ANSWERS (MTP 8)

Part A

1. (*d*) 14 : 6 : 5.

Working Note:

- *Calculation of Share of Incoming Partner (Anil):*

  Since, Anil acquires 1/5th of his share from Kamal, it means he acquires 4/5th (1 –1/5) of his share from Vimal.

  If 4/5th share = 4/25

  1 share = 4/25 × 5/4 = 1/5

- *Calculation of New Share:*

  Share acquired by Anil:

  From Kamal = 1/5 × 1/5 = 1/25; From Vimal = 4/25

  Kamal's New Profit Share = 3/5 – 1/25 = 14/25; Vimal's New Profit Share = 2/5 – 4/25 = 6/25

  New Profit-sharing Ratio of Kamal, Vimal and Anil = 14/25 : 6/25 : 5/25 = 14 : 6 : 5.

2. (*b*) ₹ 56,500.

Working Note:

Average profit for past 4 years = (₹ 15,000 + ₹ 16,000 + ₹ 10,000 + ₹ 15,500)/4 = ₹ 14,125

Average profit for past 5 years = (₹ 15,000 + ₹ 16,000 + ₹ 10,000 + ₹ 15,500 + ₹ 14,000)/5 = ₹ 14,100

Goodwill = ₹ 14,125 × 4 = ₹ 56,500.

3. (*b*) Both Assertion (A) and Reason (R) are correct but Reason (R) is not the correct explanation of Assertion (A).

4. (*a*) ₹ 5,50,000 (1,10,000 × ₹ 5).

Or

(*c*) A company cannot raise more capital than the amount of capital as stated in the Memorandum of Association, which is authorised capital of the company.

5. (*b*) Debited to Realisation Account.

Or

(*c*) Partners' Capital Accounts.

6. (*c*) Loss of ₹ 6,00,000 will be distributed among Sarthak and Vansh in 3 : 1 ratio.

Working Note:	₹
Loss before interest on loan	5,20,000
Interest on Sarthak's loan	20,000
Minimum guaranteed profit to Mansi	60,000
	6,00,000

7. (*b*) Bank A/c ...Dr. ₹ 30,00,000

To Debentures Application A/c ₹ 30,00,000

Or

(*c*) ₹ 120.

Note: Premium on Redemption of Debenture is ₹ 20 per debenture. Nominal (Face) value of the debenture is ₹ 100. Therefore, redemption value is ₹ 120 (₹ 100 + ₹ 20).

8. (*c*) Both Assertion (A) and Reason (R) are incorrect.

Amit should be allotted 400 Equity Shares against 600 shares applied. Reason (R) is not correct because shares allotted cannot be more than shares applied.

9. (*c*) ₹ 52,000, ₹ 32,000.

Working Note:

- *Calculation of New Profit-sharing Ratio:*

Gaining ratio of Aditi and John = 12,000 : 9,000 = 4 : 3

Share taken by Aditi = 3/6 × 4/7 = 12/42

Share taken by John = 3/6 ×3/7 = 9/42

$$\text{Aditi's New Profit Share} = \frac{2}{6}+\frac{12}{42}=\frac{14+12}{42}=\frac{26}{42}$$

$$\text{John's New Profit Share} = \frac{1}{6}+\frac{9}{12}=\frac{7+9}{42}=\frac{16}{42}$$

New profit-sharing ratio of Aditi and John = 26/42 : 16/42 = 13 : 8

Division of Profit:

Aditi = ₹ 84,000 × 13/21 = ₹ 52,000.

John = ₹ 84,000 × 8/21 = ₹ 32,000.

Or

(*c*) A—3, B—4, C—2, D—1.

10. (*c*) (*iii*), (*i*), (*ii*), (*iv*).

11. (*d*) (*ii*), (*i*), (*iv*), (*iii*).

12. (*b*) ₹ 2,00,000 (₹ 4,00,000 – ₹ 2,00,000, Discount on Issue of Debentures).

13. (*d*) Buy-back of own shares.

14. (*d*) ₹ 50,000.

Working Note: Value of Machinery to be shown in New Balance Sheet = ₹ 40,000 × $\frac{100}{80}$ = ₹ 50,000.

15. (*b*) Crediting her Current Account with ₹ 1,200.

Working Note: ADJUSTMENT TABLE

Particulars	Simi (₹)	Manu (₹)	Beena (₹)	Total
I. Amount already credited by way of Interest on Capital	10,000	10,000	8,000	28,000
II. Amount which should have been credited by way of share of profit (2 : 2 : 1)	11,200	11,200	5,600	28,000
III. Difference (I – II)	(1,200) Cr.	(1,200) Cr.	2,400 Dr.	...

Or

(*d*) Avya's Capital A/c ...Dr. ₹ 10,000

To Kavya's Capital A/c ₹ 10,000

Working Note:

Gaining/Sacrificing Ratio:	Avya	Divya	Kavya
New Profit Share	4/9	3/9	2/9
Old Profit Share	1/3	1/3	1/3
	1/9 (Gain)	...	1/9 (Sacrifice)

16. (*b*) Realisation A/c ...Dr. ₹ 30,000

To Ravi's Capital A/c ₹ 30,000

(Remuneration allowed to Ravi credited to his Capital Account)

17. According to Section 37 of the Indian Partnership Act, 1932, Karan has the choice to get either of the following till the settlement is made:

(*i*) Interest @ 6% p.a. on the balance amount = ₹ 2,00,000 × $\frac{6}{12} \times \frac{6}{100}$ = ₹ 6,000.

(*ii*) Share in profit earned proportionate to his amount outstanding to total capital

$$= \frac{₹\ 2,00,000}{₹\ 10,00,000^*} \times ₹\ 1,00,000 = ₹\ 20,000$$

*₹ 10,00,000 = ₹ 2,00,000 + ₹ 5,00,000 + ₹ 3,00,000

Karan should exercise option (*ii*) as amount under this option is more as compared to option (*i*).

Total amount payable to Karan = ₹ 2,00,000 + ₹ 20,000 = ₹ 2,20,000.

18.

Dr. PROFIT & LOSS APPROPRIATION ACCOUNT *for the year ended 31st March, 2024* *Cr.*

Particulars				₹	Particulars		₹
To Interest on Capital:					By Profit & Loss A/c:		
Vikas			12,000		Net Profit	2,50,000	
Vijay			9,000	21,000	*Less:* Interest on Loan (Note 1)		
To Salary: Vikas				60,000	(₹ 50,000 × 6/100 × 6/12)	1,500	2,48,500
To Commission to Vijay (2/100 × ₹ 10,00,000)				20,000	By Interest on Drawings (Note 2):		
To General Reserve A/c				29,500	Vikas (₹ 1,00,000 × 5/100 × 6/12)	2,500	
To Profit transferred to:					Vijay (₹ 1,20,000 × 5/100 × 6/12)	3,000	5,500
	70,000		Balance				
Vikas	40,000	+	26,750	66,750			
Vijay	30,000	+	26,750	56,750			
				2,54,000			2,54,000

Notes:

1. As per the Indian Partnership Act, 1932, Interest on Loan is to be allowed @ 6% p.a.
2. Interest on Drawings has been calculated for an average period of 6 months as date of drawings is not given.
3. Transfer to General Reserve = 20% of (₹ 2,48,500 – ₹ 21,000 – ₹ 60,000 – ₹ 20,000) = ₹ 29,500.

Or

CALCULATION OF OPENING CAPITAL

Particulars	*P* (₹)	*Q* (₹)	*R* (₹)
Closing Capital	1,50,000	1,80,000	2,10,000
Add: Drawings	20,000	20,000	20,000
	1,70,000	2,00,000	2,30,000
Less: Share of Profit	12,000	24,000	24,000
Opening Capital (1st April, 2023)	1,58,000	1,76,000	2,06,000
Interest on Capital @ 10% p.a.	15,800	17,600	20,600

JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	P's Capital A/c	...Dr.		12,000	
	Q's Capital A/c	...Dr.		24,000	
	R's Capital A/c	...Dr.		24,000	
	To Profit & Loss Adjustment A/c				60,000
	(Share of profit wrongly credited, now debited to Capital Accounts)				
	Profit & Loss Adjustment A/c	...Dr.		54,000	
	To *P*'s Capital A/c				15,800
	To *Q*'s Capital A/c				17,600
	To *R*'s Capital A/c				20,600
	(Interest on capital credited to Partners' Capital Accounts)				
	Profit & Loss Adjustment A/c	...Dr.		6,000	
	To *P*'s Capital A/c				1,200
	To *Q*'s Capital A/c				2,400
	To *R*'s Capital A/c				2,400
	(Divisible profit credited to Partners' Capital Accounts in their profit-sharing ratio)				

19. JOURNAL OF CHROME LTD.

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Sundry Assets A/c	...Dr.		6,00,000	
	Goodwill A/c (Balancing Figure)	...Dr.		**70,000**	
	To Sundry Liabilities A/c				40,000
	To Polymer Ltd.				6,30,000
	(Assets and Liabilities took over of Polymer Ltd.)				
	Polymer Ltd.	...Dr.		6,30,000	
	Discount on Issue of Debentures A/c	...Dr.		70,000	
	To 10% Debentures A/c				7,00,000
	(7,000, *i.e.*, ₹ 6,30,000 ÷ ₹ 90, 10% Debentures of ₹ 100 each issued at ₹ 90 each in full satisfaction)				
	Securities Premium A/c	...Dr.		30,000	
	Statement of Profit & Loss (Finance Cost)	...Dr.		40,000	
	To Discount on Issue of Debentures A/c				70,000
	(Discount on Issue of Debentures written off)				

Or

JOURNAL OF RAGHAV LTD.

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Plant & Machinery	...Dr.		4,00,000	
	Building A/c	...Dr.		6,00,000	
	Stock A/c	...Dr.		5,00,000	
	Sundry Debtors A/c	...Dr.		3,00,000	
	To Sundry Creditors A/c				2,00,000
	To Krishna Traders				15,00,000
	To Capital Reserve A/c (Bal. Fig.)				**1,00,000**
	(Purchase of assets and liabilities of Krishna Traders)				
	Krishna Traders	...Dr.		3,00,000	
	To Bank A/c				3,00,000
	(₹ 3,00,000 paid to Krishna Traders by cheque)				
	Krishna Traders	...Dr.		12,00,000	
	To Equity Share Capital A/c				10,00,000
	To Securities Premium A/c				2,00,000
	(Balance discharged by issue of 10,000 equity shares of ₹ 10 each at 20% premium (WN)				

Working Note: No. of Shares to be issued = $\frac{₹ 12,00,000}{₹ 120}$ = 10,000 shares.

20. JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c (₹ 54,000 × 3/20)	...Dr.		8,100	
	To Premium for Goodwill A/c				8,100
	(Amount of goodwill brought by Anna for share of profit, otherwise than as gift, *i.e.*, 3/20)				
	Premium for Goodwill A/c	...Dr.		8,100	
	To Priya's Capital A/c				4,050
	To Karam's Capital A/c				4,050
	(Goodwill credited to sacrificing partners in their sacrificing ratio of 1 : 1)				
	Profit & Loss Appropriation A/c	...Dr.		60,000	
	To Priya's Capital A/c				24,000
	To Karam's Capital A/c				18,000
	To Anna's Capital A/c				18,000
	(Profit credited to all partners in the their new ratio of 4 : 3 : 3)				

Working Note:

$$\text{Share gifted by Priya} = \frac{1}{2} \times \frac{3}{20} = \frac{3}{40}$$

$$\text{Share acquired by Anna from Priya} = \frac{1}{2} \times \frac{3}{20} = \frac{3}{40}$$

$$\text{Share acquired by Anna from Karam} = \frac{1}{2} \times \frac{3}{20} = \frac{3}{40}$$

Profit share taken by Anna otherwise than gift $= \frac{3}{40} + \frac{3}{40} = \frac{6}{40}$ or $\frac{3}{20}$

Goodwill to be brought by Anna is ₹ 54,000 × $\frac{3}{20}$, *i.e.*, ₹ 8,100

$$\text{Priya's New Profit Share} = \frac{5}{8} - \frac{3}{20} - \frac{3}{40} = \frac{16}{40}$$

$$\text{Karam's New Profit Share} = \frac{3}{8} - \frac{3}{40} = \frac{12}{40}$$

New Profit-sharing Ratio of Priya, Karam and Anna $= \frac{16}{40} : \frac{12}{40} : \frac{3}{10} = 16 : 12 : 12 = 4 : 3 : 3.$

21. BALANCE SHEET OF SLEEP WELL LTD.

as at ...

Particulars	Note No.	Current Year ₹
I. EQUITY AND LIABILITIES		
1. Shareholders' Funds		
(*a*) Share Capital	1	48,20,000

Note to Accounts

Particulars		₹
1. Share Capital		
Authorised Capital		
8,00,000 Equity Shares of ₹ 10 each		80,00,000
20,000 Preference Shares of ₹ 100 each		20,00,000
		1,00,00,000
Issued Capital		
5,00,000 Equity Shares of ₹ 10 each		50,00,000
10,000, 8% Preference Shares of ₹ 100 each		10,00,000
		60,00,000
Subscribed Capital		
Subscribed and Fully Paid-up		
10,000, 8% Preference shares of ₹ 100 each		10,00,000
Subscribed but not fully paid		
4,90,000 Equity Shares of ₹ 10 each, ₹ 8 Called-up	39,20,000	
Less: Calls-in-Arrears (20,000 × ₹ 5)	1,00,000	38,20,000
		48,20,000

Note: The question requires to show share capital in the Balance Sheet of the company. Hence, Securities Premium (₹ 25,00,000) received is not shown in the Balance Sheet.

22. **In the Books of Parth, Raman and Zaisha**

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2024				
April 1	General Reserve A/c ...Dr.		36,000	
	To Parth's Capital A/c			18,000
	To Raman's Capital A/c			10,800
	To Zaisha's Capital A/c			7,200
	(General Reserve distributed in old ratio)			
April 1	Revaluation A/c ...Dr.		8,000	
	Workmen Compensation Reserve A/c ...Dr.		12,000	
	To Workmen Compensation Claim A/c			20,000
	(Liability of workmen compensation claim created out of Workmen Compensation Reserve and Revaluation Account)			
April 1	Revaluation A/c ...Dr.		3,200	
	To Stock A/c			3,200
	(Decrease in value of stock recorded through Revaluation Account)			
April 1	Investments A/c ...Dr.		2,000	
	Creditors A/c ...Dr.		900	
	To Revaluation A/c			2,900
	(Increase in value of investments recorded and amount not likely to be claimed by creditors written off)			
April 1	Parth's Capital A/c ...Dr.		4,150	
	Raman's Capital A/c ...Dr.		2,490	
	Zaisha's Capital A/c ...Dr.		1,660	
	To Revaluation A/c			8,300
	(Loss on Revaluation of assets and reassessment of liabilities transferred to partners Capitals Accounts in their old ratio)			

23. (A)

Dr. PARTNERS' CAPITAL ACCOUNTS *Cr.*

Particulars	Mohan ₹	Sohan ₹	Particulars	Mohan ₹	Sohan ₹
To Balance *b/d*	...	20,000	By Balance *b/d*	40,000	...
To Profit & Loss A/c	5,000	5,000	By General Reserve A/c	3,500	3,500
To Realisation A/c (Dissolution Exp.)	1,000	...	By Realisation A/c (Unrecorded Liability)	3,000	...
To Realisation A/c (Unrecorded Asset)	...	2,000	By Bank A/c (Amount Brought)	...	53,500
To Realisation A/c (Loss)	30,000	30,000	—Balancing Figure		
To Bank A/c (Final Payment—Bal. Fig.)	10,500	...			
	46,500	57,000		46,500	57,000

Dr. MOHAN'S LOAN ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Bank A/c (Payment)	27,500	By Balance *b/d*	25,000
		By Interest on Loan A/c	2,500
	27,500		27,500

(B) JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(*i*)	Realisation A/c ...Dr.		10,000	
	To Bank A/c			10,000
	(Balance of creditor (Raj) paid)			
(*ii*)	Loan from Rakesh A/c ...Dr.		11,000	
	To Rakesh's Capital A/c			1,000
	To Bank A/c			10,000
	(Loan of ₹ 1,000 transferred to his Capital Account and balance paid)			

Note: No entry will be passed for the settlement of ₹ 12,000 against which machine has been given.

24.

(*i*) JOURNAL OF GOOD HEALTH LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2023				
April 1	Bank A/c (50,000 × ₹ 105) ...Dr.		52,50,000	
	To Debentures Application and Allotment A/c			52,50,000
	(Application money on 8% Debentures received) (WN)			
	Debentures Application and Allotment A/c ...Dr.		52,50,000	
	Loss on Issue of Debentures A/c (50,000 × ₹ 10) ...Dr.		5,00,000	
	To 8% Debentures A/c (50,000 × ₹ 100)			50,00,000
	To Securities Premium A/c (50,000 × ₹ 5)			2,50,000
	To Premium on Redemption of Debentures A/c (50,000 × ₹ 10)			5,00,000
	(Allotment of debentures made)			

Working Note: Number of Debentures to be issued = ₹ 52,50,000/₹ 105 (Issue Price) = 50,000 Debentures.

(*ii*) JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2024				
March 31	Securities Premium A/c ...Dr.		2,50,000	
	Statement of Profit & Loss (Finance Cost) ...Dr.		2,50,000	
	To Loss on Issue of Debentures A/c			5,00,000
	(Loss on issue of debentures written off)			

(*iii*) JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2024					
March 31	Interest on Debentures A/c [(₹ 20,00,000 + ₹ 50,00,000) × 8/100]	...Dr.		5,60,000	
	To Debentureholders' A/c				5,60,000
	(Interest due for 1 year)				
	Debentureholders' A/c	...Dr.		5,60,000	
	To Bank A/c				5,60,000
	(Payment of interest)				

(*iv*)

Dr. LOSS ON ISSUE OF DEBENTURES ACCOUNT *Cr.*

Date	Particulars	₹	Date	Particulars	₹
2023			2024		
April 1	To Premium on Redemption of		March 31	By Securities Premium A/c	2,50,000
	Debentures A/c	5,00,000		By Statement of Profit & Loss	2,50,000
		5,00,000			5,00,000

(*v*) Interest on Debentures is paid **before** dividend is paid to shareholders because it is a **charge against the profit** of the company.

Or

(*a*) JOURNAL OF PRINCE LTD.

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c (5,000 × ₹ 10)	...Dr.		50,000	
	Securities Premium A/c	...Dr.		50,000	
	To Shares Forfeited A/c				30,000
	To Shares Allotment A/c (WN)				55,000
	To Shares First and Final Call A/c (5,000 × ₹ 3)				15,000
	(5,000 Shares of Pawan forfeited for non-payment of Allotment Money (₹ 14) and First and Final Call (₹ 3))				
	Bank A/c (2,000 × ₹ 15)	...Dr.		30,000	
	To Share Capital A/c (2,000 × ₹ 10)				20,000
	To Securities Premium A/c (2,000 × ₹ 5)				10,000
	(2,000 Equity Shares reissued @ ₹ 15 per share as fully paid-up)				
	Shares Forfeited A/c (2,000 × ₹ 6)	...Dr.		12,000	
	To Capital Reserve A/c				12,000
	(Gain on reissue of 2,000 shares transferred to Capital Reserve)				

Working Note:

Excess money paid at the time of application and adjusted against allotment = (10,000 – 5,000) × ₹ 3	= ₹ 15,000
Allotment money due on 5,000 shares	= ₹ 70,000
Less: Adjusted	= ₹ 15,000
Money not paid	= ₹ 55,000

(*b*) JOURNAL OF GANGA RESORTS LTD.

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c (10,000 × ₹ 20)	...Dr.		2,00,000	
	To Shares Forfeited A/c (10,000 × ₹ 10)				1,00,000
	To Calls-in-Arrears A/c (10,000 × ₹ 10)				1,00,000
	(10,000 Shares forfeited for non-payment of First Call (₹ 5) and Final Call (₹ 5))				
	Bank A/c (10,000 × ₹ 20)	...Dr.		2,00,000	
	To Share Capital A/c (10,000 × ₹ 20)				2,00,000
	(10,000 Equity Shares reissued @ ₹ 20 per share as fully paid-up)				
	Shares Forfeited A/c (10,000 × ₹ 10)	...Dr.		1,00,000	
	To Capital Reserve A/c				1,00,000
	(Gain on reissue transferred to Capital Reserve)				

25. (*i*)

Dr. REVALUATION ACCOUNT *Cr.*

Particulars	₹	Particulars		₹
To Bad Debts A/c	500	By Stock A/c		2,000
To Machinery A/c	10,000	By Loss transferred to:		
		Annie's Capital A/c	4,250	
		Bonnie's Capital A/c	4,250	8,500
	10,500			10,500

(*ii*)

Dr. PARTNERS' CAPITAL ACCOUNTS *Cr.*

Particulars	Annie ₹	Bonnie ₹	Carl ₹	Particulars	Annie ₹	Bonnie ₹	Carl ₹
To Stock A/c	12,000	...	...	By Balance *b/d*	45,000	40,000	...
To Goodwill A/c	5,000	5,000	...	By Bank A/c	...	...	50,000
To Revaluation A/c	4,250	4,250	...	By Carl's Current A/c (Goodwill)	2,500	2,500	...
To Balance *c/d*	28,125	35,125	50,000	By Carl's Current A/c (General Reserve)	1,875	1,875	...
	49,375	44,375	50,000		49,375	44,375	50,000

Note: As General Reserve was not to be distributed, gaining partner/incoming partner Carl will compensate Annie and Bonnie. Carl's Current Account will be debited by ₹ 3,750 and Annie's and Bonnie's Capital Accounts will be credited by ₹ 1,875 each.

Or

Dr. REVALUATION ACCOUNT Cr.

Particulars	₹	Particulars		₹
To Workmen Compensation Claim A/c	4,000	By Investments A/c		13,000
To Fixed Assets A/c	89,000	By Loss transferred to:		
		Kavya's Capital A/c	40,000	
		Manya's Capital A/c	24,000	
		Navita's Capital A/c	16,000	80,000
	93,000			93,000

Dr. KAVYA'S CAPITAL ACCOUNT Cr.

Particulars	₹	Particulars	₹
To Revaluation A/c (Loss)	40,000	By Balance *b/d*	6,00,000
To Bank A/c	20,000	By General Reserve A/c	50,000
To Kavya's Loan A/c (Balancing Figure)	6,20,000	By Manya's Capital A/c (WN)	18,000
		By Navita's Capital A/c (WN)	12,000
	6,80,000		6,80,000

Dr. KAVYA'S LOAN ACCOUNT Cr.

Date	Particulars	₹	Date	Particulars	₹
2022			2022		
March 31	To Balance *c/d*	6,20,000	March 31	By Kavya's Capital A/c	6,20,000
2023			2022		
March 31	To Bank A/c (₹ 3,10,000 + ₹ 62,000)	3,72,000	April 1	By Balance *b/d*	6,20,000
March 31	To Balance *c/d*	3,10,000	2023		
			March 31	By Interest on Loan A/c (₹ 6,20,000 × 10/100)	62,000
		6,82,000			6,82,000
2024			2023		
March 31	To Bank A/c	3,41,000	April 1	By Balance *b/d*	3,10,000
			2024		
			March 31	By Interest on Loan A/c (₹ 3,10,000 × 10/100)	31,000
		3,41,000			3,41,000

Working Note:

Old profit-sharing ratio of Kavya, Manya and Navita = 50 : 30 : 20 = 5 : 3 : 2

New profit-sharing ratio of Manya and Navita = 3 : 2

Gaining ratio of Manya and Navita = 3 : 2

Goodwill payable to Kavya = $₹\ 60{,}000 \times \frac{5}{10} = ₹\ 30{,}000$, will be adjusted to gaining partners' Capital Accounts in their gaining ratio 3 : 2

Goodwill payable by Manya to Kavya = $₹\ 30{,}000 \times \frac{3}{5} = ₹\ 18{,}000$

Goodwill payable by Navita to Kavya = $₹\ 30{,}000 \times \frac{2}{5} = ₹\ 12{,}000$.

