Analysis of Pupil Performance

ISC Year 2018 Examination

Humanities & Commerce

ACCOUNTS

Research Development and Consultancy Division

Council for the Indian School Certificate Examinations

New Delhi

Year 2018

***Published by*:**

Research Development and Consultancy Division (RDCD)

Council for the Indian School Certificate Examinations

Pragati House, 3rd Floor

47-48, Nehru Place

New Delhi-110019

Tel: (011) 26413820/26411706
E-mail: council@cisce.org

FOREWORD

This document of the Analysis of Pupils' Performance at the ISC Year 12 and ICSE Year 10 Examination is one of its kind. It has grown and evolved over the years to provide feedback to schools in terms of the strengths and weaknesses of the candidates in handling the examinations.

We commend the work of Mrs. Shilpi Gupta (Deputy Head) of the Research Development and Consultancy Division (RDCD) of the Council and her team, who have painstakingly prepared this analysis. We are grateful to the examiners who have contributed through their comments on the performance of the candidates under examination as well as for their suggestions to teachers and students for the effective transaction of the syllabus.

We hope the schools will find this document useful. We invite comments from schools on its utility and quality.

Gerry Arathoon
Chief Executive & Secretary

October 2018

PREFACE

The Council has been involved in the preparation of the ICSE and ISC Analysis of Pupil Performance documents since the year 1994. Over these years, these documents have facilitated the teaching-learning process by providing subject/ paper wise feedback to teachers regarding performance of students at the ICSE and ISC Examinations. With the aim of ensuring wider accessibility to all stakeholders, from the year 2014, the ICSE and the ISC documents have been made available on the Council's website www.cisce.org.

The documents include a detailed qualitative analysis of the performance of students in different subjects which comprises of examiners' comments on common errors made by candidates, topics found difficult or confusing, marking scheme for each answer and suggestions for teachers/ candidates.

In addition to a detailed qualitative analysis, the Analysis of Pupil Performance documents for the Examination Year 2018 have a component of a detailed quantitative analysis. For each subject dealt with in the document, both at the ICSE and the ISC levels, a detailed statistical analysis has been done, which has been presented in a simple user-friendly manner.

It is hoped that this document will not only enable teachers to understand how their students have performed with respect to other students who appeared for the ICSE/ISC Year 2018 Examinations, but also provide information on how they have performed within the Region or State, their performance as compared to other Regions or States, etc. It will also help develop a better understanding of the assessment/ evaluation process. This will help teachers in guiding their students more effectively and comprehensively so that students prepare for the ICSE/ ISC Examinations, with a better understanding of what is required from them.

The Analysis of Pupil Performance document for ICSE for the Examination Year 2018 covers the following subjects: English (English Language, Literature in English), Hindi, History, Civics and Geography (History and Civics, Geography), Mathematics, Science (Physics, Chemistry, Biology), Commercial Studies, Economics, Computer Applications, Economic Applications, Commercial Applications.

Subjects covered in the ISC Analysis of Pupil Performance document for the Year 2018 include English (English Language and Literature in English), Hindi, Elective English, Physics (Theory), Chemistry (Theory), Biology (Theory), Mathematics, Computer Science, History, Political Science, Geography, Sociology, Psychology, Economics, Commerce, Accounts and Business Studies.

I would like to acknowledge the contribution of all the ICSE and the ISC examiners who have been an integral part of this exercise, whose valuable inputs have helped put this document together.

I would also like to thank the RDCD team of, Dr. M.K. Gandhi, Dr. Manika Sharma, Mrs. Roshni George and Mrs. Mansi Guleria who have done a commendable job in preparing this document.

Shilpi Gupta
Deputy Head - RDCD

October 2018

CONTENTS

INTRODUCTION

This document aims to provide a comprehensive picture of the performance of candidates in the subject. It comprises of two sections, which provide Quantitative and Qualitative analysis results in terms of performance of candidates in the subject for the ISC Year 2018 Examination. The details of the Quantitative and the Qualitative analysis are given below.

Quantitative Analysis

This section provides a detailed statistical analysis of the following:

- Overall Performance of candidates in the subject (Statistics at a Glance)
- State wise Performance of Candidates
- Gender wise comparison of Overall Performance
- Region wise comparison of Performance
- Comparison of Region wise performance on the basis of Gender
- Comparison of performance in different Mark Ranges and comparison on the basis of Gender for the top and bottom ranges
- Comparison of performance in different Grade categories and comparison on the basis of Gender for the top and bottom grades

The data has been presented in the form of means, frequencies and bar graphs.

Understanding the tables

Each of the comparison tables shows N (Number of candidates), Mean Marks obtained, Standard Errors and t-values with the level of significance. For t-test, mean values compared with their standard errors indicate whether an observed difference is likely to be a true difference or whether it has occurred by chance. The t-test has been applied using a confidence level of 95%, which means that if a difference is marked as 'statistically significant' (with * mark, refer to t-value column of the table), the probability of the difference occurring by chance is less than 5%. In other words, we are 95% confident that the difference between the two values is true.

t-test has been used to observe significant differences in the performance of boys and girls, gender wise differences within regions (North, East, South and West), gender wise differences within marks ranges (Top and bottom ranges) and gender wise differences within grades awarded (Grade 1 and Grade 9) at the ISC Year 2018 Examination.

The analysed data has been depicted in a simple and user-friendly manner.

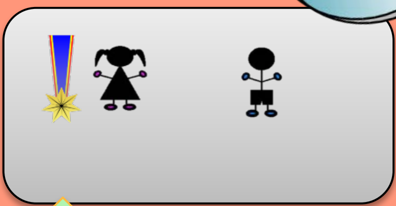
Given below is an example showing the comparison tables used in this section and the manner in which they should be interpreted.

Comparison on the basis of Gender

Gender	N	Mean	SE	t-value
Girls	2,538	66.1	0.29	11.91*
Boys	1,051	60.1	0.42	

*Significant at 0.05 level

Girls performed significantly better than boys.



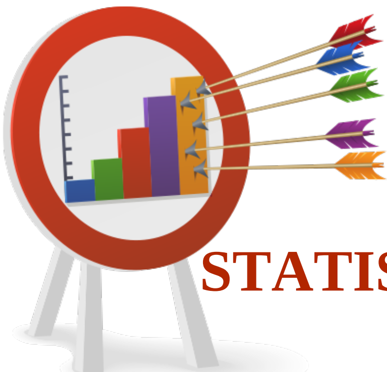
The results have also been depicted pictographically. In this case, the girls performed significantly better than the boys. This is depicted by the girl with a medal.

The table shows comparison between the performances of boys and girls in a particular subject. The t-value of 11.91 is significant at 0.05 level (mentioned below the table) with a mean of girls as 66.1 and that of boys as 60.1. It means that there is significant difference between the performance of boys and girls in the subject. The probability of this difference occurring by chance is less than 5%. The mean value of girls is higher than that of boys. It can be interpreted that girls are performing significantly better than boys.

Qualitative Analysis

The purpose of the qualitative analysis is to provide insights into how candidates have performed in individual questions set in the question paper. This section is based on inputs provided by examiners from examination centres across the country. It comprises of question wise feedback on the performance of candidates in the form of *Comments of Examiners* on the common errors made by candidates along with *Suggestions for Teachers* to rectify/ reduce these errors. The *Marking Scheme* for each question has also been provided to help teachers understand the criteria used for marking. Topics in the question paper that were generally found to be difficult or confusing by candidates, have also been listed down, along with general suggestions for candidates on how to prepare for the examination/ perform better in the examination.

