Roll No. ☐☐☐☐☐☐☐☐

Q.P. Code 67/2/1

ACCOUNTANCY (TERM II)

CBSE Class XII Board Examination 2022 (Term 2) — with answers

Time allowed: 2 hours **Maximum Marks: 40**

General Instructions:

1. The paper has 12 questions in two parts, Part A and Part B. All questions are compulsory.
2. Part A (Q1–9) is compulsory for everyone.
3. Part B (Q10–12) has two options: Option 1 – Analysis of Financial Statements, Option 2 – Computerised Accounting. Attempt only one option.
4. Q1–3 and Q10 carry 2 marks each; Q4–6 and Q11 carry 3 marks each; Q7–9 and Q12 carry 5 marks each.
5. There is no overall choice, but internal choices are given in three 3-mark questions and one 5-mark question.

PART A

Accounting for Not-for-Profit Organisations, Partnership Firms and Companies (Q1–9).

1. Differentiate between a Receipts and Payments Account and an Income and Expenditure Account on these two bases: **2**

(a) Nature of items recorded

(b) Opening balance

ANSWER

(a) R&P A/c records receipts and payments of both capital and revenue nature; I&E A/c records only revenue incomes and expenses. (b) R&P A/c starts with the opening cash/bank balance (or overdraft); I&E A/c has no opening balance.

Marking scheme value points (1 mark each basis):
(a) Nature of items: a Receipts and Payments Account shows every actual cash receipt and payment, whether capital or revenue; an Income and Expenditure Account shows only items of revenue nature relating to the year.
(b) Opening balance: a Receipts and Payments Account begins with the opening balance of cash in hand / cash at bank (or bank overdraft); an Income and Expenditure Account has no opening balance.

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2. On the dissolution of a partnership firm, a creditor of ₹40,000 who had not been recorded in the books was paid off by a partner, Amar. The creditor allowed him a discount of 10%. Pass the journal entry required in the firm's books. **2**

ANSWER

Realisation A/c Dr. ₹36,000; To Amar's Capital A/c ₹36,000

Step 1 – Amount actually paid = ₹40,000 − 10% of ₹40,000 = ₹40,000 − ₹4,000 = ₹36,000.
Step 2 – An unrecorded liability was never in the books, so it is not transferred to Realisation A/c; only its payment is recorded, and the payment is a realisation expense/loss.
Step 3 – The partner paid from his own pocket, so the firm owes him that amount: credit his Capital A/c.

Realisation A/c ... Dr. ₹36,000
To Amar's Capital A/c ₹36,000
(Being unrecorded creditor of ₹40,000 paid by Amar at 10% discount)

Common mistake: crediting Bank A/c (firm's money was not used) or recording ₹40,000 instead of the amount actually paid.

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3. Suman, Shubham and Siya share profits and losses in the ratio 5 : 3 : 2. Shubham retires and the other two continue the business. Suman and Siya gain Shubham's share in the ratio 3 : 2. Find the new profit-sharing ratio of Suman and Siya. **2**

ANSWER

Suman : Siya = 17 : 8

Shubham's share = $\frac{3}{10}$.

Suman's gain = $\frac{3}{10} \times \frac{3}{5} = \frac{9}{50}$; Siya's gain = $\frac{3}{10} \times \frac{2}{5} = \frac{6}{50}$.

New share = Old share + Gain:

Suman = $\frac{5}{10} + \frac{9}{50} = \frac{25}{50} + \frac{9}{50} = \frac{34}{50}$

Siya = $\frac{2}{10} + \frac{6}{50} = \frac{10}{50} + \frac{6}{50} = \frac{16}{50}$

New ratio = 34 : 16 = 17 : 8.

Check: 34 + 16 = 50, i.e. the whole profit is distributed.

4. From the information below about Kapoor Sports Club, find the amount of sports material to be debited to the Income and Expenditure Account for the year ended 31st March, 2021: **3**

Stock of sports material on 1st April, 2020: ₹40,000

Creditors for sports material on 1st April, 2020: ₹8,000

Stock of sports material on 31st March, 2021: ₹20,000

Paid for sports material during 2020-21: ₹90,000

Creditors for sports material on 31st March, 2021: ₹10,000

ANSWER

Sports material consumed = ₹1,12,000

Purchases of sports material = Amount paid − Opening creditors + Closing creditors = 90,000 − 8,000 + 10,000 = ₹92,000.