26. **I.** (*d*) Share Capital A/c (600 × ₹ 8) ...Dr. ₹ 4,800

Securities Premium A/c (₹ 3,000 – ₹ 2,700) ...Dr. ₹ 300

To Share Allotment A/c ₹ 300

To Forfeited Shares A/c (₹ 5,700 – ₹ 600 – ₹ 300) ₹ 4,800

Note: Excess application money adjusted on allotment = (540 × ₹ 5) = ₹ 2,700, out of which ₹ 2,400 (600 × ₹ 4) adjusted towards share capital part and balance ₹ 300 towards securities premium.

II. (*d*) ₹ 4,800.

Note: The maximum permissible discount on reissue is amount forfeited on reissued shares, *i.e.*, ₹ 4,800.

III. (*c*) ₹ 100, ₹ 700*.

*Gain on reissue = ₹ 800 (100 × ₹ 8) – ₹ 100 (Discount on reissue) = ₹ 700.

IV. (*c*) ₹ 800, ₹ 100.

V. (*d*) Dr. Forfeited Shares A/c and Cr. Capital Reserve A/c by ₹ 2,800.

Note: Gain on reissue of 400 shares = (₹ 3,200 – ₹ 400) = ₹ 2,800.

VI. (*c*) Nil.

Working Note:

Dr. FORFEITED SHARES ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Share Capital A/c (Vijay)	100	By Share Capital A/c	4,800
To Capital Reserve A/c	700		
To Capital Reserve A/c	800		
To Share Capital A/c (Discount on reissue of	400		
To Capital Reserve A/c	2,800		
To Balance *c/d*	Nil		
	4,800		4,800

Note: After reissue of all the forfeited shares, there will be no balance in Forfeited Shares Account.

Part B

27. (*a*) Both Current Ratio and Quick Ratio will improve.

Reason: Total Current Assets and Quick Assets are increased by ₹ 9,000 but Total Current Liabilities remain unchanged.

Or

(*d*) It ascertains the relative importance of different components of the financial position of the firm.

28. (*d*) Except (*iv*) all are correct.

29. (*a*) Assertion (A) is correct but Reason (R) is incorrect.

Reason: Transactions which represent movement between items of Cash and Cash Equivalents are not considered as Cash Flows.

These components are part of cash management of an enterprise rather than part of Operating, Investing and Financing Activities.

Or

(*d*) (*ii*) and (*iii*).

30. (*c*) 22.5%.

Working Notes:

Total Revenue from Operations = ₹ 16,00,000 × 100/80 = ₹ 20,00,000

Gross Profit = ₹ 20,00,000 × 25/100 = ₹ 5,00,000

Net Profit = Gross Profit – Indirect Expenses

= ₹ 5,00,000 – ₹ 50,000 = ₹ 4,50,000

$$\text{Net Profit Ratio} = \frac{\text{Net Profit}}{\text{Revenue from Operations}} \times 100$$

$$= \frac{₹\ 4,50,000}{₹\ 20,00,000} \times 100 = \mathbf{22.5\%}.$$

31.

S. No.	Item	Major Head	Sub-head
(*i*)	Cheques and drafts on hand	Current Assets	Cash and Cash Equivalents
(*ii*)	Debenture Redemption Reserve	Shareholders' Funds	Reserves and Surplus
(*iii*)	Provident Fund Payable	Current Liabilities	Other Current Liabilities
(*iv*)	Mortgage Loan	Non-current Liabilities	Long-term Borrowings
(*v*)	General Reserve	Shareholders' Funds	Reserves and Surplus
(*vi*)	Arrears of dividends on Cumulative Preference Shares	It is a Contingent Liability and is disclosed in the Notes to Accounts.	

32. COMPARATIVE STATEMENT OF PROFIT & LOSS *for the years ended 31st March, 2023 and 2024*

Particulars	Note No.	31st March, 2023 ₹	31st March, 2024 ₹	Absolute Change (Increase/Decrease) ₹	Percentage Change (Increase/Decrease) %
I. Revenue from Operations		10,00,000	20,00,000	10,00,000	100.00
II. *Expenses:*					
(*a*) Cost of Materials Consumed		6,00,000	15,00,000	9,00,000	150.00
(*b*) Other Expenses		60,000	1,80,000	1,20,000	200.00
Total Expenses		6,60,000	16,80,000	10,20,000	154.55
III. **Profit before Tax (I – II)**		3,40,000	3,20,000	(20,000)	(5.88)
IV. Tax		1,02,000	1,28,000	26,000	25.49
V. **Profit after Tax (III – IV)**		2,38,000	1,92,000	(46,000)	(19.33)

33. (*a*) $$\text{Fixed Assets Turnover Ratio} = \frac{\text{Revenue from Operations}}{\text{Net Fixed Assets}}$$

$$= \frac{₹\ 32,00,000\ (\text{WN } 1)}{₹\ 20,00,000\ (\text{WN } 2)} = \mathbf{1.6\ Times.}$$

Working Notes:

1. *Calculation of Revenue from Operations:*

   Let Revenue from Operations = ₹ 100, it means Gross Profit = 25% of ₹ 100 = ₹ 25

   Cost of Revenue from Operations = ₹ 100 – ₹ 25 = ₹ 75

   When Cost of Revenue from Operations = ₹ 24,00,000, then

   Revenue from Operations = ₹ 24,00,000 × 100/75 = ₹ 32,00,000.

2. Net Fixed Assets = Capital Employed + Current Liabilities – Current Assets

   = ₹ 22,00,000 + ₹ 4,00,000 – ₹ 6,00,000 = ₹ 20,00,000.

$$(b)\quad \text{Operating Profit Ratio} = \frac{\text{Operating Profit}}{\text{Revenue from Operations}} \times 100$$

$$= \frac{₹\ 6,40,000}{₹\ 32,00,000} \times 100 = \mathbf{20\%}.$$

Working Notes:

1. Gross Profit = 25% of ₹ 32,00,000 = ₹ 8,00,000.
2. Operating Profit = Gross Profit – Operating Expenses
   = ₹ 8,00,000 – ₹ 1,60,000 = ₹ 6,40,000.

Or

$$(a)\quad \text{Return on Investment (ROI)} = \frac{\text{Net Profit before Interest \& Tax}}{\text{Capital Employed}} \times 100$$

$$= \frac{₹\ 22,50,000}{₹\ 1,80,00,000} \times 100 = 12.5\%.$$

Working Notes:

1. Net Profit before Interest & Tax = Profit after Tax + Tax* + Interest**
   = ₹ 9,00,000 + ₹ 6,00,000 + ₹ 7,50,000 = ₹ 22,50,000.

   $*\text{Tax} = ₹\ 9,00,000 \times \frac{40}{60} = ₹\ 6,00,000$

   **Interest = Debenture Interest + Interest on Bank Loan

   Total Interest = ₹ 4,50,000 + ₹ 3,00,000 = ₹ 7,50,000.

2. Capital Employed = Equity Share Capital + Preference Share Capital + Reserves & Surplus + Debentures + Bank Loan
   = ₹ 60,00,000 + ₹ 45,00,000 + ₹ 15,00,000 + ₹ 30,00,000 + ₹ 30,00,000
   = ₹ 1,80,00,000.

$$(b)\quad \text{Net Assets Turnover Ratio} = \frac{\text{Revenue from Operations}}{\text{Capital Employed}} = \frac{₹\ 5,40,00,000\,*}{₹\ 1,80,00,000} = 3\ \text{Times}$$

*Sales – Sales Return = ₹ 5,62,50,000 – ₹ 22,50,000 = ₹ 5,40,00,000.

34. CASH FLOW STATEMENT *for the year ended 31st March, 2024*

Particulars		₹
I. Cash Flow from Operating Activities		
Net Profit before Tax and Extraordinary Items (WN 1)		2,63,000
Add: Adjustments for Non-cash and Non-operating Items:		
Depreciation		1,47,000
Operating Profit before Working Capital Changes		4,10,000
Adjustments for change in Current Assets and Current Liabilities:		
Inventories	(20,000)	
Trade Receivables	(15,000)	
Trade Payables	23,000	(12,000)
Cash Generated from Operations before Tax		3,98,000
Less: Tax Paid		16,000
Cash Flow from Operating Activities		3,82,000

II. Cash Flow from Investing Activities	
Purchase of Machinery (WN 2)	(5,10,000)
Cash Used in Investing Activities	(5,10,000)
III. Cash Flow from Financing Activities	
Proceeds from Issue of Shares	2,00,000
Interim Dividend Paid	(70,000)
Cash Flow from Financing Activities	1,30,000
IV. Net Increase in Cash and Cash Equivalents* (I + II + III) (₹ 3,82,000 – ₹ 5,10,000 + ₹ 1,30,000)	2,000
V. Cash and Cash Equivalents at the beginning of Period (₹ 30,000 + ₹ 13,000)	43,000
VI. Cash and Cash Equivalents at the end of the Period (IV + V) (₹ 30,000 + ₹ 15,000)	45,000

***Cash and Cash Equivalents = Cash and Cash Equivalents + Current Investments.**

Working Notes:

1. *Calculation of Net Profit before Tax and Extraordinary Items:*

			₹
Closing Balance of Surplus, *i.e.*, Balance in Statement of Profit & Loss			1,50,000
Less:	Opening Balance of Surplus, *i.e.*, Balance in Statement of Profit & Loss		1,00,000
Profit made during the year			50,000
Add:	Interim dividend paid during the current year	70,000	
	Transfer to General Reserve	1,25,000	
	Provision for Tax (WN 3)	18,000	2,13,000
Net Profit before Tax and Extraordinary Items			2,63,000

2. *Dr.* PROPERTY, PLANT AND EQUIPMENT ACCOUNT (MACHINERY ACCOUNT) *Cr.*

Particulars	₹	Particulars	₹
To Balance *b/d*	4,67,000	By Depreciation A/c	1,47,000
To Bank A/c (Purchases)—Balancing Figure	**5,10,000**	By Balance *c/d*	8,30,000
	9,77,000		9,77,000

3. *Dr.* PROVISION FOR TAX ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Bank A/c (Tax paid)	16,000	By Balance *b/d*	13,000
To Balance *c/d*	15,000	By Statement of Profit & Loss (Provision made) —Balancing Figure	**18,000**
	31,000		31,000

❑❑❑❑

ANSWERS (MTP 9)

Part A

1. (*b*) 4 : 7 : 5 : 4.

Working Note:

$$\text{Atul's New Profit Share} = \text{Old Profit Share} - \text{Profit Share Sacrificed by Atul}$$

$$= \frac{8}{20} - \frac{1}{5} = \frac{8-4}{20} = \frac{4}{20}$$

New Profit-sharing Ratio of Atul, Beena, Sita and Damini = $\frac{4}{20} : \frac{7}{20} : \frac{5}{20} : \frac{1}{5}$ or 4 : 7 : 5 : 4.

2. (*d*) ₹ 19,000.

Working Note:

₹ 20,000 (Investments) – ₹ 1,000 (Decline in Value) = ₹ 19,000.

3. (*d*) Both Assertion (A) and Reason (R) are correct, and Reason (R) is the correct explanation of Assertion (A).

4. (*b*) Providing for Premium payable on Redemption of Debentures.

Or

(*a*) 5%.

Working Note:

Loss on Issue of Debentures	=	₹ 1,50,000
Less: Premium on Redemption of Debentures	=	₹ 1,00,000
Discount on Issue of Debentures	=	₹ 50,000

Percentage of Discount on Issue of Debentures = $\frac{₹\,50,000}{₹\,10,00,000} \times 100 =$ **5%**.

5. (*d*) ₹ 5,000.

Working Note:

Calculation of Monthly Drawings of Green:

Green draws in the beginning of every month. Therefore,

$$\text{Interest on Drawings} = \text{Total Drawings} \times \frac{\text{Rate}}{100} \times \text{Average Period}$$

$$₹\,2,600 = \text{Total Drawings} \times \frac{8}{100} \times \frac{6.5}{12}$$

$$\therefore \quad \text{Total Drawings} = ₹\,2,600 \times \frac{100}{8} \times \frac{12}{6.5} = ₹\,60,000$$

$$\text{Monthly Drawings} = ₹\,60,000 \div 12 = ₹\,5,000.$$

Or

(*d*) 12% p.a.

Working Note:

Calculation of Rate of Interest on Drawings:

$$\text{Interest on Drawings} = \text{Total Drawings} \times \frac{\text{Rate}}{100} \times \text{Average Period}$$

$$₹\,1{,}500 = ₹\,20{,}000 \times \frac{\text{Rate}}{100} \times \frac{7.5}{12}$$

$$₹\,1{,}500 = \text{Rate} \times ₹\,125$$

$$\text{Rate of Interest on Drawings} = ₹\,1{,}500 \div ₹\,125 = 12\%.$$

6. (*d*) Fresh capital introduced.

7. (*a*) Number of Debentures to be issued $= \dfrac{₹\,6{,}30{,}000}{₹\,95} = 6{,}631.57.$

Since debentures cannot be issued in fraction, therefore, number of debentures issued will be 6,631. ₹ 55 [(₹ 6,30,000 – (6,631 × ₹ 95)] will be paid by cheque.

Or

(*d*) Securities Premium Account and Statement of Profit & Loss, in that order.

8. (*c*)

		₹	₹
Furhan's Capital A/c	...Dr.	27,000	
To Dan's Capital A/c			27,000

Working Note:

Calculation of Gain/(Sacrifice) of Shares:

	Dan	Elf	Furhan
Their New Profit Share	2/10	3/10	5/10
Their Old Profit Share	5/10	3/10	2/10
Difference	(3/10) (Sacrifice)	...	3/10 Gain

Calculation of Share of Sacrificing and Gaining partner in the General Reserve.

For Dan = 3/10 × ₹ 90,000 = ₹ 27,000; For Furhan = 3/10 × ₹ 90,000 = ₹ 27,000

Dan is a sacrificing partner and Furhan is a gaining partner.

9. (*a*) Assertion (A) is incorrect but Reason (R) is correct.

Explanation: Assertion (A) is false (incorrect) because excess application money can be utilised towards Calls also, if authorised by the terms of issue.

Reason (R) is true (correct) because excess application money adjusted against calls is Calls-in-Advance on which interest is payable @ 12% p.a.

However, it is not the correct explanation of Assertion (A) because Assertion (A) is about use of excess Application Money and Reason (R) is about payment of interest on Calls-in-Advance.

10. (*a*) ₹ 1,20,000.

Working Note:

Commission Payable to Sumit = ₹ 9,20,000 × $\frac{15}{115}$ = ₹ 1,20,000.

Or

(*b*) Interest on Aman's Loan ₹ 22,500 and Loss of ₹ 20,000 to each partner.

Working Note:

- Interest on Aman's Loan = ₹ 5,00,000 × $\frac{6}{100} \times \frac{9}{12}$ = ₹ 22,500
- Total Loss after Interest on Loan = ₹ 37,500 + ₹ 22,500 = ₹ 60,000
- Each Partner's Share of Loss = $\frac{₹\,60{,}000}{3}$ = ₹ 20,000.

11. (*c*) Debit of Profit & Loss Suspense Account.

12. (*b*) ₹ 35,000.

Working Notes:

Total Adjusted Capital of X and Y:	*X* (₹)	*Y* (₹)
Capital before Adjustment	69,000	51,000
Add: Share of Goodwill	6,000	4,000
Share of General Reserve	9,000	6,000
	84,000	61,000
Less: Share of Loss on Revaluation	3,000	2,000
	81,000	59,000

Total adjusted capital of *X* and *Y* for 4/5th share = ₹ 81,000 + ₹ 59,000 = ₹ 1,40,000

Total capital of new firm will be = ₹ 1,40,000 × $\frac{5}{4}$ = ₹ 1,75,000

Z's capital will be = ₹ 1,75,000 × $\frac{1}{5}$ = ₹ 35,000.

13. (*c*) (B) and (C) both.

Reasons:

(*i*) Authorised capital is the maximum capital that a company can issue for subscription. Hence, issued capital cannot be more than the authorised capital but can be equal to Authorised capital.

(*ii*) Issued capital is the maximum capital that can be subscribed. Hence, subscribed capital cannot be more than the issued capital but can be equal to it.

14. (*d*) ₹ 2,100.

Note: 'Share Forfeiture Account' will be credited with the amount received on 700 shares, *i.e.*, 700 × ₹ 3 (Application money per share) = ₹ 2,100.

15. (*b*) Amrit—₹ 25,250, Ranjit—₹ 50,500 and Paras—₹ 25,250.

Working Notes:

Calculation of Amount of Appropriation Credited:

	Amrit's Current A/c	Ranjit's Current A/c	Paras's Current A/c
Interest on Capital	30,000	30,000	30,000
Ranjit's Salary	...	40,000	...
Commission	5,000	...	5,000
	35,000	70,000	35,000

*Interest on Ranjit's Current A/c of ₹ 1,000 will be charged since his Current Account shows Dr. Balance.

Divisible Profit = ₹ 1,00,000 (Net Profit) + ₹ 1,000 (Interest on Drawings Charged)

= ₹ 1,01,000.

Total Appropriation = ₹ 35,000 + ₹ 70,000 + ₹ 35,000 = ₹ 1,40,000

Total Divisible Profit is ₹ 1,01,000 which is *less* than total required appropriation.

So, total profit of ₹ 1,01,000 will be distributed in the ratio of appropriation, *i.e.*, ₹ 35,000 : ₹ 70,000 : ₹ 35,000, *i.e.*, 1 : 2 : 1.

Current Accounts will be Credited:

$$\text{Amrit} = ₹\ 1{,}01{,}000 \times \frac{1}{4} = ₹\ 25{,}250$$

$$\text{Ranjit} = ₹\ 1{,}01{,}000 \times \frac{2}{4} = ₹\ 50{,}500$$

$$\text{Paras} = ₹\ 1{,}01{,}000 \times \frac{1}{4} = ₹\ 25{,}250$$

Or

(*b*) Crediting his Capital Account by ₹ 18,750.

Working Note:

ADJUSTMENT TABLE

Particulars	Shyam (₹)	Gagan (₹)	Rohit (₹)	Total (₹)
I. *Amount already Credited:*				
Share of Profit	15,000	15,000	15,000	45,000
II. *Amount which should have been Credited:*				
Rohit's Salary	...	...	30,000	30,000
Share in Profit (*i.e.*, ₹ 45,000 – ₹ 30,000 = ₹ 15,000) (2 : 1 : 1)	7,500	3,750	3,750	15,000
	7,500	3,750	33,750	45,000
III. Difference	7,500 Dr.	11,250 Dr.	(18,750) Cr.	NIL

16. (*d*) ₹ 30,000 (Loss).

Working Note:

Calculation of Gain/Loss in Realisation Account:

Book Value of Other Assets = (Creditors + Capital) – Cash Balance

= (₹ 70,000 + ₹ 1,20,000) – ₹ 10,000 = ₹ 1,80,000

Gain/Loss in Realisation Account = (Book Value of Assets + Payment to Creditors) – (Creditors + Assets Realised)

= (₹ 1,80,000 + ₹ 70,000) – (₹ 70,000 + ₹ 1,50,000)

= ₹ 2,50,000 – ₹ 2,20,000 = ₹ 30,000 (Loss).

17. (*i*)

$$\text{\% of profit on sale for 2022–23} = \frac{₹\ 1{,}80{,}000}{₹\ 6{,}00{,}000} \times 100 = 30\%$$

∴ Profit on ₹ 1,20,000 till the date of death = ₹ 1,20,000 × 30/100 = ₹ 36,000

Ajay's share of profit = ₹ 36,000 × 2/5 = ₹ 14,400.

(*ii*) JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2023				
June 30	Profit & Loss Suspense A/c ...Dr.		14,400	
	To Ajay's Capital A/c			14,400
	(Ajay's share of interim profit provided)			

18. ADJUSTING JOURNAL ENTRY

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Rahul's Current A/c ...Dr.		200	
	Kamlesh's Current A/c ...Dr.		1,200	
	To Sindhu's Current A/c			1,400
	(Interest on capital provided @ 10% p.a. instead of 9%, now rectified)			

Working Note: ADJUSTMENT TABLE

Particulars	Sindhu's Current A/c		Rahul's Current A/c		Kamlesh's Current A/c		Firm	
	Dr. (₹)	Cr. (₹)	Dr. (₹)	Cr. (₹)	Dr. (₹)	Cr. (₹)	Dr. (₹)	Cr. (₹)
Interest credited to be cancelled	10,000	...	20,000	...	30,000	...	...	60,000
Interest to be credited	...	9,000	...	18,000	...	27,000	54,000	...
Share in the profit (4 : 3 : 3) (₹ 60,000 – ₹ 54,000)	...	2,400	...	1,800	...	1,800	6,000	...
	10,000	11,400	20,000	19,800	30,000	28,800	60,000	60,000
Net Effect	1,400 (Cr.)		200 (Dr.)		1,200 (Dr.)		...	

Or

Shilpa's actual share of profit = ₹ 1,80,000 × 1/10 = ₹ 18,000

Deficiency = Guaranteed Profit – ₹ 18,000

= ₹ 50,000 – ₹ 18,000 = ₹ 32,000

Deficiency is to be borne by Alia and Karan equally, *i.e.*, ₹ 16,000 each.

Dr. PROFIT & LOSS APPROPRIATION ACCOUNT *for the year ended 31st March, 2024* *Cr.*

Particulars		₹	Particulars	₹
To General Reserve A/c		20,000	By Profit & Loss A/c (Net Profit)	2,00,000
To Profit transferred to:				
Alia's Current A/c (₹ 1,80,000 × 7/10)	1,26,000			
Less: Deficiency borne	16,000	1,10,000		
Karan's Current A/c (₹ 1,80,000 × 2/10)	36,000			
Less: Deficiency borne	16,000	20,000		
Shilpa's Current A/c (₹ 1,80,000 × 1/10)	18,000			
Add: Deficiency borne by:				
Alia	16,000			
Karan	16,000	50,000		
		2,00,000		2,00,000

19. JOURNAL OF SINGH LTD.

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	...Dr.		5,00,000	
	To Bank Loan A/c				5,00,000
	(Loan obtained from SBI @ 10% p.a. interest against collateral security of 7,500, 10% Debentures of ₹ 100 each)				
	Debenture Suspense A/c	...Dr.		7,50,000	
	To 10% Debentures A/c				7,50,000
	(10% Debentures issued in favour of SBI as collateral security)				

BALANCE SHEET OF SINGH LTD. (EXTRACT) *as at ...*

Particulars	Note No.	Current Year (₹)
I. EQUITY AND LIABILITIES		
1. Non-current Liabilities		
(*a*) Long-term Borrowings	1	5,00,000

Note to Accounts

Particulars		₹
1. Long-term Borrowings		
Secured Loan from State Bank of India		5,00,000
7,500, 10% Debentures of ₹ 100 each	7,50,000	
Less: Debenture Suspense A/c	7,50,000	Nil
		5,00,000

Or

JOURNAL OF ANNEX LTD.

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	...Dr.		21,000	
	To Shares Application A/c				21,000
	(Application money received for 3,000 shares)				
	Shares Application A/c	...Dr.		21,000	
	To Share Capital A/c (2,000 × ₹ 7)				14,000
	To Shares Allotment A/c [(1,000 × ₹ 7) – ₹ 1,000]				6,000
	To Bank A/c (WN)				1,000
	(Share application money adjusted and Surplus refunded)				
	Shares Allotment A/c (2,000 × ₹ 3)	...Dr.		6,000	
	To Share Capital A/c (2,000 × ₹ 2)				4,000
	To Securities Premium A/c (2,000 × ₹ 1)				2,000
	(Amount due on allotment)				
	No Entry*				

*Entire amount due on allotment was received along with the application.

Working Note:

TABLE SHOWING ADJUSTMENT OF EXCESS APPLICATION MONEY TOWARDS ALLOTMENT AND REFUND

Shares Applied	Share Allotted	Application Money Received (₹)	Application Money Due (₹)	Surplus Amount (₹)	Allotment Due (₹)	Adjusted on Allotment (₹)	Refund ₹
3,000	2,000	21,000	14,000 (= 2,000 × ₹ 7)	7,000	6,000	6,000*	1,000

*Excess Application Money ₹ 7,000 > Amount Due on Allotment ₹ 6,000, so ₹ 6,000 will be adjusted on allotment and balance ₹ 1,000 (₹ 7,000 – ₹ 6,000) will be refunded.

