CBSE Class 11 Accountancy
Sample Paper 3- Solutions
For CBSE Examination March 20XX

Time allowed: 3 hours
Maximum Marks: 80

PART A

Answer 1: Average profit is multiplied by the number of years' of purchase as it is anticipated that the business would continue to earn that much profit because of the efforts put in the past.

Answer 2:

Date	Particulars	L.F.	Dr.	Cr.
	Investment Fluctuation Reserve a/c Dr.		80,000	
	To Investment a/c			80,000
	Being the value of investment brought down to market value)			

Answer 3: No journal entry will be passed in such a scenario.

Answer 4: Income and Expenditure a/c is a Nominal a/c whilst Receipts and Payment a/c is a Real a/c.

Answer 5: An amount that is at least equal to 25% of the total nominal value of debentures outstanding must be transferred to debenture redemption reserve before the redemption of debentures begins.

Answer 6: Cause it is purchased goodwill. Accounting Standard - 26, 'Intangible Assets' prescribes that the goodwill should be recorded in the books only when considered in money or money's worth has been paid for it.

Answer 7:

	Journal of Anupama Ltd	

Date	Particulars		L. F.	Dr. (□)	Cr. (□)
	On creation of DRR				
	Surplus, i.e, Balance in the statement of Profit & Loss A/c	Dr.		2,50,000	
	To Debenture redemption reserve A/c (Being the profit transferred to DRR to make the reserve equivalent to 25% of the value of Debenture)				2,50,000
	On 1st April of the financial year in which redemption is due				
	Debenture Redemption Investment A/c	Dr.		1,50,000	
	To Bank A/c (Being the amount invested in specified securities equal to 15% of the amount of redeemable debenture)				1,50,000
	On Redemption				
	Bank A/c	Dr.		1,62,000	
	To Debenture Redemption Investment A/c To Interest Earned A/c (Being the debenture redemption invested realized and interest received)				1,50,000 12,000
	9% Debenture A/c	Dr.		10,00,000	
	To Debentureholders' A/c (Being the amount due on redemption)				10,00,000
	Debentureholders' A/c	Dr.		10,00,000	
	To Bank A/c (Being payment made to debenture holders)				10,00,000

	Debenture redemption reserve A/c	Dr.		2,50,000	
	To General Reserve A/c (Being the amount in DRR A/c transferred to General Reserve)				2,50,000

Note: As per section 71(A) of the Companies Act, 2013 and rule 18(7)(b) of the companies (share capital and debenture) rules, 2014, an amount at least equal to 25% of the nominal value of debentures issued is credited to debentures redemption reserve account and as per rule 18(7)(c) of the companies (share capital and debentures) rules, 2014 investment is made od amount equal to at least 15% of the nominal value of debentures to be redeemed in specific securities.

Answer 8: Capital= Assets-Liabilities

= □15,00,000 - □12,00,000 = □ 3,00,000

Normal Profit = 10% of 3,000=30,00

Goodwill= 18,000

Super Profit= □18,000 / 4 = □4,500

Average profit= Normal profit+super profit= □30,000 + □4,500 = □34,500

Answer 9: Revaluation account is prepared:
(a) To ascertain the Profit & Loss on revaluation of assets and reassessment of liabilities
(b) To record the effect of Revaluation of assets and reassessment of liabilities so as to show the Assets and Liabilities at their revalued figure.

Answer 10:

Journal					
Date	Particulars		L.F	Dr. □	Cr. □
2018 April 1	A's Capital A/c B's Capital A/c C's Capital A/c D's Capital A/c	Dr. Dr. Dr. Dr		15,000 15,000 15,000	
	To Goodwill A/c (Being the existing goodwill written off)				50,000

	A's Capital A/c B's Capital A/c	Dr. Dr.		1,20,000 20,000	
	To C's Capital A/c To D's Capital A/c (Being the adjustment for goodwill made on the account of change in a profit-sharing ratio which resulted in a loss of 6/30th to D, 1/13th to C and gain of 1/30th to B and 2/10th to A)				20,000 1,20,000

Working Note:
Gain/Sacrifice of Partner = New Share - Old Share
A's =3/6 - 3/10 = 15-9 / 30 = 6/30 (Gain)

B's = 2/6 - 3/10 = 10 - 9/ 30 = 1/30 (Gain)

C's = 1/6 - 2/10 =5-6/30 = - 1/30 (Sacrifice)
D's Sacrifice = 2/10 or 6/30

Answer 11: Normal Profit = □10,00,000 x 15 / 100 = □1,50,000
Super Profit = Average Profit- Normal Profit
= □ 3,00,000 - □ 1,50,000 = □1,50,000
Goodwill = Super Profit x 1000 / Normal Rate of Return
= □1,50,000 x 100 / 15 = □ 10,00,000

