BK BIRLA CENTRE FOR EDUCATION

SARALA BIRLA GROUP OF SCHOOLS
SENIOR SECONDARY CO-ED DAY CUM BOYS' RESIDENTIAL SCHOOL

PRE BOARD-I (2024-25)

ACCOUNTANCY (055)

Class : **XII Commerce**	Duration: **3 Hr**
Date : **18-11- 2024**	Max. Marks: **80**
Admission No: _____	Roll No._____

GENERAL INSTRUCTIONS:

1. This question paper contains 34 questions. All questions are compulsory.
2. This question paper is divided into two parts, Part A and B.
3. Part – A. Accounting for Partnership and Companies.
4. Part – B. Analysis of Financial Statements
5. Question Nos.1 to 16 and 27 to 30 carries 1 mark each.
6. Questions Nos. 17 to 20, 31and 32 carries 3 marks each.
7. Questions Nos. from 21, 22 and 33 carries 4 marks each
8. Questions Nos. from 23 to 26 and 34 carries 6 marks each
9. There is no overall choice. However, an internal choice has been provided in 5 questions of one mark, 2 questions of three marks, 1 question of four marks and 2 questions of six marks

Q.No	PART A (Accounting for Partnership Firms and Companies)	Marks
1.	 **According to the picture a Partnership deed** (A) Must be a written document signed by all partners and stamped by the registrar. (B) Must be between two of more people one can be a minor with unlimited liability. (C) Must not include the name and address of the firm or partners (D) Must be altered every five year by the consent of all partners.	**(1)**
2.	**Assertion (A):** Manager's commission is transferred to Profit and Loss Account. **Reason (R) :** Manager's commission is a charge against profit **Choose the correct option from the following:** (A) Both A and R are correct, and R is the correct explanation of A. (B) Both A and R are correct, but R is not the correct explanation of A. (C) A is correct but R is incorrect. (D) A is incorrect but R is correct. OR **Assertion (A) :** Mita and Sita are partners in a firm with PSR of 5:3. Mita withdrew Rs. 60,000 during the year. Interest on drawings was calculated as Rs.3,000 @ 10% p.a. **Reason (R) :** Interest on total drawings for the year is calculated for 6 months on average basis if the date of withdrawal is not given. (A) Both A and R are correct, and R is the correct explanation of A. (B) Both A and R are correct, but R is not the correct explanation of A. (C) A is correct but R is incorrect. (D) A is incorrect but R is correct	**(1)**
3.	Which items out of the following are transferred to the **debit of Partner's current/capital a/c**? (A) Share of profits of partners (B) Interest on drawings	**(1)**

