



# KARNATAKA ICSE SCHOOLS ASSOCIATION

## ISC STD. XII Preparatory Examination 2024

### Subject – Accountancy

Time Allowed : 3 hours

Maximum Marks : 80

Date: .01.2024

(Candidates are allowed additional 15 minutes for only reading the paper.  
They must NOT start writing during this time.)

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This Question Paper contains three sections.  
Section A is compulsory for all candidates.  
Candidates have to attempt all questions from either Section B or Section C.  
There are internal choices provided in each section.  
The intended marks for questions or parts of questions are given in the brackets [].  
All calculations should be shown clearly.  
All working, including rough work, should be done on the same page as, and adjacent to,  
the rest of the answer.

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#### SECTION A (60 Marks)

Answer all questions

- i. Which of the below items **do not form part of property, plant, equipment & Equipment & intangible assets** in the Company's balance sheet.
  - (a) Mastheads
  - (b) License
  - (c) Investment in shares of another company
  - (d) Livestock
  
- ii. A listed company can issue bonus shares in case they are financially healthy and they decide to do so. Identify the account which will be debited to issue those shares
  - (a) Share capital a/c
  - (b) Shareholders a/c
  - (c) Bank a/c
  - (d) Securities Premium a/c
  
- iii. An intangible asset should be recognized if , and only of :
  - a) It is probable that the future economic benefits that are attributable to the asset will flow to the enterprise ;and
  - b) The cost of the asset can be measured reliably.

*Source : AS 26 – Intangible assets*

Based on the above statement from AS 26 , can you write its relevance in partnership accounting ?
  
- iv. Manu, Buila and Vijay are in a partnership firm with equal share for profit and losses. What is the effect of bank overdraft of ₹ 17,000 at the time of dissolution of partnership firm will be
  - a) It will be debited to bank a/c



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- b) It will be credited to Bank a/c  
c) It will be credited to revaluation a/c  
d) It will be taken to partners' capital accounts in their profit sharing ratio
- v. Which is the **only institution** that has to invest in DRI for redeeming its privately placed debenture debentures?  
a) Listed non-banking financing companies registered with RBI  
b) Unlisted housing finance companies registered with National Housing Bank  
c) Unlisted non-banking financing companies registered with RBI  
d) All India Financial companies regulated by RBI
- vi. Dhruv , Banu and Harshadithya are partners in a firm with equal share . If a firm enjoys a profit of ₹ 75,000 in the year 2022-23 , calculate the profit accrued for a deceased partner Banu who expired on 31<sup>st</sup> July 2023. The current year is expected to be in a higher trend and should earn atleast 25% increase in the profit as compared to the previous year .
- vii. Sharon and Cassandra are partners in a firm . They share profits and losses in the ratio 17:11. The profit for the previous year ₹ 14,000 was appropriated in equal ratio erroneously. Calculate the difference that has to be taken to their capital accounts this year to correct this mistake.
- viii. **Assertion** Interest on debentures is written off by charging it to the statement of profit and loss  
**Reason** This is a capital loss and so has to be written off in the year of incurrence.  
a) Both Assertion and reason are correct, and reason is the correct explanation for Assertion.  
b) Both Assertion and reason are correct, but reason is not the correct explanation for Assertion.  
c) Assertion is false and Reason is true.  
d) Assertion is true and Reason is false.
- ix. Differentiate Revaluation a/c and P&L appropriation a/c?
- x. What is the maximum limit of debentures which companies, other than Banking Companies and All India Financial Institutions, can redeem out of capital?

