# ISC Solved Paper 2022 Semester-2

# Accounts

# Class-XII

***(Maximum Marks : 40)***

***(Time allowed : One and a half hours)***

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*(Candidates are allowed additional **10 minutes** for only reading the paper)*
*They must NOT start writing during this time.*
*Transactions should be recorded in the answer book.*
*All calculations should be shown clearly.*
*All working, including rough work, should be done on the same sheet as, andadjacent to the rest of the answer.*
*All questions of Section A are compulsory.*
*All questions from either Section B or Section C are compulsory.*

*The intended marks for questions or parts of questions are given in brackets [ ].*

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## SECTION - A [26 Marks]

*(Answer **all** questions)*

**1. Select the correct option for each of the following questions:**

**(i) Which one of the following can be used by a company to write off any loss on issue of debentures?**
- **(a)** Investment Fluctuation Fund
- **(b)** Machinery Replacement Fund
- **(c)** Workmen Compensation Reserve
- **(d)** General Reserve

**(ii) Mita and Rita decided to dissolve their partnership firm. Their books showed goodwill of ₹ 5,000 How will the Goodwill Account be closed on the dissolution of the firm?**
- **(a)** By transferring ₹ 5,000 to the debit side of the Partners' Capital Accounts
- **(b)** By transferring ₹ 5,000 to the credit side of the Partners' Capital Accounts
- **(c)** By transferring ₹ 5,000 to the debit side of the Realisation Account
- **(d)** By transferring ₹ 5,000 to the credit side of the Realisation Account

**(iii) On 1$^{st}$ April 2018, Halogen Ltd. issued 4,000, 8% Debentures of ₹ 100 each, to be redeemed in four equal annual instalments beginning from 31$^{st}$ March 2020. The interest on these debentures was payable half yearly, on 30$^{th}$ September and 31$^{st}$ March every year. What is the journal entry to close the Interest on Debentures A/c on 31" March 2021?**
- **(a)** Debit Statement of P/L ₹ 32,000; Credit Interest on Debentures A/c ₹ 32,000
- **(b)** Debit Statement of P/L ₹ 16,000; Credit Interest on Debentures A/c ₹ 16,000
- **(c)** Debit Statement of P/L ₹ 24,000; Credit Interest on Debentures A/c ₹ 24,000
- **(d)** Debit Statement of P/L ₹ 8,000; Credit Interest on Debentures A/c ₹ 8,000

**(iv) Punit, Sujit and Jiten are partners sharing profits and losses in the ratio of 4:3:1. Sujit retires from the firm, selling his share of profit to Punit and Jiten for ₹ 1,50,000; ₹ 80,000 being paid by Punit and ₹ 70,000 by Jiten. What is the new profit-sharing ratio between the remaining partners?**
- **(a)** 4:1 **(b)** 7:3
- **(c)** 8:7 **(d)** 1:1

**Ans. (i) (d)** General Reserve

**Explanation:** General Reserves are created without any specific purpose, so can be used to write off any loss. Specific reserves like Investment Fluctuation Fund, Machinery Replacement Fund and Workmen Compensation Reserve are created for some specific purpose and can be used for the specific purpose such as investment fluctuation, replacement of machinery or compensation to workers respectively.

**(ii) (c)** By transferring ₹ 5,000 to the debit side of the Realisation Account.

**Explanation**: At the time of dissolution, when goodwill is already oppearing in the balance sheet, it is theated like any other atsest and is therefor, transfeared to the debit side of Realisation Account.

**(iii) (c)** Debit statement of P/L ₹ 24,000; credit interest on Debentures A/c ₹ 24,000.

**Explanation:** Debenture of ₹ 1,00,000 were redeemed on 31st March 2020, Out of the total ₹ 4,00,000 debentures so, outstanding debenture on 31st March 2021 were ₹ 3,00,000.