	(C) Interest on capital (D) Salaries of partners	
4.	In accounting, goodwill is an intangible asset. The concept of goodwill comes into play when a company looking to acquire another company is willing to pay a price premium over the fair market value of the company's net assets. The elements or factors that a company is paying extra for or that are represented as goodwill are things such as a company's good reputation, a solid (loyal) customer or client base, brand identity and recognition, an especially talented workforce, and proprietary technology. These things are, in fact, valuable assets of a company. However, they are neither tangible (physical) assets nor can their value be precisely quantified. Under US GAAP and IFRS Standards, goodwill is an intangible asset with an indefinite life and thus does not need to be amortized. However, it needs to be evaluated for impairment yearly, and only private companies may elect to amortize goodwill over a 10-year period. Source: https://corporatefinanceinstitute.com/resources/accounting/goodwill/ According to the above article what is **NOT** true about goodwill A) Goodwill is an intangible asset B) Goodwill is only estimated when a company is acquired by another C) Goodwill depends upon customer base, brand identity and recognition D) All firms and companies must amortize goodwill within 10 years	**(1)**
5.	The profits of year ended 31st March 2022 was 2,25,000; 2023 was 1,75,000 and 2024 was 1,25,000. Calculate the **value of goodwill if its valued at 2 years purchase of average profit.** (A) Rs.3,50,000 (B) Rs.4,25,000 (C) Rs.5,10,000 (D) Rs.4,50,000 OR A firm has noncurrent assets of Rs.10,85,000 and current assets Rs.4,15,000 value of current liabilities is Rs.3,50,000. If the firm was taken over at 15,00,000. **Calculate the goodwill**. (A) Rs.3,50,000 (B) Rs.4,15,000 (C) Rs.11,50,000 (D) Rs.15,00,000	**(1)**
6.	Aman and Amar are equal partners. They decide that from now on their profit sharing ratio will be 5:3. On this date the Advertisement Suspense A/c in Balance Sheet shows a balance of 40,000. **How will it be distributed among Aman and Amar**? (A) Debit Aman's and Amar's capital A/c by 20,000 each. (B) Credit Aman's and Amar's capital A/c by 20,000 each. (C) Debit Aman's and Amar's capital A/c by 25,000 and 15,000 respectively. (D) Credit Aman's and Amar's capital A/c by 25,000 and 15,000 respectively	**(1)**
7.	**Amar and Samar are partners with a profit sharing ratio of 11:9. Usman is admitted to the firm and Samar gives him 1/10 from his share. The new profit sharing ratio is.** (A) 11:7:3 (B) 11:8:2 (C) 10:7:3 (D) 11:7:2 OR **Ail and Sofia are partners with a profit sharing ratio of 5:3. They admit Vikram and both gives Vikram 1/10 of their share. The new profit sharing ratio is.** (A) 47:25:8 (B) 9:5:4 (C) 45:27:8 (D) 21:11:8	**(1)**
8.	Udit and Vincent are two partners with a PSR of 13:12. On 1st April their capital balance were 4,15,000 and 3,85,000 on this date they both agreed to admit Wasim. Wasim brings capital of 2,40,000 for 1/5th share and also his share of goodwill. The new PSR is 2:2:1. **Udit and Vincent's share of goodwill on admission is.** (A) 16,000 each (B) 16,640 Udit and 15,360 Vincent (C) 12,800 Udit and 19,200 Vincent (D) 19,200 Udit and 12,800 Vincent	**(1)**
9.	Prakash a partner in a firm of three equal partners dies on 24th August 2024. His share of profit from the closure of the last year (31st March 2023) till the date of date is estimated on the basis of average profit of last three years. Profits for the year ending 31st March 2021,2022 and 2023 were 1,65,000, 1,98,000 and 2,13,000. Prakash's **share of profit till the date of death is**. (A) 21,333 (B) 24,000 (C) 25,600 (D) 26,667	**(1)**

10. Sunil, Ravi and Tina are three partners. Ravi retire and after revaluation there is a loss. This loss will be debited to the capital account of **(1)**

(A) Only Ravi (B) Sunil and Ravi (C) Sunil and Tina (D) All the three partners

11. Badri, Murari and Sundar are three partners for last eight years, the firm was running at a loss since last four years. Badri and Murari have become insolvent and Sundar have inadequate amount to pay to the creditors. **The firm will be dissolved by**. **(1)**

(A) Compulsory Dissolution (B) Mutual Agreement (C) Notice (D) Court

OR

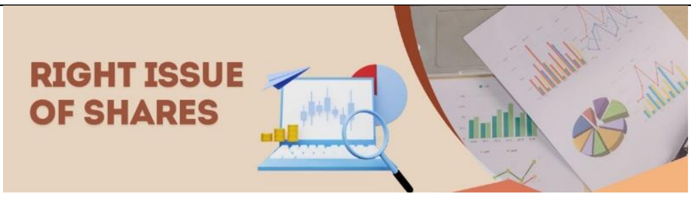
Mani Firecrackers, firm of four partners in the business of trading. A new law bans the trading in firecrackers. Under which section of the Indian Partnership Act 1932 is the firm dissolved?

(A) Section 40 (B) Section 41 (C) Section 42 (D) Section 43

12. A company issues equity shares at a premium. The journal passed for money due on allotment will be **(1)**

(A)	Equity share allotment A/c Dr To Equity share capital A/c To Securities premium A/c
(B)	Equity share application A/c Dr To Equity share capital A/c To Securities premium A/c
(C)	Equity share allotment A/c Dr Equity share capital A/c Dr To Securities premium A/c
(D)	Equity share capital A/c Dr To Equity share allotment A/c To Securities premium A/c

13. **(1)**



Source: https://www.5paisa.com/stock-market-guide/stock-share-market/right-issue-of-shares

What is true about the above type of issue?

