Model Test Paper 1

Time Allowed: 3 Hrs. **Max. Marks: 80**

General Instructions:

*(Candidates are allowed **additional 15 minutes** for **only** reading the paper. They must **NOT** start writing during this time.)*

(*i*) ***The Question Paper contains three sections.***

(*ii*) ***Section A is compulsory** for all candidates.*

(*iii*) *Candidates have to attempt **all** questions from **either Section B or Section C**.*

(*iv*) *There are internal choices provided in each section.*

(*v*) *The intended marks for questions or parts of questions are given in the brackets [].*

(*vi*) *All calculations should be shown clearly.*

(*vii*) *All working, including rough work, should be done on the same page as, and adjacent to, the rest of the answer.*

Section A (60 Marks)

(*Answer **all** questions*)

1. Arun, Varun and Karan were partners in a firm sharing profits in the ratio of their capitals, which stood as follows: Arun—₹ 4,00,000; Varun—₹ 6,00,000 and Karan—₹ 4,00,000.

Arun retired from the firm, Varun and Karan to share future profits equally. Goodwill of the firm is valued at ₹ 2,80,000. What will be the treatment of Goodwill?

(*a*) Credit Partners' Capital Accounts with old profit-sharing ratio by ₹ 2,80,000.

(*b*) Credit Partners' Capital Accounts with new profit-sharing ratio by ₹ 2,80,000.

(*c*) Credit Arun's Capital A/c by ₹ 80,000 and debit Varun's Capital A/c by ₹ 20,000 and Karan's Capital A/c by ₹ 60,000.

(*d*) Credit Partners' Capital Accounts with gaining ratio by ₹ 2,80,000. [1]

2. 3 Aces Ltd., an unlisted manufacturing company, has outstanding 20,000, 8% Debentures of ₹ 100 each and is to redeem 5,000, 8% Debentures of ₹ 100 each at 10% premium on 30th November, 2023. As per the provisions of the Companies Act, 2013, on which date should the company invest in specified securities?

(*a*) On or before 30th November, 2022—₹ 3,00,000.

(*b*) On or before 30th November, 2023—₹ 75,000.

(*c*) On or before 30th April, 2022—₹ 3,00,000.

(*d*) On or before 30th April, 2023—₹ 75,000. [1]

3. Anu, Bina and Charan are partners. The firm had given a loan of ₹ 20,000 to Bina. They decided to dissolve the firm. In the event of dissolution, the loan will be settled by
   (*a*) Transferring it to debit side of Realisation Account.
   (*b*) Transferring it to credit side of Realisation Account.
   (*c*) Transferring it to debit side of Bina's Capital Account.
   (*d*) Bina paying Anu and Charan privately. [1]

4. Ramesh, a holder of 1,000 shares for ₹ 100 each, has paid ₹ 30 on application and ₹ 30 on allotment. He did not pay ₹ 20 on first call. His shares are forfeited subsequently after first call. Share Capital Account will be debited by
   (*a*) ₹ 85,000. (*b*) ₹ 1,00,000.
   (*c*) ₹ 80,000. (*d*) ₹ 60,000. [1]

5. Anushka Ltd. took over assets of ₹ 10,80,000 and liabilities of ₹ 80,000 of Raja Ltd. at an agreed value of ₹ 10,40,000. 8% Debentures of ₹ 100 each were issued against the considerations. Pass the necessary Journal entry to record the purchase of business in the books of Anushka Ltd. [1]

6. List **any one** difference between Average Profit and Super Profit. [1]

7. Mention the heading and sub-heading under which 'Current Maturities of Long-term Debt' is shown in the Balance Sheet of a company as per Schedule III of the Companies Act, 2013. [1]

8. Give **any one** difference between Realisation Account and Revaluation Account. [1]

9. State **any two** companies which are exempted from creating Debentures Redemption Reserve. [1]

10. Rani and Adi who are in partnership sharing profits and losses in the ratio of 3 : 2 admit Manu as a partner for 1/5th share in profits. The capitals of Rani and Adi after adjustments are ₹ 60,000 and ₹ 40,000 respectively. Manu is to bring 20% of the total capital of the new firm. How much amount should Manu bring as capital? [1]

11. Pankaj, Naresh and Saurabh are partners sharing profits in the ratio of 2 : 2 : 1. Naresh retires from the firm due to his illness. His claim against capital and share of goodwill is ₹ 1,00,000. Thereafter, an unrecorded vehicle is noticed. It is valued at ₹ 50,000 and is given to him and balance by current date cheque. Give the Journal entries for recording the payment to Naresh in the books of the firm.

Or

Amit, Bunty and Charan were partners in a firm sharing profits in 2 : 2 : 1 ratio. The firm closes its books on 31st March every year, Amit died three months after the last accounts were prepared. On that date the goodwill of the firm was valued at ₹ 90,000. On the death of a partner his share of profit in the year of death was to be calculated on the basis of the average profit of the last four years. The profits of last four years were:

Year Ended	31.3. 2020	31.3. 2021	31.3. 2022	31.3. 2023
Profits (₹)	2,00,000	1,80,000	2,10,000	1,70,000 (Loss)

Pass necessary Journal entries for goodwill and Amit's share of profit on his death. Show clearly the calculation of Amit's share of profit. [3]

12. Aruna and Karuna are partners in a firm. They admit Varuna on 1st April, 2023 for 1/4th share in the profits of the firm. On an average, profit earned by Aruna and Karuna is ₹ 1,00,000. Average capital employed by the firm is ₹ 8,00,000. Normal rate of return in a similar type of business is 10%. Value of firm's goodwill is to be determined on the basis of Capitalisation of Super Profit.

You are required to:

(*i*) Calculate goodwill of the firm.

(*ii*) Pass the Journal entries in the books of the firm if Varuna brings her share of goodwill in cash. [3]

13. Dow Housing Finance Ltd. issued 80,000, 9% Debentures of ₹ 10 each on 30th June, 2019 redeemable at a premium of 5% on 31st March, 2023. Pass the necessary Journal entries at the time of redemption of debentures.

Or

Eagle Ltd. (a listed NBFC) redeems its 40,000, 9% Debentures of ₹ 100 each in instalments as follows:

On 31st March, 2022	20%
On 31st March, 2023	30%
On 31st March, 2024	50%

You are required to prepare the Debenture Redemption Investment Account for the year 2022–23 and 2023–24. [3]

14. Kanodia Ltd. issued 20,000; 8% Debentures of ₹ 100 each at a discount of 3% redeemable at a premium of 5%. Debentures are to be redeemed in the following manner:

Year End	Face Value of Debentures (₹)
2	2,00,000
3	4,00,000
4	6,00,000
5	8,00,000

Prepare Loss on Issue of Debentures Account for 5 years. [3]

15. Harish and Gopal were partners in a firm sharing profits in the ratio of 3 : 2. On 31st March, 2023, their Balance Sheet was as follows:

BALANCE SHEET OF HARISH AND GOPAL *as at 31st March, 2023*

Liabilities		₹	Assets	₹
Creditors		36,000	Cash	47,000
Outstanding Expenses		10,000	Bank	93,000
Gopal's Wife's Loan		50,000	Debtors	76,000
Capitals:			Stock	2,00,000
Harish	2,80,000		Furniture	20,000
Gopal	1,60,000	4,40,000	Land and Building	1,00,000
		5,36,000		5,36,000

On the above date the firm was dissolved. Various assets were realised and liabilities were paid/settled as under:

(*i*) Gopal agreed to pay his wife's loan.

(*ii*) Land and Building was sold for ₹ 1,50,000 and Debtors realised ₹ 12,000 *less*.

(*iii*) Half of the creditors agreed to accept furniture of the firm as settlement of their claim and remaining half agreed to accept 10% *less*.

(*iv*) 50% stock was taken by Harish on payment by cheque of ₹ 90,000 and remaining stock was sold for ₹ 94,000.

(*v*) Realisation expenses of ₹ 10,000 were paid by Gopal on behalf of the firm.

Prepare Realisation Account. [6]

16. Chander and Damini were partners in a firm sharing profits and losses equally. On 31st March, 2023, their Balance Sheet was as follows:

BALANCE SHEET OF CHANDER AND DAMINI *as at 31st March, 2023*

Liabilities		₹	Assets	₹
Sundry Creditors		1,04,000	Cash at Bank	30,000
Capitals:			Bills Receivable	45,000
Chander	2,50,000		Debtors	75,000
Damini	2,16,000	4,66,000	Furniture	1,10,000
			Land and Building	3,10,000
		5,70,000		5,70,000

On 1st April, 2023, they admitted Elina as a new partner for 1/3rd share in the profits on the following conditions:

(*i*) Elina will bring ₹ 3,00,000 as her capital and necessary amount for goodwill.

(*ii*) Debtors to the extent of ₹ 5,000 were unrecorded.

(*iii*) Furniture will be reduced by 10% and 5% provision for doubtful debts will be created on bills receivables and debtors.

(*iv*) Value of land and building will be appreciated by 20%.

(*v*) There being a claim against the firm for damages, a liability to the extent of ₹ 8,000 will be created for the same.

(*vi*) Value of the goodwill of the firm to be calculated on the basis of Elina's share in profit and capital contributed by her.

You are required to prepare Revaluation Account and Partners' Capital Accounts.

Or

Sonu and Monu are partners in a firm, sharing profits and losses equally. Their Balance Sheet as at 31st March, 2023 is as follows:

Liabilities		₹	Assets		₹
Sundry Creditors		25,000	Cash at Bank		24,000
General Reserve		15,000	Sundry Debtors	22,000	
Capital Accounts:			*Less:* Provision for Doubtful Debts	1,000	21,000
Sonu	45,000		Stock		10,000
Monu	40,000	85,000	Machinery		60,000
			Goodwill		10,000
		1,25,000			1,25,000

On 1st April, 2023, Gopal is admitted as a partner for 1/4th share of the future profits on the following terms and conditions:

(*i*) Bad debts amounting to ₹ 1,500 to be written off.

(*ii*) Stock to be taken by Sonu at ₹ 12,000.

(*iii*) Machinery to be valued at ₹ 50,000.

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

(*v*) Gopal to bring ₹ 50,000 as his capital. He was unable to bring his share of goodwill.

(*vi*) General Reserve not to be distributed. For this, it was decided that Gopal would compensate the old partners through his Current Account.

You are required to prepare:

(*a*) Partners' Capital Accounts.

(*b*) Balance Sheet of the reconstituted firm. [6]

17. Following balances have been extracted from the books of Moonlight Ltd. as at 31st March, 2023. Prepare its Balance Sheet as at that date.

Particulars	₹
Equity Share Capital (Fully paid shares of ₹ 100 each)	10,00,000
Unclaimed Dividend	25,000
Bank Balance	1,00,000
Securities Premium	1,87,500
Statement of Profit & Loss (Dr.)	1,25,000
Tangible Fixed Assets (Machinery) (at cost)	8,75,000
Accumulated Depreciation till date	62,500
Trade Marks	1,75,000

[6]

18. Mohit, Ali and John are in partnership with capitals of ₹ 3,00,000 (Credit), ₹ 2,50,000 (Credit) and ₹ 20,000 (Debit) respectively on 1st April, 2022. The Partnership Deed provides as follows:

(*i*) 10% of Net Profit to be transferred to General Reserve.

(*ii*) Partners are to be allowed interest on capital @ 5% p.a. and are to be charged interest on drawings @ 6% p.a.

(*iii*) John is to get salary of ₹ 60,000 p.a.

(*iv*) Mohit is to get commission of 10% of net profit.

(*v*) Ali is also entitled to a commission of 10% of the profit before charging interest on drawings but after making appropriations.

During the year, Mohit withdrew ₹ 3,000 in the beginning of every month, Ali withdrew ₹ 3,000 during the middle of every month and John withdrew ₹ 3,000 at the end of every month.

On 1st October, 2022, John gave a loan of ₹ 5,00,000.

The manager is entitled to salary of ₹ 2,000 p.m. and a commission of 10% of net profit after charging his salary and commission.

Profit of the firm for the year ended on 31st March, 2023 before providing for any of the above adjustments was ₹ 2,37,000.

You are required to prepare for the year ending 31st March, 2023:

(*a*) Profit & Loss Appropriation Account.

(*b*) Mohit's Capital Account.

Or

The partnership agreement of Mohan, Mahesh and Nusrat provides that:

(*i*) Profit will be shared by them in the ratio of 2 : 2 : 1.

(*ii*) Interest on capital to be allowed at the rate of 6% per annum.

(*iii*) Interest on drawings to be charged at the rate of 3% per annum.

(*iv*) Mahesh to be given a salary of ₹ 2,500 per month.

(*v*) Mahesh's guarantee to the firm that the firm would earn net profit of at least ₹ 4,00,000 per annum and any shortfall in the profit would be personally met by him.

Capitals of the partners on 1st April, 2022, were Mohan—₹ 6,00,000; Mahesh—₹ 5,00,000; Nusrat—₹ 5,00,000.

During the financial year 2022–23, all the three partners withdrew ₹ 5,000 each in the beginning of every month.

Net profit of the firm for the year 2022–23 was ₹ 3,50,000.

You are required to prepare for the year 2022–23:

(*a*) Profit & Loss Appropriation Account.

(*b*) Partners' Capital Accounts. [10]

19. Radha Mohan Ltd. invited applications for issuing 4,00,000 equity shares of ₹ 50 each. The amount was payable as follows:

On Application—₹ 15 per share

On Allotment—₹ 25 per share

On First and Final Call—₹ 10 per share

Applications for 6,00,000 shares were received and *pro rata* allotment was made to all the applicants as follows:

Applicants for 4,00,000 shares were allotted 3,00,000 shares.

Applicants for 2,00,000 shares were allotted 1,00,000 shares.

It was decided that excess amount received on applications will be adjusted towards amount due on allotment and surplus if any will be refunded. Vibhuti, who was allotted 6,000 shares out of the group applying for 4,00,000 shares did not pay the allotment money and her shares were forfeited. Afterwards, these forfeited shares were reissued at ₹ 30 per share as fully paid-up. Later, first and final call was made. Shahid, who had applied for 2,000 shares out of the group applying for 2,00,000 shares failed to pay first and final call and his shares were also forfeited. These shares were later reissued at ₹ 60 per share fully paid-up.

You are required to:

(*i*) Pass necessary Journal entries in the books of Radha Mohan Ltd. for the above transactions.

(*ii*) Prepare the Calls-in-Arrears Account.

Or

Sukanya Ltd. invited applications for issuing 1,00,000 equity shares of ₹ 10 each. The shares were issued at a premium of ₹ 20 per share. The amount was payable as follows:

On Application and Allotment—₹ 14 per share (including premium of ₹ 10)

On First Call—₹ 8 per share (including premium of ₹ 5)

On Final Call—₹ 8 per share (including premium of ₹ 5)

Applications for 96,000 shares were received. Rohit, a shareholder holding 7,000 shares, failed to pay both the calls and Namit, a holder of 5,000 shares, did not pay the final call.

Shares of Rohit and Namit were forfeited. Of the forfeited shares, 8,000 shares including all the shares of Rohit were reissued to Reena @ ₹ 8 per share fully paid-up.

You are required to:

(*i*) Pass necessary Journal entries for the above transactions in the books of Sukanya Ltd.

(*ii*) Prepare the Calls-in-Arrears Account. [10]

Section B (20 Marks)

*(Answer **all** questions)*

20. What will be the value of inventories of Star Ltd. from the particulars given below?

Current Ratio	2.5 : 1
Quick Ratio	1.5 : 1

Current Assets: ₹ 2,00,000.

(*a*) ₹ 60,000. (*b*) ₹ 70,000.

(*c*) ₹ 80,000. (*d*) ₹ 65,000. [1]

21. Which of the following transactions will result into flow of cash?

(*a*) Cash withdrawn from bank ₹ 50,000.

(*b*) Issued 10,000, 9% Debentures for the vendors of machinery.

(*c*) Received ₹ 25,000 from debtors.

(*d*) Deposited cheques of ₹ 10,000 into bank. [1]

22. State the objective of computing proprietary Ratio. [1]

23. State how Cash Flow Statement is historical in nature. [1]

24. Name **any two** tools of Analysis of Financial Statements. [1]

25. Prepare Common-size Balance Sheet from the following information:

	31st March, 2023 (₹)	*31st March, 2022* (₹)
Shareholders' Funds	22,20,000	12,00,000
Non-current Liabilities	6,00,000	6,00,000
Total Equity and Liabilities	30,00,000	20,00,000
Non-current Assets	25,20,000	14,00,000

[3]

26. From the following Statement of Profit & Loss of Hind Ltd. for the year 2022–23, calculate **any three** ratios (up to two decimal places):

(*i*) Trade Receivables Turnover Ratio.

(*ii*) Inventory Turnover Ratio.

(*iii*) Net Profit Ratio .

(*iv*) Operating Profit Ratio.

STATEMENT OF PROFIT & LOSS OF HIND LTD. *for the year ending 31st March, 2023*

Particulars	Note No.	₹
Revenue from Operations		10,00,000
Other Income (Rent received)		50,000
Total Revenue		10,50,000
Expenses:		
Purchases		2,75,000
Change in Inventories	1	20,000
Employee Benefit Expenses	2	20,000
Depreciation		10,000
Other Expenses	3	25,000
Total Expenses		3,50,000
Profit before Tax		7,00,000
Less: Tax		(2,80,000)
Profit after Tax		4,20,000

Notes to Accounts

Particulars	₹
1. Change in Inventories	
Opening Inventory	30,000
Less: Closing Inventory	10,000
	20,000
2. Employee Benefit Expenses	
Wages	10,000
Salaries	10,000
	20,000
2. Other Expenses	
Carriage Inward	10,000
Carriage Outward	15,000
	25,000

Additional Information:	₹
Debtors (as on 31st March, 2023)	35,000
Bills Receivable (as on 31st March, 2023)	25,000
Cash Revenue from Operations	2,50,000

[6]

27. From the following Balance Sheet of Parker Ltd. as at 31st March, 2023 and 31st March, 2022, prepare Cash Flow Statement:

BALANCE SHEET OF PARKER LTD. *as at 31st March, 2023 and 31st March, 2022*

Particulars	Note No.	31st March, 2023 (₹)	31st March, 2022 (₹)
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(a) Share Capital		6,00,000	4,00,000
(b) Reserves and Surplus	1	2,00,000	1,00,000
2. Non-Current Liabilities			
Long-term Borrowings: 8% Bank Loan		1,00,000	2,00,000
3. Current Liabilities			
(a) Trade Payables (Creditors)		45,000	60,000
(b) Short-term Provisions	2	1,50,000	1,20,000
Total		10,95,000	8,80,000
II. ASSETS			
1. Non-Current Assets			
(a) *Property, Plant and Equipment and Intangible Assets:*			
(i) Property, Plant and Equipment (Machinery) (Net)		6,00,000	6,00,000
(ii) Intangible Assets: Patents		45,000	50,000
(b) Non-current Investments		75,000	...
2. Current Assets			
(a) Inventories		15,000	10,000
(b) Trade Receivables (Debtors)		2,55,000	2,00,000
(c) Cash and Bank Balance		1,05,000	20,000
Total		10,95,000	8,80,000

Notes to Accounts

Particulars	31st March, 2023 (₹)	31st March, 2022 (₹)
1. Reserves and Surplus		
Surplus, *i.e.*, Balance in Statement of Profit & Loss	2,00,000	1,00,000
2. Short-term Provisions		
Provision for Tax	1,50,000	1,20,000

Additional Information:

(*i*) During the year, a machine costing ₹ 75,000 was purchased. Loss on sale of machinery was ₹ 5,000.

(*ii*) Depreciation charged on machinery was ₹ 12,000.

(*iii*) Tax paid during the year was ₹ 50,000.

(*iv*) Bank loan of ₹ 1,00,000 was paid on 31st March, 2023 with bank interest for the year.

Or

From the following information of Abhipra Ltd., determine:

(*i*) Cash Flow from Operating Activities.

(*ii*) Cash Flow from Financing Activities.

Particulars	31st, March 2023 (₹)	31st, March 2022 (₹)
Trade Receivables	85,000	1,00,000
Inventories	1,25,000	1,50,000
Prepaid Expenses	60,000	50,000
Expenses Outstanding	45,000	35,000
Provision for Tax	75,000	50,000
Cash in Hand	2,50,000	3,75,000
Furniture (at book value)	6,00,000	8,00,000
General Reserve	2,50,000	2,00,000
10% Debentures	2,00,000	1,50,000
Goodwill	3,00,000	3,50,000
Trade Payables	1,05,000	1,25,000
Balance of Statement of Profit & Loss (Cr.)	6,50,000	6,00,000
Proposed Dividend	25,000	20,000
Share Capital	25,00,000	15,00,000

Additional Information:

During the year 2022–23:

(*a*) A piece of furniture costing ₹ 1,50,000 (accumulated depreciation ₹ 15,000) was sold for ₹ 1,25,000.

(*b*) Tax of ₹ 45,000 was paid.

(*c*) Interim Dividend of ₹ 20,000 was paid.

(*d*) The company paid ₹ 15,000 as interest on debentures. [6]

Answers

1. (*c*)

Working Notes:

(*i*) Gain of a partner = New profit share – Old profit share

$$\text{Varun's Gain} = \frac{1}{2} - \frac{3}{7} = \frac{7-6}{14} = \frac{1}{14}$$

$$\text{Karan's Gain} = \frac{1}{2} - \frac{2}{7} = \frac{7-4}{14} = \frac{3}{14}$$

Gaining Ratio = 1/14 : 3/14 or 1 : 3.

(*ii*) Arun's Share of Goodwill = ₹ 2,80,000 × 2/7 = ₹ 80,000 debited to Varun and Karan in their gaining ratio of 1 : 3.

Treatment of Goodwill:

		₹	₹
Varun's Capital A/c	...Dr.	20,000	
Karan's Capital A/c	...Dr.	60,000	
To Arun's Capital A/c			80,000

2. (*d*)
3. (*c*)
4. (*c*)

Note: On forfeiture of shares, 'Share Capital Account' is debited by the amount called-up on such shares till the stage of forfeiture.

5. JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Sundry Assets A/c	...Dr.		10,80,000	
	Goodwill A/c (Balancing Figure)	...Dr.		40,000	
	To Sundry Liabilities A/c				80,000
	To Raja Ltd.				10,40,000
	(Being the purchase of business from Raja Ltd.)				

6. Average Profit is the average of the profits of past few years whereas Super Profit is the excess of Average Profit over Normal Profit.

7. **Heading:** Current Liabilities.
Sub-head: Short-term Borrowings.

8. *Revaluation Account* is prepared at the time of reconstitution of partnership (*e.g.*, on admission of new partner or on retirement or death of a partner).

Realisation Account is prepared at the time of dissolution of the firm.

9. (*i*) All India Financial Institutions (AIFIs) regulated by Reserve Bank of India; and
(*ii*) Banking companies.

10. Let total capital be x.

Thus, x = Adjusted capital of old partners + Incoming partner's capital

x = ₹ 60,000 + ₹ 40,000 + $1/5x$

$x - 1/5x$ = ₹ 1,00,000

$4/5x$ = ₹ 1,00,000

x = ₹ 1,00,000 × 5/4 = ₹ 1,25,000

Thus, Manu's proportionate capital = ₹ 1,25,000 × 20/100 = ₹ 25,000.

11. JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Vehicle A/c	...Dr.		50,000	
	To Revaluation A/c				50,000
	(Being the unrecorded vehicle recorded)				
	Revaluation A/c	...Dr.		50,000	
	To Pankaj's Capital A/c				20,000
	To Naresh's Capital A/c				20,000
	To Saurabh's Capital A/c				10,000
	(Being the transfer of profit on revaluation)				
	Naresh's Capital A/c (₹ 1,00,000 + ₹ 20,000)	...Dr.		1,20,000	
	To Vehicle A/c				50,000
	To Bank A/c				70,000
	(Being Naresh's claim discharged)				

Or

Calculation of Amit's Share of Interim Profit:	₹
Average Profit = ₹ (2,00,000 + 1,80,000 + 2,10,000 − 1,70,000) ÷ 4	1,05,000
Estimated profit till date of death = (₹ 1,05,000 × 3/12)	26,250
Amit's share of estimated profit = (₹ 26,250 × 2/5)	10,500

Calculation of Amit's Share of Goodwill:

Amit's share of Goodwill = ₹ 90,000 × 2/5 = ₹ 36,000. It is to be adjusted between Bunty and Charan in their gaining ratio of 2 : 1.

JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bunty's Capital A/c (₹ 36,000 × 2/3)	...Dr.		24,000	
	Charan's Capital A/c (₹ 36,000 × 1/3)	...Dr.		12,000	
	To Amit's Capital A/c				36,000
	(Being Amit's share of goodwill adjusted)				
	Profit & Loss Suspense A/c	...Dr.		10,500	
	To Amit's Capital A/c				10,500
	(Being Amit's share of estimated profit till the date of his death credited)				

12. (*i*) Average Profit = ₹ 1,00,000 (Given)

Normal Profit = ₹ 8,00,000 × 10/100 = ₹ 80,000

Super Profit = ₹ 1,00,000 − ₹ 80,000 = ₹ 20,000

Firm's Goodwill = ₹ 20,000 × 100/10 = ₹ 2,00,000

Varuna's Share of Goodwill = ₹ 2,00,000 × 1/4 = ₹ 50,000.

(*ii*) JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	...Dr.		50,000	
	To Premium for Goodwill A/c				50,000
	(Being the amount of goodwill brought in by Varuna)				

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Premium for Goodwill A/c	...Dr.		50,000	
	To Aruna's Capital A/c				25,000
	To Karuna's Capital A/c				25,000
	(Being the goodwill credited to sacrificing partners in their gaining ratio of 1 : 1)				

13. JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2023					
March 31	9% Debentures A/c	...Dr.		8,00,000	
	Premium on Redemption of Debentures A/c	...Dr.		40,000	
	To Debentureholders' A/c				8,40,000
	(Being the amount due on redemption)				
	Debentureholders' A/c	...Dr.		8,40,000	
	To Bank A/c				8,40,000
	(Being the payment made to debentureholders)				

Note: Debenture Redemption Reserve is not to be created, it being a Housing Finance Company.

Or

Dr. DEBENTURE REDEMPTION INVESTMENT ACCOUNT *Cr.*

Date	Particulars	₹	Date	Particulars	₹
2022			2023		
April 1	To Balance *b/d* (15% of ₹ 8,00,000)	1,20,000	March 31	By Balance c/*d*	1,80,000
April 1	To Bank A/c (15% of ₹ 4,00,000)	60,000			
		1,80,000			1,80,000
2023			2024		
April 1	To Balance *b/d*	1,80,000	March 31	By Bank A/c	3,00,000
April 1	To Bank A/c (15% of ₹ 8,00,000)	1,20,000			
		3,00,000			3,00,000

14. Loss on Issue of Debentures = Discount on Issue of Debentures + Premium on Redemption = ₹ 20,00,000 × 8/100 = ₹ 1,60,000.

Calculation of amount of Loss on Issue of Debentures to be written off:

Year	Debentures Outstanding	Ratio	Amount of Loss to be written off each year (₹)
1st	₹ 20,00,000	10	₹ 1,60,000 × 10/40 = 40,000
2nd	₹ 20,00,000	10	₹ 1,60,000 × 10/40 = 40,000
3rd	₹ 18,00,000	9	₹ 1,60,000 × 9/40 = 36,000
4th	₹ 14,00,000	7	₹ 1,60,000 × 7/40 = 28,000
5th	₹ 8,00,000	4	₹ 1,60,000 × 4/40 = 16,000
	Total	40	= 1,60,000

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

Date	Particulars	₹	Date	Particulars	₹
Year 1			Year 1		
April 1	To 8% Debentures A/c	60,000	March 31	By Statement of Profit & Loss	40,000
April 1	To Premium on Redemption of Debentures A/c	1,00,000	March 31	By Balance *c/d*	1,20,000
		1,60,000			1,60,000
Year 2			Year 2		
April 1	To Balance *b/d*	1,20,000	March 31	By Statement of Profit & Loss	40,000
			March 31	By Balance *c/d*	80,000
		1,20,000			1,20,000
Year 3			Year 3		
April 1	To Balance *b/d*	80,000	March 31	By Statement of Profit & Loss	36,000
			March 31	By Balance *c/d*	44,000
		80,000			80,000
Year 4			Year 4		
April 1	To Balance *b/d*	44,000	March 31	By Statement of Profit & Loss	28,000
			March 31	By Balance *c/d*	16,000
		44,000			44,000
Year 5			Year 5		
April 1	To Balance *b/d*	16,000	March 31	By Statement of Profit & Loss	16,000
		16,000			16,000

15.

Dr. REALISATION ACCOUNT **Cr.**

Particulars		₹	Particulars		₹
To Debtors A/c		76,000	By Creditors A/c		36,000
To Stock A/c		2,00,000	By Outstanding Expenses A/c		10,000
To Furniture A/c		20,000	By Gopal's Wife's Loan A/c		50,000
To Land and Building A/c		1,00,000	By Bank A/c:		
To Gopal's Capital A/c (Wife's Loan)		50,000	Land and Building	1,50,000	
To Bank A/c:			Debtors (₹ 76,000 – ₹ 12,000)	64,000	
Creditors (₹ 18,000 – ₹ 1,800)	16,200*		Stock (₹ 90,000 + ₹ 94,000)	1,84,000	3,98,000
Outstanding Expenses	10,000	26,200			
To Gopal's Capital A/c (Realisation Expenses)		10,000			
To Profit transferred to:					
Harish's Capital A/c	7,080				
Gopal's Capital A/c	4,720	11,800			
		4,94,000			4,94,000

*50% of creditors, *i.e.*, ₹ 18,000 accepted furniture. No entry is passed for transfer of furniture to the creditors.

16.

