ANSWERS

SECTION A

Question 1.

(*i*) (*b*) Credited to the Capital Accounts of all the partners in their profit sharing ratio.

(*ii*) (*b*) ₹ 1,20,000

Working Note:

Anthony is guaranteed a profit of ₹ 60,000. However, the firm has suffered loss of ₹ 1,80,000. Out of the total loss, Anthony is debited by ₹ 60,000. It means, Anthony is entitled for ₹ 1,20,000 (= ₹ 60,000 + ₹ 60,000). This amount will be credited to Anthony's Capital Account. Amar and Akbar will share this deficiency equally, *i.e.*, ₹ 60,000 each. Amar's Capital Account will be debited by ₹ 1,20,000 [= ₹ 60,000 (Loss) + ₹ 60,000 deficiency borne].

(*iii*) (*b*) ₹ 11.

Working Note:

Premium payable on redemption of debentures is ₹ 10,00,000, *i.e.*, ₹ 20,00,000 – ₹ 10,00,000 (Discount). Thus, redemption value of each debenture is ₹ 11 (₹ 10 + ₹ 1). Premium payable on redemption per debenture is ₹ 1, *i.e.*, ₹ 10,00,000/10,00,000.

(*iv*) (*d*) ₹ 4,46,000.

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

(*vi*) (*a*) Total capital of the new firm on the basis of Charu's capital
(₹ 4,00,000 × 5/1) = ₹ 20,00,000

(*b*) Actual total capital of the firm (₹ 10,00,000 + ₹ 4,00,000) = ₹ 14,00,000

(*c*) Hidden Goodwill (*a* – *b*) (₹ 20,00,000 – ₹ 14,00,000) = ₹ 6,00,000

Charu's share of goodwill = ₹ 6,00,000 × 1/5 = ₹ **1,20,000.**

(*vii*) *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 = Other Assets – Assets Realised
= (₹ 1,80,000 (Other Assets) – ₹ 1,50,000 (Assets Realised
= ₹ **30,000 (Loss).**

(*viii*) *Nil*, because it is not required to transfer amount out of profit to Debenture Redemption Reserve by a listed NBFC.

(*ix*) It will increase Non-current Liabilities (Long-term Borrowings) and Non-current Assets under Property, Plant and Equipment and Intangible Assets: Property, Plant and Equipment.

(*x*) JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2025				
March 31	Debentureholders' A/c		36,000	
	To Bank A/c			36,000
	(Being the interest paid to debentureholders)			

Notes:

1. *Interest payable on Debentures* = $\frac{9}{100}$ × ₹ 4,00,000 (₹ 2,50,000 + ₹ 1,50,000) = ₹ 36,000.
2. Interest on Debentures is calculated on Nominal/Face value of Debentures not on the Issue Price.
3. Interest is not payable on Debentures issued as collateral security.

Question 2.

BALANCE SHEET OF HARI AND JAMES *as at 30th June, 2024/1st July, 2024*

Liabilities		₹	Assets	₹
Capital A/cs:			Fixed Assets	3,50,000
Hari	3,40,000		Debtors	2,50,000
James	2,20,000	5,60,000	Bank [₹ 1,50,000 – ₹ 1,00,000 (Drawings)]	50,000
Jacob's Executor's Loan (WN 1 & 2)		1,99,500	Profit & Loss Suspense A/c	1,09,500*
		7,59,500		7,59,500

**Profit & Loss Suspense A/c:*

	₹
James's Share of Profit (Interim)	1,10,000
Less: Interest on Drawings $\left(₹\,1,00,000 \times \frac{1.5^{**}}{12} \times \frac{4}{100}\right)$	500
	1,09,500

**Average Period = $\frac{3}{2}$ = 1.5 months.

Working Notes:

1. *Dr.* JACOB'S CAPITAL ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Drawings A/c—Bank	1,00,000	By Balance *b/d*	1,90,000
To Profit & Loss Suspense A/c (Interest on Drawings)	500	By Profit & Loss Suspense A/c (Share of Profit)	1,10,000
To Jacob's Executor's Loan A/c	1,99,500		
	3,00,000		3,00,000

2. *Dr.* JACOB'S EXECUTOR'S LOAN ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Balance *c/d*	1,99,500	By Jacob's Capital A/c	1,99,500

Or

JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2025	Accrued Income A/c	...Dr.		1,000	
April 1	Bank A/c (Bad Debts Recovered)	...Dr.		4,000	
	Creditors A/c	...Dr.		5,000	
	To Revaluation A/c				10,000
	(Being the increase in value of assets & decrease in value of liabilities recorded)				

	Revaluation ...Dr.		10,000	
	To Abhay's Capital A/c			5,000
	To Bharat's Capital A/c			3,000
	To Chitra's Capital A/c			2,000
	(Being the profit on revaluation transferred to partners in their old profit-sharing ratio)			
	Abhay's Captial A/c (₹ 54,000 × 5/12) ...Dr.		22,500	
	Chitra's Captial A/c (₹ 54,000 × 7/12) ...Dr.		31,500	
	To Bharat's Capital A/c (₹ 1,80,000 × 3/10)			54,000
	(Being the share of goodwill credited to Bharat by debiting gaining Partners' Capital Accounts in their gaining ratio of 5 : 7)			

