Accountancy Prebard I
Marking Scheme

Q1. (2 marks) Realisation vs. Revaluation (1×2 = 2 marks)
(any two points)

Q2. (a) Machinery (1) Dr. 125000
(2 marks) To Vendor 125000

(b) Vendor (1) Dr. 125000
To 9% Debentures 100000
To Securities Premium Reserve 25000

Q3. (3 marks) Balance Sheet as at March 31, 2016

		Note No.	Amount
(1)	Equity & Liabilities		
	Shareholders' funds		
	Share Capital	1	897000

Notes to Accounts

	Authorised		
	2,00,000 shares of ₹10 each		20,00,000
(1)	Issued		
	1,00,000 shares of ₹10 each		10,00,000
	Subscribed & fully Paid		
	89,000 shares of ₹10 each		8,90,000
	Subscribed but not fully Paid		
	1000 shares of ₹10 each	10000	
	less calls in arrears (1000×3)	3000	7000
			897000

Value
(1) Transparency
Providing full information to users

Q4.

3 marks (1)	Share Capital	Dr.	3,000	
	To Share forfeiture			1950
(1)	To Share Second & final Call			1050
	(Being shares forfeited)			
(2)	Bank (21 × 100)	Dr.	2,100	
(1)	To Sh. Capital			2000
	To Securities Prem. Reserve			100
	(Being shares reissued)			
(3)	Share forfeiture	Dr.	1300	
(1)	To Capital Reserve			1300
	(Being Sh. forfeiture balance transferred to Capital Reserve)			

Q5. (11 marks)

Apr. 1, 15	Bank	Dr.	200000	
½	To Deb. Application & Allotment			200000
~~Sep. 30~~	Deb. App. & Allotment	Dr.	200000	
½	To 12% Debentures			200000
Sep. 30	Deb. Interest $21 \times \frac{12}{100} \times \frac{6}{12}$	Dr.	1200	
½	To Deb. holders			1080
	To TDS Payable			120
	Deb. holders		1080	
½	TDS Payable		120	
	To Bank			1200
Mar. 31, 16	Deb. Int.		1200	
½	To Deb. holders			1080
½	To TDS Payable			120

½	Deb. holders		10800	
	TDS Payable		1200	
	To Bank			12000
1	Statement of Profit & loss		24000	
	To Deb. Interest			24000

Q6. (4 marks)

½ (1)	Surplus i.e. Balance of St. of Profit & loss	Dr.	2,50,000	
	To Deb. Redemption Reserve			2,50,000
½ (2)	Deb. Redemption Investment	Dr.	150000	
	To Bank			150000
½ (3)	Bank	Dr.	150000	
	To Deb. Red^{n} Investment			150000
(4)	6% Debentures	Dr.	10,00,000	
	Premium on Redemption		50,000	
1	To Deb. holders			10,50,000
(5)	Deb. holders	Dr.	10,50,000	
½	To Bank			10,50,000
(6)	Deb. Redemption Reserve	Dr.	2,50,000	
1	To General Reserve			2,50,000

Q7. (6 marks)

Goodwill →	X's Capital	Dr.	19,200	
(3)	To Z's Capital			19,200
Profit share	X's Capital	Dr.	7,200	
(3)	To Z's Capital			7,200

X's Gain = $\frac{3}{5} - \frac{1}{5} = \frac{2}{5}$ Y's Gain = $\frac{2}{5} - \frac{2}{5}$ = NIL

Profit					
	2005-06	(10000)			(10000)
	2006-07	20000			20000
	07-08	30000	+ 40000 (Car Rectified)	− 8000 (Dep.)	62000
				Total →	72000

Average profit of 3 years = $\frac{72000}{3}$ = 24000

Goodwill = 2 × 24000 = 48000

Z's share = $\frac{2}{5}$ × 48000 = (19200)

Z's share in Profit for 9 months = 24000 × $\frac{9}{12}$ × $\frac{2}{5}$ = (7200)

Q8. (marks =)

(a)	Realisation	Dr.	16000	
	To Goodwill			16000
(b)	Y	Dr.	1000	
	To Cash			1000
(c)	X	Dr.	6000	
	To Realisation			6000

(d)	Realisation A/C	Dr.	4000	
	To Cash A/c			4000
(e)	No entry		—	—
(f)	Realisation	Dr.	4800	
	To X			3000
	To Y			1800

Q10. (8 marks) 1st option

Dr. Revaluation A/c Cr.

To Patents	2000	By Investments ½	2600
To Plant & Machinery ½	5000	By Emp. Provident fund ½	3225
To Provision for DD ½	400	By Creditors ½	375
		By Profit	
		X 600	
		Y 400	
		Z 200	1200
	7400		7400

Dr. Capital Accounts Cr.

