

MARKING SCHEME**SET I**

1. Calculation of Interest on Partners Drawings :

Formula : Drawings x Rate x 6/12 (which amount is drawn in the middle of month)

$$B = \frac{48000 \times 10 \times 6}{100 \times 12} = \text{Rs. } 2400 \quad 1$$

$$M = \frac{36000 \times 10 \times 6}{100 \times 12} = \text{Rs. } 1800 \quad 1$$

2. Provisions of Section 78 of Companies Act 1956 regarding the uses of Security Premium :

- (a) In paying up unissued securities of the company to be issued to members of the company as fully paid bonus securities.
- (b) To write off Preliminary expenses of the Company.
- (c) To write off the expenses of or commission paid or discount allowed on any of the securities of the company.
- (d) To pay premium on the redemption of preference shares or debentures of the company.

$$\frac{1}{2} \times 4 = 2$$

3. Balance Sheet of X Ltd. as per Section 211 Schedule VI Part I

Liabilities	Amount
Share Capital :	
- Authorised Capital	
- Issued Capital	
- Subscribed Capital and called up Capital	
Less calls unpaid	
Add forfeited shares	
(Amount originally paid up)	

4.

Journal entries

(i)	Bank A/C	Dr.	200,00,000	
	Loss on issue of Deb. A/C	Dr.	20,00,000	
	To 9% Debentures A/C			200,00,000
	Premium on realisation of Deb. A/C (Debenture issued at par repayable at premium)			20,00,000
(ii)	Bank A/C	Dr.	190,00,000	
	Loss on issue of Deb. A/C	Dr.	30,00,000	
	To 9% Debenture A/C			2,00,00,000
	To Premium on redemption of Deb. A/C (Debentures issued at discount repayable at Premium)			20,00,000

1 x2 = 2

5. Meaning of Partnership :

The relation between persons who have agreed to share the profit of a business carried on by all or any one of them acting for all.

Characteristics (any three)

1. Two or more persons
2. Agreement between the Partners
3. Business
4. Sharing of Profits
5. Business carried on by all or any one of them acting for all

2+1 = 3

6. Meaning of Debentures :

Debenture is an instrument of debt owed by a Company. As an acknowledgement of debt, such instruments are issued under the seal of a Company and duly signed by authorised signatory.

Types of Debentures (any four)

- (i) Secured;
- (ii) Unsecured;
- (iii) Redeemable;
- (iv) Perpetual;
- (v) Convertible;
- (vi) Non-convertible;
- (vii) Zero coupon rate;
- (viii) Specific rate;

1+2 = 3

7. At the time of reconstitution of a Firm the present value of the Assets maybe different from their book value and the same condition may be with the liabilities. Hence a revaluation of Assets and reassessment of Liabilities becomes necessary to adjust the profit or loss on revaluation in the Capital Accounts of the old Partners in their old profit sharing ratio.

The main purpose of revaluing assets and re-assessing the liabilities is that a partner who gains on account of such a change should compensate the other partner(s) who are expecting loss in their profit share in future.

4

8. Dissolution of a Partnership Firm $\frac{1}{2} \times 4 = 2$

Memorandum Balance Sheet of A, B and C as on 31st March, 2003

Liabilities		Amount (Rs.)	Assets	Amount (Rs.)
A	100,000		Cash in hand	4,000
Less loss	<u>-20,000</u>			
	80,000			
Less Drawings	<u>-10,000</u>	70,000	Sundry Assets	1,80,000
B	80,000		(Balancing Figure)	
Less loss	<u>-15,000</u>			
	65,000			

Less Drawings	10,000	55,000		
C	60,000			
Less loss	<u>-15,000</u>			
	45,000			
Less Drawings	<u>-10,000</u>	35,000		
Creditors		24,000		
		1,84,000		1,84,000

$\frac{1}{2} \times 4 = 2$

($\frac{1}{2}$ mark for correct calculation of each Partners Capital and the amount of assets)

Realisation A/C

To S. Assets	1,80,000	By Creditors	24,000
To Cash A/C	23,500	By Cash	3,00,000
To Capital A/C (Profit)			
A 48,200			
B 36,150			
C 36,150	1,20,500		
	<u>3,24,000</u>		<u>3,24,000</u>

1+1=2

1 mark for placing the figure and 1 mark for calculation and distribution of Profit among Partners

9.