(A) Offer to existing shareholders to first buy newly issued stock in open market
(B) Offer of shares free of cost to current shareholders on the basis of their shareholding
(C) Offer of shares to all the citizens of the country as their right
(D) Offer the directors of the company to buy the shares

14. **Assertion (A) :** Pro rata allotment is a type of allotment of shares in which the excess application money received over and above the actual application money is adjusted towards allotment money due only. **(1)**

Reason (R) : Pro rata ratio enable to find out the actual applications made and actual share allotted.

(A) Both A and R are correct, and R is the correct explanation of A.
(B) Both A and R are correct, but R is not the correct explanation of A.
(C) A is correct but R is incorrect.
(D) A is incorrect but R is correct

OR

Assertion (A): The amount payable on application for shares is always greater than the amount payable on allotment.

Reason (R): The total share issue price is divided between application, allotment, and calls.

(A) Both A and R are correct, and R is the correct explanation of A.
(B) Both A and R are correct, but R is not the correct explanation of A.
(C) A is correct but R is incorrect.
(D) A is incorrect but R is correct

15.	Navi Finserv Ltd (NFL) is planning to raise up to ₹600 crore via non-convertible debentures (NCDs), offering effective yields ranging from 10.47 per cent to 11.19 per cent per annum, depending on the tenor. Source https://www.thehindubusinessline.com/money-and-banking/navi-finserv-plans-to-raise-up-to-600-crore-via-ncds/article67841461.ece What will be the minimum interest payable to a debenture holder who was allotted debentures of Rs.1,00,000. (A) Rs.10,470 (B) Rs.5,235 (C) Rs.11,190 (D) Rs. 5,595	**(1)**
16.	If underwriting commission is paid by the issue of debenture then the journal will be. (A) … % Debenture A/c Dr To Underwriting commission (B) Underwriting commission A/c Dr To … % Debenture A/c (C) … % Debenture A/c Dr To Underwriters' A/c (D) Underwriters' A/c Dr To … % Debenture A/c	**(1)**
17.	Aakash, Disha and Gautam are three partners sharing profits and losses in 7:7:6. From the beginning of next year they decide to change it to 2:2:1. They also decided to record the effect of the following revaluations without affecting the book values by passing an adjustment entry. Particulars | Book Value | Revised Values Plant and Machinery | 2,00,000 | 1,80,000 Land | 4,00,000 | 4,50,000 Creditors | 60,000 | 50,000 Calculate the net effect of revaluation. Calculate the sacrificing and gaining ratio and pass a journal.	**(3)**
18.	Akram, Bikram and Chakram are partners with a PSR of 3:2:1. On the date of Chakram's retirement the balance sheet of the firm showed General reserve as Rs.60,000. On retirement the goodwill was valued at one year's purchase of the average profit of last three years. The profit of last three years were Rs.1,20,000; Rs.95,000 and Rs.1,00,000. Pass the necessary journal entries to show the effect of the above on retirement.	**(3)**
19.	Analyse the difference in the journal entries with respect to loan provided by Mohan, one of the partners in the firm of three partners at the time of firm's dissolution. Under the following situations, clearly write the effect. Case I) Loan by Mohan 1,20,000 and his balance in capital A/c is 60,000 (Credit) Case II) Loan by Mohan 1,20,000 and his balance in capital A/c is 1,00,000 (Debit) Case III) Loan by Mohan 1,20,000 and his balance in capital A/c is 1,50,000 (Debit)	**(3)**
20.	XY Ltd was set up with an authorised capital of Rs.50,00,000 divided into 5,00,000 Equity shares of 10 each. It offered to public 80% of it's shares. Public subscribed for 90% of the shares offered. All money was received except Rs.2 on 15,000 shares. Show the following in the Balance Sheet of XY Ltd	**(3)**
21.	Bhagya, Luck and Taqdir are three partners with a capital balance of Rs.1,20,000; Rs.1,00,000 and Rs.80,000 as on 1st April 2023. They decide that their PSR will be 5:3:2 and they will adjust their capital as per this ratio on 1st October 2023. They will either bring in or withdraw cash without effecting the total capital. Bhagya withdrew Rs.2,500 p.m. at the beginning of each month. Luck withdrew Rs.7,500 at the end of each quarter. Their partnership deed provides i) Interest on capital and drawings at 10% p.a. and 12% p.a. respectively. ii) Duhki their manger is entitled to a commission of 3% on sale which was Rs,8,00,000 iii) Bhagya to be given a minimum profit of 40% of his capital as on 1st October 2023.	**(4)**

