Year 2019 Examination

ISC

Analysis of Pupil Performance

ACCOUNTS

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Research Development and Consultancy Division

Council for the Indian School Certificate Examinations

New Delhi

Year 2019

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FOREWORD

This document of the Analysis of Pupils' Performance at the ISC Year 12 and ICSE Year 10 Examination is one of its kind. It has grown and evolved over the years to provide feedback to schools in terms of the strengths and weaknesses of the candidates in handling the examinations.

We commend the work of Mrs. Shilpi Gupta (Deputy Head) of the Research Development and Consultancy Division (RDCD) of the Council and her team, who have painstakingly prepared this analysis. We are grateful to the examiners who have contributed through their comments on the performance of the candidates under examination as well as for their suggestions to teachers and students for the effective transaction of the syllabus.

We hope the schools will find this document useful. We invite comments from schools on its utility and quality.

Gerry Arathoon
Chief Executive & Secretary

October 2019

PREFACE

The Council has been involved in the preparation of the ICSE and ISC Analysis of Pupil Performance documents since the year 1994. Over these years, these documents have facilitated the teaching-learning process by providing subject/ paper wise feedback to teachers regarding performance of students at the ICSE and ISC Examinations. With the aim of ensuring wider accessibility to all stakeholders, from the year 2014, the ICSE and the ISC documents have been made available on the Council's website www.cisce.org.

The documents include a detailed qualitative analysis of the performance of students in different subjects which comprises of examiners' comments on common errors made by candidates, topics found difficult or confusing, marking scheme for each question and suggestions for teachers/ candidates.

In addition to a detailed qualitative analysis, the Analysis of Pupil Performance documents for the Examination Year 2019 also have a component of a detailed quantitative analysis. For each subject dealt with in the document, both at the ICSE and the ISC levels, a detailed statistical analysis has been done, which has been presented in a simple user-friendly manner.

It is hoped that this document will not only enable teachers to understand how their students have performed with respect to other students who appeared for the ICSE/ISC Year 2019 Examinations, but also provide information on how they have performed within the Region or State, their performance as compared to other Regions or States, etc. It will also help develop a better understanding of the assessment/ evaluation process. This will help teachers in guiding their students more effectively and comprehensively so that students prepare for the ICSE/ ISC Examinations, with a better understanding of what is required from them.

The Analysis of Pupil Performance document for ICSE for the Examination Year 2019 covers the following subjects: English (English Language, Literature in English), Hindi, History, Civics and Geography (History and Civics, Geography), Mathematics, Science (Physics, Chemistry, Biology), Commercial Studies, Economics, Computer Applications, Economic Applications, Commercial Applications.

Subjects covered in the ISC Analysis of Pupil Performance document for the Year 2019 include English (English Language and Literature in English), Hindi, Elective English, Physics (Theory), Chemistry (Theory), Biology (Theory), Mathematics, Computer Science, History, Political Science, Geography, Sociology, Psychology, Economics, Commerce, Accounts and Business Studies.

I would like to acknowledge the contribution of all the ICSE and the ISC examiners who have been an integral part of this exercise, whose valuable inputs have helped put this document together.

I would also like to thank the RDCD team of Dr. M.K. Gandhi, Dr. Manika Sharma, Mrs. Roshni George and Mrs. Mansi Guleria who have done a commendable job in preparing this document.

Shilpi Gupta
Deputy Head - RDCD

October 2019

CONTENTS

INTRODUCTION

This document aims to provide a comprehensive picture of the performance of candidates in the subject. It comprises of two sections, which provide Quantitative and Qualitative analysis results in terms of performance of candidates in the subject for the ISC Year 2019 Examination. The details of the Quantitative and the Qualitative analysis are given below.

Quantitative Analysis

This section provides a detailed statistical analysis of the following:

- Overall Performance of candidates in the subject (Statistics at a Glance)
- State wise Performance of Candidates
- Gender wise comparison of Overall Performance
- Region wise comparison of Performance
- Comparison of Region wise performance on the basis of Gender
- Comparison of performance in different Mark Ranges and comparison on the basis of Gender for the top and bottom ranges
- Comparison of performance in different Grade categories and comparison on the basis of Gender for the top and bottom grades

The data has been presented in the form of means, frequencies and bar graphs.

Understanding the tables

Each of the comparison tables shows N (Number of candidates), Mean Marks obtained, Standard Errors and t-values with the level of significance. For t-test, mean values compared with their standard errors indicate whether an observed difference is likely to be a true difference or whether it has occurred by chance. The t-test has been applied using a confidence level of 95%, which means that if a difference is marked as 'statistically significant' (with * mark, refer to t-value column of the table), the probability of the difference occurring by chance is less than 5%. In other words, we are 95% confident that the difference between the two values is true.

t-test has been used to observe significant differences in the performance of boys and girls, gender wise differences within regions (North, East, South and West), gender wise differences within marks ranges (Top and bottom ranges) and gender wise differences within grades awarded (Grade 1 and Grade 9) at the ISC Year 2019 Examination.

The analysed data has been depicted in a simple and user-friendly manner.

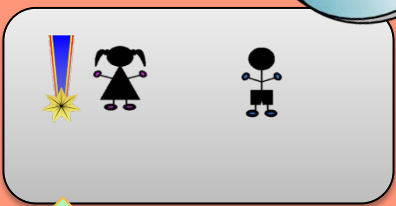
Given below is an example showing the comparison tables used in this section and the manner in which they should be interpreted.

Comparison on the basis of Gender

Gender	N	Mean	SE	t-value
Girls	2,538	66.1	0.29	11.91*
Boys	1,051	60.1	0.42	

*Significant at 0.05 level

Girls performed significantly better than boys.



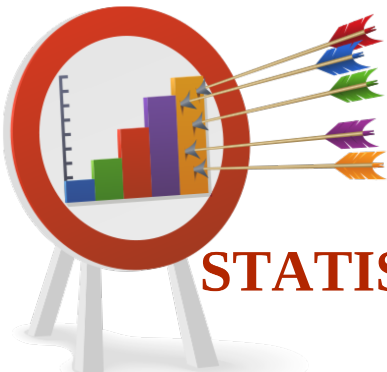
The results have also been depicted pictographically. In this case, the girls performed significantly better than the boys. This is depicted by the girl with a medal.

The table shows comparison between the performances of boys and girls in a particular subject. The t-value of 11.91 is significant at 0.05 level (mentioned below the table) with a mean of girls as 66.1 and that of boys as 60.1. It means that there is significant difference between the performance of boys and girls in the subject. The probability of this difference occurring by chance is less than 5%. The mean value of girls is higher than that of boys. It can be interpreted that girls are performing significantly better than boys.

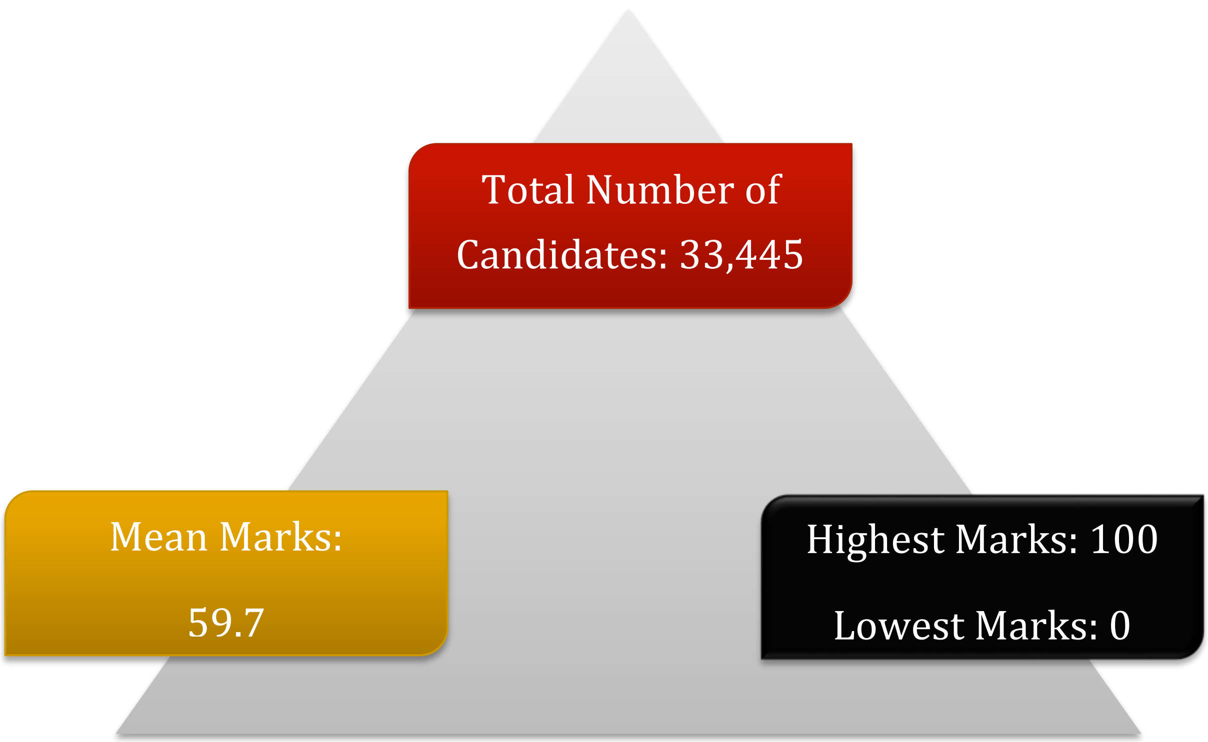
Qualitative Analysis

The purpose of the qualitative analysis is to provide insights into how candidates have performed in individual questions set in the question paper. This section is based on inputs provided by examiners from examination centres across the country. It comprises of question wise feedback on the performance of candidates in the form of *Comments of Examiners* on the common errors made by candidates along with *Suggestions for Teachers* to rectify/ reduce these errors. The *Marking Scheme* for each question has also been provided to help teachers understand the criteria used for marking. Topics in the question paper that were generally found to be difficult or confusing by candidates, have also been listed down, along with general suggestions for candidates on how to prepare for the examination/ perform better in the examination.