QUANTITATIVE ANALYSIS



STATISTICS AT A GLANCE

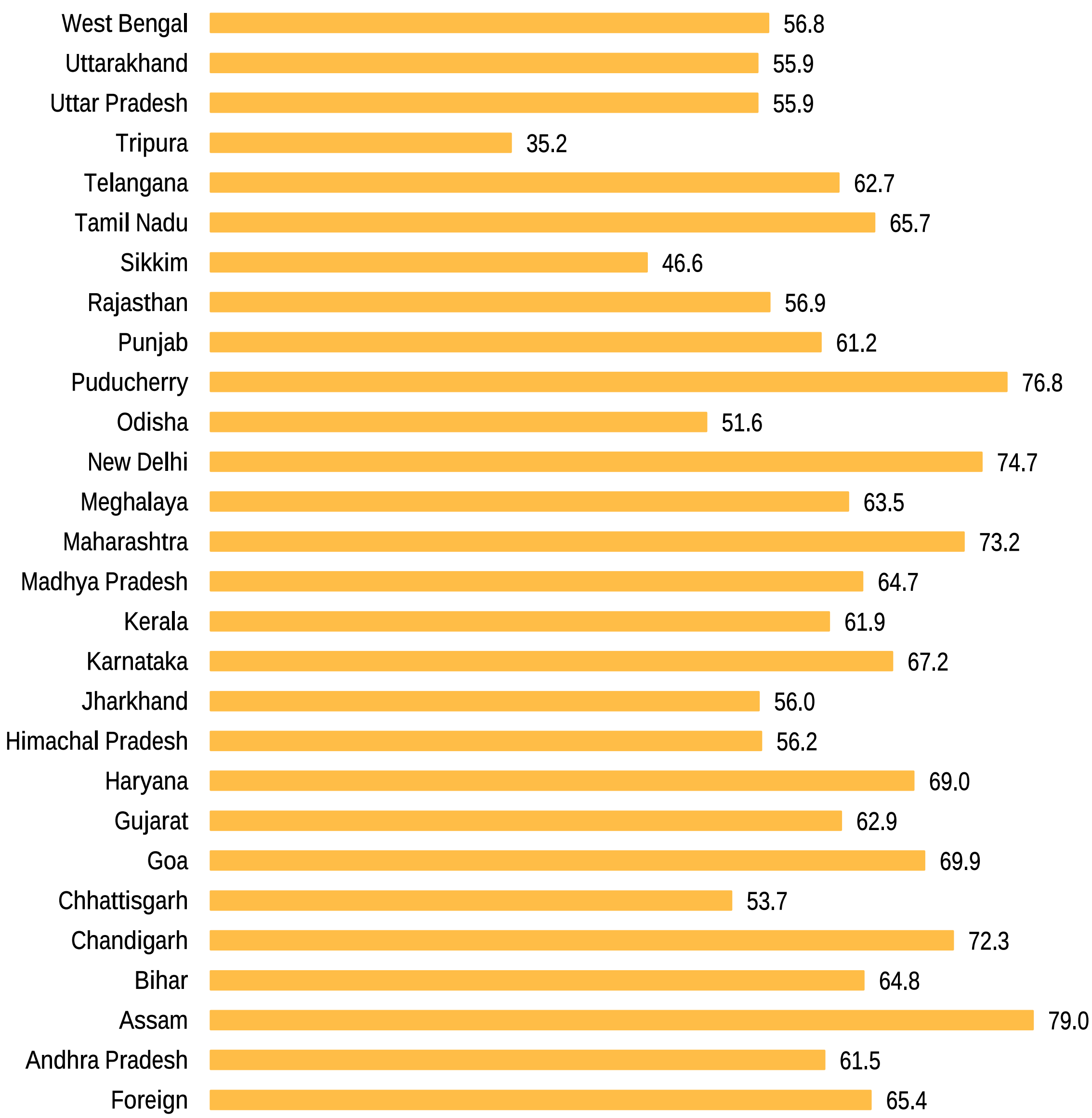
Total Number of Candidates: 30,979

Mean Marks: 58.0

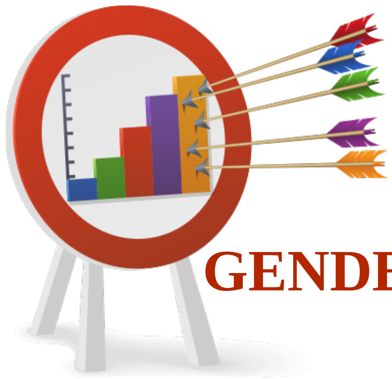
Highest Marks: 100

Lowest Marks: 0

PERFORMANCE (STATE-WISE & FOREIGN)



The States/UTs of Assam and Puducherry secured highest mean marks. Mean marks secured by candidates studying in schools abroad were 65.4.



GENDER-WISE COMPARISON

GIRLS

Mean Marks: 60.6

Number of Candidates: 15,070

BOYS

Mean Marks: 55.6

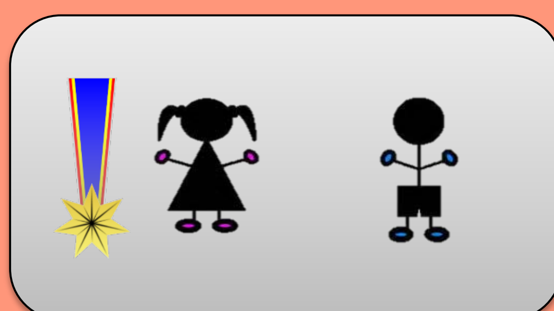
Number of Candidates: 15,909

Comparison on the basis of Gender

Gender	N	Mean	SE	t-value
Girls	15,070	60.6	0.15	22.86*
Boys	15,909	55.6	0.16	

*Significant at 0.05 level

Girls performed significantly better than boys.



REGION-WISE COMPARISON

REGION

East

Mean Marks: 56.7

Number of Candidates: 13,060

Highest Marks: 100

Lowest Marks: 0

North

Mean Marks: 56.9

Number of Candidates: 13,949

Highest Marks: 100

Lowest Marks: 05

South

Mean Marks: 64.5

Number of Candidates: 1,995

Highest Marks: 100

Lowest Marks: 18

West

Mean Marks: 68.2

Number of Candidates: 1,867

Highest Marks: 100

Lowest Marks: 18

Foreign

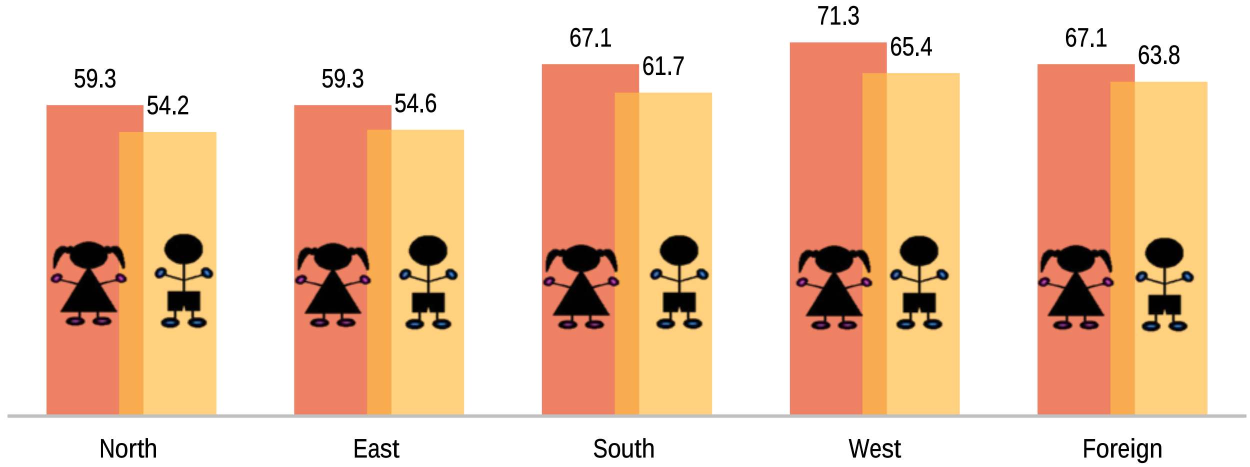
Mean Marks: 65.4

Number of Candidates: 108

Highest Marks: 98

Lowest Marks: 28

Mean Marks obtained by Boys and Girls-Region wise

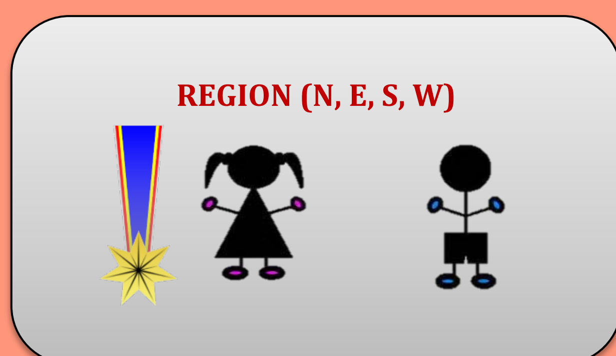


Comparison on the basis of Gender within Region

Region	Gender	N	Mean	SE	t-value
North (N)	Girls	7,197	59.3	0.22	16.22*
	Boys	6,752	54.2	0.23	
East (E)	Girls	5,911	59.3	0.25	13.62*
	Boys	7,149	54.6	0.24	
South (S)	Girls	1,024	67.1	0.52	6.96*
	Boys	971	61.7	0.58	
West (W)	Girls	887	71.3	0.62	6.67*
	Boys	980	65.4	0.62	
Foreign (F)	Girls	51	67.1	2.58	0.93
	Boys	57	63.8	2.52	

*Significant at 0.05 level

The performance of girls was significantly better than that of boys in all the regions except foreign region.