Journal

1.	Formation Expenses A/C	Dr.	50,000	
	To Share Capital A/C			50,000
	(Share issued to promotion)			

2.	Asset A/C To Manoj (Asset purchased from Mr. Manoj)	Dr.	5,50,000	5,50,000
	Manoj To Share Capital A/c To Security Premium A/C (Shares issued to Manoj for purchase of Asset)	Dr.	5,50,000	5,00,000 50,000

1+1+2=4

10.

Date	Particulars	L.F.	Debit	Credit
	Bank A/C To 12% Debenture Application A/C (Debenture application money received)		75,00,000	75,00,000
	12% Debenture Application A/C To 12% Debenture A/c Securities Premium A/C (Application money transferred to 12% Debenture and Securities premium, consequent upon allotment)		75,00,000	60,00,000 15,00,000
	12% Debenture Allotment A/C To 12% Debenture A/C (12% Debenture Allotment made due)	Dr.	90,00,000	90,00,000
	Bank A/C To 12% Debenture Allotment A/C (12% Debenture Allotment money received)		90,00,000	90,00,000

(1mark for each entry 1x4 = 4marks)

11.

Journal Entries

31 March, 2006	Bank A/C	Dr.	7,13,305		
	To Interest on Deb. Red. Fund Inv. A/C (Interest received on investments)			7,13,305	1
	Interest on Deb. Red. Fund Investment A/C	Dr.	7,13,305		
	To Deb. Redemption Fund A/C (Interest transferred to Deb. Redemption Fund)			7,13,305	½
	P & L App. A/C	Dr.	21,55,000		
	To Deb. Redemption Fund A/C (Amount of Profit transferred to Deb. Redemption Fund A/C)			21,55,000	1
	Bank A/C	Dr.	71,33,050		
To Deb. Red. Fund Investment A/C (Investments sold at par)			71,33,050	½	
Deb. Red. Fund A/C	Dr.	1,00,01,355			
To General Reserve A/C (The amount of Deb. Red. fund transferred to General Reserve A/C) (7,13,305+21,55,000+71,33,050)			1,00,01,355	½	
8% Debentures A/C	Dr.	1,00,00,000			
To Bank A/C (Debentures redeemed)			1,00,00,000	½	

Total = 4

12. Calculation of Goodwill

Capital	Rs. 6,00,000	given
Normal Rate	10%	given
Expected Profit	90,000	given
Average Profit	60,000	(6,00,000x10/100)
Super Profits	30,000	(90,000-60,000)
Goodwill (30,000x2) = 60,000		

2

Partners Capital A/Cs

	X	Y	Z		X	Y	Z
To X (Goodwill)			16,000	By Balance b/d	3,00,000	3,00,000	
To Y (Goodwill)			4,000	By Bank A/C			2,00,000
To Bank	1,16,000	1,04,000		By Bank A/C			20,000
To Balance c/d	2,00,000	2,00,000	2,00,000	Premium for Goodwill	16,000	4,000	
	3,16,000	3,04,000	2,20,000		3,16,000	3,04,000	2,20,000

3

Bank A/C

To Balance b/d	40,000	By X's Capital	1,16,000
To Z's Capital	2,00,000	By Y's Capital	1,04,000
To Z's Capital (brought in by Z)	20,000	By Balance b/d	40,000
	2,60,000		2,60,000