Sports material consumed = Opening stock + Purchases − Closing stock = 40,000 + 92,000 − 20,000 = ₹1,12,000.

This ₹1,12,000 is shown on the Expenditure side of the Income and Expenditure Account.

OR

Show how the following items appear in the Balance Sheet of Royal Sports Club as at 31st March, 2021:

Match Fund: ₹70,000

Donation received for Match Fund: ₹20,000

Sale of match tickets: ₹10,000

Match expenses: ₹10,000

ANSWER

Liabilities side: Match Fund 70,000 + 20,000 + 10,000 − 10,000 = ₹90,000

All four items relate to the specific (earmarked) Match Fund, so they are adjusted in the fund itself and not taken to the Income and Expenditure Account.

Match Fund ₹70,000

Add: Donation for Match Fund ₹20,000

Add: Sale of match tickets ₹10,000

Less: Match expenses (₹10,000)

Balance shown on the Liabilities side of the Balance Sheet = ₹90,000.

5. Ramesh, Rajesh and Raman share profits in the ratio 2 : 2 : 1. Ramesh died on 30th June, 2021. For the year ended 31st March, 2021 the sales were ₹12,00,000 and the profit was ₹1,20,000. Sales from 1st April, 2021 to 30th June, 2021 were ₹4,00,000. Books are closed on 31st March every year. Calculate Ramesh's share of profit up to the date of his death (on the basis of sales) and pass the journal entry for it. **3**

ANSWER

Ramesh's share = ₹16,000; P&L Suspense A/c Dr. ₹16,000 To Ramesh's Capital A/c ₹16,000

Step 1 – Rate of profit on sales last year = $\frac{1,20,000}{12,00,000} \times 100 = 10\%$.

Step 2 – Estimated profit for 1 April – 30 June 2021 = 10% of ₹4,00,000 = ₹40,000.

Step 3 – Ramesh's share = $40,000 \times \frac{2}{5} = ₹16,000$.

Journal entry (30 June 2021):

Profit and Loss Suspense A/c ... Dr. ₹16,000

To Ramesh's Capital A/c ₹16,000

(Being Ramesh's share of profit till date of death credited to his capital)

Note: the books are not closed on the date of death, so the share is debited to P&L Suspense A/c, not to P&L Appropriation A/c.

6. Khandelwal Ltd. acquired assets of ₹25,00,000 and took over liabilities of ₹7,80,000 of Sharma Ltd. for a purchase consideration of ₹27,00,000. Sharma Ltd. was paid by issuing 10% Debentures of ₹100 each at a 10% discount. Pass the journal entries in the books of Khandelwal Ltd. **3**

ANSWER

Goodwill ₹9,80,000; 30,000 debentures issued (₹30,00,000) with discount ₹3,00,000

Step 1 – Net assets = 25,00,000 − 7,80,000 = ₹17,20,000. Purchase consideration ₹27,00,000 is more, so Goodwill = 27,00,000 − 17,20,000 = ₹9,80,000.
Step 2 – Issue price = ₹100 − 10% = ₹90. Number of debentures = $\frac{27,00,000}{90} = 30,000$; nominal value ₹30,00,000; discount = 30,000 × ₹10 = ₹3,00,000.

Particulars	Dr (₹)	Cr (₹)
Sundry Assets A/c Dr.	25,00,000	
Goodwill A/c Dr.	9,80,000	
To Sundry Liabilities A/c		7,80,000
To Sharma Ltd.		27,00,000
Sharma Ltd. Dr.	27,00,000	
Discount on Issue of Debentures A/c Dr.	3,00,000	
To 10% Debentures A/c		30,00,000

Common mistake: dividing the consideration by ₹100 instead of the issue price ₹90.

OR

What is meant by issuing debentures as collateral security? Explain with an example.

ANSWER

Debentures given to a lender as an additional (secondary) security besides the main security for a loan; realised only if the main security falls short.