Interest on Debenture:

$$₹3,00,000 \times \frac{8}{100} = ₹\,24,000$$

**(iv) (b)** 7 : 3

| Reason: | Punit | | Sujit | | Jiten |
|---|---|---|---|---|---|
| Old ratio | 4 | : | 3 | : | 1 |

Sujit share is acquired by Punit and Jiten in the ratio of 80,000 : 70,000 is 8 : 7.

$$\text{Punit's gain} = \frac{3}{8}\times\frac{8}{15} = \frac{24}{120}$$

$$\text{Jiten's gain} = \frac{3}{8}\times\frac{7}{15} = \frac{21}{120}$$

New ratio = Old ratio + Gain ratio

$$\text{Punit's share} = \frac{4}{8}+\frac{24}{120} = \frac{60+24}{120} = \frac{84}{120}$$

$$\text{Jiten's share} = \frac{1}{8} = \frac{15+21}{120} = \frac{36}{120}$$

New share of Punit : Jiten

84:36

7:3

**2. (i) Give the adjusting entry for interest on calls in arrears due from the debenture holders.**

**(ii) Ritu, Geetu and Sara are partners in a firm, sharing profits and losses in the ratio of 3:2:1 An extract of their Balance Sheet as at 31st March 2021, is as under:**

**Balance Sheet of Ritu, Geetu and Sara (extract)**
**As at 31st March, 2021**

| Liabilities | ₹ | Assets | ₹ |
|---|---|---|---|
| | | Plant and Machinery | 90,000 |

**On Geetu's retirement on 1st April 2021, it was found that the value of machinery shown in the balance sheet was overvalued by $33\frac{1}{3}\%$.**

**What is the revised value of Plant and Machinery shown in the Balance Sheet of the reconstituted firm?**

**Ans. (i)** Profit and Loss A/c Dr. xxx

To Interest on Call in Arrear's on Debentures A/c xxx

(Being interest on call in arrear due on debenture)

**(ii)** Book value of Plant & Machinery ₹ 90,000

Over valuation of Plant and Machinery by $33\frac{1}{3}\%$

**Revised value of** $= ₹\,90,000 \times \frac{100}{133.33}$

**Revised value of Plant & Machinery**

$$= ₹90,000 \times \frac{100}{133.33}$$

=₹67,000

**3. On 1st April, 2020, Venus Ltd. acquired fixed assets of the value of ₹ 7,50,000 and current liabilities of ₹ 90,000 from Jupiter Ltd., for a purchase consideration of ₹ 6,40,000.**

**Venus Ltd, met the purchase consideration due to Jupiter Ltd., by issuing to it, 10% Debentures of ₹ 100 each at a discount of 5%.**

**These 10% Debentures were redeemable at par on 31st March, 2025.**

**Note: Venus Ltd. writes off its capital losses in the year in which they occur. You are required to pass the necessary journal entries in the books of Venus Ltd. for the year 2020 - 21. (Ignore interest on debentures).**

**Ans.** **In the books of Venus Ltd.**
**Journal Entries**

| Date | Particulars | LF | Debit (₹) | Credit (₹) |
|---|---|---|---|---|
| April 1 2020 | Fixed Assets A/c Dr. | | 7,50,000 | |
| | To Current Liabilities A/c | | | 90,000 |
| | To Capital Reserve A/c | | | 20,000 |
| | To Jupiter Ltd.A/c | | | 6,40,000 |
| | (Being assets and liabilities takes over by Venus Ltd.) | | | |
| April 1 2020 | Jupiter Ltd. A/c Dr. | | 6,40,000 | |
| | Loss on issue of Debentures A/c Dr. | | 33,684 | |
| | To 10% Debentures A/c | | | 6,73,684 |
| | (Being 6,736 Debentures of ₹ 100 each issued at 5% discount) | | | |
| March 31 2021 | Statement of profit and loss Dr. | | 33,684 | |
| | To Loss on Issue of Debenture | | | 33,684 |
| | (Being loss on issue of debenture written off) | | | |

**Working Note:**

| | | ₹ |
|---|---|---|
| **(i)** | Fixed assets | 7,50,000 |
| | Less: Current liabilities | (90,000) |
| | Net assets | 6,60,000 |
| | Less: Purchase consideration | (6,40,000) |
| | Capital reserve | 20,000 |

**(ii)** Number of debenture to be issued $= \dfrac{\text{Purchase Consideration}}{\text{Issue Price of Debenture}}$

$= \dfrac{₹6,40,000}{₹95}$

$= 6736.84$

**4.** **(i)** **Phantom Ltd. (a listed NBFC) redeemed its 6,000, 10% Debentures of ₹ 100 each in instalments, as follows:**

| **Date of Redemption** | **Debentures to be redeemed** |
|---|---|
| $31^{st}$ March 2019 | 3,000 |
| $31^{st}$ March 2020 | 1,500 |
| $31^{st}$ March 2021 | 1,500 |