	X	Y	Z		X	Y	Z
Revaluation	600	400	200	b/d	68000	32000	21000
Z ½	3480	2320	—	Inv. Fluc. Fund ½	3000	2000	1000
Goodwill ½	3000	2000	1000	Workmen com Fund ½	5625	3750	1875
Advt. Expdt ½	2625	1750	875	X & Y ½			5800
Investment ½	—	—	17600				
Bank ½	—	—	5000				
Z's Loan ½	—	—	2500				
B/P ½	—	—	2500				
Bal. c/d	66920	31280	—				
	76625	37750	29675		76625	37750	29675

1) Balance Sheet As at ... (1)

Creditors	14625	Cash at Bank		750
Provident fund	2775	Debtors	40000	
Loan	2500	less Provision	2400	37600
B/P	2500	Stock		30000
W.C. Claim	750	~~De~~ Patents		8000
X's Capital	66920	Plant & Machinery		45000
Y's Capital	31280			
	121350			121350

OR Q10 Option (2)

Revaluation A/c (4)

Machinery	2500	By Building	10,000
Prov. for D. Debts (5% of 18000)	900		
Profit trfd. to			
Vijay 1650			
Ashok 3300	6600		
Vinod 1650			
	10000		10000

Capital Accounts (4)

Dr.

	Vijay	Ashok	Vinod		Vijay	Ashok	Vinod
Vinod (½)	3750			b/d	30000	45000	25000
c/d	28525	49550	31025	Reserve (½)	625	1250	625
				Revaluation	1650	3300	1650
				Vijay (½)	—	—	3750
	32275	49550	31025		32275	49550	31025
Cash (½)			31025	b/d	28525	49550	31025
c/d (1)	54550	54550		Cash (1)	26025	5000	
	54550	54550	31025		54550	54550	31025

Balance Sheet

(1) (1) (7)

Bank Overdraft	7500	Cash		1000
Outstanding Salary	1500	Debtors	19000	
Creditors	5000	less Bad debts	1000	
			18000	
Vijay's Capital	54550	less Provision	900	17100
Ashok's Capital	54550	Stock		7500
		Investment		30000
		Machinery		25000
		Building		42500
	123100			123100

Calculation of closing balance of Vijay & Ashok

Total capital of new firm = Vijay's Capital + Ashok's Capital + Amt. to be paid to Vinod

= 28525 + 49550 + 31025 = 109100

109100 in 1:1 Ratio

- 54550 Vijay's capital
- 54550 Ashok's capital

Q11. (8 marks)

Cash Book

			Cr.
To Share Application	760000	Share Application	200000
Share Allotment	1019200	Balance c/d	2573200
Share first call	470000		
Share final call	470000		
Share Capital	54000		
	2773200		2773200

$\frac{1}{2} \times 7 = (3\frac{1}{2})$

Journal

(1)	Share Application (1/2) Dr.		560000	
	To Share Capital			400000
	To Share Allotment			160000
(2)	Share Allotment Dr.		12 ₹	
	To Share capital (1/2)			6 ₹
	To Securities Prem. Reserve			6 ₹
(3)	Share first call (1/2) Dr.		5 ₹	
	To Share Capital			5 ₹
(4)	Share final call (1/2) Dr.		5 ₹	
	To Share Capital			5 ₹
(5)	Share Capital (40000 + 80000) Dr.		120000	
	Securities Prem. Reserve (2000×6) Dr. (1/2)		12000	
	To Sh. forfeiture (11200 + 40000)			51200
	To Share Allotment			20800
	To Share first Call (10000 + 20000)			30000
	To Share final call			30000
(6)	Share forfeiture Dr. (1/2)		6000	
	To Share Capital			6000
(7)	Share forfeiture Dr.		16200	
	To Capital Reserve			16200

OR Q11 option (2)

(1)	Bank	(½)	Dr.	57 l	
	To Share Application				57 l
(2)	Share Application	(½)	Dr.	57 l	
	To Share Capital				38 l
	To Sec. Prem. Reserve				19 l
(3)	Share Allotment	(½)	Dr.	133 l	
	To Share Capital				38 l
	To Sec. Prem. Reserve				95 l
(4)	Bank	(½)	Dr.	13230000	
	To Share Allotment				13230000
(5)	Share Capital	(1)	Dr.	40000	
	Sec. Prem. Reserve		Dr.	50000	
	To Sh. forfeiture				20000
	To Sh. Allotment				70000
(6)	Share first & final call	(½)	Dr.	11340000	
	To Share Capital				11340000
(7)	Bank	(1)	Dr.	11220000	
	To Sh. first & final call				11220000
(8)	Sh. Capital	(½)	Dr.	→ 2 l	
	To Sh. forfeiture				8000
	To Sh. first & final call				120000

(10)

(9)	Bank		Dr.	135000	
	Share forfeiture	(½)	Dr.	15000	
	To Share Capital				150000
(10)	Share forfeiture	(½)	Dr.	35000	
	To Capital Reserve				35000

Dr. Share forfeiture A/c Cr.

To Share Capital	15000	Share Capital	20000
To Capital Reserve	35000	Share Capital	80000
To Balance c/d	50000		
	1		1

Q12. (1)
Marketable Securities are cash equivalents.
Opening

Q13. (1) The objective of cash flow Statement is to show inflow & outflow of Cash.