Working Notes:

1. Bharat's Share of Goodwill = ₹ 1,80,000 × $\frac{3}{10}$ = ₹ 54,000.

2. Gain of a Partner = New Profit Share – Old Profit Share

$$\text{Abhay's Gain} = \frac{5}{8} - \frac{5}{10} = \frac{25-20}{40} = \frac{5}{40}\text{; Chitra's Gain} = \frac{3}{8} - \frac{2}{10} = \frac{15-8}{40} = \frac{7}{40}$$

$$\text{Gaining Ratio} = \frac{5}{40} : \frac{7}{40} \text{ or } 5:7$$

Question 3.

JOURNAL OF NEON LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Sundry Assets A/c ...Dr.		18,00,000	
	To Sundry Liabilities A/c			2,00,000
	To Zenith Ltd.			15,00,000
	To Capital Reserve A/c (Balancing Figure)			**1,00,000**
	(Being the purchase of business from Zenith Ltd.)			
	Zenith Ltd. ...Dr.		7,50,000	
	To Equity Share Capital A/c (6,250 × ₹ 100)			6,25,000
	To Securities Premium A/c (6,250 × ₹ 20)			1,25,000
	(Being the part payment made to Vendor by issue of 6,250 equity shares at a premium of 20%)			
	Zenith Ltd. ...Dr.		7,50,000	
	Loss on Issue of Debentures A/c ...Dr.		75,000	
	To 10% Debentures A/c			7,50,000
	To Premium on Redemption of Debentures A/c			75,000
	(Being the issue of 7,500 Debentures of ₹ 100 each redeemable at 10% premium)			
	Securities Premium A/c ...Dr.		75,000	
	To Loss on issue of Debentures A/c			75,000
	(Being the loss on issue of debentures written off)			

Working Notes: 1. No of Equity Shares to be Issued = $\frac{₹\,7,50,000}{₹\,120}$ = 6,250 shares.

2. No of Debentures to be Issued = $\frac{₹\,7,50,000}{₹\,100}$ = 7,500 Debentures.

Or

(*i*) *Dr.* 6% DEBENTURES ACCOUNT *Cr.*

Date	Particulars	₹	Date	Particulars	₹
2025			2024		
March 31	To Balance *c/d*	50,00,000	April 1	By Debentures Application and Allotment A/c	47,50,000
				By Discount on Issue of Debentures A/c	2,50,000
		50,00,000			50,00,000

(*ii*) *Dr.* LOSS ON ISSUE OF DEBENTURES ACCOUNT *Cr.*

Date	Particulars	₹	Date	Particulars	₹
2024			2025		
April 1	To 6% Debentures A/c	2,50,000	March 31	By Securities Premium A/c	2,00,000
April 1	To Premium on Redemption of Debentures A/c	3,50,000	March 31	By Statement of Profit & Loss	4,00,000
		6,00,000			6,00,000

Question 4.

JOURNAL OF RESORTS LTD.

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2024					
April 30	Debenture Redemption Investment (DRI) A/c	...Dr.		9,00,000	
	To Bank A/c (15% of ₹ 60,00,000)				9,00,000
	(Being the debenture redemption investment made in a fixed deposit)				
2025					
March 31	Bank A/c [₹ 41,250 – ₹ 4,125 (TDS)]	...Dr.		37,125	
	Tax Collected (Receivables) A/c	...Dr.		4,125	
	To Interest on Debenture Redemption Investment A/c				41,250
	(₹ 9,00,000 × 11/12 × 5/100)				
	(Being the interest received on debenture redemption investment)				
March 31	Bank A/c	...Dr.		9,00,000	
	To Debenture Redemption Investment A/c				9,00,000
	(Being the debenture redemption investment matured)				
March 31	5% Debentures A/c	...Dr.		60,00,000	
	To Debentureholders' A/c				60,00,000
	(Being the amount due to Debentureholders)				
March 31	Debentureholders' A/c	...Dr.		60,00,000	
	To Bank A/c				60,00,000
	(Being 5% Debentures redeemed)				
March 31	Interest on Debenture Redemption Investment A/c	...Dr.		41,250	
	To Statement of Profit & Loss				41,250
	(Being interest on debenture redemption investment transferred to Statement of Profit & Loss)				

Question 5.