Meaning:

• Collateral security is a subsidiary or additional security given along with the primary security when a company takes a loan from a bank or financial institution.

• A company may issue its own debentures to the lender for this purpose; this is called issue of debentures as collateral security.

• The lender can use (realise) these debentures only if the loan cannot be recovered fully from the primary security. If the loan is repaid, the debentures are returned and cancelled.

• No interest is paid on such debentures (interest is paid only on the loan).

Example: A company takes a loan of ₹50 lakh from a bank and, in addition to mortgaging its machinery, issues 9% debentures of ₹60 lakh (₹100 each) to the bank as collateral security. (They may be shown in the Balance Sheet below the loan by way of a note, or recorded with Debenture Suspense A/c Dr. To Debentures A/c.)

7. A and B share profits equally and decide to dissolve their firm on 31st March, 2021. Their Balance Sheet on that date was: **5**

Liabilities	₹	Assets	₹
Creditors	3,00,000	Bank	3,00,000
A's Loan	60,000	Stock	2,40,000
Mrs. A's Loan	70,000	Furniture	2,00,000
Capital: A	2,30,000	Plant and Machinery	1,00,000
Capital: B	2,30,000	Profit and Loss A/c	50,000
Total	8,90,000	Total	8,90,000

(i) Creditors were paid 20% less.

(ii) A took the furniture for ₹1,80,000; plant and machinery was sold for ₹80,000.

(iii) B took the stock for ₹1,80,000.

(iv) A undertook to pay Mrs. A's loan.

(v) Realisation expenses of ₹20,000 were paid by B.

Prepare the Realisation Account.

ANSWER

Loss on realisation ₹60,000 (A ₹30,000, B ₹30,000); totals ₹8,70,000

Points to note: Bank (cash) and the debit balance of P&L A/c are not transferred to Realisation A/c; A's Loan is a partner's loan, settled separately. Creditors paid = 3,00,000 × 80% = ₹2,40,000.

Dr. Particulars	₹	Cr. Particulars	₹
To Stock	2,40,000	By Creditors	3,00,000
To Furniture	2,00,000	By Mrs. A's Loan	70,000
To Plant and Machinery	1,00,000	By A's Capital (furniture)	1,80,000
To Bank (creditors paid)	2,40,000	By Bank (plant sold)	80,000
To A's Capital (Mrs. A's loan)	70,000	By B's Capital (stock)	1,80,000
To B's Capital (expenses)	20,000	By Loss: A 30,000; B 30,000	60,000
Total	8,70,000	Total	8,70,000

Check: Dr side 5,40,000 + 2,40,000 + 70,000 + 20,000 = 8,70,000; Cr side before loss 8,10,000, so loss = 60,000, shared equally.

OR

Vidit, Vinay and Siya are partners. Their Balance Sheet on 31st March, 2021:

Liabilities	₹	Assets
Creditors	72,000	Cash
Bank Loan	18,000	Stock
General Reserve	18,000	Debtors
Capitals: Vidit 48,000; Vinay 16,000; Siya 32,000	96,000	Building
		Plant and Machinery
Total	2,04,000	Total

Vinay retired on this date on these terms: (i) stock reduced by ₹10,000; (ii) plant and machinery valued at ₹80,000; (iii) ₹4,500 of creditors will not be claimed; (iv) debtors valued at ₹30,000; (v) the amount due to Vinay is transferred to his Loan Account.
Prepare the Revaluation Account and Vinay's Capital Account.

ANSWER

Revaluation gain ₹4,500 (₹1,500 each); ₹23,500 transferred to Vinay's Loan A/c

No ratio is given, so profits are shared equally.
Revaluation A/c: losses – Stock ₹10,000, Debtors (34,000 − 30,000) ₹4,000 = ₹14,000. Gains – Plant and Machinery (80,000 − 66,000) ₹14,000, Creditors not to be claimed ₹4,500 = ₹18,500. Gain = ₹4,500 → ₹1,500 to each partner.