Dr. REVALUATION ACCOUNT *Cr.*

Particulars		₹	Particulars	₹
To Furniture A/c		11,000	By Debtors A/c	5,000
To Provision for Doubtful Debts A/c (On Debtors)		4,000	By Land and Building A/c	62,000
To Provision for Doubtful Debts A/c (On B/R)		2,250		
To Claim for Damages A/c		8,000		
To Profit transferred to:				
Chander's Capital A/c	20,875			
Damini's Capital A/c	20,875	41,750		
		67,000		67,000

Dr. PARTNERS' CAPITAL ACCOUNTS *Cr.*

Particulars	Chander ₹	Damini ₹	Elina ₹	Particulars	Chander ₹	Damini ₹	Elina ₹
To Balance *c/d*	2,86,250	2,52,250	3,00,000	By Balance *b/d*	2,50,000	2,16,000	...
				By Revaluation A/c	20,875	20,875	...
				By Bank A/c	...	...	3,00,000
				By Premium for Goodwill A/c (WN)	15,375	15,375	...
	2,86,250	2,52,250	3,00,000		2,86,250	2,52,250	3,00,000

Working Note:

Calculation of Hidden Goodwill:

Elina contributes capital for 1/3rd share = ₹ 3,00,000

Total capital of the new firm (including goodwill) = ₹ 3,00,000 × 3/1 = ₹ 9,00,000

The combined capital of Chander and Damini (after adjustment of profit on revaluation) and Elina is [₹ 2,50,000 + 2,16,000 + 41,750 (*i.e.,* profit on revaluation) + ₹ 3,00,000] = ₹ 8,07,750

Therefore Hidden Goodwill = ₹ 9,00,000 – ₹ 8,07,750 = ₹ 92,250

Elina's Share of Goodwill = ₹ 92,250 × 1/3 = ₹ 30,750.

Or

(*i*)

Dr. PARTNERS' CAPITAL ACCOUNTS *Cr.*

Particulars	Sonu ₹	Monu ₹	Gopal ₹	Particulars	Sonu ₹	Monu ₹	Gopal ₹
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 (WN 1)	4,250	4,250	...	By Gopal's Current A/c (WN 2)	2,500	2,500	...
To Balance *c/d*	28,125	35,125	50,000	By Gopal's Current A/c (WN 3)	1,875	1,875	...
	49,375	44,375	50,000		49,375	44,375	50,000

(*ii*)

BALANCE SHEET OF THE RECONSTITUTED FIRM
as at 1st April, 2023

Liabilities		₹	Assets	₹
Sundry Creditors		25,000	Cash at Bank (₹ 24,000 + ₹ 50,000)	74,000
General Reserve		15,000	Debtors (₹ 22,000 – ₹ 1,500)	20,500
Capital Accounts:			Machinery	50,000
Sonu	28,125		Gopal's Current A/c (₹ 5,000 + ₹ 3,750)	8,750
Monu	35,125			
Gopal	50,000	1,13,250		
		1,53,250		1,53,250

Working Notes:

1. *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:		
		Sonu's Capital A/c	4,250	
		Monu's Capital A/c	4,250	8,500
	10,500			10,500

2. *For Adjustment of Goodwill:*

		₹	₹
Gopal's Current A/c	...Dr.	5,000	
To Sonu's Capital A/c			2,500
To Monu's Capital A/c			2,500

3. *For Adjustment of General Reserve:*

		₹	₹
Gopal's Current A/c (₹ 15,000 × 1/4)	...Dr.	3,750	
To Sonu's Capital A/c			1,875
To Monu's Capital A/c			1,875

17. BALANCE SHEET OF MOON LIGHT LTD. *as at 31st March, 2023*

Particulars	Note No.	Current Year (₹)	Previous Year (₹)
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(*a*) Share Capital	1	10,00,000	
(*b*) Reserves and Surplus	2	62,500	
2. Current Liabilities			
Other Current Liabilities	3	25,000	
Total		10,87,500	
II. ASSETS			
1. Non-Current Assets			
(*a*) *Property, Plant and Equipment and Intangible Assets:*			
(*i*) Property, Plant and Equipment	4	8,12,500	
(*ii*) Intangible Assets	5	1,75,000	
2. Current Assets			
Cash and Bank Balance	6	1,00,000	
Total		10,87,500	

Notes to Accounts

		₹
1. Share Capital		
Authorised Capital		
... Equity Shares of ₹ 100 each		...
Issued Capital		
10,000 Equity Shares of ₹ 100 each		10,00,000
Subscribed Capital		
Subscribed and fully paid-up		
10,000 Equity Shares of ₹ 100 each		10,00,000
2. Reserves and Surplus		
Securities Premium		1,87,500
Surplus, *i.e.*, Balance in Statement of Profit & Loss		(1,25,000)
		62,500
3. Other Current Liabilities		
Unclaimed Dividend		25,000
4. Property, Plant and Equipment		
Machinery (at Cost)	8,75,000	
Less: Accumulated Depreciation	62,500	8,12,500
5. Intangible Assets		
Trade Marks		1,75,000
6. Cash and Bank Balance		
Cash at Bank		1,00,000

18. (*i*)

Dr. PROFIT & LOSS APPROPRIATION ACCOUNT *for the year ending 31st March, 2023* *Cr.*

Particulars		₹	Particulars		₹
To General Reserve (10% of ₹ 1,80,000)		18,000	By Net Profit (WN 1)		1,80,000
To Interest on Capital:			By Interest on Drawings		
Mohit	15,000		Mohit	1,170	
Ali	12,500	27,500	Ali	1,080	
To John's Salary A/c		60,000	John	990	3,240
To Mohit's Commission A/c (10% of ₹ 1,80,000)		18,000			
To Ali's Commission A/c [(₹ 1,80,000 – ₹ 18,000 – ₹ 27,500 – ₹ 60,000 – ₹ 18,000) × 10/110]		5,136			
To Profit transferred to:					
Mohit's Capital A/c	18,201				
Ali's Capital A/c	18,201				
John's Capital A/c	18,202	54,604			
		1,83,240			1,83,240

(*ii*)

Dr. MOHIT'S CAPITAL ACCOUNT Cr.

Particulars	₹	Particulars	₹
To Drawings A/c	36,000	By Balance *b/d*	3,00,000
To Interest on Drawings	1,170	By Interest on Capital A/c	15,000
To Balance *c/d*	3,14,031	By Commission A/c	18,000
		By Profit & Loss Appropriation A/c (Share of profit)	18,201
	3,51,201		3,51,201

Working Notes:

1. *Calculation of Net Profit to be transferred to Profit & Loss Appropriation Account:*

Net Profit before adjustments		₹ 2,37,000
Less: Interest on John's loan (₹ 5,00,000 × 6/12 × 6/100)	₹ 15,000	
Manager's salary (₹ 2,000 × 12)	₹ 24,000	
Manager's commission (₹ 2,37,000 – ₹ 15,000 – ₹ 24,000) × 10/110	₹ 18,000	₹ 57,000*
		₹ 1,80,000

*Interest on Partner's Loan and manager's salary and commission are charge against profit. Hence, these items are transferred to the debit of Profit & Loss Account.

2. *Calculation of Interest on Drawings:*

Mohit = ₹ 36,000 × 6.5/12 × 6/100 = ₹ 1,170

Ali = ₹ 36,000 × 6/12 × 6/100 = ₹ 1,080

John = ₹ 36,000 × 5.5/12 × 6/100 = ₹ 990

Or

PROFIT & LOSS APPROPRIATION ACCOUNT

Dr. *for the year ending 31st March, 2023* Cr.

Particulars		₹	Particulars		₹
To Interest on Capital A/c:			By Profit & Loss A/c (Net profit)		3,50,000
Mohan	36,000		By Mahesh's Capital A/c*		50,000
Mahesh	30,000		By Interest on Drawings:		
Nusrat	30,000	96,000	Mohan (₹ 60,000 × 3/100 × 6.5/12)	975	
To Mahesh's Capital A/c (Salary)		30,000	Mahesh (₹ 60,000 × 3/100 × 6.5/12)	975	
To Profit transferred to:			Nusrat (₹ 60,000 × 3/100 × 6.5/12)	975	2,925
Mohan's Capital A/c	1,10,770				
Mahesh's Capital A/c	1,10,770				
Nusrat's Capital A/c	55,385	2,76,925			
		4,02,925			4,02,925

*Mahesh has personally guaranteed that the firm would earn net profit of at least ₹ 4,00,000 per annum. However, net profit earned by firm is ₹ 3,50,000. Therefore, the deficiency of ₹ 50,000 (*i.e.*, ₹ 4,00,000 – ₹ 3,50,000) is debited to Mahesh's Capital Account and credited to Profit & Loss Appropriation Account.

Dr. PARTNERS' CAPITAL ACCOUNTS Cr.

Particulars	Mohan ₹	Mahesh ₹	Nusrat ₹	Particulars	Mohan ₹	Mahesh ₹	Nusrat ₹
To Drawings A/c	60,000	60,000	60,000	By Balance *b/d*	6,00,000	5,00,000	5,00,000
To Interest on Drawings A/c	975	975	975	By Interest on Capital A/c	36,000	30,000	30,000
To Profit & Loss				By Profit & Loss App. A/c:			
Appropriation A/c	...	50,000	...	Salary	...	30,000	...
(Deficiency)				Share of Profit	1,10,770	1,10,770	55,385
To Balance *c/d*	6,85,795	5,59,795	5,24,410				
	7,46,770	6,70,770	5,85,385		7,46,770	6,70,770	5,85,385

19. (*i*) JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c ...Dr.		90,00,000	
	To Equity Shares Application A/c			90,00,000
	(Being the application money received on 6,00,000 equity shares)			
	Equity Shares Application A/c ...Dr.		90,00,000	
	To Equity Share Capital A/c			60,00,000
	To Equity Shares Allotment A/c			30,00,000
	(Being the application money adjusted)			
	Equity Shares Allotment A/c ...Dr.		1,00,00,000	
	To Equity Share Capital A/c			1,00,00,000
	(Being the allotment money due			
	Bank A/c ...Dr.		68,80,000	
	Calls-in-Arrears A/c ...Dr.		1,20,000	
	To Equity Shares Allotment A/c			70,00,000
	(Being the allotment money received on 3,94,000 shares (WN 1 and 2)			
	Equity Share Capital A/c (6,000 × ₹ 40) ...Dr.		2,40,000	
	To Forfeited Shares A/c			1,20,000
	To Calls-in-Arrears A/c			1,20,000
	(Being 6,000 shares forfeited for non-payment of allotment money)			
	Bank A/c (6,000 × ₹ 30) ...Dr.		1,80,000	
	Forfeited Shares A/c (6,000 × ₹ 20) ...Dr.		1,20,000	
	To Equity Share Capital A/c			3,00,000
	(Being 6,000 shares of ₹ 50 each reissued at ₹ 30 per share fully paid-up)			
	Equity Shares First and Final Call A/c ...Dr.		39,40,000	
	To Equity Share Capital A/c			39,40,000
	(Being the first and final call due on 3,94,000 shares)			
	Bank A/c ...Dr.		39,30,000	
	Calls-in-Arrears A/c ...Dr.		10,000	
	To Equity Shares First and Final Call A/c			39,40,000
	(Being the first and final call money received except on 1,000 shares)			

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Equity Share Capital A/c (1,000 × ₹ 50)	...Dr.		50,000	
	To Forfeited Shares A/c (1,000 × ₹ 40)				40,000
	To Calls-in-Arrears A/c (1,000 × ₹ 10)				10,000
	(Being 1,000 shares forfeited for non-payment of call money)				
	Bank A/c (1,000 × ₹ 60)	...Dr.		60,000	
	To Equity Share Capital A/c (1,000 × ₹ 50)				50,000
	To Securities Premium A/c (1,000 × ₹ 10)				10,000
	(Being 1,000 shares reissued for ₹ 60 each as fully paid-up)				
	Forfeited Shares A/c	...Dr.		40,000	
	To Capital Reserve A/c				40,000
	(Being the gain on reissue of forfeited shares transferred to Capital Reserve)				

Working Notes:

1. *Calculation of amount not received from Vibhuti on allotment:*
   - Shares applied by Vibhuti = 6,000 × 4,00,000/3,00,000 = 8,000 shares

	₹
• Application money received on shares applied (8,000 × ₹ 15)	1,20,000
Less: Application money due on shares allotted (6,000 × ₹ 15)	90,000
Excess Application money to be adjusted on allotment	30,000
• Allotment money due on Shares allotted (6,000 × ₹ 25)	1,50,000
Less: Excess Application money to be adjusted on allotment	30,000
Allotment money due but not received	1,20,000

2. *Calculation of amount received on allotment:*

	₹	₹
Total allotment money due		1,00,00,000
Less: Allotment money received at the stage of application (*i.e.*, surplus application money)	30,00,000	
Allotment money not received from Vibhuti (WN 1)	1,20,000	31,20,000
Amount received on allotment		68,80,000

3. There is no gain on reissue of 6,000 shares of Vibhuti since reissue discount (*i.e.*, ₹ 1,20,000) is equal to amount forfeited (₹ 1,20,000) on these shares.

(*ii*)

Dr. CALLS-IN-ARREARS ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Equity Shares Allotment A/c	1,20,000	By Equity Share Capital A/c	1,20,000
To Equity Shares First and Final Call A/c	10,000	By Equity Share Capital A/c	10,000
	1,30,000		1,30,000

Or

(*i*) JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	...Dr.		13,44,000	
	To Equity Shares Application and Allotment A/c				13,44,000
	(Being the application and allotment money received on 96,000 shares @ ₹ 14 per share)				

Equity Shares Application and Allotment A/c ...Dr.		13,44,000	
To Equity Share Capital A/c (96,000 × ₹ 4)			3,84,000
To Securities Premium A/c (96,000 × ₹ 10)			9,60,000
(Being the application money adjusted)			
Equity Shares First Call A/c ...Dr.		7,68,000	
To Equity Share Capital A/c (96,000 × ₹ 3)			2,88,000
To Securities Premium A/c (96,000 × ₹ 5)			4,80,000
(Being the first call money due)			
Bank A/c ...Dr.		7,12,000	
Calls-in-Arrears A/c ...Dr.		56,000	
To Equity Shares First Call A/c			7,68,000
(Being the first call money received on 89,000 shares)			
Equity Shares Second and Final Call A/c ...Dr.		7,68,000	
To Equity Share Capital A/c			2,88,000
To Securities Premium A/c			4,80,000
(Being the second and final call money due)			
Bank A/c ...Dr.		6,72,000	
Calls-in-Arrears A/c ...Dr.		96,000	
To Equity Shares Second and Final Call A/c			7,68,000
(Being the second and final call money received on 84,000 shares)			
Equity Share Capital A/c ...Dr.		1,20,000	
Securities Premium A/c ...Dr.		95,000	
To Calls-in-Arrears A/c			1,52,000
To Forfeited Shares A/c			63,000
(Being 7,000 shares forfeited for non-payment of two calls and 5,000 shares forfeited for non-payment of second and final call))			
Bank A/c ...Dr.		64,000	
Forfeited Shares A/c ...Dr.		16,000	
To Equity Share Capital A/c			80,000
(Being the reissue of 8,000 shares at ₹ 8 per share fully paid-up)			
Forfeited Shares A/c ...Dr.		19,000	
To Capital Reserve A/c (WN)			19,000
(Being the transfer of gain on reissue of forfeited share to Capital Reserve)			

Working Note:

Calculation of Gain on reissue of forfeited shares to be transferred to Capital Reserve:	₹
Amount forfeited on 7,000 shares of Rohit	28,000
Amount forfeited on 1,000 shares of Namit (₹ 35,000 × 1,000/5,000)	7,000
	35,000
Less: Reissue discount (8,000 × ₹ 2)	16,000
Gain on reissue to be transferred to Capital Reserve	19,000

(*ii*)

Dr. CALLS-IN-ARREARS ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Equity Shares First Call A/c	56,000	By Equity Share Capital A/c	1,52,000
To Equity Shares Second and Final Call A/c	96,000		
	1,52,000		1,52,000

Section B

20. (*c*)

Working Note:

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}} = 2.5$$

$$= \frac{₹\ 2,00,000}{\text{Current Liabilities}} = 2.5$$

$$\text{Current Liabilities} = \frac{₹\ 2,00,000}{2.5} = ₹\ 80,000$$

$$\text{Quick Ratio} = \frac{\text{Quick Assets}}{\text{Current Liabilities}} = 1.5$$

$$= \frac{\text{Quick Assets}}{₹\ 80,000} = 1.5$$

Quick Assets = ₹ 1,20,000

Value of Inventories = Current Assets – Quick Assets

= ₹ 2,00,000 – ₹ 1,20,000 = ₹ 80,000.

21. (*c*)

22. The objective of computing Proprietary Ratio is to measure the proportion of total assets financed by the proprietors' funds.

23. Cash Flow Statement is historical in nature because it is prepared on the basis of financial statements which are historical.

24. (*i*) Comparative Statement, (*ii*) Common-size Statement.

25. COMMON-SIZE BALANCE SHEET *as at 31st March, 2023 and 2022*

Particulars	Note No.	Absolute Amounts		Percentage of Balance Sheet Total	
		31st March, 2023 (₹)	31st March, 2022 (₹)	31st March, 2023 (%)	31st March, 2022 (%)
I. EQUITY AND LIABILITIES					
1. Shareholders' Funds		22,20,000	12,00,000	74.00	60.00
2. Non-Current Liabilities		6,00,000	6,00,000	20.00	30.00
3. Current Liabilities (Note 1)		1,80,000	2,00,000	6.00	10.00
Total		30,00,000	20,00,000	100.00	100.00
II. ASSETS					
1. Non-Current Assets		25,20,000	14,00,000	84.00	70.00
2. Current Assets (Note 2)		4,80,000	6,00,000	16.00	30.00
Total		30,00,000	20,00,000	100.00	100.00

Notes:

1. Current Liabilities = Total Equity and Liabilities – Non-current Liabilities – Shareholders' Funds
   31st March, 2023 = ₹ 30,00,000 – ₹ 6,00,000 –₹ 22,20,000 = ₹ 1,80,000
   31st March, 2022 = ₹ 20,00,000 – ₹ 6,00,000 –₹ 12,00,000 = ₹ 2,00,000.

2. Current Assets = Total Equity and Liabilities – Non-current Assets
   31st March, 2023 = ₹ 30,00,000 – ₹ 25,20,000 = ₹ 4,80,000
   31st March, 2022 = ₹ 20,00,000 – ₹ 14,00,000 = ₹ 6,00,000.

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

$$= \frac{₹\ 7,50,000}{₹\ 60,000} = 12.5 \text{ Times.}$$

Notes:

1. Credit Revenue from Operations = Revenue from Operations – Cash Revenue from Operations
= ₹ 10,00,000 – ₹ 2,50,000 = ₹ 7,50,000.
2. In the absence of Opening and Closing Trade Receivables, Closing Trade Receivables (*i.e.*, Debtors + Bills Receivables) have been used in the above formula as Average Trade Receivables.

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

$$= \frac{₹\ 3,15,000}{₹\ 20,000} = 15.75 \text{ Times.}$$

Notes:

1. Cost of Revenue from Operations = Purchases + Change in Inventories + Wages + Carriage Inward
= ₹ 2,75,000 + ₹ 20,000 + ₹ 10,000 + ₹ 10,000
= ₹ 3,15,000.

2. Average Inventory $= \dfrac{\text{Opening Inventory + Closing Inventory}}{2}$

$$= \frac{₹\ 30,000 + ₹\ 10,000}{2} = ₹\ 20,000.$$

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

$$= \frac{₹\ 4,20,000}{₹\ 10,00,000} \times 100 = 42\%.$$

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

$$= \frac{₹\ 6,50,000}{₹\ 10,00,000} \times 100 = 65\%.$$

Notes: Operating Profit = Profit before tax – Other Income
= ₹ 7,00,000 – ₹ 50,000 = ₹ 6,50,000.

27.

Parker Ltd.

CASH FLOW STATEMENT *for the year ended 31st March, 2023*

Particulars	₹	₹
I. Cash Flow from Operating Activities		
Net Profit before Tax (WN 1)		1,80,000
Adjustment for Non-cash and Non-Operating Items:		
Depreciation on Machinery	12,000	
Loss on Sale of Machine	5,000	
Interest on Bank Loan	16,000	
Amortisation of Patents	5,000	38,000
Operating Profit before Working Capital Changes		2,18,000

Change in Current Assets and Current Liabilities:		
Decrease in Trade Payables (Creditors)	(15,000)	
Increase in Inventories	(5,000)	
Increase in Trade Receivables (Debtors)	(55,000)	(75,000)
Cash Generated from Operating Activities before Tax		1,43,000
Less: Tax Paid		50,000
Cash Flow from Operating Activities		93,000
II. Cash Flow from Investing Activities		
Purchase of Non-current Investments	(75,000)	
Purchase of Machinery	(75,000)	
Proceeds from Sale of Machinery (WN 3)	58,000	(92,000)
Cash Used in Investing Activities		(92,000)
III. Cash Flow from Financing Activities		
Proceeds from Issue of Shares	2,00,000	
Bank Loan Paid	(1,00,000)	
Interest on Bank Loan Paid	(16,000)	84,000
Cash Flow from Financing Activities		84,000
IV. Net Increase in Cash and Bank Balances (I + II + III)		85,000
V. Opening Cash and Bank Balances		20,000
VI. Closing Cash and Bank Balances (IV + V)		1,05,000

Working Notes:

1. *Calculation of Net Profit before Tax:*

	₹
Closing Balance of Surplus, *i.e.*, Balance in Statement of Profit & Loss	2,00,000
Less: Opening Balance of Surplus, *i.e.*, Balance in Statement of Profit & Loss	1,00,000
	1,00,000
Add: Provision for Tax	80,000
Net Profit before Tax	1,80,000

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

Particulars	₹	Particulars	₹
To Bank A/c	50,000	By Balance *b/d*	1,20,000
To Balance *c/d*	1,50,000	By Statement of Profit & Loss (Balancing figure)	80,000
	2,00,000		2,00,000

3. *Dr.* MACHINERY ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Balance *b/d*	6,00,000	By Depreciation A/c	12,000
To Bank A/c (Purchase)	75,000	By Bank A/c (Sale)—Balancing Figure	58,000
		By Statement of Profit & Loss (Loss on Sale)	5,000
		By Balance *c/d*	6,00,000
	6,75,000		6,75,000

Or

Particulars	₹	₹
I. Cash Flow from Operating Activities		
Net Profit before Tax (WN 1)		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. *Calculation of Net Profit before Tax:*

		₹
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		2,10,000

2. *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

3. *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.)	**70,000**
	1,20,000		1,20,000

Model Test Paper 2

Time Allowed: 3 Hrs. **Max. Marks: 80**

General Instructions: **As per Model Test Paper 1**

Section A (60 Marks)

(*Answer* ***all*** *questions*)

1. Om and Shiv are partners in a firm having a capital of ₹ 54,000 and ₹ 36,000 respectively. They admitted Mohan for 1/3rd share in the profits. Mohan brought proportionate amount of capital. The capital brought in by Mohan would be

(*a*) ₹ 90,000. (*b*) ₹ 45,000.

(*c*) ₹ 54,000. (*d*) ₹ 36,000. [1]

2. Deepak, Farukh and Lilly were partners in a firm sharing profits in the ratio of 3 : 2 : 1. On 28th February, 2023, Farukh retired from the firm. On Farukh's retirement, there was a balance of ₹ 12,000 in Workmen's Compensation Reserve against which there was no liability. On Farukh's retirement, this amount will be

(*a*) Debited to Capital Accounts of all the partners (including Retiring Partner) in their profit-sharing ratio.

(*b*) Credited to Capital Accounts of all the partners (including Retiring Partner) in their profit-sharing ratio.

(*c*) Credited to Capital Accounts of Deepak and Lilly in their profit-sharing ratio.

(*d*) Credited to Capital Account of Farukh. [1]

3. Hi-Tech Ltd. forfeited 50 shares of ₹ 100 each issued at 10% premium for non-payment of allotment money of ₹ 30 per share (including premium) and first call of ₹ 30 per share. The second and final call of ₹ 20 per share was not yet called. At the time of passing entry for forfeiture, Forfeited Shares Account will be

(*a*) debited by ₹ 5,000. (*b*) credited by ₹ 1,500.

(*c*) debited by ₹ 4,000. (*d*) credited by ₹ 4,000. [1]

4. In a company's Balance Sheet, Debit Balance of Statement of Profit & Loss is shown under

(*a*) Non-current Liabilities. (*b*) Current Liabilities.

(*c*) Non-current Assets. (*d*) Reserves and Surplus. [1]

5. Give the formula for calculating Goodwill by Capitalisation of Super Profit. [1]

6. What Journal entry will be passed when unrecorded liability of ₹ 10,000 is paid by Mohan, a partner, on dissolution of a firm? [1]

7. Name the account to which the amount of premium received on Issue of Debentures is credited. [1]

8. What will be the accounting treatment of Debenture Redemption Investment (DRI) in case of redemption of debentures in equal instalments. [1]

9. Why is the Realisation Account prepared? [1]

10. What is meant by a debenture issued as collateral security? [1]

11. Lokesh, Mansoor and Nihal are partners sharing profits and losses in the ratio of 3 : 1 : 2. On 31st March, 2023, Mansoor retired and balance in his capital account after making adjustment of reserves and profit on revaluation was ₹ 70,000. Lokesh and Nihal paid him ₹ 84,000 in full settlement of his claim. To settle his account, a computer of book value of ₹ 84,000 was given to Mansoor.

You are required to pass the necessary Journal entries in the books of the firm.

Or

Shivam, Kapil and Deepak are partners sharing profits and losses in the ratio of 4 : 3 : 3. Kapil retired and Shivam and Deepak decide to share future profits and losses in the ratio of 3 : 5. At the time of retirement of Kapil, Debtors and Provision for Doubtful Debts were ₹ 38,000 and ₹ 4,000 respectively. ₹ 3,000 of the debtors were bad. Provision for Doubtful Debts is to be 5% of Sundry Debtors.

You are required to pass the necessary Journal entries. [3]

12. Xavier and Yusuf are partners sharing profits in the ratio of 3 : 2. They admit Zaman for 1/5th share in profits as a partner on 1st April, 2022. Zaman brings ₹ 5,00,000 as his capital and the share of goodwill by cheque. For this purpose, goodwill of the firm is valued at two years' purchase on the basis of average net profit (corrected) of the last three years. Profits for the last three years were as follows:

Year	2019–20	2020–21	2021–22
Profits (₹)	3,71,400	4,20,000	3,60,000

Additional Information:

A machinery was purchased on 1st April, 2020 for ₹ 60,000 but it was debited to Office Expenses Account. Depreciation is charged @ 10% following diminishing balance method.

You are required to:

(*i*) Calculate the value of firm's goodwill.

(*ii*) Pass the necessary Journal entries in the books of the firm. [3]

13. On 31st March, 2021, books of Khyati Ltd. (an unlisted manufacturing company) had following balances:

8% Debentures (Redeemable on 30th September, 2022)—₹ 90,00,000;

Debenture Redemption Reserve—₹ 6,00,000.

To meet the provisions of the Companies Act, 2013, the company transferred the required balance amount to Debenture Redemption Reserve Account on 31st March, 2022. It met the requirements of Debenture Redemption Investment.

You are required to pass the necessary Journal entries related to Debenture Redemption Reserve Account for the year 2021–22 and 2022–23.

Or

Care Products Ltd., a listed company, has outstanding 15,000, 10% Debentures of ₹ 100 each redeemable at a premium of 15%. Pass the necessary Journal entries at the time of Redemption of Debentures (Ignore interest). [3]

14. Akai Ltd. issued 1,000; 7% Debentures of ₹ 100 each at 5% premium, redeemable at 10% premium after 4 years.

You are required to pass Journal entries for issue of debentures and writing off Loss on Issue of Debentures, if the company decides to write it off in the year of issue. [3]

15. Given below is the Balance Sheet of Saurabh, Gaurav and Pawan as on 31st March, 2023 on which date they dissolved their partnership. They shared profits and losses in the ratio of 4 : 3 : 3. It was decided that Pawan shall be incharge of realisation of assets and distribution thereof. For this service, he was to get as remuneration 1% of the value of assets realised other than Cash and Bank and 10% of the amount distributed to partners.

BALANCE SHEET *as at 31st March, 2023*

Liabilities	₹	Assets	₹
Saurabh's Capital A/c	55,000	Cash at Bank	1,375
Gaurav's Capital A/c	22,500	Sundry Assets	2,68,625
Pawan's Capital A/c	60,000		
Sundry Creditors	75,000		
Employees' Provident Fund	7,500		
Workmen Compensation Reserve	50,000		
	2,70,000		2,70,000

Sundry Assets realised ₹ 2,32,500 and creditors were paid in full.

You are required to prepare the Realisation Account. [6]

16. Abha and Bimal are partners in a firm sharing profits and losses in the ratio of 3 : 2. On 1st April, 2023, they admitted Chintu into partnership for 1/5th share in the profits of the firm. On that date their Balance Sheet stood as under:

BALANCE SHEET *as at 1st April, 2023*

Liabilities		₹	Assets	₹
Capital A/cs:			Plant and Machinery	1,30,000
Abha	1,20,000		Furniture	25,000
Bimal	1,00,000	2,20,000	Investment	1,00,000
General Reserve		20,000	Sundry Debtors	50,000
Sundry Creditors		1,00,000	Bank	35,000
		3,40,000		3,40,000

Chintu was admitted on the following terms:

(*i*) He will bring ₹ 80,000 as capital and ₹ 30,000 for his share of goodwill premium.

(*ii*) Partners will share future profits in the ratio of 5 : 3 : 2.

(*iii*) Gain (Profit) on revaluation of assets and reassessment of liabilities was ₹ 7,000.

(*iv*) After making adjustments, Capital Accounts of the partners will be in proportion to Chintu's capital. Balance to be paid or brought by the old partners by cheque as the case may be.

You are required to prepare:

(*a*) Partners' Capital Accounts.

(*b*) Bank Account.

Or

Xavier and Yogesh are partners sharing profits and losses in the ratio of 3 : 2. On 31st March, 2022, their Balance Sheet was as follows:

BALANCE SHEET OF XAVIER AND YOGESH

as at 31st March, 2022

Liabilities		₹	Assets		₹
Creditors		28,000	Cash at Bank		45,000
Workmen Compensation Reserve		12,000	Debtors	65,000	
General Reserve		50,000	*Less:* Provision for Doubtful Debts	5,000	60,000
Capital A/cs:			Stock		30,000
Xavier	60,000		Investments		50,000
Yogesh	40,000	1,00,000	Goodwill		5,000
		1,90,000			1,90,000

They admit Gopal as a partner on 1st April, 2022 on the following terms:

(*i*) Goodwill of the firm is valued at ₹ 1,25,000. Gopal shall bring his share of premium for goodwill by cheque.

(*ii*) Unaccounted accrued commission of ₹ 500 will be accounted.

(*iii*) Market value of investments was ₹ 45,000.

(*iv*) A debtor whose dues of ₹ 16,000 were written off as bad debts paid ₹ 15,800.

(*v*) A claim of ₹ 2,000 for workmen's compensation is to be provided.