(*i*) **Calculation of Value of Firm's Goodwill:**

Capital Employed = All Assets (other than goodwill, fictitious Assets and non-trade investments) – Outside Liabilities

= ₹ 5,50,000 – ₹ 2,00,000 = ₹ 3,50,000

Normal Profit = Capital Employed × Normal Rate of Return

$= ₹\ 3,50,000 \times \frac{20}{100} = ₹\ 70,000$

Average Profit for Goodwill = ₹ 1,22,500 – ₹ 22,500 (Partner's Remuneration)

= ₹ 1,00,000

Super Profit = Average Profit – Normal Profit

= ₹ 1,00,000 – ₹ 70,000 = ₹ 30,000

Value of Firm's Goodwill = Super Profit × No. of Years' Purchase

= ₹ 30,000 × 3 = ₹ **90,000.**

(*ii*) Asha's Share in Firm's Goodwill $= ₹\ 90,000 \times \frac{2}{5} = ₹\ 36,000.$

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2025				
March 31	Anita's Capital A/c (₹ 36,000 × 1/4) ...Dr.		9,000	
	Amrit's Capital A/c (₹ 36,000 × 3/4) ...Dr.		27,000	
	To Asha's Capital A/c			36,000
	(Being Asha's share of goodwill adjusted in the Capital Accounts of gaining partners in their gaining ratio of 1 : 3) (WN)			

Working Note:

Calculation of Gaining Ratio:

Anita's gain $= \frac{1}{2} - \frac{2}{5} = \frac{5-4}{10} = \frac{1}{10}$; Amrit's gain $= \frac{1}{2} - \frac{1}{5} = \frac{5-2}{10} = \frac{3}{10}$; Gaining Ratio = 1 : 3.

Question 6.

(*i*) **Note to Accounts**

Particulars		₹
1. Share Capital		
Authorised Capital		
... Equity Shares of ₹ 10 each		...
Issued Capital		
1,25,000 Equity Shares of ₹ 10 each		12,50,000
Subscribed Capital		
Subscribed and Fully Paid-up		
1,10,000 Equity Shares of ₹ 10 each		11,00,000
Subscribed but not Fully Paid-up		
10,000 Equity Shares of ₹ 10 each	1,00,000	
Less: Calls-in-Arrears (10,000 × ₹ 2)	20,000	80,000
Forfeited Shares Account (5,000 × ₹ 8)		40,000
		12,20,000

(ii) (*a*)	*Short-term Borrowings:*	₹	
	Bank overdraft	40,000	
	Current Maturities of Long-term Debts		
	(1/5 of Debentures = ₹ 3,00,000 × 1/5)	60,000	
		1,00,000	
(*b*)	*Current Assets:*	₹	₹
	Inventories		30,000
	Trade Receivables:		
	Sundry Debtors	90,000	
	Less: Provision for Doubtful Debts	10,000	
		80,000	
	Bill Receivables	20,000	1,00,000
	Cash and Bank Balances		1,60,000
	Short-term Loans and Advances		50,000
			3,40,000
(*c*)	*Property, Plant and Equipment and Intangible Assets:*		
	Property, Plant and Equipment:		
	Plant and Machinery (at cost)	6,00,000	
	Less: Accumulated Depreciation	1,00,000	5,00,000
	Land and Building		6,80,000
			11,80,000

Question 7.

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

Particulars	₹	Particulars		₹
To Sundry Assets	1,17,000	By Provision for Doubtful Debts		1,200
To Furniture	11,000	By Loan		11,500
To Debtors	1,24,200	By Creditors		16,000
To Stock	17,800	By Priti's Capital A/c:		
To Priti's Capital A/c (Creditors)	16,000	Furniture	8,000	
To Riya's Capital A/c (Loan with Interest)	13,800	Debtors	1,17,200	1,25,200
To Cash A/c (Expenses)	2,700	By Soni's Capital A/c:		
		Stock	17,000	
		Sundry Assets	72,000	89,000
		By Riya's Capital A/c:		
		Sundry Assets		29,600
		[(₹ 1,17,000 – ₹ 80,000) × 80/100]		
		By Cash A/c: (Debtors)		
		[(₹ 1,24,200 – ₹ 1,20,000) × 50/100]		2,100
		By Priti's Capital A/c (Loss) (₹ 27,900 × 2/5)		11,160
		By Soni' 's Capital A/c (Loss) (₹ 27,900 × 2/5)		11,160
		By Riya 's Capital A/c (Loss) (₹ 27,900 × 1/5)		5,580
	3,02,500			3,02,500

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

Particulars	Priti ₹	Soni ₹	Riya ₹	Particulars	Priti ₹	Soni ₹	Riya ₹
To Realisation A/c	1,25,200	89,000	29,600	By Balance *b/d*	1,27,500	1,10,000	17,000
To Realisation A/c (Loss)	11,160	11,160	5,580	By Realisation A/c	16,000	...	13,800
To Cash A/c (Bal. Fig.)	**7,140**	**9,840**	...	By Cash A/c (Bal. Fig.)	...	...	**4,380**
	1,43,500	1,10,000	35,180		1,43,500	1,10,000	35,180

Question 8.