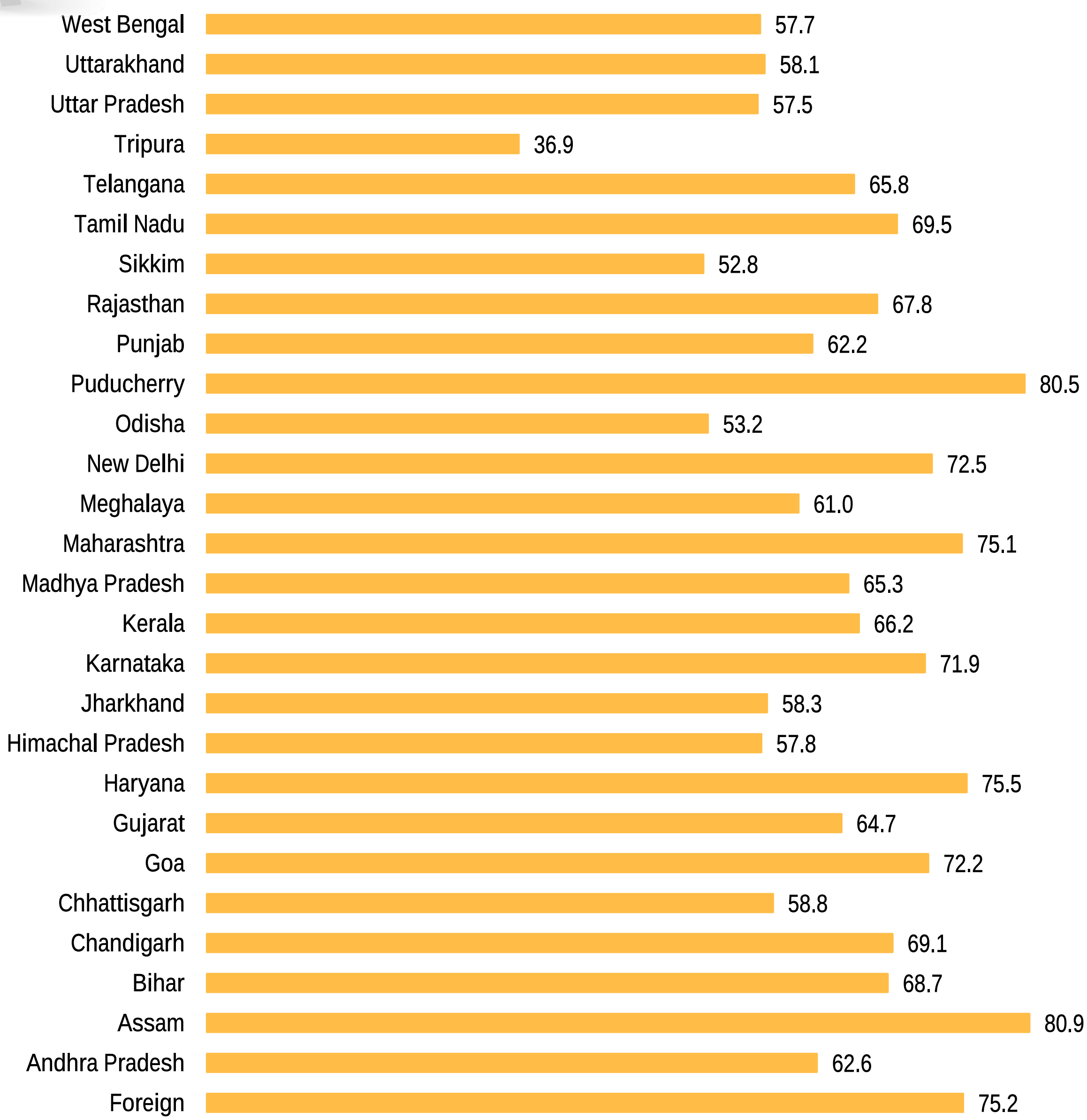
QUANTITATIVE ANALYSIS



STATISTICS AT A GLANCE



PERFORMANCE (STATE-WISE & FOREIGN)



The States/UTs of Assam, Puducherry and Haryana secured highest mean marks. Mean marks secured by candidates studying in schools abroad were 75.2.

GENDER-WISE COMPARISON

GIRLS

Mean Marks: 63.0

Number of Candidates: 15,681

BOYS

Mean Marks: 56.8

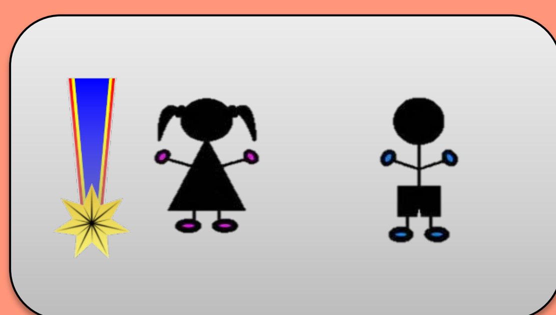
Number of Candidates: 17,764

Comparison on the basis of Gender

Gender	N	Mean	SE	t-value
Girls	15,681	63.0	0.16	27.49*
Boys	17,764	56.8	0.16	

*Significant at 0.05 level

Girls performed significantly better than boys.



REGION-WISE COMPARISON

REGION

East

Mean Marks: 57.9

Number of Candidates: 14,217

Highest Marks: 100

Lowest Marks: 0

North

Mean Marks: 58.6

Number of Candidates: 14,950

Highest Marks: 100

Lowest Marks: 01

South

Mean Marks: 68.5

Number of Candidates: 2,138

Highest Marks: 100

Lowest Marks: 10

West

Mean Marks: 70.3

Number of Candidates: 2,043

Highest Marks: 100

Lowest Marks: 15

Foreign

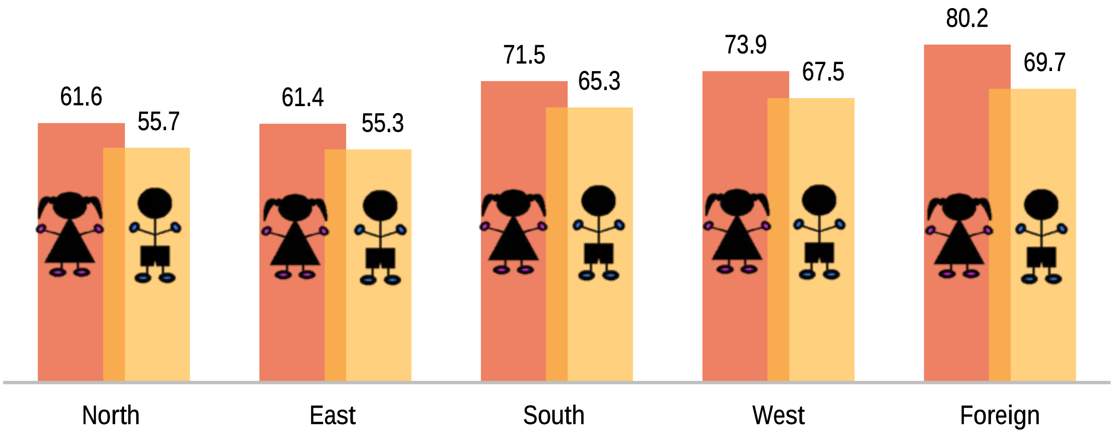
Mean Marks: 75.2

Number of Candidates: 97

Highest Marks: 100

Lowest Marks: 41

Mean Marks obtained by Boys and Girls-Region wise

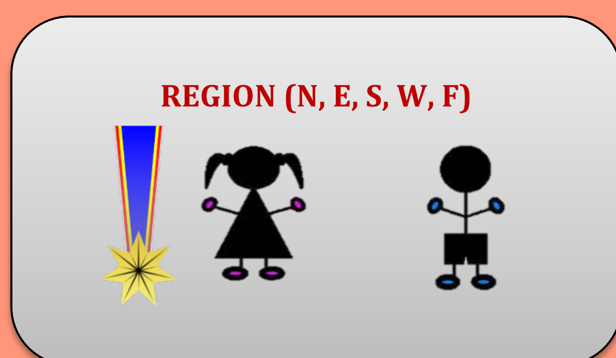


Comparison on the basis of Gender within Region

Region	Gender	N	Mean	SE	t-value
North (N)	Girls	7,438	61.6	0.22	18.32*
	Boys	7,512	55.7	0.24	
East (E)	Girls	6,183	61.4	0.25	17.48*
	Boys	8,034	55.3	0.24	
South (S)	Girls	1,110	71.5	0.50	7.74*
	Boys	1,028	65.3	0.63	
West (W)	Girls	899	73.9	0.59	7.53*
	Boys	1,144	67.5	0.60	
Foreign (F)	Girls	51	80.2	2.12	3.36*
	Boys	46	69.7	2.33	

*Significant at 0.05 level

The performance of girls was significantly better than that of boys in all the regions.



MARK RANGES :
COMPARISON GENDER-WISE

Comparison on the basis of gender in top and bottom mark ranges

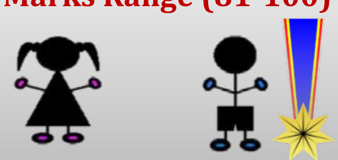
Marks Range	Gender	N	Mean	SE	t-value
Top Range (81-100)	Girls	3,594	88.5	0.08	-2.15*
	Boys	3,075	88.7	0.09	
Bottom Range (0-20)	Girls	112	17.6	0.33	0.32
	Boys	389	17.5	0.19	

*Significant at 0.05 level

Marks Range (81-100)

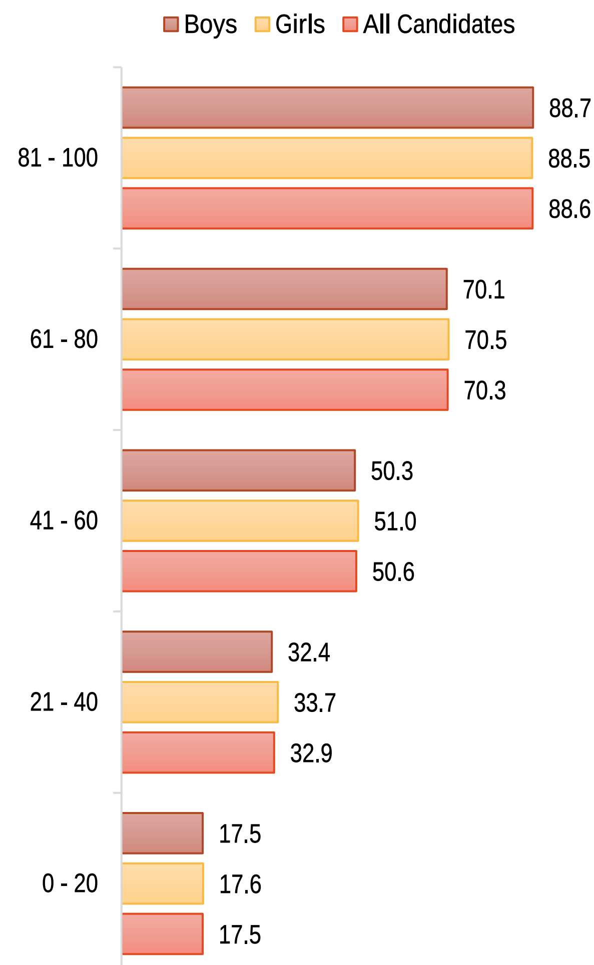
Performance of boys was significantly better than the performance of girls.