	Profit for the year ended 31st March 2024 without any of the above adjustments is Rs.1,54,700 Prepare Profit and Loss Appropriation A/c and show all the calculations required.	
22.	Xavier Automobiles Ltd. Forfeited 2,000 equity shares of Rs10 each. The shares were issued at a premium of 10% payable at allotment. The shares are payable as Rs3 on application Rs5 on allotment and Re1 on first call and Rs2 on final call. Only the application money was received on these calls and the final call was not made. Shares were forfeited on 15th June and after 15 days of forfeiture the shares were reissued. Pass journal entries for forfeiture and reissue. Case I : 1,000 shares were reissued at Rs9 each Rs8 paid up Case II: 1,500 shares were reissued at Rs7 each Rs8 paid up	**(4)**
23.	Read the case below and answer the questions following it. Adil, Bibek and Carl were partners. They had stared their business on 1st April 2023 with capitals of Rs.8,00,000; Rs.6,00,000 and Rs.6,00,000. They decided to share profits and losses as per their capital contribution. They were in need of extra capital so it was decided that all the partners will bring in 50% of their initial capital contribution as additional capital. All the partners agreed, but only Alex and Bibek could bring in the required money. Carl was unable to bring his share of additional capital. So he suggested that their employee Dilip be admitted into the firm as he was ready to pay the money. Alex and Bibek agreed on the condition that both of them will not sacrifice their profits. So Carl was ready to sacrifice half of his share of profit to accommodate Dilip. Dilip brought in the required cash for capital contribution and also brought in 1,00,000 as premium for goodwill. The premium was withdrawn by the sacrificing partner. The partners also decided to revalue furniture from 60,000 to 5/6 of its value due to normal depreciation and Investment from 1,80,000 to 2,40,000 its present market value. Calculate: i) The profit sharing ratio on 1st April 2023. ii) New Profit sharing ratio after Dilip's admission Pass all the relevant journal entries after the admission of Dilip.	**(6)**
24.	Zenith Ltd offered public 1,75,000 equity shares of Rs.10 each payable as Rs.2 on application Rs.6 on allotment and Rs. 4 on first and final call, at a premium of Rs.2 payable at the time of allotment. Applications were received for 1,60,000 shares and all money was received except the allotment and call money on 15,000 shares. The shares on which calls were in arrears were forfeited. Pass the required journal entries. **OR** Adam Ltd offered to public 1,25,000 shares of Rs 10 each payable 4 on application 4 on allotment and 2 on first and final call. Applications were received for 2,00,000 shares and last 25,000 applications were rejected. Pro rata allotment were made to the rest of the shares. A shareholder who was allotted 20,000 shares failed to pay allotment money. Pass journal entries if call have not yet been made. Show your calculations clearly.	**(6)**
25.	Priya and Supriya used to share profits in 3:2, due to difference in opinion their firm was dissolved on 31st March 2024. On this date their capital balances were Rs.78,000 and Rs84,000. Bank loan of Rs.80,000 other liabilities: Creditors Rs.48,000 and Bills payable Rs.20,000. The firm also had a Bank balance Rs.10,000. The ratio of Non-current assets and current assets were 3:1. (excluding bank balance) Non-current assets were taken at 80% of their value by Priya and Supriya equally and the current assets were sold at 20% premium. Bank's loan was repaid with an interest of 3,000. Creditors were settled at 45,000. Close the books of the firm.	**(6)**

26.	Kumar Enterprises purchased the business from Khan Traders who had assets worth Rs.35,00,000 and external liabilities worth Rs.5,30,000. The purchase consideration was paid by issue of 12% Debentures of 100 each. Pass journal entries clearly mentioning the number of debentures issued if debentures were i) Issued at par ii) Issued at 10% premium iii) Issued at 10% discount	**(6)**

PART B

(Analysis of Financial Statements)

27. Match the following **(1)**

i)	Called up capital	a)	Defined u/s 2(86) of Companies Act 2013
ii)	Subscribed capital	b)	Defined u/s 2(50) of Companies Act 2013
iii)	Paid up share capital	c)	Defined u/s 2(64) of Companies Act 2013
iv)	Issued capital	d)	Defined u/s 2(15) of Companies Act 2013

(A) i) a); ii) b); iii) c); iv) d) (B) i) d); ii) b); iii) c); iv) a)
(C) i) b); ii) a); iii) c); iv) d) (D) i) d); ii) a); iii) c); iv) b)

28. If the Working capital of a company is zero. What will be the current ratio of the company? **(1)**
(A) Cannot be calculated (B) Zero (C) 1:1 (D) 2:1

OR

If both current assets and current liabilities becomes 1/2 of their present values what will be the impact in current ratio.
(A)Will remain unchanged. (B) Will reduce by 50% of its present value.
(C) Will increased by 50% of its present value. (D) Will reduce by 25% of its present value.