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

Particulars		₹	Particulars	₹
To Raghu's Capital A/c (Profit)	19,200		By Plant and Machinery A/c	15,000
To Rishu's Capital A/c (Profit)	12,800	32,000	By Building A/c	10,000
			By Provision for Doubtful Debts A/c	7,000
		32,000		32,000

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

Particulars	Raghu ₹	Rishu ₹	Rishabh ₹	Particulars	Raghu ₹	Rishu ₹	Rishabh ₹
To Advertisement Exp. A/c	3,000	2,000	...	By Balance *b/d*	1,35,000	90,000	...
To Current A/cs (Bal. Fig.)	7,200	4,800	...	By Cash A/c	...	...	1,00,000
To Balance *c/d* (WN)	1,80,000	1,20,000	1,00,000	By General Reserve A/c	18,000	12,000	...
				By Revaluation A/c	19,200	12,800	...
				By Rishabh's Current A/c (Goodwill)	18,000	12,000	...
	1,90,200	1,26,800	1,00,000		1,90,200	1,26,800	1,00,000

Working Note:

Calculation of Partners' New Capitals:

$$\text{Total Capital of the Firm} = \frac{\text{Capital of the New Partner (Rishabh)}}{\text{Share of Profit of Rishabh}}$$

$$= \frac{₹\,1,00,000}{1/4} = ₹\,1,00,000 \times \frac{4}{1} = ₹\,4,00,000$$

New Capital of Raghu & Rishu for 3/4th share will be = ₹ 4,00,000 – ₹ 1,00,000 = ₹ 3,00,000.

$$\text{Raghu's New Capital} = ₹\,3,00,000 \times \frac{3}{5} = ₹\,1,80,000.$$

$$\text{Rishu's New Capital} = ₹\,3,00,000 \times \frac{2}{5} = ₹\,1,20,000.$$

Or

JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Mitu's Capital A/c	...Dr.		22,000	
	Ritu's Capital A/c	...Dr.		33,000	
	To Profit & Loss A/c				55,000
	(Being the accumulated loss written off)				
	Workmen Compensation Reserve A/c	...Dr.		10,000	
	To Workmen Compensation Claim A/c				10,000
	(Being the workmen compensation claim met out of the reserve)				
	Nitu's Current A/c (₹ 20,000 × 1/5)	...Dr.		4,000	
	To Mitu's Capital A/c (₹ 4,000 × 2/5)				1,600
	To Ritu's Capital A/c (₹ 4,000 × 3/5)				2,400
	(Being the balance of workmen compensation reserve adjusted through the old partners' capital accounts in the sacrificing ratio)				
	Investment Fluctuation Reserve A/c	...Dr.		10,000	
	To Investments A/c (₹ 80,000 – ₹ 76,000)				4,000
	To Mitu's Capital A/c				2,400
	To Ritu's Capital A/c				3,600
	(Being the loss in value of investment met from investment fluctuation reserve and balance distributed to the old partners in old profit-sharing ratio)				
	General Reserve A/c	...Dr.		40,000	
	To Mitu's Capital A/c				16,000
	To Ritu's Capital A/c				24,000
	(Being the general reserve distributed to the old partners in the old profit-sharing ratio)				
	Revaluation A/c	...Dr.		10,000	
	To Provision for Doubtful Debts A/c				10,000
	(Being the Provision for Doubtful Debts created)				
	Mitu's Capital A/c	...Dr.		4,000	
	Ritu's Capital A/c	...Dr.		6,000	
	To Revaluation A/c				10,000
	(Being the revaluation loss distributed)				

Note: Unless agreed otherwise, it is presumed that the old partners sacrifice in their old profit-sharing ratio and hence, sacrificing Ratio of old partners will be the same as their old profit-sharing ratio.

Question 9.

(*i*) Let Total Drawings of Mohan $= x$

$$\text{Interest on Drawings} = \text{Total Drawings} \times \frac{\text{Rate of interest}}{100} \times \frac{6.5^*}{12}$$

$$₹\ 3{,}250 = x \times \frac{4}{100} \times \frac{6.5}{12}$$

$$6.5x = ₹\ 9{,}75{,}000; \qquad x = \frac{₹\ 9{,}75{,}000}{6.5} = ₹\ 1{,}50{,}000$$

$$\text{Monthly Drawing} = \frac{₹\ 1{,}50{,}000}{12} = ₹\ \mathbf{12{,}500.}$$

$$^*\text{Average Period} = \frac{\text{Months Left After First Drawing} + \text{Months Left After Last Drawing}}{2}$$

$$= \frac{12+1}{2} = 6.5 \text{ months.}$$

(*ii*) Let Total Drawings of Sohan = x

$$\text{Interest on Drawings} = \text{Total Drawings} \times \frac{\text{Rate of Interest}}{100} \times \frac{5.5}{12}$$

$$₹\,2{,}750 = x \times \frac{4}{100} \times \frac{5.5}{12}$$

$$5.5x = ₹\,8{,}25{,}000$$

$$x = \frac{₹\,8{,}25{,}000}{5.5} = ₹\,1{,}50{,}000$$

$$\text{Monthly Drawing} = \frac{₹\,1{,}50{,}000}{12} = ₹\,\mathbf{12{,}500.}$$

(*iii*) JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2025				
March 31	Bank A/c ...Dr.		5,00,000	
	To Sohan's Capital A/c			5,00,000
	(Being the further capital introduced)			