### Question 2

A What is the rate of interest to be allowed for loan given by partner to a partnership deed if the deed is silent? (1)

B Alita & Ali were partners in a firm. Ali died suddenly in a train accident on 20<sup>th</sup> April 2023. He was entitled for the following. (2)

- Interest on capital of ₹ 5,000
- Profit of ₹ 25,000 for the year
- His share of general reserve of ₹ 2500



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Find his opening capital if his legal representative was settled with ₹ 50,000.  
(Give workings for the above clearly)

OR

If WCR is to remain in the balance sheet as it is in the new balance sheet even after retirement, identify the adjustment entry when Sanjay retires. (3)

WCR in the existing balance sheet: ₹45,000 Claim: ₹40,000; Naveen, Karthik and Sanjay are partners sharing profits in the ratio 4:3:2

### Question 3 (3)

A company issued 5000 10 % debentures were issued at par redeemable at 7% premium 7 years later .Interest was paid annually and TDS was deducted @ 10 % p.a and deposited on the last day of the year .Journalise in the year of issue ( please record interest entries and all closing entries ) All capital losses should be written off in the same year

### Question 4 (3)

Based on the below details, pass the journal entries in the books of Pagela Ltd (an unlisted listed pharmaceutical company ) on the date of redemption

|   |  |
|---|--|
| Opening balance of 12% debentures on 01.04.2023 | ₹ 4,00,000(Redeemable @ 10% premium)       |
| Amount to be redeemed on 01.10.2023             | 25%  |
| DRI invested on 01.04.2023                      | DRR has a balance of ₹40,000 on 01.04.2023 |

OR

*The below details furnished are from Sai Tanushree Ltd ( an unlisted manufacturing company )*

|   |           |
|---|-----------|
| Debentures outstanding on 01.04.2023                                | 12,00,000 |
| Debentures are redeemed in lump sum on 31.08.2023                   |           |
| 50% of DRI was invested on 01.04.2022 & the remaining on 01.04.2023 |           |

*Prepare DRI ledger from 01.04.2023 till it is closed*

### Question 5 [3]

Daniel , Nevin and Putin in a partnership sharing profits and losses in the ratio 3:2:1. Adolf died on 31<sup>st</sup> March 2023.They have decided to value their goodwill on the basis of *two years purchase of weighted average profits* of the firm.

The profits of the last three years and the weights assigned was

| Year | Profit  | Weights assigned |
|------|---|------------------|
| 2021 | 30,000 ( including insurance claim of ₹ 10,000) | 1                |
| 2022 | 80,000  | 2                |
| 2023 | 1,00,000  | 3                |

You are required to calculate the firms goodwill on the date of Adolf's death .



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#### Question 6

- A) Using the given information complete the amount that will be reflected *under reserves & surplus* in the company's balance sheet

| Particulars             | ₹      | Particulars            | ₹      |
|-------------------------|--------|------------------------|--------|
| Statement of P& L       | 40,000 | Interest on debentures | 15,000 |
| Securities Premium      | 40,000 | DRR                    | 5,000  |
| Underwriting Commission | 20,000 | Preliminary Expenses   | 12,000 |

- B) Tabulate the *major headings and sub headings* under which the following items will appear in the company balance sheet
- Proposed dividend for equity shareholders for previous year
  - Unpaid dividend on cumulative preference shareholders
- C) Show how *8% debentures worth ₹ 8,00,000* will be presented in the balance sheet (extract is sufficient ) of Alfred Ltd as at 31<sup>st</sup> March 2023.

(2)

- Debentures maturing on 31<sup>st</sup> May 2023 ₹ 4,00,000
- Debentures maturing on 31<sup>st</sup> May 2023 ₹ 4,00,000

#### Question 7

(6)

Alwin and Aldrin are partners in a firm sharing profits and losses in the ratio 4:1. Their balance sheet as at 31<sup>st</sup> March 2023 was as under :

#### Balance sheet of Alwin and Aldrin as at 31<sup>st</sup> March 2023

| Liabilities      |               | ₹             | Assets         |              | ₹             |
|------------------|---------------|---------------|----------------|--------------|---------------|
| Sundry creditors |               | 51,000        | Furniture      |              | 4,000         |
| Capital accounts |               |               | Building       |              | 45,000        |
| Alwin            | 20,000        |               | Goodwill       |              | 1,000         |
| Aldrin           | <u>15,000</u> | 35,000        | Debtors        | 9400         |               |
|                  |               |               | Less Provision | <u>(400)</u> | 9,000         |
|                  |               |               | Cash           |              | 27,000        |
|                  |               | <b>86,000</b> |                |              | <b>86,000</b> |