Answer 12:

Dr.	**B's Capital Account**		**Cr.**
Particulars	□	**Particulars**	□
To B's Executors' A/c (Balancing Figure)	1,38,225	By Balance b/d By Profit & Loss Suspense A/c (WN 2) By A's Capital Account (WN 3) By C's Capital Account (WN 3) By Workmen compensation Reserve A/c (□12,000 x 3/10) By Interest on Capital A/c (□60,000x10/100,3/12)	60,000 1,125 20,571 51,429 3,600 1,500

	1,38,225		1.38,225

Dr.	**B's Executive Account**		**Cr.**
Particulars	□	**Particulars**	□
To Balance c/d	1,38,225	By B's Capital Account	1,38,225
	1,38,225		1,38,225

Working Notes:

1. Profit -sharing ratio A, B,and C =Capital Ratio=2:3:5

2. Deceased Partners' Share of Profit = □15,000x 3/12 x 3/10 = □1,125

3. Deceased Partner's share of Goodwill = □2,40,000 x 3/10 = □72,000, which is contributed by A and C in their gaining ratio, i.e. 2:5. Therefore,
A's contribution = □72,000 x2/7 = □20,571
C's contribution □72,000 x 5/7 = 51,429

Answer 13:

	Journal				
Date	Particular		L.F	Dr.(□)	Cr.(□)
	Sundry Asset A/c ?	Dr. Dr.		11,00,000 2,00,000	
	To Sundry Liabilities A/c To Mohan Ltd. (Being assets and liabilities taken over from Mohan ltd)				2,20,000 10,80,000
	Mohan Ltd.	Dr.		10,80,000	
	To 10% Debentures A/s To Securities Premium Reserve A/c (Being 9,000, 10% Debentures of □100 each issued at a premium of ?%)				9,00,000 1,80,000

Working Nore:

1. Amount of 10% Debentures A/c = 9,000 x □100 = □9,00,000

2. Amount of Securities Premium Reserve A/c = □ 10,80,000 - □ 9,00,000 = □ 1,80,000

3. Percentage of Premium on Issue of Debenture = □1,80,000 / □ 9,00,000 x 100 = 20%

Answer 14:

Dr.	**An extract of Income & Expenditure Account**		**Cr.**
Expenditure	□	**Income**	□
To Prize awarded	10,000		

Dr.		**An extract of the Balance Sheet**		**Cr.**
Liabilities		□	**Assets**	□
Prize Fund				
Opening Balance	1,20,000			
Add: Donation	28,000			
Interest on prize fund investment	12,000			
	1,60,000			
Less: Prize Awarded	1,70,000			
Transfer to Income and Expenditure account	10,000			

Answer 15:

In the book of Moon Ltd. Journal					
Date	**Particulars**		**L.F**	**Dr. □**	**Cr. □**
	Bank A/c	Dr.		10,60,000	
	To Debentures Application & Allotment A/c				10,60,000

	(Being the application money received for 10,000, 10% debentures @ □106 each)				
	Debentures Application & Allotment A/c Loss on issue of Debentures A/c	Dr. Dr.		10,60,000 40,000	
	To 10% Debenture A/c To Securities Premium Reserve A/c To Premium on Redemption of debentures A/c (Being the issue of 10,000, 10% debentures of □100 each at a premium of 6% and redeemable at a premium of 4%)				10,00,000 60,000 40,000

Value: 1. Sensitivity towards poor illiterate children. 2. Value of Education

Answer 16:

Dr.	Medical Aid Society Income and Expenditure Account till 31st March, 2108			Cr.
Expenditure	□	Income		□
To Honorarium to Doctors	1,00,000	By Subscription Received	5,05,000	
To Salaries	2,80,000	Add: Subscription Due on		
To General Expenses	20,000	31 st March 2018	10,000	
To Medicine Consumed (WN1)	2,80,000	Advance on 31st March, 2017	12,000	
To Depreciation on:				
Building(□5,00,000-□4,80,000) 20,000				
Medical Equipment (□2,50,000 + □1,00,000-□3,20,000) 30,000	50,000			
To Conveyance Expenses	25,000		5,27,000	
To Surplus (Excess of Income over Expenditure)	58,000	Less: Subscription Due on 31st March, 2017	8,000	
			5,19,000	
		Less: Advance on 31dt March, 2018	6,000	5,13,000
		By Donation		1,40,000