Dr.	₹	Cr.	₹
To Stock	10,000	By Plant and Machinery	14,000
To Debtors	4,000	By Creditors	4,500
To Gain: Vidit, Vinay, Siya (1,500 each)	4,500		
Total	18,500	Total	18,500

Vinay's Capital A/c: Cr – Balance b/d ₹16,000 + Revaluation gain ₹1,500 + General Reserve (18,000 ÷ 3) ₹6,000 = ₹23,500. Dr – To Vinay's Loan A/c ₹23,500.

To Vinay's Loan A/c	23,500	By Balance b/d	16,000
		By Revaluation A/c	1,500
		By General Reserve	6,000
	23,500		23,500

8. Pankaj Ltd. issued debentures as follows. Pass the journal entries for each case: **5**

(a) 7,500, 10% Debentures of ₹100 each at a total discount of ₹10,000, redeemable at 5% premium.

(b) 5,000, 10% Debentures of ₹100 each at 10% premium, redeemable at 10% premium.

(c) 1,000, 9% Debentures of ₹100 each at par, redeemable at par.

(d) ₹2,00,000, 9% Debentures of ₹100 each at 10% discount, redeemable at par.

(e) 5,000, 9% Debentures of ₹100 each at 20% premium, redeemable at par.

ANSWER

(a) Cash ₹7,40,000, Loss ₹47,500; (b) Cash ₹5,50,000, SPR ₹50,000, Loss ₹50,000; (c) ₹1,00,000; (d) Cash ₹1,80,000, Discount ₹20,000; (e) Cash ₹6,00,000, SPR ₹1,00,000

Each case has two entries: (1) Bank A/c Dr. To Debenture Application and Allotment A/c (cash received); (2) transfer of the application money to Debentures A/c.

(a) Face value 7,50,000; cash = 7,50,000 − 10,000 = 7,40,000; premium on redemption 5% = 37,500.

Bank A/c Dr. 7,40,000 To Deb. Appl. and Allot. A/c 7,40,000

Deb. Appl. and Allot. A/c Dr. 7,40,000; Loss on Issue of Debentures A/c Dr. 47,500 (10,000 + 37,500) To 10% Debentures A/c 7,50,000; To Premium on Redemption of Debentures A/c 37,500

(b) Cash = 5,000 × 110 = 5,50,000.

Bank A/c Dr. 5,50,000 To Deb. Appl. and Allot. A/c 5,50,000

Deb. Appl. and Allot. A/c Dr. 5,50,000; Loss on Issue of Debentures A/c Dr. 50,000

To 10% Debentures A/c 5,00,000; To Securities Premium A/c 50,000; To Premium on Redemption of Debentures A/c 50,000

(c) Bank A/c Dr. 1,00,000 To Deb. Appl. and Allot. A/c 1,00,000

Deb. Appl. and Allot. A/c Dr. 1,00,000 To 9% Debentures A/c 1,00,000

(d) Number = 2,00,000 ÷ 100 = 2,000; cash = 2,000 × 90 = 1,80,000.

Bank A/c Dr. 1,80,000 To Deb. Appl. and Allot. A/c 1,80,000

Deb. Appl. and Allot. A/c Dr. 1,80,000; Discount on Issue of Debentures A/c Dr. 20,000 To 9% Debentures A/c 2,00,000

(e) Cash = 5,000 × 120 = 6,00,000.

Bank A/c Dr. 6,00,000 To Deb. Appl. and Allot. A/c 6,00,000

Deb. Appl. and Allot. A/c Dr. 6,00,000 To 9% Debentures A/c 5,00,000; To Securities Premium A/c 1,00,000

Remember: premium payable on redemption is a liability recorded at issue and its amount is debited to Loss on Issue of Debentures A/c.

9. Using the Receipts and Payments Account of Ziya Educational Society given below, prepare its Income and Expenditure Account for the year ended 31st March, 2021. **5**

Receipts	₹	Payments	₹
Balance b/d	25,500	Honorarium	2,000
Subscriptions	34,000	Computer	10,000
Sale of old newspapers	700	Repairs	1,000
Interest on Investments	2,800	Salaries	13,000
		Sundry Expenses	1,000
		Balance c/d	36,000
	63,000		63,000

Additional information:

(i) Subscriptions outstanding were ₹900 on 1st April, 2020 and ₹1,900 on 31st March, 2021.