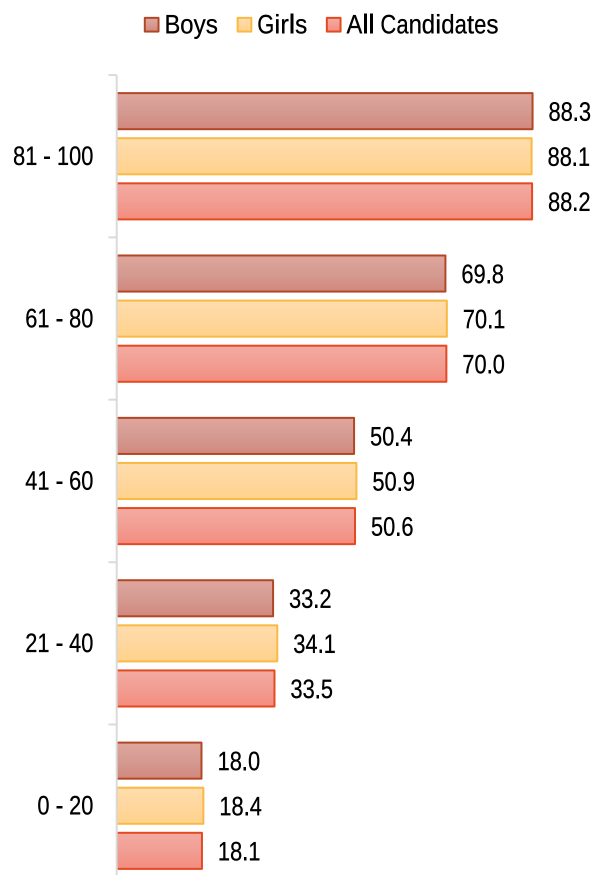


MARK RANGES :
COMPARISON GENDER-WISE

Comparison on the basis of gender in top and bottom mark ranges

Marks Range	Gender	N	Mean	SE	t-value
Top Range (81-100)	Girls	2,582	88.1	0.10	-0.81
	Boys	2,152	88.3	0.11	
Bottom Range (0-20)	Girls	83	18.4	0.31	1.09
	Boys	267	18.0	0.21	

No significant difference was found in the performance of girls and boys in the marks range of (81-100) and (0-20).



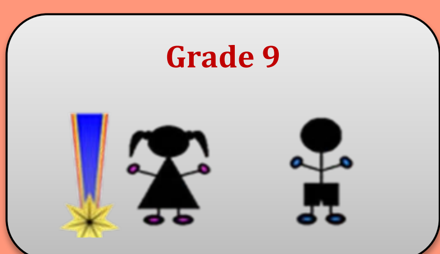
GRADES AWARDED : COMPARISON GENDER-WISE

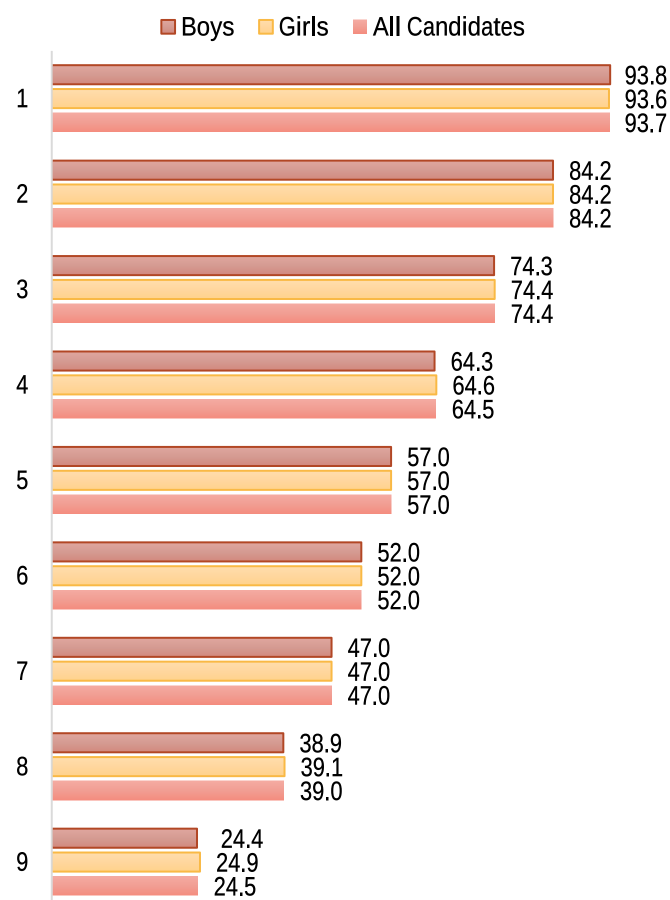
Comparison on the basis of gender in Grade 1 and Grade 9

Grades	Gender	N	Mean	SE	t-value
Grade 1	Girls	984	93.6	0.09	-0.88
	Boys	848	93.8	0.10	
Grade 9	Girls	840	24.9	0.11	3.60*
	Boys	1713	24.4	0.09	

*Significant at 0.05 level

In Grade 9, the average performance of girls was significantly better than that of boys.





SECTION A

PART I (12 Marks)

Answer **all** *questions.*

Question 1

Answer briefly each of the following questions: **[6 × 2]**

(i) Give *any two* differences between *Revaluation Account* and *Realisation Account*.

(ii) Mention whether the following Trade Payables are *current liabilities* or *non-current liabilities*:

	Operating Cycle	Expected period of Payment
(a)	12 months	14 months
(b)	15 months	12 months

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

(iv) Give the *adjusting entry* and *closing entry* for interest on loan taken by a partner from the firm, when the firm follows the Fluctuating Capital Method.

(v) State *two* reasons for a company to purchase its own debentures from the open market.

(vi) Give the formula for valuation of goodwill by the Capitalisation of Average Profit Method.

Comments of Examiners

(i) Majority of the candidates were able to answer this question correctly. However, a few candidates wrote that 'Realisation Account' is prepared at the time of 'dissolution of partnership' instead of 'dissolution of partnership firm'.

(ii) Many candidates could not answer this question satisfactorily. A large number of candidates classified the liability separately on the basis of the expected period of Payment and Operating Cycle.

(iii) A few candidates could not answer this part correctly as they wrote random figures or mentioned face value or forfeited amount for the minimum price.

(iv) Most of the candidates could give the correct answer. A number of candidates transferred interest on loan taken by a partner from the firm to his loan account and not to his capital account. Several candidates could not distinguish between *adjusting entry* and *closing entry*.

(v) This part was correctly answered by majority of the candidates.

(vi) A large number of candidates could not answer this question satisfactorily. Many candidates wrote only the formula of *capitalised average profit* and did not subtract *actual capital employed* from it to get the value of goodwill by capitalisation of average profit method.

Suggestion for teachers

- Clearly distinguish between the terms 'dissolution of partnership' and 'dissolution of partnership firm'.
- Explain length of an operating cycle for determining current and non-current liabilities.
- Explain the concept of minimum price at which shares can be reissued with examples.
- Give more practice in passing adjusting and closing entries in Class XI.
- Lay stress on passing the journal entries along with preparing ledger accounts.
- Emphasise on the correct formulae for valuation of goodwill.

MARKING SCHEME

Question 1

(i)

	Revaluation Account	Realisation Account
1	It records the effect of revaluation of assets and reassessment of liabilities.	It records the realisation of assets and settlement of liabilities.
2	It is prepared at the time of admission, retirement or death of a partner.	It is prepared at the time of dissolution of the firm
3	Only changes in the value of assets and liabilities are recorded.	The book value of all realisable assets and outside liabilities are recorded.
4	Entries relating to assets and liabilities are made on the basis of difference between the book values and revalued figures.	Entries relating to assets and liabilities are made on the basis of their book values and actual payments.
5	The account may be prepared a number of times during the life of the firm.	The account is prepared only once during the life time of the firm at the time of its dissolution.

	6	As a result of entries posted in the account the accounts of assets and liabilities are not closed.	As a result of entries posted in the account, the accounts of assets and liabilities are closed.
	7.	Prepared to calculate net gain/loss on revaluation of assets and liabilities.	Prepared to calculate net gain/loss on realisation of assets and settlement of liabilities.
	8.	After preparing the revaluation account, the business continues.	After preparing the realisation account, the business discontinues. *(Any two)*

(ii)	(a)	Non-current liability
	(b)	Current liability

(iii) Amount equal to the unpaid amount on the forfeited shares / calls-in-arrears / called up amount-amount forfeited / maximum discount at the time of reissue should not exceed the amount which has been forfeited / received on the forfeited shares/ through any example. *(Any one)*

(iv) Adjusting entry:

Partner's Capital A/c Dr

To Interest on Loan A/c

Closing entry:

Interest on Loan A/c Dr

To P/L A/c

(v) The company may purchase its own debentures in the open market with the objective of:

(i) Immediate cancellation

(ii) Keeping them as investments (to be cancelled at a later date).

(iii) To reduce the burden of interest payment on these debentures,

(iv) To redeem the debentures at a profit later on. *(Any two)*

(vi) Goodwill =

Capitalised Average Profit *less* Actual capital employed / net assets

Where Capitalized Average Profit = $\frac{Average\ profit \times 100}{Rate\ of\ Return}$.

Actual capital employed = Assets (excluding purchased Goodwill and fictitious assets) Less outside liabilities.

PART II (48 Marks)

*Answer **any four** questions.*

Question 2

Saturn Ltd. was registered with an authorized capital of ₹ 12,00,000, divided into 1,20,000 equity shares of ₹ 10 each. It issued 40,000 equity shares to the public at a premium of ₹ 5 per share, payable as follows: **[12]**

On application ₹ 6

On allotment ₹ 9 (including premium of ₹ 5)

All the shares were applied for and allotted. One shareholder holding 500 shares did not pay the allotment money and his shares were forfeited. Out of the forfeited shares, the company reissued 400 shares at ₹ 7 per share fully called up.

You are required to:

(a) Pass journal entries in the books of the company.

