = C3*(1.10)

E3 = C3*(110/100)

E3 = C3*110%

E3=(10%*C3)+C3

(iii) Go to Row (Income from other sources) of Column E (2013 Estimates) OR Go to Cell E4

Enter = (125/100) *E2

Any one of the following as correct:

E4 = (1.25)* B4

E4 = B4*(1.25)

E4 = B4*(125/100)

E4 = B4*125%

E4=(25%*B4)+B4

(iv) E5=E2+E3-E8

or E2– E8

or =Sum(E2:E3) – E8

Question 14**[10]**

- (a) What is the use of Data dictionary in RDBMS?
- (b) What is SQL?
- (c) What is a Unique Key?
- (d) Define SQL update statement.
- (e) What is meant by normalization of a database system?

Comments of Examiners

Few candidates attempted this question. Many of those who did make an attempt, could not answer it correctly.

Suggestion for teachers

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

MARKING SCHEME**Question 14.**

- (a) Data Dictionary in RDBMS is a set of tables and the database objects and is stored in a special area of the database and maintained by the kernel.
The information in the Data Dictionary helps to provide access to the objects and maps into actual physical storage location.
- (b) SQL: Structured Query Language / (SQL) is a language designed specifically for communicating with databases. / SQL is an ANSI (American National Standards Institute) standard.
- (c) Unique key:
Unique key is same as primary key and uniquely identifies each row in a table, with difference being the existence of null. Unique key field allows one value as NULL value.
- (d) SQL update statement:
SQL update is used to update data in a row or set of rows specified in the filter condition.
The basic format of an SQL UPDATE statement is, Update command followed by table to be updated and SET command followed by column names and their new values followed by filter condition that determines which rows should be updated.
- (e) Normalization of a database system is the process of analyses of database tables and splitting the table into multiple tables, (based on logical relation between multiple tables) to remove redundant data.
There can be first normal form, second normal form and third normal form, when normalization of database is done.

GENERAL COMMENTS:

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

- Treatment of normal loss in joint venture
- Writing off miscellaneous expenditure
- Calculation of interest on drawings
- Ratio Analysis- Formulae and calculations
- Cash Flow Statement- concept of accumulated depreciation.

(b) Concepts in which candidates got confused:

- Methods of Joint Venture
- Treatment of retiring partner's loan a/c
- Treatment of interest on loan and rent due to a partner
- The relevant heads and subheads in the Balance Sheet of a company.
- Whether to take Gross Debtors or Net Debtors while calculating Trade Receivables Turnover Ratio

(c) Suggestions for candidates:

- Do not neglect the Class XI syllabus
- Be clear in understanding the concepts. This will help in answering the theory questions.
- Study the entire syllabus thoroughly
- Practice sums from at least two text books
- Do not write short forms in the ratios formulae
- Always practice sums with proper formats drawn
- Solve past years question papers
- Solve the current years and past years Specimen Papers released by the Council