20. (*i*) **Calculation of Interest on Capital:**

Total Capital of the New Firm = ₹ 3,00,000

Rakshit's Capital in the New Firm (₹ 3,00,000 × 2/3) = ₹ 2,00,000

Malik's Capital in the New Firm (₹ 3,00,000 × 1/3) = ₹ 1,00,000

Rakshit will bring further capital ₹ 80,000 (₹ 2,00,000 – ₹ 1,20,000) and Malik will bring further capital ₹ 20,000 (₹ 1,00,000 – ₹ 80,000).

CALCULATION OF INTEREST ON CAPITAL

Particulars	Rakshit (₹)	Malik (₹)
A. *Interest on Opening Capital:*		
Rakshit = ₹ 1,20,000 × 6/100	7,200	
Malik = ₹ 80,000 × 6/100		4,800
B. *Interest on Additional Capital:*		
Rakshit = ₹ 80,000 × 4/12 × 6/100	1,600	
Malik = ₹ 20,000 × 4/12 × 6/100		400
	8,800	5,200

(*ii*) JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	On allowing Interest on Capital				
	Interest on Capital A/c	...Dr.		14,000	
	To Rakshit's Capital A/c				8,800
	To Malik's Capital A/c				5,200
	(Interest on capital provided)				
	On Closure of Interest on Capital Account				
	Profit & Loss Appropriation A/c	...Dr.		14,000	
	To Interest on Capital A/c (Rakshit's Capital)				8,800
	To Interest on Capital A/c (Malik's Capital)				5,200
	(Interest on capital transfer to Profit & Loss Appropriation Account)				

21. JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c [₹ 1,500 + ₹ 2,500 (₹ 3,500 – ₹ 1,000)]	...Dr.		**4,000**	
	Securities Premium A/c	...Dr.		1,000	
	To Forfeited Shares A/c				**1,500**
	To Calls-in-Arrears A/c				3,500
	(**500** shares forfeited for non-payment of ₹ **7** per share including premium of ₹ 2 per share)				

	Bank A/c ...Dr.		**2,700**	
	Forfeited Shares A/c ...Dr.		**300**	
	To Share Capital A/c			**3,000**
	(**300** shares reissued at ₹ 9 per share as fully paid)			
	Forfeited Shares A/c ...Dr.		600	
	To Capital Reserve A/c (300 × ₹ 2)			600
	(Forfeiture money transferred to capital reserve)			

Dr. FORFEITED SHARES ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Share Capital A/c	**300**	By Share Capital A/c	1,500
To Capital Reserve A/c	600		
To Balance *c/d*	600		
	1,500		1,500

Working Notes:

1. No. of Forfeited Shares $= \dfrac{\text{Securities Premium}}{\text{Premium per share}} = \dfrac{₹\,1,000}{₹\,2}$ = **500 shares**
2. Amount forfeited per share = ₹ 1,500/500 = ₹ 3
3. Discount on reissue = ₹ 1 per share
4. Gain on reissue = ₹ 3 – ₹ 1 = ₹ 2 per share
5. No. of reissued shares $= \dfrac{\text{Capital Reserve}}{\text{Gain on reissue per share}} = \dfrac{₹\,600}{₹\,2}$ = **300 shares.**

22. JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bad Debts A/c ...Dr.		6,000	
	To Debtors A/c			6,000
	(Bad debts written off)			
	Revaluation A/c ...Dr.		9,000	
	To Bad Debts A/c			6,000
	To Provision for Doubtful Debts A/c			3,000
	(Bad debts and provision transferred to Revaluation Account)			
	P's Capital A/c ...Dr.		4,500	
	Q's Capital A/c ...Dr.		3,000	
	R's Capital A/c ...Dr.		1,500	
	To Revaluation A/c			9,000
	(Loss on revaluation transferred to Partners' Capital Accounts)			
	General Reserve A/c ...Dr.		60,000	
	To *P*'s Capital A/c			30,000
	To *Q*'s Capital A/c			20,000
	To *R*'s Capital A/c			10,000
	(General Reserve credited to Partners' Capital Accounts)			
	P's Current A/c ...Dr.		1,14,900	
	To *P*'s Capital A/c			1,14,900
	(*P*'s Capital Account adjusted)			
	Q's Current A/c ...Dr.		23,400	
	To *Q*'s Capital A/c			23,400
	(*Q*'s Capital Account adjusted)			
	R's Capital A/c ...Dr.		1,38,300	
	To *R*'s Current A/c			1,38,300
	(*R*'s Capital Account adjusted)			

Working Note: *Calculation of Amount Credited/Debited to Partners' Current Accounts:*

	P (₹)	*Q* (₹)	*R* (₹)
Balances of Capital	2,00,000	3,00,000	3,00,000
Add: General Reserve	30,000	20,000	10,000
Less: Loss on Revaluation	(4,500)	(3,000)	(1,500)
Adjusted Capital	2,25,500	3,17,000	3,08,500
Less: Required Capital (as per new profit-sharing ratio) (₹ 8,51,000* in 2 : 2 : 1)	3,40,400	3,40,400	1,70,200
Amount Credited/(Debited) to Current A/cs	(1,14,900)	(23,400)	1,38,300

*Total Capital of New Firm = Combined adjusted capital of all the partners

= ₹ 2,25,500 + ₹ 3,17,000 + ₹ 3,08,500 = ₹ 8,51,000.

Capital of Partners as per New Profit-sharing Ratio

*P's Capital = ₹ 8,51,000 × $\frac{2}{5}$ = ₹ 3,40,400;

Q's Capital = ₹ 8,51,000 × $\frac{2}{5}$ = ₹ 3,40,400

R's Capital = ₹ 8,51,000 × $\frac{1}{5}$ = ₹ 1,70,200.

23. *Dr.* REALISATION ACCOUNT *Cr.*

Particulars		₹	Particulars		₹
To Sundry Assets:			By Provision for Doubtful Debts A/c		20,000
Debtors	1,70,000		By Creditors		95,000
Stock	1,50,000		By Arnab's Brother's Loan A/c		95,000
Investments	2,50,000		By Investment Fluctuation Reserve A/c		50,000
Building	3,00,000	8,70,000	By Bank A/c (Assets Realised):		
To Arnab's Capital A/c (Arnab's Brother Loan)		95,000	Investment	2,00,000	
To Bank A/c (Creditors)		85,500	Building	3,55,000	
To Bank A/c (Contingent Liability)		15,000	Stock	60,000	6,15,000
To Bank A/c (Commission)		5,000	By Ragini's Capital A/c		60,000
To Dhrupad's Capital A/c (Expenses)		3,000	(Stock: ₹ 75,000 – 20% of ₹ 75,000)		
(₹ 8,000 – ₹ 5,000)			By Loss on Realisation transferred to:		
			Arnab's Capital A/c	83,100	
			(₹ 1,38,500 × 3/5)		
			Ragini's Capital A/c	27,700	
			(₹ 1,38,500 × 1/5)		
			Dhrupad's Capital A/c		
			(₹ 1,38,500 × 1/5)	27,700	1,38,500
		10,73,500			10,73,500

24. **In the Books of Shyam Ltd.**

JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	...Dr.		90,000	
	To Equity Shares Application A/c				90,000
	(Shares application money received on 30,000 shares)				
	Equity Shares Application A/c	...Dr.		90,000	
	To Equity Share Capital A/c				60,000
	To Bank A/c				15,000
	To Equity Shares Allotment A/c				15,000
	(Shares allotted and application money adjusted)				
	Equity Shares Allotment A/c	...Dr.		1,60,000	
	To Equity Share Capital A/c				1,40,000
	To Securities Premium A/c				20,000
	(Allotment money due)				
	Bank A/c (WN 1)	...Dr.		1,23,250	
	Calls-in-Arrears A/c (WN 1)	...Dr.		21,750	
	To Equity Shares Allotment A/c				1,45,000
	(Allotment money received except on 3,000 shares)				
	Equity Share Capital A/c	...Dr.		30,000	
	Securities Premium A/c	...Dr.		3,000	
	To Calls-in-Arrears A/c				21,750
	To Share Forfeiture A/c				11,250
	(3,000 shares forfeited for non-payment of allotment money)				
	Bank A/c	...Dr.		8,000	
	Share Forfeiture A/c	...Dr.		2,000	
	To Equity Share Capital A/c				10,000
	(1,000 forfeited shares reissued @ ₹ 8 per share)				
	Share Forfeiture A/c (WN 2)	...Dr.		1,750	
	To Capital Reserve A/c				1,750
	(Gain related to reissued shares transferred to Capital Reserve)				

Dr. SHARE FORFEITURE ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Equity Share Capital A/c	2,000	By Equity Share Capital A/c	11,250
To Capital Reserve A/c	1,750		
To Balance *c/d* (₹ 11,250 × 2,000/3,000)	7,500		
	11,250		11,250

Working Notes:

1. *Calculation of amount received on allotment:*

   Shares allotted to Ramesh = 3,000; Shares applied by Ramesh = $\frac{25,000}{20,000} \times 3,000 = 3,750$.

   Excess application money received from Ramesh = 750 × ₹ 3 = ₹ 2,250.

	₹
Allotment money due from him (3,000 × ₹ 8)	24,000
Less: Excess application money already received	2,250
Allotment Money due but not paid by him	21,750
Total Allotment Money due	1,60,000
Less: Already Adjusted	15,000
	1,45,000
Less: Amount Unpaid by Ramesh	21,750
Net Amount Received	1,23,250

2. *Calculation of Amount to be transferred to Capital Reserve:*

Amount Forfeited on 3,000 shares	11,250
Amount Forfeited on 1,000 shares (₹ 11,250/3,000 × 1,000)	3,750
Less: Loss on Reissue	2,000
Gain on reissue of shares transferred to Capital Reserve	1,750

Or

(*i*) JOURNAL OF FIT INDIA LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2023				
July 1	Bank A/c ...Dr.		1,65,00,000	
	To Debentures Application and Allotment A/c			1,65,00,000
	(Application money received)			
	Debentures Application and Allotment A/c ...Dr.		1,65,00,000	
	Loss on Issue of Debentures A/c ...Dr.		37,50,000	
	To 7% Debentures A/c			1,50,00,000
	To Securities Premium A/c			15,00,000
	To Premium on Redemption of Debentures A/c			37,50,000
	(75,000*, 7% Debentures of ₹ 200 each redeemable at 25% premium allotted)			
2024				
March 31	Securities Premium A/c ...Dr.		25,00,000	
	Statement of Profit & Loss (Finance Cost) ...Dr.		12,50,000	
	To Loss on Issue of Debentures A/c			37,50,000
	(Loss on issue of debentures written off)			

*No of Debentures to be issued = ₹ 1,65,00,000/₹ 220 = 75,000 Debentures.

(*ii*)

Dr. LOSS ON ISSUE OF DEBENTURES ACCOUNT *Cr.*

Date	Particulars	₹	Date	Particulars	₹
2023			2024		
July 1	To 7% Debentures A/c	37,50,000	March 31	By Securities Premium A/c	25,00,000
				By Statement of Profit & Loss (Finance Cost)	12,50,000
		37,50,000			37,50,000

(*iii*) JOURNAL ENTRIES (FOR INTEREST ON DEBENTURES)

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2023					
Sept. 30	Interest on Debentures A/c	...Dr.		3,32,500	
	To Debentureholders A/c				3,32,500
	(Debenture interest payable on 10,000, 7% Debentures of ₹ 200 each for 6 months and 75,000, 7% Debentures for 3 months))				
	Debentureholders A/c	...Dr.		3,32,500	
	To Bank A/c				3,32,500
	(Interest paid to debentureholders)				
2024					
March 31	Interest on Debentures A/c	...Dr.		5,95,000	
	To Debentureholders A/c				5,95,000
	(Debenture interest payable on 85,000, 7% Debentures of ₹ 200 each for 6 months)				
	Debentureholders A/c	...Dr.		5,95,000	
	To Bank A/c				5,95,000
	(Interest paid to debentureholders)				
	Statement of Profit & Loss (Finance Cost)	...Dr.		9,27,500	
	To Interest on Debentures A/c				9,27,500
	(Interest on debentures transferred to Statement of Profit & Loss)				

25.

(*a*) *Dr.* REVALUATION ACCOUNT *Cr.*

Particulars	₹	Particulars		₹
To Stock A/c	5,000	By Loss on Revaluation transferred to:		
To Furniture A/c	1,000	Ram's Capital A/c	9,000	
To Machinery A/c	6,000	Mohan's Capital A/c	6,000	15,000
To Provision for Doubtful Debts A/c	3,000			
	15,000			15,000

(*b*) *Dr.* PARTNERS' CAPITAL ACCOUNTS *Cr.*

Particulars	Ram ₹	Mohan ₹	Sohan ₹	Particulars	Ram ₹	Mohan ₹	Sohan ₹
To Revaluation A/c (Loss)	9,000	6,000	...	By Balance *b/d*	1,35,000	1,25,000	...
To Balance *c/d*	1,62,000	1,43,000	1,52,500	By Reserves	18,000	12,000	...
				By Premium for Goodwill A/c	18,000	12,000	...
				By Bank A/c (Note)	...	...	1,52,500
	1,71,000	1,49,000	1,52,500		1,71,000	1,49,000	1,52,500

Note: *Calculation of Sohan's Capital:*

Combined capital of Ram and Mohan (after all adjustments) for 2/3 share = 1,62,000 + 1,43,000 = ₹ 3,05,000.

It means, firm's total capital = ₹ 3,05,000 × 3/2 = ₹ 4,57,500. Sohan's share of capital = ₹ 4,57,500 × 1/3 = ₹ 1,52,500.

Or

(*a*) *Dr.* REVALUATION ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Fixed Assets A/c	2,500	By Creditors A/c	2,000
To Provision for Doubtful Debts A/c	5,000	By Loss transferred to:	
		Aruna's Capital A/c (₹ 5,500 × 5/10)	2,750
		Karuna's Capital A/c (₹ 5,500 × 3/10)	1,650
		Varuna's Capital A/c (₹ 5,500 × 2/10)	1,100
	7,500		7,500

(*b*) *Dr.* PARTNERS' CAPITAL ACCOUNTS *Cr.*

Particulars	Aruna ₹	Karuna ₹	Varuna ₹	Particulars	Aruna ₹	Karuna ₹	Varuna ₹
To Goodwill A/c	25,000	15,000	10,000	By Balance *b/d*	1,07,500	1,02,500	60,000
To Revaluation A/c (Loss)	2,750	1,650	1,100	By Karuna's Capital A/c	8,000	...	...
To Aruna's Capital A/c	...	8,000	32,000	(Goodwill)			
(Adjustment of Goodwill)				By Varuna's Capital A/c	32,000	...	...
To Bank A/c (Bal. Fig.)	1,19,750	...	...	(Goodwill)			
To Balance *c/d* (WN 3 and 4)	...	79,000	1,18,500	By Bank A/c (Bal. Fig.)	...	1,150	1,01,600
	1,47,500	1,03,650	1,61,600		1,47,500	1,03,650	1,61,600

Working Notes:

1. Gain/(Sacrifice) = New Share – Old Share
   Karuna's Gain = 2/5 – 3/10 = 1/10; Varuna's Gain = 3/5 – 2/10 = 4/10; Gaining Ratio = 1 : 4.
2. Aruna's share of goodwill = ₹ 80,000 × 5/10 = ₹ 40,000 to be contributed by gaining partners in the gaining ratio, *i.e.*, 1 : 4.
   Karuna's contribution = ₹ 40,000 × 1/5 = ₹ 8,000 and Varuna's contribution = ₹ 40,000 × 4/5 = ₹ 32,000.
3. *Calculation of Total Capital of New Firm after Aruna's retirement:*

	₹
Amount payable to Aruna	1,19,750
Adjusted old capital of Karuna (₹ 1,02,500 – ₹ 15,000 – ₹ 1,650 – ₹ 8,000)	77,850
Adjusted old capital of Varuna (₹ 60,000 – ₹ 10,000 – ₹ 1,100 – ₹ 32,000)	16,900
Bank balance required in new firm	15,000
Existing bank balance [₹ 40,000 – ₹ 8,000 (claim of creditors settled)]	(32,000)
Total capital of new firm	1,97,500

4. Karuna's capital in new firm = ₹ 1,97,500 × 2/5 = ₹ 79,000
   Varuna's capital in new firm = ₹ 1,97,500 × 3/5 = ₹ 1,18,500.

26. **I.** (*a*) ₹ 20,00,000 (2,00,000 Equity Shares of ₹ 10 each).

Note: *Authorised Capital* or *Nominal Capital* or *Registered Capital*.

II. (*c*) ₹ 1,300.

III. (*d*) ₹ 600.

IV. (*b*) ₹ 3,78,100.

V. (*a*) ₹ 4,100.

VI. (*b*) ₹ 4,100.

Note: When the forfeited shares are reissued at par or at premium, then the entire amount forfeited on such shares is a *capital gain* and is transferred to *Capital Reserve Account*.

Working Notes:

For II, III, IV, V and VI

II. *Money due from Mohan on First and Final Call:*

No. of applied shares = $\frac{80,000}{60,000} \times 300$	=	400 shares
Money paid on money application (400 × ₹ 8)	=	₹ 3,200
Less: Amount adjusted on Application and Allotment (300 × ₹ 8)	=	₹ 2,400
Excess application money adjusted on call	=	₹ 800
Money due on first and final call (300 × ₹ 7)	=	₹ 2,100
Less: Excess application money adjusted	=	₹ 800
Money not paid by Mohan	=	₹ 1,300

III. *Money due from Sohan on First and Final Call:*

No. of applied shares = $\frac{60,000}{40,000} \times 200$	=	300 shares
Money paid on application (300 × ₹ 8)	=	₹ 2,400
Less: Amount adjusted on Application and Allotment (200 × ₹ 8)	=	₹ 1,600
Excess application money adjusted on call	=	₹ 800
Money due on first call (200 × ₹ 7)	=	₹ 1,400
Less: Excess application money adjusted	=	₹ 800
Money not paid by Sohan	=	₹ 600

IV. *Amount received on First and Final Call:*

Total amount due on First and Final Call		₹ 7,00,000
Less: Excess Application money adjusted (40,000 × ₹ 8)		₹ 3,20,000
		₹ 3,80,000
Less: Call money not paid by:		
Mohan (II)	₹ 1,300	
Sohan (III)	₹ 600	₹ 1,900
First and Final Call money received		₹ 3,78,100

V. *Amount Forfeited:*

Mohan paid (II)	₹ 3,200
Sohan paid (III)	₹ 2,400
	₹ 5,600
Less: Premium on 500 shares @ ₹ 3 per share	₹ 1,500
Forfeited amount on 500 shares	₹ 4,100

VI. In the given case, shares are reissued at premium. So, the entire amount forfeited on such shares, *i.e.*, ₹ 4,100 is a capital gain and is transferred to Capital Reserve.

Part B

27. (*a*) Comparative Statement.

Or

(*d*) The ratio will increase to 0.89 : 1.

Working Note:

Current Ratio = 0.8 : 1

Let Current Assets = ₹ 80,000; Current Liabilities = ₹ 1,00,000

After increase in Current Assets = ₹ 80,000 + ₹ 45,000 = ₹ 1,25,000

After increase in Current Liabilities = ₹ 1,00,000 + ₹ 40,000 = ₹ 1,40,000

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}} = \frac{₹\,1,25,000}{₹\,1,40,000} = \mathbf{0.89 : 1.}$$

28. (*b*) 15%.

Working Note:

Operating Profit Ratio = 100 – Operating Ratio = 100 – 90 = 10%

Operating Profit = ₹ 10,00,000 × 10% = ₹ 1,00,000

Net Profit = Operating Profit + Non-operating Income – Non-Operating Expenses
= ₹ 1,00,000 + ₹ 55,000 – ₹ 5,000 = ₹ 1,50,000

$$\text{Net Profit Ratio} = \frac{\text{Net Profit}}{\text{Revenue from Operations}} \times 100$$

$$= \frac{₹\,1,50,000}{₹\,10,00,000} \times 100 = 15\%.$$

29. (*c*) Statement I is correct but Statement II is incorrect.

Reason: Cash Equivalents are held for the purpose of meeting short-term cash commitments rather than for Investment or Other purpose.

Or

(*a*) 3, 2, 1.

30. (*b*) ₹ 22,000 (₹ 1,00,000 – ₹ 78,000 = ₹ 22,000).

Dr. FURNITURE ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Balance *b/d*	3,00,000	By Depreciation A/c	12,000
To Bank A/c (Purchases)	1,00,000	By Statement of Profit & Loss (Loss)	10,000
		By Bank A/c (Sales) (Balancing Figure)	**78,000**
		By Balance *c/d*	3,00,000
	4,00,000		4,00,000

31. **Sun Ltd.**

COMMON-SIZE STATEMENT OF PROFIT & LOSS *for the years ended 31st March, 2023 and 2024*

Particulars	Note No.	Absolute Amounts		Percentage of Revenue from Operations (Net Sales)	
		31st March, 2023 (₹)	31st March, 2024 (₹)	31st March, 2023 (₹)	31st March, 2022 (₹)
I. Revenue from Operations		20,00,000	30,00,000	100.00	100.00
II. *Add:* Other Income		4,00,000	3,60,000	20.00	12.00
III. **Total Revenue (I + II)**		24,00,000	33,60,000	120.00	112.00
IV. *Less:* Expense		10,00,000	12,00,000	50.00	40.00
V. **Profit before Tax (III – IV)**		14,00,000	21,60,000	70.00	72.00
VI. Income Tax		5,60,000	10,80,000	28.00	36.00
VII. **Profit after Tax (V – VI)**		8,40,000	10,80,000	42.00	36.00

32.

Item	Major Head	Sub-head (If any)
(*i*) Building under Construction	Non-current Assets	Property, Plant and Equipment and Intangible Assets—Capital Work-in-Progress.
(*ii*) Mining Rights	Non-current Assets	Property, Plant and Equipment and Intangible Assets—Intangible Assets.
(*iii*) Trade Payables	Current Liabilities	...
(*iv*) Interest Accrued and Due on Debentures	Current Liabilities	Other Current Liabilities.
(*v*) Advance receivable after the Operating Cycle	Non-current Assets	Long-term Loans & Advances.
(*vi*) Investment in Property	Non-current Assets	Non-current Investments

33. (*i*) $\text{Debt-Equity Ratio} = \dfrac{\text{Debt}}{\text{Equity}} = \dfrac{₹\ 2,00,000}{₹\ 80,000} = \mathbf{2.5 : 1}.$

$$\text{Quick Ratio} = \frac{\text{Quick Assets}}{\text{Current Liabilities}} = 2$$

$$\text{Quick Assets} = 2\ \text{Current Liabilities}$$

$$\text{Working Capital} = (\text{Quick Assets} + \text{Inventories}) - \text{Current Liabilities}$$

$$(\because\ \text{Current Assets} = \text{Quick Assets} + \text{Inventories})$$

$$₹\ 2,00,000 = 2\ \text{Current Liabilities} + ₹\ 1,00,000\ (\text{Inventories}) - \text{Current Liabilities}$$

$$\text{Current Liabilities} = ₹\ 1,00,000$$

$$\text{Debt} = \text{Total Debt} - \text{Current Liabilities}$$

$$= ₹\ 3,00,000 - ₹\ 1,00,000 = ₹\ 2,00,000$$

$$\text{Equity} = \text{Total Assets} - \text{Total Debt}$$

$$= ₹\ 3,80,000 - ₹\ 3,00,000 = ₹\ 80,000$$

(*ii*) Working Capital Turnover Ratio = $\dfrac{\text{Revenue from Operations}}{\text{Working Capital}}$

$$= \frac{₹\ 25{,}00{,}000}{₹\ 5{,}00{,}000} = \textbf{5 Times}.$$

Working Notes:

1. Let the Cost = ₹ 100; Gross Profit = ₹ 25, Sales = ₹ 100 + ₹ 25 = ₹ 125

When Gross Profit is ₹ 25, Sales = ₹ 125

When Gross Profit is ₹ 5,00,000, Sales = ₹ 5,00,000 × ₹ 125/₹ 25

Revenue from Operations or Sales = ₹ 25,00,000.