29. Complete the table **(1)**

Items	Major Head	Sub-head
Income received in advance	Current Liabilities	i)
Sundry Debtors	Current Assets	ii)

(A) i) Other Current Liabilities ii) Other Current Assets
(B) i) Trade Payables ii) Trade Receivables
(C) i) Other Current Liabilities ii) Trade Receivables
(D) i) Trade Payables ii) Other Current Asset

30. **Assertion (A)**: Horizontal Analysis is also known as Dynamic Analysis **(1)**
Reason (R): Horizontal Analysis is based on data of two or more years rather than only one year.
(A) A and R are correct but R is not the correct explanation of A
(B) A and R are correct and R is the correct explanation of A
(C) Only A is correct
(D) Only R is correct

31. This is a Comparative Statement of Profit and loss for the year ended 31st March 2023 and 2024. Calculate the missing figures. **(3)**

Particulars	N.No	31st Mar 24	31st Mar 23	Absolute	% Change
Revenue from Operation		15,00,000	A	3,00,000	25.00
Other Income		1,50,000	1,50,000	--------	-------
Total Revenue		B	C	D	E
Cost of Materials		8,40,000	7,50,000	90,000	F
Employee benefit exp.		2,70,000	3,00,000	G	(10.00)
Finance Cost		H	1,75,000	35,000	I
Total Expense		13,20,000	12,25,000	J	7.76
Profit Before Tax		3,30,000	K	L	164.00

OR

Prepare a Common size Balance Sheet from the following information

Particulars	N.No	31st March 2024	31st March 2023
EQUITY AND LIABILITIES			

Shareholders Fund		5,50,000	4,50,000
Non-Current Liabilities		3,85,000	3,15,000
Current Liabilities		65,000	1,35,000
TOTAL		10,00,000	9,00,000
ASSETS			
Non-Current Assets		7,35,500	6,48,000
Current Assets		2,64,500	2,52,000
TOTAL		10,00,000	9,00,000

32. Calculate the figures **(3)**

a) Inventory Rs.48, 000. Current Liabilities is Rs.80, 000. The Acid Test ratio = 1.40:1 calculate current ratio.

b) Total liabilities Rs.8, 00,000, Shareholders fund Rs.2, 87,500, Current liabilities Rs.75, 000. Calculate Total Asset to Debt ratio.

c) Revenue from operation is Rs.10, 00,000, Gross Profit ratio = 20%. Operating ratio = 85%. Calculate Operating expenses.

33. Read the following hypothetical extract of a limited company and answer the questions on its basis show the relevant workings clearly. **(4)**

Particulars	31st March 2024	31st March 2023
Trade receivables	12,00,000	9,60,000
Trade payable	15,00,000	10,00,000
Inventory	10,40,000	8,60,000
Outstanding expenses	25,000	75,000
Prepaid expenses	60,000	50,000
Cash in hand	2,00,000	2,80,000
Revenue from operations	36,00,000	30,00,000
Gross profit ratio	15%	20%

i) Current ratios for the years 2024 and 2023 will be

(A) 2.00 and 1.64 respectively (B) 1.64 and 2.00 respectively

(C) 2.23 and 1.88 respectively (D) 1.63 and 2.10 respectively

ii) The inventory turnover ratio for the year ended 31st March 2024 is

(A) 3.22 times (B) 3.79 times (C) 3.46 times (D) 2.52 times

iii) Calculate the working capital turnover ratio for the year ended 31st March 2023

(A) 2.22 times (B) 2.79 times (C) 3.33 times (D) 3.67 times

iv) If inventory worth 2,60,000 was sold for 3,00,000 in the year ended 31st March 2023. How will this impact the value of Cost of Revenue from operation?