**On the basis of the above details, you are required to pass journal entries to record the purchase / Sale of Debenture Redemption Investment, from the year of the redemption of the first instalment of debentures to the date of the redemption of the final instalment.**

*Note. The entire DRI purchased for the redemption of the installment of debentures is not sold by the company at the end of the year but sold further purchased to the extent to maintain an amount required as per the provisions of the Companies Act, 2013 for debentures to be redeemed in the next instalment.*

**(ii)** **Ritesh and Farhan are partners in a firm sharing profits and losses in the ratio of 3:1.**

**They decided to dissolve their firm on 31 March 2021. You are required to pass the necessary journal entries for the following, after the realisable assets and outside liabilities have been transferred to the Realisation Account.**

**(a)** Creditors of ₹ 20,000 were paid the amount due to them, by giving them an unrecorded asset worth ₹ 4,000 and the balance in cash.

**(b)** Bills Payable of ₹ 30,000 were due to be paid on $30^{th}$ April 2021. They were paid on the date of dissolution of the firm at a rebate of 5% per annum.

**(c)** Realisation expenses of ₹ 2,000 were to be bome by Farhan. These were paid by the firm on this behalf.

**Ans. (i)** **In the books of Phanton Ltd.**
**Journal Entries**

| Date | Particulars | | LF | Debit (₹) | Credit (₹) |
|---|---|---|---|---|---|
| 30/4/2018 | Debenture Redemption Investment A/c | Dr. | | 45,000 | |
| | To Bank A/c | | | | 45,000 |
| | (Being investment made of 15% of ₹ 3,00,000 nominal face value of debenture to be redeemed) | | | | |
| 31/3/2019 | Bank A/c | Dr. | | 22,500 | |
| | To Debenture Redemption Investment A/c | | | | 22,500 |
| | (Being investment realised on redemption of debenture) | | | | |
| 31/3/2021 | Bank A/c | Dr. | | 22,500 | |
| | To Debenture Redemption Investment A/c | | | | 22,500 |
| | (Being remaining investment realised on redemption of all the debentures) | | | | |

**(ii)** **In the books of Ritesh and Farhan**
**Journal Entries**

| Date | Particulars | | LF | Debit (₹) | Credit (₹) |
|---|---|---|---|---|---|
| March 31st 2021 | Realisation A/c | Dr. | | 16,000 | |
| | To Bank A/c | | | | 16,000 |
| | (Being balance amount paid to creditor for settlement of their dues ₹ 20,000 – ₹ 4,000) | | | | |
| March 31st 2021 | Realisation A/c | Dr. | | 29,875 | |
| | To Cash/Bank A/c | | | | 29,875 |
| | (Being paid to bill payable and availed discount) | | | | |
| | Discount = $₹30{,}000 \times \frac{5}{100} \times \frac{1}{12} = ₹125$ | | | | |
| | Amount paid = ₹ 30,000 – ₹ 125 = ₹ 29,875 | | | | |
| | | | | 2,000 | |
| March 31st 2020 | Farhans's Capital A/c | Dr. | | | |
| | To Cash/Bank A/c | | | | 2,000 |
| | (Being realisation expense paid by firm on behalf of partner) | | | | |

**5. (i) Tara and Anjali were partners in a firm sharing profits and losses equally. They dissolved their partnership firm on 31st March 2021.**
**On this date, the Balance Sheet of their firm, apart from the realisable assets and outside liabilities, showed the following:**

| | ₹ |
|---|---|
| Tara's Capital | 35,000 (Cr) |
| Anjali's Capital | 9,000 (Dr) |
| Tara's Loan | 3,000 (Dr) |
| Bank Account | ? |

**Additional information:**

On the dissolution of the firm:

**(a)** The firm realised ₹ 22,000 from the sale of assets and paid ₹ 7,000 to discharge its outside liabilities.

**(b)** The Realisation Account showed a profit of ₹ 6,000 which was shared by the partners in their profit-sharing ratio.