Marks Range (81-100)



Marks Range (0-20)

No significant difference was found in the performance of girls and boys in the marks range of (0-20).



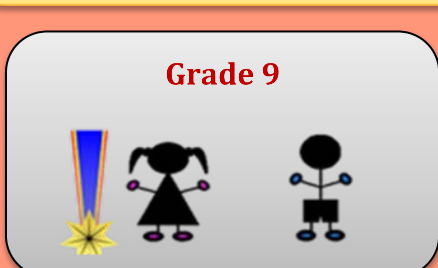
GRADES AWARDED : COMPARISON GENDER-WISE

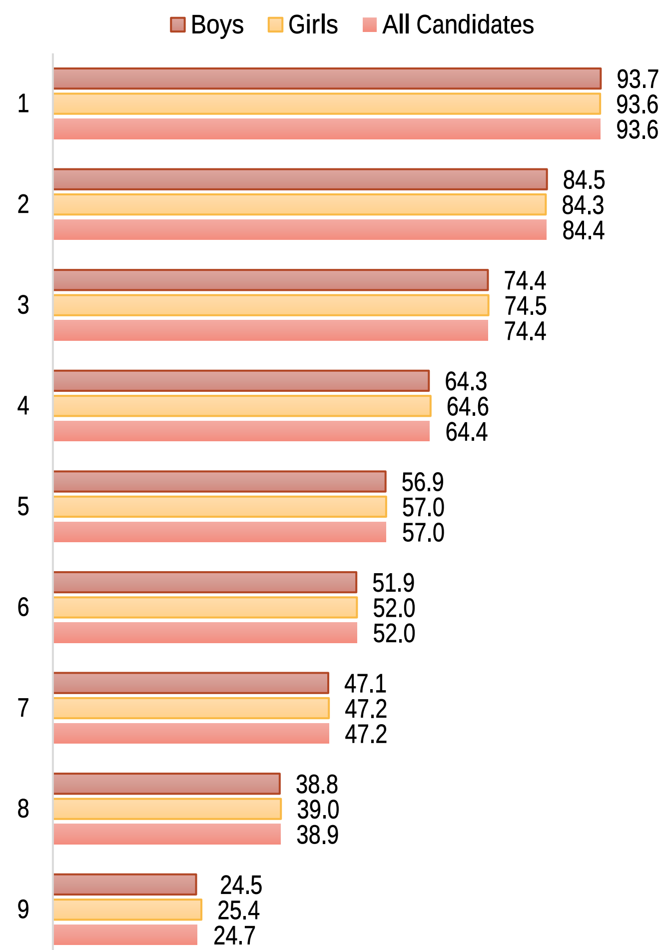
Comparison on the basis of gender in Grade 1 and Grade 9

Grades	Gender	N	Mean	SE	t-value
Grade 1	Girls	1,462	93.6	0.07	-0.80
	Boys	1,315	93.7	0.08	
Grade 9	Girls	925	25.4	0.13	5.61*
	Boys	2,211	24.5	0.09	

*Significant at 0.05 level

In Grade 9, the average performance of girls was significantly better than that of boys. However, no significant difference was observed between the average performance of girls and boys in Grade 1.





QUALITATIVE ANALYSIS

SECTION A

PART I (12 Marks)

Answer **all** *questions.*

Question 1

Answer briefly each of the following questions: **[6 × 2]**

(i) List *any two* items which may appear on the credit side of a partner's fixed capital account.

(ii) Give the journal entries to be passed when:

(a) Interest is due on debentures.

(b) Interest is paid to debenture holders.

(iii) In what way, if any, can the balance in shares forfeited account be used?

(iv) Mention *any two* circumstances when there is need to revalue goodwill of a partnership firm.

(v) Enumerate *any two* methods of redemption of debentures.

(vi) Give the journal entry for closing the retiring partner's capital account when his share is paid to him privately by the remaining partners.

Comments of Examiners

(i) Majority of the candidates, instead of writing two items which are recorded on the credit side of a partner's fixed capital account, wrote those items which appear on the credit side of a partner's fluctuating capital account.

(ii) (a) Most of the candidates were able to write this answer satisfactorily. However, a few candidates credited the Debentures Account instead of crediting the account of the Debenture holders.
(b) Majority of the candidates wrote the correct answer.

(iii) The question was well attempted by a majority of the students. However, some candidates wrote that the balance of share forfeited account can be used to reissue the shares instead of writing that it is used to *write off discount / loss on reissue of shares* or to *write off capital losses*.

(iv) Majority of the candidates answered this question correctly.

(v) Most of the candidates wrote the correct answer. However, a few candidates, lost marks by writing only purchase of debentures /open market operations instead of writing 'purchase of *own* debentures in the *open market* for *cancellation*'. Some candidates wrote the sources of redemption – out of profits /capital instead of the methods.

(vi) A large number of candidates were able to answer this question. However, there were candidates who wrote 'no entry' as the answer without realizing that it is mandatory for a partnership firm to close the partner's capital account at the time of his exit from the firm. A few candidates debited the remaining partners capital account while crediting the retiring partner's capital account. Some candidates passed two entries- one showing cash being brought in by the remaining partners to pay of the retiring partner and the other to pay off the retiring partner.

Suggestion for teachers

- Give adequate practice to solve problems under fixed and fluctuating capital methods.
- Teach to the students the adjusting, payment and closing entries for interest on debentures.
- For clarity, make the students pass the entries along with the narrations.
- Use complete sentences and correct terminology while teaching in the class.
- Clearly explain the difference between the methods and sources of redemption of debentures.

MARKING SCHEME

Question 1

(i)	(1) Opening Capital Balance / Initial capital introduced (2) Additional capital introduced	
(ii)	(a)	Interest on Debentures A/c Dr. To Debenture holders / Outstanding interest on Debentures
	(b)	Debenture holders / Int. on Debentures A/c Dr. To Bank A/c
(iii)	(1) The credit balance in the forfeitures shares account is used to make up the deficiency if forfeited shares are reissued at a discount / to write off the loss on the reissue of shares at a discount.	

	(2) Any amount remaining in forfeited shares account after writing off the loss on reissue is a capital profit which should be transferred to capital Reserve and used to write off capital losses.
(iv)	• Admission of a partner • Retirement of a partner • Death of a partner • Change in profit sharing ratio amongst the partners • Sale of the firm. • Amalgamation of two or more firms • Partnership firm converted into a company *(any two)*
(v)	• By payment in lump sum to the debenture holders at the end of a specific period. • By payment in installments to the debenture holders/ by draw of lots. • By purchase of own debentures in the open market. • By conversion of debentures into shares or new debentures. *(any two)*
(vi)	Retiring / Outgoing Partner's Capital A/c Dr To Remaining / Gaining/ Continuing Partners' Capital A/c

PART II (48 Marks)

*Answer **any four** questions.*

Question 2

(A) Meera Co. Ltd. invited applications for 50,000, equity shares of ₹ 10 each at a premium of ₹ 2 per share, payable as follows: **[8]**

On Application on 1st May, 2017 ₹ 2

On Allotment on 1st July, 2017 ₹ 5 (including premium)

On 1st and Final Call on 1st October, 2017 ₹ 5

The Company received applications for 62,500 shares.

It was decided to:

(a) Refuse allotment to the applicants of 2,500 shares.

(b) Allot in full to the applicants of 10,000 shares.

(c) Allot the balance of the shares applied on a pro-rata basis among the other applicants.

(d) Utilize the excess application money in part payment of allotment money.

(e) Charge interest on calls-in-arrears, if any, @ 10% per annum.

All the money due was received except from one shareholder to whom 200 shares had been allotted in full. The amount was due by him to the company even till the date of the Balance Sheet, which was 31st March, 2018.

The company charged interest on calls-in-arrears from the shareholders from the date on which it was due till the Balance Sheet date.

You are required to, for the year 2017-18:

(i) Prepare the Cash Book to record the above issue of shares.

(ii) Pass journal entries in the Journal Proper (including entries for interest on calls-in-arrears).

(B) On 31st March, 2018, Vipul Ltd. had ₹ 30,00,000, 8% Debentures of ₹ 100 each outstanding. **[4]**

On 1st June, 2018, it purchased in the open market, 20,000 of its own debentures @ ₹ 102 per debenture and cancelled these debentures immediately.

On 31st December, 2018, the remaining debentures were purchased @ ₹ 98 per debenture for immediate cancellation.

You are required to pass necessary journal entries for the redemption of debentures. (*Ignore interest on debentures and entries for provisions regarding Debenture Redemption Reserve and Debenture Redemption Investment*).

Comments of Examiners

(A) (i) Majority of the candidates were unable to prepare the Cash Book. They passed entries for all cash and non-cash transactions in the journal.

(ii) Most of the candidates were not able to calculate the correct calls-in-arrears and hence could not calculate interest on calls-in-arrears. Those few candidates who did calculate the correct interest on calls-in-arrears, passed only its adjusting entry but not the closing entry.