(b) Prepare:

(i) Securities Premium Reserve Account.

(ii) Share Capital Account.

Comments of Examiners

Majority of the candidates could pass the correct journal entries. A number of candidates posted the calls-in-arrears amount in Securities Premium Reserve Account and in the Share Capital Account incorrectly.

Suggestions for teachers

- Explain 'forfeiture of shares' with examples.
- Give adequate practice in passing journal entries and preparing ledger accounts.

MARKING SCHEME

Question 2

(a) **Journal of Saturn Ltd.**

Date	Particulars		L.F	Amount ₹	Amount ₹
	Bank A/c	Dr		2,40,000	
	To Share Application A/c				2,40,000
	(Being share application money received)				
	Share Application A/c	Dr		2,40,000	
	To Equity Share Capital A/c				2,40,000

	(Being share application transferred to share capital A/c)			
	Share Allotment A/c Dr		3,60,000	
	To Equity Share Capital A/c			1,60,000
	To Securities Premium / SPR			2,00,000
	(Being share allotment due)			
	Bank A/c Dr		3,55,500	
	Calls-in-Arrear A/c Dr		4,500	
	To Share Allotment A/c			3,60,000
	(Being share allotment received)			
	Equity Share Capital A./c Dr		5,000	
	Securities Premium/SPR A/c Dr		2,500	
	To Share Forfeiture A/c			3,000
	To Calls-in-Arrear A/c			4,500
	(Being 500 shares forfeited)			
	Bank A/c Dr		2,800	
	Share forfeiture A/c Dr		1,200	
	To Equity Share Capital A/c			4,000
	(Being 400 shares reissued)			
	Share Forfeiture A/c Dr		1,200	
	To Capital Reserve A/c			1,200
	(Being gain on reissued shares transferred to capital reserve)			

(b) (i)

Securities Premium Reserve Account

Particulars	**Amount**	**Particulars**	**Amount**
To Calls-in-arrears A/c	2,500	By Share Allotment A/c	2,00,000
To Balance c/d	1,97,500		
	2,00,000		2,00,000

(ii)

Share Capital Account

Particulars	**Amount**	**Particulars**	**Amount**
To Share Forfeiture A/c	3,000	By Share Application A/c	2,40,000
To Calls-in-arrears A/c	2,000	By Share Allotment A/c	1,60,000
To Balance c/d	3,99,000	By Bank A/c	2,800

				By Share Forfeiture A/c	1,200
			4,04,000		4,04,000

Question 3

(A) On 1st April, 2013, Rayon Ltd. issued 2,000, 9% Debentures of ₹ 100 each at a discount of 10%, redeemable at par on 31st March, 2017. The issue was fully subscribed. To meet the provisions of the Companies Act, 2013, the Board of Directors decided to transfer ₹ 30,000 to Debenture Redemption Reserve on 31st March, 2014, and the balance on 31st March, 2015. On 1st April, 2016, the company made the required investment in government securities. **[8]**

The investments were encashed and the debentures were redeemed on the due date.

It is the policy of the company to write off capital losses in the year in which they occur.

You are required to pass journal entries for issue and redemption of debentures (ignore interest on debentures).

(B) On 1st April, 2016, Krayon Ltd. issued 8,000, 12% Debentures of ₹ 100 each, redeemable at par after 5 years. The issue was fully subscribed. **[4]**
According to the terms of issue, interest on debentures is payable annually on 31st March.
Tax deducted at source is 20%.
You are required to pass journal entries for the year 2016-17, regarding issue of debentures and interest on debentures.

Comments of Examiners

(A) Most of the candidates could do this part satisfactorily. However, a few candidates:

- opened 'Debenture Application' Account only instead of 'Debenture Application and Allotment' Account;
- created Debenture Redemption Reserve from General Reserve instead of from Surplus in Statement of Profit and Loss Account;
- did not pass the journal entry to write off the Discount on issue of Debentures;
- did not pass the journal entries in the chronological order.

(B) Majority of the candidates answered this question correctly. However, despite being an expense, a few did not close 'Interest on debentures' account at the end of the year by transferring it to Statement of Profit and Loss. Some candidates did not calculate tax deducted at source correctly.

Suggestions for teachers

- Keep revising the various capital losses which could arise at the time of issue of shares and debentures.
- Ask students to pass the journal entries in a chronological order.
- Give adequate practice in passing adjusting and closing entries.
- Lay stress (both in Partnership and Company Accounts) on passing the journal entries and preparing ledger accounts.

MARKING SCHEME

Question 3

(A)

Journal of Rayon Ltd.

Date	Particulars		L.F	Amount ₹	Amount ₹
1/4/2013	Bank A/c	Dr		1,80,000	
	To Deb. Application and Allotment A/c				1,80,000
	(Being deb. App. & allotment money received)				
	Deb. Application & Allotment A/c	Dr		1,80,000	
	Discount on issue of Debentures / Loss on issue of Debentures A/c	Dr		20,000	
	To 9% DebentureA/c				2,00,000
	(Being debentures issued)				
31/3/2014	Surplus in Statement of P/L	Dr		30,000	
	To Debentures Redemption Reserve				30,000
	(Being DRR created)				
31/3/2014	Statement of P/L	Dr		20,000	
	To Discount on issue of Debentures / Loss on issue of Debentures A/c				20,000
	(Being discount on issue of Debentures written off				
31/3/2015	Surplus in Statement of P/L	Dr		20,000	
	To Debenture Redemption Reserve				20,000
	(Being balance as per requirement tsfd to DRR)				
1/4/2016	Debenture Redemption Investment A/c	Dr		30,000	
	To Bank A/c				30,000
	(Being purchase of investment equal to 15% of the face value of debentures to be redeemed)				
31/3/2017	Bank A/c	Dr		30,000	

	To DRI			30,000
	(Being DRI sold)			
31/3/2017	Debenture A/c Dr		2,00,000	
	To Deb holder A/c			2,00,000
	(Being amount due to the debenture holder)			
31/3/2017	Debenture holder A/c Dr		2,00,000	
	To Bank			2,00,000
	(Being debentures redeemed)			
31/3/2017	Debenture Redemption Reserve A/c Dr		50,000	
	To General Reserve			50,000
	(Being DRR transferred to GR)			
				.

(B) Journal of Krayon Ltd.

Date	Particulars	L.F	Amount ₹	Amount ₹
1/4/2016	Bank A/c Dr		8,00,000	
	To Debenture Application & Allotment A/c			8,00,000
	(Being Deb. Appln. & allotment received)			
	Debenture Application & Allotment A/c Dr		8,00,000	
	To 12% DebentureA/c			8,00,000
	(Being debentures issued)			
31/3/2017	Debenture interest A/c Dr		96,000	
	To Debenture holder’s A/c			76,800
	To TDS/ TDS Payable/ Income tax Payable			19,200
	(Being interest due to Debenture holders)			
31/3/2017	Debenture Holders A/c Dr		76,800	
	TDS Dr		19,200	
	To Bank A/c			96,000
	(Being interest and TDS paid)			
	OR Debenture holder Dr To Bank		76,800	76,800

		(Being debenture interest paid			
		TDS Dr		19,200	
		To Bank A/c			19,200
		(Being TDS paid)			
	31/3/2017	Statement of P/L Dr		96,000	
		To Debenture Interest			96,000
		(Being Debenture interest written off)			

Question 4

(A) Asif and Ravi are partners in a firm, sharing profits and losses in the ratio of 3:2. Their fixed capitals as on 1st April, 2016, were ₹ 6,00,000 and ₹ 4,00,000 respectively. **[8]**

Their partnership deed provides for the following:

(a) Partners are to be allowed interest on their capital @ 10% per annum.

(b) They are to be charged interest on drawings @ 4% per annum.

(c) Asif is entitled to a salary of ₹ 2,000 per month.

(d) Ravi is entitled to a commission of 5% of the correct net profit of the firm before charging such commission.

(e) Asif is entitled to a rent of ₹ 3,000 per month for the use of his premises by the firm.

The net profit of the firm for the year ended 31st March, 2017, before providing for any of the above clauses was ₹ 4,00,000.

Both partners withdrew ₹ 5,000 at the beginning of every month for the entire year.

You are required to prepare a Profit and Loss Appropriation Account for the year ended 31st March, 2017.

(B) Rita, Nina and Mita are partners in a firm sharing profits and losses in the ratio of 3:2:1. Mita dies on 1st April, 2017. On the date of her death, it was decided to value goodwill on the basis of two years' purchase of weighted average profits of the firm for the last three years. **[4]**
The profits of the last three years and weights assigned were:

Year	Profit ₹	Weights assigned
2014 – 15	30,000 (including gain from speculation ₹ 10,000)	1
2015 – 16	80,000	2
2016 – 17	1,00,000	3

You are required to:

(i) **Calculate the firm's goodwill on the date of Mita's death (Show the working with the formula).**

(ii) **Pass the necessary journal entry to credit Mita's Capital Account with her share of goodwill.**

Comments of Examiners

(A) This part was correctly answered by a number of candidates. However, a few candidates made errors in calculating interest on drawings while some candidates debited rent due to the partner to the P/L Appropriation, thereby getting an incorrect net profit of the firm which impacted their calculation of commission due to the partner. Several candidates did not mention the period for which the P/L Appropriation Account was prepared.