**(c)** The Partners' Capital Accounts were closed, with a partner, either bringing in cash to cover the deficit of her capital or a partner being paid off her surplus capital.

**(d)** The Bank Account was closed.

You are required to prepare the Bank Account on the date of dissolution of the firm to determine its balance at bank as shown in the Balance Sheet as at 31st March 2021.

**(ii) On 1st July 2018, Astrex Ltd. an unlisted construction company, issued 1,000, 8% Debentures of ₹ 100 each, to be redeemed at a premium of 6% on 31st December 2020.** **3**

**The company transferred ₹ 6,000 to the Debenture Redemption Reserve Account on 31st March 2019, and the balance on 31st March 2020.**

**The company met the requirement regarding the purchase of Debenture Redemption Investment.**

**The debentures were redeemed on the due date.**

**You are required to prepare:**

**(a) Debenture Redemption Reserve Account for the years 2019–20 and 2020–21.**

**(b) Debenture holders Account for the year 2020–21.**

Note: Ignore interest on debentures due to the debenture holders.

*Note: Ignore interest on debentures due to the debenture holders.*

**Ans. (i)** **In the books of Tara and Anjali**

**Bank A/c**

| Date | Particulars | Amount (₹) | Date | Particular | Amount (₹) |
|---|---|---|---|---|---|
| 2020 March 31 | To Balance b/d (Balancing Figure) | 24,500 | 2020 March 31 | By Realisation A/c (Liabilities paid) | 7,000 |
| 31 | To Realisation A/c (Asset realised) | 22,000 | 31 | By Tara's Loan A/c | 3,000 |
| 31 | To Anjali's Capital A/c | 7,500 | 31 | By Tara's capital A/c | 36,500 |
| | | 46,500 | | | 46,500 |

**(ii)** **In the books of Astrex Ltd.**

**Debenture Redemption A/c**

| Date | Particulars | Amount (₹) | Date | Particular | Amount (₹) |
|---|---|---|---|---|---|
| 31/3/20 | To Balance c/d | 10,000 | 1/4/19 | By Bank b/d | 6,000 |
| | | | 31/3/20 | By Bank A/c | 4,000 |
| | | 10,000 | | | 10,000 |

**Debenture Redemption A/c**

| Date | Particulars | Amount (₹) | Date | Particular | Amount (₹) |
|---|---|---|---|---|---|
| 31/12/20 | To General Reserve A/c | 10,000 | 1/4/20 | By Bank b/d | 10,000 |
| | | 10,000 | | | 10,000 |

**Debenture Holder A/c**

| Date | Particulars | Amount (₹) | Date | Particular | Amount (₹) |
|---|---|---|---|---|---|
| 31/12/20 | To Bank A/c | 1,06,000 | 31/12/20 | By 8% Debenture A/c | 1,00,000 |
| | | | 31/12/20 | By Premium on redemption of debenture A/c | 6,000 |
| | | 1,06,000 | | | 1,06,000 |

**6. Sam, Tim and Uday are partners in a firm sharing profits and losses in the ratio of 3:3:2. Their Balance Sheet as at 31st March, 2021, is as follows:**

**Balance Sheet of Sam, Tim and Uday**
**As at 31 March, 2021**

| Liabilities | | Amount (₹) | Assets | Amount (₹) |
|---|---|---|---|---|
| Sundry Creditors | | 20,000 | Cash at Bank | 25,000 |
| Capital Accounts: | | | Stock | 10,000 |
| Sam | 50,000 | | Plant and Machinery | 50,000 |
| Tim | 50,000 | | Land and Building | 65,000 |
| Uday | 30,000 | 1,30,000 | | |
| | | 1,50,000 | | 1,50,000 |

**Uday retired from the firm on 1 April, 2021, subject to the following adjustments:**

**(a)** Stock to be reduced to ₹ 8,000.
**(b)** One creditor of ₹ 10,000 to be paid by Uday privately, for which he is not to be reimbursed.
**(c)** Goodwill of the firm to be valued at ₹ 24.000,.
**(d)** Out of the amount due to Uday, ₹ 3,800 to be paid to him immediately.
The balance amount to be paid to him by the remaining partners privately in their new profit-sharing ratio, for which they were to be reimbursed.