(B) Most of the candidates who attempted this question, were able to pass the required journal entries and were able to calculate the correct loss/profit on cancellation of own debentures. However, some candidates debited/credited the loss/profit on debentures instead of loss/profit on cancellation/redemption of own debentures account. A few candidates seemed to have no idea of the concept of a company redeeming its debentures by purchasing them in the open market for immediate cancellation.

Suggestions for teachers

- Concentrate on problems involving interest on calls in arrears and interest on calls in advance.
- Give adequate practice in the preparation of Cash Book and ledger accounts.
- Ensure that the students draw proper format of the journal which includes the heading ‘Journal’.
- Stress should be laid on passing adjusting and closing entries of any expense/ income.
- Teach all the methods of redemption of debentures which are mentioned in the scope of the syllabus.

MARKING SCHEME

Question 2

(A)

Cash Book (Bank Column)

Particulars	Amount	Particulars	Amount
To Share Application	**1,25,000**	By Share Application	**5,000**
To Share Allotment	**2,29,000**	By Balance c/d	**5,98,000**
To Sh 1st & Final Call	**2,49,000**		
	6,03,000		**6,03,000**

Journal of Meera Ltd.

Dt	Particulars	L.F	Amount	Amount
	Share Application A/c Dr		**1,20,000**	
	To Equity Share Capital A/c			**1,00,000**
	To Share Allotment A/c			**20,000**
	(Being share app tsfd to share capital)			
	Share Allotment A/c Dr		**2,50,000**	
	To Equity Share Capital A/c			**1,50,000**
	To Securities Premium / SPR			**1,00,000**
	(Being share allotment due)			
	Calls – in- arrears A/c Dr		**1,000**	
	To Share Allotment A/c			**1,000**
	(Being amount not recd for allotment)			
	Share 1st & Final Call A/c Dr		**2,50,000**	
	To Equity Share Capital A/c			**2,50,000**
	(Being share call due)			
	Calls – in- arrears A/c Dr		**1,000**	
	To Share 1st & Final Call A/c			**1,000**
	(Being amount not recd for call)			
	Shareholders A/c Dr		**125**	
	To Interest on calls-in-arrears			**125**
	(Being int on arrears due from shareholders)			
	Interest on calls-in- arrears A/c Dr		**125**	
	To Statement of P/L			**125**
	(Being interest on calls in arrears closed)			

(B)

Journal of Vipul Ltd.

Dt	Particulars	L.F	Amount	Amount
	Own Debentures A/c Dr		**20,40,000**	
	To Bank A/c			**20,40,000**
	(Being 20,000 own debentures purchased @ ₹ 102)			
	8% Debentures A/c Dr		**20,00,000**	
	Loss on cancellation/redemption of Own Deb A/c Dr		**40,000**	
	To Own Debentures A/c			**20,40,000**
	(Being own debentures cancelled at a loss)			
	Own Debentures A/c Dr		**9,80,000**	
	To Bank A/c			**9,80,000**
	(Being 10,000 own debentures purchased @ ₹ 98)			
	8% Debentures A/c Dr		**10,00,000**	
	To Own Debentures A/c			**9,80,000**
	To Profit on cancellation/ redemption of Own Deb A/c			**20,000**
	(Being own debentures cancelled at a profit)			
	Profit on cancellation of own Deb / Capital Reserve A/c Dr		**20,000**	
	Statement of P/L Dr		**20,000**	
	To Loss on cancellation A/c			**40,000**
	(Being loss on cancellation of debentures written off)			

Question 3

Mohit, Ali and John are partners in a firm, sharing profits and losses in the ratio of 3:1:1. Their Balance Sheet as at 31st March, 2018, was as follows: **[12]**

Balance Sheet of Mohit, Ali and John
As at 31st March, 2018

Liabilities		Amount ₹	Assets		Amount ₹
Trade Creditors		15,000	Cash at Bank		40,000
General Reserve		6,000	Sundry Debtors	30,000	
Investment Fluctuation Fund		9,000	*Less* Provision for Doubtful Debts	(5,000)	25,000
Capital A/c			Investments (Market value ₹ 40,000)		35,000
Mohit	70,000				
Ali	50,000		Plant & Machinery		88,000
John	50,000	1,70,000	Goodwill		12,000
		2,00,000			**2,00,000**

Mohit retired on 1st April, 2018, subject to the following adjustments:

(a) Goodwill of the firm to be valued at ₹ 20,000.

(b) Mohit to take over the investments at the market value.

(c) 25% of the General Reserve to be transferred to Provision for Doubtful Debts and the balance to be distributed amongst all the partners.

(d) Creditors to be paid ₹ 3,000 less.

(e) Investment Fluctuation Fund not to be distributed. For this, it was decided that the remaining partners would compensate the retiring partner through their capital accounts.

(f) Mohit to be paid ₹ 20,000 immediately on retirement and the balance to be transferred to his loan account.

You are required to:

(i) Pass journal entries on the date of Mohit's retirement.

(ii) Prepare the Balance Sheet of the reconstituted firm.

Comments of Examiners

(i) Majority of the candidates were able to answer this question quite well. However, some candidates either did not pass the entry for the creation of provision for doubtful debts from general reserve or created it from the revaluation profit. A few candidates debited the investments account and credited the partner's capital account for investments being taken over by the partner. Few candidates also did not write 'Journal' as part of the journal format.

(ii) A few candidates lost marks for writing the date of the Balance Sheet of the reconstituted firm as 'Balance Sheet as on 31st March, 2018 / as on 1st April, 2018' instead of 'Balance Sheet as at 1st April, 2018'.

Suggestions for teachers

- Give enough practice to the students in dealing with typical adjustments.
- Teach students to do a self-check of the balances of the accounts after the adjustments.
- Insist on the students reiterating the accounting rules while passing journal entries / making ledger accounts.
- Write the date on which the Balance Sheet of the reconstituted firm is prepared and insist on the students writing it in every sum given to them as an assignment.

MARKING SCHEME

Question 3

In the books of Mohit, Ali & John
Journal

Dt	Particulars		L.F	Amount	Amount
	Mohit's Capital A/c	Dr		**7,200**	
	Ali's Capital A/c	Dr		**2,400**	
	John's Capital A/c	Dr		**2,400**	
	To Goodwill A/c				**12,000**
	(Being purchased goodwill written off)				
	Ali's Capital A/c	Dr		**6,000**	
	John's Capital A/c	Dr		**6,000**	
	To Mohit's Capital A/c				**12,000**
	(Being Mohit compensated for his share in the inherent goodwill of the firm in GR)				
	General Reserve A/c	Dr		**6,000**	
	To Prov. for Doubtful Debts				**1,500**
	To Mohit's Capital A/c				**2,700**
	To Ali's Capital A/c				**900**
	To John's Capital A/c				**900**
	(Being GR tsfd to prov for d/d and balance distributed to all partners)				

	Investment A/c Dr		**5,000**	
	Creditors A/c Dr		**3,000**	
	To Revaluation A/c			**8,000**
	(Being gain on revaluation of assets and liabilities)			
	Revaluation A/c Dr		**8,000**	
	To Mohit's Capital A/c			**4,800**
	To Ali's Capital A/c			**1,600**
	To John's Capital A/c			**1,600**
	(Being gain on revaluation tsfd to partners' capital accounts)			
	Ali's Capital A/c Dr		**2,700**	
	John's Capital A/c Dr		**2,700**	
	To Mohit's Capital A/c			**5,400**
	(Being Mohit compensated for his share in IFF in GR)			
	Mohit's Capital A/c Dr		**40,000**	
	To Investments A/c			**40,000**
	(Being investments taken over by Mohit)			
	Mohit's Capital A/c Dr		**47,700**	
	To Bank A/c			**20,000**
	To Mohit's Loan A/c			**27,700**
	(Being Mohit's Cap A/c closed)			

Balance Sheet of Ali & John
As at 1st April, 2018

Liabilities	**Amount** ₹	**Assets**	**Amount** ₹
Trade Creditors	**12,000**	Cash at Bank	**20,000**
Investment Fluctuation Fund	**9,000**	Debtors 30,000 Less Prov d/d (6500)	**23,500**
Mohit's Loan A/c	**27,700**	Plant & Machinery	**88,000**
Capital A/c			
Ali 41,400			
John 41,400	**82,800**		
	1,31,500		**1,31,500**

Working Notes:

Partners' Capital Accounts

Particulars	Mohit	Ali	John	Particulars	Mohit	Ali	John
To Mohit		8,700	8,700	By Bal b/d	70,000	50,000	50,000
To GW	7,200	2,400	2,400	By Ali	8,700		

To Invest	40,000			By John	8,700		
To Bank	20,000			By GR	2,700	900	900
To Mohit's Loan	27,700			By Reval	4,800	1,600	1,600
To Bal c/d		41,400	41,400				
	94,900	52,500	52,500		94,900	52,500	52,500

Question 4

(A) Raina and Meena were partners in a firm sharing profits and losses equally. They dissolved their firm on 31st March, 2018. **[8]**

On this date, the Balance Sheet of the firm, apart from realizable assets and outside liabilities showed the following:

	₹
Raina's Capital	40,000 (Cr)
Meena's Capital	20,000 (Dr)
Profit and Loss Account	10,000 (Dr)
Raina's Loan to the firm	15,000
Contingency Reserve	7,000

On the date of dissolution of the firm:

(a) Raina's loan was repaid by the firm along with interest of ₹ 500.

(b) The dissolution expenses of ₹ 1,000 were paid by the firm on behalf of Raina who had to bear these expenses.

(c) An unrecorded asset of ₹ 2,000 was taken over by Meena while Raina discharged an unrecorded liability of ₹ 3,000.

(d) The dissolution resulted in a loss of ₹ 60,000 from the realization of assets and settlement of liabilities.

You are required to prepare:

(i) **Partners' Capital Accounts.**

(ii) **Raina's Loan Account.**

(B) Vinay, Usha and Punit are partners in a firm. They have been sharing profits and losses in the ratio of 3:4:1. **[4]**

Punit wants the profits to be shared equally amongst the partners. He further wants the change in profit sharing ratio to be applicable retrospectively for the last two years. Vinay and Usha have no objection to this.