(B) Majority of the candidates could answer this question satisfactorily. A few candidates did not write the formula for valuation of goodwill by the 'Weighted Average Profit Method'. In some cases, candidates were unaware that the gain from speculation is a non-operating gain.

Suggestions for teachers

- Explain the difference between charge against profits and appropriation of profits.
- Give adequate practice in calculating interest on drawings.
- Stress upon mentioning the period for which the Profit and Loss Appropriation Account is being prepared.
- Ensure that the correct formulae are written for valuation of goodwill.
- Give adequate examples of non-operating incomes / gains and expenses / losses.

MARKING SCHEME

Question 4

(A)

Profit and Loss Appropriation A/c
for the year ending 31st March, 2017/ for the year 2016-17

Particulars	**Amount ₹**	**Particulars**	**Amount ₹**
To Interest on Capital A/c		By P/L A/c / NP 4,00,000	
Asif Current A/c 60,000		Less Rent (36,000)	3,64,000
Ravi Current A/c 40,000	1,00,000	By Interest on drawings	
To Salary		Asif's Current A/c 1,300	
Asif Current A/c	24,000	Ravi's Current A/c 1,300	2,600
To commission			
Ravi's Current A/c	18,200		
To Asif Current A/c	1,34,640		
To Ravi's Current A/c	89,760		
	3,66,600		3,66,600

(B)

	Rita	Nina	Mita
OR	3	2	1
GR	3 :	2	

(i) Goodwill = weighted average profit × number of years' purchase.

$$= \frac{\textbf{Total product}}{\textbf{Total weight}} \times \textbf{number of years' purchase}$$

Year	Profit	Weight	Product
2014-15	20,000	1	20,000
2015-16	80,000	2	1,60,000
2016-17	1,00,000	3	3,00,000
		6	4,80,000

Goodwill = $\frac{4,80,000}{6} \times 2 = \mathbf{1,60,000}$

Mita's share of goodwill = 26,667 / 26,666/ 26666·67

(ii) Journal

Date	Particulars	L.F	Amount ₹	Amount ₹
	Rita's Capital A/c Dr		16,000/15,999	
	Nina's Capital A/c Dr		10,667/10,668	
	To Mita's Capital A/c			26667

	(Being Mita's Capital A/c credited with her share of GW in the GR)			

Question 5

Annie and Bonnie are partners in a firm, sharing profits and losses equally. Their Balance Sheet as at 31st March, 2017, was as follows: **[12]**

Balance Sheet of Annie and Bonnie
As at 31st March, 2017

Liabilities		Amount ₹	Assets		Amount ₹
Sundry Creditors		21,000	Cash at Bank		20,000
General Reserve		15,000	Sundry Debtors	22,000	
Capital A/c			*Less* Provision for Doubtful Debts	(1,000)	21,000
Annie	45,000				
Bonnie	40,000	85,000	Stock		10,000
			Plant & Machinery		60,000
			Goodwill		10,000
		1,21,000			**1,21,000**

Carl was to be taken as a partner for $^1/_4$ share in the profits of the firm, with effect from 1st April, 2017, on the following terms:

(a) Bad debts amounting to ₹ 1,500 to be written off.

(b) Stock to be taken over by Annie at ₹ 12,000.

(c) Plant and Machinery to be valued at ₹ 50,000.

(d) Goodwill of the firm to be valued at ₹ 20,000.

(e) Carl to bring in ₹ 50,000 as his capital. He was unable to bring in cash, his share of goodwill.

(f) General Reserve not to be distributed. For this, it was decided that Carl would compensate the old partners through his current account.

You are required to:

(i) Pass journal entries on the date of Carl's admission.

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

Comments of Examiners

(i) A number of candidates were able to attempt this part correctly. However, in some of the answers:
- candidates were unable to pass the journal entry dealing with general reserve when it was not to be disturbed;
- instead of showing the changes in the value of stock and plant and machinery through the revaluation account, candidates showed the revised value itself;
- candidates made mistakes in writing off the bad debts

(ii) Many candidates either did not mention the date of the preparation of the Balance sheet or wrote the incorrect date.

Suggestions for teachers

- Give adequate practice in calculating the new partner's share of general reserve and self-generated goodwill of the firm.
- Thoroughly practise revaluation of assets and liabilities, especially when a partner takes over an asset / discharges a liability at a value other that the book value.
- Lay stress on treatment of bad debts and provision for doubtful debts
- Ask students to record Journal entries in the proper journal format with the heading accompanied with narrations.
- Ensure that every balance sheet made in the class has the date of its preparation.

MARKING SCHEME

Question 5

Journal

Date	Particulars	L.F	Amount ₹	Amount ₹
	Bank A/c Dr		50,000	
	To Carl's Capital A/c			50,000
	(Being cash brought in by Carl for Capital)			
	Carl's Current A/c Dr		5,000	
	To Annie's Capital A/c			2,500
	To Bonnie's Capital A/c			2,500
	(Being old partners compensated for GW in the SR			
	Prov. for Doubtful Debts A/c Dr		1,000	
	Revaluation A/c Dr		500	
	To Debtors A/c			1,500
	(Being bad debts written off)			
	OR			
	Revaluation A/c Dr		1,500	
	To Debtors A/c			1,500

	(Being bad debts written off and old provision continues as new provision)			
	Revaluation A/c Dr		10,000	
	To Plant and Machinery A/c			10,000
	(Being loss on plant and machinery)			
	Stock A/c Dr		2,000	
	To Revaluation A/c			2,000
	(Being stock revalued)			
	Annie's Capital A/c Dr		4,250/4,750	
	Bonnie's Capital A/c Dr		4,250/4,750	
	To Revaluation A/c			8,500/9,500
	(Being loss on revaluation written off in OR)			
	Annie's Capital A/c Dr		12,000	
	To Stock A/c			12,000
	(Being stock taken over by Annie)			
	Annie's Capital A/c Dr		5,000	
	Bonnie's Capital A/c Dr		5,000	
	To Goodwill A/c			10,000
	(Being Goodwill written off in OR)			
	Carl's Current A/c Dr		3,750	
	To Annie's Capital A/c			1,875
	To Bonnie's Capital A/c			1,875
	(Being old partners compensated for G Reserve in the SR)			

Working Notes:

Partners' Capital Accounts

Particulars	**Annie**	**Bonnie**	**Carl**	**Particulars**	**Annie**	**Bonnie**	**Carl**
To Reval	4,250/4750	4,250/4750		By Balance b/d	45,000	40,000	
To stock	12,000			By Bank			50,000
To Goodwill	5,000	5,000		By Carl's Cur A/c	2,500	2,500	
To Bal. c/d	28,125/27625	35,125/34,625	50,000	By Carl's Cur A/c	1,875	1,875	
	49,375	44,375	50,000		49,375	44,375	50,000

Balance Sheet of Annie, Bonnie and Carl
As at 1st April, 2017

Liabilities	Amount ₹	Assets	Amount ₹
Sundry Creditors	21,000	Cash at Bank	**70,000**
General Reserve	**15,000**	S. Debtors 22,000	
Capital A/c		Less bad debts (1,500)	**20,500**
Annie 28,125		Plant & Machinery	**50,000**
Bonnie 35,125		Carl's Current A/c	**8,750**
Carl 50,000	1,13,250		
	1,49,250		1,49,250

Alternate Balance Sheet if old provision for doubtful debts is carried forward as the new provision:
Balance Sheet of Annie, Bonnie and Carl
As at 1st April, 2017

Liabilities	Amount ₹	Assets	Amount ₹
Sundry Creditors	21,000	Cash at Bank	**70,000**
General Reserve	**15,000**	S. Debtors 22,000	
Capital A/c		Less bad debts (1,500)	
		Less Prov for D/d (1,000)	**19,500**
Annie 27,625		Plant & Machinery	**50,000**
Bonnie 34,625		Carl's Current A/c	**8,750**
Carl 50,000	1,12,250		
	1,48,250		1,48,250

Question 6

(A) Harish, Paresh and Mahesh were three partners sharing profits and losses in the ratio of 5:4:1. **[8]**

Paresh retired on 31st March, 2017. His capital as on 1st April, 2016, was ₹ 80,000. During the year 2016-17, he made drawings of ₹ 5,000. He was to be charged interest on drawings of ₹ 100.

The partnership deed provides that on the retirement of a partner, he will be entitled to:

(i) His share of capital.

(ii) Interest on capital @ 10% per annum.

(iii) His share of profit in the year of retirement.

(iv) His share of goodwill of the firm.

(v) His share in the profit/loss on revaluation of assets and liabilities.

Additional information:

(a) Paresh's share in the profits of the firm for the year 2016-17 was ₹ 20,000.

(b) Goodwill of the firm was valued at ₹ 24,000.

(c) The firm suffered a loss of ₹ 12,000 on the revaluation of assets and liabilities.

(d) It was decided to transfer the amount due to Paresh to his loan account bearing interest @ 6% per annum. The loan was to be repaid in two equal annual instalments, the first instalment to be paid on 31st March, 2018.