**You are required to pass the necessary journal entries on Uday's retirement.**

**Ans.**

**In the books of Sam, Tim and Uday**
**Journal Entries**

| Date | Particulars | | LF | Amount Dr. (₹) | Amount Cr. (₹) |
|---|---|---|---|---|---|
| 1/4/2021 | Revaluation A/c | Dr | | 2,000 | |
| | To Stock A/c | | | | 2,000 |
| | (Being the value of stock reduced) | | | | |
| | Creditor's A/c | Dr | | 10,000 | |
| | To Revaluation A/c | | | | 10,000 |
| | (Being the creditors value decreased as some amount is paid in cash by Uday privately) | | | | |
| | Revaluation A/c | Dr | | 8,000 | |
| | To Sam's Capital A/c | | | | 3,000 |
| | To Tim's Capital A/c | | | | 3,000 |
| | To Uday's Capital A/c | | | | 2,000 |
| | (Being Loss on revaluation) | | | | |
| | Sam's Capital A/c | Dr | | 3,000 | |
| | Tim's Capital A/c | Dr | | 3,000 | |
| | To Uday's Capital A/c | | | | 6,000 |
| | (Being adjustment made for Goodwill) | | | | |
| | Bank A/c | Dr | | 3,800 | |
| | To Uday's Capital A/c | | | | 3,800 |
| | (Being Amount paid to Uday immediately) | | | | |

## SECTION - B [14 Marks]

*(Answer all questions)*

**7. (i) Select the correct option in the following question:**
**Which one of the following is *NOT* a tool for analysing the financial statements of a company?**
**(a) Comparative Statements**
**(b) Revaluation Account**
**(c) Cash Flow Statement**
**(d) Ratio Analysis**

**(ii) Mention whether interest due or debentures would result in inflow, outflow or no flow of cash.**

**Ans. (i) (b)** Revaluation Account

**Explanation:** Revaluation account is prepared in the case when the firm is revaluing its assets and liabilities. Generally it is done in the case of restructuring of a partnership firm.

**(ii)** No flow of cash

**8. From the following extracts of the Balance Sheets of Sulphur Ltd., and the additional information given, you are required to calculate for the year ending 31st March 2021:**

**(i) The underwriting commission paid by the company.**

**(ii) Cash from Financing Activities.**

| Particulars | 31.3.2021 (₹) | 31.3.2020 (₹) |
|---|---|---|
| Equity Share Capital | 10,00,000 | 8,00,000 |
| Securities Premium Reserve | 1,20,000 | 1,00,000 |
| 10% Debentures | 6,00,000 | 3,00,000 |
| Bank Overdraft | 40,000 | 10,000 |
| Unclaimed Dividend | 20,000 | ............ |

**Additional information:**

**1. In the year 2020–21:**

**(a)** Debentures were issued at par on 1st April 2020.

**(b)** Interest of 5,000 was paid on Bank Overdraft.

**(c)** Equity Shares of 10 each were issued at a premium of 3 per share.

**(d)** The company had retained underwriters to issue its shares. The underwriting commission was paid in cash and was written off at the end of the year.

**2.** Dividend proposed for the years 2019–20 and 2020–21 were ₹ 80,000 and ₹ 70,000 respectively.

**Ans.(i)**

**In the books of Sulphur Ltd.**
**Cash Flow from Financing Activity**

| | Particulars | ₹ | ₹ |
|---|---|---|---|
| Add: | Issue of Debenture | 3,00,000 | |
| | Issue of Equity share at Premium (2,00,000 + 60,000 – 40,000) | 2,20,000 | |
| | Increase in Bank overdraft | 30,000 | |
| | | | 5,50,000 |
| Less: | Interest paid on Bank overdraft | 5,000 | |
| | Interest paid on Debenture | 60,000 | |
| | Dividend paid | 80,000 | (1,45,000) |
| | Cash flow from Financing Activity | | 4,05,000 |

**(ii)**

**Statement for Securities Premium Reserve**

| | | ₹ |
|---|---|---|
| | Opening Balance of Security Premium Reserve | 1,00,000 |
| Add: | Premium Received on Issue of Equity Share | 60,000 |
| Less | Closing Balance of Security Premium Reserve | (1,20,000) |
| | Underwriting commission written off from security premium reserve | 40,000 |
| | (Underwriting commission paid ₹ 40,000) | |