(*iv*) JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Adjusting Entry			
	Sohan's Commission A/c ...Dr.		45,500	
	To Sohan's Current A/c			45,500
	(Being the commission allowed)			
	Closing Entry			
	Profit & Loss Appropriation A/c ...Dr.		45,500	
	To Sohan's Commission A/c			45,500
	(Being the commission transferred to Profit & Loss Appropriation A/c)			

(*v*) JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Profit & Loss Appropriation A/c ...Dr.		5,60,500	
	To Mohan's Current A/c			3,36,300
	To Sohan's Current A/c			2,24,200
	(Being the profit credited to partners' current accounts)			

(*vi*) PROFIT & LOSS APPROPRIATION ACCOUNT

Dr. *for the year ended 31st March, 2025* *Cr.*

Particulars		₹	Particulars		₹
To Interest on Capital A/cs:			By Profit & Loss A/c (WN)		9,10,000
Mohan's Current A/c	1,50,000		(₹ 10,00,000 – ₹ 90,000)		
Sohan's Current A/c	1,00,000	2,50,000	By Interest on Drawings A/cs:		
To Salary A/c (Mohan's Current A/c)		60,000	Mohan's Current A/c	3,250	
To Commission A/c (Sohan's Current A/c) (5/100 × ₹ 9,10,000)		45,500	Sohan's Current A/c	2,750	6,000
To Mohan's Current A/c (Profit) (₹ 5,60,500 × 3/5)		3,36,300			
To Sohan's Current A/c (Profit) (₹ 5,60,500 × 2/5)		2,24,200			
		9,16,000			9,16,000

Working Note:

Rent is a charge against profit. Hence, it is to be debited to Profit & Loss Account. Therefore, Profit is reduced by ₹ 90,000 (*i.e.*, ₹ 7,500 × 12). Rent payable to Mohan is credited to Mohan's Current Account.

Or

(*a*)

Calculation of Interest on Capital already Provided and Opening Capital

Particulars	Kajal (₹)	Neerav (₹)	Alisha (₹)
Closing Capital	90,000	3,30,000	6,60,000
Add: Drawings already Debited	3,60,000	3,60,000	3,60,000
	4,50,000	6,90,000	10,20,000
Less: Profit	1,20,000	30,000	30,000
Closing Capital *plus* Interest	3,30,000	6,60,000	9,90,000
Less: Interest on Capital 10/110	30,000	60,000	90,000
Opening Capital	3,00,000	6,00,000	9,00,000

ADJUSTMENT TABLE

Particulars	Kajal (₹)	Neerav (₹)	Alisha (₹)
I. Amount Already Credited			
Interest on Capital @ 10%	30,000	60,000	90,000
Share of Profit	1,20,000	30,000	30,000
	1,50,000	90,000	1,20,000
II. Amount which should have been credited			
Interest on Capital @ 12%	36,000	72,000	1,08,000
Share of Profit (1 : 1)	48,000	48,000	48,000
(*i.e.*, ₹ 1,50,000 + ₹ 90,000 + ₹ 1,20,000 – ₹ 36,000 – ₹ 72,000 – ₹ 1,08,000)	84,000	1,20,000	1,56,000
Difference (I–II)	66,000	30,000	36,000
	Dr.	Cr.	Cr.

ADJUSTMENT ENTRY

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2025				
April 1	Kajal's Capital A/c ...Dr.		66,000	
	To Neerav's Capital A/c			30,000
	To Alisha's Capital A/c			36,000
	(Being the adjustment entry passed)			

(*b*) (*i*) PROFIT & LOSS APPROPRIATION ACCOUNT

for the year ended 31st March, 2025

Dr. *Cr.*

Particulars		₹	Particulars	₹
To Interest on Capital A/cs:			By Profit & Loss A/c (Net Profit) (WN)	5,92,000
Raman's Capital A/c			By Interest on Drawings A/c:	
(₹ 6,00,000 × 5/100)	30,000		Rohit's Capital A/c	3,000
Rohit's Capital A/c			(₹ 90,000 × 10/12 × 4/100)	
(₹ 5,00,000 × 5/100)	25,000	55,000		
To Partners' Salary A/c:				
Raman's Capital A/c	1,20,000			
Rohit's Capital A/c	1,20,000	2,40,000		
To Raman's Capital A/c:				
(Profit: ₹ 3,00,000 × 2/3)		2,00,000		
To Rohit's Capital A/c:				
(Profit: ₹ 3,00,000 × 1/3)		1,00,000		
		5,95,000		5,95,000

Working Note:

Dr. PROFIT & LOSS ACCOUNT *for the year ended 31st March, 2025* *Cr.*

Particulars	₹	Particulars	₹
To Manager's Salary A/c	1,80,000	By Profit before Interest, Partners' Salaries and Manager's Salary (Given)	7,70,000
To Profit transferred to Profit & Loss Appropriation A/c (Balancing Figure)	**5,92,000**	By Interest on Raman's Loan A/c	2,000
	7,72,000		7,72,000

(*ii*) JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Adjusting Entry			
	Rohit's Drawings A/c ...Dr.		90,000	
	To Bank A/c			90,000
	(Being the drawings made by Rohit)			
	Closing Entry			
	Rohit's Capital A/c ...Dr.		90,000	
	To Rohit's Drawings A/c			90,000
	(Being the drawings account closed by transfer to capital account)			

Question 10.