1

Working Notes :**Sacrificing Ratio :**

$$X \quad \frac{3}{5} \quad - \quad \frac{1}{3} \quad = \quad \frac{9 - 5}{15} \quad = \quad \frac{4}{15}$$

$$Y \quad \frac{2}{5} \quad - \quad \frac{1}{3} \quad = \quad \frac{6 - 5}{15} \quad = \quad \frac{1}{15}$$

$$2+3+1 = 6$$

Realisation A/C

	Rs.		Rs.
To Building	40,000	By Bills Payable	40,000
To Plant and Machinery	40,000	By Loan from Bank	30,000
To Stock	19,000	By Reserve for Bad Debts	2,000
To Debtors	42,000	By Bank (Stock)	23,400
To Bank (Bills Payable)	32,000	By Bank (Debtors)	21,000
To Bank (Bank Loan)	30,000	By Bank (Fixed Assets)	72,000
To Bank (Realisation Exp)	1,250	By Partners Capital A/C	
To Bank (Repair Bill)	800	P 9,250	
		Q 5,550	
		R 1,850	16,650
	2,05,050		2,05,050

2½

Bank A/c

To Balance b/d	40,000	By Realisation (BP)	32,000
To Realisation (Stock)	23,400	By Bank Loan	30,000
To Realisation (Debtors)	21,000	By Realisation Expenses	1,250
To Realisation (Fixed Assets)	72,000	By Repairs Bill	800
		By Capital P 39,750	
		Q 33,450	
		R 19,150	92,350
	1,56,400		1,56,400

2½

Partners Capital A/c

Dr.

Cr.

Particulars	P	Q	R	Particulars	P	Q	R
To Realisation (Loss)	9,250	5,550	1,850	By Balance B/d	44,000	36,000	20,000
To Bank A/c	39,750	33,450	19,150	By Reserve Fund	5,000	3,000	1,000
	49,000	39,000	21,000		49,000	39,000	21,000

1½

OR

Journal Entries

(i)	Realisation A/c	Dr.	3,000	
	To Bank A/c			3,000
	(Realisation expenses paid)			
(ii)	X's Capital A/c	Dr.	2,000	
	To Bank A/c			2,000
	(X bears Realisation Expenses)			
(iii)	Y's Capital A/c	Dr.	20,000	
	To Realisation A/c			20,000
	(Y took over machine)			
(iv)	Realisation A/c	Dr.	20,000	
	To Z's Capital A/c			20,000
	(Z's took over the credit)			

(v)	A's Loan A/c To Bank A/c (A's loan paid)	Dr.	10,000	10,000
(vi)	All the Partners Capital A/c To P & L A/c (Loss charged to Partners Capital A/c)	Dr.	50,000	50,000

1 x 6 = 6

14. Journal Entries

M.K. Sales Company

Date	Particulars	LF	Amount Dr. (Rs.)	Amount Cr. (Rs.)
	Bank A/c To Share Application A/c (Received application money for 150,000 shares @ Rs. 5)	Dr.	7,50,000	7,50,000
	Share application A/c To Share Capital A/c To Share allotment A/c (Application money adjusted)	Dr.	7,50,000	5,00,000 2,50,000
	Share allotment A/c To Share Capital A/c To Security Premium A/c (Allotment money due)	Dr.	5,00,000	2,50,000 2,50,000

Bank A/c	Dr.	2,49,500	
Calls in Arrears A/c	Dr.	500	
To Share Allotment A/c			2,50,000
(Allotment money received for 99800)			
Share first call A/c	Dr.	2,50,000	
To Share Capital A/c			2,50,000
(First call Money Due)			
Bank A/c	Dr.	2,49,500	
Call in Arrears A/c	Dr.	500	
To Share First Call A/c			2,50,000
(First call money received for 99,800 shares)			
Share Capital A/c	Dr.	2,000	
Security Premium A/c	Dr.	500	
To Call in Arrears A/c			1,000
To Share forfeited A/c			1,500
(200 shares forfeited)			
Bank A/c	Dr.	1,800	
Share Forfeited A/c	Dr.	200	
To Share Capital A/c			2,000
(200 shares reissued)			
Share forfeited A/c	Dr.	1,300	
To Capital Reserve A/c			1,300
(Excess amount in Share forfeited A/c transferred to Capital Reserve A/c)			

½ Mark to each correct entries 1 to 6 = ½x6 = 3

½ Mark to each correct entry from 7 to 9 = 1x3=3

15.