**9. From the following particulars of Supreme Ltd., you are required to prepare its Common Size Balance Sheet as at 31st March 2021.**

| Particulars | 31.03.2021 (₹) |
|---|---|
| Shareholders' Funds | 6,00,000 |
| Non-current Assets | 8,00,000 |
| Working Capital | 1,00,000 |
| Current Liabilities | 1,00,000 |
| Total Debt | 4,00,000 |

**Ans.**

**Common Size Balance sheet of Supreme Ltd.**
**as at 31$^{st}$ March 2021**

| Particulars | Note No. | Amount | % of Total |
|---|---|---|---|
| I. Equity and Liabilities | | | |
| (1) Share holder's fund | | 6,00,000 | 60.00 |
| (2) Non-current liabilities | | 3,00,000 | 30.00 |
| (3) Current liabilities | | 1,00,000 | 10.00 |
| **Total** | | 10,00,000 | 100.00 |
| II. Asset | | | |
| (1) Non-current assets | | 8,00,000 | 80.00 |
| (2) Current Assets | | 2,00,000 | 20.00 |
| **Total** | | 10,00,000 | 100.00 |

**10. From the following particulars of Phantom Ltd., you are required to calculate:**

**(i) Cash from Operating Activities,**

**(ii) Cash from Investing Activities.**

| Particulars | 31.3.2021 (₹) | 31.3.2020 (₹) |
|---|---|---|
| Plant and Machinery (at cost) | 4,00,000 | 4,20,000 |
| Accumulated Depreciation | 1,30,000 | 1,10,000 |
| Goodwill | 70,000 | 90,000 |
| Inventory | 20,000 | 10,000 |
| Trade Payables | 15,000 | 25,000 |
| Provision for Tax | 30,000 | 20,000 |
| Balance of Statement of Profit and Loss | 1,00,000 | (90,000) |

***Additional information:***

**During the year 2020 - 21, a machine with a book value of ₹ 50,000 (accumulated depreciation ₹ 20,000) was sold at a loss of ₹ 6,000.**

**Ans.**

**In the books of Phantom Ltd.**
**Cash Flow from Operating Activity**

| | Particulars | Amount (₹) | Amount (₹) |
|---|---|---|---|
| | Surplus is balance in statement of P and L A/c | | |
| | Closing Balance | 1,00,000 | |
| Add | Opening balance | 90,000 | |
| | | 1,90,000 | |
| Add: | Provision for tax | 30,000 | |
| | Net profit before tax and extra ordinary items | | 2,20,000 |
| Add: | Depreciation | 40,000 | |
| | Loss on sale of Plant and Machinery | 6,000 | |
| | Goodwill written off | 20,000 | 66,000 |
| | Operating profit before working capital changes | | 2,86,000 |
| Less: | Inventories | 10,000 | |
| | Trade payable | 10,000 | (20,000) |
| | Cash generated from operations | | 2,66,000 |
| Less: | Tax paid | | (20,000) |
| | Cash flow from operating activity | | 2,46,000 |

**Cash Flow from Investing Activity**

| | Particulars | Amount (₹) | Amount (₹) |
|---|---|---|---|
| Add: | Sale proceeds of plant and Machinery | 24,000 | |
| Less: | Purchase of Plant and Machinery | (30,000) | |
| | Cash used in investing activity | | (6000) |

**(1) Working Note:**

**Plant and Machinery A/c**

| Particulars | Amount (₹) | Particulars | Amount (₹) |
|---|---|---|---|
| To Balance b/d | 4,20,000 | By Accumulated Depreciation A/c | 20,000 |
| To Bank A/c (Purchase) | 30,000 | By Bank A/c | 24,000 |
| | | By Profit and Loss A/c (Loss on sale) | 6,000 |
| | | By Balance c/d | 4,00,000 |
| | 4,50,000 | | 4,50,000 |

**Accumulated Depreciation A/c**

| Particulars | Amount (₹) | Particulars | Amount (₹) |
|---|---|---|---|
| To Plant and Machinery A/c | 20,000 | By Balance b/d | 1,10,000 |
| | | By Depreciation A/c | 40,000 |
| To Balance c/d | 1,30,000 | | |
| | 1,50,000 | | 1,50,000 |

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