(*vi*) Gopal will bring proportionate capital for 1/5th share in the profits of the firm.

You are required to prepare:

(*a*) Revaluation Account, and

(*b*) Capital Accounts of the Partners. [6]

17. Following balances have been extracted from the books of Mera Desh Mahan Ltd. as at 31st March, 2023:

TRIAL BALANCE *as at 31st March, 2023*

Particulars	Dr. (₹)	Cr. (₹)
Equity Share Capital	...	5,00,000
Fixed Assets	7,30,000	...
Reserves and Surplus (Surplus, *i.e.*, Balance in Statement of Profit & Loss)	...	2,22,000
Inventories	50,000	...
Cash and Bank Balances	1,58,000	...
Trade Payables	...	60,000
8% Debentures (1/5th of the debentures to be redeemed on 31st March, 2024)	...	2,00,000
Interest accrued and due on 8% Debentures	...	8,000
Trade Receivables	20,000	...
Investments (Long-term)	32,000	...
Total	9,90,000	9,90,000

Additional Information: Underwriting commission of ₹ 10,000 on issue of shares is written off from Statement of Profit & Loss.

You are required to prepare Balance Sheet of the company as per Schedule III of the Companies Act, 2013 as at 31st March, 2023. [6]

18. Naveen, Qadir and Rajesh were partners in electronic goods business in Dehradun, Uttarakhand. After the accounts of partnership were drawn up and closed, it was noticed that interest on capital has been allowed to partners @ 6% p.a. for the years ending 31st March, 2022 and 2023, although there is no provision for interest on capital in the Partnership Deed. On the other hand, Naveen and Qadir were entitled to a salary of ₹ 3,500 and ₹ 4,000 per quarter respectively, which has not been allowed. Their fixed capitals were ₹ 4,00,000, ₹ 3,60,000 and ₹ 2,40,000 respectively. During the last two years, they had shared the profits and losses as follows:

Year Ended	*Ratio*
31st March, 2022	3 : 2 : 1
31st March, 2023	5 : 3 : 2

Pass necessary adjusting entry for the above adjustments in the books of the firm on 1st April, 2023. Show your workings.

Or

Moli, Bhola and Raj were partners in a firm sharing profits and losses in the ratio of 3 : 3 : 4. Their Partnership Deed provided for the following:

(*i*) Interest on capitals @ 5% p.a.

(*ii*) Interest on drawings @ 12% p.a.

(*iii*) Interest on partners' loan @ 6% p.a.

(iv) Moli was allowed an annual salary of ₹ 4,000; Bhola was allowed commission of 10% of net profit and Raj was guaranteed minimum profit share of ₹ 1,50,000 after making all the adjustments as provided in the partnership agreement.

Their fixed capitals were Moli: ₹ 5,00,000; Bhola: ₹ 8,00,000 and Raj: ₹ 4,00,000. On 1st April, 2022, Bhola had given loan of ₹ 1,00,000 to the firm. Profit of the firm for the year ended 31st March, 2023 before interest on Bhola's loan was ₹ 3,06,000.

Bhola withdrew ₹ 5,000 at the end of each month, Moli withdrew ₹ 10,000 at the end of each quarter and Raj withdrew ₹ 40,000 at the end of each half year.

Prepare Profit & Loss Appropriation Account for the year ended 31st March, 2023 and Partners' Current Accounts. [10]

19. Shiva Ltd., invited applications for issuing 80,000 equity shares of ₹ 10 each at a premium of ₹ 35 per share. The amount was payable as follows:

On Application—₹ 8 (including ₹ 5 premium) per share;

On Allotment—₹ 12 (including ₹ 10 premium) per share;

On First and Final Call—Balance.

Applications were received for 75,000 shares and allotment was made to all the applicants. Rahim, a shareholder who was allotted 3,000 shares failed to pay allotment money and his shares were forfeited. Afterwards, the first and final call was made. Suhani, who held 3,000 shares failed to pay final call. Her Shares were also forfeited. All the forfeited shares were reissued for a sum of ₹ 62,000 as fully paid-up.

You are required to:

(*a*) Pass necessary Journal entries for the above transactions in the books of the company.

(*b*) Prepare Calls-in-Arrears Account.

Or

Sargam Ltd. invited applications for issuing 80,000 equity shares of ₹ 100 each at a premium. The amount was payable as follows:

On Application—₹ 20 per share;

On Allotment—₹ 60 (including premium) per share;

On First and Final Call—₹ 40 per share.

Applications were received for 1,20,000 shares. Allotment was made on *pro rata* basis to all the applicants. Excess money received on applications was adjusted on amount due on allotment. Sitaram, who had applied for 6,000 shares, failed to pay the allotment money and Harnam did not pay first and final call on 800 shares allotted to him. The shares of Sitaram and Harnam were forfeited. 4,200 of these shares were reissued for ₹ 100 per share as fully paid-up. The reissued shares included all the forfeited shares of Harnam.

You are required to:

(*a*) Pass necessary Journal entries for the above transactions in the books of Sargam Ltd.

(*b*) Prepare Calls-in-Arrears Account. [10]

Section B (20 Marks)

*(Answer **all** questions)*

20. Priya Ltd. has a Current Ratio of 3 : 1. Its inventories are ₹ 40,000 and Current Liabilities are ₹ 75,000. What will be the Quick Ratio of the Company?

(*a*) 3 : 2. (*b*) 2 : 3.

(*c*) 37 : 15. (*d*) 15 : 37. [1]

21. Interest received by a manufacturing company is classified in Cash Flow Statement as:

(*a*) Operating Activity.

(*b*) Investing Activity.

(*c*) Financing Activity.

(*d*) Both as an Operating Activity and Financing Activity. [1]

22. State one transaction involving decrease in Current Ratio and no change in working capital if Current Ratio is 2 : 1. [1]

23. What is meant by the term 'Cash Equivalents' as per AS-3? [1]

24. What is Common-size Balance Sheet? [1]

25. From the following information, prepare Comparative Balance Sheet of HMSC Ltd.:

Particulars	31st March, 2023 (₹)	31st March, 2022 (₹)
Shareholders' Funds	44,40,000	24,00,000
Non-Current Liabilities	12,00,000	12,00,000
Current Liabilities	3,60,000	4,00,000
Non-Current Assets	50,40,000	28,00,000
Current Assets	9,60,000	12,00,000

[3]

26. On the basis of the following information, calculate:

(*i*) Operating Ratio;

(*ii*) Inventory Turnover Ratio;

(*iii*) Proprietary Ratio.

Information:

Cash Revenue from Operations	₹ 10,00,000
Credit Revenue from Operations	120% of Cash Revenue from Operations
Operating Expenses	10% of Total Revenue from Operations
Gross Profit Ratio	40%
Opening Inventory	₹ 1,50,000
Closing Inventory ₹ 20,000 more than Opening Inventory	
Current Assets	₹ 3,00,000
Current Liabilities	₹ 2,00,000
Share Capital	₹ 5,00,000
Reserves and Surplus	₹ 1,00,000
Non-current Assets: Property, Plant and Equipment and Intangible Assets	₹ 5,00,000

[6]

27. You are required to prepare a Cash Flow Statement of Green View Ltd. (as per AS-3) for the year 2022–23 from the following Balance Sheets:

BALANCE SHEET OF GREEN VIEW LTD. *as at 31st March, 2023 and 31st March, 2022*

Particulars	Note No.	31st March, 2023 (₹)	31st March, 2022 (₹)
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(*a*) Share Capital		15,00,000	12,50,000
(*b*) Reserves and Surplus	1	7,50,000	6,00,000
2. Non-Current Liabilities			
Long-term Borrowings: Bank Loan		2,00,000	...
3. Current Liabilities			
(*a*) Short-term Borrowings: Bank Overdraft		1,00,000	50,000
(*b*) Trade Payables	2	7,00,000	6,50,000
(*c*) Short-term Provisions	3	2,50,000	1,50,000
Total		35,00,000	27,00,000
II. ASSETS			
1. Non-Current Assets			
(*a*) *Property, Plant and Equipment and Intangible Assets:*			
—Property, Plant and Equipment (Plant and Machinery)		3,00,000	2,00,000
(*b*) Non-current Investments		1,00,000	1,50,000
2. Current Assets			
(*a*) Inventories		12,00,000	8,70,000
(*b*) Trade Receivables		9,00,000	9,80,000
(*c*) Cash and Bank Balances (Cash at Bank)		10,00,000	5,00,000
Total		35,00,000	27,00,000

Notes to Accounts

Particulars	31st March, 2023 (₹)	31st March, 2022 (₹)
1. Reserves and Surplus		
General Reserve	1,50,000	1,00,000
Surplus, *i.e.*, Balance in Statement of Profit & Loss	6,00,000	5,00,000
	7,50,000	6,00,000
2. Trade Payables		
Creditors	4,50,000	5,00,000
Bills Payable	2,50,000	1,50,000
	7,00,000	6,50,000
2. Short-term Provisions		
Provision for Tax	2,50,000	1,50,000

Additional Information:

(*i*) During the year, ₹ 50,000 depreciation was charged on machinery.

(*ii*) Company has paid ₹ 1,20,000 interim dividend during the year.

(*iii*) Tax provided during the year ₹ 2,00,000.

Or

You are required to prepare Cash Flow Statement of Sunrise Ltd. (as per AS-3) for the year 2022–23 from the following Balance Sheets:

BALANCE SHEET OF SUNRISE LTD. *as at 31st March 2023 and 31st March, 2022*

Particulars	Note No.	31st March, 2023 (₹)	31st March, 2022 (₹)
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(*a*) Share Capital		20,00,000	20,00,000
(*b*) Reserves and Surplus	1	9,00,000	5,00,000
2. Non-Current Liabilities			
Long-term Borrowings	2	10,00,000	10,00,000
3. Current Liabilities			
(*a*) Trade Payables		15,50,000	6,00,000
(*b*) Other Current Liabilities	3	1,00,000	70,000
Total		55,50,000	41,70,000
II. ASSETS			
1. Non-Current Assets			
(*a*) *Property, Plant and Equipment and Intangible Assets:*			
(*i*) Property, Plant and Equipment (Machinery)		30,00,000	20,00,000
(*ii*) Intangible Assets (Patents)		3,00,000	3,40,000
(*b*) Non-current Investments		2,00,000	1,50,000
2. Current Assets			
(*a*) Inventories		4,00,000	6,00,000
(*b*) Trade Receivables		7,00,000	9,00,000
(*c*) Cash and Bank Balances		9,50,000	1,80,000
Total		55,50,000	41,70,000

Notes to Accounts

Particulars	31st March, 2023 (₹)	31st March, 2022 (₹)
1. Reserves and Surplus		
Surplus, *i.e.*, Balance in Statement of Profit & Loss	9,00,000	5,00,000
2. Long-term Borrowings		
10% Debentures	10,00,000	10,00,000
3. Other Current Liabilities		
Unclaimed Dividend	60,000	...
Outstanding Expenses	40,000	70,000
	1,00,000	70,000

Additional Information:

1. During the year, a Machinery costing ₹ 4,00,000, on which depreciation charged was ₹ 2,20,000, was sold at a profit of ₹ 60,000.
2. Depreciation charged on machinery was ₹ 7,00,000.
3. During the year, the company declared Interim Dividend @ 10%.
4. At the end of the year, investment costing ₹ 50,000 was sold at a profit of 20%. New investment was also purchased at the end of the current accounting year.
5. Proposed Dividend for 2022–23—₹ 3,00,000. [6]

Answers

1. (*b*)

Working Note:

Combined capital of Om and Shiv for 2/3rd share = ₹ 90,000

Mohan's capital for 1/3rd share = ₹ $90,000 \times \frac{3}{2} \times \frac{1}{3}$

= ₹ 45,000.

2. (*b*)
3. (*b*)
4. (*d*)
5. Goodwill = Super Profit × $\frac{100}{\text{Normal Rate of Return}}$

6. JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Realisation A/c	...Dr.		10,000	
	To Mohan's Capital A/c				10,000
	(Being the unrecorded liability paid by Mohan)				

7. Securities Premium Account.
8. In case of redemption of debentures in equal instalments, DRI purchased for the first instalment will remain invested till the last redemption.
9. The purpose of Realisation Account is to close the books of account of a dissolved firm and to compute the net effect (profit or loss) on realisation of various assets and settlement of various liabilities.
10. Issue of Debentures as a collateral security means the issue of Debentures as an additional security against the loan in addition to principal security.

11. JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2023					
March 31	Lokesh's Capital A/c	...Dr.		8,400	
	Nihal's Capital A/c	...Dr.		5,600	
	To Mansoor's Capital A/c				14,000
	(Being the retiring partner's share of goodwill adjusted between Lokesh and Nihal in their gaining ratio of 3 : 2) (WN)				
	Mansoor's Capital A/c	...Dr.		84,000	
	To Computer A/c				84,000
	(Being the computer given to Mansoor in full settlement of his claims)				

Working Note:

Calculation of Hidden Goodwill:

		₹
(*a*)	Amount agreed to be paid to Mansoor in full settlement of his claim	84,000
(*b*)	Mansoor's capital (after all adjustments)	(70,000)
(*c*)	Hidden Goodwill ((*a*) – (*b*)]	14,000

Or

JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bad Debts A/c	...Dr.		3,000	
	To Debtors A/c				3,000
	(Being the bad debts written off)				
	Provision for Doubtful Debts A/c	...Dr.		3,000	
	To Bad Debts A/c				3,000
	(Being the bad debts transferred to Provision for Doubtful Debts A/c)				
	Revaluation A/c	...Dr.		750	
	To Provision for Doubtful Debts A/c				750
	[5% (₹ 38,000 – ₹ 3,000)] – [(₹ 4,000 – ₹ 3,000)]				
	(Being the short provision for doubtful debts created)				
	Shivam's Capital A/c	...Dr.		300	
	Kapil's Capital A/c	...Dr.		225	
	Deepak's Capital A/c	...Dr.		225	
	To Revaluation A/c				750
	(Being the loss on revaluation transferred to partners in their old profit-sharing ratio)				

12. (*i*) (*a*) *Calculation of Normal (corrected) Profit:*

Year	Profit (₹)	Adjustment (₹)	Normal (corrected) Profit (₹)
2019–20	3,71,400	...	3,71,400
2020–21	4,20,000	₹ 60,000 (Office expenses) – ₹ 6,000 (Depreciation)	4,74,000
2021–22	3,60,000	–₹ 5,400 (Depreciation) [(10% of (₹ 60,000 – ₹ 6,000)]	3,54,600
			12,00,000

(*b*) *Valuation of Goodwill:*

Average Net Profit (corrected) for the last three years

$$= \frac{₹\ 3,71,400 + ₹\ 4,74,000 + ₹\ 3,54,600}{3} = ₹\ 4,00,000$$

Value of Firm's Goodwill = Average Net Profit × Number of Years' Purchase

= ₹ 4,00,000 × 2 = ₹ 8,00,000

Zaman's share of Goodwill = ₹ 8,00,000 × 1/5 = ₹ 1,60,000.

(*ii*) JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2022					
April 1	Bank A/c	...Dr.		6,60,000	
	To Zaman's Capital A/c				5,00,000
	To Premium for Goodwill A/c				1,60,000
	(Being Zaman brought in cash for his capital and his share of goodwill)				
	Premium for Goodwill A/c	...Dr.		1,60,000	
	To Xavier's Capital A/c				96,000
	To Yusuf's Capital A/c				64,000
	(Being the goodwill credited to sacrificing partners in their sacrificing ratio, *i.e.*, 3 : 2)				

13. JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2022					
March 31	Surplus, *i.e.*, Balance in Statement of Profit & Loss A/c	...Dr.		3,00,000	
	To Debenture Redemption Reserve A/c (10% of ₹ 90,00,000 – ₹ 6,00,000)				3,00,000
	(Being the profit transferred to Debenture Redemption Reserve)				
2022					
Sept. 30	Debenture Redemption Reserve A/c	...Dr.		9,00,000	
	To General Reserve A/c				9,00,000
	(Being the transfer of Debenture Redemption Reserve to General Reserve on the redemption of all the debentures)				

Or

JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Debentures Redemption Investment A/c	...Dr.		2,25,000	
	To Bank A/c				2,25,000
	(Being the investment made in specified securities)				
	Bank A/c	...Dr.		2,25,000	
	To Debentures Redemption Investment A/c				2,25,000
	(Being the investment realised)				
	10% Debentures A/c	...Dr.		15,00,000	
	Premium on Redemption of Debentures A/c	...Dr.		2,25,000	
	To Debentureholders' A/c				17,25,000
	(Being the amount due on redemption)				
	Debentureholders' A/c	...Dr.		17,25,000	
	To Bank A/c				17,25,000
	(Being the payment made to debentureholders)				

Note: Debenture Redemption Reserve (DRR) is not required to be created by a listed company.

14. JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	...Dr.		1,05,000	
	To Debentures Application and Allotment A/c				1,05,000
	(Being the debenture application money received)				
	Debentures Application and Allotment A/c	...Dr.		1,05,000	
	Loss on Issue of Debentures A/c	...Dr.		10,000	
	To 7% Debentures A/c				1,00,000
	To Securities Premium A/c				5,000
	To Premium on Redemption of Debentures A/c				10,000
	(Being the issue of 1,000; 7% Debentures of ₹ 100 each at a premium of 5% and redeemable at a premium of 10%)				
	Securities Premium A/c	...Dr.		5,000	
	Statement of Profit & Loss	...Dr.		5,000	
	To Loss on Issue of Debentures A/c				10,000
	(Being the loss on Issue of Debentures written-off)				

15.

Dr. REALISATION ACCOUNT *Cr.*

Particulars		₹	Particulars		₹
To Sundry Assets A/c		2,68,625	By Sundry Creditors A/c		75,000
To Bank A/c:			By Employees' Provident Fund A/c		7,500
Sundry Creditors	75,000		By Bank A/c (Sundry Assets)		2,32,500
Employees Provident Fund	7,500	82,500	By Loss transferred to:		
To Pawan's Capital A/c (Note 1)		15,875	Saurabh's Capital A/c	20,800	
			Gaurav's Capital A/c	15,600	
			Pawan's Capital A/c	15,600	52,000
		3,67,000			3,67,000

Notes:

1. *Calculation of Total Remuneration of Pawan:*

   Sundry Assets realised other than Cash = ₹ 2,32,500.

   (*i*) Commission on Assets Realised = 1% of ₹ 2,32,500 = ₹ 2,325.

   Cash Available for Partners and Commission based on Cash Distribution to Partners

   = ₹ 1,375 (Cash) + ₹ 2,32,500 – ₹ 75,000 (Sundry Creditors)

   – ₹ 7,500 (Employees' Provident Fund) – ₹ 2,325 (Commission) = ₹ 1,49,050.

   (*ii*) Commission based on Cash distribution = ₹ 1,49,050 × 10/110 = ₹ 13,550

   Hence Total Remuneration (*i* + *ii*) = ₹ 2,325 + ₹ 13,550 = ₹ 15,875.

2. Workmen Compensation Reserve (₹ 50,000) will be distributed among partners in their profit-sharing ratio as Workmen Compensation liability is Nil.

16. (*a*)

Dr. PARTNERS' CAPITAL ACCOUNTS *Cr.*

Particulars	Abha ₹	Bimal ₹	Chintu ₹	Particulars	Abha ₹	Bimal ₹	Chintu ₹
To Bank A/c (Bal. Fig.)	...	5,800	...	By Balance *b/d*	1,20,000	1,00,000	...
To Balance *c/d* (WN)	2,00,000	1,20,000	80,000	By General Reserve A/c	12,000	8,000	...
				By Revaluation A/c (Profit)	4,200	2,800	...
				By Bank A/c	...	...	80,000
				By Premium for Goodwill A/c	15,000	15,000	...
				By Bank A/c (Bal. Fig.)	48,800	...	...
	2,00,000	1,25,800	80,000		2,00,000	1,25,800	80,000

(*b*)

Dr. BANK ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Balance *b/d*	35,000	By Bimal's Capital A/c	5,800
To Chintu's Capital A/c	80,000	By Balance *c/d*	1,88,000
To Premium for Goodwill A/c	30,000		
To Abha's Capital A/c	48,800		
	1,93,800		1,93,800

Working Note:

Calculation of new capital of partners on the basis of Chintu's capital:

Chintu's capital = ₹ 80,000

Chintu's share of profit = 1/5

Total capital of new firm = ₹ 80,000 × 5/1 = ₹ 4,00,000

Abha's new capital = ₹ 4,00,000 × 5/10 = ₹ 2,00,000

Bimal's new capital = ₹ 4,00,000 × 3/10 = ₹ 1,20,000.

Or

(*a*)

Dr. REVALUATION ACCOUNT *Cr.*

Particulars		₹	Particulars	₹
To Investments A/c		5,000	By Accrued Commission A/c	500
To Gain (Profit) on Revaluation transferred to:			By Bad Debts Recovered A/c	15,800
Xavier's Capital A/c	6,780			
Yogesh's Capital A/c	4,520	11,300		
		16,300		16,300

(*b*)

Dr. PARTNERS' CAPITAL ACCOUNTS *Cr.*

Particulars	Xavier ₹	Yogesh ₹	Gopal ₹	Particulars	Xavier ₹	Yogesh ₹	Gopal ₹
To Goodwill A/c	3,000	2,000	...	By Balance *b/d*	60,000	40,000	...
To Balance *c/d*	1,14,780	76,520	47,825	By Bank A/c (Note)	...	...	47,825
				By Premium for Goodwill A/c	15,000	10,000	...
				By Workmen Compensation Reserve A/c	6,000	4,000	...
				By General Reserve A/c	30,000	20,000	...
				By Revaluation A/c (Profit)	6,780	4,520	...
	1,17,780	78,520	47,825		1,17,780	78,520	47,825

Note:

Calculation of Gopal's Capital:	₹
Adjusted capital of Xavier	1,14,780
Adjusted capital of Yogesh	76,520
Combined capital of Xavier and Yogesh for 4/5th share	1,91,300

Total capital of the new firm = ₹ 1,91,300 × 5/4 = ₹ 2,39,125

Gopal's capital in new firm = ₹ 2,39,125 × 1/5 = ₹ 47,825.

17.

BALANCE SHEET

as at 31st March, 2023

Particulars	Note No.	Current Year (₹)	Previous Year (₹)
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(*a*) Share Capital	1	5,00,000	
(*b*) Reserves and Surplus	2	2,22,000	
2. Non-Current Liabilities			
Long-term Borrowings	3	1,60,000	
3. Current Liabilities			
(*a*) Short-term Borrowings	4	40,000	
(*b*) Trade Payables		60,000	
(*c*) Other Current Liabilities	5	8,000	
Total		9,90,000	
II. ASSETS			
1. Non-Current Assets			
Property, Plant and Equipment and Intangible Assets:			
(*i*) Property, Plant and Equipment (Fixed Assets)		7,30,000	
(*ii*) Non-current Investments (Long-term Investment)		32,000	
2. Current Assets			
(*a*) Inventories		50,000	
(*b*) Trade Receivables		20,000	
(*c*) Cash and Bank Balances		1,58,000	
Total		9,90,000	

Notes to Accounts

	₹
1. Share Capital	
Authorised Capital	
... Equity Shares of ₹ 100 each	...
Issued Capital	
5,000 Equity Shares of ₹ 100 each	5,00,000
Subscribed Capital	
Subscribed and fully paid-up	
5,000 Equity Shares of ₹ 100 each	5,00,000
2. Reserves and Surplus	
Reserves and Surplus (Surplus, *i.e.*, Balance in Statement of Profit & Loss)	2,22,000
3. Long-term Borrowings	
8% Debentures (4/5th of the Debentures to be redeemed after 31st March, 2024)	1,60,000
4. Short-term Borrowings	
Current Maturities of Long-term Borrowings (1/5th of Debentures to be redeemed on 31st March, 2024)	40,000
5. Other Current Liabilites	
Interest accrued and due on 8% Debentures	8,000

18. ADJUSTING JOURNAL ENTRY

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2023					
April 1	Rajesh's Current A/c	...Dr.		17,800	
	To Naveen's Current A/c				10,000
	To Qadir's Current A/c				7,800
	(Being the interest on capital wrongly allowed withdrawn and partners' salary earlier omitted, now rectified)				

Working Note:

STATEMENT SHOWING REQUIRED ADJUSTMENT

Particulars	Naveen (₹)	Qadir (₹)	Rajesh (₹)	Total (₹)
I. **Debit** Interest on capital wrongly credited:				
2021–22	24,000 (Dr.)	21,600 (Dr.)	14,400 (Dr.)	60,000
2022–23	24,000 (Dr.)	21,600 (Dr.)	14,400 (Dr.)	60,000
II. **Credit** Salary to be credited:				
2021–22	14,000 (Cr.)	16,000 (Cr.)	...	30,000
2022–23	14,000 (Cr.)	16,000 (Cr.)	...	30,000
III. **Credit** Profit to be distributed:				
2021–22 (₹ 60,000 – ₹ 30,000) 3 : 2 : 1	15,000 (Cr.)	10,000 (Cr.)	5,000 (Cr.)	30,000 (Cr.)
2021–22 (₹ 60,000 – ₹ 30,000) 5 : 3 : 2	15,000 (Cr.)	9,000 (Cr.)	6,000 (Cr.)	30,000 (Cr.)
IV. **Net Effect**	10,000 (Cr.)	7,800 (Cr.)	17,800 (Dr.)	...

Or

Dr. PROFIT & LOSS APPROPRIATION ACCOUNT *for the year ended 31st March, 2023* *Cr.*

Particulars		₹	Particulars		₹
To Interest on Capital A/cs:			By Profit & Loss A/c	3,06,000	
Moli's Current A/c	25,000		(Profit as per Profit & Loss A/c)		
(₹ 5,00,000 × 5/100)			*Less:* Interest on Bhola's Loan	6,000	3,00,000
Bhola's Current A/c	40,000		By Interest on Drawings: (WN 1)		
(₹ 8,00,000 × 5/100)			Moli's Current A/c	1,800	
Raj's Current A/c	20,000	85,000	Bhola's Current A/c	3,300	
(₹ 4,00,000 × 5/100)			Raj's Current A/c	2,400	7,500
To Moli's Current A/c (Salary)		4,000			
To Bhola's Current A/c (Commission)		30,000			
(₹ 3,00,000 × 10/100)					
To Profit transferred to: (WN 2)					
Moli's Current A/c (₹ 1,88,500 × 3/10)	56,550				
Less: Given to Raj	37,300	19,250			
Bhola's Current A/c (₹ 1,88,500 × 3/10)	56,550				
Less: Given to Raj	37,300	19,250			
Raj's Current A/c (₹ 1,88,500 × 4/10)	75,400				
Add: From Moli	37,300				
From Bhola	37,300	1,50,000			
		3,07,500			3,07,500

Dr. PARTNERS' CURRENT ACCOUNTS Cr.

Particulars	Moli ₹	Bhola ₹	Raj ₹	Particulars	Moli ₹	Bhola ₹	Raj ₹
To Drawings A/c	40,000	60,000	80,000	By Interest on Capital A/c	25,000	40,000	20,000
To Interest on Drawings A/c	1,800	3,300	2,400	By Salary A/c	4,000	...	...
To Balance *c/d*	6,450	25,950	87,600	By Commission A/c	...	30,000	...
				By Profit & Loss Appropriation A/c (Profit)	19,250	19,250	1,50,000
	48,250	89,250	1,70,000		48,250	89,250	1,70,000

Working Notes:

1. *Calculation of Interest on Drawings:*
   (*a*) *Interest on Moli's Drawings:* ₹ 40,000 (*i.e.*, ₹ 10,000 × 4 Instalments) × 4.5/12 months* × 12/100 = ₹ 1,800.
   (*b*) *Interest on Bhola's Drawings:* ₹ 60,000 (*i.e.*, ₹ 5,000 × 12 months) × 5.5/12 months* × 12/100 = ₹ 3,300.
   (*c*) *Interest on Raj's Drawings:* ₹ 80,000 (*i.e.*, ₹ 40,000 × 2 instalments) × 3/12 months* × 12/100 = ₹ 2,400.

   $$\text{*Average period} = \frac{\text{Months Left after First Drawing} + \text{Months Left after Last Drawing}}{2}$$

   (*i*) Average period in case of Moli $= \frac{9 + 0}{2} = 4.5$ Months.

   (*ii*) Average period in case of Bhola $= \frac{11 + 0}{2} = 5.5$ Months.

   (*iii*) Average period in case of Raj $= \frac{6 + 0}{2} = 3$ Months.

2. *Distribution of Profit:*
   Profit after adjustments (₹ 3,00,000 + ₹ 7,500 – ₹ 85,000 – ₹ 4,000 – ₹ 30,000) = ₹ 1,88,500, it will be distributed among Moli, Bhola and Raj in the ratio of 3 : 3 : 4.
   Moli's share of profit = ₹ 56,550, Bhola's share of profit = ₹ 56,550, and Raj's share of profit = ₹ 75,400. However, Raj's minimum guaranteed profit is ₹ 1,50,000. So there is a deficiency of ₹ 74,600 (*i.e.*, ₹ 1,56,000 – ₹ 75,400). Deficiency to be borne by Moli and Bhola equally, *i.e.*, ₹ 37,300 each.