A. (*i*) JOURNAL OF NESTLA LTD.

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	On forfeiture of 600 Shares:				
	Share Capital A/c (600 × ₹ 8)	...Dr.		4,800	
	Securities Premium A/c (600 × ₹ 1)	...Dr.		600	
	To Calls-in-Arrears A/c (600 × ₹ 5)				3,000
	To Forfeited Shares A/c (600 × ₹ 4)				2,400
	(Being 600 shares forfeited for non-payment of Allotment money)				
	On Reissue of 100 Shares as ₹ 8 paid-up for ₹ 7 per share				
	Bank A/c (100 × ₹ 7)	...Dr.		700	
	Forfeited Shares A/c (100 × ₹ 1)	...Dr.		100	
	To Share Capital A/c (100 × ₹ 8)				800
	(Being 100 shares reissued as ₹ 8 paid-up for ₹ 7 per share)				
	Forfeited Shares A/c [(₹ 2,400 × 100/600) – ₹ 100]	...Dr.		300	
	To Capital Reserve A/c				300
	(Being the transfer of gain on reissue)				
	On Reissue of 100 shares as ₹ 8 paid-up for ₹ 9 per share				
	Bank A/c (100 × ₹ 9)	...Dr.		900	
	To Share Capital A/c (100 × ₹ 8)				800
	To Securities Premium A/c (100 × ₹ 1)				100
	(Being 100 shares reissued as ₹ 8 paid-up for ₹ 9 per share)				
	Forfeited Shares A/c (₹ 2,400 × 100/600)	...Dr.		400	
	To Capital Reserve A/c				400
	(Being gain on reissue of 100 shares transferred)				
	On Reissue of 400 Shares				
	Bank A/c (400 × ₹ 9)	...Dr.		3,600	
	Forfeited Shares A/c (400 × ₹ 1)	...Dr.		400	
	To Share Capital A/c (400 × ₹ 10)				4,000
	(Being 400 shares reissued as fully paid-up for ₹ 9 per share)				
	Forfeited Shares A/c [(₹ 2,400 × 400/600) – ₹ 400]	...Dr.		1,200	
	To Capital Reserve A/c				1,200
	(Being the transfer of gain on reissue)				

(*ii*)

Dr. FORFEITED SHARES ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Share Capital A/c	100	By Share Capital A/c	2,400
To Capital Reserve A/c	300		
To Capital Reserve A/c	400		
To Share Capital A/c	400		
To Capital Reserve A/c	1,200		
	2,400		2,400

B. • Total no. of shares applied by Ravi = $\frac{40,000}{30,000} \times 600$ = **800 Shares**.

• Total no. of shares allotted to Vijay = $\frac{30,000}{40,000} \times 400$ = **300 Shares**.

Or

A. JOURNAL OF GAMA LTD.

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c (25,000 × ₹ 2)	...Dr.		50,000	
	To Shares Application A/c				50,000
	(Being the application money received)				
	Shares Application A/c	...Dr.		50,000	
	To Share Capital A/c (20,000 × ₹ 2)				40,000
	To Bank A/c (5,000 × ₹ 2)				10,000
	(Being the applications money adjusted and the surplus refunded)				
2024					
Nov. 1	Shares Allotment A/c (20,000 × ₹ 3)	...Dr.		60,000	
	To Share Capital A/c				60,000
	(Being the allotment money due on 20,000 shares)				
Nov. 1	Bank A/c (19,980 × ₹ 3) + (₹ 150)	...Dr.		60,090	
	Calls-in-Arrears A/c (20 × ₹ 3)	...Dr.		60	
	To Shares Allotment A/c (20,000 × ₹ 3)				60,000
	To Calls-in-Advance A/c (30 × ₹ 5)				150
	(Being the allotment money received except on 20 shares and Calls-in-Advance received on 30 shares)				
2025					
March 1	Shares First and Final Call A/c (20,000 × ₹ 5)	...Dr.		1,00,000	
	To Share Capital A/c				1,00,000
	(Being the first call money due on 20,000 shares)				
March 1	Bank A/c	...Dr.		99,910	
	Calls-in-Advance A/c	...Dr.		150	
	To Shares First and Final Call A/c				1,00,000
	To Calls-in-Arrears A/c				60
	(Being the first and final call received and Calls-in-Advance and Calls-in-Arrear adjusted)				
	Sundry Members A/c	...Dr.		2	
	To Interest on Calls-in-Arrears A/c (₹ 60 × 4/12 × 10/100)				2
	(Being the interest on Calls-in-Arrears due)				
	Bank A/c	...Dr.		2	
	To Sundry Members A/c				2
	(Being the interest on Calls-in-Arrears received)				

B. JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c	...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
	(Being **500** shares forfeited for non-payment of ₹ **7** per share including premium of ₹ 2 per share) (WN 1)				
	Bank A/c	...Dr.		**2,700**	
	Forfeited Shares A/c	...Dr.		**300**	
	To Share Capital A/c				**3,000**
	(Being **300** shares reissued at ₹ **9** per share as fully paid) (WN 2 and 3)				
	Forfeited Shares A/c	...Dr.		600	
	To Capital Reserve A/c				600
	(Being the gain on reissue transferred to capital reserve)				

Dr. FORFEITED SHARES ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Share Capital A/c	**300**	By Shares 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 $= \dfrac{\text{Amount of Securities Premium}}{\text{Premium Per Share}}$ = ₹ 1,000\₹ 2 = 500 shares.

2. Discount on Reissue of Shares = ₹ 1 per share
   Amount forfeited per share = ₹ 1,500/500 shares = ₹ 3 per share
   Gain on Reissue per share = ₹ 3 – ₹ 1 (Discount) = ₹ 2 per share

3. No. of Shares Reissued $= \dfrac{\text{Capital Reserve}}{\text{Gain on Reissue per Share}}$ = ₹ 600/₹ 2 = **300 shares.**

SECTION B

Question 11.

(*i*) (*b*) Debt to Total Assets Ratio and Proprietary Ratio.

(*ii*) (*a*) P and Q.

Explanation: R is cash inflow and S is Cash and Cash Equivalents.

(*iii*) Debt to Equity Ratio **will not change**.

Reason: *Neither* the Debt *nor* the Equity is affected since there is only a conversion of accumulated profits into share capital.

(*iv*) Debt to Equity Ratio will **decrease**.

Reason: Equity is increased by the amount of share capital issued but Debt remains unchanged.

(*v*) Increase in cash generated from operating activities ₹ **43,756** crore is a **good sign**. The company can maintain its operating capabilities, pay dividends, repay loans and make new investments.

Question 12.

Revenue from Operations

(31st March, 2025) = ₹ 12,00,000 + ₹ 8,00,000 = ₹ 20,00,000

% Change = ₹ 8,00,000/₹ 12,00,000 × 100 = 66.67%

Other Income

Absolute Change = ₹ 12,00,000 – ₹ 9,00,000 = ₹ 3,00,000

% Change = ₹ 3,00,000/₹ 9,00,000 × 100 = 33.33%

Expenses

Absolute Change = ₹ 13,00,000 – ₹ 10,00,000 = ₹ 3,00,000

% Change = ₹ 3,00,000/₹ 10,00,000 × 100 = 30%

Net Profit

31st March, 2025 = ₹ 11,00,000 + ₹ 8,00,000 = ₹ 19,00,000

% Change = ₹ 8,00,000/₹ 11,00,000 × 100 = 72.73%

COMPARATIVE INCOME STATEMENT OF PRITHVI LTD.

for the year ending 31st March, 2025 and 31st March, 2024

Particulars	Note No.	31st March, 2025 ₹	31st March, 2024 ₹	Absolute Change (Increase/Decrease) ₹	Percentage Change (Increase/Decrease) %
I. Revenue from Operations		**20,00,000**	12,00,000	8,00,000	**66.67**
II. Other Income		12,00,000	9,00,000	**3,00,000**	**33.33**
III. Total Income (I + II)		**32,00,000**	**21,00,000**	**11,00,000**	**52.38**
IV. Expenses		13,00,000	10,00,000	**3,00,000**	**30.00**
V. **Profit before Tax (III – IV)**		**19,00,000**	11,00,000	8,00,000	**72.73**

Question 13.

Halogen Ltd.

CASH FLOW STATEMENT *for the year ended 31st March, 2025*

Particulars	₹	₹
I. Cash Flow from Operating Activities		
Net Profit before Tax (WN 1)		1,76,000
Add: Non-cash and Non-operating Items:		
Depreciation	1,00,000	
Interest on Debentures [(₹ 4,00,000 × 15/100) + (₹ 2,00,000 × 15/100 × 6/12)]	75,000	
Loss on Sale of Machinery	70,000	2,45,000
Operating Profit before Working Capital Changes		4,21,000
Less: Increase in Current Investments		2,46,000
Cash Generated from Operations		1,75,000
Less: Tax Paid		70,000
Cash Flow from Operating Activities		1,05,000

B. Cash Flow from Investing Activities		
Sale of Plant and Machinery		50,000
C. Cash Flow from Financing Activities		
Proceeds from Issue of Shares	50,000	
Proceeds from Issue of Debentures	2,00,000	
Payment of Interest	(75,000)	1,75,000
D. Net Increase in Cash and Cash Equivalents (Cash and Bank Balance) (A + B + C)		3,30,000
Add: Opening Cash and Bank balances		1,40,000
E. Closing Cash and Bank Balances		4,70,000

Working Notes:

1. *Calculation of Net Profit before Tax:*

	₹
Closing Surplus, *i.e.*, Balance in Statement of Profit & Loss (31st March, 2025)	1,06,000
Less: Opening Surplus, *i.e.*, Balance in Statement of Profit & Loss (31st March, 2024)	(20,000)
Net Profit for the Year	1,26,000
Add: Provision for Tax	50,000
Net Profit before Tax	1,76,000

2. *Dr.* PLANT AND MACHINERY ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Balance *b/d*	9,00,000	By Bank A/c (Sale)	50,000
		By Accumulated Depreciation A/c	38,000
		By Statement of Profit & Loss (Loss on Sale)*	70,000
		By Balance *c/d*	7,42,000
	9,00,000		9,00,000

*Loss on Sale of Machinery = Book Value – Sales Value

= ₹ 1,20,000 – ₹ 50,000 = ₹ 70,000.