You are required to prepare:

(i) Paresh's Capital Account.

(ii) Paresh's Loan Account till it is finally closed.

(B) Parth, Angad and Leesha are partners in a firm sharing profits and losses in the ratio of 3:2:1 respectively. Angad retires and his claim, including his Capital and entitlements from the firm including his share of Goodwill of the firm, is ₹ 50,000. **[4]**

After this amount was determined, it was found that there was an unrecorded piece of furniture valued at ₹ 12,000 which had to be recorded.

Upon recording this piece of furniture, the revised amount due to Angad was determined and settled by giving him this piece of furniture and the balance in cash.

You are required to give the journal entries for recording the payment to Angad in the books of the firm.

Comments of Examiners

(A) Many candidates answered this question satisfactorily. However, a few candidates:

(i) did not transfer the partner's drawings to the capital account;

(ii) considered the partner's share of profit as interim profits instead of his actual share of profits and hence transferred it to P/L Suspense Account instead of transferring it to P/L Appropriation Account;

(iii) did incorrect posting of the retiring partner's share of goodwill. The goodwill account / combined accounts of the remaining partners was debited.

(B) A large number of candidates could not answer this part correctly. Several candidates did not revalue the furniture, while some did not distribute the revaluation profit amongst the partners, hence getting an incorrect amount to be paid to the retiring partner.

Suggestion for teachers

- Lay emphasis on the correct particulars in the accounts and not only on the amounts.
- Explain the need to open a Revaluation Account.

MARKING SCHEME

Question 6

(A) **Paresh's Capital A/c**

Particulars	**Amount ₹**	**Particulars**	**Amount ₹**
To Drawings	5,000	By Balance b/d	80,000
To IOD	100	By IOC	8,000
To Revaluation/ P/L Adjustment A/c	4,800	By P/L Appropriation A/c	20,000
To Paresh's Loan A/c	1,07,700	By Harish's Capital A/c	8,000

		By Mahesh's Capital A/c	1,600
	1,17,600		1,17,600

Paresh's Loan Account

Date	**Particulars**	**Amount**	**Date**	**Particulars**	**Amount**
31/3/2017	To Balance c/d	1,07,700	31/3/2017	By Paresh's Capital	1,07,700
		1,07,700			1,07,700
31/3/2018	To Bank	60,312	1/4/2017	By Balance b/d	1,07,700
31/3/2018	To Balance c/d	53,850	31/3/2018	By IOL	6,462
		1,14,162			1,14,162
31/3/2019	To Bank	57,081	1/4/2018	By Balance b/d	53,850
			31/3/2019	By IOL	3,231
		57,081			57,081

(B) Journal

Date	Particulars		L.F	Amount ₹	Amount ₹
	Furniture A/c	Dr		12,000	
	To Revaluation/P/L Adj A/c				12,000
	(Being unrecorded asset recorded)				
	Revaluation /P/L Adjustment	Dr		12,000	
	To Parth's Capital A/c				6,000
	To Angad's Capital A/c				4,000
	To Leesha's Capital A/c				2,000
	(Being transfer of profit on revaluation)				
	Angad's Capital A/c	Dr		54,000	
	To Furniture A/c				12,000
	To Cash A/c				42,000
	(Being Angad's Claim Discharged)				

Question 7

The following balances have been extracted from the books of Vanity Ltd. as at 31st March, 2017: **[12]**

Trial Balance as at 31st March, 2017

Particulars	Debit (₹)	Credit (₹)
Equity Share Capital (5,000 shares of ₹ 100 each fully paid)		5,00,000
Fixed Assets	7,30,000	
Reserves and Surplus		2,00,000
Inventories	50,000	
Cash and Bank Balances	1,70,000	
Creditors		40,000
Bills Payable		20,000
Underwriting Commission on issue of shares	10,000	
5% Debentures ($^1/_5$ of the Debentures to be redeemed on 31st March, 2018)		2,00,000
Proposed Dividend		12,000
Interest accrued and due on 5% Debentures		8,000
Trade Receivables	20,000	
Total	9,80,000	9,80,000

You are required to prepare as at 31st March, 2017:

(i) The Balance Sheet of Vanity Ltd. as per Schedule III of the Companies Act, 2013.

(ii) Notes to Accounts.

Comments of Examiners

(i) While answering this part, majority of the candidates did not consider the debentures to be redeemed in the next financial year as a current liability. A number of candidates considered marketable securities as cash and cash equivalents.

(ii) Most of the candidates answered this part correctly. A few candidates did not disclose 'Share Capital' in Notes to Accounts.

Suggestions for teachers

- Closely follow the scope of the syllabus.
- Bring out the difference between the 'head', 'sub head' and 'item' in a balance sheet.
- Remind students to mention in every Balance Sheet, date of preparation - Balance sheet of -____As at…….
- Give adequate practice in writing off capital losses at the end of the year in which the loss occurs .
- Ensure that Kinds of share capital- Authorised, Issued, Subscribed, is shown in Notes to Accounts.

MARKING SCHEME

Question 7

Balance Sheet of Vanity Ltd.
As at 31st March, 2017

		Particulars	Note No.	31.3.2017	31.3.2016
I		**Equity & Liabilities**			
	1	**Shareholders' Funds**			
		(a) Share Capital	1	5,00,000	
		(b) Reserves and Surplus	2	1,90,000	
	2	**Non- Current Liabilities**			
		Long term borrowings	3	1,60,000	
	3	**Current Liabilities**			
		(a) Trade Payables	4	60,000	
		(b) Other Current Liabilities	5	48,000	
		(c) Short Term Provisions	6	12,000	
		Total		9,70,000	
II		**Assets**			
	1	**Non-Current Assets**			
		Fixed Assets		7,30,000	
	2	**Current Assets**			
		(a) Inventories		50,000	
		(b) Trade Receivables		20,000	
		(c) Cash and Bank Balances		1,70,000	
		Total		9,70,000	

Notes to Accounts

		₹
1	Share Capital	
	Authorized Capital	
	…. Equity Shares @ ₹ 100	…….
	Issued Capital	
	….. Equity Shares @ ₹ 100	……
	Subscribed Capital	
	Subscribed and fully paid up	
	5000 Equity Shares @ ₹ 100	5,00,000

2	Reserves and Surplus	2,00,000	
	Less Under writing commission	(10,000)	1,90,000
3	Long term borrowings		
	5% Debentures		1,60,000
4	Trade Payable		
	Creditors		40,000
	Bills Payable		20,000
5	Other Current Liabilities		
	Current Maturity of Long Term Debts – 5% Debentures		40,000
	Interest Accrued and Due on 5% Debentures		8,000
6.	Short Term Provisions		
	Proposed Dividend		12,000

Question 8

(A) Susan, Geeta and Rashi are partners sharing profits and losses in the ratio of 5:3:2. **[8]**
Their Balance Sheet as at 31st March, 2017, is as under:

Balance Sheet of Susan, Geeta and Rashi
As at 31st March, 2017

Liabilities		**Amount ₹**	**Assets**		**Amount ₹**
Sundry Creditors		50,000	Cash at Bank		70,000
Workmen Compensation Reserve		25,000	Sundry Debtors	65,000	
Employees Provident Fund		5,000	*Less* Provision for Doubtful Debts	(5,000)	60,000
Bank Loan		55,000	Goodwill		50,000
Capital A/c			Furniture		1,00,000
Susan	2,20,000		Building		3,80,000
Geeta	1,70,000				
Rashi	1,35,000	5,25,000			
		6,60,000			**6,60,000**

The partners decided to dissolve their partnership on 31st March, 2017.

The following transactions took place at the time of dissolution:

(a) Realization expenses of ₹ 2,000 were paid by Susan on behalf of the firm.

(b) Geeta took over the goodwill for her own business at ₹ 40,000.

(c) Building was taken over by Rashi at ₹ 3,00,000.

(d) Only 80% of the debtors paid their dues.

(e) Furniture was sold for ₹ 97,000.

(f) Bank Loan was settled along with interest of ₹ 5,000.

You are required to prepare the Realization Account.

(B) The capital accounts of Amar and Harsh stood at ₹ 20,000 and ₹ 30,000 respectively *after* the necessary adjustments in respect of drawings and net profit for the year ended 31st March, 2017. It was subsequently ascertained that interest on capital @ 12% per annum was not taken into account while arriving at the divisible profits for the year. **[4]**

During the year 2016-17, Amar had withdrawn ₹ 2,000 and Harsh's drawings were ₹ 1,000.

The net profit for the year amounted to ₹ 15,000.

The partners shared profits and losses in the ratio of 3:2.

You are required to pass the necessary journal entries to rectify the error in accounting.

Comments of Examiners

(A) Most of the candidates could answer this part correctly. However, a few candidates:
  (i) paid only 'interest' and not the 'loan amount';
  (ii) did not pay off the 'Employees Provident Fund';
  (iii) while realizing the assets, instead of crediting the Bank Account, the concerned asset account was credited.

(B) Some of the candidates passed only one adjustment entry instead of passing rectifying adjusting entries.