19. (*i*) JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c ...Dr.		6,00,000	
	To Equity Shares Application A/c			6,00,000
	(Being the application money received on 75,000 shares @ ₹ 8 per share)			
	Equity Shares Application A/c ...Dr.		6,00,000	
	To Equity Share Capital A/c (75,000 × ₹ 3)			2,25,000
	To Securities Premium A/c (75,000 × ₹ 5)			3,75,000
	(Being the transfer of application money to Share Capital Account on allotment)			

	Equity Shares Allotment A/c (75,000 × ₹ 12) ...Dr.		9,00,000	
	To Equity Share Capital A/c (75,000 × ₹ 2)			1,50,000
	To Securities Premium A/c (75,000 × ₹ 10)			7,50,000
	(Being the allotment money due)			
	Bank A/c (72,000 × ₹ 12) ...Dr.		8,64,000	
	Calls-in-Arrears A/c (3,000 × ₹ 12) ...Dr.		36,000	
	To Equity Shares Allotment A/c			9,00,000
	(Being the allotment money received except on 3,000 shares)			
	Equity Share Capital A/c (3,000 × ₹ 5) ...Dr.		15,000	
	Securities Premium A/c (3,000 × ₹ 10) ...Dr.		30,000	
	To Forfeited Shares A/c (3,000 × ₹ 3)			9,000
	To Calls-in-Arrears A/c (3,000 × ₹ 12)			36,000
	(Being 3,000 shares of Rahim forfeited for non-payment of allotment money)			
	Equity Shares First and Final Call A/c ...Dr.		18,00,000	
	To Equity Share Capital A/c			3,60,000
	To Securities Premium A/c			14,40,000
	(Being the first and final call due on 72,000 shares @ ₹ 25 per share)			
	Bank A/c ...Dr.		17,25,000	
	Calls-in-Arrears A/c ...Dr.		75,000	
	To Equity Shares First and Final Call A/c			18,00,000
	(Being the call money received on 69,000 shares)			
	Equity Share Capital A/c (3,000 × ₹ 10) ...Dr.		30,000	
	Securities Premium A/c (3,000 × ₹ 20) ...Dr.		60,000	
	To Forfeited Shares A/c (3,000 × ₹ 5)			15,000
	To Calls-in-Arrears A/c (3,000 × ₹ 25)			75,000
	(Being 3,000 shares forfeited for non-payment of call money)			
	Bank A/c ...Dr.		62,000	
	To Equity Share Capital A/c (6,000 × ₹ 10)			60,000
	To Securities Premium A/c			2,000
	(Being all the forfeited 6,000 shares reissued for ₹ 62,000)			
	Forfeited Shares A/c ...Dr.		24,000	
	To Capital Reserve A/c			24,000
	(Being the gain on reissue of forfeited shares transferred to Capital Reserve)			

Note: Entire amount forfeited, *i.e.*, ₹ 9,000 + ₹ 15,000 = ₹ 24,000, will be transferred to Capital Reserve because there is no loss on reissue. Reissue of shares is at a premium.

(*ii*)

Dr. CALLS-IN-ARREARS ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Equity Shares Allotment A/c	36,000	By Equity Share Capital A/c (3,000 × ₹ 2)	6,000
To Equity Shares First and Final Call A/c	75,000	By Securities Premium A/c (3,000 × ₹ 10)	30,000
		By Equity Share Capital A/c (3,000 × ₹ 5)	15,000
		By Securities Premium A/c (3,000 × ₹ 20)	60,000
	1,11,000		1,11,000

Or

(*i*) JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	...Dr.		24,00,000	
	To Equity Shares Application A/c				24,00,000
	(Being the application money received on 1,20,000 shares @ ₹ 20 per share)				
	Equity Shares Application A/c	...Dr.		24,00,000	
	To Equity Share Capital A/c				16,00,000
	To Equity Shares Allotment A/c				8,00,000
	(Being the application money on 80,000 allotted shares transferred to Share Capital Account and excess money to allotment for adjustment)				
	Equity Shares Allotment A/c (80,000 × ₹ 60)	...Dr.		48,00,000	
	To Equity Share Capital A/c (80,000 × ₹ 40)				32,00,000
	To Securities Premium A/c (80,000 × ₹ 20)				16,00,000
	(Being the allotment money due on 80,000 shares @ ₹ 60 per share)				
	Bank A/c	...Dr.		38,00,000	
	Calls-in-Arrears A/c	...Dr.		2,00,000	
	To Equity Shares Allotment A/c				40,00,000
	(Being the allotment money received (WN 1 and 2)				
	Equity Shares First and Final Call A/c	...Dr.		32,00,000	
	To Equity Share Capital A/c				32,00,000
	(Being the call money due on 80,000 shares @ ₹ 40 per share)				
	Bank A/c	...Dr.		30,08,000	
	Calls-in-Arrears A/c	...Dr.		1,92,000	
	To Equity Shares First and Final Call A/c				32,00,000
	(Being the first and final call money received except on 4,800 shares)				
	Equity Share Capital A/c (4,800 × ₹ 100)	...Dr.		4,80,000	
	Securities Premium A/c (4,000 × ₹ 20)	...Dr.		80,000	
	To Forfeited Shares A/c [(6,000 × ₹ 20) + (800 × ₹ 60)]				1,68,000
	To Calls-in-Arrears A/c (₹ 2,00,000 + ₹ 1,92,000)				3,92,000
	(Being 4,800 shares forfeited for non-payment of allotment and call money)				
	Bank A/c	...Dr.		4,20,000	
	To Equity Share Capital A/c				4,20,000
	(Being 4,200 forfeited shares reissued for ₹ 100 per share)				
	Forfeited Shares A/c	...Dr.		1,50,000	
	To Capital Reserve A/c				1,50,000
	(Being the gain on reissue of shares transferred to Capital Reserve) (WN 3)				

Working Notes:

1. *Calculation of allotment money not paid by Sitaram:*

   (*a*) Calculation of number of shares allotted to Sitaram $= \dfrac{80,000}{1,20,000} \times 6,000 = 4,000$ shares.

   (*b*) *Calculation of allotment money not paid by Sitaram:*

	₹
Amount due on allotment (4,000 shares × ₹ 60 per share)	2,40,000
Less: Excess Application Money adjusted on allotment [(6,000 – 4,000) × ₹ 20]	40,000
Amount not paid on allotment	2,00,000

2. *Calculation of total amount received on allotment:*

	₹
Total allotment money due	48,00,000
Less: Excess application money adjusted on allotment	8,00,000
	40,00,000
Less: Allotment money not paid by Sitaram (WN 1)	2,00,000
Amount received on allotment	38,00,000

3. In the given case 4,200 shares (including all the forfeited shares of Harnam) are reissued at par.So, the entire amount forfeited on such shares, *i.e.*, ₹ 1,02,000 (= ₹ 1,20,000 × 3,400/4,000) of Sitaram's shares + ₹ 48,000 Harnam's shares = ₹ 1,50,000 will be transferred to Capital Reserve.

(*ii*)

Dr. CALLS-IN-ARREARS ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Equity Shares Allotment A/c	2,00,000	By Equity Share Capital A/c (₹ 3,92,000 – ₹ 80,000)	3,12,000
To Equity Shares First and Final Call A/c	1,92,000	By Securities Premium A/c (4,000 × ₹ 20)	80,000
	3,92,000		3,92,000

Section B

20. (*c*)

Working Note:

$$\text{Current Assets} = \text{Current Liabilities} \times 3$$
$$= ₹\ 75,000 \times 3 = ₹\ 2,25,000$$
$$\text{Quick Assets} = \text{Current Assets} - \text{Inventories}$$
$$= ₹\ 2,25,000 - ₹\ 40,000 = ₹\ 1,85,000$$
$$\text{Quick Ratio} = \frac{\text{Quick Assets}}{\text{Current Liabilities}} = \frac{₹\ 1,85,000}{₹\ 75,000} = 37 : 15.$$

21. (*b*)

22. Purchase of goods on credit.

23. Cash Equivalents are short-term, highly liquid investments that are readily convertible into known amount of cash and which are subject to an insignificant risk of change in value.

24. Common-size Balance Sheet is the *vertical analysis* of Balance Sheet in which total assets figure is taken as 100 and all other figures of assets, equity, liabilities are expressed as percentage of total assets figure.

25. **HMSC Ltd.**

COMPARATIVE BALANCE SHEET *as at 31st March, 2023*

Particulars	Note No.	31st March, 2023 ₹	31st March, 2022 ₹	Absolute Change (Increase/ Decrease) (₹)	Percentage Change (Increase/ Decrease) (%)
I. EQUITY AND LIABILITIES					
1. Shareholders' Funds		44,40,000	24,00,000	20,40,000	85
2. Non-current Liabilities		12,00,000	12,00,000	...	...
3. Current Liabilities		3,60,000	4,00,000	(40,000)	(10)
Total		60,00,000	40,00,000	20,00,000	50
II. ASSETS					
1. Non-Current Assets		50,40,000	28,00,000	22,40,000	80
2. Current Assets		9,60,000	12,00,000	(2,40,000)	(20)
Total		60,00,000	40,00,000	20,00,000	50

26.

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

$$= \frac{₹\ 13{,}20{,}000\ (\text{WN } 3) + ₹\ 2{,}20{,}000\ (\text{WN } 2)}{₹\ 22{,}00{,}000} \times 100$$

$$= \frac{₹\ 15{,}40{,}000}{₹\ 22{,}00{,}000} \times 100 = 70\%.$$

Working Notes:

1. Cash Revenue from Operations = ₹ 10,00,000
   Credit Revenue from Operations = ₹ 12,00,000
   Therefore, Total Revenue from Operations = ₹ 22,00,000.
2. Operating Expenses = 10% of ₹ 22,00,000 = ₹ 2,20,000.
3. Gross Profit = 40% of ₹ 22,00,000 = ₹ 8,80,000
   So, Cost of Revenue from Operations = ₹ 22,00,000 – ₹ 8,80,000 = ₹ 13,20,000.

(*ii*) Inventory Turnover Ratio $= \dfrac{\text{Cost of Revenue from Operations}}{\text{Average Inventory (Note)}}$

$$= \frac{₹\ 13{,}20{,}000}{₹\ 1{,}60{,}000} = \textbf{8.25 Times}.$$

Note: Average Inventory $= \dfrac{\text{Opening Inventory + Closing Inventory}}{2}$

$$= \frac{₹\ 1{,}50{,}000 + ₹\ 1{,}70{,}000^{*}}{2} = ₹\ 1{,}60{,}000.$$

*Closing Inventory = Opening Inventory + ₹ 20,000 = ₹ 1,50,000 + ₹ 20,000 = ₹ 1,70,000.

(*iii*) Proprietary Ratio $= \dfrac{\text{Shareholders' Fund/Equity}}{\text{Total Assets}}$

$$= \frac{₹\ 6,00,000}{₹\ 8,00,000} = 3 : 4 \text{ or } 75\%.$$

Notes: (*a*) Shareholder's Fund/Equity = Share Capital + Reserves and Surplus
= ₹ 5,00,000 + ₹1,00,000 = ₹ 6,00,000.

(*b*) Total Assets = Non-current Assets + Current Assets
= ₹ 5,00,000 + ₹ 3,00,000 = ₹ 8,00,000.

27. CASH FLOW STATEMENT *for the year ended 31st March, 2023*

Particulars	₹	₹
I. Cash Flow from Operating Activities		
Net Profit before Tax (WN 1)		4,70,000
Adjustment for Non-cash and Non-Operating Items:		
Depreciation on Fixed Assets		50,000
Operating Profit before Working Capital Changes		5,20,000
Change in Current Assets and Current Liabilities:		
Decrease in Trade Receivables	80,000	
Increase in Inventories	(3,30,000)	
Decrease in Creditors	(50,000)	
Increase in Bills Payable	1,00,000	(2,00,000)
Cash Generated from Operations		3,20,000
Less: Tax Paid (WN 2)		1,00,000
Cash Flow from Operating Activities		2,20,000
II. Cash Flow from Investing Activities		
Machinery Purchased (WN 3)	(1,50,000)	
Sale of Non-current Investments	50,000	
Cash Used in Investing Activities		(1,00,000)
III. Cash Flow from Financing Activities		
Proceeds from Issue of Shares	2,50,000	
Raised Bank Loan	2,00,000	
Increase in Short-term Borrowings (Bank Overdraft)	50,000	
Interim Dividend Paid	(1,20,000)	
Cash Flow from Financing Activities		3,80,000
IV. Net Increase in Cash and Bank Balances (I + II + III)		5,00,000
V. Cash and Bank Balances in the beginning of Period		5,00,000
VI. Cash and Bank Balances at the end of Period (IV + V)		10,00,000

Working Notes:

1. *Calculation of Net Profit before Tax:*

		₹
Closing balance of Surplus, *i.e.*, Balance in Statement of Profit & Loss		6,00,000
Less:	Opening Balance of Surplus, *i.e.*, Balance in Statement of Profit & Loss	5,00,000
Profit during the year		1,00,000
Add:	Transfer to General Reserve	50,000
	Interim Dividend paid during the year	1,20,000
	Provision for Tax	2,00,000
Net Profit before Tax		4,70,000

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

Particulars	₹	Particulars	₹
To Bank A/c (Balancing Figure) (Tax Paid)	**1,00,000**	By Balance *b/d*	1,50,000
To Balance *c/d*	2,50,000	By Statement of Profit & Loss (Provision Made)	2,00,000
	3,50,000		3,50,000

3. *Dr.* MACHINERY ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Balance *b/d*	2,00,000	By Depreciation A/c	50,000
To Bank A/c (Balancing Figure) (Purchase)	1,50,000	By Balance *c/d*	3,00,000
	3,50,000		3,50,000

Or

CASH FLOW STATEMENT *for the year ended 31st March, 2023*

Particulars	₹	₹
I. Cash Flow from Operating Activities		
Net Profit before Tax (WN 1)		6,00,000
Adjustment for Non-cash and Non-Operating Expenses:		
Depreciation on Machinery	7,00,000	
Patents Amortised	40,000	
Interest on Debentures (10% on ₹ 10,00,000)	1,00,000	
Profit on Sale of Machinery	(60,000)	
Profit on Sale on Non-current Investments	(10,000)	7,70,000
Operating Profit before Working Capital Changes		13,70,000
Change in Current Assets and Current Liabilities:		
Increase in Trade Payables	9,50,000	
Decrease in Outstanding Expenses	(30,000)	
Decrease in Inventories	2,00,000	
Decrease in Trade Receivables	2,00,000	13,20,000
Cash Flow from Operating Activities		26,90,000

II. Cash Flow from Investing Activities		
Purchase of Machinery (WN 2)	(18,80,000)	
Proceeds from Sale of Machinery	2,40,000	
Purchase of Non-current Investment	(1,00,000)	
Proceeds from Sale of Non-current Investment	60,000	
Cash Used in Investing Activities		(16,80,000)
III. Cash Flow from Financing Activities		
Interim Dividend Paid [(₹ 2,00,000 – ₹ 60,000 (unclaimed)]	(1,40,000)	
Interest paid on Debentures	(1,00,000)	
Cash Used in Financing Activities		(2,40,000)
IV. Net Increase in Cash and Bank Balances (I + II + III)		7,70,000
Add: Cash and Bank Balance (Beginning)		1,80,000
V. Closing Cash and Bank Balances		9,50,000

Working Notes:

1. *Calculation of Net Profit before Tax:*

	₹
Surplus, *i.e.*, Balance in Statement of Profit & Loss (Closing)	9,00,000
Less: Surplus, *i.e.*, Balance in Statement of Profit & Loss (Opening)	5,00,000
Profit for the year	4,00,000
Add: Interim Dividend	2,00,000
Net Profit before Tax	6,00,000

2. *Dr.* MACHINERY ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Balance *b/d*	20,00,000	By Bank A/c (Sale)	2,40,000
To Statement of Profit & Loss (Profit on Sale)	60,000	(₹ 4,00,000 – ₹ 2,20,000 + 60,000)	
To Bank A/c (Balancing Figure) (Purchase)	18,80,000	By Depreciation A/c	7,00,000
		By Balance *c/d*	30,00,000
	39,40,000		39,40,000

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

Particulars	₹	Particulars	₹
To Balance *b/d*	1,50,000	By Bank A/c (Sale)	60,000
To Statement of Profit & Loss (Profit on Sale)	10,000	By Balance *c/d*	2,00,000
To Bank A/c (Balancing Figure) (Purchases)	1,00,000		
	2,60,000		2,60,000

4. *Current Year Proposed Dividend:* ₹ 3,00,000 will be considered and approved in the AGM to be held in the year 2023–24. As it was neither appropriated out of profits nor paid during the year, it will not be considered while preparing Cash Flow Statement.

Model Test Paper 3

Time Allowed: 3 Hrs. **Max. Marks: 80**

General Instructions: **As per Model Test Paper 1**

Section A (60 Marks)

(*Answer **all** questions*)

1. Trade creditors ₹ 4,00,000. Half the trade creditors accepted plant and machinery at an agreed value of ₹ 1,35,000 and cash in settlement of their claims after allowing a discount of ₹ 40,000. Remaining trade creditors were paid 95% in settlement. Realisation Account will be debited by

(*a*) ₹ 25,000. (*b*) ₹ 2,15,000.

(*c*) ₹ 1,90,000. (*d*) ₹ 2,25,000. [1]

2. William Pens Ltd. issued 10,000, 7% Debentures of ₹ 100 each at a discount of 4%. The issue was fully subscribed. It has balance in Securities Premium of ₹ 25,000. It will write off Discount on Issue of Debentures

(*a*) ₹ 40,000 from Securities Premium.

(*b*) ₹ 40,000 from Statement of Profit & Loss.

(*c*) ₹ 25,000 from Securities Premium and ₹ 15,000 from Statement of Profit & Loss.

(*d*) ₹ 15,000 from Securities Premium and ₹ 25,000 from Statement of Profit & Loss. [1]

3. When a partnership firm is dissolved, firm's assets are applied first in payment of

(*a*) Partner's debts to third parties.

(*b*) Partner's advances.

(*c*) Partner's capital.

(*d*) Firm's debts due to the third parties. [1]

4. Pawan Hans Ltd. issued prospectus inviting applications for issuing 50,000 Equity Shares of ₹ 10 each at a premium of ₹ 5 per share payable ₹ 4 on application, ₹ 3 on allotment and balance as first and final call. It received ₹ 4,00,000 as Application Money. Number of Equity Shares applied are

(*a*) 70,000 Equity Shares. (*b*) 75,000 Equity Shares.

(*c*) 1,00,000 Equity Shares. (*d*) 90,000 Equity Shares. [1]

5. State the treatment of carried forward losses in case of retirement or death of a partner. [1]

6. Why self-generated goodwill is not recognised as an asset in the books of accounts? [1]

7. A company has outstanding 3,000; 10% Debentures of ₹ 100 each, out of which 500; 10% Debentures of ₹ 100 each are redeemable within 12 months of the date of Balance Sheet. State the head and sub-head under which these 500, 10% Debentures will be shown. [1]

8. How Premium on Redemption of Debentures is different from Securities Premium? Give one reason. [1]

9. Gold and Silver are partners with capitals of ₹ 20,000 and ₹ 40,000 respectively and sharing profits equally. They admitted Copper as their third partner for one-fourth profits of the firm on payment of ₹ 24,000 as his capital. The amount of hidden goodwill is

(*a*) ₹ 12,000. (*b*) ₹ 2,000.
(*c*) ₹ 16,000. (*d*) ₹ 10,000. [1]

10. Munnar Tea Estates Ltd., an unlisted tea plantation and processing company has to redeem its 10,000, 7% Debentures of ₹ 100 each on 31st March, 2023. As per the provisions of the Companies Act, 2013, by which date the company should invest in specified securities?

(*a*) 31st March, 2023. (*b*) 31st March, 2022.
(*c*) 30th April, 2022. (*d*) 30th April, 2022. [1]

11. Kavi, Dhruv and Parth are partners in a firm sharing profits and losses in the ratio of 5 : 3 : 2. Dhruv retires from the firm on 1st April, 2022 and Kavi and Parth decide to share future profits and losses in the ratio of 3 : 5.

At the time of retirement of Dhruv, investment existed at ₹ 40,000. Half of the investments are taken by partners in their profit-sharing ratio at book value. Remaining investments are valued at ₹ 25,000.

You are required to pass the necessary Journal entries.

Or

Ajay, Vijay and Ram are partners sharing profits in the ratio of 4 : 2 : 2. It is provided under the partnership deed that on the death of a partner his share of goodwill is to be valued at one half of the net profits credited to his account during the last 4 completed years and share of profit up to the date of death is to be based on the average profit of the last three completed years, plus 10%.

Vijay died on 30th June, 2022. The firm's profits for the last 4 years were as follows:

Year	2018–19	2019–20	2020–21	2021–22
Profits/Loss (₹)	1,20,000	60,000	(20,000)	80,000

You are required to:

(*i*) Calculate Vijay' share of interim profit.

(*ii*) Pass necessary Journal entry to adjust Vijay's share of goodwill. [3]

12. Aman and Bharat are partners in a firm sharing profits and losses in the ratio of 3 : 2. They admit Chetan as a partner for 1/5th share on 1st April, 2022. Chetan takes his share from Aman and Bharat in the ratio of 2 : 3.

Goodwill of the firm is valued at 5 years' purchase of Super Profit based on Average Profit of last 3 years. Average Profit and Normal Profit are ₹ 3,50,000 and ₹ 3,00,000 respectively.

You are required to:

(*i*) Calculate goodwill of the firm.

(*ii*) Pass Journal entries in the books of the firm if Chetan brings his share of goodwill by cheque. [3]

13. Maira Ltd., an unlisted trading company, has outstanding 20,000, 8% Debentures of ₹ 100 each out of which it has to redeem 5,000 Debentures on 25th January, 2022 and 5,000 Debentures on 31st March, 2022. It has balance in Debentures Redemption Reserve of ₹ 1,00,000. The company met the requirements of the Companies Act, 2013 and transferred the required amount to Debentures Redemption Reserve on 31st March, 2021. It also met the requirements with respect to Debentures Redemption Investment.

You are required to

(*i*) Pass Journal entries for Debentures Redemption Reserve;

(*ii*) Prepare Debentures Redemption Investment Account.

Or

Big Basket Ltd., an unlisted retail Grocery Store company, has outstanding 18,000, 6% Debentures of ₹ 100 each. It is to redeem the above debentures as follows:

On 31st December, 2020 — 10,000 Debentures,

31st December, 2021 — 5,000 Debentures, and

31st December, 2022 — Balance Debentures

You are required to prepare Debentures Redemption Investment Account for the years ended 31st March, 2021, 2022 and 2023. Investment was made by the company on 1st April, 2020. [3]

14. Emaar India Ltd. issued 20,000, 7% Debentures of ₹ 100 each at a discount of ₹ 3 and redeemable at ₹ 102 after five years payable ₹ 50 on application and balance on allotment. Applications were received for 25,000 debentures. Allotment was made to all the applicants on *pro rata* basis.

You are required to pass the Journal entries for the above. [3]

15. Pass the necessary Journal entries for the following transactions on the dissolution of the firm of Shiv, Gopal and Mohan, after various assets (other than cash) and outside liabilities have been transferred to Realisation Account:

(*i*) 'Shiv' a partner agreed to take responsibility of completing dissolution at an agreed remuneration of ₹ 1,000, and to bear realisation expenses. Realisation expenses amounted to ₹ 800 were paid by Shiv out of his own funds.

(*ii*) A creditor of ₹ 4,500 accepted stock valued at ₹ 5,200 in full satisfaction of his claim.

(*iii*) ₹ 8,000 for damages claimed by a customer had been disputed by the firm. It was agreed at 75% by a compromise between the customer and the firm.

(*iv*) Assets realised ₹ 79,000.

(*v*) On the date of dissolution, the balance of General Reserve was ₹ 6,000.

(*vi*) A bill discounted from bank was dishonoured and ₹ 5,000 were paid. [6]

16. Karim and Rehman are partners in a firm sharing profits in the ratio of 5 : 3. Their Balance Sheet as at 31st March, 2022 was as follows:

BALANCE SHEET *as at 31st March, 2022*

Liabilities		₹	Assets		₹
Creditors		45,000	Goodwill		20,000
General Reserve		48,000	Machinery		63,000
Capital A/cs:			Stock		60,000
Karim	55,000		Debtors	25,000	
Rehman	45,000	1,00,000	*Less:* Provision for Doubtful Debts	2,500	22,500
			Profit & Loss A/c		22,000
			Cash at Bank		5,500
		1,93,000			1,93,000

They admit Rohit as a new partner on 1st April, 2022 for 1/3rd share on the following terms:

(*i*) Rohit is to contribute ₹ 86,000 as his share of capital.

(*ii*) Goodwill of the firm is valued at ₹ 72,000.

(*iii*) Machinery is valued at ₹ 83,000.

(*iv*) An amount of ₹ 1,000 due from Harsh, a debtor is to be written off as no longer receivable. Provision for Doubtful Debts on remaining debtors is to be maintained.

(*v*) Out of total insurance premium paid, ₹ 1,700 to be treated as prepaid insurance. This amount was earlier debited to Profit & Loss Account.

You are required to prepare:

(*a*) Revaluation Account.

(*b*) Partners' Capital Accounts.

Or

Asin and Shreyas are partners in a firm sharing profits in the ratio of 3 : 1. They admit Ajay as a new partner for 1/4th share in the profits. New profit-sharing ratio will be 2 : 1 : 1. Ajay brought ₹ 2,00,000 for his capital and ₹ 50,000 for his share of premium for goodwill.

On 31st March, 2022 the date of admission, the Balance Sheet was as follow:

BALANCE SHEET *as at 31st March, 2022*

Liabilities		₹	Assets	₹
Sundry Creditors		60,000	Bank	90,000
Employees' Provident Fund		20,000	Debtors	80,000
Capital Accounts:			Stock	1,50,000
Asin	4,00,000		Furniture	50,000
Shreyas	1,00,000	5,00,000	Machinery	2,10,000
		5,80,000		5,80,000

It was agreed that:

(*i*) Stock is undervalued by ₹ 50,000.

(*ii*) Machinery will be depreciated to 88% and furniture be written down by 4%.

(*iii*) A provision of 5% for Doubtful Debts will be made on debtors.

(*iv*) Capital Accounts of all the partners were adjusted in the new profit-sharing ratio after admission. For surplus or deficiency, the Current Accounts were to be opened.

You are required to prepare:

(*a*) Partners' Capital Accounts.

(*b*) Balance Sheet of the new firm. [6]

17. Following information is extracted from the books of account of Pawan Hans Ltd. for the year ended 31st March, 2022. You are required to show these items in the Balance Sheet of the company as at 31st March, 2022.

Authorised Capital: 50,000 Equity Shares of ₹ 10 each
10,000 Preference Shares of ₹ 50 each.

Subscribed and Fully Paid-up Share Capital: 20,000 Equity Shares;
3,000; 8% Preference Shares

Subscribed but Not Fully Paid-up Share Capital: 5,000 Equity Shares on which ₹ 8 per share was received against ₹ 10 called-up.

Sr. No.	Particulars	₹
1.	Forfeited Shares Account (2,000 × ₹ 5)	10,000
2.	10% Debentures	10,00,000
3.	Debentures Redeemable (30th June, 2022)	1,00,000
4.	Sundry Debtors	7,50,000
5.	Bills Receivable	1,50,000
6.	Surplus, *i.e.*, Balance in Statement of Profit & Loss	5,00,000

[6]

18. On 31st March, 2022, balances in the Capital Accounts of Esha and Manav were ₹ 75,000 and ₹ 1,00,000 respectively after making adjustments for profits and drawings. Subsequently, it was noticed that interest on capital @ 10% p.a. was not allowed and interest on drawings @ 5% p.a. were not charged in arriving at the divisible profit for the year.

During the year, Esha withdrew ₹ 3,000 at the end of each half year and Manav ₹ 3,000 at the end of each quarter.

Net Profit for the year ended 31st March, 2022 was ₹ 50,000. The profit-sharing ratio of the partners is 3 : 2.

You are required to:

(*a*) Pass the necessary Journal entries to rectify the errors in accounting, showing the workings clearly.

(*b*) Prepare adjusted Capital Accounts of the partners.

Or

Sanjay and Manoj are partners in a firm. On 1st April, 2021, their fixed Capital Accounts showed balances of ₹ 4,00,000 and ₹ 8,00,000 respectively.

On this date, their Current Account balances were ₹ 1,00,000 and ₹ 2,00,000 respectively.

On 1st January, 2022, Sanjay introduced further capital of ₹ 4,00,000 while Manoj gave a loan of ₹ 3,00,000 to the firm.

The Partnership Deed provided for:

(*i*) Interest on Capital Account and Current Account balances to be allowed at the rate of 10% per annum.

(*ii*) Interest on drawings to be charged at the rate of 12% per annum.

(*iii*) Profits to be shared by them in the ratio of 3 : 2.

(*iv*) 10% of the net profit to be transferred to General Reserve.

During the financial year, both partners withdrew ₹ 12,000 each in the beginning of every quarter.

Profit of the firm, before allowing or charging any interest, for the financial year was ₹ 10,00,000.

You are required to prepare for the financial year ended 31st March, 2022:

(*a*) Profit & Loss Appropriation Account;

(*b*) Partners' Fixed Capital Accounts;

(*c*) Partners' Current Accounts; and

(*d*) Partner's Loan Account. [10]

19. Mirage Ltd. was incorporated on 1st October, 2021 with registered capital of 5,00,000 Equity Shares of ₹ 20 each. Parvesh, one of the promoters incorporated the company. His work was valued at ₹ 50,000 for which he was to be issued equity shares at par.

It issued 1,00,000 shares at par to public for subscription. The issue was subscribed in excess by 50,000 shares. Shares were allotted rejecting applications for 50,000 Equity Shares. Up to 31st March, the company had called:

- ₹ 7 per share on application;
- ₹ 5 per share on allotment; and
- ₹ 4 per share on first and final call

Amount received by the company on the shares allotted were:

- On 70,000 Equity Shares ₹ 16 per share;
- On 20,000 Equity Shares ₹ 12 per share; and
- On 10,000 Equity Shares ₹ 7 per share.

Shares, except on which the company had received ₹ 16 per share, were forfeited. Half of the forfeited shares on which ₹ 12 per share were received were reissued @ ₹ 15 per equity share as fully paid-up.

You are required to:

(*i*) Pass Journal entries to record the above transactions; and

(*ii*) Prepare Calls-in-Arrears Account.

Or

Spitfire Ltd. was incorporated on 1st October, 2021 with registered capital of 10,00,000 Equity Shares of ₹ 10 each. Amrit, one of the promoters incorporated the company and his remuneration was agreed to be ₹ 50,000 for which he was to be issued equity shares at par. Preliminary expenses of ₹ 1,00,000 were paid by Amrit, which were written off at the year end from Securities Premium. Preliminary Expenses were paid from shares issued to public.

It issued 2,00,000 shares to public for subscription at a premium of ₹ 3 per share payable

- ₹ 3 on application;
- ₹ 6 on allotment; and
- Balance as First and Final Call.

Applications were received for 1,90,000 Equity Shares and allotment was made.

Allotment Money was received on 1,89,000 Equity Shares while First and Final Call was received on 1,88,000 shares, which included Equity Shares on which Allotment Money was not received. Shares on which calls were in arrears were forfeited.

Out of the forfeited shares, 1,500 Equity Shares were reissued @ ₹ 8 as fully paid-up.

You are required to:

(*i*) Pass Journal entries to record the above transactions; and

(*ii*) Prepare Share Capital Account. [10]

Section B (20 Marks)

*(Answer **all** questions)*

20. What will be the Earming Per Share (EFS) of Honda Ltd. from the particulars given below?

Net Profit after Tax: ₹ 2,50,000

10% Preference Share Capital (₹ 10 each): ₹ 5,00,000

Equity Share Capital (₹ 10 per share): ₹ 5,00,000

(*a*) ₹ 6. (*b*) ₹ 5.