2. Working Capital = Capital Employed – Non-current Assets

Or

(Equity Share Capital + Reserves and Surplus + Long-term Loan)– Non-current Assets

= ₹ 10,00,000 + ₹ 2,00,000 + ₹ 3,00,000 – ₹ 10,00,000 = ₹ 5,00,000.

Or

(*i*) Operating Ratio = $\dfrac{\text{Operating Cost}}{\text{Revenue from Operations}} \times 100$

$$= \frac{₹\ 4{,}20{,}000}{₹\ 6{,}00{,}000} \times 100 = \textbf{70\%}.$$

Operating Cost = Cost of Revenue from Operations + Operating Expenses

= ₹ 3,90,000 + ₹ 27,000 + ₹ 3,000 = ₹ 4,20,000

(*ii*) Return on Investment = $\dfrac{\text{Net Profit before Interest and Tax}}{\text{Capital Employed}} \times 100$

$$= \frac{₹\ 1{,}65{,}000}{₹\ 8{,}00{,}000} \times 100 = \textbf{20.63}\%.$$

Working Notes:

1. *Calculation of Net Profit before Interest and Tax:*

	₹
Profit after Interest and Tax (Given)	1,00,000
Profit after Interest but before Tax (₹ 1,00,000 × 100/80)	1,25,000
Add: Interest on Long-term Debt (10% of ₹ 4,00,000)	40,000
Net Profit before Interest and Tax	1,65,000

2. Capital Employed = Current Assets + Fixed Assets – Current Liabilities

= ₹ 4,00,000 + ₹ 6,00,000 – ₹ 2,00,000 = ₹ 8,00,000.

34.

Particulars	₹	₹
I. Cash Flow from Operating Activities		
Net Profit before Tax and Extra-ordinary Items:		
Profit as per Statement of Profit & Loss (₹ 6,50,000 – ₹ 6,00,000)		50,000
Add: Transfer to General Reserve	50,000	
Interim Dividend	20,000	
Provision for Tax (WN 3)	70,000	
Dividend Paid (Proposed Dividend of Previous Year)	20,000	1,60,000
Net Profit before Tax and Extraordinary Items		2,10,000
Add: Non-cash/Non-operating Expenses:		
Goodwill amortised	50,000	
Loss on Sale of Furniture	10,000	
Interest on Debentures	15,000	
Depreciation on Furniture (WN 2)	65,000	1,40,000
Operating Profit before Working Capital Changes		3,50,000
Add: Decrease in Current Assets and Increase in Current Liabilities:		
Trade Receivables	15,000	
Inventories	25,000	
Outstanding Expenses	10,000	50,000
		4,00,000
Less: Increase in Current Assets and Decrease in Current Liabilities:		
Prepaid Expenses	10,000	
Trade Payables	20,000	30,000
Cash Generated from Operations		3,70,000
Less: Tax Paid		45,000
Cash Flow from Operating Activities		3,25,000
II. Cash Flow from Financing Activities		
Proceeds from Issue of 10% Debentures		50,000
Proceeds from Issue of Shares		10,00,000
Interim Dividend Paid		(20,000)
Interest on Debentures Paid		(15,000)
Dividend Paid (Proposed Dividend of Previous Year)		(20,000)
Cash Flow from Financing Activities		9,95,000

Working Notes:

1. *Dr.* FURNITURE ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Balance *b/d*	8,00,000	By Bank A/c (Sale)	1,25,000
		By Loss on Sale of Furniture A/c (Statement of Profit & Loss)	10,000
		By Depreciation A/c (Balancing Figure)	**65,000**
		By Balance *c/d*	6,00,000
	8,00,000		8,00,000

2. *Dr.* PROVISION FOR TAX ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Bank A/c (Tax Paid)	45,000	By Balance *b/d*	50,000
To Balance *c/d*	75,000	By Statement of Profit & Loss (Bal. Fig.) (Provision Made)	**70,000**
	1,20,000		1,20,000

❑❑❑❑

ANSWERS (MTP 10)

Part A

1. (*b*) 8 : 7.

Working Note:

New Profit Share of Remaining Partner = Old Profit Share – Profit Share acquired

$$\text{Profit Share taken by Mita} = \frac{1}{6} \times \frac{1}{5} = \frac{1}{30}$$

$$\text{Profit Share taken by Veena} = \frac{1}{6} \times \frac{4}{5} = \frac{4}{30}$$

$$\text{Mita's New Profit Share} = \frac{3}{6} + \frac{1}{30} = \frac{15+1}{30} = \frac{16}{30}$$

$$\text{Veena's New Profit Share} = \frac{2}{6} + \frac{4}{30} = \frac{10+4}{30} = \frac{14}{30}$$

New Profit-sharing Ratio between Mita and Veena = $\frac{16}{30} : \frac{14}{30}$ or 16 : 14 or 8 : 7.

2. (*b*) *P*'s Current A/c ...Dr. ₹ 3,000

To *Q*'s Current A/c ₹ 2,000

To *R*'s Current A/c ₹ 1,000

Working Note: ADJUSTMENT TABLE

Particulars		*P* (₹)	*Q* (₹)	*R* (₹)	Total (₹)
I. Interest on Capital already credited 10%, now cancelled	(Dr.)	20,000	10,000	5,000	35,000
II. *Amount that should be credited by way of:*					
Interest on Capital		10,000	5,000	2,500	17,500
Share of Profit (₹ 35,000 – ₹ 17,500) 2 : 2 : 1		7,000	7,000	3,500	17,500
		17,000	12,000	6,000	35,000
III. Difference (I – II)		(3,000)	2,000	1,000	...

3. (*b*) Both Assertion (A) and Reason (R) are correct, but Reason (R) is not the correct explanation of Assertion (A).

4. (*d*) ₹ 900.

Working Note:	₹
Forfeited amount = 300 × ₹ 4	1,200
Less: Discount on reissue = 300 × ₹ 1	300
Gain on reissue transferred to Capital Reserve	900

Or

(*c*) ₹ 12,00,000.

Working Note:

Loss on Issue of Debentures = ₹ 1,00,00,000 × $\frac{15}{100}$	₹ 15,00,000
Less: Securities Premium A/c balance after bonus issue = ₹ 4,00,000 – ₹ 1,00,000	₹ 3,00,000
Loss on Issue of Debentures to be transferred to the debit of Statement of Profit & Loss	₹ 12,00,000

5. (*c*) ₹ 92,000.

Working Note:	₹
Investment Fluctuation Reserve	5,000
Shortage debited to Revaluation A/c	3,000
Fall in the book value of investment	8,000

Market value of investment = ₹ 1,00,000 – ₹ 8,000 = ₹ 92,000.

6. (*c*) ₹ 5,500; ₹ 4,500.

Working Note:

Piyush's commission = ₹ 55,000 × $\frac{10}{100}$ = ₹ 5,500.

Deepika's commission = $\frac{10}{110}$ (₹ 55,000 – ₹ 5,500) = ₹ 4,500.

7. (*a*) debited, Goodwill.

Or

(*b*) 10,000.

Working Note:

No. of debentures issued = $\frac{\text{Purchase consideration}}{\text{Issue price per debenture}}$

= $\frac{₹\ 9{,}00{,}000}{₹\ 90}$ = 10,000 Debentures.

8. (*d*) Both Assertion (A) and Reason (R) are correct, and Reason (R) is the correct explanation of Assertion (A).

9. (*a*) ₹ 1,00,000.

Working Note:	₹	₹
Balance of Capital Account		2,01,000
Less: Investment taken over	58,000	
Transferred to Loan	1,23,000	1,81,000
Debtors taken over		20,000

Total value of the debtors = ₹ 20,000 × $\frac{100}{20}$ = ₹ 1,00,000.

Or

(*b*) ₹ 50,000.

Working Note:

C gets 1/10th share. *A* and *B* get 9/10th share which they will share in the ratio of 5 : 4.
The future profit sharing-ratio is 5 : 4 : 1.
If ₹ 10,000 is for 1/10th share, then for 5/10th share it will be ₹ 50,000.

10. (*d*) 1 : 1 : 1.

Working Note:

$$\text{Firm's Goodwill} = (₹\,9000 + ₹\,6{,}000) \times 3/1 = ₹\,45{,}000$$

$$\text{Kirti's Gain} = \frac{₹\,3{,}750}{₹\,45{,}000} = \frac{1}{12}$$

$$\text{Charu's Sacrifice} = \frac{₹\,18{,}750}{₹\,45{,}000} = \frac{5}{12}$$

Let the total profit = 1, Divya's profit share = 1/3

$$\text{Kirti's New Profit Share} = \frac{1}{4} + \frac{1}{12} = \frac{4}{12}$$

$$\text{Charu's New Profit Share} = \frac{3}{4} - \frac{5}{12} = \frac{9-5}{12} = \frac{4}{12}$$

New Profit-sharing Ratio of Charu, Kirti and Divya = $\frac{4}{12} : \frac{4}{12} : \frac{1}{3}$ = 4 : 4 : 4 or 1 : 1 : 1.

11. (*b*) Both Assertion (A) and Reason (R) are correct, but Reason (R) is not the correct explanation of Assertion (A).

12. (*c*) (*ii*), (*i*), (*iii*), (*iv*).

13. (*b*) ₹ 20,000.

Working Note:

Amount per share is ₹ 6. Unpaid amount per share is ₹ 4. Hence, minimum amount at which each shares can be reissued is ₹ 4.

Minimum price at which 5,000 shares can be issued = 5,000 × ₹ 4 = ₹ 20,000.

14. (*c*) ₹ 7,500.

Working Note:

Capital of new firm on the basis of Shiv's capital = ₹ 35,000 × 10/2 = ₹ 1,75,000

Ramesh's capital in the new firm = ₹ 1,75,000 × 3/10 = ₹ 52,500

Surplus capital paid to Suresh = ₹ 60,000 – ₹ 52,500 = ₹ 7,500.

15. (*b*) ₹ 5,000 per quarter.

Working Note:

$$\text{Interest on Drawings} = \text{Total Drawings} \times \frac{\text{Rate of Interest}}{100} \times \frac{\text{Average Period*}}{12}$$

$$₹\,900 = \text{Total Drawings} \times \frac{12}{100} \times \frac{4.5}{12}$$

4.5 Total Drawings = 900 × 100 = ₹ 90,000

Total Drawings = ₹ 90,000/4.5 = ₹ 20,000

Drawings per quarter = ₹ 20,000/4 = ₹ 5,000

$$\text{*Average Period} = \frac{\text{Months Left after fist Drawing + Months Left after last Drawing}}{2}$$

$$= \frac{9+0}{2} = 4.5 \text{ Months.}$$

Or

(*d*) ₹ 2,00,000.

Working Note:

Capital Employed = ₹ 7,50,000 – ₹ 50,000 = ₹ 7,00,000

Normal Profit = 20% of ₹ 7,00,000 = ₹ 1,40,000

Goodwill = ₹ 2,40,000

Super Profit = ₹ 2,40,000/4 = ₹ 60,000

Average Profit = Normal Profit + Super Profit

= ₹ 1,40,000 + ₹ 60,000 = ₹ 2,00,000.

16. (*b*) ₹ 1,33,750.

Working Note:

Book Value of creditors	=	₹ 5,00,000
Cash paid to 75% of creditors	=	₹ 15,000
Cash paid to remaining creditors (₹ 1,25,000 – 5% of ₹ 1,25,000)	=	₹ 1,18,750
Bank A/c will be credited in the Realisation Account	=	₹ 1,33,750

Or

(*c*)

		₹	₹
Realisation A/c	...Dr.	50,000	
To Bank A/c			25,000
To Rajesh's Capital A/c			25,000

Note: The question does not specify who is to bear Realisation Expenses. It means firm is to bear the expenses.

17. (*a*) Amount agreed to be paid to *B* = ₹ 92,800 + ₹ 7,200 = ₹ **1,00,000**

(*b*) *Calculation of New Profit-sharing Ratio of A and C:*

Gaining Ratio of *A* and *C* = 3,900 : 3,300 or 13 : 11.

New Profit Share = Old Profit Share + Profit Share Gained

$$A\text{'s New Profit Share} = \frac{4}{9} + \left[\frac{13}{24} \times \frac{3}{9}\right] = \frac{5}{8}$$

$$C\text{'s New Profit Share} = \frac{2}{9} + \left[\frac{11}{24} \times \frac{3}{9}\right] = \frac{3}{8}$$

New Profit-sharing Ratio of *A* and *C* = $\frac{5}{8} : \frac{3}{8}$ or 5 : 3.

18. Capital Employed of the Firm = ₹ 1,50,000 + ₹ 10,000 (Reserve) = ₹ 1,60,000

Normal Profit = ₹ 1,60,000 × 10/100 = ₹ 16,000

Average Profit = ₹ 30,000

Super Profit = Average Profit – Normal Profit

= ₹ 30,000 – ₹ 16,000 = ₹ 14,000

Value of Firm's Goodwill = Super Profit × 4

= ₹ 14,000 × 4 = ₹ 56,000

Shiv's Share of Goodwill = ₹ 56,000/4 = ₹ 14,000.

JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	...Dr.		14,000	
	To Premium for Goodwill A/c				14,000
	(Amount of Goodwill brought in by Shiv)				
	Premium for Goodwill A/c	...Dr.		14,000	
	To Atal's Capital A/c				8,400
	To Madan's Capital A/c				5,600
	(Goodwill credited to sacrificing partners' capital accounts in their sacrificing ratio *i.e.* 3 : 2)				

Or

JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Vrinda's Capital A/c (WN 1 and 2)	...Dr.		60,000	
	To Shyam's Capital A/c				60,000
	(Amount of Goodwill totally contributed by Vrinda)				
	Vrinda's Capital A/c (WN 3 and 4)	...Dr.		18,750	
	To Shyam's Capital A/c				18,750
	(Shyam's share of profit till the date of his death adjusted by debiting gaining partner *i.e.* Vrinda)				

Working Notes:

1. *Calculation of Gaining Ratio :*

   Ram's Gaining Share = New Profit Share – Old Profit Share = $\frac{1}{2}-\frac{4}{8}$ = Nil

   Since, Ram is not gaining it means Vrinda is the only gaining partner.

2. Firm's Goodwill = 50% of (₹ 1,20,000 + ₹ 80,000 + ₹ 40,000 + ₹ 80,000) = ₹ 1,60,000

   Shyam's share in Goodwill = 3/8 × ₹ 1,60,000 = ₹ 60,000

3. Calculation of his share of profit up to 1st February, 2024 = $\frac{₹\,[40,000+80,000]}{2}\times\frac{3}{8}\times\frac{10}{12}$ = ₹ 18,750.

4. In case the new profit sharing ratio of continuing partners (in the question equally) differs from their old profit sharing ratio (4 : 3 : 1), Outgoing partner's share of profits is adjusted through *Capital account of gaining partner*.

19. JOURNAL OF *MM* LTD.

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c (1,000 × ₹ 9)	...Dr.		**9,000**	
	Securities Premium A/c (WN 1 and 2)	...Dr.		**1,000**	
	To Share Forfeiture A/c				**6,000**
	To Calls-in-Arrears A/c				4,000
	(Forfeiture of 1,000 shares allotted to a shareholder who had applied for 2,000 shares, for non-payment of allotment and first call) (WN 1 and 2)				

	Bank A/c (600 × ₹ 7) ...Dr.		**4,200**	
	Share Forfeiture A/c (600 × ₹ 2) ...Dr.		**1,200**	
	To Share Capital A/c			**5,400**
	(**600** forfeited shares reissued at ₹ 7 per share as ₹ 9 paid-up) (WN 3)			
	Share Forfeiture A/c ...Dr.		2,400	
	To Capital Reserve A/c			2,400
	(Net gain on reissued shares transferred to Capital Reserve)			

Working Notes:

1. Excess Application money = (2,000 – 1,000) × ₹ 5 = ₹ 5,000
2. *Excess Application money adjusted on Allotment* :

   Towards Share Capital (1,000 × ₹ 1) = ₹ 1,000

   Towards Securities Premium (₹ 5,000 – ₹ 1,000) = ₹ 4,000

   ₹ 5,000

   Securities Premium not received = [(1,000 × ₹ 5) – ₹ 4,000] = ₹ 1,000.
3. *Calculation of No. of Forfeited Shares reissued:*

   (*a*) Amount forfeited per share = Amount of Share forfeiture/No. of Shares forfeited

   = ₹ 6,000/1,000 = ₹ 6 per share.

   (*b*) Discount on reissue = ₹ 2 per share.

   (*c*) Gain on reissue per share = ₹ 6 – ₹ 2 = ₹ 4.

   (*d*) No. of reissued shares = Capital Reserve/Gain on reissue per share

   = ₹ 2,400/₹ 4 = 600 shares.

Or

(*a*) JOURNAL OF LUXOR PENS LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2023				
Oct. 1	Effective Pens ...Dr.		6,30,000	
	Discount on Issue of Debentures A/c ...Dr.		70,000	
	To 10% Debentures A/c			7,00,000
	(7,000; 10% Debentures of ₹ 100 each issued at a discount of 10%)			
	Bank A/c ...Dr.		5,00,000	
	To Debentures Application and Allotment A/c			5,00,000
	(Application money received)			
	Debentures Application and Allotment A/c ...Dr.		5,00,000	
	Loss on Issue of Debentures A/c ...Dr.		25,000	
	To 10% Debentures A/c			5,00,000
	To Premium on Redemption of Debentures A/c			25,000
	(5,000, 10% Debentures issued at par and redeemable at 5% premium)			
	Statement of Profit & Loss (Finance Cost) ...Dr.		25,000	
	To Loss on Issue of Debentures A/c			25,000
	(Loss on Issue of Debentures written off)			

(*b*) Debentures issued to Effective Pens will be shown under the Main Head: Non-current Liabilities and sub-head: Long-term Borrowings.

Debentures issued to public will be shown under the Main Head: Current Liabilities and sub-head: Short-term Borrowings.

20. JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2024				
April 1	Esha's Capital A/c ...Dr.		6,250	
	Manav's Capital A/c ...Dr.		300	
	To Daman's Capital A/c			6,550
	(Interest on capital and interest on drawings omitted, now adjusted)			

Working Notes:

1. *Calculation of Opening Capital and Interest on Capital:*

Particulars	Esha (₹)	Manav (₹)	Daman (₹)
Closing Capital	3,20,000	2,40,000	1,60,000
Add: Drawings	48,000	48,000	60,000
	3,68,000	2,88,000	2,20,000
Less: Profit (₹ 90,000 on the ratio of 3 : 2 : 1)	45,000	30,000	15,000
Opening Capital	3,23,000	2,58,000	2,05,000
Interest on Capital @ 10% p.a.	32,300	25,800	20,500

2. *Calculation of Interest on Drawings:*

Interest on Drawings of Esha and Manav = ₹ 48,000 × 6/12 × 5/100 = ₹ 1,200 each

Interest on Drawings of Daman = ₹ 60,000 × 5/100 × 6/12 = ₹ 1,500

Daman's exact date of drawings is not given so interest will be charged for 6 months.

ADJUSTMENT TABLE

Particulars	Esha (₹)	Manav (₹)	Daman (₹)	Total (₹)
I. Share of profit already credited Dr.	45,000	30,000	15,000	90,000
II. Amount which should have been credited:				
Interest on Capital	32,300	25,800	20,500	78,600
Interest on Drawings	(1,200)	(1,200)	(1,500)	(3,900)
Share of profit (3 : 2 : 1) (₹ 90,000 – ₹ 78,600 + ₹ 3,900 = ₹ 15,300)	7,650	5,100	2,550	15,300
Cr.	38,750	29,700	21,550	90,000
III. Difference (I – II)	6,250 Dr.	300 Dr.	6,550 Cr.	...

21. BALANCE SHEET OF (AN EXTRACT) AYUR LTD.

as at ...

Particulars	Note No.	Current Year ₹	Previous Year ₹
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
Share Capital	1	42,97,000	

Note to Accounts

Particulars	₹
1. Share Capital	
Authorised Capital	
8,00,000 Equity Shares of ₹ 10 each	80,00,000
Issued Capital	
6,30,000 Equity Shares of ₹ 10 each	63,00,000
Subscribed Capital	
Subscribed and Fully Paid-up	
30,000 Equity Shares of ₹ 10 each (Out of these, 10,000 shares were issued for consideration other than cash)	3,00,000
Subscribed but not fully paid	
4,99,000 Equity Shares of ₹ 10 each, ₹ 8 called and paid-up	39,92,000
Forfeited Share Account (1,000 × ₹ 5)	5,000
	42,97,000

22. *Dr.* REVALUATION ACCOUNT *Cr.*

Particulars		₹	Particulars	₹
To Stock A/c		50,000	By Land and Building A/c (Balancing Figure)	**2,00,000**
To Profit transferred to:				
A's Capital A/c	1,00,000			
B's Capital A/c	**50,000**	**1,50,000**		
		2,00,000		**2,00,000**

Dr. CAPITAL ACCOUNTS *Cr.*

Particulars	*X* (₹)	*Y* (₹)	*Z* (₹)	Particulars	*X* (₹)	*Y* (₹)	*Z* (₹)
To Balance *c/d*	**8,60,000**	**5,90,000**	**3,00,000**	By Balance *b/d*	7,00,000	5,00,000	
				By Revaluation A/c	1,00,000	**50,000**	
				By Bank A/c			**3,00,000**
				By Premium for Goodwill A/c	60,000	**40,000**	
	8,60,000	**5,90,000**	**3,00,000**		**8,60,000**	**5,90,000**	3,00,000

BALANCE SHEET OF NEW FIRM

Liabilities		₹	Assets	₹
Creditors		2,00,000	Bank (WN)	**4,20,000**
Capitals:			Debtors	**1,60,000**
X	**8,60,000**		Stock	**1,50,000**
Y	**5,90,000**		Land and Building	**7,00,000**
Z	**3,00,000**	**17,50,000**	Machinery	**5,20,000**
		19,50,000		**19,50,000**

Working Note: *Calculation of Bank Balance:*

	₹
Opening Balance	20,000
Capital Contributed by *Z*	3,00,000
Goodwill brought by *Z*	1,00,000
	4,20,000

23. JOURNAL OF KENT LTD.

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c (1,40,000 × ₹ 5)	...Dr.		7,00,000	
	To Shares Application A/c				7,00,000
	(Application money received on 1,40,000 shares @ ₹ 5 per share)				
	Shares Application A/c	...Dr.		7,00,000	
	To Share Capital A/c (80,000 × ₹ 5)				4,00,000
	To Shares Allotment A/c (WN 1)				2,80,000
	To Bank A/c (WN 1)				20,000
	(Share application money adjusted and surplus refunded)				
	Shares Allotment A/c (80,000 × ₹ 9)	...Dr.		7,20,000	
	To Share Capital A/c (80,000 × ₹ 5)				4,00,000
	To Securities Premium A/c (80,000 × ₹ 4)				3,20,000
	(Allotment money due)				
	Bank A/c (₹ 4,40,000 – ₹ 6,600)	...Dr.		4,33,400	
	Calls-in-Arrears A/c (WN 2)	...Dr.		6,600	
	To Shares Allotment A/c				4,40,000
	(Allotment money received except for 900 shares of Rajiv)				
	Share Capital A/c (900 × ₹ 10)	...Dr.		9,000	
	Securities Premium A/c (900 × ₹ 4)	...Dr.		3,600	
	To Forfeited Shares A/c (1,200 × ₹ 5)				6,000
	To Calls-in-Arrears A/c (WN 2)				6,600
	(900 shares forfeited for non-payment of allotment money)				

Working Notes:

1. *Table showing Excess Application Money to be adjusted towards allotment and surplus to be refunded:*