The profits for the last two years were ₹ 70,000 and ₹ 50,000.

You are required to record the adjustment by means of a single journal entry. *(Show the workings clearly).*

Comments of Examiners

(A) (i) Majority of the candidates were able to solve this question satisfactorily. However, a few common errors made by the candidates in the Partners' Capitals Accounts were:

- Incorrect posting of the opening balances of the partners' capital accounts, that is not being sure of the concept of debit and credit balance.
- Posting the debit balance of P/L Account on the credit side of the partners' capital accounts.
- Posting the Contingency Reserve on the debit side of the partners' capital accounts.
- Writing incorrect particulars while posting unrecorded asset (To Unrecorded Asset instead of *To Realisation A/c*), unrecorded liability (By unrecorded liability instead of *By Realisation A/c*), dissolution expenses paid by the firm on behalf of the partner (By realization expenses instead of *To Bank/ Cash A/c*) and loss on dissolution (To Loss on Realisation instead of *To Realisation A/c*),

(ii) Many candidates lost marks in the particulars of the Partner's Loan Account. The common errors were:

- Opening the loan account by writing 'By Raina's Loan A/c' instead of By Balance b/d.
- Recording interest on partner's loan by crediting 'Interest on loan Account' instead of crediting Realisation Account, thereby opening an unrecorded liability account.

(B) Majority of the candidates were able to write the correct adjustment entry. However, some candidates seem to have spent a considerable amount of time calculating the incorrect and correct profits separately for each of the two years. A few candidates did the workings in the rough but either did not pass the journal entry or got confused while debiting and crediting the partner's capital accounts. A few candidates also lost marks either for not preparing the journal format which included writing 'Journal' or for not writing the narration of the journal entry.

Suggestions for teachers

- Teachers need to lay stress on the rules of journalizing in Class 11.
- Teach the topic *'Dissolution of a partnership firm'* through journal entries. This will enable the students to write the correct particulars while posting in the ledger accounts.
- Give clarity to the students that the accounts of unrecorded assets and unrecorded liabilities being sold or discharged are not opened at the time of dissolution of a partnership firm (no new ledger account to be opened).
- Tell that the sale of assets and payment of liabilities is to be recorded through the Realisation Account.
- Ask students to do all types of problems on past adjustments which are within the scope of the syllabus.
- Teach the rectification of errors through single entry as well as journal entries.
- Insist on the journal format, including 'Journal' and narration in every problem done in the class and given as an assignment.

MARKING SCHEME

Question 4

(A)

Partners' Capital Accounts

Particulars	Raina	Meena	Particulars	Raina	Meena
To Bal b/d		**20,000**	By Bal b/d	**40,000**	
To Realisation		**2,000**	By Realisation	**3,000**	
To P/L	**5,000**	**5,000**	By Cont Reserve	**3,500**	**3,500**
To Real (loss)	**30,000**	**30,000**			
To Bank (exp)	**1,000**		By Bank		**53,500**
To Bank	**10,500**				
	46,500	**57,000**		**46,500**	**57,000**

Raina's Loan A/c

Particulars	**Amount**	**Particulars**	**Amount**
To Bank A/c	**15,500**	By Balance b/d By Realisation A/c	**15,000** **500**
	15,500		**15,500**

(B)

Journal

Dt	**Particulars**	**L.F**	**Amount**	**Amount**
	Vinay's Capital A/c Dr		**5,000**	
	Usha's Capital A/c Dr		**20,000**	
	To Punit's Capital A/c			**25,000**
	(Being adjustment in profits made)			

Working notes:

Table showing adjustment

Partners	Amount which has been credited (Profits of Rs 1,20,000 in the ratio 3:4:1)	Amount which should have been credited (Profits of Rs 1,20,000 in the ratio 1:1:1)	Diff (Dr / Cr)
Vinay	45,000	40,000	5,000 (Dr)
Usha	60,000	40,000	20,000 (Dr)
Punit	15,000	40,000	25,000 (Cr)

Question 5

(A) Peter, Max and Som were partners in a firm sharing profits and losses in the ratio of 4:2:1. Their fixed capitals were ₹ 40,000, ₹ 30,000 and ₹ 30,000, respectively. **[4]**

Som was guaranteed a profit of ₹ 39,000 by the firm.

It was decided that any loss arising because of the guarantee would be shared by Peter and Max equally.

The trading profit of the firm for the year ended 31st March, 2018, was ₹ 1,47,000.

You are required to prepare the Profit and Loss Appropriation Account for the year 2017-18, showing the distribution of profits.

(B) Aditi and Parul are partners in a firm with capitals of ₹ 35,000 each. They shared profits and losses in the ratio of 3:1. **[8]**

On 1st April, 2017, they admit Chanda into their partnership with 1/5th share in the profits.

Chanda brings in ₹ 40,000 as her capital and her share of goodwill in cash.

Her share of goodwill is calculated on the basis of her capital contribution and her share of profits in the firm.

At the time of Chanda's admission:

(a) The firm had a Workman Compensation Reserve of ₹ 60,000 against which there was a claim of ₹ 20,000.

(b) Creditors of ₹ 8,000 were paid by Aditi privately for which she is not to be reimbursed.

(c) There was no change in the value of other assets and liabilities.

You are required to, on the date of Chanda's admission:

(i) Calculate the goodwill of the firm. *(Show the workings clearly).*

(ii) Pass the necessary journal entries to record the above transactions.

Comments of Examiners

(A) Majority of the candidates were able to solve this problem. However, a few common errors made by candidates were:

- Calculating the deficiency to be met by the partners in their profit- sharing ratio instead of *equally* as required in the question.
- Not writing the heading of the account as P/L Appropriation Account *for the year* ending 31st March, 2018/ *for the year* 2017-18.
- Writing incorrect particulars while posting the trading profit (By Profit / Trading Profit instead of *By P/L Account*).
- Writing incorrect particulars while posting the divisible profit amongst the partners (To profit transferred to: Individual Partner's Capital Accounts instead of *To Individual Partner's Current Accounts*).

(B) (i) Majority of the candidates were unable to calculate the hidden goodwill of the firm. This was because, either they did not know the formula of calculating hidden goodwill or they calculated the adjusted capital of the old partners incorrectly by not considering the adjustment of revaluation of creditors as a profit for the firm.

(ii) Majority of the candidates did not pass the journal entry for revaluation of the creditors. A few candidates lost marks either for not preparing the journal format which included writing 'Journal' or for not writing the narrations.

Suggestions for teachers

- Teach all the three forms of guarantee to the students making them solve problems by preparing the P/L Appropriation Account with the correct date and also making them pass journal entries.
- Refer to the scope of the syllabus and teach all topics mentioned therein.
- Adequate practice needs to be given in calculating hidden goodwill and revaluation of assets and liabilities.
- Explain the concept of liabilities being discharged by partners on behalf of the firm (privately):
  - For which they are to be reimbursed, which will not affect the profits of the firm.
  - When they are *not* to be reimbursed which will lead to a profit for the firm.

MARKING SCHEME

Question 5

(A)

Profit & Loss Appropriation A/c
For the year ended 31st March, 2018 / for the year 2017-18

Particulars	**Amount**	**Particulars**	**Amount**
To Peter's Current A/c 84,000 Less (9,000)	**75,000**	By P/L A/c / NP	**1,47,000**
To Max's Current A/c 42,000 Less (9,000)	**33,000**		
To Som's Current A/c 21,000 Add 9,000 Add 9,000	**39,000**		
	1,47,000		**1,47,000**

(B) **Calculation of Hidden GW of the firm:**

₹

A. Capitalised Value of the business/ Net worth (including GW/
Total Capital of the firm based on Chanda's capital
= 5 ×40,000 = **2,00,000**

B. Net worth of the business (excluding GW)/
Adjusted capitals of all the partners

Aditi (35,000 + 30,000 +6,000) = 71,000
Parul (35,000 +10,000 +2,000) = 47,000
Chanda = 40,000 1,58,000

C. Hidden GW of the firm= (A-B) = 42,000
Chanda's GW= 1/5 of 42,000 = ₹ 8,400

Journal

Dt	Particulars		L.F	Amount	Amount
	Cash / Bank A/c	Dr			
	To Chanda's Capital A/c				**40,000**
	To Premium for Goodwill A/c				**8,400**
	(Being capital and GW contributed by Chanda)				
	Premium for Goodwill A/c	Dr		**8,400**	
	To Aditi's Capital A/c				**6,300**
	To Parul's Capital A/c				**2,100**
	(Being old partners contributed for Chanda's share in GW in SR)				
	Workmen Compensation Reserve	Dr		**60,000**	
	To Workmen Compensation Claim				**20,000**
	To Aditi's Capital A/c				**30,000**
	To Parul's Capital A/c				**10,000**
	(Being liability for WCC credited and surplus WCR tsfd to old partners' capital a/c in OR)				
	Creditors A/c	Dr		**8,000**	
	To Revaluation A/c				**8,000**
	(Being gain on creditors being paid by a partner and not to be reimbursed)				
	Revaluation A/c	Dr		**8,000**	
	To Aditi's Capital A/c				**6,000**
	To Parul's Capital A/c				**2,000**
	(Being profit on revaluation tsfd to old partners' capital accounts in OR)				

Question 6

Ravi and Tiku are partners in a firm. According to their partnership deed: **[12]**

(i) Interest on capital will be allowed @ 5% per annum.

(ii) Interest on drawings will be charged @ 4% per annum.

(iii) Each partner will be given a salary of ₹1,000 per month.

(iv) Partners will share profits and losses in the ratio of 2:1.

Following are the particulars of the capitals and drawings of the partners:

	Ravi ₹	Tiku ₹
Capital (1st April, 2017)	60,000	50,000
Drawings (made on 1st June, 2017)	3,000	6,000

Ravi had taken a loan of ₹ 10,000 from the firm on which interest of ₹ 200 was due by him to the firm.

The accounts for the year 2017-18 showed that the firm had made a profit of ₹ 77,000 *before* taking into account any interest, partners' salaries and manager's salary of ₹ 18,000.

You are required to prepare:

(i) Profit and Loss Appropriation Account for the year 2017-18.