(*c*) ₹ 4. (*d*) ₹ 10. [1]

21. Dividend received by a manufacturing company is classified in a Cash Flow Statement

(*a*) as an Operating Activity.

(*b*) as a Financing Activity.

(*c*) as an Investing Activity.

(*d*) Both as an Operating Activity and a Financing Activity. [1]

22. State the objective of computing Return on Investment Ratio. [1]

23. What is meant by Cash Flow from Financing Activities? [1]

24. Which item is assumed to be 100 in case of Common-size Statement of Profit & Loss? [1]

25. From the following particulars, prepare a Comparative Statement of Profit & Loss of Gold Coin Ltd.

Particulars	31st March, 2022	31st March, 2021
Revenue from Operations	₹ 36,00,000	24,00,000
Other Income (% of Revenue from Operations)	₹ 4,32,000	₹ 4,80,000
Expenses (% of Revenue from Operations)	70%	60%
Tax Rate	30%	30%

[3]

26. From the following Statement of Profit & Loss of Vikas Ltd. for the year 2021–22, calculate any three ratios (up to two decimal places):

(*i*) Trade Receivables Turnover Ratio.

(*ii*) Inventory Turnover Ratio.

(*iii*) Net Profit Ratio .

(*iv*) Operating Profit Ratio.

STATEMENT OF PROFIT & LOSS OF VIKAS LTD.
for the year ending 31st March, 2022

Particulars	Note No.	₹
Revenue from Operations		10,00,000
Other Income (Rent received)		50,000
Total Revenue		10,50,000
Expenses:		
Purchases		2,75,000
Change in Inventories	1	15,000
Employee Benefit Expenses	2	25,000
Depreciation		10,000
Finance Cost (Interest on Debentures)		20,000
Other Expenses	3	25,000
Total Expenses		3,70,000
Profit before Tax		6,80,000
Provision for Tax		2,72,000
Profit after Tax		4,08,000

Notes to Accounts

Particulars	₹
1. Change in Inventories	
Opening Inventory	30,000
Less: Closing Inventory	15,000
	15,000
2. Employee Benefit Expenses	
Wages	10,000
Salaries	15,000
	25,000
2. Other Expenses	
Carriage Inward	10,000
Carriage Outward	15,000
	25,000

Additional Information:	₹
Trade Receivable (as on 1st April, 2021)	40,000
Trade Receivable (as on 31st March, 2022)	80,000
Cash Revenue from Operations	2,50,000

[6]

27. You are required to prepare a Cash Flow Statement of Kumar Ltd. as per AS-3 (Revised) from the following Balance Sheet:

BALANCE SHEET OF KUMAR LTD.
as at 31st March, 2022 and 31st March, 2021

Particulars	Note No.	31st March, 2022 (₹)	31st March, 2021 (₹)
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(*a*) Share Capital		2,50,000	1,50,000
(*b*) Reserves and Surplus	1	70,000	50,000
2. Non-Current Liabilities			
Long-term Borrowings: 10% Bank Loan		90,000	60,000
3. Current Liabilities			
(*a*) Short-term Borrowings		40,000	35,000
(*b*) Short-term Provisions	2	35,000	30,000
Total		4,85,000	3,25,000
II. ASSETS			
1. Non-Current Assets			
(*a*) *Property, Plant and Equipment and Intangible Assets:*			
—Property, Plant and Equipment (Plant and Machinery)		3,20,000	1,60,000
(*b*) Intangible Assets (Goodwill)		30,000	35,000
2. Current Assets			
(*a*) Trade Receivables		50,000	90,000
(*b*) Cash and Bank Balances (Cash at Bank)		85,000	40,000
Total		4,85,000	3,25,000

Notes to Accounts

Particulars	31st March, 2022 (₹)	31st March, 2021 (₹)
1. Reserves and Surplus		
Surplus, *i.e.*, Balance in Statement of Profit & Loss	70,000	50,000
2. Short-term Provisions		
Provision for Tax	35,000	30,000

Additional Information:

(*i*) *Contingent Liability* — *31st March, 2022* (₹) — *31st March, 2021* (₹)

Proposed Dividend — 28,000 — 25,000

(*ii*) During the year, a machinery costing ₹ 30,000, on which depreciation charged was ₹ 18,000 was sold at a profit of 25%.

(*iii*) Depreciation charged on machinery was ₹ 20,000.

(*iv*) Additional bank loan was taken on 31st December, 2021.

Or

From the following Balance Sheets of Star Ltd. as at 31st March, 2022 and 31st March, 2021, prepare a Cash Flow Statement:

BALANCE SHEETS OF STAR LTD. *as at 31st March, 2022 and 31st March, 2021*

Particulars	Note No.	31st March, 2022 (₹)	31st March, 2021 (₹)
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(*a*) Share Capital		6,00,000	5,00,000
(*b*) Reserves and Surplus	1	3,20,000	2,50,000
2. Non-Current Liabilities			
Long-term Borrowings	2	2,00,000	1,00,000
3. Current Liabilities			
Trade Payables		1,50,000	90,000
Total		12,70,000	9,40,000
II. ASSETS			
1. Non-Current Assets			
(*a*) *Property, Plant and Equipment and Intangible Assets:*			
—Property, Plant and Equipment	3	7,00,000	5,00,000
(*b*) Non-current Investments		70,000	50,000
2. Current Assets			
(*a*) Inventories		60,000	90,000
(*b*) Trade Receivables		1,20,000	70,000
(*c*) Cash and Bank Balances (Cash at Bank)		3,20,000	2,30,000
Total		12,70,000	9,40,000

Notes to Accounts

Particulars	31st March, 2022 (₹)	31st March, 2021 (₹)
1. Reserves and Surplus		
General Reserve	1,00,000	80,000
Securities Premium	5,000	...
Surplus, *i.e.*, Balance in Statement of Profit & Loss	2,15,000	1,70,000
	3,20,000	2,50,000
2. Long-term Borrowings		
10% Debentures	2,00,000	1,00,000
3. Property, Plant and Equipment		
Machinery (Cost)	8,50,000	6,10,000
Less: Accumulated Depreciation	1,50,000	1,10,000
	7,00,000	5,00,000

Additional Information:

(*i*) Machinery costing ₹ 50,000 (Accumulated Depreciation ₹ 35,000) was sold at a loss of 20%.

(*ii*) Equity Shares were issued at a premium of 15% on 1st April, 2021.

(*iii*) Additional debentures were issued on 1st October, 2021 at a discount of 10%. The company wrote off the discount on issue of debentures from Securities Premium.

(*iv*) Interim Dividend paid during the year amount to ₹ 25,000. [6]

Answers

1. (*b*)

Working Note:

Cash paid to half creditors = ₹ 2,00,000 – ₹ 1,35,000 – ₹ 40,000 = ₹ 25,000.

Cash paid to another half creditors = ₹ 2,00,000 × 95/100 = ₹ 1,90,000.

Realisation Account will be debited by ₹ 25,000 + ₹ 1,90,000 = ₹ 2,15,000.

2. (*c*)

Reason: Discount allowed on issue of 7% Debentures is ₹ 4 per debenture. Total Discount allowed is ₹ 40,000 (10,000 × ₹ 4). Discount is first written off from Securities Premium (up to the available balance) and balance from Statement of Profit & Loss.

Balance in Securities Premium is ₹ 25,000. Therefore, Discount on Issue of Debentures is written off from Securities Premium up to ₹ 25,000 and balance discount is written off from Statement of Profit & Loss.

3. (*d*)

4. (*c*)

Number of shares applied = Total Application Money Received ÷ Application Money Per Share

= ₹ 4,00,000 ÷ ₹ 4 = 1,00,000 Equity Shares.

5. Losses are transferred to the debit of Capital Accounts of all the partners (including retired or deceased partner) in their profit-sharing ratio.

6. Self-generated goodwill is not recognised as an asset because AS-26, Intangible Assets does not allow recognising self-generated goodwill because its value cannot be measured reliably.

7. 500, 10% Debentures to be redeemed within 12 months from the date of Balance Sheet will be shown under the head "Short-term Borrowings" and sub-head ''Current Maturities of Long-term Debts'' as per Schedule III of the Companies Act, 2013.

8. Premium on Redemption of Debentures is a liability to be paid when debentures are redeemed. Securities Premium is a capital receipt received when securities (Shares or Debentures) are allotted.

9. (*a*) ***Working Note:*** Total capital of the new firm = ₹ 24,000 × 4/1 = ₹ 96,000.

Hidden Goodwill = ₹ 96,000 – (₹ 40,000 + ₹ 20,000 + ₹ 24,000) = ₹ 12,000.

10. (*d*)

Investment in specified securities is to be made on or before 30th April of the current year for the debentures to be redeemed by 31st March of next year. Since debentures are to be redeemed on 31st March, 2023, investment will be made on or before 30th April, 2022.

11. JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Kavi's Capital A/c	...Dr.		10,000	
	Dhruv's Capital A/c	...Dr.		6,000	
	Parth's Capital A/c	...Dr.		4,000	
	To Investments A/c				20,000
	(Being the investments taken by partners)				
	Investments A/c	...Dr.		5,000	
	To Revaluation A/c				5,000
	(Being the increase in value of investments recorded)				
	Revaluation A/c	...Dr.		5,000	
	To Kavi's Capital A/c				2,500
	To Dhruv's Capital A/c				1,500
	To Parth's Capital A/c				1,000
	(Being the profit on Revaluation transferred to partners in their old profit-sharing ratio)				

Or

(*i*) *Calculation of Vijay's Share of Interim Profits:*

Average Profits = [(₹ 60,000 – ₹ 20,000 + ₹ 80,000)/3 + 10%]

= ₹ 40,000 + 10% of ₹ 40,000 = ₹ 44,000

Vijay's Share of Profit = ₹ 44,000 × 3/12 × 2/8 = ₹ 2,750.

(*ii*) JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Ajay's Capital A/c	...Dr.		20,000	
	Ram's Capital A/c	...Dr.		10,000	
	To Vijay's Capital A/c				30,000
	(Being Vijay's share of goodwill credited to Vijay and debited to Ajay and Ram in their gaining ratio of 2 : 1)				

Working Note:

Calculation of Vijay's Share of Goodwill:

Total Profits = ₹ 1,20,000 + ₹ 60,000 – ₹ 20,000 + ₹ 80,000

= ₹ 2,40,000

Vijay's share of profit credited during 4 years = ₹ 2,40,000 × 2/8

= ₹ 60,000

Vijay's Share of Goodwill = ₹ 60,000 × 1/2 = ₹ 30,000.

12. (*i*) Value of firm's Goodwill = Super Profit × 5

= (Average Profit – Normal Profit) × 5

= (₹ 3,50,000 – ₹ 3,00,000) × 5

= ₹ 2,50,000

Chetan's share = ₹ 2,50,000 × 1/5 = ₹ 50,000.

(*ii*) JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	...Dr.		50,000	
	To Premium for Goodwill A/c				50,000
	(Being the cash brought in by Chetan for his share of goodwill)				
	Premium for Goodwill A/c	...Dr.		50,000	
	To Aman's Capital A/c				20,000
	To Bharat's Capital A/c				30,000
	(Being the share of Chetan in goodwill credited to Aman and Bharat in their sacrificing ratio, *i.e.*, 2 : 3)				

13. (*i*) JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2021					
March 31	Surplus, *i.e.*, Balance in Statement of Profit & Loss A/c	...Dr.		1,00,000	
	To Debentures Redemption Reserve A/c				1,00,000
	(Being the balance amount transferred to DRR to make it equal to 10% of outstanding debentures)				
2022					
March 31	Debentures Redemption Reserve A/c	...Dr.		1,00,000	
	To General Reserve A/c				1,00,000
	(Being the proportionate amount transferred)				

(*ii*)

Dr. DEBENTURES REDEMPTION INVESTMENT ACCOUNT *Cr.*

Date	Particulars	₹	Date	Particulars	₹
2021			2022		
April 30	To Bank A/c	1,50,000	Jan. 25	By Bank A/c	75,000
			March 31	By Bank A/c	75,000
		1,50,000			1,50,000

Or

Dr. DEBENTURES REDEMPTION INVESTMENT ACCOUNT *Cr.*

Date	Particulars	₹	Date	Particulars	₹
2020			2020		
April 1	To Bank A/c	1,50,000	Dec. 31	By Bank A/c	75,000
			2021		
			March 31	By Balance *c/d*	75,000
		1,50,000			1,50,000
2021			2021		
April 1	To Balance *b/d*	75,000	Dec. 31	By Bank A/c	30,000
			2022		
			March 31	By Balance *c/d*	45,000
		75,000			75,000
2022			2022		
April 1	To Balance *b/d*	45,000	Dec. 31	By Bank A/c	45,000
		45,000			45,000

14. JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	...Dr.		12,50,000	
	To Debentures Application A/c				12,50,000
	(Being the application money received for 25,000 debentures @ ₹ 50 per share)				
	Debentures Application A/c	...Dr.		12,50,000	
	To 7% Debentures A/c				10,00,000
	To Debentures Allotment A/c				2,50,000
	(Being the proportionate amount transferred)				
	Debentures Allotment A/c	...Dr.		9,40,000	
	Loss on Issue of Debentures A/c	...Dr.		1,00,000	
	To 7% Debentures A/c				10,00,000
	To Premium on Redemption of Debentures A/c				40,000
	(Being the allotment money due @ ₹ 47 per debenture after discount of ₹ 3 per debenture. Premium payable on redemption provided)				
	Bank A/c	...Dr.		6,90,000	
	To Debentures Allotment A/c				6,90,000
	(Being the balance amount received after adjusting ₹ 2,50,000)				

15. JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
(*i*)	Realistion A/c	...Dr.		1,000	
	To Shiv's Capital A/c				1,000
	(Being the agreed remuneration credited to Shiv for completing dissolution)				
(*ii*)	No entry				
(*iii*)	Realisation A/c	...Dr.		6,000	
	To Bank A/c				6,000
	(Being the customer's claim settled)				
(*iv*)	Bank A/c	...Dr.		79,000	
	To Realisation A/c				79,000
	(Being the assets realised)				
(*v*)	General Reserve A/c	...Dr.		6,000	
	To Shiv's Capital A/c				2,000
	To Gopal's Capital A/c				2,000
	To Mohan's Capital A/c				2,000
	(Being the General Reserve distributed among partners in their profit-sharing ratio, *i.e.*, equally)				
(*vi*)	Realisation A/c	...Dr.		5,000	
	To Bank A/c				5,000
	(Being the payment of dishonoured discounted bill)				

16. (*a*)

Dr. REVALUATION ACCOUNT *Cr.*

Particulars		₹	Particulars	₹
To Provision for Doubtful Debts (WN 1)		900	By Machinery A/c	20,000
To Profit transferred to:			By Prepaid Insurance	1,700
Karim's Capital A/c	13,000			
Rehman's Capital A/c	7,800	20,800		
		21,700		21,700

(*b*)

Dr. PARTNERS' CAPITAL ACCOUNTS *Cr.*

Particulars	Karim ₹	Rehman ₹	Rohit ₹	Particulars	Karim ₹	Rehman ₹	Rohit ₹
To Goodwill A/c	12,500	7,500	...	By Balance *b/d*	55,000	45,000	...
To Profit & Loss A/c	13,750	8,250	...	By General Reserve A/c	30,000	18,000	...
To Balance *c/d*	86,750	64,050	86,000	By Revaluation A/c (Rohit)	13,000	7,800	...
				By Bank A/c	...	...	86,000
				By Rohit's Current A/c (WN 2)	15,000	9,000	...
	1,13,000	79,800	86,000		1,13,000	79,800	86,000

Working Notes:

1. *Dr.* PROVISION FOR DOUBTFUL DEBTS ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Bad Debts	1,000	By Balance *b/d*	2,500
To Balance *c/d* (Required) [10/100 (₹ 25,000 – ₹ 1,000)]	2,400	By Revaluation A/c (Balancing Figure)	**900**
	3,400		3,400

2. Rohit's Share of Goodwill = 72,000 × 1/3 = ₹ 24,000. However, he has not brought his share of goodwill. Therefore, adjustment of goodwill will be made through his Current Account.

- When sacrifice of partner is not given, then sacrificing ratio is the same as the old profit-sharing ratio. Therefore, sacrificing ratio = 5 : 3.

Or

(*a*)

Dr. PARTNERS' CAPITAL ACCOUNTS *Cr.*

Particulars	Asin ₹	Shreyas ₹	Ajay ₹	Particulars	Asin ₹	Shreyas ₹	Ajay ₹
To Asin's Current A/c (Bal. Fig)	64,100	...	...	By Balance *b/d*	4,00,000	1,00,000	...
To Balance *c/d* (WN 3)	4,00,000	2,00,000	2,00,000	By Revaluation A/c (WN 1)	14,100	4,700	...
				By Bank A/c	...	...	2,00,000
				By Premium for Goodwill A/c (WN 2)	50,000	...	...
				By Shreyas's Current A/c (Balancing Figure)	...	95,300	...
	4,64,100	2,00,000	2,00,000		4,64,100	2,00,000	2,00,000

(*b*)

BALANCE SHEET OF THE NEW FIRM

as at 1st April, 2022

Liabilities		₹	Assets		₹
Creditors		60,000	Bank (₹ 90,000 + ₹ 2,00,000 + ₹ 50,000)		3,40,000
Employees Provident Fund		20,000	Debtors	80,000	
Asin's Current A/c		64,100	*Less:* Provision for Doubtful Debts	4,000	76,000
Capital A/cs:			Stock		2,00,000
Asin	4,00,000		Furniture		48,000
Shreyas	2,00,000		Machinery		1,84,800
Ajay	2,00,000	8,00,000	Shreyas's Current A/c		95,300
		9,44,100			9,44,100

Working Notes:

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

Particulars		₹	Particulars	₹
To Machinery A/c (₹ 2,10,000 × 12/100)		25,200	By Stock A/c	50,000
To Furniture A/c (4% of ₹ 50,000)		2,000		
To Provision for Doubtful Debts A/c		4,000		
To Profit transferred to:				
Asin's Capital A/c	14,100			
Shreyas's Capital A/c	4,700	18,800		
		50,000		50,000

2. *Calculation of Sacrificing Ratio:*

Sacrifice = Old Share – New Share

Asin's sacrifice = 3/4 – 2/4 = 1/4

Shreyas's sacrifice = 1/4 – 1/4 = Nil

Only Asin sacrifices his share of profit.

3. *Calculation of Partners' New Capital:*

$$\text{Total capital of new firm} = \frac{\text{Capital of New Partner (Ajay)}}{\text{Share of Profit of Ajay}}$$

$$= ₹\ 2,00,000 \times 4/1 = ₹\ 8,00,000$$

New Capital of Asin = 8,00,000 × 2/4 = ₹ 4,00,000

New Capital of Shreyas = ₹ 8,00,000 × 1/4 = ₹ 2,00,000.

17. BALANCE SHEET OF PAWAN HANS LTD. (Extract) *as at 31st March, 2022*

Particulars	Note No.	31st March, 2022 (₹)
I. EQUITY AND LIABILITIES		
1. Shareholders' Funds		
(*a*) Share Capital	1	4,00,000
(*b*) Reserves and Surplus	2	5,00,000
2. Non-Current Liabilities		
Long-term Borrowings	3	10,00,000
3. Current Liabilities		
Short-term Borrowings	4	1,00,000
II. ASSETS		
Current Assets		
Trade Receivables	5	9,00,000

Notes to Accounts

Particulars		31st March, 2022 (₹)
1. Share Capital		
Authorised Capital		
50,000 Equity Shares of ₹ 10 each		5,00,000
10,000 Preference Shares of ₹ 50 each		5,00,000
		10,00,000
Issued Capital		
27,000 Equity Shares of ₹ 10 each		2,70,000
3,000, 8% Preference Shares of ₹ 50 each		1,50,000
		4,20,000
Subscribed Capital		
Subscribed and fully paid-up		
20,000 Equity Shares of ₹ 10 each	2,00,000	
3,000, 8% Preference Shares of ₹ 50 each	1,50,000	3,50,000
Subscribed but not fully paid-up		
5,000 Equity Shares; ₹ 10 called-up, ₹ 8 Paid-up		40,000
Forfeited Shares Account		10,000
		4,00,000
2. Reserves and Surplus		
Surplus, *i.e.*, Balance in Statement of Profit & Loss		5,00,000
3. Long-term Borrowings		
10% Debentures		10,00,000
4. Short-term Borrowings		
Current Maturities of Long-term Debts (Debentures redeemable on 30th June, 2022)		1,00,000
5. Trade Receivables		
Sundry Debtors		7,50,000
Bills Receivable		1,50,000
		9,00,000

18. (*a*) JOURNAL ENTRIES

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Esha's Capital A/c	...Dr.		30,000	
	Manav's Capital A/c	...Dr.		20,000	
	To Profit & Loss Adjustment A/c				50,000
	(Being the profit wrongly credited, now rectified)				
	Profit & Loss Adjustment A/c	...Dr.		14,300	
	To Esha's Capital A/c				5,100
	To Manav's Capital A/c				9,200
	(Being the interest on capital allowed)				
	Esha's Capital A/c	...Dr.		75	
	Manav's Capital A/c	...Dr.		225	
	To Profit & Loss Adjustment A/c				300
	(Being the interest on drawings charged)				
	Profit & Loss Adjustment A/c	...Dr.		36,000*	
	To Esha's Capital A/c				21,600
	To Manav's Capital A/c				14,400
	(Being the appropriating the correct profit)				

*₹ 50,000 (Profit) – ₹ 14,300 (Interest on Capital) + ₹ 300 (Interest on Drawings) = ₹ 36,000.

(*b*)

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

Particulars	Esha ₹	Manav ₹	Particulars	Esha ₹	Manav ₹
To Drawings A/c	6,000	12,000	By Balance *b/d* (Note)	51,000	92,000
To Interest on Drawings A/c	75	225	By Interest on Capital A/c	5,100	9,200
To Balance *c/d*	71,625	1,03,375	By Profit & Loss Adjustment A/c (Profit)	21,600	14,400
	77,700	1,15,600		77,700	1,15,600

Note: *Opening Capital:*

Esha = ₹ 75,000 – ₹ 30,000 (Profit) + ₹ 6,000 (Drawings)
= ₹ 51,000.

Manav = ₹ 1,00,000 – ₹ 20,000 (Profit) + ₹ 12,000 (Drawings)
= ₹ 92,000.

Or

(*a*)

PROFIT & LOSS APPROPRIATION ACCOUNT
for the year ended 31st March, 2022

Dr. *Cr.*

Particulars		₹	Particulars		₹
To Interest on Capital A/c (WN 2):			By Profit & Loss A/c (Net Profit) (WN 1)		9,95,500
Sanjay's Current A/c	50,000		By Interest on Drawings A/c (WN 3):		
Manoj's Current A/c	80,000	1,30,000	Sanjay's Current A/c	3,600	
To Interest on Current A/cs:			Manoj's Current A/c	3,600	7,200
Sanjay's Current A/c	10,000				
Manoj's Current A/c	20,000	30,000			
To General Reserve A/c (10% of ₹ 9,95,500)		99,550			
To Profit transferred to Current A/cs:					
Sanjay	4,45,890				
Manoj	2,97,260	7,43,150			
		10,02,700			10,02,700

(*b*)

Dr. PARTNERS' CAPITAL ACCOUNTS *Cr.*

Date	Particulars	Sanjay ₹	Manoj ₹	Date	Particulars	Sanjay ₹	Manoj ₹
2022				2021			
March 31	To Balance *c/d*	8,00,000	8,00,000	April 1	By Balance *b/d*	4,00,000	8,00,000
				2022			
				Jan. 1	By Bank A/c	4,00,000	...
		8,00,000	8,00,000			8,00,000	8,00,000

(*c*)

Dr. PARTNERS' CURRENT ACCOUNTS *Cr.*

Date	Particulars	Sanjay ₹	Manoj ₹	Date	Particulars	Sanjay ₹	Manoj ₹
2022				2021			
March 31	To Drawings A/c	48,000	48,000	April 1	By Balance *b/d*	1,00,000	2,00,000
	To Int. on Drawings A/c	3,600	3,600	2022			
	To Balance *c/d*	5,54,290	5,45,660	March 31	By Interest on Capital A/c	50,000	80,000
					By Interest on Current A/c	10,000	20,000
					By Profit & Loss Appropriation A/c (Profit)	4,45,890	2,97,260
		6,05,890	5,97,260			6,05,890	5,97,260

(*d*)

Dr. MANOJ'S LOAN ACCOUNT *Cr.*

Date	Particulars	₹	Date	Particulars	₹
2022			2022		
March 31	To Balance *c/d*	3,04,500	Jan. 1	By Bank A/c	3,00,000
			March 31	By Interest on Manoj's Loan A/c (₹ 3,00,000 × 6/100 × 3/12)	4,500
		3,04,500			3,04,500

Working Notes:

1. Interest on Manoj's Loan = ₹ 3,00,000 × 6/100 × 3/12 = ₹ 4,500, it will be debited to Profit & Loss Account. Thus net profit transferred to Profit & Loss Appropriation Account = ₹ 10,00,000 – ₹ 4,500 = ₹ 9,95,500.
2. Interest on Sanjay's Capital = ₹ 4,00,000 × 10/100 + ₹ 4,00,000 × 10/100 × 3/12 = ₹ 40,000 + ₹ 10,000 = ₹ 50,000; Interest on Manoj's Capital = ₹ 8,00,000 × 10/100 = ₹ 80,000.
3. As both the partners withdrew ₹ 12,000 each in the beginning of every quarter, interest will be charged on their drawings for average period of 7.5 months. Thus interest on drawings = ₹ 48,000 × 12/100 × 7.5/12 = ₹ 3,600.

19. (*i*) JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2021					
Oct. 1	Goodwill A/c	...Dr.		50,000	
	To Parvesh (Promoter)				50,000
	(Being the amount payable to Parvesh for company incorporation)				
	Parvesh (Promoter)	...Dr.		50,000	
	To Share Capital A/c				50,000
	(Being the shares issued at par in lieu of services)				
	Bank A/c	...Dr.		10,50,000	
	To Shares Application A/c				10,50,000
	(Being the application money received on 1,50,000 shares @ ₹ 7 per share)				
	Shares Application A/c	...Dr.		10,50,000	
	To Share Capital A/c				7,00,000
	To Bank A/c				3,50,000
	(Being the application money appropriated and application money on rejected applications refunded)				
	Shares Allotment A/c	...Dr.		5,00,000	
	To Share Capital A/c				5,00,000
	(Being the allotment money due)				
	Bank A/c	...Dr.		4,50,000	
	Calls-in-Arrears A/c	...Dr.		50,000	
	To Shares Allotment A/c				5,00,000
	(Being the allotment money received except on 10,000 equity shares)				

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Shares First and Final Call A/c	...Dr.		4,00,000	
	To Share Capital A/c				4,00,000
	(Being the first and final call due)				
	Bank A/c	...Dr.		2,80,000	
	Calls-in-Arrears A/c (30,000 × ₹ 4)	...Dr.		1,20,000	
	To Shares First and Final Call A/c				4,00,000
	(Being the call money received on 70,000 shares)				
	Share Capital A/c (30,000 × ₹ 16)	...Dr.		4,80,000	
	To Calls-in-Arrears A/c				1,70,000
	To Shares Forfeited A/c				3,10,000
	(Being 30,000 equity shares forfeited for non-payment of allotment money and call money)				
	Bank A/c (10,000 × ₹ 15)	...Dr.		1,50,000	
	Shares Forfeited A/c (10,000 × ₹ 5)	...Dr.		50,000	
	To Share Capital A/c				2,00,000
	(Being 10,000 equity shares reissued @ ₹ 15 per share as fully paid-up)				
	Shares Forfeited A/c	...Dr.		70,000	
	To Capital Reserve A/c				70,000
	(Being the balance of forfeited shares on 10,000 equity shares reissued transferred to Capital Reserve A/c)				

(*ii*)

Dr. CALLS-IN-ARREARS ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Shares Allotment A/c	50,000	By Share Capital A/c	1,70,000
To Shares First and Final Call A/c	1,20,000		
	1,70,000		1,70,000

Or

(*i*) JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2021					
Oct. 1	Preliminary Expenses A/c	...Dr.		1,00,000	
	Goodwill A/c	...Dr.		50,000	
	To Amrit (Promoter)				1,50,000
	(Being the amount payable to Amrit towards preliminary expenses and incorporation)				
	Amrit (Promoter)	...Dr.		50,000	
	To Share Capital A/c				50,000
	(Being the shares issued at par as remuneration in lieu of services)				
	Bank A/c	...Dr.		5,70,000	
	To Shares Application A/c				5,70,000
	(Being the application money received on 1,90,000 shares @ ₹ 3 per share)				

Shares Application A/c ...Dr. To Share Capital A/c (Being the application money transferred on allotment of shares)		5,70,000	 5,70,000
Shares Allotment A/c ...Dr. To Share Capital A/c To Securities Premium A/c (Being the allotment money due)		11,40,000	 5,70,000 5,70,000
Bank A/c ...Dr. Calls-in-Arrears A/c ...Dr. To Shares Allotment A/c (Being the allotment money received except on 1,000 equity shares)		11,34,000 6,000	 11,40,000
Shares First and Final Call A/c ...Dr. To Share Capital A/c (Being the first and final call due)		7,60,000	 7,60,000
Bank A/c ...Dr. Calls-in-Arrears A/c (2,000 × ₹ 4) ...Dr. To Shares First and Final Call A/c (Being the call money received on 1,88,000 shares)		7,52,000 8,000	 7,60,000
Share Capital A/c (2,000 × ₹ 10) ...Dr. To Calls-in-Arrears A/c To Shares Forfeited A/c (Being 2,000 equity shares forfeited for non-payment of allotment money and call money)		20,000	 14,000 6,000
Bank A/c (1,500 × ₹ 8) ...Dr. Shares Forfeited A/c (1,500 × ₹ 2) ...Dr. To Share Capital A/c (Being 1,500 equity shares reissued @ ₹ 8 per share as fully paid-up)		12,000 3,000	 15,000
Shares Forfeited A/c ...Dr. To Capital Reserve A/c (Being the balance of forfeited shares on 1,500 equity shares reissued transferred to Capital Reserve A/c)		1,500	 1,500
Securities Premium A/c ...Dr. To Preliminary Expenses A/c (Being the preliminary expenses written off)		1,00,000	 1,00,000
Amrit (Promoter) ...Dr. To Bank A/c (Being the preliminary expenses reimbursed to Amrit)		1,00,000	 1,00,000

(*ii*)

Dr. SHARE CAPITAL ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Calls-in-Arrears A/c	14,000	By Amrit (Promoter)	50,000
To Shares Forfeited A/c	6,000	By Shares Application A/c	5,70,000
To Balance *c/d*	19,45,000	By Shares Allotment A/c	5,70,000
		By Shares First and Final Call A/c	7,60,000
		By Bank A/c	12,000
		By Shares Forfeited A/c	3,000
	19,65,000		19,65,000
		By Balance *b/d*	19,45,000

Section B

20. (*c*)

Working Note:

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

$$= \frac{₹\ 2,50,000 - ₹\ 50,000}{50,000} = \frac{₹\ 2,00,000}{50,000} = ₹\ 4$$

Dividend on 10% Preference Shares = 10% of ₹ 5,00,000 = ₹ 50,000.