(ii) Salaries outstanding on 31st March, 2021 were ₹2,000.

ANSWER

Surplus (excess of income over expenditure) = ₹19,500; totals ₹38,500

Subscriptions for the year = 34,000 − 900 (last year's outstanding received) + 1,900 (this year's outstanding) = ₹35,000.

Salaries for the year = 13,000 + 2,000 outstanding = ₹15,000.

The computer (₹10,000) is a capital payment, so it does not go to the Income and Expenditure Account.

Expenditure	₹	Income	₹
To Honorarium	2,000	By Subscriptions	35,000
To Repairs	1,000	By Sale of old newspapers	700
To Salaries	15,000	By Interest on Investments	2,800
To Sundry Expenses	1,000		
To Surplus	19,500		
	38,500		38,500

PART B

Attempt ONE option only: Option 1 – Analysis of Financial Statements, or Option 2 – Computerised Accounting (Q10–12 of the chosen option).

10. *Option 1 (Analysis of Financial Statements)* **2**

While preparing a Cash Flow Statement, would 'Redemption of Debentures' be an inflow, an outflow or no flow of cash? Give a reason.

ANSWER

Outflow of cash (financing activity)

Redemption of debentures means the company pays back the debenture holders. Cash goes out of the business, so it is an outflow of cash.
It is shown under Financing Activities because debentures are a source of long-term borrowed funds.

OR

Option 2 (Computerised Accounting)

Give any two characteristics of a Computerised Accounting System.

ANSWER

Any two: simple and integrated; transparency and control; accuracy and speed; scalability; reliability

(i) Simple and integrated – it automates and links all business operations (sales, purchases, inventory, finance), giving accurate up-to-date information quickly.
(ii) Accuracy and speed – ready data-entry screens/templates allow fast, error-free entry, and reports are generated instantly.
Other valid points: transparency and control (greater access to day-to-day information); scalability (handles more data as the business grows); reliability (financial information stays accurate, controlled and secure).

11. *Option 1 (Analysis of Financial Statements) – (a)* **3**

Shruti Ltd. had Revenue from operations of ₹15,00,000 in 2020-21 and ₹10,00,000 in 2019-20; expenses were ₹3,00,000 and ₹2,00,000 respectively. Tax rate is 30%. Prepare a Comparative Statement of Profit and Loss.

ANSWER

Profit after tax: ₹5,60,000 → ₹8,40,000 (increase ₹2,80,000, i.e. 50%)

Absolute change = 2020-21 − 2019-20; % change = change ÷ 2019-20 figure × 100.

Particulars	2019-20	2020-21	Change (₹)	% Change
Revenue from operations	10,00,000	15,00,000	5,00,000	50
Less: Expenses	2,00,000	3,00,000	1,00,000	50
Profit before tax	8,00,000	12,00,000	4,00,000	50
Less: Tax @ 30%	2,40,000	3,60,000	1,20,000	50
Profit after tax	5,60,000	8,40,000	2,80,000	50

Common mistake: calculating % change on the current-year figure instead of the base year.

OR

Option 1 – (b)

Avinash Ltd.'s Balance Sheet (31.3.2021 vs 31.3.2020): Share Capital ₹30,00,000 vs ₹20,00,000; Long-term Borrowings nil in both years; Trade Payables ₹6,00,000 vs ₹5,00,000; Total ₹36,00,000 vs ₹25,00,000. Fixed Assets ₹24,00,000 vs ₹15,00,000; Inventories ₹12,00,000 vs ₹10,00,000. Prepare a Comparative Balance Sheet.

ANSWER

Total rises by ₹11,00,000 (44%); Shareholders' funds +50%, Current liabilities +20%, Non-current assets +60%, Current assets +20%

Particulars	31.3.2020	31.3.2021	Change (₹)	%
Shareholders' Funds	20,00,000	30,00,000	10,00,000	50
Current Liabilities	5,00,000	6,00,000	1,00,000	20
Total	25,00,000	36,00,000	11,00,000	44
Non-Current Assets	15,00,000	24,00,000	9,00,000	60
Current Assets	10,00,000	12,00,000	2,00,000	20
Total	25,00,000	36,00,000	11,00,000	44

Working: % change = change ÷ 2020 figure × 100, e.g. 11,00,000 ÷ 25,00,000 × 100 = 44%.