(ii) Partners' Capital Accounts.

Comments of Examiners

Majority of the candidates attempted this question quite well. However, a few common errors made by candidates were:

- Not writing the heading of the account as P/L Appropriation Account *for the year* ending 31st March, 2018/ *for the year* 2017-18.
- Not calculating the correct net profit of the firm – candidates either subtracted interest on loan to the profits of the firm instead of adding it or did not consider the manager's salary as a charge against profit but considered it as an appropriation of profits.
- Taking the average time period to calculate interest on drawings when the actual date of withdrawl was given in the question.
- Not debiting the partners' capital accounts with the drawings made by the partners.
- Not debiting the partner's capital account with interest on loan.

Suggestion for teachers

- Teach the topic 'Fundamentals of Partnership' through adjusting and closing entries.
- Give sufficient practice in preparing the P/L Appropriation Account with the correct date and passing of journal entries
- Explain the treatment of items which are charge against profit and those which are appropriation of profits.

MARKING SCHEME

Question 6

Profit & Loss Appropriation A/c
For the year ended 31st March, 2018 / for the year 2017-18

Particulars		Amount	Particulars		Amount
To IOC			By P/L A/c/NP	77,000	
Ravi's Cap	3,000		Less Manager's Salary	(18,000)	
Tiku's Cap	2,500	5,500	Add Ravi's IOL	200	59,200
To Salary			By IOD		
Ravi's Cap	12,000		Ravi's Cap	100	
Tiku's Cap	12,000	24,000	Tiku's Cap	200	300
To Ravi's Cap (profit)		20,000			
To Tiku's Cap (profit)		10,000			
		59,500			59,500

Partners' Capital Accounts

Particulars	Ravi	Tiku	Particulars	Ravi	Tiku
To Drawings	3,000	6,000	By Bal b/d	60,000	50,000
To IOL	200		By IOC	3,000	2,500
To IOD	100	200	By Salary	12,000	12,000
To Balance c/d	91,700	68,300	By P/L App (pr)	20,000	10,000
	95,000	74,500		95,000	74,500

Question 7

The trainee accountant of Rudra Ltd. drafted the following Balance Sheet. **[12]**
He did not prepare it according to the format prescribed as per Schedule III of the Companies Act, 2013. He also classified a few items incorrectly.

Balance Sheet of Rudra Ltd.
for the year ending 31st March, 2018

Assets	Amount ₹	Liabilities	Amount ₹
General Reserve	1,20,000	Capital 1,30,000 Equity shares @ ₹ 10 each)	13,00,000
Plant & Machinery	6,00,000		
Land & Building	8,00,000	Share Forfeiture	10,000
Profit & Loss (Debit Balance)	1,50,000	Goodwill	1,00,000
Cash & Bank Balances	2,50,000	Trade Receivables	20,000
Unclaimed Dividend	30,000	Trade Payables	50,000
Calls-in-arrears (₹4 per share)	40,000	Inventories	30,000

		Fixed Deposit accepted Calls-in-advance	4,50,000 30,000
	19,90,000		**19,90,000**

Foot note: The company had an authorized capital of 2,00,000 Equity shares of ₹ 10 each.

You are required to prepare, as at 31st March, 2018:

(i) The Balance Sheet of Rudra Ltd. as per Schedule III of the Companies Act, 2013.

(ii) Notes to Accounts.

Comments of Examiners

Majority of the candidates solved this problem quite satisfactorily. A few common errors made by candidates were:

- Writing the incorrect date of the preparation of the balance sheet of the company (Balance Sheet as *on* 31st March, 2018 instead of Balance Sheet as *at* 31st March, 2018).
- Taking Cash and Cash Equivalent as the sub-heading while the *sub-heading* is *Cash and Bank Balance*.
- Adding the debit balance of P/L Account to the General Reserve instead of subtracting it.
- Classifying 'Fixed Deposit accepted' as an asset instead of a non-current liability.
- Not showing Authorised Capital and Issued Capital in the Notes to Accounts.
- Including Call-in-advance in Share Capital.

Suggestions for teachers

- Refer to the scope of the syllabus before teaching the preparation of the Company's Balance Sheet.
- Insist on writing the date of the Balance Sheet on every Balance Sheet prepared .
- Show all kinds of Share Capital in Notes to Accounts even if the information of Authorised or Issued Capital has not been given in the question.

MARKING SCHEME

Question 7

(i)

Balance Sheet of Rudra Ltd.
As at 31st March, 2018

			Note. No.	31.03.2018 ₹	31.03.2017 ₹
	Particulars				
I	**Equity & Liabilities**				
	1	**Shareholders' Funds**			
		(a) Share Capital	1	**12,70,000**	
		(b) Reserves & Surplus	2	(30,000)	
	2	**Non- Current Liabilities**			
		Long-term Borrowings (FD)		**4,50,000**	
	3	**Current Liabilities**			
		(a) Trade Payables		**50,000**	
		(b) Other Current Liabilities	3	60,000	

		Total		18,00,000	
II	**Assets**				
	1	**Non- Current Assets**			
		Fixed Assets			
		(i) Tangible	4	**14,00,000**	
		(ii) Intangible(GW)		**1,00,000**	
	2	**Current Assets**			
		(a) Inventories		**30,000**	
		(b) Trade Receivables		**20,000**	
		(c) Cash & Bank Balances		**2,50,000**	
		Total		18,00,000	

(ii) **Notes to Accounts:**

	Particulars		₹
1	Share Capital		
	Authorized Capital		
	2,00,000 Equity shares of ₹ 10 each		20,00,000
	Issued Capital		
	……… Equity shares of ₹ 10 each		…………
	Subscribed Capital		
	Subscribed & fully paid		
	1,20,000 Equity shares of ₹ 10 each		12,00,000
	Subscribed but not fully paid		
	10,000 Equity shares of ₹ 10 each fully called up	1,00,000	
	Less Calls-in-arrears	**(40,000)**	60,000
	Add Share Forfeiture A/c		**10,000**
			12,70,000
2	Reserves & Surplus		
	General Reserve		**1,20,000**
	Statement of P/L (Dr Balance)		**(1,50,000)**
			(30,000)
3	Other Current Liabilities		
	Unclaimed Dividend		**30,000**
	Calls-in- advance		**30,000**
			60,000
4	Fixed Assets (Tangible)		
	Plant & Machinery		6,00,000
	Land & Building		8,00,000
			14,00,000

Question 8

You are required to pass journal entries to record the following issues of debentures and to write off any capital losses. **[12]**

(a) Zoom Ltd. issues 6,000, 12% Debentures of ₹ 100 each at par redeemable after 5 years also at par.

(b) Zola Ltd. issues 5,000, 13% Debentures of ₹ 100 each at a discount of 10% to be redeemed at par after 7 years.

(c) Zubic Ltd issues 11% Debentures of the total face value of ₹ 12,00,000 at a premium of 5% to be redeemed at par after 6 years.

(d) Ruby Ltd. issues ₹ 5,00,000, 12% Debentures at a premium of 5% to be redeemed at 10% premium after 10 years.

(e) Emerald Ltd. issues 3,000, 9% Debentures of ₹ 100 each at a discount of 7%, to be redeemed at a premium of 10% after 4 years.

Note: *All the companies write off their capital losses in the year in which they occur*.

Comments of Examiners

Majority of the candidates attempted this question quite well. However, a few candidates, despite having being mentioned in the question, did not write off the capital losses. Some candidates wasted a considerable amount of time by passing entries even for redemption of debentures when the question clearly stated that entries for issue of debentures had to be passed.

Suggestions for teachers

- Guide students to solve the question as per its requirement.
- Give adequate practice of questions with varying requirements in order to ensure that the students understand the question and solve as required.

MARKING SCHEME

Question 8

(a) **Journal of Zoom Ltd.**

Dt	Particulars	L.F	Amount	Amount
	Bank A/c Dr		**6,00,000**	
	To Deb App & Allotment			**6,00,000**
	(Being app & allot money received)			
	Deb App & Allotment A/c Dr		**6,00,000**	
	To 12% Debentures A/c			**6,00,000**
	(Being 6,000 debentures issued at par to be redeemed at par)			

(b) **Journal of Zola Ltd.**

Dt	Particulars	L.F	Amount	Amount
	Bank A/c Dr		**4,50,000**	
	To Deb App & Allotment			**4,50,000**
	(Being app & allot money received)			

	Deb App & Allotment A/c Dr	**4,50,000**	
	Discount on issue of Deb A/c Dr	**50,000**	
	To 13% Debentures A/c		**5,00,000**
	(Being 5,000 debentures issued at discount to be redeemed at par)		
	Statement of P/L Dr	**50,000**	
	To Discount on issue of Deb		**50,000**
	(Being d/s on deb written off)		

(c)

Journal of Zubic Ltd.

Dt	Particulars	L.F	Amount	Amount
	Bank A/c Dr		**12,60,000**	
	To Deb App & Allot			**12,60,000**
	(Being app & allot money received)			
	Deb App & Allotment Dr		**12,60,000**	
	To 11% Debentures			**12,00,000**
	To Securities Pre/ SPR			**60,000**
	(Being 12,000 debentures issued at premium to be redeemed at par)			

(d)

Journal of Ruby Ltd.

Dt	Particulars	L.F	Amount	Amount
	Bank A/c Dr		**5,25,000**	
	To Deb App & Allotment			**5,25,000**
	(Being app & allot money received)			
	Deb App & Allotment A/c Dr		**5,25,000**	
	Loss on issue of Deb A/c		**50,000**	
	To 12% Debentures A/c			**5,00,000**
	To Securities Premium/ SPR			**25,000**
	To Premium on red of deb			**50,000**
	(Being 5,000 debentures issued at d/s to be redeemed at premium)			
	Securities Premium Reserve Dr		**25,000**	
	Statement of P/L Dr		**25,000**	
	To Loss on issue of Deb			**50,000**
	(Being loss on issue of deb written off)			

(e)

Journal of Emerald Ltd.