21. (*c*) As an Investing Activity.

22. The objective of computing Return on Investment Ratio is to find out how efficiently the long-term funds supplied by the lenders and shareholders have been used.

23. Cash Flow from Financing Activities means cash inflow or outflow resulting from Financing Activities. Financing Activities are the activities that result in change in the size and composition of the owner's capital (including Preference Share Capital in case of a company) and borrowings of the enterprise.

24. Revenue from Operations.

25. COMPARATIVE STATEMENT OF PROFIT & LOSS *for the years ended 31st March, 2022 and 2021*

Particulars	Note No.	31st March, 2022 ₹	31st March, 2021 ₹	Absolute Change (Increase/Decrease) ₹	Percentage Change (Increase/Decrease) %
		(A)	(B)	(C = A – B)	(D = C/A × 100)
I. Revenue from Operations		36,00,000	24,00,000	12,00,000	50
II. Other Income		4,32,000	4,80,000	(48,000)	(10)
III. **Total Revenue (I + II)**		40,32,000	28,80,000	11,52,000	40
IV. Total Expenses		25,20,000	14,40,000	10,80,000	75
V. **Profit before Tax (III – IV)**		15,12,000	14,40,000	72,000	5
VI. Tax		4,53,600	4,32,000	21,600	5
VII. **Profit after Tax (V – VI)**		10,58,400	10,08,000	50,400	5

26.

(*i*) $$\text{Trade Receivables Turnover Ratio} = \frac{\text{Credit Revenue from Operations}}{\text{Average Trade Receivables}}$$

$$= \frac{₹\ 7,50,000}{₹\ 60,000} = 12.5 \text{ Times.}$$

Notes: 1. Credit Revenue from Operations = Revenue from Operations – Cash Revenue from Operations

= ₹ 10,00,000 – ₹ 2,50,000 = ₹ 7,50,000.

2. Average Trade Receivables

$$= \frac{\text{Opening Trade Receivables} + \text{Closing Trade Receivables}}{2}$$

$$= \frac{₹\ 40,000 + ₹\ 80,000}{2} = ₹\ 60,000.$$

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

$$= \frac{₹\ 3,10,000}{₹\ 22,500} = 13.78 \text{ Times.}$$

Notes: 1. Cost of Revenue from Operations = Purchase + Change in Inventories + Wages + Carriage Inward

= ₹ 2,75,000 + ₹ 15,000 + ₹ 10,000 + ₹ 10,000

= ₹ 3,10,000.

2. Average Inventory $= \dfrac{\text{Opening Inventory} + \text{Closing Inventory}}{2}$

$$= \frac{₹\ 30,000 + ₹\ 15,000}{2} = ₹\ 22,500.$$

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

$$= \frac{₹\ 4,08,000}{₹\ 10,00,000} \times 100 = 40.8\%.$$

(*iv*) Operating Profit Ratio $= \dfrac{\text{Net Operating Profit}}{\text{Revenue from Operations}} \times 100$

$$= \frac{₹\ 6,50,000}{₹\ 10,00,000} \times 100 = 65\%.$$

Note: Net Operating Profit = Net Profit after Tax + Provision for Tax + Non-operating Expenses (Finance Cost) – Non-operating Income (Rent)

= ₹ 4,08,000 + ₹ 2,72,000 + ₹ 20,000 – ₹ 50,000 = ₹ 6,50,000.

27.

Kumar Ltd.

CASH FLOW STATEMENT

for the year ended 31st March, 2022

Particulars	₹	₹
I. Cash Flow from Operating Activities		
Net Profit before Tax (WN 1)	80,000	
Add: Depreciation on Machinery (WN 2)	20,000	
Goodwill Written off	5,000	
Interest on Bank Loan [(₹ 60,000 × 10/100 × 9/12) + (₹ 90,000 × 10/100 × 3/12)]	6,750	
Less: Profit on Sale of Machinery (WN 2)	(3,000)	
Operating Profit before Working Capital Changes	1,08,750	
Add: Decrease in Trade Receivables	40,000	
Cash Generated from Operating Activities	1,48,750	
Less: Tax Paid	30,000	
Cash Flow from Operating Activities		1,18,750
II. Cash Flow from Investing Activities		
Purchase of Machinery (WN 2)	(1,92,000)	
Proceeds from Sale of Machinery	15,000	
Cash Used in Investing Activities		(1,77,000)
III. Cash Flow from Financing Activities		
Proceeds from Issue of Equity Shares (₹ 2,50,000 – ₹ 1,00,000)	1,00,000	
Proceeds from Bank Loan (₹ 90,000 – ₹ 60,000)	30,000	
Proceeds from Short-term Borrowings (₹ 35,000 – ₹ 30,000)	5,000	
Dividend Paid	(25,000)	
Interest on Bank Loan	(6,750)	
Cash Flow from Financing Activities		1,03,250
IV. Net Increase in Cash and Bank Balances (I + II + III)		45,000
Add: Cash and Bank Balance in the beginning		40,000
V. Cash and Bank Balances at the end of Period (IV + V)		85,000

Working Notes:

1. *Calculation of Net Profit before Tax:*

Particulars	₹
Surplus, *i.e.*, Balance in Statement of Profit & Loss (Closing)	70,000
Less: Surplus, *i.e.*, Balance in Statement of Profit & Loss (Opening)	50,000
Profit for the year	20,000
Add: Provision for Tax	35,000
Add: Proposed Dividend (Proposed Dividend for 2020–21)	25,000
	80,000

2. *Dr.* MACHINERY ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Balance *b/d*	1,60,000	By Bank A/c (Sale)	15,000
To Statement of Profit & Loss	3,000	By Depreciation A/c	20,000
(Profit on Sale of Machinery)		By Balance *c/d*	3,20,000
[(25/100 (₹ 30,000 – ₹ 18,000)]			
To Bank A/c (Balancing Figure) (Purchase)	**1,92,000**		
	3,55,000		3,55,000

Or

Star Ltd.

CASH FLOW STATEMENT *for the year ended 31st March, 2022*

Particulars	₹	₹
I. Cash Flow from Operating Activities		
Net Profit before Tax (WN 1)	90,000	
Add: Depreciation on Machinery (WN 3)	75,000	
Loss on Sale of Machinery (WN 2)	3,000	
Interest on Debentures [(₹ 1,00,000 × 10/100 × 6/12) + (₹ 2,00,000 × 10/100 × 6/12]	15,000	
Operating Profit before Working Capital Changes		1,83,000
Add: Decrease in Current Assets and Increase in Current Liabilities:		
Decrease in Inventories	30,000	
Increase in Trade Payables	60,000	
Less: Increase in Current Assets and Decrease in Current Liabilities:		
Increase in Trade Receivables	(50,000)	40,000
Cash Flow from Operating Activities		2,23,000
II. Cash Flow from Investing Activities		
Purchase of Machinery (WN 2)	(2,90,000)	
Purchase of Non-current Investments (₹ 70,000 – ₹ 50,000)	(20,000)	
Proceeds for Sale of Machinery (WN 2)	12,000	
Cash Used in Investing Activities		(2,98,000)
III. Cash Flow from Financing Activities		
Proceeds from issue of Equity Shares [(₹ 1,00,000 + ₹ 15,000 (Premium)]	1,15,000	
Proceeds from Issue of Debentures [(₹ 1,00,000 – ₹ 10,000 (Discount))]	90,000	
Interim Dividend Paid	(25,000)	
Interest on Debentures	(15,000)	
Cash Flow from Financing Activities		1,65,000
IV. Net Increase in Cash and Bank Balances (I + II + III)		90,000
Add: Opening Cash and Bank Balances		2,30,000
V. Closing Cash and Bank Balances (IV + V)		3,20,000

Working Notes:

1. *Calculation of Net Profit before Tax:*

Particulars	₹
Surplus, *i.e.*, Balance in Statement of Profit & Loss (Closing)	2,15,000
Less: Surplus, *i.e.*, Balance in Statement of Profit & Loss (Opening)	(1,70,000)
Profit for the year	45,000
Add: Transfer to General Reserve (₹ 1,00,000 – ₹ 80,000)	20,000
Add: Interim Dividend Paid	25,000
Net Profit before Tax and Extraordinary Items	90,000

2. *Dr.* MACHINERY ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Balance *b/d*	6,10,000	By Bank A/c (Sale)	**12,000**
To Bank A/c (Balancing Figure) (Purchase)	**2,90,000**	By Accumulated Depreciation A/c	35,000
		By Statement of Profit & Loss (Loss on Sale)*	3,000
		By Balance *c/d*	8,50,000
	9,00,000		9,00,000

*Book Value on the date of Sale of Machinery (₹ 50,000 – ₹ 35,000)	₹ 15,000
Less: Sale Value (Book Value – 20% = ₹ 15,000 – ₹ 3,000)	₹ 12,000
Loss on Sale of Machinery	₹ 3,000

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

Particulars	₹	Particulars	₹
To Machinery A/c (Transfer)	35,000	By Balance *b/d*	1,10,000
To Balance *c/d*	1,50,000	By Statement of Profit & Loss (Balancing Figure)	75,000
	1,85,000		1,85,000

4. Discount on Issue of Debentures has been adjusted from Securities Premium as per Section 52(2) of the Companies Act. Balance of ₹ 5,000 in Securities Premium is after writing off discount of ₹ 10,000. As discount has not been written off through Statement of Profit & Loss, it is not considered while determining Operating Profit before Working Capital Changes.

Model Test Paper 4

Time Allowed: 3 Hrs. **Max. Marks: 80**

General Instructions: **As per Model Test Paper 1**

Section A (60 Marks)

(*Answer **all** questions*)

1. Does the Dissolution of a firm necessarily mean the Dissolution of Partnership? [1]

2. Retiring partner is compensated for giving his share in future profits in favour of one or more of the continuing partners. In what ratio do the remaining partners compensate the retiring parnter?

(*a*) Sacrificing Ratio. (*b*) Gaining Ratio.

(*c*) Capital Ratio. (*d*) Profit-sharing Ratio. [1]

3. Core Services Ltd. invited applications for issuing 75,000 Equity Shares of ₹ 10 each at par payable ₹ 5 on application and balance on allotment. It received ₹ 3,00,000 as application money. Number of Equity Shares that the company will allot to subscribers is:

(*a*) 75,000 Equity Shares. (*b*) 60,000 Equity Shares.

(*c*) 70,000 Equity Shares. (*d*) Nil. [1]

4. Name the main head and sub-head under which Machinery is shown in the Balance Sheet as per Schedule III of the Companies Act, 2013. [1]

5. Anu, Bina and Charan are partners. The firm had given loan of ₹ 20,000 to Bina. They decided to dissolve the firm. In the event of dissolution, the loan will be settled by

(*a*) transferring it to debit side of Realisation Account.

(*b*) transferring it to credit side of Realisation Account.

(*c*) transferring it to debit side of Bina's Capital Account.

(*d*) bina paying Anu and Charan privately. [1]

6. Business Services Ltd., an unlisted company has outstanding 10,000, 6% Debentures of ₹ 100 each. Out of these, it is to redeem 3,000, 6% Debentures on 31st March, 2022. Balance in Debentures Redemption Reserve Account is ₹ 20,000 as on 31st March, 2021. The amount it should transfer to Debentures Redemption Reserve before redemption of debentures is

(*a*) ₹ 10,000. (*b*) ₹ 80,000.

(*c*) ₹ 1,00,000. (*d*) Nil. [1]

7. Srijan, Raman and Manan are partners sharing profits and losses in the ratio of 3 : 1 : 1. They admit Yogesh as a partner. New profit sharing-ratio among Srijan, Raman, Manan and Yogesh becomes 4 : 3 : 2 : 1. Yogesh brings in the necessary amount of goodwill. Goodwill of the firm is valued at ₹ 3,00,000. In this case

(*a*) Srijan will be credited with ₹ 60,000.

(*b*) Srijan will be debited with ₹ 60,000.

(*c*) Raman will be debited with ₹ 60,000.

(*d*) Yogesh will be debited with ₹ 60,000. [1]

8. Give the reason why Securities Premium cannot be used for transferring amount to Debentures Redemption Reserve Account. [1]

9. Average Profit : ₹ 5,50,000

Capital Employed : ₹ 10,00,000

Normal Rate of Return : 15%

Remuneration of all partners during the year is ₹ 2,50,000 p.a. to be treated as a charge on profit.

Value of Goodwill on the basis of two years' purchase of Super Profit will be

(*a*) ₹ 2,40,000. (*b*) ₹ 3,00,000.

(*c*) ₹ 2,00,000. (*d*) ₹ 2,80,000. [1]

10. Best Business Solutions Ltd. is to redeem 10,000, 10% Debentures of ₹ 100 each in four equal annual instalments beginning from 31st March, 2021. It invested ₹ 37,500 in specified securities on 1st April, 2020. It

(*a*) will realise investment at the time of each redemption and reinvest.

(*b*) may or may not realise the investment at the time of each redemption.

(*c*) will realise the investment at the time of third redemption.

(*d*) will realise the investment at the time of last redemption. [1]

11. Meera, Sarthak and Rohit are partners in a firm. Sarthak retired from the firm and his claim including his capital and his share of goodwill is ₹ 1,20,000.

There was unrecorded furniture estimated at ₹ 6,000, half of which was handed over to an unrecorded liability of ₹ 6,000 out of total liability of ₹ 12,000 and remaining half was handed over to Sarthak at a discount of 10% in part satisfaction of his claim. Balance of Sarthak's claim was discharged by cheque.

You are required to:

(*i*) Prepare Revaluation Account,

(*ii*) Pass necessary Journal entry for recording the final payment to Sarthak.

Or

Sudha, Rahim and Kartik are partners sharing profits & losses in the ratio of 14 : 5 : 6 respectively.

Rahim retires and gives 5/25th share of his profit to Sudha.

Goodwill of firm is valued at ₹ 5,00,000. Goodwill already appears in the books of the firm at ₹ 75,000.

Profit for the first year after Rahim's retirement was ₹ 1,00,000.

You are reqired to pass necessary Journal entries to adjust goodwill and to distribute profit. [3]

12. Anil, Vineet and Vipul are partners sharing profits in the ratio of 6 : 3 : 1. They admitted Meera into partnership with effect from 1st April, 2022. New profit-sharing ratio among Anil, Vineet, Vipul and Meera will be 3 : 3 : 3 : 1. Partners decide to give effect to the following without affecting the book values (after the required adjustment from Workmen Compensation Reserve and Investment Fluctuation Reserve) by passing an adjustment entry:

	Book Values (₹)
General Reserve	1,40,000
Profit & Loss (Cr.)	60,000
Advertisement Suspense A/c	50,000
Workmen Compensation Reserve	30,000
Investment Fluctuation Reserve	20,000

Additional Information:

(*i*) Claim on account of Workmen Compensation is ₹ 20,000.

(*ii*) Book value of Investment is ₹ 1,00,000 (Market Value ₹ 85,000).

Pass the required adjustment entry. [3]

13. Nimrat Business Solutions Ltd. is an unlisted trading company. It has outstanding 20,000, 8% Debentures of ₹ 100 each out of which it has to redeem 5,000 Debentures on 25th January, 2022 and 7,500 Debentures on 31st March, 2022. The company met the requirements of the Companies Act, 2013 and invested the required amount in fixed deposit with State Bank of India earning interest @ 6% p.a. on 15th April, 2021.

You are required to:

(*i*) Pass the Journal entries for Debentures Redemption Investment; and

(*ii*) Prepare Debentures Redemption Investment Account.

(Ignore interest on Fixed Deposit)

Or

Home Store Ltd., an unlisted retail company has outstanding 20,000, 7% Debentures of ₹ 100 each. It is to redeem the above debentures as follows:

On 31st December, 2020	5,000 Debentures,
On 31st December, 2021	7,000 Debentures, and
On 31st December, 2022	Balance Debentures

You are required to prepare Debentures Redemption Reserve Account for the years ended 31st March, 2021, 2022 and 2023, if the company maintains DRR at 10% of Outstanding Debentures. [3]

14. Greater Noida Developers Ltd. issued 50,000, 7% Debentures of ₹ 100 each at a discount of 5% and redeemable at 5% premium after five years. Amount being payable as:

₹ 50 on application;

₹ 20 (after discount) on allotment; and

Balance on allotment.

Applications were received for 40,000 debentures. Allotment was made to all the applicants.

A debentureholder holding 500 debentures did not pay the allotment money but paid it with the first and final call after three months along with interest @ 10% p.a.

You are required to pass the Journal entries for Debentures Allotment and First and Final Call. [3]

15. Following is the Balance Sheet of Surjit and Rahi, who share profits and losses in the ratio of 4 : 1, as at 31st March, 2022:

BALANCE SHEET OF SURJIT AND RAHI *as at 31st March, 2022*

Liabilities	₹	Assets		₹
Sundry Creditors	8,000	Bank		20,000
Bank Loan	6,000	Debtors	17,000	
Surjit's Brother's Loan	8,000	*Less:* Provision for Doubtful Debts	2,000	15,000
Rahi's Loan	3,000	Stock		15,000
Investment Fluctuation Reserve	5,000	Investments		25,000
Surjit's Capital	50,000	Building		25,000
Rahi's Capital	40,000	Goodwill		10,000
		Profit & Loss A/c		10,000
	1,20,000			1,20,000

The firm was dissolved on the above date. Following was agreed and/or transactions took place:

(*i*) Surjit agreed to pay his brother's loan.

(*ii*) Debtors of ₹ 5,000 proved bad.

(*iii*) Other assets realised: Investment at 20% less and goodwill at 60%.

(*iv*) One of the creditors for ₹ 5,000 was paid only ₹ 3,000.

(*v*) Building was auctioned for ₹ 30,000 and the auctioneer's commission was ₹ 1,000.

(*vi*) Rahi took over stock at ₹ 4,000 (being 20% less than the book value). Balance Stock realised 50%.

(*vii*) Realisation expenses amounted to ₹ 2,000.

You are required to prepare the Realisation Account. [6]

16. The Balance Sheet of Madan and Mohan, who share profits and losses in the ratio of 3 : 2 on 31st March, 2022 was as follows:

Liabilities		₹	Assets		₹
Creditors		28,000	Cash at Bank		10,000
Workmen Compensation Reserve		12,000	Debtors	65,000	
General Reserve		20,000	*Less:* Provision for Doubtful Debts	5,000	60,000
Capital A/cs:			Stock		30,000
Madan	60,000		Investment (Market Value ₹ 45,000)		50,000
Mohan	40,000	1,00,000	Patents		10,000
		1,60,000			1,60,000

They decided to admit Gopal on 1st April, 2022 for 1/4th share and the new profit-sharing ratio will be 9 : 6 : 5 in the new firm, on the following terms:

(*i*) Gopal will bring in ₹ 20,000 as his share of premium for Goodwill and ₹ 50,000 as his capital.

(*ii*) That unaccounted accrued income of ₹ 1,000 be provided for.

(*iii*) A debtor whose dues of ₹ 5,000 were written off as bad debts paid ₹ 4,000 in full settlement.

(*iv*) A claim of ₹ 3,000 on account of workmen compensation to be provided for.

(*v*) Patents were overvalued by ₹ 2,000.

(*vi*) Capitals of the partners shall be proportionate to their profit-sharing ratio taking Gopal's capital as base. Adjustment of capitals to be made by cash.

You are required to prepare:

(*a*) Revaluation Account.

(*b*) Partners' Capital Accounts.

Or

Shashi and Ashu are partners with profit-sharing ratio of 2 : 1. Their Balance Sheet on 31st March, 2022 was as follows:

Liabilities		₹	Assets		₹
Sundry Creditors		35,000	Bank		25,000
General Reserve		12,000	Debtors	40,000	
Capital A/cs:			*Less:* Provision for Doubtful Debts	3,600	36,400
Shashi	40,000		Stock		20,000
Ashu	30,000	70,000	Machinery		33,600
			Patents		2,000
		1,17,000			1,17,000

They admitted Tanya into partnership on this date. New profit-sharing ratio is agreed as 3 : 2 : 1. Tanya brings proportionate capital after the following adjustments:

(*i*) Tanya brings ₹ 10,000 in cash as per her share of Goodwill.

(*ii*) Provision for doubtful debts is to be reduced by ₹ 2,400.

(*iii*) Patents are valueless.

(*iv*) There is an old typewriter valued at ₹ 2,600. It does not appear in the books of the firm. It is now to be recorded.

You are required to prepare:

(*a*) Partners' Capital Accounts, and

(*b*) Opening Balance Sheet of the New Firm. [6]

17. Following information is extracted from the books of account of Rose Petals Ltd. for the year ended 31st March, 2022. You are required to show these entries in the Balance Sheet of the company as at 31st March, 2022.

Authorised Capital: 1,00,000 Equity Shares of ₹ 10 each
10,000, 10% Preference Shares of ₹ 100 each.

Issued Capital: 50,000 Equity Shares
3,000, 10% Preference Shares

Subscribed and Fully Paid-up Share Capital: 40,000 Equity Shares;
3,000, 10% Preference Shares

Subscribed but Not Fully Paid-up Share Capital: 5,000 Equity Shares on which ₹ 8 per share was received against ₹ 10 called-up.

Additional Information:

Sr. No.	Particulars	₹
1.	Term Loan from State Bank of India, out of which ₹ 5,00,000 is due for repayment on 31st December, 2022	15,00,000
2.	Cash Credit	2,00,000
3.	Land and Building	7,50,000
4.	Patents	1,50,000
5.	Sundry Creditors	5,00,000
6.	Surplus, *i.e.*, Balance in Statement of Profit & Loss (Dr.)	1,50,000
7.	Securities Premium	1,35,000

[6]

18. Ajay and Vijay are in partnership sharing profits and losses in the ratio of 3 : 2. Following are the particulars of the capitals and drawings of the partners:

	Ajay (₹)	*Vijay* (₹)
Capital (1st April, 2021)	3,00,000	2,50,000
Drawings (made on 1st June, 2021)	15,000	30,000

Ajay had taken a loan of ₹ 50,000 from the firm on which interest of ₹ 1,000 was due by him to the firm.

Their partnership deed provided for the following:

(*i*) Interest on capital will be allowed @ 5% p.a.

(*ii*) Interest on drawings will be charged @ 4% p.a.

(*iii*) Each partner will be given a salary of ₹ 5,000 per month.

(*iv*) 10% of the correct Net Profit to be transferred to General Reserve.

The profit of the firm for the year ended 31st March, 2022 amounted to ₹ 3,85,000 before taking into account any interest, salaries and Manager's Salary of ₹ 90,000.

You are required to prepare:

(*a*) Profit & Loss Appropriation Account for the year ended 31st March, 2022.

(*b*) Partners' Capital Accounts.

Or

Mohan, Vijay and Anil are equal partners in a firm, the balances in their Capital Accounts being ₹ 30,000, ₹ 25,000 and ₹ 20,000 respectively. In arriving at these figures, profit for the year ended 31st March, 2022, ₹ 24,000 had already been credited to partners in their profit-sharing ratio.

Their drawings were Mohan ₹ 5,000, Vijay ₹ 4,000 and Anil ₹ 3,000 during the year 2021–22.

Subsequently, following omissions were noticed and it was decided to give them effect.

(*i*) Interest on capital at 10% per annum.

(*ii*) Interest on Drawings was: Mohan ₹ 250, Vijay ₹ 200 and Anil ₹ 150.

You are required to make the necessary correction Journal entry. [10]

19. Lotus Flowers Ltd. was incorporated with registered capital of 1,00,000 Equity Shares of ₹ 50 each. Durgesh, one of the promoters did all the work related to company incorporation. His work was valued at ₹ 50,000 for which he was paid after the company was incorporated and shares were issued. It issued 75,000 shares at premium of 10% to public for subscription. Amount payable was as follows:

- ₹ 25 per share on application;
- ₹ 20 per share on allotment; and
- Balance on first and final call.

The issue was subscribed two times. Shares were allotted to all the applicants on *pro rata*.

Due amounts were received except on 5,000 shares which were forfeited and later reissued @ ₹ 60 per share.

You are required to:

(*i*) Pass the Journal entries to record the above transactions; and

(*ii*) Prepare Shares Forfeited Account.

Or

Rehmat Overseas Ltd. was incorporated on 1st January, 2022 with registered capital of 5,00,000 Equity Shares of ₹ 10 each and 50,000 Preference Shares of ₹ 50 each. Preliminary expenses of ₹ 2,00,000 were paid by Alok. Alok was reimbursed the expense from the amount received from issue of shares. They were written off at the year-end from Securities Premium.

It issued 2,00,000 shares to public for subscription at a premium of ₹ 5 per share payable as:

- ₹ 3 on application;
- ₹ 8 on allotment; and
- Balance on First and Final Call.

The issue was fully subscribed.

Allotment Money was received on 1,90,000 Equity Shares while First and Final Call received was ₹ 7,52,000. Shares on which call money was not received were forfeited. Half of the forfeited shares were reissued as fully paid-up for ₹ 15 per share.

You are required to:

(*i*) Pass the Journal entries to record the above transactions; and

(*ii*) Prepare Note to Account on Share Capital. [10]

Section B (20 Marks)

*(Answer **all** questions)*

20. What will be the Return on Investment of Hillock Ltd. from the information given below?

Net Profit before Interest & Tax = ₹ 80,000
10% Debentures = ₹ 1,00,000
Share Capital = ₹ 2,30,000
Reserves and Surplus = ₹ 70,000

(*a*) 15%. (*b*) 10%.
(*c*) 20%. (*d*) 25%. [1]

21. Net increase in Working Capital other than Cash and Bank Balance will *increase*, *decrease* or *not change* Cash Flow from Operating Activities. Give reason in support of your answer. [1]

22. Inventory Turnover Ratio of Good Luck Ltd. is 5 times. State giving reason, whether the Ratio will *increase*, *decrease* or *not change* on increase in value of Closing Inventory by ₹ 5,000. [1]

23. Cash received from Trade Receivables is classified under which kind of activity while preparing a Cash Flow Statement? [1]

24. Revenue from Operations ₹ 6,00,000; Other Income is 15% of Revenue from Operations, Expenses are 60% of Revenue from Operations and Tax Rate is 40%. Amount of profit after tax will be

(*a*) ₹ 1,44,000. (*b*) ₹ 1,98,000.
(*c*) ₹ 1,38,000. (*d*) ₹ 1,65,600. [1]

25. From the following information, prepare Comparative Balance Sheet of DBSE Ltd.:

Particulars	31st March, 2022 (₹)	31st March, 2021 (₹)
Shareholders' Funds	22,20,000	12,00,000
Non-Current Liabilities	6,00,000	6,00,000
Current Liabilities	1,80,000	2,00,000
Non-Current Assets	25,20,000	14,00,000
Current Assets	4,80,000	6,00,000

[3]

26. From the following Balance Sheet of Abhipra Ltd. as at 31st March, 2022 and the additional information, calculate *any three* ratios (up to two decimal places):

(*i*) Trade Receivables Turnover Ratio;
(*ii*) Inventory Turnover Ratio;
(*iii*) Working Capital Turnover Ratio;
(*iv*) Debt to Equity Ratio.

BALANCE SHEET OF ABHIPRA LTD. *as at 31st March, 2022*

Particulars	Note No.	31st March, 2022 (₹)	31st March, 2021 (₹)
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(*a*) Share Capital		12,00,000	10,00,000
(*b*) Reserves and Surplus		10,00,000	7,00,000
2. Non-Current Liabilities			
(*a*) 10% Long-term Borrowings		8,00,000	6,50,000
(*b*) Long-term Provisions		1,00,000	80,000
3. Current Liabilities			
(*a*) Short-term Borrowings		1,00,000	80,000
(*b*) Trade Payables		3,00,000	3,50,000
(*c*) Short-term Provisions		50,000	40,000
Total		35,50,000	29,00,000
II. ASSETS			
1. Non-Current Assets			
(*a*) *Property, Plant and Equipment and Intangible Assets:*			
(*i*) Property, Plant and Equipment		23,00,000	19,00,000
(*ii*) Intangible Assets (Goodwill)		1,00,000	50,000
(*b*) Non-current Investments (Trade)		1,50,000	1,00,000
2. Current Assets			
(*a*) Current Investments		1,50,000	1,50,000
(*b*) Inventories		2,00,000	3,00,000
(*c*) Trade Receivables		6,00,000	3,00,000
(*d*) Cash and Bank Balance		50,000	1,00,000
Total		35,50,000	29,00,000

Additional Information:

(*i*) Revenue from Operations (2021–22) : ₹ 20,00,000
(*ii*) Cash Revenue from Operations : ₹ 8,00,000
(*iii*) Gross Profit : 25% of Cost. [6]

27. Following are the Balance Sheets of Krishna Ltd. as on 31st March, 2022 and 2021:

Particulars	Note No.	31st March, 2022 (₹)	31st March, 2021 (₹)
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(*a*) Share Capital	1	14,00,000	10,00,000
(*b*) Reserves and Surplus	2	5,00,000	4,00,000
2. Non-Current Liabilities			
Long-term Borrowings (10% Debentures)		5,00,000	1,40,000
3. Current Liabilities			
(*a*) Trade Payables		1,00,000	60,000
(*b*) Short-term Provisions	3	80,000	60,000
Total		25,80,000	16,60,000
II. ASSETS			
1. Non-Current Assets			
Property, Plant and Equipment and Intangible Assets:			
(*i*) Property, Plant and Equipment	4	16,00,000	9,00,000
(*ii*) Intangible Assets (Goodwill)		1,40,000	2,00,000
2. Current Assets			
(*a*) Inventories		2,50,000	2,00,000
(*b*) Trade Receivables		5,00,000	3,00,000
(*c*) Cash and Bank Balance (Cash at Bank)		90,000	60,000
Total		25,80,000	16,60,000

Notes to Accounts

Particulars	31st March, 2022 (₹)	31st March, 2021 (₹)
1. Share Capital		
Equity Share Capital	12,00,000	6,00,000
10% Preference Share Capital	2,00,000	4,00,000
	14,00,000	10,00,000
2. Reserves and Surplus		
Surplus, *i.e.*, Balance in Statement of Profit & Loss	5,00,000	4,00,000
3. Short-term Provisions		
Provision for Tax	80,000	60,000
4. Property, Plant and Equipment		
Machinery	17,60,000	10,00,000
Less: Accumulated Depreciation	(1,60,000)	(1,00,000)
	16,00,000	9,00,000

Prepare a Cash Flow Statement after taking into account the following adjustments:

(*i*) Tax paid during the year amounted to ₹ 70,000.