Category	Shares Applied 1	Shares Allotted 2	Application Money Received 3 (1 × ₹ 5)	Transfer to Share Capital (₹) 4 (2 × ₹ 5)	Excess Application Money (₹) 5 (3 – 4)	Allotment Due (₹) 6 (2 × ₹ 9)	Adjusted on Allotment ₹ 7	Refund ₹ 8
A.	80,000	60,000	4,00,000	3,00,000	1,00,000	5,40,000	1,00,000	...
B.	60,000	20,000	3,00,000	1,00,000	2,00,000	1,80,000	1,80,000	20,000
Total	**1,40,000**	**80,000**	**7,00,000**	**4,00,000**	**3,00,000**	**7,20,000**	**2,80,000**	**20,000**

2. *Calculation of allotment money not paid by Rajiv:*
   Rajiv belongs to Category *A* as applicants of Category *B* have already paid the allotment money on application. The amount not received from Rajiv:
   (*i*) No. of shares applied by Rajiv = 1,200 shares.
   (*ii*) No. of shares allotted to Rajiv = $\frac{60,000}{80,000} \times 1,200 = 900$ shares.
   (*iii*) *Calculation of allotment money not paid by Rajiv:*

	₹
Amount due on allotment including premium (900 × ₹ 9)	8,100
Less: Excess application money adjusted on allotment [(1,200 – 900) × ₹ 5]	1,500
Allotment money not received on allotment (Calls-in-Arrears)	6,600

Or

A. JOURNAL OF HIND LTD.

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c (7,000 × ₹ 30)	...Dr.		2,10,000	
	To Debentures Application A/c				2,10,000
	(Application money on 9% Debentures received)				
	Debentures Application A/c (7,000 × ₹ 30)	...Dr.		2,10,000	
	To 9% Debentures A/c (6,000 × ₹ 30)				1,80,000
	To Debentures Allotment A/c (500 × ₹ 30)				15,000
	To Bank A/c (500 × ₹ 30)				15,000
	(6,000; 9% Debentures allotted)				
	Debentures Allotment A/c (6,000 × ₹ 50)	...Dr.		3,00,000	
	To 9% Debentures A/c (6,000 × ₹ 30)				1,80,000
	To Securities Premium A/c (6,000 × ₹ 20)				1,20,000
	(Debenture allotment money due on 9% Debentures)				
	Bank A/c	...Dr.		2,85,000	
	To Debentures Allotment A/c (₹ 3,00,000 – ₹ 15,000)				2,85,000
	(Amount received against allotment)				
	Debentures First and Final Call A/c (6,000 × ₹ 40)	...Dr.		2,40,000	
	To 9% Debentures A/c				2,40,000
	(Debenture first and final call money due on 9% Debentures)				
	Bank A/c	...Dr.		2,40,000	
	To Debentures First and Final Call A/c				2,40,000
	(Amount received on first and final call)				

B. JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
(*a*)	Bank A/c (1,000 × ₹ 105)	...Dr.		1,05,000	
	To Debentures Application and Allotment A/c				1,05,000
	(Application money on 9% Debentures received)				
	Debentures Application and Allotment A/c	...Dr.		1,05,000	
	Loss on Issue of Debentures A/c	...Dr.		2,000	
	To 9% Debentures A/c (1,000 × ₹ 100)				1,00,000
	To Securities Premium A/c (1,000 × ₹ 5)				5,000
	To Premium on Redemption A/c (1,000 × ₹ 2)				2,000
	(Debenture application money transferred to 9% Debentures A/c, issued at 5% premium, redeemable at 2% premium)				
(*b*)	Machinery A/c	...Dr.		9,00,000	
	To Vendor's A/c				9,00,000
	(Machinery purchased)				
	Vendor A/c	...Dr.		9,00,000	
	Discount on issue of Debentures A/c (10,000 × ₹ 10)*	...Dr.		1,00,000	
	To 9% Debentures A/c (10,000 × ₹ 100)*				10,00,000
	(9% Debentures issued to vendors at a discount of 10%)				
(*c*)	Debenture Suspense A/c	...Dr.		10,00,000	
	To 9% Debentures A/c				10,00,000
	(10,000; 9% Debentures of ₹ 100 each issued as collateral security)				

*Number of Debentures to be issued = Purchase Consideration ÷ Issued Price = ₹ 9,00,000 ÷ ₹ 90 = 10,000 Debentures.

24.

Dr. PARTNERS' CAPITAL ACCOUNTS *Cr.*

Particulars	Kalpana ₹	Kanika ₹	Karuna ₹	Particulars	Kalpana ₹	Kanika ₹	Karuna ₹
To Balance *c/d*	6,49,200	3,22,800	2,43,000	By Balance *b/d*	4,80,000	2,10,000	...
				By Revaluation A/c (Profit) (WN 1)	61,200	40,800	...
				By Workmen Compensation Reserve A/c	60,000	40,000	...
				By Premium for Goodwill A/c	48,000	32,000	...
				By Bank A/c (WN 2)	...	...	2,43,000
	6,49,200	3,22,800	2,43,000		6,49,200	3,22,800	2,43,000

BALANCE SHEET OF NEW FIRM
as at 1st April, 2024

Liabilities		₹	Assets		₹
Creditors		90,000	Building		2,52,000
Workmen Compensation Claim		60,000	Machinery		3,30,000
Capital A/cs:			Stock		2,10,000
Kalpana	6,49,200		Debtors	1,32,000	
Kanika	3,22,800		*Less:* Provision for Doubtful Debts	12,000	1,20,000
Karuna	2,43,000	12,15,000	Cash at Bank (₹ 1,30,000 + ₹ 2,43,000 + ₹ 80,000)		4,53,000
		13,65,000			13,65,000

Working Notes:

1. *Dr.* REVALUATION ACCOUNT *Cr.*

Particulars		₹	Particulars	₹
To Profit transferred to:			By Building A/c	42,000
Kalpana's Capital A/c	61,200		By Machinery A/c	60,000
Kanika's Capital A/c	40,800	1,02,000		
		1,02,000		1,02,000

2. *Calculation of Karuna's Capital:*

Combined Capital of Kalpana & Kanika for 4/5th share = ₹ 9,72,000 (₹ 6,49,200 + ₹ 3,22,800)

Karuna's Capital for 1/5th share = $₹\,9{,}72{,}000 \times \frac{5}{4} \times \frac{1}{5} = ₹\,2{,}43{,}000$.

25.

Dr. REALISATION ACCOUNT *Cr.*

Particulars	₹	Particulars		₹
To Stock A/c	24,000	By Provision for Doubtful Debts A/c		2,000
To Investments A/c	30,000	By Creditors A/c		90,000
To Debtors A/c	20,000	By Mrs. Aadish's Loan A/c		30,000
To Plant A/c	1,00,000	By Shreyansh's Capital A/c (Investment)		13,500
To Aadish's Capital A/c (Mrs. Aadish's Loan)	30,000	By Aadish's Capital A/c (Stock)		20,000
To Bank A/c (Creditors)	81,000	By Bank A/c (Assets):		
To Bank A/c (Expenses)	7,000	Debtors	17,000	
		Plant	1,10,000	
		Investment (1/2)	4,500	1,31,500
		By Loss transferred to:		
		Aadish's Capital A/c	3,000	
		Shreyansh's Capital A/c	2,000	5,000
	2,92,000			2,92,000

Dr. PARTNERS' CAPITAL ACCOUNTS *Cr.*

Particulars	Aadish ₹	Shreyansh ₹	Particulars	Aadish ₹	Shreyansh ₹
To Advertisement Suspense A/c	1,20,000	80,000	By Balance *b/d*	1,00,000	97,000
To Realisation A/c (Loss)	3,000	2,000	By General Reserve A/c	27,000	18,000
To Realisation A/c	20,000	13,500	By Realisation A/c (Mrs. Aadish's)	30,000	...
To Bank A/c (Balancing Figure)	14,000	19,500	(Mrs. Aadish's Loan)		
	1,57,000	1,15,000		1,57,000	1,15,000

Dr. BANK ACCOUNT* *Cr.*

Particulars	₹	Particulars	₹
To Balance *b/d*	20,000	By Realisation A/c (Creditors)	81,000
To Realisation A/c (Assets)	1,31,500	By Realisation A/c (Expenses)	7,000
		By Shreyansh's Loan A/c	30,000
		By Aadish's Capital A/c (Final Payment)	14,000
		By Shreyansh's Capital A/c (Final Payment)	19,500
	1,51,500		1,51,500

* Bank Account is not asked in the question. It is given for better understanding. Total of both the sides of this account must be equal.

Or

A. *Dr.* PROFIT & LOSS APPROPRIATION ACCOUNT *for the year ended 31st March, 2024* *Cr.*

Particulars		₹	Particulars	₹
To General Reserve A/c		25,000	By Profit & Loss A/c (Net Profit)	2,50,000
To Interest on Capital:				
Alia's Current A/c	30,000			
Karan's Current A/c	20,000			
Shilpa's Current A/c	10,000	60,000		
To Profit transferred to:				
Alia's Current A/c (₹ 1,65,000 × 7/10)	1,15,500			
Less: Deficiency borne	16,750	98,750		
Karan's Current A/c (₹ 1,65,000 × 2/10)	33,000			
Less: Deficiency borne	16,750	16,250		
Shilpa's Current A/c (₹ 1,65,000 × 1/10)	16,500			
Add: Deficiency borne by:				
Alia	16,750			
Karan	16,750	50,000		
		2,50,000		2,50,000

Working Note:

Shilpa's actual share of profit = 1/10(₹ 2,50,000 – ₹ 25,000 – ₹ 60,000) = ₹ 16,500

Deficiency = Guaranteed Profit – ₹ 16,500 = ₹ 50,000 – ₹ 16,500 = ₹ 33,500

Deficiency to be borne by Alia and Karan in the ratio of 1 : 1.

Deficiency to be borne by Alia = ₹ 33,500 × 1/2 = ₹ 16,750

Deficiency to be borne by Karan = ₹ 33,500 × 1/2 = ₹ 16,750.

B. JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2024					
April 1	Kadar's Capital A/c (₹ 2,00,000 × 2/10)	...Dr.		40,000	
	Muna's Capital A/c (₹ 2,00,000 × 1/10)	...Dr.		20,000	
	To Nadim's Capital A/c (₹ 2,00,000 × 3/10)				60,000
	(Adjustment made for revaluation on account of change in profit-sharing ratio by debiting gaining partners and crediting sacrificing partner)				
April 1	Kadar's Capital A/c (₹ 5,88,000 × 2/10)	...Dr.		1,17,600	
	Muna's Capital A/c (₹ 5,88,000 × 1/10)	...Dr.		58,800	
	To Nadim's Capital A/c (₹ 5,88,000 × 3/10)				1,76,400
	(Adjustment made for goodwill on change in the profit-sharing ratio)				

Working Notes:

1. *Calculation of Gain or Sacrifice of Partner:*

Sacrifice share = Old Profit Share – New Profit Share

Nadim = 5/10 – 2/10 = 3/10

Kadar = 3/10 – 5/10 = (2/10) (*i.e.*, a Gain)

Muna = 2/10 – 3/10 = (1/10) (*i.e.*, a Gain)

Positive difference means 'Sacrifice' as old profit share is more than new profit share. Negative difference indicates 'Gain' as old profit share is less than new profit share.

2. *Valuation of Goodwill:*

$$\text{Average Profit} = \frac{₹\ 1{,}20{,}000 + ₹\ 3{,}00{,}000 + ₹\ 3{,}40{,}000 + ₹\ 3{,}60{,}000 - ₹\ 1{,}40{,}000}{5}$$

$= ₹\ 1{,}96{,}000$

Goodwill $= ₹\ 1{,}96{,}000 \times 3 = ₹\ 5{,}88{,}000$.

26. I. (*b*) ₹ 9,00,000.

Working Note:

30,000 shares @ ₹ 10 per share	=	₹ 3,00,000
60,000 shares @ ₹ 10 per share	=	₹ 6,00,000
		₹ 9,00,000

II. (*d*) 84,800 shares.

Working Note:

30,000 shares + 54,000 shares + 800 shares = 84,800 shares.

III. (*d*) ₹ 8,49,600.

Working Note:

Subscribed Capital and Fully paid:

84,800 equity shares of ₹ 10 each	=	₹ 8,48,000
Add: Forfeited shares (200 × ₹ 8)	=	₹ 1,600
		₹ 8,49,600

IV. (*c*) ₹ 2,000 (1,000 × ₹ 2).

V. (*a*) ₹ 4,000.

Working Note:

Calculation of Gain on Reissue of Shares:

Amount forfeited on 800 shares = 800 × ₹ 8	=	₹ 6,400
Less: Reissue Discount = 800 × 3	=	₹ 2,400
		₹ 4,000

VI. (*b*) Capital Reserve Account.

Part B

27. (*d*) 2 Months.

Working Note:

Operating Cycle = ? + 1.5 Months + 1 Month + 1.5 Months

6 Months = ? + 1.5 Months + 1 Month + 1.5 Months

? = 6 – 1.5 – 1 – 1.5 = 2 months.

Or

(*c*) Current Ratio will increase and Quick Ratio will remain same.

28. (*d*) A—3; B—1; C—4; D—2.

29. (*b*) As outflow of Cash from Investing Activities.

Or

(*a*) Both Statements are correct.

30. (*b*) ₹ 50,000.

Working Note:

Particulars	₹
Proceeds from Issue of Shares (Including premium)	1,10,000
Interest paid on Debentures	(10,000)
Redemption of Debentures	(50,000)
Net Cash Flow from Financing Activities	50,000

31.

S. No.	***Item***	***Major Head***	***Sub-head***
(*i*)	Balance of the Statement of Profit & Loss	Shareholders' Funds	Reserves and Surplus
(*ii*)	Interest Accrued on Investments	Current Assets	Other Current Assets
(*iii*)	Livestock	Non-current Assets	Property, Plant and Equipment and Intangible Assets—Property, Plant and Equipment
(*iv*)	Securities Premium	Shareholders' Funds	Reserves and Surplus
(*v*)	Trade Marks	Non-current Assets	Property, Plant and Equipment and Intangible Assets—Intangible Assets
(*vi*)	Claim against company not acknowledged as debt	It is shown as Contingent Liability in the Notes to Accounts.	

32. ***L.M.R*** **Ltd.**

COMMON-SIZE BALANCE SHEET *as at 31st March, 2023 and 2024*

Particulars	Note No.	Absolute Amounts		Percentage of Balance Sheet Total	
		31st March, 2023 (₹)	31st March, 2024 (₹)	31st March, 2023 (%)	31st March, 2024 (%)
I. EQUITY AND LIABILITIES					
1. Shareholders' Funds		4,00,000	8,00,000	50.00	50.00
2. Non-current Liabilities		2,00,000	5,00,000	25.00	31.25
3. Current Liabilities		2,00,000	3,00,000	25.00	18.75
Total		8,00,000	16,00,000	100.00	100.00
II. ASSETS					
1. Non-current Assets		5,00,000	10,00,000	62.50	62.50
2. Current Assets		3,00,000	6,00,000	37.50	37.50
Total		8,00,000	16,00,000	100.00	100.00

33. (*i*) Debt to Equity Ratio $= \dfrac{\text{Long-term Debts}}{\text{Shareholders' Funds*}} = \dfrac{₹\ 30,00,000}{₹\ 22,00,000} = \mathbf{1.36 : 1}$

Shareholders' Funds = Equity Share Capital + Preference Share Capital + Reserves and Surplus

= ₹ 15,00,000 + ₹ 5,00,000 + ₹ 2,00,000 = ₹ 22,00,000

*Securities Premium is already included in Reserves and Surplus.

(*ii*) Total Assets to Debt Ratio $= \dfrac{\text{Total Assets*}}{\text{Long-term Debts}} = \dfrac{₹\ 60,00,000}{₹\ 30,00,000} = \mathbf{2\ Times}$

*Total Assets = Shareholders' Funds + Long-term Debts + Current Liabilities

= ₹ 22,00,000 + ₹ 30,00,000 + ₹ 8,00,000 = ₹ 60,00,000

Note: For Long-term Financial Position, proprietary Ratio can be calculated as follows:

(*iii*) Proprietary Ratio $= \dfrac{\text{Shareholders' Funds}}{\text{Total Assets}} \times 100 = \dfrac{₹\ 22,00,000}{₹\ 60,00,000} \times 100 = \mathbf{36.67\%.}$

Or

S. No.	***Effect on ROI***	***Reason***
(*i*)	Decrease	No change in Net Profit before Interest and Tax but increase in Capital Employed.
(*ii*)	Decrease	Decrease in Net Profit before Interest and Tax and Capital Employed.
(*iii*)	Increase	No change in Net Profit before Interest and Tax but decrease in Capital Employed.
(*iv*)	No change	No change in Net Profit before Interest and Tax and Capital Employed.

34. CASH FLOW STATEMENT *for the year ended 31st March, 2024*

Particulars		₹
I. Cash Flow from Operating Activities		
Net Profit before Tax and Extraordinary Items (WN 2)	1,51,000	
Adjustments for Non-cash and Non-operating Items:		
Depreciation on Machinery (WN 3)	25,000	
Debenture Interest (10% of ₹ 1,60,000)	16,000	
Operating Profit before Working Capital Changes	1,92,000	
Add: Decrease in Trade Receivables	1,10,000	
	3,02,000	
Less: Decrease in Current Liabilities (Trade Payables)	30,000	
Cash Flow from Operating Activities before Tax	2,72,000	
Less: Tax paid	45,000	
Cash Flow from Operating Activities after Tax	2,27,000	2,27,000

II. Cash Flow from Investing Activities		
Machinery Purchased (WN 4)	(3,70,000)	
Non-current Investment Purchased	(35,000)	
Cash Used in Investing Activities	(4,05,000)	(4,05,000)
III. Cash Flow from Financing Activities		
Proceeds from Issue of Shares	2,00,000	
Securities Premium	10,000	
Paid Interest on Debentures	(16,000)	
Proceeds from Debentures issued [₹ 60,000 – ₹ 6,000 (Discount)]	54,000	
Cash Flow from Financing Activities	2,48,000	2,48,000
IV. Net Increase in Cash and Cash Equivalents (I + II + III)		70,000
V. *Add:* Cash and Cash Equivalents: Opening Balance		2,10,000
VI. Cash and Cash Equivalents: Closing Balance (IV + V)		2,80,000

Working Notes:

1. CASH AND CASH EQUIVALENTS

Particulars	2023 (₹)	2024 (₹)
Cash and Cash Equivalents	1,70,000	2,00,000
Current Investments	40,000	80,000
Cash and Cash Equivalents	2,10,000	2,80,000

2. *Calculation of Net Profit before Tax and Extra ordinary items:*

Profit for the Year (₹ 3,26,000 – ₹ 2,20,000)	=	₹ 1,06,000
Add: Provision for Tax	=	₹ 45,000
		₹ 1,51,000

3. *Dr.* PROVISION FOR TAX ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Bank A/c (Balancing Figure)—Tax Paid	**45,000**	By Balance *b/d*	35,000
To Balance *c/d*	35,000	By Statement of Profit & Loss (Provision Made)	45,000
	80,000		80,000

4. *Dr.* MACHINERY ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Balance *b/d*	7,00,000	By Balance *c/d*	10,70,000
To Bank A/c (Purchase)—Balancing Figure	**3,70,000**		
	10,70,000		10,70,000

5. *Dr.* ACCUMULATED DEPRECIATION ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Balance *c/d*	1,20,000	By Balance *b/d*	95,000
		By Statement of Profit & Loss (Depreciation)	**25,000**
	1,20,000		1,20,000

6. Discount on Issue of Debentures has been adjusted from Securities Premium as per Section 52(2) of the Companies Act, 2013. The balance of ₹ 4,000 in Securities Premium is after writing off discount of ₹ 6,000. As such discount has not been written off through Statement of Profit & Loss, it is not adjusted while calculating Operating Profit.

❑❑❑❑

ANSWERS (MTP 11)

Part A

1. (*a*) ₹ 45,000.

Working Note:

Net Profit before Appropriation = ₹ 1,75,000

Total Appropriations = ₹ 40,000 (Interest on Capital) + ₹ 60,000 (Salary) = ₹ 1,00,000

Divisible Profit = ₹ 1,75,000 – ₹ 1,00,000 = ₹ 75,000

Vanya's share in Divisible Profit = ₹ 75,000 × 3/5 = ₹ 45,000.

2. (*a*) Assertion (A) is correct but Reason (R) is wrong.

3. (*b*) ₹ 2,00,000.

Working Note:

Number of Shares issued × Amount of Securities Premium, *i.e.*, 1,00,000 × ₹ 2 = ₹ 2,00,000.

Or

(*d*) All of the above.

4. (*d*) All of the above.

Or

(*a*) Both Statements are correct.

5. (*b*) Interest on Aman's Loan ₹ 22,500 and Loss of ₹ 20,000 to each partner.

Working Note:

- Interest on Aman's Loan = ₹ 5,00,000 × $\frac{6}{100} \times \frac{9}{12}$ = ₹ 22,500
- Total Loss after Interest on Loan = ₹ 37,500 + ₹ 22,500 = ₹ 60,000
- Each Partner's Share of Loss = $\frac{₹\ 60,000}{3}$ = ₹ 20,000.

6. (*a*) It is a part of uncalled capital to be called on winding-up of the company.

Or

(*c*) Discount = Loss on Issue of Debentures – Premium on Redemption of Debentures, *i.e.*, ₹ 40,000 – ₹ 24,000 = ₹ 16,000.

Alternatively:

Nominal (Face) value of Debentures – Amount received as Debentures Application and Allotment Account, *i.e.*, ₹ 4,00,000 – ₹ 3,84,000 = ₹ 16,000.

7. (*d*) Shares cannot be issued at discount but can be issued at premium which can be redeemed at premium or at par.

8. (*a*) Dr. Alfa's Capital A/c and Cr. Beta's Capital A/c by ₹ 1,400.

Working Note:

Calculation of Gain/Sacrifice of Partners:

Particulars	Alfa	Beta
I. New Profit Share	1/2	1/2
II. Old Profit Share	3/5	2/5
III. Sacrifice/(Gain): (I – II)	1/10 Sacrifice	(1/10) Gain

Loss on Revaluation of Machinery = ₹ 50,000 – ₹ 36,000 = ₹ 14,000.

In case of Loss: Dr. Alfa's Capital A/c (Sacrificing Partner) and Cr. Beta's Capital A/c (Gaining Partner) A/c by ₹ 1,400 (= ₹ 14,000 × 1/10).

Or

(*a*) Debited to Revaluation Account.

9. (*c*) ₹ 75,000.

Working Note:

	₹
Net Profit (as given)	1,50,000
Less: Interest on Loan (@ 10% on ₹ 50,000)	5,000
	1,45,000
Less: Partners' Salaries (₹ 15,000 + ₹ 10,000)	25,000
Correct Net Profits	1,20,000

Old's Share of Profit = 1/2 of ₹ 1,20,000 + ₹ 15,000 (Salary) = ₹ 75,000.

10. (*a*) When partnership deed does not exist.

11. (*c*) ₹ 5,500.

Working Note: Shiv's Remuneration = $\frac{2}{100}$ (₹ 3,75,000 – ₹ 1,00,000) = ₹ 5,500.

12. (*d*) Number of Shares Allotted = Shares Applied × Number of Shares Allotted/Number of Shares Applied. Thus, $2{,}400 \times \frac{80{,}000}{1{,}20{,}000}$ = 1,600 shares.

13. (*c*) Both Assertion (A) and Reason (R) are incorrect.

14. (*d*) ₹ 1,83,000.

Working Note:

Manju's Share of Loss for $\frac{1}{2}$ = ₹ 30,000

Total loss on Revaluation = ₹ 30,000 × $\frac{2}{1}$ = ₹ 60,000.

Dr. REVALUATION ACCOUNT *Cr.*

Particulars	₹	Particulars		₹
To Stock A/c	40,000	By Creditors A/c		15,000
To Debtors A/c	2,000	By Loss transferred to:		
To Provision for Doubtful Debts A/c	16,000	Manju's Capital A/c	30,000	
To Furniture A/c (Bal. Fig.)	**17,000**	Priya's Capital A/c	30,000	60,000
	75,000			75,000

Revalued Figure of Furniture = ₹ 1,83,000 (*i.e.*, ₹ 2,00,000 – ₹ 17,000).