OR

Option 2 (Computerised Accounting) – (a)

List any three features of a DBMS (Database Management System).

ANSWER

High-level security; permanent storage of data; maintenance of large databases (any three valid)

(i) Provides a high level of security – access can be restricted through passwords and user rights.

(ii) Permanent storage of data – data is stored safely and can be retrieved whenever needed.

(iii) Maintains large databases – huge volumes of data can be stored and managed efficiently.
Other valid features: reduces data redundancy, allows data sharing among many users, maintains data integrity, supports backup and recovery.

OR

Option 2 – (b)

Define: (i) Attribute (ii) Database design (iii) Normalisation.

ANSWER

Attribute = a column of a table; Database design = description of the structure of the parts of a database; Normalisation = splitting data into related tables to avoid duplication

(i) Attribute: In a DBMS data is kept in tables of rows and columns; each column is an attribute, e.g. transaction number, transaction date, party's name or address.
(ii) Database design: describes the structure of the different parts of the whole database – which tables, fields and relationships it contains.
(iii) Normalisation: the process of breaking information into separate but related tables so that the same data is not repeated (duplication is avoided).

12. *Option 1 (Analysis of Financial Statements)* **5**

From the following data of Raman Ltd. (31.3.2021 vs 31.3.2020), calculate Cash Flows from Operating Activities for the year ended 31st March, 2021:

Item	31.3.2021	31.3.2020
Share Capital	7,50,000	7,00,000
Surplus (Statement of P and L)	1,25,000	55,000
Long-term Borrowings	1,00,000	62,500
Bank Overdraft	6,000	5,000
Trade Payables	7,500	41,500
Provision for Tax	9,000	5,500
Machinery (cost)	10,00,000	8,50,000
Accumulated Depreciation	70,000	45,000
Patents	25,000	15,000
Current Investments	4,000	2,500
Inventories	18,500	29,500
Trade Receivables	13,000	11,500
Cash and Cash Equivalents	7,000	6,000

Balance Sheet totals: ₹9,97,500 and ₹8,69,500. Tax paid during the year was ₹6,500.

ANSWER

Cash flows from operating activities = ₹74,000

Working 1 – Provision for tax made this year = closing 9,000 + paid 6,500 − opening 5,500 = ₹10,000.

Working 2 – Net profit before tax = (1,25,000 − 55,000) + 10,000 = 70,000 + 10,000 = ₹80,000.

Working 3 – Depreciation = 70,000 − 45,000 = ₹25,000.

Particulars	₹
Net profit before tax	80,000
Add: Depreciation	25,000
Operating profit before working capital changes	1,05,000
Add: Decrease in inventories	11,000
Less: Increase in trade receivables	(1,500)
Less: Decrease in trade payables	(34,000)
Cash generated from operations	80,500
Less: Tax paid	(6,500)
Cash flows from operating activities	74,000

Notes: Bank overdraft is a financing item; patents are investing; current investments are treated as cash equivalents (as in the CBSE marking scheme), so none of these enter operating activities.

OR

Option 2 (Computerised Accounting)

Explain the steps involved in installing a Computerised Accounting System.

ANSWER

> Insert CD → run install.exe → confirm/change default directories → click Install → remove CD after success message
>
> 1. Insert the software CD into the computer.
> 2. Start the setup: open My Computer, select the CD drive and double-click install.exe; or use Start → Run and type the path, e.g. E:\install.exe.
> 3. A window shows the default directories for the application, data and configuration files. The user may accept them or change them by giving another drive/folder name (e.g. D:\software name instead of the default C: folder).
> 4. Click Install; the installation process starts and copies the files.
> 5. When the software shows the message of successful installation, close the window and remove the CD. The software is now ready to be configured and used.

— END —

Questions restated from the CBSE Class XII Board Examination 2022 (set 67/2/1) for practice. Reading passages and map items are described, not reproduced.