Dt	Particulars	L.F	Amount	Amount
	Bank A/c Dr		**2,79,000**	
	To Deb App & Allotment			**2,79,000**
	(Being app & allot money received)			
	Deb App & Allotment A/c Dr		**2,79,000**	
	Loss on issue of Deb A/c		**51,000**	
	To 9% Debentures A/c			**3,00,000**
	To Premium on red of deb			**30,000**

		(Being 3,000 debentures issued at d/s to be redeemed at premium)		
		Statement of P/L Dr	**51,000**	
		To Loss on issue of Deb		**51,000**
		(Being loss on issue of deb written off)		

SECTION B (20 Marks)

Answer any two questions.

Question 9

(A) Mention *any two* commonly used tools for comparison of financial statements. **[2]**

(B) While preparing a Cash Flow Statement, identify the following transactions as belonging to *Operating Activities, Investing Activities, Financing Activities, Cash and Cash Equivalents*: **[2]**

(i) Bank overdraft repaid.

(ii) Purchase of Marketable Securities to be sold within 90 days.

(C) **From the following data, prepare a Common Size Balance Sheet of Palms Ltd. as at 31st March, 2018**: **[6]**

(*All calculations up to two decimal places*)

Particulars	**31.03.2018** ₹
Share Capital	24,00,000
Trade Payables	2,40,000
Fixed Assets (Tangible)	20,00,000
Fixed Assets (Intangible)	2,00,000
Reserves and Surplus	3,60,000
Cash and Bank Balances	8,00,000
Short-term Loans and Advances	2,00,000
Short-term Borrowings	40,000
Long-term Borrowings	1,60,000

Comments of Examiners

(A) Almost all candidates wrote the correct answer.

(B) (i) Many candidates wrote the answer as 'Cash and Cash Equivalent' whereas changes in any borrowing, whether long term or short term is a 'financing activity'.

(ii) Majority of the candidates classified purchase of marketable securities as an 'investing activity' and not as 'Cash and Cash Equivalent', despite being very clear in the question that these were to be sold within 90 days.

(C) Several candidates were able to solve this question correctly. However, those candidates who classified short-term loans and advances as a current liability lost substantial marks as they got an incorrect Balance Sheet total which resulted in incorrect percentages. Some candidates did not make a proper balance sheet with headings and sub-headings. A few candidates totaled all the current assets and current liabilities and calculated a percentage each for both instead of calculating the percentage separately for each asset and liability. Candidates also lost marks for writing Cash and Cash Equivalent as the sub-heading while the *sub-heading* is *Cash and Bank Balance. Marks were also lost for w*riting the incorrect date of the preparation of the Balance Sheet of the company which was written as Balance Sheet as *on* 31st March, 2018 instead of Balance Sheet as *at* 31st March, 2018'.

Suggestions for teachers

- Teach the classification of items under various activities with reasons and through journal entries.
- Explain the requirements to be fulfilled for an item to be classified as Cash and Cash Equivalent.
- Give adequate practice in preparing Comparative/ Common size Balance Sheet and P/L Account.
- Lay stress on the correct format, calculation of percentages up to two decimal places and the date of the preparation of the financial statement.

MARKING SCHEME

Question 9

(A)
- Comparative Financial Statements
- Common Size Financial Statements
- Ratio Analysis
- Cash Flow Statement
- Trend Percentage Analysis
- Value Added Statement

(any two)

(B)
(i) Financing
(ii) Cash & Cash Equivalent

(C)

Common Size Balance Sheet of Palms Ltd.
As at 31st March, 2018

		Particulars	Note. No.	31.03.2018 ₹	% to Balance Sheet Total
I	**Equity & Liabilities**				
	1	**Shareholders' Funds**			
		(a)Share Capital		24,00,000	**75**
		(b)Reserves & Surplus		3,60,000	**11·25**
	2	**Non- Current Liabilities**			

		Long-term Borrowings		1,60,000	**5**
	3	**Current Liabilities**			
		(a) Short-term borrowings		40,000	**1·25**
		(b)Trade Payables		2,40,000	**7·5**
		Total		32,00,000	**100**
II	**Assets**				
	1	**Non- Current Assets**			
		Fixed Assets			
		(i) Tangible		20,00,000	**62·5**
		(ii) Intangible		2,00,000	**6.25**
	2	**Current Assets**			
		(a) Cash & Bank Balances		8,00,000	**25**
		(b) Short-term loans and advances		2,00,000	**6.25**
		Total		32,00,000	**100**

Question 10

(A) **Calculate the Gross Profit Ratio from the following information:** **[2]**

Particulars	
Opening Inventory	₹ 80,000
Closing Inventory	₹ 1,00,000
Revenue from Operations	₹ 9,00,000
Inventory Turnover Ratio	8 times

(B) **From the following Statement of Profit and Loss of Gama Ltd. for the year 2017-18, calculate (up-to two decimal places):** **[8]**

(i) **Net Profit Ratio**

(ii) **Operating Profit Ratio**

(iii) **Current Ratio**

(iv) **Quick Ratio**

Statement of Profit and Loss of Gama Ltd. For the year ending 31st March, 2018		
Particulars	**Note No.**	**₹**
Revenue from operations		3,00,000
Other income (Dividend received)		40,000
Total Revenue		3,40,000
Expenses:		

Purchases		1,80,000
Change in Inventories	1	(4,000)
Employee Benefit Expenses (Salaries)		10,000
Depreciation and Amortization (Depreciation of Fixed Assets)		28,000
Other Expenses	2	6,000
Total Expenses		2,20,000
Profit before tax		1,20,000
Less Provision for Tax		(48,000)
Profit after Tax		72,000

Notes to Accounts:

	Particulars	**₹**
1.	Change in Inventories	
	Opening Inventory	8,000
	Closing Inventory	12,000
		(4,000)
2.	Other Expenses:	
	Carriage Outward	4,000
	Rent	2,000
		6,000

Additional Information:

Total Current Liabilities as on 31st March, 2018 ₹ 50,000

Current Assets (other than inventory) as on 31st March, 2018 ₹ 70,000

Comments of Examiners

(A) Majority of the candidates were able to calculate the correct 'Gross Profit Ratio'. Some candidates wrote 'Net Sales' instead of 'Revenue from Operations' as the denominator while a few did not put the symbol of '%' in the answer.

(B) (i) Majority of the candidates were able to calculate the correct 'Net Profit Ratio'. However, a few candidates calculated the 'Net Profit before Tax Ratio' which was not asked for.

(ii) Most of the candidates were unable to calculate the correct 'Operating Profit Ratio' as they were unable to calculate the operating profit.

(iii) A large number of candidates were able to calculate the correct 'Current Ratio'. However, a few candidates, in order to get the total current assets, added the opening inventory or the average inventory to the other current assets given in the question. Some candidates, instead of adding the closing inventory to the amount of other current assets given in the question, subtracted it.

(iv) Majority of the candidates were unable to calculate the correct 'Quick Ratio'. Several candidates subtracted the closing inventory from the other current assets given in the question, not realizing that those were the quick assets. A few candidates, instead of writing Current Liabilities as the denominator in the formula, wrote Quick Liabilities.

Suggestion for teachers

- Teach the formulae of the ratios as per the scope of the syllabus.
- Insist on the answers with the correct units.
- Ensure that the students are thorough with the classification of operating and non-operating expenses and incomes.
- Tell students that the Balance Sheet of a company contains the amount of assets and liabilities as at the date of its preparation. Hence, accordingly, it is the closing inventory which is shown in the Balance Sheet as an asset and not the opening inventory / average inventory.

MARKING SCHEME

Question 10

(A)	**Gross Profit Ratio** = $\frac{Gross\ Profit}{Revenue\ from\ Operations} \times 100$ Inventory Turnover Ratio = $\frac{Cost\ of\ Revenue\ from\ Operations}{Averge\ Inventory}$ $8 = \frac{Cost\ of\ Revenue\ from\ Operations}{90000}$ Cost of revenue from operations = ₹ 7,20,000 Gross Profit = 9,00,000 – 7,20,000 = ₹ 1,80,000 Gross Profit Ratio = $\frac{1,80,000}{9,00,000} \times 100$ = **20%**

(B)	**Net Profit Ratio** = $\frac{Net\ Profit}{Revenue\ from\ Operations}\times 100$ $= \frac{72{,}000}{3{,}00{,}000}\times 100$ = 24% **Operating Profit Ratio** = $\frac{Net\ Profit + Non\ Operating\ expenses - Non\ op.\ gains}{Revenue\ from\ Operations}\times \mathbf{100}$ $= \frac{72000+48{,}000-40000}{3{,}00{,}000}\times 100$ $= \frac{80{,}000}{3{,}00{,}000}\times 100$ = **26.67 %/ 26.66 %/26.666%** **Or** $\frac{Gross\ Profit - operating\ expenses}{Revenue\ from\ Operations}\times \mathbf{100}$ **Or** $\frac{Gross\ Profit - operating\ expenses + Operating\ Income}{Revenue\ from\ Operations}\times \mathbf{100}$ $\frac{124000-44000}{3{,}00{,}000}\times 100$ $= \frac{80{,}000}{3{,}00{,}000}\times \mathbf{100}$ = **26.67 %/ 26.66 %/26.666%** **Current Ratio** $= \frac{Current\ Assets}{Current\ Liabilities}$ Current Assets= Closing inventory + Other Current Assets = 12,000 + 70,000 = 82,000 $= \frac{82{,}000}{50{,}000}$ **= 1·64 :1** **Quick Ratio** $= \frac{Quick\ Assets}{Current\ Liabilities}$ $= \frac{70{,}000}{50{,}000}$ **= 1·4 :1**

Question 11

(A) Mention whether the following would result in *inflow, outflow* or *no flow* of cash: **[2]**

(i) Issue of fully paid Bonus Shares

(ii) Cash withdrawn from Bank

(B) **From the following information and extracts of Balance Sheets of Pioneer Ltd. as at 31st March, 2017 and 31st March 2018, calculate for the year 2017 - 18:** **[8]**

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

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

Particulars	**31.03.2018 ₹**	**31.03.2017 ₹**
General Reserve	40,000	30,000
Balance in Statement of Profit and Loss	2,40,000	1,40,000
Provision for Tax	1,20,000	90,000
Trade Payables	32,000	44,000
Plant and Machinery (at cost)	2,90,000	2,45,000
Accumulated depreciation on Plant and Machinery	30,000	40,000
Patents	50,000	1,50,000
10% Debentures	1,20,000	10,000
Goodwill	15,000	12,000

Note: Proposed dividends for the years 2016-17 and 2017-18 were ₹ 40,000 and ₹ 50,000 respectively.