15. (*c*) ₹ 1,80,000.

Working Note:

Manager's Commission = $\frac{10}{110}$ (₹ 20,50,000 – ₹ 70,000) = ₹ 1,80,000.

Or

(*c*) ₹ 30,000.

Working Note:

$$\text{Let Total Drawings} = x$$

$$\text{Interest on Drawings} = \text{Total Drawings} \times \frac{\text{Rate of Interest}}{100} \times \frac{6}{12}$$

$$₹\,6{,}000 = x \times \frac{10}{100} \times \frac{6}{12}$$

$$₹\,6{,}000 = x \times \frac{1}{10} \times \frac{1}{2}$$

$$x = ₹\,6{,}000 \times 20 = ₹\,1{,}20{,}000 \text{ (Total Drawings)}$$

$$\text{Quarterly Drawings} = \frac{₹\,1{,}20{,}000}{4} = ₹\,30{,}000.$$

16. (*d*) *Loss* ₹ 1,50,000.

Working Note:

Other Assets on the date of Dissolution = Creditors + Firm's Capital – Cash

= ₹ 3,50,000 + ₹ 6,00,000 – ₹ 50,000 = ₹ 9,00,000

Loss in Realisation Account = Book Value of Assets – Realised Value of Assets

= ₹ 9,00,000 – ₹ 7,50,000 = ₹ **1,50,000 Loss**.

17.

JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2024					
March 31	Tushar's Current A/c	...Dr.		1,000	
	Mahesh's Current A/c	...Dr.		4,000	
	To Harshit's Current A/c				5,000
	(Omission of interest on capital for three years, now rectified)				

Working Notes:

1. *Calculation of Interest on Capital for three years:* ₹

$$\text{Harshit} = ₹\,1{,}00{,}000 \times \frac{10}{100} \times 3 = 30{,}000$$

$$\text{Tushar} = ₹\,80{,}000 \times \frac{10}{100} \times 3 = 24{,}000$$

$$\text{Mahesh} = ₹\,70{,}000 \times \frac{10}{100} \times 3 = 21{,}000$$

Total 75,000

2. ADJUSTMENT TABLE

Particulars	Harshit's Current A/c (₹)	Tushar's Current A/c (₹)	Mahesh's Current A/c (₹)
I. Amount already Credited by way of Share of Profit (₹ 75,000)	25,000	25,000	25,000
II. Amount which should have been Credited by way of Interest on Capital	30,000	24,000	21,000
III. Difference (*I – II*)	5,000	(1,000)	(4,000)
	Cr.	Dr.	Dr.

Or

Dr. PROFIT & LOSS APPROPRIATION ACCOUNT *for the year ended 31st March, 2024* Cr.

Particulars		₹	Particulars	₹
To Interest on Capital A/c:			By Profit & Loss A/c (Net Profit)	2,16,000
Shikha	40,000			
Megha	30,000			
Archita	20,000	90,000		
To Salary (Megha) (₹ 3,000 × 12)		36,000		
To Commission (Archita)		12,000		
To Net Profit transferred to:				
Shikha (₹ 78,000 × ₹ 5/10)		39,000		
Megha [(₹ 78,000 × ₹ 3/10) + ₹ 1,600]		25,000		
Archita [(₹ 78,000 × ₹ 2/10) – ₹ 1,600]		14,000		
		2,16,000		2,16,000

Note: Megha's Deficiency = Guaranteed amount – Share of Profit – Interest on Capital
= ₹ 55,000 – (₹ 23,400 + ₹ 30,000) = ₹ 1,600 borne by Archita.

18. JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2024					
Sept. 30	Srijan's Capital A/c	...Dr.		95,000	
	Narayan's Capital A/c	...Dr.		95,000	
	To Nath's Capital A/c (₹ 3,80,000 × 2/4)				1,90,000
	(Nath's share of goodwill adjusted)				
	Nath's Capital A/c (₹ 30,000 × 2/4)	...Dr.		15,000	
	To Profit & Loss A/c				15,000
	(Nath's share in debit balance of Profit & Loss A/c transferred)				
	Profit & Loss Suspense A/c (90,000 × 6/12 × 2/4)	...Dr.		22,500	
	To Nath's Capital A/c				22,500
	(Nath's share of profit up to the date of his death transferred)				
	Nath's Capital A/c	...Dr.		1,92,500	
	To Nath's Executors' A/c (Note)				1,92,500
	(Amount due to Nath transferred to his Executors' Account)				

Note:

Dr. NATH'S CAPITAL ACCOUNT Cr.

Particulars	₹	Particulars	₹
To Balance *b/d*	5,000	By Srijan's Capital A/c (Goodwill)	95,000
To Profit & Loss A/c	15,000	By Narayan's Capital A/c (Goodwill)	95,000
To Nath's Executors' A/c (Balancing Figure)	**1,92,500**	By Profit & Loss Suspense A/c (Share of Profit)	22,500
	2,12,500		2,12,500

19. **In the Books of Sunrise Ltd.**

JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Sundry Assets A/c	...Dr.		3,60,000	
	Goodwill A/c (Balancing Figure)	...Dr.		**2,20,000**	
	To Creditors A/c				1,00,000
	To Moonlight Ltd.				4,80,000
	(Assets acquired and Liabilities taken over from Moonlight Ltd.)				
	Moonlight Ltd.	...Dr.		4,80,000	
	Discount on Issue of Debentures A/c (5,000 × ₹ 4)	...Dr.		20,000	
	To 9% Debentures A/c (WN)				5,00,000
	(Purchase consideration settled by issuing 5,000, 9% debentures at 4% Discount)				

Working Note:

No. of Debentures = $\frac{\text{Purchase consideration}}{\text{Issue price}} = \frac{₹\ 4,80,000}{96}$ = **5,000 Debentures**.

Or

In the Books of Grapple Ltd.

JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Sundry Assets A/c	...Dr.		25,00,000	
	To Liabilities A/c				5,00,000
	To Allore Ltd.				18,00,000
	To **Capital Reserve A/c** (Balancing Figure)				**2,00,000**
	(Assets acquired and Liabilities taken over from Allore Ltd.)				
	Allore Ltd.	...Dr.		18,00,000	
	To 11% Debentures A/c (WN)				15,00,000
	To Securities Premium A/c (15,000 × ₹ 20)				3,00,000
	(Purchase consideration settled by issuing 15,000, 11% Debentures at 20% Discount)				

Working Note:

No. of Debentures = $\frac{\text{Purchase consideration}}{\text{Issue price}} = \frac{₹\ 18,00,000}{₹\ 120}$ = **15,000 Debentures**.

20. JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Investment Fluctuation Reserve A/c	...Dr.		10,000	
	To Chand's Capital A/c				6,000
	To Damini's Capital A/c				4,000
	(Investment Fluctuation Reserve transferred to old partners' Capital Accounts in their old profit-sharing ratio of 3 : 2)				
	Investment A/c	...Dr.		20,000	
	To Revaluation A/c				20,000
	(Value of Investment brought up to market value)				
	Revaluation A/c	...Dr.		20,000	
	To Chand's Capital A/c				12,000
	To Damini's Capital A/c				8,000
	(Transfer of gain on revaluation to old partners' Capital Accounts in their old-profit sharing ratio)				

21. *(a)* BALANCE SHEET OF YOUTH LTD. *as at ...*

Particulars	Note No.	Current Year ₹
I. EQUITY AND LIABILITIES		
1. Shareholders' Funds		
Share Capital	1	19,78,000

Notes to Accounts

Particulars		₹
1. Share Capital		
Authorised Capital		
5,00,000 Equity Shares of ₹ 10 each		50,00,000
Issued Capital		
2,00,000 Equity Shares of ₹ 10 each		20,00,000
Subscribed Capital		
Subscribed and Fully paid-up		
1,94,000 Equity Shares of ₹ 10 each (Note 2)		19,40,000
Subscribed but not fully paid-up		
4,000 Equity Shares of ₹ 10 each, ₹ 15 paid-up	40,000	
Less: Calls-in-Arrears (4,000 × ₹ 2)	8,000	32,000
Shares Forfeited Account (2,000 Equity shares @ ₹ 3) (Note 3)		6,000
		19,78,000

Notes:

1. The question requires to show share capital in the Balance Sheet of the company. Hence, Capital Reserve and Securities Premium on reissue of forfeited shares is not shown.
2. 1,00,000 shares (Existing) + 1,00,000 (New issue) – 5,000 shares – 4,000 shares + 3,000 (Reissue) = 1,94,000 shares.
3. Forfeited shares relates to 2,000 shares earlier held by Shakeel, which were forfeited. He had paid ₹ 3 per share on such shares.

(b) 3,000 Forfeited shares are reissued at premium, *i.e.,* for ₹ 10 as ₹ 8 paid-up, so the entire amount forfeited is transferred to Capital Reserve, *i.e.,* ₹ 9,000 (= 3,000 × ₹ 3) is a **Capital gain** and is transferred to Capital Reserve Account.

22. *(i)* PROFIT & LOSS APPROPRIATION ACCOUNT

Dr. *for the year 2023–24* *Cr.*

Particulars		₹	Particulars		₹
To Interest on Capital:			By Profit & Loss A/c (Note 1)		1,09,820
Krish (₹ 48,000 × 6/12 × 12/100)	2,880		By Interest on Drawings (Note 2):		
Shail (₹ 36,000 × 6/12 × 12/100)	2,160	5,040	Krish (₹ 4,000 × 10/100 × 3/12)	100	
To Commission A/c:			Shail (₹ 2,000 × 10/100 × 3/12)	50	150
Krish's Capital (2% of ₹ 2,00,000)		4,000			
To Salary A/c:					
Krish's Capital	7,200				
Shail's Capital	7,200	14,400			
To Krish's Capital A/c (Profit) (₹ 86,530 × 4/7)		49,445			
To Shail's Capital A/c (Profit) (₹ 86,530 × 3/7)		37,085			
		1,09,970			1,09,970

Notes:

1. Interest on Shail's loan ₹ 180 (₹ 12,000 × 6/100 × 3/12) is a charge against the profit. So, such interest on loan is subtracted from the net profit before appropriation. Net profit after interest on loan = ₹ 1,10,000 – ₹ 180 = ₹ 1,09,820.
2. Interest on Drawings is calculated for 3 months, *i.e.*, average period (6 months/2).

(*ii*)

Dr. SHAIL'S LOAN ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Balance *c/d*	12,180	By Bank A/c	12,000
		By Interest on Loan A/c	180
	12,180		12,180

23.

Dr. REALISATION ACCOUNT *Cr.*

Particulars	₹	Particulars		₹
To Sundry Debtors A/c	65,000	By Provision for Doubtful Debts A/c		5,000
To Goodwill A/c	50,000	By Sundry Creditors A/c		50,000
To Furniture A/c	1,00,000	By Employees' Provident Fund A/c		5,000
To Building A/c	3,80,000	By Bank Loan A/c		55,000
To Susan's Capital A/c (Realisation Expenses)	2,000	By Geeta's Capital A/c (Goodwill)		40,000
To Bank A/c (Creditors)	50,000	By Rashi's Capital A/c (Building)		3,00,000
To Bank A/c (Bank Loan + Interest)	60,000	By Bank A/c:		
To Bank A/c (Employees' Provident Fund)	5,000	Debtors	52,000	
		Furniture	97,000	1,49,000
		By Loss transferred to:		
		Susan's Capital A/c	54,000	
		Geeta's Capital A/c	32,400	
		Rashi's Capital A/c	21,600	1,08,000
	7,12,000			7,12,000

Dr. PARTNERS' CAPITAL ACCOUNTS *Cr.*

Particulars	Susan ₹	Geeta ₹	Rashi ₹	Particulars	Susan ₹	Geeta ₹	Rashi ₹
To Realisation A/c (Loss)	54,000	32,400	21,600	By Balance *b/d*	2,20,000	1,70,000	1,35,000
To Realisation A/c	...	40,000	3,00,000	By Workmen Compensation Reserve A/c	12,500	7,500	5,000
To Bank A/c (Final payment)	1,80,500	1,05,100	...	By Realisation A/c (Exp.)	2,000	...	...
				By Bank A/c (Cash bought in)	...	...	1,81,600
	2,34,500	1,77,500	3,21,600		2,34,500	1,77,500	3,21,600

Dr. BANK ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Balance *b/d*	70,000	By Realisation A/c (Cr.)	50,000
To Realisation A/c	1,49,000	By Realisation A/c	60,000
To Rashi's Capital A/c	1,81,600	By Realisation A/c	5,000
		By Susan's Capital A/c	1,80,500
		By Geeta's Capital A/c	1,05,100
	4,00,600		4,00,600

24. (*a*) JOURNAL OF PIHU LTD.

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2023	Bank A/c (75,000 × ₹ 14)	...Dr.		10,50,000	
Oct. 1	To Debenture Application and Allotment A/c				10,50,000
	(Application and allotment money received on 75,000 debentures) (WN)				
	Debenture Application and Allotment A/c (75,000 × ₹ 14)	...Dr.		10,50,000	
	Discount/Loss on Issue of Debentures A/c (75,000 × ₹ 6)	...Dr.		4,50,000	
	To 9% Debentures A/c (75,000 × ₹ 20)				15,00,000
	(Application money transferred to 9% Debentures A/c on allotment)				
2024	Securities Premium A/c	...Dr.		1,00,000	
March 31	Statement of Profit & Loss	...Dr.		3,50,000	
	To Discount/Loss on Issue of Debentures A/c				4,50,000
	(Discount/Loss on Issue of Debentures written off)				

***Working Note*:** No. of 9% Debentures issued = $\frac{₹15,00,000}{₹20}$ = **75,000 Debentures**.

Dr. DISCOUNT/LOSS ON ISSUE OF DEBENTURES ACCOUNT *Cr.*

Date	Particulars	₹	Date	Particulars	₹
2023 Oct 1	To 9% Debentures A/c	4,50,000	2024 March 31	By Securities Premium A/c	1,00,000
				By Statement of Profit & Loss	3,50,000
		4,50,000			4,50,000

(*b*) JOURNAL OF SOMA LTD.

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
(*i*)	Land A/c (₹ 10,00,000 + ₹ 5,00,000 + ₹ 5,00,000)	...Dr.		20,00,000	
	To Mona Ltd.				20,00,000
	(Land purchased from Mona Ltd.) (Note)				
(*ii*)	Mona Ltd. A/c	...Dr.		20,00,000	
	To Bank A/c				15,00,000
	To 10% Debentures A/c (5,000 × ₹ 100)				5,00,000
	(Purchase consideration settled by Bank, post-dated cheque and 5,000, 10% Debentures issued at Par)				

Note: Purchase Consideration = ₹ 15,00,000 (Cheque) + ₹ 5,00,000 (Debentures)

= ₹ **20,00,000**.

Or

In the Books of Wintex Exports Ltd.

JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	...Dr.		1,20,000	
	To Equity Shares Application A/c				1,20,000
	(Application money received for 30,000 shares @ ₹ 4 per share)				
	Equity Shares Application A/c	...Dr.		1,20,000	
	To Equity Share Capital A/c				80,000
	To Equity Shares Allotment A/c				20,000
	To Calls-in-Advance A/c				20,000
	(Shares allotted and excess application money retained)				
	Equity Shares Allotment A/c	...Dr.		20,000	
	To Equity Share Capital A/c				20,000
	(Allotment money due on 20,000 shares @ ₹ 1 per share)				
	Equity Shares First Call A/c	...Dr.		60,000	
	To Equity Share Capital A/c				60,000
	(First call due on 20,000 shares @ ₹ 3 per share)				
	Bank A/c	...Dr.		40,000	
	Calls-in-Advance A/c	...Dr.		20,000	
	To Equity Shares First Call A/c				60,000
	(Shares first call money received and balance adjusted from Calls-in-Advance Account)				
	Equity Shares Second and Final Call A/c	...Dr.		40,000	
	To Equity Share Capital A/c				40,000
	(Second and final call amount due on 20,000 shares @ ₹ 2 per share)				
	Bank A/c	...Dr.		39,800	
	Calls-in-Arrears A/c	...Dr.		200	
	To Equity Shares Second and Final Call A/c				40,000
	(Second and final call amount received except on 100 shares)				
	Equity Share Capital A/c	...Dr.		1,000	
	To Forfeited Shares A/c				800
	To Calls-in-Arrears A/c				200
	(100 shares forfeited for non-payment of second and final call)				
	Bank A/c	...Dr.		840	
	To Equity Share Capital A/c				700
	To Securities Premium A/c				140
	(70 shares out of 100 forfeited shares reissued @ ₹ 12 per share)				
	Forfeited Shares A/c	...Dr.		560	
	To Capital Reserve A/c (₹ 800/100 × 70)				560
	(Gain on reissue of 70 forfeited shares transferred to Capital Reserve)				

25. (*i*) **Calculation of Cookie's Share of Goodwill in the firm:**

Calculation of Normal Profit:

Year ended	Profit	₹
31st March, 2022	(₹ 39,000 + ₹ 9,000)	48,000
31st March, 2023	(₹ 83,000 – ₹ 8,000)	75,000
31st March, 2024		72,000
Total		1,95,000

Average Normal Profit = ₹ 1,95,000/3 = ₹ 65,000

$$\text{Capitalised Value of the Business} = \frac{\text{Average Normal Profit}}{\text{Normal Rate of Return}} \times 100$$

$$= \frac{₹\ 65{,}000}{13} \times 100 = ₹\ 5{,}00{,}000$$

Net Assets = All assets (other than goodwill and fictitious assets) at their current values – Outside Liabilities

= ₹ 8,00,000 – ₹ 3,60,000 = ₹ 4,40,000

Goodwill = Capitalised Value of the Business – Net Assets

= ₹ 5,00,000 – ₹ 4,40,000 = ₹ 60,000

Cookie's Share of Goodwill = ₹ 60,000 × 1/6 = ₹ 10,000.

(*ii*) JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2024				
April 1	Bank A/c ...Dr.		2,00,000	
	To Cookie's Capital A/c			2,00,000
	(Being the amount of capital brought by Cookie)			
	Cookie's Current A/c ...Dr.		10,000	
	To Cake's Capital A/c			3,333
	To Muffin's Capital A/c			6,667
	(Being the Cookie's share of goodwill credited to sacrificing partners in their sacrificing ratio of 1 : 2)			

Working Note: *Calculation of Sacrificing Ratio (Sacrifice = Old Profit Share – New Profit Share):*

Cake's Sacrifice = $\frac{5}{9} - \frac{3}{6} = \frac{10-9}{18} = \frac{1}{18}$; Muffin's Sacrifice = $\frac{4}{9} - \frac{2}{6} = \frac{8-6}{18} = \frac{2}{18}$

Sacrificing Ratio of Cake and Muffin = $\frac{1}{18} : \frac{2}{18}$ or 1 : 2.

Or

Dr. PARTNERS' CAPITAL ACCOUNTS Cr.

Particulars	Lalit ₹	Pankaj ₹	Rahul ₹	Particulars	Lalit ₹	Pankaj ₹	Rahul ₹
To Goodwill A/c (Existing Written off)	10,000	10,000	10,000	By Balance *b/d*	80,000	80,000	60,000
				By General Reserve	10,000	10,000	10,000
To Advertisement Expenditure (W/O)	10,000	10,000	10,000	By Revaluation A/c	3,200	3,200	3,200
				By Goodwill A/c (₹ 42,000 × 1/3)	14,000	...	...
To Goodwill A/c	...	7,000	7,000				
To Bank A/c (Bal. Fig.)	87,200	...	...	By Bank A/c (Bal. Fig.)	...	33,600	53,600
To Balance *c/d* (WN 2)	...	99,800	99,800				
	1,07,200	1,26,800	1,26,800		1,07,200	1,26,800	1,26,800

BALANCE SHEET OF NEW FIRM
as on 31st March, 2024

Liabilities		₹	Assets		₹
Creditors		50,000	Building		1,00,000
Capital A/cs:			Machinery		48,000
Pankaj	99,800		Motor Car		54,000
Rahul	99,800	1,99,600	Debtors	48,000	
			Less: Provision for Doubtful Debts	2,400	45,600
			Cash at Bank (WN 3)		2,000
		2,49,600			2,49,600

Working Notes:

1. *Dr.* REVALUATION ACCOUNT *Cr.*

Particulars		₹	Particulars	₹
To Machinery A/c		8,000	By Building A/c	20,000
To Provision for Doubtful Debts A/c		2,400		
To Profit transferred to:				
Lalit's Capital A/c	3,200			
Pankaj's Capital A/c	3,200			
Rahul's Capital A/c	3,200	9,600		
		20,000		20,000

2. *Adjustment of Capital:*

		₹
Pankaj's Adjusted Capital = ₹ 80,000 + ₹ 3,200 – ₹ 10,000 – ₹ 7,000	=	66,200
Rahul's Adjusted Capital = ₹ 60,000 + ₹ 3,200 – ₹ 10,000 – ₹ 7,000	=	46,200
Amount Payable to Lalit	=	87,200
Total Capital of the New Firm	=	1,99,600

$$\text{Pankaj's New Capital} = ₹\ 199{,}600 \times \frac{1}{2} = ₹\ 99{,}800$$

$$\text{Rahul's New Capital} = ₹\ 1{,}99{,}600 \times \frac{1}{2} = ₹\ 99{,}800$$

3. *Dr.* BANK ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Balance *b/d*	2,000	By Lalit's Capital A/c	87,200
To Pankaj's Capital A/c	33,600	By Balance *c/d*	2,000
To Rahul's Capital A/c	53,600		
	89,200		89,200

26. **I.** (*d*) ₹ 2,50,00,000.

II. (*d*) 10,00,000 shares.

III. (*c*) ₹ 70.

Note: If the shares are reissued at discount; then the amount of discount cannot be more than the amount received on these shares, *i.e.*, discount allowed on reissue cannot be more than the amount forfeited on such shares.

IV. (*d*) NIL, ₹ 3,50,000.

Note:
- Reissued shares are issued as ₹ 80 paid-up for ₹ 90 per share. It means shares have been issued at more than the paid-up value, *i.e.,* ₹ 80. Difference of these, *i.e.,* ₹ 10 is premium on reissue.
- When forfeited shares are reissued at par or premium then the total amount, *i.e.*, ₹ 3,50,000 (5,000 × ₹ 70) forfeited (in this case) is a *Capital gain* and is transferred to *Capital Reserve Account*.

V. (*d*) 9,90,000 shares.

Note: Reissued shares are not fully paid-up so there will no change in Subscribed and fully paid-up capital.

VI. (*c*) ₹ 3,50,000 (₹ 7,00,000 – ₹ 3,50,000).

Part B

27. (*d*) ₹ 1,00,000 as Current Assets.

Or

(*b*) Only (*i*), (*ii*) and (*iv*) are correct.

28. (*c*) 2.5 Times.

Working Note: Net Asset or Capital Employed Turnover Ratio $= \frac{\text{Revenue from Operations}}{\text{Capital Employed}}$

Capital Employed = Shareholders' Funds + 8% Debentures

= ₹ 10,00,000 + ₹ 5,00,000 = ₹ 15,00,000

Net Assets or Capital Employed Turnover Ratio $= \frac{₹\,37,50,000}{₹\,15,00,000} = 2.5$ Times.

29. (*d*) Only (*i*) and (*iv*).

Or

(*a*) Purchase of marketable securities for ₹ 50,000 in cash.

30. (*a*) Both the Statement are true.

31.