On 1<sup>st</sup> April 2023, Benedict is admitted as a new partner with the following terms

- The new profit sharing ratio is 2:1:1
- Benedict was able to bring in his share of capital but not able to bring in his share of goodwill in cash
- The value of goodwill in the firm to be calculated on the basis of Benedict's share in profits and capital contributed by him



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- d) Furniture, which had been undervalued by ₹ 600 to be brought up to its revised value.  
e) Out of the insurance premium paid, ₹ 3,400 is to be treated as prepaid insurance. The amount was earlier debited to Profit and loss a/c

**You are required to prepare:**

- i. Revaluation a/c
- ii. Partners' capital accounts

**OR**

Andrea, Adiya and Samara are partners in a firm sharing profits and losses in the ratio 4 : 1 . Their balance sheet on the 31<sup>st</sup> March 2023 was as follows

| Balance Sheet as at 31.03.2023 |               |              |               |
|--------------------------------|---------------|--------------|---------------|
| Liabilities                    | ₹             | Assets       | ₹             |
| Andrea's capital a/c           | 20,000        | Goodwill     | 7,000         |
| Adiya's capital a/c            | 5,000         | Cash in hand | 200           |
| Reserve                        | 12,000        | Trademarks   | 4,000         |
| Creditors                      | 3,700         | P&L balance  | 2,500         |
|                                |               | Furniture    | 27,000        |
|                                | <b>40,700</b> |              | <b>40,700</b> |

They admit Angel into the partnership for 1/5<sup>th</sup> share. She is able to bring in her share of capital of ₹ 40,000 but she is unable to bring in her share of goodwill of ₹ 12,500.

- The trademarks are valueless & the furniture is to be valued at 40% of its books value
- Goodwill existing in the books can be written off between Andrea and Adiya.
- Convert the reserve to create a specific reserve for Workmen compensation for the same amount.

**You are required to pass the journal entries at the time of Samara's admission**

### Question 8

(6)

The partners of a firm decided to voluntarily dissolve a firm due to financial crisis. Their balance sheet was as under.

| Liabilities                 |        | ₹             | Assets     |  | ₹             |
|-----------------------------|--------|---------------|------------|--|---------------|
| Capital Accounts            |        |               |            |  |               |
| Sunshine                    | 25,000 |               | Furniture  |  | 2,000         |
| Moonlight                   | 20,000 | 45,000        | Investment |  | 5,000         |
|                             |        |               | Trademark  |  | 25,000        |
|                             |        |               | Bank FD    |  | 25,000        |
| Investment fluctuation fund |        | 2,000         | Bank SB    |  | 5,500         |
| Outstanding Expenses        |        | 15,500        |            |  |               |
|                             |        | <b>62,500</b> |            |  | <b>62,500</b> |



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- The FD was taken over by Sunshine and he decided to repay the outstanding dues
- The furniture was taken over by moonlight for his personal use

Prepare realisation a/c & partners' capital a/c

### Question 9

Treasa, Sharon and Angel are partners sharing profits in the ratio 3:2:1. Their capitals on 01.04.2022 were

Treasa ₹ 5, 00,000 Sharon: ₹ 3, 00,000 and Angel ₹ 2, 00,000.

Treasa has personally guaranteed that in any year Angel's share of profit after allowing interest of capital to all partners @ 8% p.a and charging interest of drawings @ 10% p.a will not be less than ₹ 1, 00,000.

The net profit of the year ended 31.03.2023 before allowing or charging any interest amounted to ₹ 4, 32,000.