		By Interest on Investment	80,000
		By Charity Show Proceed 1,20,000	
		Less: Charity Show Expenses 40,000	80,000
	8,13,000		8,13,000

Balance Sheet till 31st March 2018			
Liabilities	□	**Income**	□
Amount due to medicine suppliers	90,000	Cash in Hand	50,000
Subscription Received in Advance	6,000	Cash at Bank	20,000
Capital Fund (WN2) 18,76,000		Stock of Medicine	1,50,000
Add: Surplus 58,000	19,34,000	Subscription Due	10,000
		Investment*	10,00,000
		Medical Equipment	3,20,000
		Building	4,80,000
	20,30,000		20,30,000

Working Notes:

1.

Calculation of Medicine Consumed:	□	□
Medicine Purchased		3,00,000
Add: Stock of medicines on 31st March, 2018	1,00,000	
Amount due to medicine suppliers on 31st March, 2018	90,000	1,90,000
		4,90,000
Less: Stock of medicines on 31st March 2018	1,50,000	
Amount due to o medicines suppliers on 31st March 2018	60,000	2,10,000
Medicine consumed during 2017-18		2,80,000

2. Calculation of capital fund as on 1st April 2017

Balance Sheet till 31st March, 2017			
Liabilities	□	**Assets**	□
Amount due to Medicines supplier Subscription Received in Advance Capital Fund (Balancing Figure)	60,000 12,000 18,76,000	Cash in Hand Cash at Bank Stock of Medicines Subscription Due Investments* Medical Equipment Building	80,000 10,000 1,00,000 8,000 10,00,000 2,50,000 5,00,000
	19,48,000		19,48,000

*Interest on investment received □80,000 for the year ended 31st March 2018 indicates that there were investments at the beginning of the accounting year 2017-18. The ratio of interest is 8%. So, the value of investment= 100/8x□80,000 = □ 10,00,000

Answer 17:

JOURNAL					
Date	**Particulars**		**L. F**	**Dr.**	**Cr.**
	On Creation DRR				
	Surplus,i.e., Balance in a statement of Profit & Loss	Dr.		25,000	
	To Debentures Redemption Reserve A/c (Being the transfer of Profit & Loss to DRR as per section 71(4)				25,000
	Debenture Redemption Investment A/c	Dr.		15,000	
	To Bank (Being the amount invested in specific securities equal to 15% of the number of redeemable debentures)				15,0000
	At the time of Redemption				

	Bank A/c	Dr.		16,200	
April 1	To Debenture Redemption Investment A/c To Interest Earned A/c (Being the investment realized and interest received on investment @ 8% p.a)				15,000 1,200
	10% Debentures A/c Premium on Redemption of Debentures A/c	Dr. Dr.		1,00,000 10,000	
	To Debentures holders' A/c (Being the amount due to debenture holders on redemption				1,10,000
	Debentureholders' A/c	Dr.		1,10,000	
	To Bank A/c (Being the payment made to Debentureholders)				1,10,000
	Debentures Redemption Reserve A/c	Dr.		25,000	
	To General Reserve A/c (Being the transfer of DRR to General Reserve)				25,000

Answer 18:

	Comparative Balance Sheet			
Particulars	**B 31ST March. 2017 (□)**	**C 31ST March. 2018 (□)**	**D=C-B Absolute Change (□)**	**E=CX100/B % Change (□)**
I. EQUITY & LIABILITIES				
1. Shareholders' Funds				
a. Share Capital	22,50,000	30,00,000	7,50,000	33.33
b. Reserve & Surplus	4,00,000	3,00,000	(1,00,000)	(25.00)
2. Non-Current Liabilities				

Long Term Borrowings	6,00,000	9,00,000	3,00,000	50.00
3. Current Liabilities				
Short Term Borrowings	2,00,000	3,00,000	1,00,000	50.00
Total	**34,50,000**	**45,00,000**	**10,50,000**	**30.43**
II. ASSETS **1. Non-Current Assets** Fixed Assets:				
a. Tangible Assets	22,50,000	30,00,000	7,50,000	33.33
b. Intangible Assets	6,00,000	9,00,000	3,00,000	50.00
2. Current Assets				
a. Inventories	3,00,000	1,50,000	(1,50,000)	(50.00)
b. Trade Receivable	1,00,000	1,50,000	560,00	50.00
c. Cash & Cash Equivalents	2,00,000	3,00,000	1,00,000	50.00
Total	**34,50,000**	**45,00,000**	**10,50,000**	**30.43**