Revaluation A/c

To Stock	13,000	Furniture & Fittings	3,000
Provision for Bad & Doubtful debts	10,000	Loss A 10,000	
		B 6,000	
		C 4,000	20,000
	23,000		23,000

2

Partners Capital A/cs

	A	B	C		A	B	C
To Revaluation (Loss)	10,000	6,000	4,000	By Balance b/d	7,20,000	4,15,000	3,45,000
To B's Capital A/c (goodwill)	20,000		40,000	By Reserve Fund	90,000	54,000	36,000
To Cash A/c (Goodwill)		40,000		By A's Capital A/c		20,000	
To B's Loan A/c		4,83,000		By C's Capital A/c		40,000	
To Balance b/d	7,80,000		3,37,000				
	8,10,000	5,29,000	3,81,000		8,10,000	5,29,000	3,81,000

1+1+1=3

Balance Sheet of A and C as on 31st March,2003

Capital A	7,80,000	Land	4,00,000
C	3,37,000	Building	3,80,000
B's Loan A/c	4,83,000	Plant & Machinery	4,65,000
S.Creditors	1,24,000	Furniture & Fittings	80,000
Outstanding Expenses	16,000	Stock	1,72,000
		Debtors 1,72,000	
		Less Pro. of B D <u>10,000</u>	1,62,000
		Cash in Hand	81,000
	17,40,000		17,40,000

3

Working Notes:

$$\begin{array}{l} \text{Gaining ratio:} \\ \text{A} \quad \frac{3}{5} - \frac{5}{10} = \frac{6-5}{10} - \frac{1}{10} \quad \text{Gain} \\ \\ \text{C} \quad \frac{2}{5} - \frac{2}{10} = \frac{4-2}{10} - \frac{2}{10} \quad \text{Gain} \end{array}$$

Gaining Ratio = 1:2

Goodwill : B's share $2,00,000 \times \frac{3}{10} = 60,000$

From A $60,000 \times \frac{1}{3} = 20,000$

From C $60,000 \times \frac{2}{3} = 40,000$

$2+3+3=8$

OR

Calculation of Profit of

$$\text{Average Profit of last 3 years} = \frac{3,60,000}{3} = 1,20,000$$

$$\text{Profit for 2 months} = 120,000 \times \frac{2}{12} = \text{Rs. } 20,000$$

$$\text{Q's share of Profit} = 20,000 \times \frac{1}{5} = \text{Rs. } 4,000$$

Calculation of Goodwill

$$\text{Goodwill of the firm} = \frac{3,60,000 \times 2}{3} = \text{Rs. } 2,40,000$$

Q's share of Goodwill = Rs. 48,000

Journal Entries

June 2002	Profit & Loss Suspense A/c		4,000		
	Or				
	Deceased partner's share in Profit A/c	Dr.			
	To Q's Capital A/c			4,000	
	(Profit upto the date of death credited to Q)				(1)
	P's Capital A/c	Dr.	36,000		
	R's Capital A/c	Dr.	12,000		
	To Q's Capital A/c			48,000	
	(Share of Goodwill of Q adjusted in Gaining ratio)				(1)
	Land A/c	Dr.	1,00,000		
	To Revaluation A/c			1,00,000	
	(The value of Land increased)				(½)
	Revaluation A/c	Dr.	68,000		
	To Plant & machinery A/c			68,000	
	(To value of Plant decreased)				(½)
	Revaluation A/c	Dr.	32,000		
	To P's Capital A/c			19,200	
	To Q's Capital A/c			6,400	
	To R's Capital A/c			6,400	
	(Profit on revaluation transferred to Partner's Capital A/cs)				(1)