Additional Information:

During the year 2017-18:

(a) The company provided depreciation on Plant and Machinery amounting to ₹ 24,000.

(b) A machine had been condemned and scrapped.

(c) Interest of ₹ 12,000 paid on Debentures.

(d) Tax paid ₹ 50,000.

(e) Patents worth ₹ 30,000 were written off while some patents were sold for ₹ 75,000 at a profit of ₹ 5,000. No new patents were purchased.

(f) Dividend proposed in 2016-17 was approved by the shareholders and paid by the company.

Comments of Examiners

(A) (i) Candidates wrote the answer as inflow instead of no flow, not realizing that a company can issue Bonus shares only from its capital profits - a concept done under uses of Securities Premium Reserve.

(ii) A number of candidates wrote the answer as inflow instead of no flow, not realizing that the transaction merely involved a movement of two, Cash and Cash Equivalents.

(B) (i) Majority of the candidates were able to calculate the Cash from Operating Activities.

A few common errors made by candidates were:

- Not following the provisions of AS-4 which states that the dividend proposed in the previous year is the dividend declared in the current year. Some candidates considered the current year's proposed dividend as dividend declared in the current year.
- Adding the accumulated depreciation on the asset scrapped to the depreciation provided during the year and hence getting an incorrect figure for depreciation provided during the year when it was already given in the question.
- Considering the increase in Goodwill as it being amortised instead of being purchased.

(ii) Majority of the candidates were able to calculate the Cash from Investing Activities.

A few common errors made by candidates were:

- Subtracting the profit made on the already given sale price of the patents and hence getting an incorrect amount of the sale of patents.
- Not considering increase in the value of goodwill as its purchase.
- Not crediting the Plant and Machinery Account with the accumulated depreciation on the asset scrapped and thereby getting an incorrect amount of the purchase of the asset.

Suggestions for teachers

- Explain the items to be taken under various activities with reasons and through journal entries.
- Teach the treatment of Proposed Dividend as per AS-4.
- Give adequate practice on preparing assets account at gross value along with accumulated depreciation account and asset account at net value.

MARKING SCHEME

Question 11

(A) (i) No Flow
(ii) No Flow

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

Working Notes: **Plant & Machinery A/c**

Particulars	**Amount**	**Particulars**	**Amount**
To Balance b/d	2,45,000	By Accumulated Dep	34,000
To Cash A/c	79,000	By Balance c/d	2,90,000
	3,24,000		3,24,000

Accumulated Depreciation A/c

Particulars	**Amount**	**Particulars**	**Amount**
To Plant & Machinery	34,000	By Balance b/d	40,000
To Balance c/d	30,000	By Depreciation	24,000
	64,000		64,000

Provision for Tax A/c

Particulars	**Amount**	**Particulars**	**Amount**
To Cash	50,000	By Balance b/d	90,000
To Balance c/d	1,20,000	By Statement of P/L	80,000
	1,70,000		1,70,000

Calculation of Net Profit before Tax: ₹

Net Profit for the year	1,00,000
Add General Reserve	10,000
Add Declared Dividend of 2016-17	40,000
Add Provision for Tax	80,000
Net Profit before Tax	2,30,000

Cash from Operating Activities

Particulars	₹
Net Profit before Tax (WN)	2,30,000
Add non- operating / non- cash expenses	
Interest on Debentures	**12,000**
Depreciation on P/M	**24,000**
Amortization of Patents	**30,000**
	2,96,000
Less non- operating / non- cash gains	
Profit on sale of Patents	**(5,000)**
Net operating profit before working capital changes	2,91,000
Less Trade Payables	**(12,000)**
Cash from Operating Activities before Tax paid	2,79,000

Less Tax paid	**(50,000)**
Cash from Operating Activities	2,29,000

(ii)

Cash from Investing Activities

Particulars	₹
Purchase of Plant & Machinery	**(79,000)**
Purchase of Goodwill	**(3,000)**
Sale of Patents	**75,000**
Cash used in Investing Activities	(7,000)

SECTION C (20 Marks)

Answer any two questions.

Question 12

The spreadsheet below shows the payroll structure of Pluto Ltd.:

	A	B	C	D	E	F	G	H	I	J	K
1	EMPL-OYEE CODE	BASIC	DA 35% OF BASIC	HRA 10% OF BASIC	MED. FIXED	SPL ALLOW	GROSS	PF 10% OF BASIC & DA	PROF. TAX FIXED	I TAX	NET PAY
2	EMP001	11000	3850	1100	300	1200	17450	1485	150	0	15815
3	EMP002	10400	3640	1040	300	1200	16580	1404	150	0	?
4	EMP003	17800	6230	1780	300	1200	27310	2403	150	?	22026
5	EMP004	11350	3973	1135	300	1200	17958	?	150	0	16275
6	EMP005	?	6300	1800	300	1200	27600	2430	150	2760	22260

Based on the information given in the spreadsheet, write the formula for calculating each of the following:

(a) Net Pay of EMP002. **[2]**

(b) Provident Fund (PF) amount of EMP004. **[2]**

(c) Income Tax (I TAX) of EMP003. **[2]**

(d) The total gross salary of all the employees. **[2]**

(e) The basic salary of EMP005. **[2]**

Comments of Examiners

Very few candidates attempted this question.

Suggestion for teachers

Give more practice to students in attempting questions based on application of spreadsheets .

MARKING SCHEME **Question 12**	
(a)	=G3-[H3+I3+J3] OR =G3-SUM[H3:J3] OR =G3-H3-I3-J3 OR =G3-(H3+I3) OR =G3-SUM[H3:I3] = G3-H3-I3
(b)	=10%*(B5+C5) OR = 0·1*(B5+C5) OR =0·1*B5+0·1*C5 OR $=\frac{10}{100}$*(B5+C5)
(c)	=G4-(H4+I4+K4) OR =G4-SUM(H4:I4)-K4 OR =G4-H4-I4-K4
(d)	=SUM[G2+G3+G4+G5+G6] OR = SUM[G2:G6]
(e)	=G6-(C6+D6+E6+F6)

	OR G6-SUM(C6:F6)

Question 13

(a) List *any two* types of entries that are allowed in a worksheet. **[2]**

(b) You enter 40 – 10 in a cell. The worksheet does not display the difference 30 in the cell, instead it shows 40 – 10. What is the reason for this? **[2]**

(c) Give the full form of DBMS. **[2]**

(d) Explain the term 'Charts' in MS Excel. **[2]**

(e) Write a shortcut key for each of the following: **[2]**

(i) To minimize the worksheet

(ii) To redo an action.

Comments of Examiners

This question was not attempted by many candidates.

Suggestions for teachers

Insist on the use of Computer Language when dealing with questions related to spreadsheet.

MARKING SCHEME

Question 13

(a)	• Label – the text entry • Value– the numbers • Formulas *(any two)*
(b)	Because, in MS excel, the formula starts with equal to sign (=), otherwise the entry will be treated as text.
(c)	Full form of D B M S: Data Base Management System.
(d)	A chart is a medium to present the data in graphical visualization and is the most important insight of the data.
(e)	(i) Ctrl + F9 (ii) Ctrl + Y

Question 14

(a)	(i)	What is the option used to adjust the text within a cell?	**[2]**
	(ii)	Give the procedure to use this option.	
(b)		What is a *unique key?*	**[2]**
(c)		State *any two* types of database structures.	**[2]**
(d)		What is meant by a *cell* in a spreadsheet?	**[2]**
(e)		State the steps involved in merging two cells in a spreadsheet.	**[2]**

Comments of Examiners

Very few candidates attempted this question.

Suggestions for teachers

Give more practice to students in attempting questions based on application of spreadsheets .

MARKING SCHEME

Question 14

(a)	(i) Wrap Text option (ii) Home tab > Alignment > Wrap Text.
(b)	Unique key is the same as the primary key and uniquely identifies each row in a table, with difference being the existence of NULL. OR Unique key field allows only one value as NULL value.
(c)	• Hierarchical database structure • Network database structure • Retention database structure (*any two*)
(d)	In a spreadsheet, a cell is defined as space where a specified row and column intersect.
(e)	1. Select the two cells by moving the cursor over both the cells being merged. 2. Click format option from the menu. 3. Select cells under the format drop down menu. 4. Select the option alignment. 5. Click merge cells. OR 1. Select the two cells by moving the curser over both the cells being merged. 2. Select → Format → Cells → Alignment → Merge cells.

GENERAL COMMENTS

Topics found difficult by candidates

- Items on the credit side of a partner's fixed capital account.
- Adjusting, payment, closing journal entries for interest on debentures, interest on calls-in-arrears.
- Purchase of own debentures in the open market as a method used by a company to redeem its debentures.
- Liability discharged privately by a partner of the firm for which he is to be reimbursed / not to be reimbursed.
- Calculation of Hidden Goodwill at the time of admission of a partner.
- Preparation of Cash Book by a company upon issue of shares.
- Treatment of items as operating, investing, financing and cash and cash equivalents in a cash flow statement.
- Formulae of ratios.

Concepts in which candidates got confused

- Items on the credit side of a partner's fixed capital account.
- Journal entry for interest due on debentures.
- Liability discharged privately by a partner of the firm for which he is to be reimbursed / not to be reimbursed.
- Treatment of items as operating, investing, financing and cash and cash equivalents in a cash flow statement.

Suggestions for candidates

- Understand the concept before attempting any question.
- Do not resort to selective study. The entire syllabus must be done in totality.
- Do not neglect Class XI syllabus.
- The scope of the syllabus should be strictly adhered to.
- Do not write short forms in the ratios formulae.
- Always practise sums with proper formats drawn and correct dates / years.
- All journal entries must be accompanied with narrations.
- Practice solving past years' question papers.
- Practice sums with proper formats drawn and correct dates of the Balance Sheet, P/L Appropriation Account and Cash Flow Statement.