Q14. (a) : Current liab. – Short term Provision

(b) : Non Current Assets – Fixed Assets (Intangible)

(c) : Shareholders' funds – Reserves & Surplus

(d) : Current Assets – Inventory

Q15 (2 marks) ROI = $\frac{\text{Profit before Int., Tax \& dividend}}{\text{Capital employed}}$ (½) × 100

= $\frac{115000 + 60000 + 115000}{6l - 80000 + 80000}$ × 100

= (½) $\frac{290000}{6l}$ (½) × 100

= (½) 48.33%.

Q16. (2 marks) Current Ratio = $\frac{\text{Current Assets}}{\text{Current Liab}} = \frac{3}{1}$

⇒ C.L. = $\frac{CA}{3}$ ——— (1)

WC = CA − CL = 180000

$CA - \frac{CA}{3} = 180000$

⇒ $\boxed{CA = 270000}$ (1)

$CL = \frac{270000}{3} = 90000$

Quick Ratio = $\frac{\text{Quick Assets}}{CL} = \frac{1.2}{1}$

Quick Assets = 1.2 × 90000 = 108000

QA = CA − Stock = 108000

270000 − Stock = 108000

$\boxed{\text{Stock} = 162000}$ (1)

Q17. Inv. Turnover Ratio = $\frac{\text{Cost of Rev. from Op.}}{\text{Avg. Inventory}}$ (1)

Sales = 125% of Credit sales = 125% of 64000
= 80000/-

G.P. = 25% of Cost

Cost + Profit = Sales Let Cost be x

$x + \frac{x}{4} = 80000$

x or Cost = 64000 (½)

Cl. Inv. − Op. Inv = 15000
Cl. − 5000 = 15000
Cl. = 20000

Inv. Turnover Ratio = $\frac{64000}{\text{Avg. Inventory}}$

$= \frac{64000}{\frac{5000+20000}{2}} = \frac{64000}{12500} = 5.12$ times (½) (½)

Q18. Cash flow from investing activities

① Purchase of Plant & Machinery	(3020000)
① Sale of P & M	490000
Cash used in investing act.	2530000

① Machinery

b/d	4800000	Loss		260000	
Cash (bf)	3020000	Cash		490000	
		Acc. Dep.		530000	
		c/d		6540000	
	7820000			7820000	

Acc. Dep. A/c — Not Reqd.

Q19. Cash flow from financing Activities

Issue of shares		2l
Issue of Pref. Shares at Premium		160000
Issue of debentures		100000
Interest on deb.	(10% of 3l)	(30000)
Preference dividend	(8% of 2l)	(160000)
Interim dividend	(20% of 8l)	(160000) 254000

Q20 (6 marks) Comparative Income Statement

	Previous Year	Current Year	Absolute Change	% age Change
Revenue from operations:	12 l	15 l	3 l	25%
less Expenses				
Cost of Material Consumed	6 l	12 l	6 l	100
Other expenses	1.2 l	1.5 l	300000	25
Total expenses	7.2 l	13.5 l	630000	87.5
Profit before Tax	4800000	1500000	(3300000)	(68.75)
less Tax	2400000	750000	(1650000)	(68.75)
Profit after Tax	2400000	750000	(1650000)	(68.75)

$$\text{Net Profit Ratio} = \frac{\text{Net Profit after Tax}}{\text{Revenue from operations}} \times 100$$

2. Current Year = $\frac{750000}{15\text{ l}} \times 100 = 5\%$. (1)

Previous Year = $\frac{2400000}{12\text{ l}} \times 100 = 20\%$. (1)

Q21. Cash flow Statement

I Cash flow from Operating Act.		
Profit before Tax		11500000 (1)
Add ~~Dep~~ Non Cash & non operating		
Depreciation	2 l	
Interest on deb. ($2\text{ l} \times \frac{10}{100}$)	200000	(1)
less Profit on Sale	(100000)	
Op. Profit before W.C. Changes	1360000	
+ ↑ in CL & ↓ in CA		
− ↓ in CL & ↑ in CA		
Trade Receivables	(1 l)	
Inventories	(1 l)	(1)
Cash from Operations	1160000	
− Tax Paid	(3 l)	
Cash from Operating		860000

(II) Cash flow from Investing Activities

(1½) Sale of Machinery — 40000
Purchase of Goodwill — (100000)
Purchase of Machinery — (330000)
Cash used in Investing Activities — (390000)

(III) Cash flow from financing act.

Issue of Sh. Capital — 150000
Dividend Paid
(2) Interim dividend — (2f)
Interest on debentures — (1f)
Redemption of deb. — (2000) (1f)
Cash used in financing activities — (270000)

2f

(½) Net increase in Cash & cash eq. — 1f
+ Op. Cash & Cash Equiv.
Cl. Cash & Cash equiv. — 3f

Working Note

Surplus (6l − 4l)	2f	(½)
+ General Reserve	1.5f	
+ Proposed dividend	3f	
+ Interim dividend	1f	
+ Provision for Tax	4f	
Profit before Tax	1150000	

Proposed dividend

cash	2f	b/d	1f
c/d	2f	P&L	3f

Machinery

b/d	8f	Cash	40000
Profit	10000	Dep.	200000
Cash	330000	c/d	900000