Treasa has withdrawn ₹ 5,000 at the end of every month; Sharon has withdrawn ₹ 15,000 at the end of every quarter; Angel has withdrawn ₹ 60,000 during the year

**You are required to prepare P&L appropriation a/c & the partners' capital a/c for all the partners**

OR

Allan, Shane and Riya were partners in a firm .They share profits and losses in the ratio 1:2:3. Their capitals on 1<sup>st</sup> April 2022 were ₹ 3, 00,000, ₹ 4, 50,000 and ₹ 10, 00,000. Their deed provided for the following

- Allan provides his personal furniture along with a room for a yearly rent of ₹ 1,50,000
- Interest on capital is *allowed* at 8% and interest on drawings is *charged* at 10% p. a
- Allan was allowed a salary of ₹ 10,000 per month
- Shane was allowed a commission of 10% on corrected trading profit after charging such commission
- Riya was guaranteed a profit of ₹ 3, 00,000 by Allan and Shane equally.
- The net profit for the year ended 31<sup>st</sup> March 2023 is ₹ 10, 30,000 before making all the adjustments.

Drawings of each partner

- Allan ₹ 5,000 at the beginning of each month
- Shane ₹ 5,000 at the end of each month
- Riya ₹ 24,000 at the beginning of each quarter

**You are required to journalise the above entries (both adjusting and closing entries are to be accounted for.**



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#### Question 10

(4)

A) Dwayne Ltd purchased a generator for ₹ 12,00,000 from Druthi Ltd and paid in the following manner

- 20% with a bank draft
- 40% with 40,000 equity shares @ ₹ 10 /share for 20% premium
- 30% with 12% preference shares @ 100 /share at par
- Remaining with a promissory note

B) i) Fill in the blanks of this journal for the company.

(5)

| Date | Particulars  | LF    | Dr    | CR     |
|------|--|-------|-------|--------|
|      | Share capital  |       | 88000 |        |
|      | To CIA   |       |       | (1/2 ) |
|      | To Share forfeiture  |       |       | 52800  |
|      | (being 4400 shares forfeited for non-payment of share final call money ) |       |       |        |
|      | Bank   | (1)   |       |        |
|      | Share forfeiture a/c   | (1/2) |       |        |
|      | To Share capital a/c   | (1)   |       |        |
|      | (being 40% of shares forfeited reissued as fully paid at 10% discount )  |       |       |        |
|      |  |       |       |        |
|      |  | (1/2) | (1/2) |        |
|      |  | (1/2) | (1/2) |        |
|      | (being excess share forfeiture transferred to capital reserve )          |       |       |        |
|      |  |       |       |        |

ii) How many shares were reissued in the above question?(1)

OR

Pallotti Ltd with an authorized capital of ₹ 10, 00,000 divided into 1,00,000 equity shares of ₹ 10 each ,issued 50,000 shares to the public at a premium of ₹ 2 per share , payable as follows

|                       |                        |
|-----------------------|------------------------|
| On application        | ₹ 5(including premium) |
| On allotment          | ₹ 3                    |
| On first & final call | ₹ 4                    |



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The subscription was at par and the share money was received in full with an exception of the allotment money on 4000 shares held by shareholder Nevin and the call money on 6000 shares (including Nevin's shares)

The above 6000 shares were forfeited by the company and 5000 shares of these (including the shares which had been allotted to Nevin) were reissued at ₹ 8 / share fully paid up.

**You are required to journalize the above transactions in the books of the company**

### Section B

#### Question 11

(5)

In subparts (i) and (ii) choose the correct option and in subparts (iii) to (v) answer the questions as instructed

- i) Identify the amount to be recorded in the investing activities for Laila Ltd
- Cash received from Debtors ₹ 20,000
  - Proceeds from sale of furniture ₹ 19,000
  - Rent received ₹ 500
  - Dividend received ₹ 22,000
- a) ₹ 41,500   b) ₹ 19,500   c) ₹ 61,500   d) ₹ 43,000
- ii) The Current ratio of a company is 1.8:1 and its quick ratio is 1.6:1. From the following transactions, pick out the transactions which involves an increase in both the Current ratio and Quick ratio.
- a) Goods worth ₹ 10,000 sold at a loss of ₹ 2,000
  - b) Insurance premium of ₹ 3,000 paid in advance
  - c) Plant and machinery purchased for ₹ 9,000
  - d) Bills payable of ₹ 2,000 honoured on that due date
- iii) What are the elements included in computing debt for ratio analysis?
- iv) Will debt equity ratio increase, decrease or not effect with the following transaction  
*Debentures of ₹ 1, 00,000 issued for cash for a discount of 7%*
- v) What is the effect of **Forfeiture of shares** cash flow statement :inflow , outflow or no flow