Suggestions for teachers

- Explain that all outside liabilities are to be paid off at their book value.
- Lay stress on correct particulars when posting in the ledger accounts.
- Explain the concept of rectification / past adjustments through the concept of errors being rectified in the next accounting year.

MARKING SCHEME

Question 8

(A) **Realisation Account**

Particulars	Amount ₹	**Particulars**	**Amount ₹**
To Sundry Assets		By Provision for d/d	5,000
S. Debtors 65,000		By Sundry Liabilities	
Goodwill 50,000		Creditors 50,000	
Furniture 1,00,000		Bank Loan 55,000	
Building 3,80,000	5,95,000	EPF 5,000	1,10,000
To Susan's Cap.(Real exp)	2,000	By Geeta's Capital (GW)	40,000
To Bank		By Rashi's Capital (Bldg)	3,00,000
Creditors 50,000		By Bank	
Bank Loan 60,000		Debtors 52,000	
EPF 5,000	1,15,000	Furniture 97,000	1,49,000
		By Susan's Capital A/c	54,000
		By Geeta's Capital	32,400
		By Rashi's Capital	21,600
	7,12,000		7,12,000

(B) Journal

Date	Particulars		L.F	Amount ₹	Amount ₹
	Amar's Capital A/c	Dr		9,000	
	Harsh's Capital A/c	Dr		6,000	
	To P/L Adjustment A/c				15,000
	(Being incorrect profits cancelled)				
	Interest on Capital A/c	Dr		4,560	
	To Amar's Capital A/c				1,560
	To Harsh's Capital A/c				3,000
	(Being interest on capital not credited earlier rectified)				
	P/L Adjustment A/c	Dr		4,560	
	To Interest on Capital				4,560
	(Being IOC transferred to P/L Adj.A/c)				
	P/L Adjustment A/c	Dr		10,440	
	To Amar's Capital A/c				6,264
	To Harsh's Capital A/c				4,176
	(Being correct profits credited to partner's capital A/c)				

Working Notes:

Calculation of Opening Capital

Particulars	Amar	Harsh	Particulars	Amar	Harsh
To Drawings	2,000	1,000	By Balance b/d	13,000	25,000
To Bal. c/d	20,000	30,000	By Profit	9,000	6,000
	22,000	31,000		22,000	31,000

SECTION B (20 Marks)

Answer any two questions.

Question 9

(A) **You are required to prepare a Cash-Flow Statement (as per AS-3) for the year 2016-17 from the following Balance Sheets.** **[8]**

Balance Sheets of Honesty Ltd.
As at 31st March, 2016 and 31st March, 2017

	Particulars	Note No.	31.03.2017 ₹	31.03.2016 ₹
I	**EQUITY AND LIABILITIES**			
1.	**Shareholders' Funds**			
	(a) Share Capital (Equity Share Capital)		14,00,000	10,00,000
	(b) Reserves and Surplus (Statement of P/L)		5,00,000	4,00,000
2.	**Non-Current Liabilities**			
	Long Term Borrowing (10% Debentures)		5,00,000	1,40,000
3.	**Current Liabilities**			
	(a) Short Term Borrowings (Bank Overdraft)		20,000	30,000
	(b) Trade Payables (Creditors)		1,00,000	60,000
	(c) Short Term Provisions	1.	60,000	30,000
	TOTAL		**25,80,000**	**16,60,000**
II	**ASSETS**			
1.	**Non-Current Assets**			
	Fixed Assets			
	(i) Tangible	2.	16,00,000	9,00,000

	(ii) Intangible (Goodwill)		1,40,000	2,00,000
2.	**Current Assets**			
	(a) Inventories		2,50,000	2,00,000
	(b) Trade Receivables		5,00,000	3,00,000
	(c) Cash and Bank Balances (Cash at Bank)		90,000	60,000
	TOTAL		**25,80,000**	**16,60,000**

Notes to Accounts:

Particulars	**31.03.2017 ₹**	**31.03.2016 ₹**
1. Short term provisions		
Provision for taxation	60,000	30,000
2. Fixed Assets (Tangible)		
Plant and Machinery	17,60,000	10,00,000
Less Accumulated Depreciation	(1,60,000)	(1,00,000)
	16,00,000	9,00,000

*Additional Information***:**

During the year 2016-17:

(i) A part of the machine, costing ₹ 50,000, accumulated depreciation thereon being ₹ 20,000, was sold for ₹ 18,000.

(ii) Tax paid ₹ 20,000.

(iii) Interest of ₹ 50,000 paid on Debentures.

(B) State whether the following would result in *inflow*, *outflow* or *no flow* of cash: **[2]**

(i) Bill Receivable endorsed to Creditors.

(ii) Old vehicle written off.

Comments of Examiners

(A) Majority of the candidates answered this question correctly.

(B) Many candidates could not answer this part satisfactorily.

Suggestions for teachers

- Clarify the Treatment of provision for taxation and accumulated depreciation in detail.
- Net profit before tax to be calculated as a working note.
- Explain the concept of flow of cash (inflow / outflow) , through journal entries.

MARKING SCHEME

Question 9

(A)

Working Note 1.

Accumulated Depreciation A/c

Particulars	Amount	Particulars	Amount
To P/M	20,000	By Bal b/d	1,00,000
To Bal c/d	1,60,000	By Depreciation A/c	80,000
	1,80,000		1,80,000

Working Note 2

Provision for Taxation A/c

Particulars	Amount	Particulars	Amount
To Cash	20,000	By Bal b/d	30,000
To Bal c/d	60,000	By Statement of P/L	50,000
	80,000		80,000

Working Note 3:

Plant and Machinery A/c

Particulars	Amount	Particulars	Amount
To Bal b/d	10,00,000	By Acc.Depreciation	20,000
To Cash A/c	8,10,000	By Cash	18,000
		By Loss on sale	12,000
		By Bal c/d	17,60,000
	18,10,000		18,10,000

Working Note 4:

	₹
Net Profit for the year	1,00,000
Add Provision for Tax	50,000
Net Profit before Tax	1,50,000

Cash Flow Statement of Honesty Ltd.
for the year ending 31.03.2017/ for the year 2016-17

	Particulars	₹	₹	₹
I	**Cash from operating activities**			
	Net Profit before Tax		**1,50,000**	
	Add non-operating /non-cash expenses			
	Goodwill written off		60,000	
	Depreciation P/M		80,000	
	Loss on sale of P/M		12,000	
	Interest on Debentures		50,000	
	Net Operating Profit before working capital charges		3,52,000	
	Add Trade Payables	40,000		

	Less Inventory	(50,000)		
	Less Trade Receivable	(2,00,000)	(2,10,000)	
	Cash Flow from operating activities before tax paid		1,42,000	
	Less Tax paid		(20,000)	
	Cash Flow from Operating Activities			1,22,000
II	Cash from Investing Activities			
	Sale of P/M		18,000	
	Purchase of P/M		(8,10,000)	
	Cash used in Inv. Activities			(7,92,000)
III	Cash from Financing Activities			
	Issue of Share Capital		4,00,000	
	Issue of Debentures		3,60,000	
	Interest on Deb. paid		(50,000)	
	Bank overdraft repaid		(10,000)	
	Cash Flow from Financing Activities			7,00,000
	Net increase in Cash as per I, II & III			30,000
	Add Op Cash & Cash Equivalent			
	Cash at Bank			60,000
	Closing Cash & Cash Equivalent			
	Cash at Bank		90,000	
			90,000	90,000

(B)	(i)	No Flow
	(ii)	No Flow

Question 10

(A) Give *any two* differences between *horizontal analysis* and *vertical analysis* of financial statements. **[2]**

(B) The Quick Ratio of a company is 0·8:1. State whether the Quick Ratio will *improve*, *decline* or *will not change* in the following cases: **[2]**

(i) Cash collected from Debtors ₹ 50,000.

(ii) Creditors of ₹ 20,000 paid off.

(C) **From the following information, prepare a Common Size Statement of Profit and Loss of Prudence Ltd. for the year ending 31st March, 2017**: **[6]**

Particulars	31.03.2017 ₹
Revenue from Operations	20,00,000
Purchases	15,00,000
Changes in inventories	1,00,000
Other Income (Dividend received)	40,000
Depreciation and Amortization expenses	60,000
Tax Rate @ 40%	

Comments of Examiners

(A) Most of the candidates were able to give the correct answer. However, a few candidates wrote differences between horizontal and vertical balance sheet instead of financial statements.

(B) Many candidates attempted this part satisfactorily. A few candidates gave answers without realising that the ratio was less than one.

(C) Majority of the candidates attempted this question satisfactorily. In some cases, candidates considered 'other income' as an expense.

Suggestion for teachers

- Bring out the concept of horizontal and vertical analysis while teaching comparative and common size statements.
- Explain the effect of a transaction on a ratio through journal entries.
- Insist on complete heading of the comparative and common size income statements and balance sheet.
- Emphasize on changes in percentage up to two decimal places.