(*ii*) During the year, a machine costing ₹ 1,40,000 (depreciation provided thereon ₹ 60,000) was sold for ₹ 50,000.

(*iii*) 10% Preference shares were redeemed at par at the end of the year.

(*iv*) New Debentures have been issued on 1st July, 2021.

Or

Following is the Balance Sheet of Honda Ltd. as at 31st March, 2022:

Particulars	Note No.	31st March, 2022 (₹)	31st March, 2021 (₹)
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(*a*) Share Capital		4,50,000	4,00,000
(*b*) Reserves and Surplus	1	37,000	30,000
2. Non-Current Liabilities			
Long-term Borrowings	2	1,15,000	60,000
3. Current Liabilities			
(*a*) Short-term Borrowings (Bank Overdraft)		68,000	1,25,000
(*b*) Trade Payables		60,000	70,000
(*c*) Other Current Liabilities	3	8,000	5,000
(*d*) Short-term Provisions	4	42,000	30,000
Total		7,80,000	7,20,000
II. ASSETS			
1. Non-Current Assets			
(*a*) *Property, Plant and Equipment and Intangible Assets:* Property, Plant and Equipment (Machinery)		2,50,000	3,00,000
2. Current Assets			
(*a*) Current Investments		5,000	2,000
(*b*) Inventories		3,50,000	3,00,000
(*c*) Trade Receivables		1,40,000	1,00,000
(*d*) Cash and Bank Balances (Cash at Bank)		35,000	18,000
Total		7,80,000	7,20,000

Notes to Accounts

Particulars	31st March, 2022 (₹)	31st March, 2021 (₹)
1. Reserves and Surplus		
Debenture Redemption Reserve	25,000	20,000
Surplus, *i.e.*, Balance in Statement of Profit & Loss	12,000	10,000
	37,000	30,000
2. Long-term Borrowings		
10% Debentures	1,15,000	60,000
3. Other Current Liabilities		
Dividend Payable	8,000	5,000
4. Short-term Provisions		
Provision for Tax	42,000	30,000

Note: Proposed Dividend for the year ended 31st March, 2021 & 2022 are ₹ 58,000 and ₹ 53,000 respectively.

Additional Information:

(*i*) Interest paid on Debentures ₹ 6,000.

(*ii*) Depreciation charged during the year was ₹ 40,000.

(*iii*) 5,000 equity shares of ₹ 10 each were issued on 31st March, 2022; Share Issue Expenses incurred ₹ 5,000, which were written off from Statement of Profit & Loss.

You are required to prepare a Cash Flow Statement (as per AS–3) for the year 2021–22. [6]

Answers

1. Yes, because old partnership between all the partners of the firm comes to an end with the dissolution of the firm.

2. (*b*) Gaining Ratio.

3. (*d*)

Reason: Minimum subscription of 90% has not been received. Hence, shares cannot be allotted and Application Money will have to be refunded.

4. *Main-Head:* Property, Plant and Equipment and Intangible Assets.

Sub-Head: Property, Plant and Equipment.

5. (*c*) Transfering it to debit side of Bina's Capital Account.

6. (*b*) [₹ 80,000 (₹ 1,00,000 (*i.e.*, 10% of ₹ 10,00,000) – ₹ 20,000)].

7. (*a*)

Working Note:

Share Sacrifice (Gain) = Old Profit Share – New Profit Share

$$\text{Srijan's Sacrifice} = \frac{3}{5} - \frac{4}{10} = \frac{12-8}{20} = \frac{4}{20}$$

$$\text{Raman's Sacrifice} = \frac{1}{5} - \frac{3}{10} = \frac{4-6}{20} = \left(\frac{2}{20}\right) \text{ Gain}$$

$$\text{Manan's Sacrifice} = \frac{1}{5} - \frac{2}{10} = \frac{4-4}{20} = \text{NIL}$$

Raman will also compensate Srijan as Raman is also gaining 2/20 share in profit. Srijan's Sacrifice = $\frac{1}{10}$ (Yogesh's Share) + $\frac{2}{20}$ (Raman's Share)

$$\text{Total Srijan's Sacrifice} = \frac{1}{10} + \frac{2}{20} = \frac{2+2}{20} = \frac{4}{20}$$

Srijan will be credited with ₹ 60,000 $\left(₹\ 3,00,000 \times \frac{4}{20}\right)$.

8. Amount can be transferred to Debentures Redemption Reserve out of amount available for payment of dividend. Securities Premium cannot be used for payment of dividend.

9. (*b*)

Working Note:

Average (Adjusted) Profit = ₹ 5,50,000 – ₹ 2,50,000 = ₹ 3,00,000

Normal Profit = ₹ 10,00,000 × $\frac{15}{100}$ = ₹ 1,50,000

Goodwill = Super Profit (*i.e.*, Average Profit – Normal Profit) × No. of Years' Purchase

= (₹ 3,00,000 – ₹ 1,50,000) × 2 = ₹ 3,00,000.

10. (*d*)

Reason: Because if the investment is realised, same amount will have to be invested again on or before 30th April of the next financial year.

11. (*i*)

Dr. REVALUATION ACCOUNT *Cr.*

Particulars		₹	Particulars		₹
To Unrecorded Liability (₹ 12,000 – ₹ 6,000)		6,000	By Furniture A/c (₹ 3,000 – 10%)		2,700
			By Loss transferred to:		
			Meera's Capital A/c	1,100	
			Sarthak's Capital A/c	1,100	
			Rohit's Capital A/c	1,000	3,300
		6,000			6,000

(*ii*) JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Sarthak's Capital A/c [(₹ 1,20,000 – ₹ 1,100 (Loss)]	...Dr.		1,18,900	
	To Furniture A/c				2,700
	To Bank A/c				1,16,200
	(Being Sarthak's claim discharged)				

Or

JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Sudha's Capital A/c (₹ 75,000 × 14/25)	...Dr.		42,000	
	Rahim's Capital A/c (₹ 75,000 × 5/25)	...Dr.		15,000	
	Kartik's Capital A/c (₹ 75,000 × 6/25)	...Dr.		18,000	
	To Goodwill A/c				75,000
	(Being the existing goodwill written off)				
	Sudha's Capital A/c	...Dr.		2,000	
	Kartik's Capital A/c	...Dr.		8,000	
	To Rahim's Capital A/c				10,000
	(Being Kartik's share of goodwill adjusted in the Capital Accounts of gaining partners in their gaining ratio of 1 : 4)				
	Profit & Loss Appropriation A/c	...Dr.		1,00,000	
	To Sudha's Capital A/c				60,000
	To Kartik's Capital A/c				40,000
	(Being profit distributed among Sudha and Kartik in the new profit-sharing ratio)				

Workng Note:

Calculation of New Profit Sharing Ratio & Gaining Ratio:

$$\text{Sudha's Gain} = \frac{5}{25} \times \frac{5}{25} = \frac{1}{25}; \text{ Kartik's Gain} = \frac{5}{25} \times \frac{4}{5} = \frac{4}{25};$$

Gaining Ratio = 1 : 4

$$\text{Sudha's New Share} = \frac{14}{25} + \frac{1}{25} = \frac{15}{25}; \text{ Kartik's New Share} = \frac{6}{25} + \frac{4}{25} = \frac{10}{25};$$

$$\text{New Profit Sharing Ratio} = \frac{15}{25} : \frac{10}{25} \text{ or } 3:2.$$

12. JOURNAL

Date		Particulars		L.F.	Dr. (₹)	Cr. (₹)
2023						
April	1	Vipul's Capital A/c (₹ 1,65,000 × 2/10)	...Dr.		33,000	
		Meera's Capital A/c (₹ 1,65,000 × 1/10)	...Dr.		16,500	
		To Anil's Capital A/c				49,500
		(Being the adjustment of accumulated profit losses and reserves)				

Working Notes:

1. *Calculation of Net Effect of Adjustment to be made:*

	₹
General Reserve	1,40,000
Profit & Loss (Cr.)	60,000
Advertisement Suspense A/c	(50,000)
Workmen Compensation Reserve [₹ 30,000 – ₹ 20,000]	10,000
Investment Fluctuation Reserve [₹ 20,000 – ₹ 15,000]	5,000
Net Effect	1,65,000

2. *Calculation of Gain/Sacrifice:*

	Anil	Vineet	Vipul	Meera
Old Profit Share	6/10	3/10	1/10	...
New Profit Share	3/10	3/10	3/10	1/10
Sacrifice/(Gain)	3/10	Nil	2/10	1/10
	Sacrificing Partner		Gaining Partner	Gaining Partner

13. (*i*) JOURNAL

Date		Particulars		L.F.	Dr. (₹)	Cr. (₹)
2021						
April	15	Debentures Redemption Investment A/c	...Dr.		1,87,500	
		To Bank A/c				1,87,500
		(Being the investment made in DRI of amount equal to 15% of the debentures to be redeemed during the year ending 31st March, 2022)				
2022						
Jan.	25	Bank A/c	...Dr.		75,000	
		To Debentures Redemption Investment A/c				75,000
		(Being the proportionate amount of investment realised)				
2022						
March	31	Bank A/c			1,12,500	
		To Debentures Redemption Investment A/c				1,12,500
		(Being the balance amount of investment realised)				

(*ii*)

Dr. DEBENTURES REDEMPTION INVESTMENT ACCOUNT *Cr.*

Date		Particulars	₹	Date		Particulars	₹
2021				2022			
April	15	To Bank A/c	1,87,500	Jan.	25	By Bank A/c	75,000
				March	31	By Bank A/c	1,12,500
			1,87,500				1,87,500

Or

Dr. DEBENTURES REDEMPTION RESERVE ACCOUNT *Cr.*

Date	Particulars	₹	Date	Particulars	₹
2020			2020		
March 31	To Balance *c/d*	2,00,000	March 31	By Surplus, *i.e.*, Balance in Statement of Profit & Loss A/c	2,00,000
		2,00,000			2,00,000
2020			2020		
Dec. 31	To General Reserve A/c	50,000	April 1	By Balance *b/d*	2,00,000
2021					
March 31	To Balance *c/d*	1,50,000			
		2,00,000			2,00,000
2021			2021		
Dec. 31	To General Reserve A/c	70,000	April 1	By Balance *b/d*	1,50,000
2022					
March 31	To Balance *c/d*	80,000			
		1,50,000			1,50,000
2022					
March 31	To General Reserve A/c	80,000	April 1	By Balance *b/d*	80,000
		80,000			80,000

14. JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Debentures Allotment A/c	...Dr.		8,00,000	
	Loss on Issue of Debentures A/c	...Dr.		4,00,000	
	To 7% Debentures A/c				10,00,000
	To Premium on Redemption of Debentures A/c				2,00,000
	(Being the allotment money due @ ₹ 20 per debenture after discount of ₹ 5 per debenture. Premium payable on redemption provided)				
	Bank A/c	...Dr.		7,90,000	
	Calls-in-Arrears A/c	...Dr.		10,000	
	To Debentures Allotment A/c				8,00,000
	(Being the allotment money received except on 500 Debentures)				
	Debentures First and Final Call A/c	...Dr.		10,00,000	
	To 7% Debentures A/c				10,00,000
	(Being the first and final call of ₹ 25 per debenture due)				
	Bank A/c	...Dr.		10,10,250	
	To Debentures First and Final Call A/c				10,00,000
	To Calls-in-Arrears A/c				10,000
	To Interest Received A/c				250
	(Being the first and final call amount received along with Calls-in-Arrears and interest thereon)				

15.

Dr. REALISATION ACCOUNT *Cr.*

Particulars		₹	Particulars		₹
To Goodwill A/c		10,000	By Investment Fluctuation Reserve		5,000
To Building A/c		25,000	By Provision for Doubtful Debts		2,000
To Investment A/c		25,000	By Creditors A/c		8,000
To Stock A/c		15,000	By Bank Loan A/c		6,000
To Debtors A/c		17,000	By Surjit's Brother's Loan A/c		8,000
To Surjit's Capital A/c (Surjit's Brother Loan)		8,000	By Bank A/c (Assets Realised):		
To Bank A/c:			Debtors	12,000	
Creditors	6,000		Investments (₹ 25,000 – 20%)	20,000	
Bank Loan	6,000		Goodwill	6,000	
Auctioneer's Commission	1,000	13,000	Building	30,000	
To Bank A/c (Realisation Expenses)		2,000	Stock (₹ 15,000 – 5,000) × 50/100)	5,000	73,000
			By Rahi's Capital A/c (Stock)		4,000
			By Losss transferred to:		
			Surjit's Capital A/c	7,200	
			Rahi's Capital A/c	1,800	9,000
		1,15,000			1,15,000

16. (*a*)

Dr. REVALUATION ACCOUNT *Cr.*

Particulars	₹	Particulars		₹
To Investment A/c (₹ 50,000 – ₹ 45,000)	5,000	By Accrued Income A/c		1,000
To Patents A/c	2,000	By Bad Debt Recovered A/c		4,000
		By Loss transferred to:		
		Madan's Capital A/c	1,200	
		Mohan's Capital A/c	800	2,000
	7,000			7,000

(*b*)

Dr. PARTNERS' CAPITAL ACCOUNTS *Cr.*

Particulars	Madan ₹	Mohan ₹	Gopal ₹	Particulars	Madan ₹	Mohan ₹	Gopal ₹
To Revaluation A/c (Loss)	1,200	800	...	By Balance *b/d*	60,000	40,000	...
To Balance *c/d* (Note)	90,000	60,000	50,000	By General Reserve A/c	12,000	8,000	...
				By Workmen Compensation Reserve A/c (₹ 9,000)	5,400	3,600	...
				By Premium for Goodwill A/c	12,000	8,000	...
				By Bank A/c	...	...	50,000
				By Bank A/c (Bal. Fig.)	1,800	1,200	...
	91,200	60,800	50,000		91,200	60,800	50,000

Note: Total Capital of New firm on the basis of Gopal's Capital = $₹\ 50,000 \times \frac{4}{1} = ₹\ 2,00,000$

Combined Capital of Madan & Mohan in the New Firm will be = ₹ 2,00,000 – ₹ 50,000 (Gopal's Capital) = ₹ 1,50,000

Madan's New Capital = $₹\ 1,50,000 \times \frac{3}{5} = ₹\ 90,000$

Mohan's New Capital = $₹\ 1,50,000 \times \frac{2}{5} = ₹\ 60,000.$

Or

(*a*)

Dr. PARTNERS' CAPITAL ACCOUNTS Cr.

Particulars	Shashi ₹	Ashu ₹	Tanya ₹	Particulars	Shashi ₹	Ashu ₹	Tanya ₹
To Balance *c/d*	60,000	35,000	19,000	By Balance *b/d*	40,000	30,000	...
				By General Reserve A/c	8,000	4,000	...
				By Revaluation A/c (Note 1)	2,000	1,000	...
				By Bank A/c (Note 3)	...	...	19,000
				By Premium for Goodwill A/c (Note 3)	10,000	...	...
	60,000	35,000	19,000		60,000	35,000	19,000

(*b*) BALANCE SHEET OF THE NEW FIRM *as at 1st April, 2022*

Liabilities		₹	Assets		₹
Sundy Creditors		35,000	Bank (WN 4)		54,000
Capital A/cs:			Debtors	40,000	
Shashi	60,000		*Less:* Provision for Doubtful Debts	1,200	38,800
Ashu	35,000		Stock		20,000
Tanya	19,000	1,14,000	Machinery		33,600
			Office Equipment (Typewriter)		2,600
		1,49,000			1,49,000

Working Notes:

1.

Dr. REVALUATION ACCOUNT Cr.

Particulars		₹	Particulars	₹
To Patents		2,000	By Provision for Doubtful Debts A/c	2,400
To Profit transferred to:			By Office Equipment A/c (Typewriter)	2,600
Shashi's Capital A/c	2,000			
Ashu's Capital A/c	1,000	3,000		
		5,000		5,000

2. Ashu does not sacrifice. Therefore, the total amount of premium for goodwill brought by Tanya is credited to Shashi's Capital Account.

3. Tanya's share of profit is 1/6. Share of Shashi and Ashu in the new firm is $1-\frac{1}{6}=\frac{5}{6}$. Capital of Shashi and Ashu after all adjustments is ₹ 95,000 (*i.e.*, ₹ 60,000 + ₹ 35,000). Therefore, total capital of the firm will be ₹ $95{,}000\times\frac{6}{5}=$ ₹ 1,14,000. Tanya's Capital for 1/6th share will be ₹ 1,14,000 $\times \frac{1}{6}$ = ₹ 19,000.

4. Bank Balance = ₹ 25,000 (Given) + ₹ 10,000 (Goodwill) + ₹ 19,000 (Tanya's Capital) = ₹ 54,000.

17. BALANCE SHEET OF ROSE PETALS LTD (Extract) *as at 31st March, 2022*

Particulars	Note No.	31st March, 2022 (₹)	31st March, 2021 (₹)
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(*a*) Share Capital	1	7,40,000	
(*b*) Reserves and Surplus	2	(15,000)	
2. Non-Current Liabilities			
Long-term Borrowings	3	10,00,000	
3. Current Liabilities			
(*a*) Short-term Borrowings	4	7,00,000	
(*b*) Trade Payables	5	5,00,000	
II. ASSETS			
1. Non-Current Assets			
Property, Plant and Equipment and Intangible Assets:			
(*i*) Property, Plant and Equipment	6	7,50,000	
(*ii*) Intangible Assets	7	1,50,000	

Notes to Accounts

Particulars		31st March, 2022 (₹)	31st March, 2021 (₹)
1. Share Capital			
Authorised Capital			
1,00,000 Equity Shares of ₹ 10 each		10,00,000	
10,000 Preference Shares of ₹ 100 each		10,00,000	
		20,00,000	
Issued Capital			
50,000 Equity Shares of ₹ 10 each		5,00,000	
3,000, 10% Preference Shares of ₹ 100 each		3,00,000	
		8,00,000	
Subscribed Capital			
Subscribed and fully paid-up			
40,000 Equity Shares of ₹ 10 each	4,00,000		
3,000, 10% Preference Shares of ₹ 100 each	3,00,000	7,00,000	
Subscribed but not fully paid-up			
5,000 Equity Shares; ₹ 10 called-up, ₹ 8 Paid-up		40,000	
		7,40,000	
2. Reserves and Surplus			
Securities Premium		1,35,000	
Surplus, *i.e.*, Balance in Statement of Profit & Loss		(1,50,000)	
		(15,000)	
3. Long-term Borrowings			
Term Loan (State Bank of India)		10,00,000	
4. Short-term Borrowings			
Current Maturities of Long-term Debts (Out of Term Loan)		5,00,000	
Cash Credit		2,00,000	
		7,00,000	
5. Trade Payables			
Sundry Creditors		5,00,000	
6. Property, Plant and Equipment			
Land and Building		7,50,000	
7. Intangible Assets			
Patents		1,50,000	

18. (*a*) PROFIT & LOSS APPROPRIATION ACCOUNT

Dr. *for the year ended 31st March, 2022* *Cr.*

Particulars		₹	Particulars		₹
To Interest on Capital A/cs:			By Profit & Loss A/c (Note)		2,96,000
Ajay (₹ 3,00,000 × 5/100)	15,000		By Interest on Drawings A/c:		
Vijay (₹ 2,50,000 × 5/100)	12,500	27,500	Ajay (₹ 15,000 × 10/12 × 4/100)	500	
To Partners' Salary A/c:			Vijay (₹ 30,000 × 10/12 × 4/100)	1,000	1,500
Ajay	60,000				
Vijay	60,000	1,20,000			
To General Reserve (₹ 2,96,000 × 10/100)		29,600			
To Profit transferred to:					
Ajay's Capital A/c	72,240				
Vijay Capital A/c	48,160	1,20,400			
		2,97,500			2,97,500

Note:

PROFIT & LOSS ACCOUNT

Dr. *for the year ended 31st March, 2022* *Cr.*

Particulars	₹	Particulars	₹
To Manager's Salary A/c	90,000	By Profit before Interest Partners' Salaries & Manager's Salary (Given)	3,85,000
To Profit transferred to: Profit & Loss Appropriation A/c	2,96,000	By Interest on Ajay's Loan*	1,000
	3,86,000		3,86,000

**Journal Entries for Interest on Loan taken by Ajay:*

			₹	₹
(*a*)	*For Charging Interest on Loan:*			
	Ajay's Capital A/c	...Dr.	1,000	
	To Interest on Ajay's Loan A/c			1,000
(*b*)	*For Closing Interest on Loan A/c:*			
	Interest on Ajay's Loan A/c	...Dr.	1,000	
	To Profit & Loss A/c			1,000

(*b*)

Dr. PARTNERS' CAPITAL ACCOUNTS *Cr.*

Particulars	Ajay ₹	Vijay ₹	Particulars	Ajay ₹	Vijay ₹
To Drawings A/c	15,000	30,000	By Balance *b/d*	3,00,000	2,50,000
To Interest on Drawings A/c	500	1,000	By Interest on Capital A/c	15,000	12,500
To Interest on Ajay's Loan A/c	1,000	...	By Partners' Salary A/c	60,000	60,000
To Balance *c/d*	4,30,740	3,39,600	By Profit & Loss Appropriation A/c (Profit)	72,240	48,160
	4,47,240	3,70,660		4,47,240	3,70,660

Or

A. Calculation of Opening Capitals and Interest on Capital:

Particulars	Mohan ₹	Vijay ₹	Anil ₹
Closing Capital (31.3.2023)	30,000	25,000	20,000
Add: Drawings	5,000	4,000	3,000
	35,000	29,000	23,000
Less: Share of Profit Credited	8,000	8,000	8,000
Opening Capital (1.4.2022)	27,000	21,000	15,000
Interest on Capital @ 10%	2,700	2,100	1,500

B. *Calculation of Revised Profits:*

Revised Profit = Given Profit + Interest on Drawings − Interest on Capital
= ₹ 24,000 + (₹ 250 + ₹ 200 + ₹ 150) − (₹ 2,700 + ₹ 2,100 + ₹ 1,500)
= ₹ 24,000 + ₹ 600 − ₹ 6,300 = ₹ **18,300**.

C. ADJUSTMENT TABLE

Particulars	Mohan ₹	Vijay ₹	Anil ₹
I. Amount already Credited, now to be Debited	8,000	8,000	8,000
II. Amount which should have been Credited:			
Interest on Capital	2,700	2,100	1,500
Share of Profit (₹ 18,300 in 1 : 1 : 1)	6,100	6,100	6,100
Interest on Drawings	(250)	(200)	(150)
	8,550	8,000	7,450
III. Amount to be Adjusted (I – II)	550 Cr.	...	550 Dr.

JOURNAL

Date		Particulars	L.F.	Dr. (₹)	Cr. (₹)
2022					
April	1	Anil's Capital A/c ...Dr.		550	
		To Mohan's Capital A/c			550
		(Being the adjusting entry to correct the amount of profit transferred to Capital Accounts)			

19. (*i*) JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Preliminary Expenses A/c ...Dr.		50,000	
	To Durgesh (Promoter)			50,000
	(Being the amount payable to Durgesh for company incorporation)			
	Bank A/c ...Dr.		37,50,000	
	To Shares Application A/c			37,50,000
	(Being the application money received on 1,50,000 shares @ ₹ 25 per share)			

	Shares Application A/c ...Dr.		37,50,000	
	To Share Capital A/c			18,75,000
	To Shares Allotment A/c			15,00,000
	To Bank A/c			3,75,000
	(Being the application money transferred to share capital and shares allotment account and excess application money refunded)			
	Shares Allotment A/c ...Dr.		15,00,000	
	To Share Capital A/c			11,25,000
	To Securities Premium A/c			3,75,000
	(Being the allotment money due)			
	Shares First and Final Call A/c ...Dr.		7,50,000	
	To Share Capital A/c			7,50,000
	(Being the first and final call due @ ₹ 10 each)			
	Bank A/c ...Dr.		7,00,000	
	Calls-in-Arrears A/c (5,000 × ₹ 10) ...Dr.		50,000	
	To Shares First and Final Call A/c			7,50,000
	(Being the amount received towards first and final call, except on 5,000 shares)			
	Share Capital A/c (5,000 × ₹ 50) ...Dr.		2,50,000	
	To Calls-in-Arrears A/c			50,000
	To Shares Forfeited A/c			2,00,000
	(Being 5,000 equity shares forfeited for non-payment of call money)			
	Bank A/c (5,000 × ₹ 60) ...Dr.		3,00,000	
	To Share Capital A/c			2,50,000
	To Securities Premium A/c			50,000
	(Being 5,000 equity shares reissued @ ₹ 60 per share as fully paid-up)			
	Shares Forfeited A/c ...Dr.		2,00,000	
	To Capital Reserve A/c			2,00,000
	(Being the balance of forfeited shares reissued transferred to Capital Reserve A/c)			
	Durgesh (Promoter) ...Dr.		50,000	
	To Bank A/c			50,000
	(Being the amount reimbursed to Durgesh)			

(*ii*)

Dr. SHARES FORFEITED ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Capital Reserve A/c	2,00,000	By Share Capital A/c	2,00,000
	2,00,000		2,00,000

Or

(*i*) JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Preliminary Expenses A/c	...Dr.		2,00,000	
	To Alok (Promoter)				2,00,000
	(Being the amount payable to Alok towards preliminary expenses and incorporation)				
	Bank A/c	...Dr.		6,00,000	
	To Shares Application A/c				6,00,000
	(Being the application money received on 2,00,000 shares @ ₹ 3 per share)				
	Shares Application A/c	...Dr.		6,00,000	
	To Share Capital A/c				6,00,000
	(Being the application money transferred on allotment of shares)				
	Shares Allotment A/c	...Dr.		16,00,000	
	To Share Capital A/c				6,00,000
	To Securities Premium A/c				10,00,000
	(Being the allotment money due)				
	Bank A/c	...Dr.		15,20,000	
	Calls-in-Arrears A/c	...Dr.		80,000	
	To Shares Allotment A/c				16,00,000
	(Being the allotment money received except on 10,000 shares)				
	Shares First and Final Call A/c	...Dr.		8,00,000	
	To Share Capital A/c				8,00,000
	(Being the first and final call due @ ₹ 4 each)				
	Bank A/c	...Dr.		7,52,000	
	Calls-in-Arrears A/c (12,000 × ₹ 4)	...Dr.		48,000	
	To Shares First and Final Call A/c				8,00,000
	(Being the call money received except on 12,000 shares)				
	Share Capital A/c (12,000 × ₹ 10)	...Dr.		1,20,000	
	To Calls-in-Arrears A/c				48,000
	To Shares Forfeited A/c				72,000
	(Being 12,000 equity shares forfeited for non-payment of call money)				
	Bank A/c (6,000 × ₹ 15)	...Dr.		90,000	
	To Share Capital A/c				60,000
	To Securities Premium A/c				30,000
	(Being 6,000 equity shares reissued @ ₹ 15 per share as fully paid-up)				
	Shares Forfeited A/c	...Dr.		36,000	
	To Capital Reserve A/c				36,000
	(Being the balance of forfeited shares on 6,000 equity shares reissued transferred to Capital Reserve A/c)				
	Securities Premium A/c	...Dr.		2,00,000	
	To Preliminary Expenses A/c				2,00,000
	(Being the Preliminary Expenses written off)				
	Alok (Promoter)	...Dr.		2,00,000	
	To Bank A/c				2,00,000
	(Being the Preliminary Expenses reimbursed to Alok)				

(*ii*)

Note to Accounts:

Particulars	31st March, 2022 (₹)
1. Share Capital	
Authorised Capital	
5,00,000 Equity Shares of ₹ 10 each	50,00,000
50,000 Preference Shares of ₹ 50 each	25,00,000
	75,00,000
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	19,40,000
Shares Forfeited Account	36,000
	19,76,000

Section B

20. (*c*)

Working Note:

$$\text{Return of Investment} = \frac{\text{Net Profit before Interest \& Tax}}{\text{Capital Employed}} = \frac{₹\ 80,000}{₹\ 4,00,000} \times 100 = 20\%$$

Capital Employed = Share Capital + Reserves & Surplus + 10% Debentures

= ₹ 2,30,000 + ₹ 70,000 + ₹ 1,00,000 = ₹ 4,00,000.

21. It will decrease Cash Flow from Operating Activities. It happens because net increase in Working Capital implies the outflow of Cash from Operating Activities.

22. Inventory Turnover Ratio will *decrease*.

Reason: (A) Cost of Revenue from Operations will not change due to increase in Purchase & Closing Inventory.

(B) Average Inventory will increase due to increase in Closing Inventory.

23. Operating Activity.

24. (*b*)

Working Note:

Profit = Revenue from Operations + Other Income – Expenses – Tax

= ₹ 6,00,000 + ₹ 90,000 (15% of ₹ 6,00,000) – ₹ 3,60,000 (60% of ₹ 6,00,000) – ₹ 1,32,000 [40/100 (₹ 6,00,000 + ₹ 90,000 – ₹ 3,60,000)]

= ₹ 1,98,000.