(A) Decrease by 3,00,000 (B) Increase by 3,00,000

(C) Decrease by 2,40,000 (D) Increase by 2,40,000

OR

Why Comparative Ratio Analysis Is Important for Restaurant Industry Valuation

Comparative ratios are especially important to understand in restaurant valuation today because of the severe impact the COVID-19 pandemic had on the food and service industry. These ratios express potentially significant relationships and can easily reveal a company's position in the industry, provided valuators understand the relevant industry and which ratios matter most.

Ratios can also be helpful when analysing or creating projections. Drastic changes in future performance can be forecasted using a trend analysis to compare current ratios to past norms. A trend analysis can also show deterioration, as well as strengths and weaknesses.

Liquidity ratios measure a company's ability to meet its short-term financial obligations. These ratios can also help determine whether a company has more assets than it needs for its operations, or if it is falling short. The current ratio is a very common liquidity ratio that indicates whether a company can pay its short-term liabilities on time. Typically businesses want a current ratio of 2.0, meaning the company has double the amount of current assets needed to pay its liabilities.

However, the five-year average current ratio in the restaurant industry is 1.1, which indicates that restaurants on average do not have much more in current assets than current liabilities. One of the main reasons for this is that restaurants do not tend to have high levels of accounts receivable.

Activity or turnover ratios measure how effectively a company employs its assets. These ratios address a firm's ability to manage its assets in use and determine how it will invest current assets for future profit. One of the most important activity ratios for a restaurant is inventory turnover. A slow inventory turnover ratio can reveal whether a company has undesirable inventory, which can also hurt a company's liquidity. Fast inventory turnover, however, may indicate a company is not purchasing enough inventory to cover sales. Restaurants rely on perishable goods, so it is important for managers and owners to gauge the right amount of inventory needed to avoid discarding inventory when it goes bad.

The working capital turnover ratio is also very important for restaurants because it can be a key indicator of whether a restaurant is in danger of imminent failure. Working capital is the difference between the total amount of current assets and current liabilities.

Profitability ratios measure how effectively a company manages its expenses and profits, or controls its operating costs relative to its revenue stream. This is usually measured through profit margins, (gross, operating and net) which show future risk of returns and investment risk. Profit margins are one of the most important financial ratios to examine when valuing a restaurant. They are the strongest indicator of costs necessary for a restaurant to generate revenue. However, profit margins can vary widely across the industry. For example, a high-end restaurant may be able to charge more for a meal, which would increase its profit margin; however, it likely would not attract as many customers as a lower-cost restaurant, which could reduce the profit margin conversely.

Source: https://www.marcumllp.com/insights/why-comparative-ratio-analysis-is-important-for-restaurant-industry-valuation

Read the article published on 13th December 2022 and answer the question based on it.

i) Does the restaurant industry have an ideal current ratio? What does the ratio indicate?

ii) Current ratio is a very common liquidity ratio. What is the other liquidity ratio? How is it calculated?

iii) What does slow and fast inventory turnover ratio indicate? In the above article.

iv) How do we calculate the profit margins? (Give any two formula)

34. Calculate the cash flow from operating activities **(6)**

Particulars (Items)	31st March 2024	31st March 2023
Balance in statement of Profit & Loss(Cr.)	1,50,000	1,00,000
Transfer to General Reserve	45,000	25,000
Provision for tax	80,000	65,000
Inventories	40,000	30,000
Debtors	37,000	45,000
Creditors	18,000	10,000
Goodwill	40,000	45,000

Depreciation on furniture 5,000; Motor Vehicle 35,000; Profit on sale of land 60,000; Loss on sale of machinery 5,000

OR

Calculate cash flow from investing and financing activities (Show workings wherever required)

Particulars (Items)	31st March 2024	31st March 2023
Office Equipment	45,000	75,000
Plant and Machinery	3,80,000	5,00,000
Accumulated depreciation on Plant & Machinery	1,00,000	80,000
Furniture	75,000	60,000
Equity shares	8,00,000	5,00,000
10% Preference shares	4,00,000	5,00,000
15% Debenture	2,50,000	4,00,000

Additional information:

i) Depreciation on office equipment 10,000; plant and machinery 45,000 and furniture 15,000.

ii) Loss on sale of office equipment and machinery were 5,000 and 15,000 respectively.

iii) Equity shares were issued at 10% premium, underwriting commission paid 15,000.

iv) Both preference share and debentures were redeemed at 5% premium.

Do not consider Interest on debenture and dividend on shares.

ALL THE BEST

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