#### Question 12

Prepare the common size P&L of Naveen Ltd & Ayush Ltd for the year ended 31<sup>st</sup> March 2023

|                         | Naveen Ltd | Ayush Ltd  |
|-------------------------|------------|------------|
| Revenue from operations | 60,00,000  | 20,00,000  |
| Materials consumed      | 20,00,000  | 20,00,000  |
| Change in inventories   | 12,00,000  | (2,00,000) |
| Income tax rate         | 40%        | 40%        |





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#### Question 13

(6)

From the following information calculate

- cash flows from investing and
- cash flows from financing activities

| Particulars                                     | 31.03.2023 | 31.03.2022 |
|---|------------|------------|
| Plant & Machinery                               | 6,80,000   | 5,60,000   |
| Accumulated Depreciation on Plant and Machinery | 1,70,000   | 1,48,000   |
| Equity Share capital                            | 12,00,000  | 10,00,000  |
| 10% Bank Loan                                   | 2,00,000   | 1,50,000   |

#### Additional Information:

- During the year a machine costing ₹ 1,20,000 was sold at a profit of ₹ 15,000 .
- Bank loan was enhanced on 31/3/2023.
- Depreciation for the year amounted to ₹ 50,000
- Interim Dividend paid is ₹ 30,000

OR

From the following balance sheet of Esther Ltd prepare the cash flow statement

| Particulars                                | Note No | 2023            | 2022            |
|--|---------|-----------------|-----------------|
| <b>Equity and liabilities</b>              |         |                 |                 |
| <b>Shareholders' funds</b>                 |         |                 |                 |
| Share capital                              |         | 2,90,000        | 2,50,000        |
| Reserves & Surplus                         | 1       | 1,52,000        | 50,000          |
|  |         |                 |                 |
| <b>Current Liabilities</b>                 |         |                 |                 |
| Trade payables                             |         | 5,000           | 23,000          |
| Short term provisions (provision for tax ) |         | 35,000          | 27,000          |
|  |         | <b>4,82,000</b> | <b>3,50,000</b> |
|  |         |                 |                 |



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|  |  |                 |                 |
|--|--|-----------------|-----------------|
| <b>Assets</b>  |  |                 |                 |
| <b>Non-current assets</b>                              |  |                 |                 |
| 1. Property ,plant and equipment and intangible assets |  |                 |                 |
| a) Property ,plant and equipment                       |  | 1,50,000        | 1,40,000        |
| b) Intangible assets                                   |  | 20,000          | 30,000          |
| 2. Current Assets                                      |  |                 |                 |
| a) Inventory   |  | 95,000          | 45,000          |
| b) Trade receivables                                   |  | 2,00,000        | 1,20,000        |
| c) Cash and bank balances                              |  | 17,000          | 15,000          |
|  |  | <b>4,82,000</b> | <b>3,50,000</b> |
| <b><u>Notes to accounts</u></b>                        |  |                 |                 |
| 1. Reserves & Surplus                                  |  |                 |                 |
| Securities Premium                                     |  | 50,000          | 40,000          |
| Statement of profit and loss                           |  | 1,02,000        | 10,000          |
|  |  | <b>1,52,000</b> | <b>50,000</b>   |



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#### Question 14

(6)

From the following information, calculate *any three* of the following ratios ( up to two decimal places )

- Debt to total assets ratio
- Proprietary ratio
- Inventory turnover ratio
- Liquid ratio

| Particulars'                                       | ₹         |
|--|-----------|
| Property plant and equipment                       | 14,00,000 |
| Current assets (including inventory of ₹ 2,00,000) | 10,00,000 |
| Shareholders funds                                 | 14,40,000 |
| Non-current liabilities                            | 8,00,000  |
| Current liabilities                                | 5,00,000  |
| Revenue from operations                            | 15,00,000 |
| Gross profit                                       | 6,00,000  |

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