S. No.	*Item*	*Major Head*	*Sub-head*
(*i*)	Capital Redemption Reserve	Shareholders' Funds	Reserves and Surplus
(*ii*)	Earmarked balances with banks	Current Assets	Cash and Cash Equivalents
(*iii*)	Mining Rights	Shareholders Funds	Property, Plant and Equipment and Intangible Assets —Intangible Assets
(*iv*)	Debenture Redemption Reserve	Shareholders' Funds	Reserves and Surplus
(*v*)	Masthead and Publishing titles	Non-current Assets	Property, Plant and Equipment and Intangible Assets —Intangible Assets
(*vi*)	Employees earned Leaves encashable	Current Liabilities	Short-term Provisions

32. COMPARATIVE STATEMENT OF PROFIT AND LOSS *for the year ended 31st March, 2023 and 2024*

Particulars	Note No.	31st March, 2023 ₹	31st March, 2024 ₹	Absolute Change (Increase/Decrease) ₹	Percentage Change (Increase/Decrease) %
		(A)	(B)	(C = B – A)	(D = C/A × 100)
I. Revenue from Operations		15,00,000	20,00,000	**5,00,000**	**33.33**
II. Other Income		4,00,000	**10,00,000**	6,00,000	**150.00**
III. **Total Revenue (I + II)**		19,00,000	**30,00,000**	11,00,000	**57.89**
IV. Expenses		15,00,000	**21,00,000**	**6,00,000**	40.00
V. **Profit before Tax (III – IV)**		4,00,000	**9,00,000**	5,00,000	125.00
VI. Tax (50%)		**2,00,000**	**4,50,000**	2,50,000	**125.00**
VII. **Profit after Tax (V – VI)**		2,00,000	**4,50,000**	**2,50,000**	**125.00**

33. (*a*) Trade Receivables Turnover Ratio $= \dfrac{\text{Credit Revenue from Operations}}{\text{Average Trade Receivables}}$

$$6 = \frac{\text{Credit Revenue from Operations}}{₹\,2{,}00{,}000}$$

Credit Revenue from Operations = ₹ 2,00,000 × 6 = ₹ 12,00,000

Revenue from Operations = Cash Revenue from Operations + Credit Revenue from Operations

Let Revenue from Operations = x

So, Cash Revenue from Operations = $x/4$

$$x - \frac{x}{4} = ₹\ 12{,}00{,}000 \Rightarrow \frac{3x}{4} = ₹\ 12{,}00{,}000$$

$$x = ₹\ 12{,}00{,}000 \times \frac{4}{3} = ₹\ 16{,}00{,}000$$

As we know,

Inventory Turnover Ratio $= \dfrac{\text{Cost of Revenue from Operations}}{\text{Average Inventory}}$

$$8 = \frac{\text{Cost of Revenue from Operations}}{₹\,1{,}60{,}000}$$

Cost of Revenue from Operations = ₹ 1,60,000 × 8 = ₹ 12,80,000

Hence, Gross Profit = Revenue from Operations – Cost of Revenue from Operations

Gross Profit = ₹ 16,00,000 – 12,80,000 = ₹ **3,20,000**

$$\text{Gross Profit Ratio} = \frac{₹\ 3,20,000}{₹\ 16,00,000} \times 100 = \mathbf{20\%}$$

(*b*) $$\text{Net Profit Ratio} = \frac{\text{Net Profit}}{\text{Revenue from Operations}} \times 100$$

$$= \frac{₹\ 3,00,000}{₹\ 20,00,000} \times 100 = \mathbf{15\%.}$$

Net Profit = Gross Profit – Indirect Expenses*

= ₹ 5,00,000 (25% of ₹ 20,00,000) – ₹ 2,00,000 = ₹ 3,00,000.

*Indirect Expenses = Salary + Rent + Loss on Sale of Machinery + Depreciation + Interest

= ₹ 85,000 + ₹ 30,000 + ₹ 18,000 + ₹ 57,000 + ₹ 10,000

= ₹ 2,00,000

Or

(*a*) $$\text{Interest Coverage Ratio} = \frac{\text{Net Profit before Interest and Tax}}{\text{Interest on Long-term Loans}}$$

$$= \frac{₹\ 2,10,000}{₹\ 10,000} = \mathbf{21\ Times}.$$

Working Note: *Calculation of Net Profit before Interest and Tax:*

Net Profit after Tax = ₹ 1,20,000; Tax Rate = 40%

Let Net Profit before Tax = ₹ 100; Tax = ₹ 40

Net Profit after Tax = ₹ 100 – ₹ 40 = ₹ 60

		₹
∴	Net Profit before Tax (₹ 1,20,000 × 100/60)	2,00,000
	Add: Interest @ 10% on Debentures	10,000
	Net Profit before Interest and Tax	2,10,000

(*b*) $$\text{Working Capital Turnover Ratio} = \frac{\text{Revenue from Operations}}{\text{Working Capital}}$$

Revenue from Operations = Cost of Revenue from Operations + Gross Profit

Let Revenue from Operations = x, So, Gross Profit = 20% of x or $x/5$

$$x = ₹\ 3,20,000 + \frac{x}{5} \Rightarrow \frac{4x}{5} = ₹\ 3,20,000$$

$$x = ₹\ 3,20,000 \times \frac{5}{4} = ₹\ \mathbf{4,00,000}$$

Working Capital = Capital Employed – Non-current Assets

= ₹ 1,00,000 – ₹ 80,000 = ₹ 20,000

$$\text{Working Capital Turnover Ratio} = \frac{₹\ 4,00,000}{₹\ 20,000} = \mathbf{20\ times.}$$

34. *(a)* CASH FLOW FROM OPERATING ACTIVITIES

Particulars	₹	₹
Profit earned/(Loss incurred) during the year (₹ 2,50,000 – ₹ 3,00,000)	(50,000)	
Add: Proposed Dividend of Previous year	75,000	
Provision for Tax (Current year)	60,000	
Net Profit before Tax and Extra-ordinary Items	85,000	
Adjustment for Non-Cash and Non-operating Items:		
Add: Goodwill Amortised	25,000	
Operating Profit before Working Capital change	1,10,000	
Change in Current Assets and Current Liabilities:		
Add: Increase in Trade Payables	25,000	
Less: Increase in Trade Receivables	(20,000)	
Cash Generated from Operations	1,15,000	
Less: Tax paid	50,000	65,000
Cash Flow from Operating Activities		**65,000**

Note: Premium on Redemption of Debentures is a liability. Thus, will not affect Cash Flow from Operating Activities.

(b) CASH FLOW FROM INVESTING ACTIVITIES

Particulars	₹
Proceeds from Sale of Machinery	50,000
Purchase of Machinery (WN 1)	(4,40,000)
Purchase of Investments (WN 2)	(1,80,000)
Proceeds from Sale of Investments	1,00,000
Cash Used in Investing Activities	**(4,70,000)**

Working Notes:

1. *Dr.* MACHINERY ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Balance *b/d*	10,20,000	By Bank A/c (Sale)	50,000
To Bank A/c (Balancing Figure) (Purchase)	**4,40,000**	By Statement of Profit & Loss (Loss on Sale of Machine)	30,000*
		By Depreciation A/c	1,40,000
		By Balance *c/d*	12,40,000
	14,60,000		14,60,000

*₹ 1,40,000 – ₹ 60,000 – ₹ 50,000 = ₹ 30,000.

2. *Dr.* NON-CURRENT INVESTMENT ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Bank *b/d*	60,000	By Bank A/c (₹ 80,000 + ₹ 20,000)	1,00,000
To Bank A/c (Purchase) (Balancing Figure)	**1,80,000**	By Balance *c/d*	1,60,000
To Statement of Profit & Loss (Profit on Sale) [₹ 80,000 × 25/100]	20,000		
	2,60,000		2,60,000

❑❑❑❑

ANSWERS (MTP 12)

Part A

1. (*c*) ₹ 1,90,000.

Working Note:

Net decrease in the value of Assets:

= [(₹ 2,50,000 × 40/100) + (₹ 1,50,000 × 60/100)]

= ₹ 1,00,000 + ₹ 90,000 = ₹ 1,90,000.

2. (*b*) (*i*) all partners, (*ii*) old partners.

3. (*a*) Assertion (A) is correct but Reason (R) is wrong.

4. (*a*) ₹ 3,00,000.

		₹
Application Money Received (6,00,000 × ₹ 7)	=	42,00,000
Application Money Refunded (3,00,000 × ₹ 7)	=	21,00,000
Balance	=	21,00,000
Less: Adjusted against Share Capital (2,00,000 × ₹ 5)	=	(10,00,000)
Securities Premium (2,00,000 × ₹ 2)	=	(4,00,000)
Balance	=	7,00,000
Allotment Money Due (2,00,000 × ₹ 5)	=	10,00,000
Received on Allotment	=	3,00,000

Or

(*c*) Only (*i*), (*ii*) and (*iii*).

5. (*c*) 21 : 14 : 15 : 10.

Working Note:

Let the total profit of the firm = 1

Aditya's profit share = 1/6

Fatima's profit share to remain at = 1/4

Remaining profit share = $1-\frac{1}{6}-\frac{1}{4}=\frac{12-2-3}{12}=\frac{7}{12}$

Distribute this remaining profit share of 7/12 in the ratio of 6 : 4 or 3 : 2* between Divya and Yasmin

Divya's New Profit Share = $\frac{7}{12}\times\frac{3}{5}=\frac{21}{60}$

Yasmin's New Profit Share = $\frac{7}{12}\times\frac{2}{5}=\frac{14}{60}$

New Profit-sharing Ratio = 21/60 : 14/60 : 1/4 : 1/6 = 21 : 14 : 15 : 10

*Divya, Yasmin and Fatima's old profit-sharing ratio = 1/2 : 1/3 : 1/4 or 6 : 4 : 3.

6. (*a*).

7. (*d*) ₹ 32,30,000.

Note: Purchase consideration = Value of Assets – Liabilities
= ₹ 37,00,000 – ₹ 4,70,000 = ₹ 32,30,000.

Or

(*d*) Capital Reserve ₹ 10,500.

Note: Gain on reissue of shares = [(150 × ₹ 90) – (150 × ₹ 20)] = ₹ 13,500 – ₹ 3,000 = ₹ 10,500.

8. (*b*) ₹ 5,00,000.

Note: No. of Debentures = ₹ 4,00,000/₹ 80 = 5,000 Debentures
Face Value of Debentures = 5,000 × ₹ 100 = ₹ 5,00,000.

9. (*b*) Crediting her Current Account with ₹ 1,200.

Working Note:

ADJUSTMENT TABLE

Particulars	Shilpa (₹)	Ekta (₹)	Beena (₹)	Total
I. Amount already credited by way of Interest on Capital	10,000	10,000	8,000	28,000
II. Amount which should have been credited by way of share of profit (2 : 2 : 1)	11,200	11,200	5,600	28,000
III. Difference (I – II)	(1,200) Cr.	(1,200) Cr.	2,400 Dr.	...

10. (*c*) ₹ 1,40,400.

Normal Profit = Capital Employed* × Normal Rate of Return

$$= ₹\ 3,15,000 \times \frac{12}{100} = ₹\ 37,800.$$

*Capital Employed = Total Assets – Current Liabilities
= ₹ 3,50,000 – ₹ 35,000 = ₹ 3,15,000

Super Profit = Average Profit – Normal Profit
= ₹ 1,08,000 – ₹ 37,800 = ₹ 70,200

Value of Firm's Goodwill = Super Profit × No. of Years' Purchase
= ₹ 70,200 × 2 = ₹ 1,40,400

11. (*c*) ₹ 2,200.

Working Note:

Realisation Account will be debited with 2% commission on net assets realised. Therefore, commission = 2% of ₹ 1,10,000 (₹ 1,50,000 – ₹ 40,000) = ₹ 2,200.

12. (*d*) Shares Applied by Ramesh 5,000 Shares and Shares allotted to him 2,500. Hence Excess Application Money, *i.e.*, ₹ 75,000 (2,500 × ₹ 30) will be adjusted against Allotment Money towards Share Capital and balance, if any against Securities Premium.

Amount due on allotment as Share Capital ₹ 1,00,000 (2,500 × ₹ 40) and Securities Premium ₹ 1,25,000 (2,500 × ₹ 50).

Excess Application Money (₹ 75,000) is adjusted towards Share Capital.

Hence, on forfeiture Share Capital Account and also Securities Premium Account will be debited.

13. (*c*) Assertion (A) is incorrect and Reason (R) is correct.

14. (*b*) ₹ 7,200.

Working Note:

$$\text{Interest on Drawings} = \text{Total Drawings} \times \frac{\text{Rate of Interest}}{100} \times \frac{6}{12}$$

$$= ₹\ 1,44,000 \times \frac{10}{100} \times \frac{6}{12} = ₹\ 7,200.$$

Or

(*d*) ₹ 7,200.

Working Note: Interest on Drawings $= ₹\ 1,44,000 \times \frac{10}{100} \times \frac{6}{12} = ₹\ 7,200.$

15. (*a*) ₹ 75,000.

Working Note:

Total capital of new firm = (₹ 1,20,000 + ₹ 80,000 + ₹ 1,00,000) × 5/4 = ₹ 3,75,000

Capital brought in by Dona = ₹ 3,75,000 × 1/5 = ₹ 75,000.

16. (*b*) Old Profit-sharing Ratio.

17. *Calculation of Riya's Share of Goodwill:*

A. Total Profit = ₹ 1,20,000 + ₹ 80,000 + ₹ 40,000 + ₹ 80,000 = ₹ 3,20,000.

B. Riya's share of profit credited during 4 years = ₹ 3,20,000 × 3/8 = ₹ 1,20,000.

C. Riya's Share of Goodwill = ₹ 1,20,000 × 1/2 = ₹ 60,000.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2024				
March 1	Priya's Capital A/c (60,000 × 4/5) ...Dr.		48,000	
	Siya's Capital A/c (60,000 × 1/5) ...Dr.		12,000	
	To Riya's Capital A/c			60,000
	(Adjustment of Riya's share of goodwill in gaining ratio of continuing partners)			
March 1	Cheque-in-Hand A/c ...Dr.		8,000	
	To Revaluation A/c			8,000
	(Post-dated cheque received from an old debtor, whose account was written off)			
March 1	Revaluation A/c ...Dr.		8,000	
	To Priya's Capital A/c			4,000
	To Riya's Capital A/c			3,000
	To Siya's Capital A/c			1,000
	(Gain on revaluation distributed)			

18.

ADJUSTMENT ENTRY

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2024				
April 1	Mohan's Capital A/c ...Dr.		38,000	
	To Shiv's Capital A/c			38,000
	(Adjustment entry to correct the amounts of profit transferred to Capital Accounts)			

ADJUSTMENT TABLE

Particulars	Shiv (₹)	Mohan (₹)	Total (₹)
I. Amount already credited: (Profit ₹ 5,04,000 equally)	2,52,000	2,52,000	5,04,000
II. Amount which should have been credited:			
Interest on Capital @ 12% p.a.	1,20,000	84,000	2,04,000
Salary	72,000	60,000	1,32,000
Share of Profit (₹ 5,04,000 – ₹ 2,04,000 – ₹ 1,32,000 in 7 : 5)	98,000	70,000	1,68,000
	2,90,000	2,14,000	5,04,000
III. Difference (Net effect: I – II)	38,000 (Cr.)	38,000 (Dr.)	...

Or

JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2024					
March 31	Profits & Loss Appropriation A/c	...Dr.		1,60,000	
	To Ravi's Current A/c				60,000
	To Rishab's Current A/c				60,000
	To Pawan's Current A/c				40,000
	(Distribution of profit as if there is no guarantee)				
March 31	Ravi's Current A/c	...Dr.		6,000	
	Rishab's Current A/c	...Dr.		4,000	
	To Pawan's Current A/c				10,000
	(Deficiency met by guaranteeing partners)				

Dr. PROFIT & LOSS APPROPRIATION ACCOUNT *for the year ended 31st March, 2024* *Cr.*

Particulars		₹	Particulars	₹
To Ravi's Current A/c (₹ 1,60,000 × 3/8)	60,000		By Profit & Loss A/c (Net Profit)	1,60,000
Less: Deficiency borne	6,000	54,000		
To Rishab's Current A/c (₹ 1,60,000 × 3/8)	60,000			
Less: Deficiency borne	4,000	56,000		
To Pawan's Current A/c (₹ 1,60,000 × 1/4)	40,000			
Add: Deficiency recovered from Ravi and Rishab	10,000	50,000		
		1,60,000		1,60,000

Working Notes:

1. *Calculation of New Profit-sharing Ratio:*

Let the profit = 1

Pawan's share of profit = 1/4

Remaining share = 1 – 1/4 = 3/4

Ravi's profit share = 3/4 × 1/2 = 3/8

Rishab's profit share = 3/4 × 1/2 = 3/8

New profit-sharing ratio of Ravi, Rishab and Pawan = 3/8 : 3/8 : 1/4 or 3 : 3 : 2.

2. Pawan's share in profit = ₹ 1,60,000 × 1/4 = ₹ 40,000
   Deficiency of profit = ₹ 10,000 (*i.e.*, ₹ 50,000 – ₹ 40,000)
   Ravi's share = ₹ 10,000 × 3/5 = ₹ 6,000
   Rishab's share = ₹ 10,000 × 2/5 = ₹ 4,000.

19. JOURNAL OF VIJAY LTD.

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	...Dr.		10,00,000	
	To Bank Loan A/c				10,00,000
	(Loan taken from State Bank of India)				
	Debentures Suspense A/c	...Dr.		15,00,000	
	To 10% Debentures A/c				15,00,000
	(10% Debentures of ₹ 15,00,000 issued as Collateral Security)				

BALANCE SHEET OF VIJAY LTD. (AN EXTRACT) *as at ...*

Particulars	Note No.	₹
I. EQUITY AND LIABILITIES		
1. Non-current Liabilities		
(*a*) Long-term Borrowings	1	10,00,000

Note to Accounts

Particulars		₹
1. Long-term Borrowings		
Loan from Bank		10,00,000
(Secured by the issue of 15,000, 10% Debentures of ₹ 100 each as collateral security)		
15,000, 10% Debentures of ₹ 100 each (Issued as collateral security)	15,00,000	
Less: Debentures Suspense Account	15,00,000	Nil
		10,00,000

Or

JOURNAL OF CLIMAX LTD.

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2024					
April 1	Sundry Assets A/c	...Dr.		8,60,000	
	Goodwill A/c (Balancing Figure)	...Dr.		**80,000**	
	To Sundry Liabilities A/c				1,80,000
	To Crompton Ltd.				7,60,000
	(Assets and liabilities of Crompton Ltd. taken over)				
	Crompton Ltd.	...Dr.		7,60,000	
	Discount on Issue of Debentures A/c	...Dr.		40,000	
	To 10% Debentures A/c				8,00,000
	(8,000; 10% Debentures of ₹ 100 each issued at a discount of 10%)				
	Bank A/c	...Dr.		5,00,000	
	To Debentures Application and Allotment A/c				5,00,000
	(Application Money received for 5,000; 12% Debentures)				

	Debentures Application and Allotment A/c ...Dr.		5,00,000	
	Loss on Issue of Debentures A/c ...Dr.		25,000	
	To 12% Debentures A/c			5,00,000
	To Premium on Redemption of Debentures A/c			25,000
	(5,000, 12% Debentures issued at par and redeemable at 5% premium)			
2025				
March 31	Securities Premium A/c ...Dr.		65,000	
	To Discount on Issue of Debentures A/c			40,000
	To Loss on Issue of Debentures A/c			25,000
	(Discount and Loss on Issue of Debentures written off)			

20. JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2024				
April 1	Sunil's Capital A/c (₹ 36,000 × 1/10) ...Dr.		3,600	
	To Anil's Capital A/c (₹ 36,000 × 1/10)			3,600
	(Adjustment made for goodwill on change in the existing profit-sharing ratio)			
	Sunil's Capital A/c (₹ 18,000 × 1/10) ...Dr.		1,800	
	To Anil's Capital A/c			1,800
	(Adjustment made for appreciation in the value of building on change in the profit-sharing ratio)			
	Anil's Capital A/c ...Dr.		6,000	
	Sunil's Capital A/c ...Dr.		4,000	
	To Advertisement Suspense A/c			10,000
	(Advertisement Suspense A/c written off among all the partners in their old profit-sharing ratio)			

Working Note:

Anil's sacrifice = Old profit share – New profit share = 3/5 – 1/2 = 1/10

Sunil's gain = New profit share – Old profit share = 1/2 – 2/5 = 1/10.

21. (*a*) JOURNAL OF LOTUS LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Preliminary Expenses A/c ...Dr.		5,00,000	
	To Promoters			5,00,000
	(Services of promoters in incorporating the company)			
	Promoters ...Dr.		5,00,000	
	To Share Capital A/c			5,00,000
	(Shares issued to promoters against their services)			
	Machinery A/c ...Dr.		30,00,000	
	To Vendor's A/c			30,00,000
	(Machinery purchased)			
	Vendor's A/c ...Dr.		30,00,000	
	To Share Capital A/c			20,00,000
	To Securities Premium A/c			10,00,000
	(2,00,000 shares issued to vendor at a premium of ₹ 5 per share)			

(*b*) BALANCE SHEET OF LOTUS LTD. *as at ...*

Particulars	Note No.	Current Year ₹
I. EQUITY AND LIABILITIES		
1. Shareholders' Funds		
Share Capital	1	50,00,000

Notes to Accounts

Particulars	₹
1. Share Capital	
Authorised Capital	
8,00,000 Equity Shares of ₹ 10 each	80,00,000
Issued Capital	
5,00,000 Equity Shares of ₹ 10 each	50,00,000
Subscribed Capital	
Subscribed and Fully Paid-up	
5,00,000 Equity Shares of ₹ 10 each	50,00,000
(2,50,000 shares have been issued for consideration other than cash)	
	50,00,000

Note: The question requires to show share capital in the Balance Sheet of the company. Hence, Securities Premium on issue of shares is not shown.

22. **In the Books of Madhav, Raghav and Purav**

Dr. PURAV'S CAPITAL ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Drawings A/c	10,000	By Balance *b/d*	40,000
To Purav's Legal Representative/		By General Reserve A/c	10,000
Executor's A/c (Balancing Figure)	**75,400**	By Madhav's Capital A/c (Goodwill)	15,000
		By Raghav's Capital A/c (Goodwill)	15,000
		By Madhav's Capital A/c (Share of Profit)	1,500
		By Raghav's Capital A/c (Share of Profit)	1,500
		By Interest on Capital (₹ 40,000 × 12/100 × 6/12)	2,400
	85,400		85,400

Working Notes:

1. Gain (Sacrifice) of a Partner = New Share – Old Share

   Madhav's Gain = 3/5 – 5/10 = 1/10 (Gain)

   Raghav's Gain = 2/5 – 3/10 = 1/10 (Gain)

   Gaining Ratio of Madhav and Raghav = 1/10 : 1/10 = 1 : 1.

2. Firm's goodwill = ₹ 50,000 × 3 = ₹ 1,50,000

   Purav's Share of Goodwill = ₹ 1,50,000 × 2/10 = ₹ 30,000, it will be adjusted to gaining partners' Capital Accounts in their gaining ratio, *i.e.*, 1 : 1.

3. Madhav's share of profit ₹ 3,000 will be adjusted to gaining Partners' Capital Accounts in their gaining ratio, *i.e.*, 1 : 1.

23.

Dr. REALISATION ACCOUNT *Cr.*

Particulars		₹	Particulars		₹
To Sundry Assets:			By Creditors A/c		97,000
Debtors	52,300		By Investment Fluctuation Reserve A/c		6,000
Stock	36,000		By Commission Received in Advance A/c		8,000
Investments	15,000		By Bank A/c (Assets realised):		
Plant	91,200	1,94,500	Debtors	30,000	
To Sanjay's Capital A/c		5,500	Stock	26,000	
(Commission 5% of ₹ 1,10,000)			Investments	11,250	
To Bank A/c:			Plant	42,750	1,10,000
Commission Repaid	5,000		By Partners' Capital A/cs (Loss):		
Salary Outstanding	7,200		Sanjay	49,000	
Compensation to Employees	9,800		Sameer	49,000	98,000
Creditors	97,000	1,19,000			
		3,19,000			3,19,000

Dr. PARTNERS' CAPITAL ACCOUNTS *Cr.*

Particulars	Sanjay (₹)	Sameer (₹)	Particulars	Sanjay (₹)	Sameer (₹)
To Profit & Loss A/c	27,000	27,000	By Balance *b/d*	80,000	80,000
To Realisation A/c (Loss)	49,000	49,000	By Realisation A/c (Commission)	5,500	...
To Bank A/c (Balancing Figure)	9,500	4,000			
	85,500	80,000		85,500	80,000

Dr. BANK ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Balance *b/d*	22,500	By Realisation A/c	1,19,000
To Realisation A/c	1,10,000	By Sanjay's Capital A/c	9,500
		By Sameer's Capital A/c	4,000
	1,32,500		1,32,500

24.