General Reserve A/c	Dr.	2,000		
To Q's Capital A/c			2,000	
(Share of General Reserve credited to Q's Capital A/c)				
				(1)
Q's Capital A/c	Dr.	10,000		
To Q's Drawings A/c			10,000	
(Amount of Drawings adjusted with Capital A/c)				
				(1)
Q's Capital A/c	Dr.	4,63,200		
To Q's Executors A/c			4,63,200	
(Amount of Capital balance transferred to his Executor A/c)				
				(1)
Q's Executor A/c	Dr.	1,00,000		
To Bank A/c			1,00,000	
(Cash paid to Q's Executor)				
				(1)

Working Notes

Q's Capital A/c

To Drawing A/c	10,000	By Balance b/d	4,12,800
To Q's Execution A/c	4,63,200	By P&L Suspense A/c	4,000
		By P's Capital (Goodwill)	36,000
		By R's Capital (Goodwill)	12,000
		By Revaluation (profit share)	6,400
		By General Reserve	2,000
	4,73,200		4,73,200

PART B**ANALYSIS OF FINANCIAL STATEMENTS**

16. Inflows of cash from Investing Activities (any 2 of the following)

- (i) Sale of fixed assets.
- (ii) Sale of investments
- (iii) Repayment of advances and loans made to third parties

Outflows of Cash from Investing Activities (any 2 of the following)

- (i) Purchase of fixed Assets
- (ii) Purchase of Investments
- (iii) Advances and Loans made to third parties. (1+1=2)

17. The Mutual Fund Company is a Finance Company. The Dividend received by it on the shares held in other companies is its revenue income. Therefore the dividend received by this company is cash inflow from operating activities. 2

18. Financial Analysis is a Systematic process of the critical examination of the financial information contained in the financial statements in order to understand and make decisions regarding the operations of the firm. (2 marks)

The tools used for financial analysis are as follows : (any two)

- a) Comparative statements
- b) Common-size statements
- c) Trend Analysis
- d) Ratio Analysis
- e) Cash flow Analysis (½ marks x 2) = 1 marks

(2+1= 3 marks)

19. Current Assets = Rs. 1,26,000

Current Ratio = 3/2

$$\text{Current Liabilities} = \frac{\text{CA}}{\text{Current Ratio}}$$

$$= \frac{1,26,000}{3/2} = \frac{1,26,000}{3} \times 2$$

$$= 84,000 \text{ (a)} \quad (1)$$

Liquid Assets = CA - Inventory

$$= 1,26,000 - 2,000$$

$$= 1,24,000 \text{ (b)} \quad (1)$$

Liquid Ratio = $\frac{\text{Liquid Assets}}{\text{Current Liabilities}}$

$$= \frac{1,24,000}{84,000} = \frac{31}{21}$$

$$(1+1+1=3)$$

20. Sales = 1,80,000

Rate of profit = 20% on cost

$$\text{Cost of goods sold} = \frac{100}{120} \times 1,80,000$$

$$= 1,50,000 \text{ (1)}$$

Inventory Turn Over Ratio = $\frac{\text{C.O.G.S.}}{\text{Average Inventory}}$

If Closing Stock = x

Opening Stock = x + 2000

$$\text{Average Stock} = \frac{x + x + 2000}{2} = x + 1000 \quad (1)$$

$$\text{Now} = \frac{\text{C.O.G.S.}}{\text{Average Inventory}} = 3 \quad (1)$$

$$\text{or} = \frac{1,50,000}{x + 1,000} = 3 \quad (1)$$

or $x + 1,000 = 50,000$

$x = 49,000$ i.e. Closing Stock

Opening Stock = $49,000 + 2,000$

= 51,000

(1)

(1+1+1+1=4)

21.