3. *Dr.* ACCUMULATED DEPRECIATION ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Plant and Machinery A/c	38,000	By Balance *b/d*	2,00,000
To Balance *c/d*	2,62,000	By Depreciation A/c (Current Year) (Balancing Figure)	**1,00,000**
	3,00,000		3,00,000

Or

(*i*) No. of Bonus Shares Issued = $\frac{\text{50,000 Shares (Existing)}}{5}$ = **10,000 shares.**

(*ii*) **Computation of Net Profit before Tax:**

			₹
Closing Balance of Surplus, *i.e.*, Balance in Statement of Profit & Loss			1,00,000
Less:	Opening Balance of Surplus, *i.e.*, Balance in Statement of Profit & Loss		1,75,000
Net Profit/(Loss) for the Year			(75,000)
Add:	Provision for Tax	45,000	
	Interim Dividend	48,000	93,000
Net Profit before Tax			**18,000**

(*iii*) Plant & Machinery purchased: ₹ 3,00,000 (WN).

Working Note:

Dr. MACHINERY ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Balance *b/d*	3,00,000	By Bank A/c (Sale) (₹ 30,000 + ₹ 6,000)	36,000
To Gain (Profit) on Sale of Machinery A/c	6,000	By Depreciation A/c	70,000
(Statement of Profit & Loss)		By Balance *c/d*	5,00,000
To Bank A/c (Purchase) (Balancing Figure)	**3,00,000**		
	6,06,000		6,06,000

(*iv*) Increase in the amount of Goodwill of ₹ 60,000 is a *purchased* Goodwill, it will be shown under **Investing Activities** as **Outflow of Cash**.

(*v*) **Cash Flow from Investing Activities:**

	₹
Purchase of Machinery (III)	(3,00,000)
Purchase of Non-current Investment (WN)	(1,20,000)
Purchase of Goodwill	(60,000)
Proceeds from Sale of Machinery (III)	36,000
Proceeds from Sale of Non-Current Investment (WN)	72,000
Cash Used in Investing Activities	**(3,72,000)**

(*vi*) Tax paid during the year: ₹ 20,000 (WN).

Working Note:

Dr. PROVISION FOR TAX ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Bank A/c (Tax Paid) (Balancing Figure)	**20,000**	By Balance *b/d*	25,000
To Balance *c/d*	50,000	By Statement of Profit & Loss (Provision Made)	45,000
	70,000		70,000

Question 14.

(*i*) $$\text{Earning Per Share} = \frac{\text{Net Profit after Tax} - \text{Preference Dividend}}{\text{Number of Equity Shares}}$$

$$₹\,2.75 = \frac{₹\,14{,}00{,}000^{*} - \text{Preference Dividend}}{4{,}00{,}000}$$

Preference Dividend = ₹ 14,00,000 – ₹ 11,00,000 (4,00,000 × 2.75) = ₹ **3,00,000**

*₹ 20,00,000 – 30% of ₹ 20,00,000 = ₹ 14,00,000.

(*ii*) Current Assets = Closing inventory of consumables + Closing inventory of finished goods and Work-in-Progress + Current Assets (Other than inventory of consumables and finished goods and Work-in-Progress)

= ₹ 389.85 + ₹ 197.24 + ₹ 3229.23 = ₹ 3816.32 (Millions).

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}} = \frac{₹\,3816.32\text{ (Millions)}}{₹\,936.52\text{ (Millions)}} = \mathbf{4.08 : 1}.$$

(*iii*) (*a*) $$\text{Return on Investment (ROI)} = \frac{\text{Net Profit before Interest and Tax}}{\text{Capital Employed}} \times 100.$$

(*b*) $$\frac{20}{100} = \frac{\text{Net Profit before Interest and Tax}}{₹\,50{,}00{,}000}$$

Net Profit before Interest and Tax = ₹ 50,00,000/5 = ₹ **10,00,000**.

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

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

= ₹ 12,00,000 + 25% of ₹ 12,00,000 = ₹ 15,00,000

Working Capital = Current Assets (Cash + Short-term Loans and Advances + Inventory) – Current Liabilities (Trade Payables)

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

$$\text{Working Capital Turnover Ratio} = \frac{₹\,15{,}00{,}000}{₹\,10{,}00{,}000} = \mathbf{1.5\ Times}.$$

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