MARKING SCHEME

Question 10

(A) *Horizontal analysis* and V*ertical analysis* of financial statements:

	Horizontal analysis	Vertical analysis
1	It is conducted for two or more accounting periods.	It is conducted for one accounting period.
2	Same firm for different accounting periods is analysed.	Different items for the same period are analysed.
3	It provides information in absolute and percentage form.	It provides information in percentage form.
4.	This analysis can be done by preparing Comparative Balance Sheet / Statement of P/L	This analysis can be done by preparing Common Size Balance Sheet / Statement of P/L
5.	Dynamic Analysis	Static Analysis
6.	Time Series Analysis	Cross Section Analysis

	7.	Used for Intra- Firm Analysis	Used for Intra- Firm and Inter-Firm Analysis *(Any two)*

(B) (i) No Change

(ii) Decline

(C)

Common size Statement of Profit and Loss of Prudence Ltd
For the year ending 31st March, 2017/ For the year 2016-17

Particulars	**Absolute amount ₹**	% to Revenue from Operations
Revenue from Operations	20,00,000	100
Other Income (Dividend received)	40,000	*2*
Total Revenue	20,40,000	*102*
Expenses		
Purchases	15,00,000	*75*
Changes in inventories	1,00,000	*5*
Depreciation and Amortization expenses	60,000	*3*
Total Expenses	16,60,000	*83*
Profit before Tax	3,80,000	*19*
Less Tax	(1,52,000)	*7·6*
Profit after Tax	2,28,000	*11·4*

Question 11

(A) Calculate the Net Profit Ratio (up to two decimal places) from the following information: **[2]**

Particulars	**₹**
Gross profit	80,000
Salary and rent	30,000
Interest on Debentures	5,000
Gain on sale of furniture	2,000
Revenue from Operations	4,00,000

(B) **From the following information calculate the following ratios (up to two decimal places)**: **[8]**

(i) **Earning per share**

(ii) **Price Earning Ratio**

(iii) **Return on Investments**

(iv) **Working Capital Turnover Ratio**

Particulars	**₹**
Net profit after interest and tax	2,40,000
Tax	1,60,000
Net Fixed Assets	10,00,000
Non-current Investments (Non-Trade)	1,00,000
Equity Share Capital (face value ₹ 10 per share)	5,00,000
15% Preference Share Capital	1,00,000
Reserves and Surplus (including surplus of the year under consideration)	2,00,000
10% Debentures	4,00,000
Revenue from Operations	10,00,000
Working Capital	1,00,000

Note: The market value of an equity share is ₹ 40.

Comments of Examiners

(A) While many candidates attempted this question satisfactorily, a few did not consider 'gain on sale of furniture' as an income which resulted in incorrect calculation of net profit.

(B) While answering this part, several candidates wrote incorrect formula for calculating 'price earning ratio'. Many candidates did not subtract non- trade investments while calculating capital employed for 'Return on Investment Ratio'.

Suggestions for teachers

- Follow the formulae of the ratios as given in the scope of the syllabus.
- Ratios must be calculated upto two decimal places and expressed in the correct units.

MARKING SCHEME

Question 11

(A) Net Profit Ratio $= \frac{Net\ Profit}{Revenue\ from\ Operations} \times 100$

$$= \frac{80{,}000+2{,}000-30{,}000-5{,}000}{4{,}00{,}000} \times 100$$

$$= \frac{47{,}000}{4{,}00{,}000} \times 100 \quad = 11{\cdot}75\%$$

(B)

Earning per share $= \frac{Net\ Profit\ after\ Tax\ and\ Preference\ Dividend}{Number\ of\ Equity\ Shares}$

$= \frac{2,40,000-15,000}{50,000}$

$= \frac{2,25,000}{50,000} = ₹\ 4{\cdot}5$

Price Earning Ratio $= \frac{Market\ Value\ of\ an\ Equity\ Share}{Earning\ per\ Share}$

$= \frac{40}{4{\cdot}5} = 8{\cdot}89$ times/ 8.88 times

Return on Investments $= \frac{Net\ Profit\ before\ Interest\ and\ Tax}{Capital\ Employed} \times 100$

$= \frac{2,40,000+1,60,000+40,000}{11,00,000} \times 100$

$= \frac{4,40,000}{11,00,000} \times 100 = 40\%$

Working Capital Turnover Ratio $= \frac{Revenue\ from\ Operations}{Working\ Capital} = \frac{10,00,000}{1,00,000} = 10$ times

SECTION C (20 Marks)

Answer any two questions.

Question 12

Sales Information of Asha Traders

	A	B	C	D	E	F
1	Particulars	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
2	Unit sold (in kg)	3500	4300	3100	4700	
3	Sales Revenue (₹)					
4	Cost of Goods Sold (₹)					
5	Gross Profit (₹)					
6	Electricity Expenses (₹)	18000	16000		22000	76000
7	Advertisement Expenses (₹)	22000	26000	18000	28000	
8	Total Cost (₹)					
9	Net Profit (₹)					
10	Selling price per unit (₹)	50	50	50	50	
11	Cost price per unit (₹)	35	35	35	35	

Based on the information given in the spread sheet above, write the formula for calculating each of the following:

(a) Sales Revenue for Quarter 1 in cell **B3**. **[2]**

(b) Cost of Goods Sold for Quarter 2 in cell **C4**. **[2]**

(c) Total Advertisement Expenses incurred in cell **F7**. **[2]**

(d) Gross Profit for Quarter 4 in cell **E5**. **[2]**

(e) Electricity Expenses for Quarter 3 cell **D6**. **[2]**

Comments of Examiners

Very few candidates attempted this question.

Suggestion for teachers

Give more practice to students in attempting similar types of questions.

MARKING SCHEME Question 12	
(a)	=B2*B10
(b)	=C2*C11
(c)	=Sum(B7:E7) or = B7+C7+D7+E7
(d)	=(E2*E10) – (E2*E11) or = E2*(E10 – E11) or = (E3 – E4)
(e)	= F6 –(B6 + C6 + E6) or = F6–B6–C6–E6 or F6–(SUM(B6:C6)+E6)

Question 13

(a) What is meant by *cell address?* **[2]**

(b) State *any one* method of removing data from a cell in a spreadsheet. **[2]**

(c) Give the full form of SQL. **[2]**

(d) State the significance of the following in DBMS : **[2]**

(i) Forms

(ii) Reports

(e) What is the use of legends in a chart? **[2]**

Comments of Examiners

This question was not attempted by many candidates.

Suggestions for teachers

Give more practice to students in attempting questions based on spreadsheet and concept and features of Database Management System.

MARKING SCHEME

Question 13

(a)	The column letter and the row number with which a cell is identified is known as its cell address.
(b)	To remove data from a spreadsheet, any one method can be followed: (i) Single/Double click on the cell and use *backspace* or *delete* key (ii) Right click on the cell and select *clear contents* option from the drop down menu.
(c)	SQL stands for Structured Query Language
(d)	(i) Forms are used to facilitate the process of entering data in tables and queries (ii) Reports are used to display the selected data in a printable format.
(e)	A Legend helps to differentiate the data by making use of colours, patterns or symbols.

Question 14

(a) What is the difference between importing and exporting of a database? **[2]**
(b) State the main advantage of an Action Query. **[2]**
(c) Mention *any two* of the available values that are used in indexed property. **[2]**
(d) Write the steps to filter a table. **[2]**
(e) What is meant by *freezing panes?* **[2]**

Comments of Examiners

Very few candidates attempted this question.

Suggestions for teachers

Give more practice to students in attempting questions based on application of spreadsheets .

MARKING SCHEME

Question 14

(a)	Importing of a data base means the process of transferring objects from an external database to the existing one.	Exporting of a database means the process of transferring objects from an existing database to an external one.
(b)	The main advantage of an Action Query is to change or **modify** data in existing tables by **Addin**g or **deleting** or **updating** data.	
(c)	*Any two* values of an indexed property: (i) No (ii) Yes (Duplicates OK) (iii) Yes (No Duplicates)	
(d)	Steps to filter a table: (i) Click on the dropdown arrow of the column whose data needs to be filtered (ii) Deselect all selected boxes from the Dropdown list by clicking the Select All checkbox. (iii) Select the items to be included in the datasheet.	
(e)	Freezing panes is a command in excel 2007 that enables to freeze portions of a worksheet, typically column and row headings, so that one can view distant parts of the worksheet while the headings remain in place. Freezing panes only affects the current worksheet.	

GENERAL COMMENTS

Topics found difficult by candidates

- Calculations of interest on drawings.
- Past adjustment.
- Concept of writing off capital losses.
- Concept of treatment of general reserve when it is not to be disturbed.
- Calculation of capital employed.
- Calculation of goodwill.

Concepts in which candidates got confused

- Past adjustments- rectifying entries / entry.
- Treatment of interest on loan taken by a partner.
- Horizontal and Vertical Analysis.
- Treatment of 'Bank Overdraft' in the preparation of cash flow statement.

Suggestions for candidates

- Understand the concept before attempting any question.
- Do not resort to selective study. The entire syllabus must be done in totality.
- The scope of the syllabus should be strictly adhered to.
- Do not write short forms in the ratios formulae.
- Always practise sums with proper formats drawn and correct dates / years.
- All journal entries must be accompanied with narrations.
- Practice solving past years' question papers.