Cash flow from Operating Activities

Net Profit Before Tax	12,50,000		½
Add			
(i) Depreciation on Fixed Assets	25,000		½
(ii) Goodwill written off	15,000		½
(iii) Loss on Sale of a Machine	12,000		½
Operating Profit before Working			
Capital Changes	13,02,000		½
Add			
Decrease in Bills Receivable	9,500		½
Increase in Bills Payables	2,500		½
Decrease in Stock in hand	4,000		½
13,18,000	13,18,000		½
Less : Increase in Debtors	(8,800)		½
Decrease in Expenses Outstanding	(1000)		½
Cash flow from Operating Activities	13,08,200	13,08,200	½

Or

Prepare cash flow Statement of rose Ltd. form the following information for the year ended March 31, 2004

Particulars	March 31, 03	March 31, 04
Investments	1,80,000	2,40,000
Fixed assets (at Lost)	2,10,000	4,00,000
Equity share Capital	10,00,000	14,00,000
Long term team	8,00,000	4,45,00
Cash	64,000	44,000

Additional Information

- i) Cash flows from operating activities after tax and extra ordinary tens Rs. 3,80,000
- ii) Depreciation on fixed assets Rs. 85,000
- iii) Interest Received Rs. 45,000
- iv) Dividend paid during the year Rs. 1,60,000

Solution

Cash flow Statement for the year ended March 31, 2004

	Particulars	Details	Amount
A.	Cash flows from Operating Activities		3,80,000
B.	Cash flows from Investing Activites		
	Purchase of Investments	(60,000)	
	Purchase of Fixed Assets	2,75,000	
	Interest Received	45,000	
	Cash outflow from Investing Activities		(2,90,000)
C.	Cash flows from financing Activities		
	Issue of Equity shares	4, 00,000	
	Repayment of loan	(3,50,000)	

Payment of Dividend	(1,60,000)	
Cash outflow from financing Activities		(1,10,000)
Cash flows generated during the year		(20,000)
Add: Cash & cash equivalents in the beginning of the year		64,000
Cash & cash equivalents at the end of the year.		44,000

(½ mark for each amount)

(= ½ x 12= 6 marks)

PART C

COMPUTERISED ACCOUNTING SYSTEM

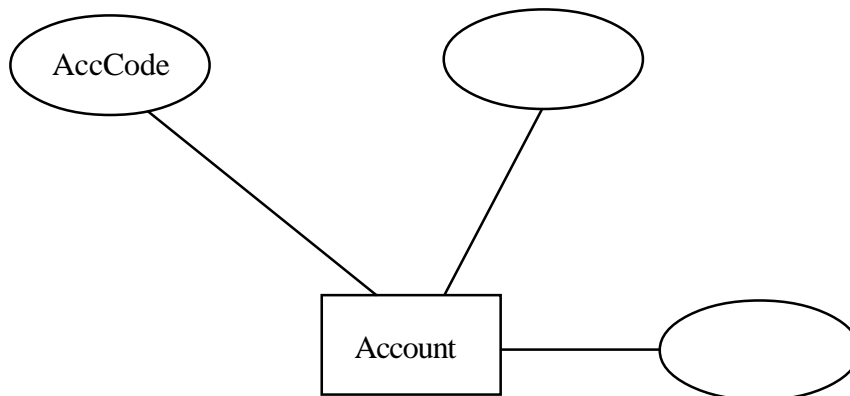
16. What is meant by relation or Relationship type?