In the Books of Well Flow Ltd.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c ...Dr.		9,00,000	
	To Equity Shares Application A/c			9,00,000
	(Application money received for 3,00,000 shares)			
	Equity Shares Application A/c ...Dr.		9,00,000	
	To Equity Share Capital A/c (1,00,000 × ₹ 3)			3,00,000
	To Equity Shares Allotment A/c			3,20,000
	To Calls-in-Advance A/c			60,000
	To Bank A/c (WN)			2,20,000
	(Application money adjusted and surplus refunded) (WN 1 and 2)			

	Equity Shares Allotment A/c ...Dr.		4,00,000	
	To Equity Share Capital A/c			4,00,000
	(Allotment money due on 1,00,000 shares)			
	Bank A/c (₹ 4,00,000 – ₹ 3,20,000) ...Dr.		80,000	
	To Equity Shares Allotment A/c			80,000
	(Balance allotment money received)			
	Equity Shares First and Final Call A/c ...Dr.		3,00,000	
	To Equity Share Capital A/c			3,00,000
	(First and final call money due on 1,00,000 shares)			
	Bank A/c* ...Dr.		2,39,520	
	Calls-in-Arrears A/c (160 × ₹ 3) ...Dr.		480	
	Calls-in-Advance A/c ...Dr.		60,000	
	To Equity Shares First and Final Call A/c			3,00,000
	(First and final call money received except on 160 shares @ ₹ 3 per share and advance received earlier (₹ 60,000) adjusted)			
	*₹ 3,00,000 – ₹ 480 – ₹ 60,000 = ₹ 2,39,520.			
	Equity Share Capital A/c (160 × ₹ 10) ...Dr.		1,600	
	To Calls-in-Arrears A/c (160 × ₹ 3)			480
	To Forfeited Shares A/c (160 × ₹ 7)			1,120
	(160 shares forfeited for non-payment of call money)			
	Bank A/c (160 × ₹ 15) ...Dr.		2,400	
	To Equity Share Capital (160 × ₹ 10)			1,600
	To Securities Premium A/c (160 × ₹ 5)			800
	(160 forfeited shares reissued @ ₹ 15 per share as fully paid)			
	Forfeited Shares A/c ...Dr.		1,120	
	To Capital Reserve A/c			1,120
	(Gain on reissue of forfeited shares transferred to Capital Reserve) (WN 3)			

Working Notes:

1. *Adjustment of Application Money:*

		₹
Application money received on shares applied (3,00,000 × ₹ 3)		9,00,000
Less:	20% applications rejected (20% of 3,00,000, *i.e.*, 60,000 × ₹ 3)—Refunded **(A)**	1,80,000
		7,20,000
Less:	Application money adjusted on allotted shares (1,00,000 × ₹ 3) (Category I and II)	3,00,000
Excess Application money (Category I and II)		4,20,000

2. *Adjustment of Excess Application Money:*

				₹
Category I:	Application money received (1,60,000 × ₹ 3)			4,80,000
	Less: Application money adjusted on allotted shares (80,000 × ₹ 3) **(C)**			2,40,000
	Excess application money			2,40,000
	Less: Excess application money to be adjusted on allotment			2,40,000
	Surplus			Nil
Category II:	Application money received on shares applied (80,000 × ₹ 3)			2,40,000
	Less: Application money due on shares allotted (20,000 × ₹ 3)			60,000
	Excess Application money			1,80,000
	Less: Amount to be adjusted on Allotment (20,000 × ₹ 4) **(D)**		80,000	
	Amount to be adjusted on first and final call (20,000 × ₹ 3) **(E)**		60,000	1,40,000
	Excess Amount to be refunded **(B)**			40,000

- Total Application Money Refunded **(A + B)** = ₹ 1,80,000 + ₹ 40,000 = ₹ 2,20,000.
- Excess Application Money to be adjusted on Allotment **(C + D)** = ₹ 2,40,000 + ₹ 80,000 = ₹ 3,20,000.
- Excess Application Money to be adjusted on First and Final Call (Calls-in-Advance) = ₹ 60,000 **(E)**.

3. Shares are reissued at premium, discount on reissue is Nil. Therefore, total amount of ₹ 1,120 credited to Forfeited Shares Account is *capital gain* and is transferred to Capital Reserve Account.

Or

(*a*) JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2023				
April 1	Bank A/c ...Dr.		10,00,000	
	To Debentures Application and Allotment A/c			10,00,000
	(Applications received for 10,000, 9% Debentures for ₹ 100 each @ ₹ 100 each)			
	Debentures Application and Allotment ...Dr.		10,00,000	
	Loss on Issue of Debentures A/c* ...Dr.		1,00,000	
	To 9% Debentures A/c			10,00,000
	To Premium on Redemption of Debentures A/c			1,00,000
	(Allotment of 10,000, 9% Debentures of ₹ 100 each, issued at par redeemable at 10% premium)			
2024				
March 31	Statement of Profit & Loss (Finance Cost) ...Dr.		1,00,000	
	To Loss on Issue of Debentures A/c			1,00,000
	(Loss on issue of Debentures written off)			

*Discount/Loss on Issue of Debentures is written off in the year debentures are allotted from Securities Premium to the extent of balance in Securities Premium Account and balance from Statement of Profit & Loss. Since balance of Securities Premium Account is not given, it means it does not have a balance and therefore, Loss on Issue of Debentures is written off from Statement of Profit & Loss as finance cost.

(*b*)

Dr. 9% DEBENTURES ACCOUNT Cr.

Date	Particulars	₹	Date	Particulars	₹
2024 March 31	To Balance *c/d*	10,00,000	2023 April 1	By Debentures Application & Allotment A/c	10,00,000
		10,00,000			10,00,000

(*c*)

Dr. LOSS ON ISSUE OF DEBENTURES ACCOUNT Cr.

Date	Particulars	₹	Date	Particulars	₹
2023 April 1	To Premium on Redemption of Debentures A/c	1,00,000	2024 March 31	By Statement of Profit & Loss	1,00,000
		1,00,000			1,00,000

25. JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2024 April 1	Bank A/c ...Dr.		20,000	
	To Kiran's Capital A/c			20,000
	(Capital brought in by Kiran in the firm)			
	Kiran's Current A/c (₹ 12,000 × 1/3) ...Dr.		4,000	
	To Ekta's Capital A/c			2,500
	To Jagriti's Capital A/c			1,500
	(Kiran's share in goodwill credited to sacrificing partners in their sacrificing ratio)			
	Revaluation A/c ...Dr.		5,000	
	To Machinery A/c			5,000
	(Decrease in value of machinery)			
	Building A/c ...Dr.		10,000	
	Provision for Doubtful Debts A/c ...Dr.		400	
	Creditors A/c ...Dr.		1,000	
	To Revaluation A/c			11,400
	(Record of increase in assets and decrease in liabilities)			
	Revaluation A/c (₹ 11,400 – ₹ 5,000) ...Dr.		6,400	
	To Ekta's Capital A/c			4,000
	To Jagriti's Capital A/c			2,400
	(Transfer of gain (profit) on revaluation)			
	General Reserve A/c ...Dr.		16,000	
	To Ekta's Capital A/c			10,000
	To Jagriti's Capital A/c			6,000
	(Distribution of General Reserve in old profit-sharing ratio)			
	Ekta's Capital A/c ...Dr.		41,500	
	To Ekta's Current A/c			41,500
	(Excess capital transferred to Current A/c) (WN 3)			
	Jagriti's Capital A/c ...Dr.		29,900	
	To Jagriti's Current A/c			29,900
	(Excess capital transferred to Current Account) (WN 3)			

BALANCE SHEET OF THE NEW FIRM *as at 1st April, 2024*

Liabilities		₹	Assets		₹
Creditors		48,000	Building		35,000
Capital A/cs:			Machinery		25,000
Ekta	25,000		Stock		15,000
Jagriti	15,000		Debtors	20,000	
Kiran	20,000	60,000	*Less:* Provision for Doubtful Debts	1,100	18,900
Current A/cs:			Kiran's Current A/c		4,000
Ekta	41,500		Cash at Bank (₹ 61,500 + ₹ 20,000)		81,500
Jagriti	29,900	71,400			
		1,79,400			1,79,400

Working Notes:

1. *Calculation of New Profit-sharing Ratio:*

Kiran is entitled to 1/3rd share in profit so balance of profit = 1 – 1/3 = 2/3rd share will be shared by Ekta and Jagriti in 5 : 3.

Ekta's new profit share = 2/3 × 5/8 = 10/24

Jagriti's new profit share = 2/3 × 3/8 = 6/24

New Profit-sharing Ratio of Ekta, Jagriti and Kiran = 10/24 : 6/24 : 1/3 = 10 : 6 : 8 or 5 : 3 : 4.

2. *Calculation of Capital of Ekta and Jagriti on the basis of Kiran's Capital:*

Kiran's share = 1/3; Kiran's capital = ₹ 20,000

Based on Kiran's capital, total capital of the firm will be = (₹ 20,000 × 3/1) = ₹ 60,000

∴ Ekta's capital in the new firm = ₹ 60,000 × 5/12 = ₹ 25,000

Jagriti's capital in the new firm = ₹ 60,000 × 3/12 = ₹ 15,000.

3. *Dr.* PARTNERS' CAPITAL ACCOUNTS *Cr.*

Particulars	Ekta (₹)	Jagriti (₹)	Kiran (₹)	Particulars	Ekta (₹)	Jagriti (₹)	Kiran (₹)
To Current A/c (Transfer)	41,500	29,900	...	By Balance *b/d*	50,000	35,000	...
—Balancing Figure				By General Reserve A/c	10,000	6,000	...
To Balance *c/d* (WN 4)	25,000	15,000	20,000	By Revaluation A/c	4,000	2,400	...
				By Bank A/c	...	...	20,000
				By Kiran's Current A/c	2,500	1,500	...
				(Goodwill)			
	66,500	44,900	20,000		66,500	44,900	20,000

Or

Dr. PARTNERS' CAPITAL ACCOUNTS *Cr.*

Particulars	Alka ₹	Harpreet ₹	Shreya ₹	Particulars	Alka ₹	Harpreet ₹	Shreya ₹
To Goodwill A/c (Written off)	1,800	1,200	600	By Balance *b/d*	40,000	25.000	20,000
To Revaluation A/c (WN 1)	4,200	2,800	1,400	By Profit & Loss A/c	4,050	2,700	1,350
To Alka's Capital A/c (WN 2)	...	2,000	1,000	By Harpreet's Capital A/c	2,000	...	...
To Bank A/c	11,050	...	...	By Shreya's Capital A/c	1,000	...	...
To Alka's Loan A/c	**30,000**	...	...				
—Balancing Figure							
To Balance *c/d*	...	21,700	18,350				
	47,050	27,700	21,350		47,050	27,700	21,350

Dr. ALKA'S LOAN ACCOUNT *Cr.*

Date	Particulars	₹	Date	Particulars	₹
2023			2022		
March 31	To Bank A/c (₹ 15,000 + ₹ 2,700)	17,700	April 1	By Alka's Capital A/c	30,000
March 31	To Balance *c/d*	15,000	2023		
			March 31	By Interest A/c (₹ 30,000 × 9/100)	2,700
		32,700			32,700
2024			2023		
March 31	To Bank A/c (₹ 15,000 + ₹ 1,350)	16,350	April 1	By Balance *b/d*	15,000
			2024		
			March 31	By Interest A/c (₹ 15,000 × 9/100)	1,350
		16,350			16,350

Working Notes:

1. *Dr.* REVALUATION ACCOUNT *Cr.*

Particulars	₹	Particulars		₹
To Stock A/c	2,300	By Loss transferred to Capital A/c:		
To Furniture A/c	500	Alka	4,200	
To Machinery A/c	750	Harpreet	2,800	
To Building A/c	4,000	Shreya	1,400	8,400
To Provision for Doubtful Debts A/c	850			
	8,400			8,400

2. Alka's share of goodwill = ₹ 6,000 × 1/2 = ₹ 3,000, which is contributed by Harpreet and Shreya in their gaining ratio, *i.e.*, 2 : 1.

26. I. (*c*) ₹ 1,50,000.

Working Note:

Category	*Shares Applied*	*Shares Allotted*	*Pro rata*	*Excess Application Money*
I	50,000	40,000	5 : 4	(50,000 – 40,000) × ₹ 3 = ₹ 30,000
II	1,00,000	60,000	5 : 3	(1,00,000 – 60,000) × ₹ 3 = ₹ 1,20,000
Excess Application Money adjusted on Allotment				₹ 1,50,000

II. (*b*) ₹ 1,20,000.

Working Note: (1,90,000 – 1,50,000) × ₹ 3 = ₹ 1,20,000.

III. (*c*) ₹ 2,43,500.

Working Note:

- Shares applied by Rajat = 2,500

  Shares allotted to Rajat = 2,500 × $\frac{4}{5}$ = 2,000

	₹
• Application money paid by Rajat (2,500 × 3)	7,500
Application money adjusted on application (2,000 × 3)	6,000
Surplus Application Money adjusted on allotment	1,500
• Amount due from Rajat on allotment (2,000 × 4)	8,000
Less: Application money adjusted	1,500
Amount not paid by Rajat on allotment	6,500
• Total allotment money due (1,00,000 × 4)	4,00,000
Less: Allotment money already received	1,50,000
	2,50,000
Less: Allotment money not paid by Rajat	6,500
Amount received on allotment	2,43,500

IV. (*b*) ₹ 5,500.

V. (*d*) ₹ 9,750.

VI. (*c*) ₹ 2,750.

Working Notes: For (IV), (V) and (VI)

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Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	For forfeiture of Rajat's 2,000 shares				
	Share Capital A/c (2,000 × ₹ 8)	...Dr.		16,000	
	Securities Premium A/c (2,000 × ₹ 1)	...Dr.		2,000	
	To Forfeited Shares A/c (₹ 7,500 – ₹ 2,000 premium)				5,500
	To Shares Allotment A/c				6,500
	To Shares First Call A/c				6,000
	For forfeiture of Reema's 3,000 shares				
	Share Capital A/c (3,000 × ₹ 10)	...Dr.		30,000	
	To Forfeited Shares A/c (3,000 × ₹ 5)				15,000
	To Shares First Call A/c				9,000
	To Shares Second and Final Call A/c				6,000
	For reissue of 4,000 shares				
	Bank A/c	...Dr.		32,000	
	Forfeited Shares A/c	...Dr.		8,000	
	To Share Capital A/c				40,000
	Forfeited Shares A/c	...Dr.		9,750*	
	To Capital Reserve A/c				9,750*

*Amount forfeited on 3,000 shares held by Reema	₹ 15,000
Amount forfeited on 1,000 shares held by Rajat $\left(5{,}500 \times \frac{1{,}000}{2{,}000}\right)$	₹ 2,750
	₹ 17,750
Less: Loss on reissue of shares	₹ 8,000
Amount transferred to Capital Reserve	₹ 9,750

Balance forfeited shares = ₹ 5,500 + ₹ 15,000 – ₹ 8,000 – ₹ 9,750 = ₹ 2,750.

Dr. FORFEITED SHARES ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Share Capital A/c	8,000	By Share Capital A/c	5,500
To Capital Reserve A/c	9,750	By Share Capital A/c	15,000
To Balance *c/d*	**2,750**		
	20,500		20,500

Part B

27. (*a*) Intra-firm comparison. ***Or*** (*a*) Balance Sheet.

28. (*b*) Only (*i*), (*ii*) and (*iv*) are correct.

29. (*a*) Both statements are correct.

Or

(*a*) Assertion (A) is correct but Reason (R) is wrong.

30. (*c*) Outflow ₹ 61,600.

Working Note:

	₹
Redemption of Debentures	(40,000)
Interest on Debentures [(₹ 2,00,000 × 12/100 × 6/12) + (₹ 1,60,000 × 12/10 × 6/12)]	(21,600)
Cash Outflow from Financing Activities	61,600

31.

Item	Major Head	Sub-head
(*i*) Marketable Securities	Current Assets	Cash and Cash Equivalents.
(*ii*) Prepaid Rent	Current Assets	Other Current Assets.
(*iii*) Interest Accrued and Due on Debentures	Current Liabilities	Other Current Liabilities.
(*iv*) Debentures payable within the period of 12 months or Operating Cycle Period from the Date of Balance Sheet.	Current Liabilities	Short-term Borrowings
(*v*) Investment in Debentures	Non-current Assets	Non-current Investments
(*vi*) Calls-in-Advance	Current Liabilities	Other Current Liabilities

32. COMPARATIVE STATEMENT OF PROFIT & LOSS

Particulars	Note No.	31st March, 2023 ₹	31st March, 2024 ₹	Absolute Change (Increase/Decrease) ₹	Percentage Change (Increase/Decrease) %
		(A)	(B)	(C = B – A)	(D = C/A × 100)
I. Revenue from Operations		8,00,000	10,00,000	2,00,000	25.00
II. *Add:* Other Income		1,50,000	2,20,000	70,000	46.67
III. **Total Revenue (I + II)**		9,50,000	12,20,000	2,70,000	28.42
IV. *Less:* Cost of Materials Consumed		3,00,000	4,00,000	1,00,000	33.33
Change in inventories of finished goods and work-in-progress		1,00,000	2,00,000	1,00,000	100.00
Other Expenses		80,000	1,50,000	70,000	87.5
Total Expenses		4,80,000	7,50,000	2,70,000	87.5
V. **Profit before Tax (III – IV)**		4,70,000	4,70,000	...	...
VI. Tax Rate		1,41,000	1,41,000	...	...
VII. **Profit after Tax (V – VI)**		3,29,000	3,29,000	...	...

33. (*i*) Total Assets to Debt Ratio $= \dfrac{\text{Total Assets}}{\text{Long-term Debts}}$

Total Assets = Non-current Assets + Current Assets

= ₹ 5,40,000 + ₹ 1,35,000 = ₹ 6,75,000

Long-term Debts = Long-term Borrowings + Long-term Provisions

= ₹ 3,00,000 + ₹ 1,50,000 = ₹ 4,50,000

Total Assets to Debt Ratio $= \dfrac{₹\ 6,75,000}{₹\ 4,50,000} =$ **1.5 : 1.**

(*ii*) Quick Ratio $= \dfrac{\text{Quick Assets}}{\text{Current Liabilities}} = \dfrac{₹\ 6,40,000}{₹\ 3,20,000} =$ **2 : 1.**

Working Note:

Working Capital = Current Assets – Current Liabilities

Current Liabilities = Current Assets – Working Capital

= ₹ 8,00,000 – ₹ 4,80,000 = ₹ 3,20,000

Quick Assets = Current Assets – Inventories

= ₹ 8,00,000 – ₹ 1,60,000 = ₹ 6,40,000.

Or

(*i*) Net Profit Ratio $= \dfrac{\text{Net Profit}}{\text{Revenue from Operations}} \times 100 = \dfrac{₹\ 1,20,000}{₹\ 8,00,000} \times 100 =$ **15%**.

Working Notes:

1. Operating Profit Ratio = 100 – Operating Ratio = 100 – 90 = 10%.
2. Operating Profit = ₹ 8,00,000 × 10/100 = ₹ 80,000.
3. Net Profit = Operating Profit + Non-operating Income – Non-operating Expenses

   = ₹ 80,000 + ₹ 44,000 – ₹ 4,000 = ₹ 1,20,000.

(*ii*) Net Assets or Capital Employed Turnover Ratio $= \dfrac{\text{Revenue from Operations}}{\text{Capital Employed}}$

$= \dfrac{₹\ 10,00,000}{₹\ 6,50,000} =$ **1.54 Times.**

Capital Employed = Total Assets – Current Liabilities*

= ₹ 7,75,000 – ₹ 1,25,000 = ₹ 6,50,000

*Current Liabilities = Current Assets – Working Capital

= ₹ 1,75,000 – ₹ 50,000 = ₹ 1,25,000.

Calculation of Revenue from Operations:

Let Revenue from Operations = ₹ 100, Gross Profit = ₹ 20, Cost = ₹ 100 – ₹ 20 = ₹ 80.

If Cost of Revenue from Operations is ₹ 8,00,000 then Revenue from Operations = ₹ 8,00,000 × 100/80 = ₹ 10,00,000.

34. **Lotus Valley Ltd.**

CASH FLOW STATEMENT *for the year ended 31st March, 2024*

Particulars	₹	₹
A. Cash Flow from Operating Activities		
Net Profit before Tax (WN 1)	2,40,000	
Add: Non-operating/Non Cash Items		
Depreciation on Machinery (WN 5)	1,20,000	
Goodwill written off	60,000	
Interest on Debentures (WN 3)	41,000	
Loss on Sale of Machinery	30,000	
Operating Profit before Working Capital Changes	4,91,000	
Add: Increase in Trade Payables	40,000	
Less: Increase in Trade Receivables	(2,50,000)	
Cash Generated from Operations	2,81,000	
Less: Tax Paid	70,000	
Cash Flow from Operating Activities		2,11,000
B. Cash Flow from Investing Activities		
Purchase of Machinery	(9,00,000)	
Proceeds from Sale of Machinery	50,000	
Cash Used in Investing Activities		(8,50,000)
C. Cash Flow from Financing Activities		
Proceeds from Issue of Equity Shares	6,00,000	
Redemption of Preference Shares	(2,00,000)	
Proceeds from Issue of Debentures	3,60,000	
Interest on Debentures (WN 3)	(41,000)	
Dividend Paid (WN 6)	(40,000)	
Cash Flow from Financing Activities		6,79,000
D. Net Increase in Cash and Cash Equivalents		40,000
Add: Opening Balance of Cash and Cash Equivalents		70,000
E. Closing Balance of Cash and Cash Equivalents		1,10,000

Working Notes:

1. *Calculation of Net Profit before Tax:*

	₹
Closing Balance of Surplus, *i.e.*, Balance in Statement of Profit & Loss	5,00,000
Less: Opening Balance of Surplus, *i.e.*, Balance in Statement of Profit & Loss	4,00,000
Profit for the Year	1,00,000
Add: Provision for Tax (WN 2)	90,000
Proposed Dividend of Previous Year	50,000
Net Profit before Tax	2,40,000

2. *Dr.* PROVISION FOR TAX ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Bank A/c (Tax Paid)	70,000	By Balance *b/d*	60,000
To Balance *c/d*	80,000	By Statement of Profit & Loss (Provision Made) (Balancing Figure)	**90,000**
	1,50,000		1,50,000

3. *Interest on Debentures:*

	₹
₹ 1,40,000 × 10/100 × 3/12	3,500
₹ 5,00,000 × 10/100 × 9/12	37,500
	41,000

4. *Dr.* MACHINERY ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Balance *b/d*	10,00,000	By Bank A/c (Sale)	50,000
To Bank A/c (Purchase) (Balancing Figure)	**9,00,000**	By Accumulated Depreciation A/c	60,000
		By Statement of Profit & Loss (Loss)	30,000*
		By Balance *c/d*	17,60,000
	19,00,000		19,00,000

*Loss on Sale of Machine = Book Value on the date of sale – Sales Value
= (₹ 1,40,000 – ₹ 60,000) – ₹ 50,000 = ₹ 30,000.

5. *Dr.* ACCUMULATED DEPRECIATION ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Machinery A/c (Transfer)	60,000	By Balance *b/d*	1,00,000
To Balance *c/d*	1,60,000	By Statement of Profit & Loss (Depreciation) (Balancing Figure)	**1,20,000**
	2,20,000		2,20,000

6. *Dr.* DIVIDEND PAYABLE ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Bank A/c (Dividend paid)—Balancing Figure	**40,000**	By Balance *b/d*	10,000
To Balance *c/d*	20,000	By Surplus, *i.e.*, Balance in Statement of Profit & Loss Proposed Dividend (31st March, 2023)	50,000
	60,000		60,000

❑❑❑❑