2

Answer

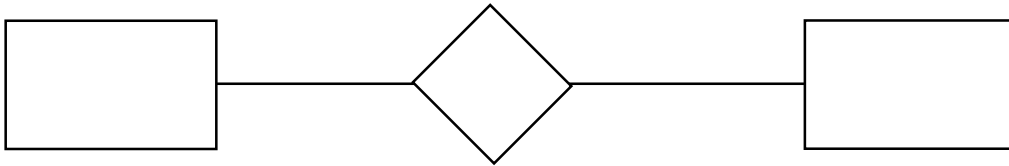
Relation

A relation is any entity whose attributes are relevant to the business application under context. It is represented as a rectangle, and its attributes are shown as ovals

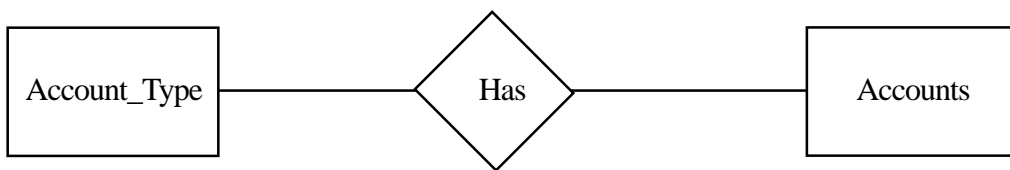


Relationship Type

It means the kind of relationship among instances (tuples) of relations (s)



Give an example from accounting reality



Relationship type could be :

1. one-to-one
2. one-to-many
3. many-to-many

17. Explain with one example Multi-group ledgers or Single group ledgers. (2)

Answer

An example of Multi-group ledger could be assets which could be further divided as Fixed Assets and Current Assets. Each of these could be further divided into various types.

Likewise one could give an example of single group ledger.

18. How do you transform many-to-many relationships into database tables? Illustrate (3)

Answer

Many to many relationships are not directly transferable into database tables. These relationships have to be further explored to convert these into either one-to-one or one-to-many relationships. Once that is done, these can be converted into database tables.

Give an illustration

19. Conceptualise the above accounting reality in terms of ER Model concepts

Answer.

Give details of the following :

Relations

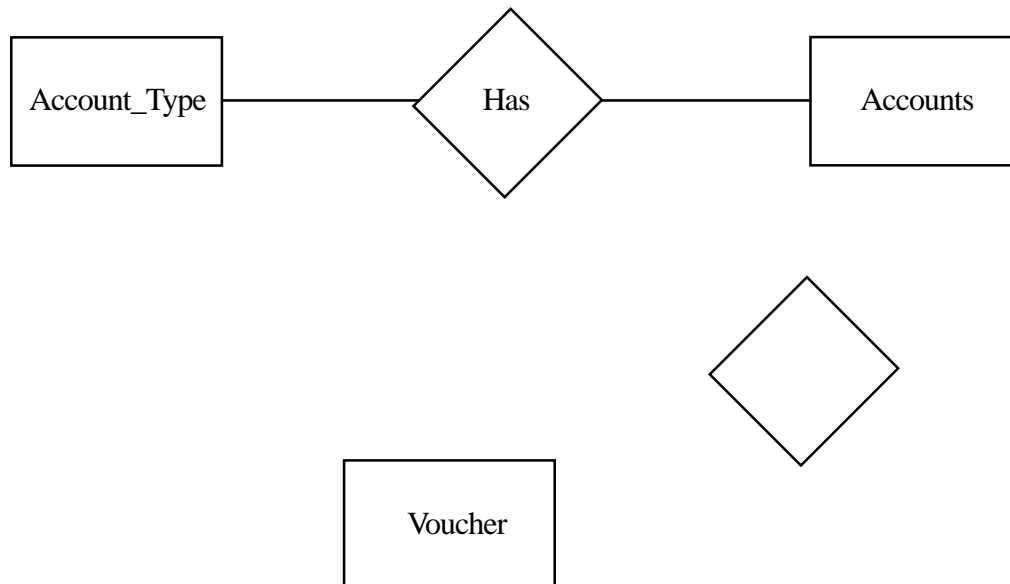
Attributes

Relations

Relationship Type

Relationship Degree

20. Develop and depict an E R Model for this accounting reality. (3)



21. Show the database design in terms of relevant data tables and their inter-relationships. (4)

(Hint : Each of the entity as shown in Answer-5 will be translated into a table. Data types of the field would be appropriately chosen.