25. **DBSE Ltd.**

COMPARATIVE BALANCE SHEET *as at 31st March, 2022 and 2021*

Particulars	Note No.	31st March, 2022 ₹	31st March, 2021 ₹	Absolute Change (Increase/Decrease) ₹	Percentage Change (Increase/Decrease) %
A		B	C	D = B – C	E = D × 100/C
I. EQUITY AND LIABILITIES					
1. Shareholders' Funds		22,20,000	12,00,000	10,20,000	85.00
2. Non-Current Liabilities		6,00,000	6,00,000	...	...
3. Current Liabilities		1,80,000	2,00,000	(20,000)	(10)
Total		30,00,000	20,00,000	10,00,000	50.00
II. ASSETS					
1. Non-Current Assets		25,20,000	14,00,000	11,20,000	80.00
2. Current Assets		4,80,000	6,00,000	(1,20,000)	(20)
Total		30,00,000	20,00,000	10,00,000	50.00

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

$$= \frac{₹\ 12,00,000 \text{ (Note 1)}}{₹\ 4,50,000 \text{ (Note 2)}} = \textbf{2.67 Times}.$$

Notes:

1. Credit Revenue from Operations = Revenue from Operations – Cash Revenue from Operations
   = ₹ 20,00,000 – ₹ 8,00,000 = ₹ 12,00,000

2. Average Trade Receivables $= \dfrac{\text{Opening Trade Receivables + Closing Trade Receivables}}{2}$

$$= \frac{₹\ 3,00,000 + ₹\ 6,00,000}{2} = ₹\ 4,50,000.$$

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

$$= \frac{₹\ 16,00,000 \text{ (Note 1)}}{₹\ 2,50,000 \text{ (Note 2)}} = \textbf{6.4 Times}.$$

Notes:

1. Let the Cost = ₹ 100, Gross Profit = ₹ 25
   then Revenue from Operations = ₹ 100 + ₹ 25 = ₹ 125
   When Revenue from Operations are ₹ 20,00,000, then
   Cost of Revenue from Operations = ₹ 20,00,000 × 100/125 = ₹ 16,00,000

2. Average Inventory $= \dfrac{\text{Opening Inventory + Closing Inventory}}{2}$

$$= \frac{₹\ 3,00,000 + ₹\ 2,00,000}{2} = ₹\ 2,50,000.$$

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

$$= \frac{₹\ 20,00,000}{₹\ 5,50,000} = \textbf{3.63 Times}.$$

Note: Working Capital = Current Assets – Current Liabilities

$$= (₹\ 1,50,000 + ₹\ 2,00,000 + ₹\ 6,00,000 + ₹\ 50,000) - (₹\ 1,00,000 + ₹\ 3,00,000 + ₹\ 50,000)$$

$$= ₹\ 10,00,000 - ₹\ 4,50,000 = ₹\ 5,50,000.$$

(*iv*) Debt to Equity Ratio $= \dfrac{\text{Debt/Long-term Debt}}{\text{Equity/Shareholders' Funds}}$

$$= \frac{₹\ 9,00,000}{₹\ 22,00,000} = 9 : 22 \text{ or } 0.41 : 1.$$

Note: Debt = Long-term Borrowings + Long-term Provisions

= ₹ 8,00,000 + ₹ 1,00,000 = ₹ 9,00,000

Equity/Shareholders's Funds = Share Capital + Reserves & Surplus

= ₹ 12,00,000 + ₹ 10,00,000 = ₹ 22,00,000.

27. **Krishna Ltd.**

CASH FLOW STATEMENT *for the year ended 31st March, 2022*

Particulars	₹	₹
A. Cash Flow from Operating Activities		
Net Profit before Tax (WN 1)	1,90,000	
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	4,41,000	
Add: Increase in Trade Payables	40,000	
Less: Increase in Inventories	(50,000)	
Increase in Trade Receivables	(2,00,000)	
Cash Generated from Operations	2,31,000	
Less: Tax Paid	70,000	
Cash Flow from Operating Activities		1,61,000
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)	
Cash Flow from Financing Activities		7,19,000
D. Net Increase in Cash and Bank Balances		30,000
Add: Opening Balance of Cash & Bank Balance		60,000
E. Closing Balance of Cash & Bank		90,000

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
Net Profit before Tax	1,90,000

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

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

Or

Honda Ltd.

CASH FLOW STATEMENT *for the year ended 31st March, 2022*

Particulars		₹	₹
A. Cash Flow from Operating Activities			
Net Profit before Tax (WN 1)		1,07,000	
Add: Non-cash and Non-operating Expenses:			
Depreciation		40,000	
Interest on Debentures		6,000	
Share Issue Expenses written off		5,000	
Operating Profit before Working Capital Changes		1,58,000	
Less: Increase in Current Assets & Decrease in Current Liabilities:			
Current Investments	3,000		
Inventories	50,000		
Trade Receivables	40,000		
Trade Payables	10,000	1,03,000	
Cash Generated from Operations		55,000	
Less: Tax Paid (Last Year's Provision for Tax)		30,000	
Cash Flow from Operating Activities			25,000
B. Cash Flow from Investing Activities			
Proceeds from Sale of Machinery (WN 2)		10,000	
Cash Flow from Investing Activities			10,000
C. Cash Flow from Financing Activities			
Proceeds from Issue of Equity Shares		50,000	
Share Issue Expenses Paid		(5,000)	
Interest on Debentures		(6,000)	
Proceeds from Issue of Debentures		55,000	
Repayment of Bank Overdraft		(57,000)	
Dividend Paid (WN 3)		(55,000)	
Cash Used in Financing Activities			(18,000)
D. Net Increase in Cash & Bank Balances (A + B + C)			17,000
Add: Opening Balance of Cash & Bank Balance			18,000
E. Cash & Bank Balance at the end of the Year			35,000

Working Notes:

1. *Calculation of Net Profit before Tax:*

		₹
Closing Balance of Surplus, *i.e.*, Balance in Statement of Profit & Loss		12,000
Less: Opening Balance of Surplus, *i.e.*, Balance in Statement of Profit & Loss		10,000
		2,000
Add: Transfer to Debentures Redemption Reserve	5,000	
Provision for Tax (Current Year)	42,000	
Dividend Paid (Proposed Dividend of Previous Year)	58,000	
		1,05,000
Net Profit before Tax		1,07,000

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

Particulars	₹	Particulars	₹
To Balance *b/d*	3,00,000	By Depreciation A/c	40,000
		By Bank A/c (Sale) (Balancing Figure)	**10,000**
		By Balance *c/d*	2,50,000
	3,00,000		3,00,000

3. *Dr.* DIVIDEND PAYABLE ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Bank A/c (Dividend Paid) (Balancing Figure)	**55,000**	By Balance *b/d*	5,000
To Balance *c/d*	8,000	By Surplus, *i.e.*, Balance in Statement of Profit & Loss (Proposed Dividend 2020–21)	58,000
	63,000		63,000

Model Test Paper 5

Time Allowed: 3 Hrs. **Max. Marks: 80**

General Instructions: **As per Model Test Paper 1**

Section A (60 Marks)

(*Answer **all** questions*)

1. On the retirement of Hari from the firm of 'Hari, Ram and Sharma', Balance Sheet showed debit balance of ₹ 12,000 in the Profit & Loss Account. For calculating the amount payable to Hari, this balance will be transferred

(*a*) to the credit of the Capital Accounts of Hari, Ram and Sharma equally.

(*b*) to the debit of the Capital Accounts of Hari, Ram and Sharma equally.

(*c*) to the debit of the Capital Accounts of Ram and Sharma equally.

(*d*) to the credit of the Capital Accounts of Ram and Sharma equally. [1]

2. Samsung Ltd. is to redeem 20,000, 9% Debentures of ₹ 100 each in four equal annual instalments beginning from 31st March, 2022. It invested ₹ 75,000 in specified securities on 1st April, 2021. It

(*a*) will realise investment at the time of each redemption and reinvest.

(*b*) may or may not realise the investment at the time of each redemption.

(*c*) will realise the investment at the time of third redemption.

(*d*) will realise the investment at the time of last redemption. [1]

3. At the time of firm's dissolution, the amount of 'Investment Fluctuation Reserve' is transferred to

(*a*) Credit side of Realisation Account.

(*b*) Debit side of Realisation Account.

(*c*) Debit side of Partners' Capital Accounts.

(*d*) Credit side of Partners' Capital Accounts. [1]

4. Mohan Ltd. forfeited 500 Equity Shares of ₹ 100 each for non payment of first call of ₹ 30 per share. The final call of ₹ 10 per share was not made. The forfeited shares were reissued for ₹ 65,000 full paid-up.

What is the amount of gain on reissue of shares transferred to Capital Reserve?

(*a*) ₹ 2,500 (*b*) ₹ 30,000

(*c*) ₹ 20,000 (*d*) ₹ 60,000 [1]

5. Change in Partnership Deed means dissolution of firm. Is it correct? [1]

6. Give the formula for calculating Goodwill by Capitalisation of Average Profit. [1]

7. State the heading and sub-heading under which Premium on Redemption of Debentures and Securities Premium are shown in the Balance Sheet of a company prepared as per Schedule III of the Companies Act, 2013. [1]

8. State **two** purposes for a company to purchase its own debentures from the open market. [1]

9. Give the Journal entry to distribute 'Workmen Compensation Reserve' of ₹ 60,000 at the time of admission of Seema as a new partner, when there is claim of ₹ 40,000 against it. The firm has two partners Piyush and Deepika. [1]

10. Parker Ltd. (a Listed NBFC) has purchased for cancellation its own 2,500, 10% Debentures of ₹ 100 each redeemable at 10% premium for ₹ 125 each.

You are required to pass Journal only for cancellation of debentures. [1]

11. Lalit, Pankaj and Rahul are partners sharing profits in the ratio of 5 : 3 : 2. Pankaj retires and Lalit and Rahul decide to share profits in the ratio of 3 : 5 in future. At the time of retirement of Pankaj, investments were ₹ 80,000. Half of the investments have been taken by partners in their profit-sharing ratio at book value. Remaining investments were valued at ₹ 50,000.

You are required to pass necessary Journal entries.

Or

Babita, Chetan and David are partners sharing profits in the ratio of 3 : 2 : 1. Chetan died on 30th June, 2022. On Chetan's death, goodwill of the firm was valued at ₹ 60,000. Chetan's share in the profit of the firm till his death was to be calculated on the basis of previous years' profit which was ₹ 1,50,000. Calculate Chetan's share in the profit of the firm.

You are required to pass necessary Journal entries for:

(*i*) Treatment of Goodwill.

(*ii*) Chetan's Share of profit at the time of his death. [3]

12. Aman and Manish are partners in a firm sharing profits in the ratio of 3 : 2. They admit Mahesh into the partnership for 1/6th share of the future profits. Goodwill, valued at 4 times the average super profit of the firm, was ₹ 18,000. The firm had Assets worth ₹ 15,00,000 and Liabilities ₹ 12,00,000.

The normal earning of such firms is expected to be 10% p.a.

You are required to:

(*i*) Find the Average profit/Actual profit earned by the firm during the last 4 years.

(*ii*) Pass the Journal entries in the books of the firm if Mahesh brings his share of goodwill by cheque. [3]

13. Venus Ltd., an unlisted (Non-NBFC or HFC) company, has outstanding 10,000, 8% Debentures of ₹ 100 each redeemable as follows:

5,000 Debentures on 31st March, 2022;

2,500 Debentures on 31st March, 2023; and

Balance on 31st March, 2024.

Determine the amount that the company should have in DRR Account before each redemption and amount transferred from DRR to General Reserve after each redemption.

Or

Moon Ltd. (an unlisted Non-NBFC/HFC) had 10,000, 9% Debentures of ₹ 100 each outstanding for redemption as on 1st April, 2020. These debentures are to be redeemed as follows

On 31st March, 2022	25%
On 31st March, 2023	35%
On 31st March, 2024	40%

Determine the amount that the company should invest or have balance in Debentures Redemption Investment for each redemption. Also state the date when the amount should be invested or it should have the balance for each redemption. [3]

14. Sterling Ltd. issued 10,000, 10% Debentures of ₹ 100 each at 6% discount, redeemable at premium of 10% after 5 years, payable as ₹ 60 on application and the balance on allotment.

The issue was oversubscribed by 1,000 debentures and allotment was made on *pro rata* basis. All money was duly received.

You are required to pass Journal entries for allotment money due and received. [3]

15. Ram and Rahim were partners sharing profits in the ratio of 3 : 1. They agreed to dissolve the firm. The assets (other than Cash at Bank ₹ 4,000) of the firm realised ₹ 1,20,000. The liabilities and other particulars of the firm on that date were as follows:

	₹	
Creditors	25,000	
Ram's Capital	80,000	
Rahim's Capital	5,000	(Dr. Balance)
Profit & Loss Account	8,000	(Dr. Balance)
Realisation Expenses	2,000	

The creditors were paid 80% in settlement.

You are required to prepare:

(*i*) Realisation Account; and

(*ii*) Partners' Capital Accounts. [6]

16. Sahaj and Nimish are partners in a firm sharing profits in the ratio 2 : 1. Their Balance Sheet on 31st March, 2022 was as follows:

Liabilities		₹	Assets	₹
Creditors		30,000	Machinery	1,20,000
General Reserve		30,000	Furniture	80,000
Employees' Provident Fund		40,000	Stock	50,000
Capital A/cs:			Sundry Debtors	30,000
Sahaj	1,20,000		Cash	20,000
Nimish	80,000	2,00,000		
		3,00,000		3,00,000

They agreed to admit Gauri for 1/3rd share as a partner from 1st April, 2022 subject to the following terms:

(*a*) Gauri will bring her share of goodwill in cash and proportionate capital.

(*b*) Reduce the value of stock by ₹ 5,000.

(*c*) Depreciate furniture by 10% and appreciate machinery by 5%.

(*d*) ₹ 3,000 of the debtors proved bad. A provision of 5% was to be created on Sundry Debtors for doubtful debts.

(*e*) Goodwill of the firm was valued at ₹ 45,000.

You are required to prepare:

(*i*) Partners' Capital Accounts, and

(*ii*) Balance Sheet of the Reconstituted firm.

Or

Charu and Harsha were partners in a firm sharing profits in the ratio of 3 : 2. On 1st April, 2022 their Balance Sheet was as follows:

BALANCE SHEET OF CHARU AND HARSHA *as at 1st April, 2022*

Liabilities		₹	Assets		₹
Creditors		17,000	Cash		6,000
General Reserve		4,000	Debtors	15,000	
Workmen Compensation Reserve		9,000	*Less:* Provision for Doubtful Debts	2,000	13,000
Investment Fluctuation Reserve		11,000	Investments		20,000
Capital A/cs:			Plant		14,000
Charu	30,000		Land and Building		38,000
Harsha	20,000	50,000			
		91,000			91,000

On the above date Vaishali was admitted for 1/4th share in the profits of the firm on the following terms:

(*a*) Vaishali will bring ₹ 20,000 for her capital and ₹ 4,000 for her share of goodwill premium.

(*b*) All debtors were considered good.

(*c*) The market value of investments was ₹ 15,000.

(*d*) There was a liability of ₹ 6,000 for Workmen Compensation.

(*e*) Capital accounts of Charu and Harsha are to be adjusted on the basis of Vaishali's capital by opening Current Accounts.

You are required to prepare:

(*i*) Revaluation Account, and

(*ii*) Partners' Capital Accounts. [6]

17. Following balances have been extracted from the books of Universal Ltd. as at 31st March, 2022:

Particulars	Amount (₹)
Equity Share Capital (Fully paid shares of ₹ 100 each)	5,00,000
Unclaimed Dividend	10,000
Bank Balance	1,40,000
Securities Premium	75,000
Statement of Profit & Loss (Dr.)	50,000
Tangible Fixed Assets (at cost)	3,50,000
Accumulated Depreciation till Date	25,000
Patents & Trade Marks	70,000
Provision for Tax	35,000
Trade Receivables	60,000
Trade Payables	25,000

You are required to prepare as at 31st March, 2022:

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

(*ii*) Notes to Accounts. [6]

18. John, Mathew and Ginni are partners sharing profits and losses in the ratio of 2 : 1 : 1. Throughout the half-year ended 31st March, 2022, their Capital Accounts have remained unchanged at ₹ 1,50,000, ₹ 1,00,000 and ₹ 75,000 respectively. Their Current Account balances on 1st October, 2021 were:

	₹	
John	21,250	Dr.
Mathew	15,000	Dr.
Ginni	25,000	Cr.

During the six-months period in 2021–22:

John withdrew ₹ 2,500 in the middle of every month;

Mathew withdrew ₹ 5,000 at the end of every month; and

Ginni withdrew ₹ 20,000 during the period.

Their Partnership Deed provides that:

(*a*) Partners to be allowed interest on capital @ 5% p.a.

(*b*) Partners to be allowed or charged interest on Current Account balances @ 4% p.a.

(*c*) Interest on drawings to be charged @ 6% p.a.

(*d*) Mathew to be entitled to a salary of ₹ 1,250 per month.

(*e*) John to be entitled to a commission of 5% of the correct net profit of the firm after charging such commission.

During the half-year ended 31st March, 2022, the net profit of the firm was ₹ 5,17,500 after charging Mathew's salary which had been debited to Wages and Salaries Account.

You are required to prepare for the half-year ended 31st March, 2022:

(*i*) Profit & Loss Appropriation Account, and

(*ii*) John's Current Account.

Or

Ahmad, Bheem and Daniel are partners in a firm sharing profits in the ratio of 5 : 3 : 2. On 1st April, 2021, their Capital Accounts stoods at ₹ 8,00,000, ₹ 6,00,000 and ₹ 4,00,000 respectively.

The terms of their partnership were as follows:

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

(*ii*) Bheem to get a salary of ₹ 3,000 per month.

(*iii*) Daniel to get a commission of ₹ 12,000 per annum.

Ahmad's share of profit (excluding interest on capital but including salary) is guaranteed at not less than ₹ 25,000 per annum.

Bheem's share of profit, including interest on capital but excluding salary, is guaranteed at not less than ₹ 55,000 per annum. Any deficiency arising on that account shall be met by Daniel.

The profit of the firm for the year ended 31st March, 2022 amounted to ₹ 2,16,000.

You are required to prepare for the year 2021–22:

(*i*) Profit & Loss Appropriation Account, and

(*ii*) Ahmad's Capital Account. [10]

19. Sargam Ltd. invited applications for issuing 80,000 equity shares of ₹ 100 each at a premium. The amount was payable as follows:

On Application — ₹ 20 per share
On Allotment — ₹ 60 (including premium) per share
On First call and Final Call — ₹ 40 per share

Applications for 1,20,000 shares were received. Allotment was made on *pro-rata* basis to all the applicants. Excess money received on applications was adjusted on sums due to allotment. Sitaram, who had applied for 6,000 shares failed to pay the allotment money and Harnam did not pay first and final call on 800 shares allotted to him. The shares of Sitaram and Harnam were forfeited. 4,200 of these shares were reissued for ₹ 100 per share as fully paid up. The re-issued shares included all the forfeited shares of Harnam.

You are required to:

(*i*) Pass necessary Journal entries for the above transactions in the books of Sargam Ltd.

(*ii*) Prepare the Calls-in-Arrears Account.

Or

Relax Ltd. invited applications for issuing 5,00,000 equity shares of ₹ 10 each at par. The amount per share was payable as follows:

On Application	— ₹ 1 per share;
On Allotment	— ₹ 2 per share;
On First Call	— ₹ 3 per share;
On Second and Final Call	— Balance.

Applications for 8,00,000 shares were received. Applications for 1,00,000 shares were rejected and *pro rata* allotment was made to the remaining applicants. Excess money received with applications was adjusted towards sums due on allotment. All calls were made. Ashok, a shareholder holding 5,000 shares, failed to pay the allotment and the call money. Mohan, a shareholder who had applied for 7,000 shares, failed to pay the first and second and final call. Shares of Ashok and Mohan were forfeited after the second and final call. Of the forfeited shares 8,000 shares were reissued at ₹ 12 per share fully paid-up. The reissued shares included all the forfeited shares of Ashok.

You are required to:

(*i*) Pass necessary Journal entries for the above transactions in the books of Relax Ltd.

(*ii*) Prepare the Calls-in-Arrears Account. [10]

Section B (20 Marks)

*(Answer **all** questions)*

20. What will be the Return on Investment (ROI) of Henry Ltd. from the particulars given below:

Net Profit after Interest but before Tax	₹ 1,40,000
15% Long-term Borrowings	₹ 4,00,000
Shareholders' Funds	₹ 2,40,000
Tax Rate	50%

(*a*) 30.25% (*b*) 31.25%

(*c*) 28.25% (*d*) 29.25% [1]

21. Sale of Shares/Debentures of other companies by a manufacturing company is classified as

(*a*) Operating Activity.

(*b*) Investing Activity.

(*c*) Financing Activity.

(*d*) Investing as well as Financing Activity. [1]

22. Give an example each of Horizontal and Vertical Analysis. [1]

23. State the purpose of 'Cash Equivalents'. [1]

24. Current Ratio is 2 : 1. State giving reason whether the Current Ratio will *improve* or *decline* or will *not change* on sale of Stock-in-Trade (Costing ₹ 10,000) for ₹ 9,000. [1]

25. Following information is extracted from the Statement of Profit & Loss of Gold Coin Ltd. for the year ended 31st March, 2022:

Particulars	31st March, 2022 (₹)	31st March, 2021 (₹)
Revenue from Operations	60,00,000	45,00,000
Employee Benefit Expenses	30,00,000	22,50,000
Depreciation	7,50,000	6,00,000
Other Expenses	15,50,000	10,00,000
Tax Rate	30%	30%

Prepare Comparative Statement of Profit & Loss. [3]

26. The Statement of Profit & Loss of Surya Ltd. for the year ended 31st March, 2022 and the Balance Sheet of the company as at 31st March, 2022 are given below:

STATEMENT OF PROFIT & LOSS

for the year ended 31st March, 2022

Particulars	Note No.	Amount ₹
I. Revenue from Operations		4,40,000
II. Other Income (Rent Received)		10,000
III. Total Revenue (I + II)		4,50,000
IV. Expenses		
(*a*) Purchase		2,50,000
(*b*) Change in Inventories	1	20,000
(*c*) Employees Benefit Expenses (Salary)		42,000
(*d*) Other Expenses	2	38,000
V. Total Expenses		3,50,000
VI. Profit before Tax (III – V)		1,00,000

BALANCE SHEET
as at 31st March, 2022

Particulars	Note No.	Amount ₹
I. EQUITY AND LIABILITIES		
1. Shareholders' Funds		
(*a*) Equity Share Capital		3,00,000
(*b*) Reserves and Surplus		1,00,000
2. Current Liabilities		
(*a*) Short-term Borrowings		50,000
(*b*) Trade Payables		1,50,000
Total		6,00,000
II. ASSETS		
1. Non-Current Assets		
(*a*) *Property, Plant and Equipment and Intangible Assets:*		
(*i*) Property, Plant and Equipment (Plant and Machinery)		4,00,000
2. Current Assets		
(*a*) Inventories		20,000
(*b*) Trade Receivables		1,00,000
(*c*) Cash and Bank Balance (Cash at Bank)		80,000
Total		6,00,000

Notes to Accounts

Particulars	Amount ₹
1. Change in Inventories	
Opening Inventory	40,000
Less: Closing Inventory	20,000
	20,000
2. Other Expenses	
Direct Expenses	30,000
Loss on Sale on Building	8,000
	38,000

You are required to calculate *any three* following ratios (up to two decimal places) from the above Statement of Profit & Loss and Balance Sheet:

(*i*) Current Ratio

(*ii*) Inventory Turnover Ratio

(*iii*) Proprietary Ratio

(*iv*) Operating Profit Ratio. [6]

27. From the following Balance Sheet of Pioneer Traders Ltd. as 31st March, 2022, prepare Cash Flow Statement:

BALANCE SHEET OF PIONEER TRADERS LTD.
as at 31st March, 2022

Particulars	Note No.	31st March, 2022 (₹)	31st March, 2021 (₹)
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(*a*) Share Capital		6,00,000	4,00,000
(*b*) Reserves and Surplus	1	2,00,000	1,00,000
2. Non-Current Liabilities			
Long-term Borrowings: 10% Bank Loan		1,00,000	2,00,000
3. Current Liabilities			
(*a*) Trade Payables		45,000	60,000
(*b*) Other Current Liabilities	2	20,000	...
(*c*) Short-term Provisions	3	70,000	40,000
Total		10,35,000	8,00,000
II. ASSETS			
1. Non-Current Assets			
(*a*) *Property, Plant and Equipment and Intangible Assets:*			
(*i*) Property, Plant and Equipment: Machinery (Net)		6,00,000	6,00,000
(*ii*) Intangible Assets: Patents		45,000	50,000
(*b*) Non-current Investments		75,000	...
2. Current Assets			
(*a*) Inventories		15,000	10,000
(*b*) Trade Receivables		2,55,000	1,20,000
(*c*) Cash and Bank Balance (Cash at Bank)		45,000	20,000
Total		10,35,000	8,00,000

Notes to Accounts

Particulars	31st March, 2022 (₹)	31st March, 2021 (₹)
1. Reserves and Surplus		
Surplus, *i.e.*, Balance in Statement of Profit & Loss	2,00,000	1,00,000
2. Other Current Liabilities		
Unpaid Dividend	20,000	...
3. Short-term Provisions		
Provision for Tax	70,000	40,000

Note: Proposed Dividend for the years ended 31st March, 2021 and 2022 was ₹ 60,000 and ₹ 1,00,000 respectively.

Additional Information:

(*i*) During the year, a machine costing ₹ 75,000 was purchased. Loss on sale of machinery was ₹ 5,000. Depreciation charged on machinery was ₹ 12,000.

(*ii*) Tax paid during the year was ₹ 50,000.

(*iii*) Bank loan of ₹ 1,00,000 repaid on 1st April, 2021.

Or

From the following Balance Sheet of Ajanta Limited as on 31st March, 2022, prepare a Cash Flow Statement:

Particulars	Note No.	31st March, 2022 (₹)	31st March, 2021 (₹)
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(*a*) Equity Share Capital		10,00,000	10,00,000
(*b*) Reserves and Surplus	1	2,40,000	1,20,000
2. Non-Current Liabilities			
Long-term Borrowings—9% Debentures		3,20,000	2,40,000
3. Current Liabilities			
(*a*) Trade Payables	2	1,80,000	2,40,000
(*b*) Other Current Liabilities	3	1,80,000	1,60,000
Total		19,20,000	17,60,000
II. ASSETS			
1. Non-Current Assets			
(*a*) *Property, Plant and Equipment and Intangible Assets:*			
Property, Plant and Equipment	4	13,40,000	12,00,000
(*b*) Non-current Investments	5	2,40,000	1,60,000
2. Current Assets			
(*a*) Inventories		1,20,000	1,60,000
(*b*) Trade Receivables		1,60,000	1,60,000
(*c*) Cash and Bank Balance (Cash at Bank)		60,000	80,000
Total		19,20,000	17,60,000

Notes to Accounts

Particulars	31st March, 2022 (₹)	31st March, 2021 (₹)
1. Reserves and Surplus		
General Reserve	1,20,000	1,20,000
Surplus, *i.e.*, Balance in Statement of Profit & Loss	1,20,000	...
	2,40,000	1,20,000
2. Trade Payables		
Creditors	1,40,000	1,20,000
Bills Payable	40,000	1,20,000
	1,80,000	2,40,000
3. Other Current Liabilities		
Outstanding Rent	1,80,000	1,60,000
4. Property, Plant and Equipment		
Plant and Machinery	14,90,000	13,00,000
Accumulated Depreciation	(1,50,000)	(1,00,000)
	13,40,000	12,00,000
5. Non-Current Investments		
Shares in *XYZ* Limited	2,40,000	1,60,000

Additional Information:

(*i*) During the year 2021–22, a machinery costing ₹ 50,000 and accumulated depreciation thereon ₹ 15,000 was sold for ₹ 32,000.

(*ii*) 9% Debentures of ₹ 80,000 were issued on 1st April, 2021 at a discount of 5% which was written off from Statement of Profit & Loss.

(*iii*) Interim Dividend paid during the year amounted to ₹ 50,000. [6]

Answers

1. (*b*) To the debit of the Capital Accounts of Hari, Ram and Sharma equally.
2. (*d*) Since the redemption of debentures is in equal intalments, the company will realise the investment at the time of last redemption.
3. (*a*) Credit side of Realisation Account since Investments is transferred to Realisation Account.
4. (*b*)

Amount forfeited on Re-issue of Shares (500 × ₹ 60)	₹ 30,000
Less: Re-issue Discount	NIL
Gain on Re-issue to be transferred to Capital Reserve	₹ 30,000

Note: Forfeited shares are re-issued at premium, so, entire forfeited amount is transferred to Capital Reserve being a capital gain.

5. No, because change in Partnership Deed means change in term or terms or agreed terms among partners.
6. Goodwill = Capitalised Value of Business – Net Assets.

Notes: 1. **Capitalised Value of Business** = $\frac{\text{Average Future Maintainable Profit}}{\text{Normal Rate of Return}} \times 100$

2. **Net Assets/Capital Employed** = All Assets (other than goodwill, fictitious assets and non-trade Investments*) at their Current Value – Outsiders' Liabilities.

*Investment to be taken as non-trade investments unless specified as trade investments.

7.

Item	Heading	Sub-heading
Premium on Redemption of Debentures	Non-current Liabilities	Long-term Borrowings
Securities Premium	Shareholders' Funds	Reserves and Surplus

8. A company may purchase its own debentures from the open market either:
   (*i*) for immediate concellation; or
   (*ii*) as an investment to be cancelled when required.

9. JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Workmen Compensation Reserve A/c	...Dr.		60,000	
	To Piyush's Capital A/c				10,000
	To Deepika's Capital A/c				10,000
	To Workmen Compensation Claim A/c				40,000
	(Being the liability for compensation claim created and surplus Workmen Compensation Reserve transferred to partners in their Old-profit sharing ratio)				

10. JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	10% Debentures A/c	...Dr.		2,50,000	
	Premium on Redemption of Debentures A/c	...Dr.		25,000	
	Loss on Cancellation of Own Debentures A/c	...Dr.		37,500	
	To Own 10% Debentures A/c (2,500 × ₹ 125)				3,12,500
	(Being the own 2,500, 10% Debentures of ₹ 100 each redeemable at 10% premium are purchased @ ₹ 125 per debenture and cancelled)				

11. JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Lalit's Capital A/c	...Dr.		20,000	
	Pankaj's Capital A/c	...Dr.		12,000	
	Rahul's Capital A/c	...Dr.		8,000	
	To Investments				40,000
	(Being the investments taken by partners)				
	Investments A/c	...Dr.		10,000	
	To Revaluation A/c				10,000
	(Being the increase in value of assets recorded)				
	Revaluation A/c	...Dr.		10,000	
	To Lalit's Capital A/c				5,000
	To Pankaj's Capital A/c				3,000
	To Rahul's Capital A/c				2,000
	(Being the profit on revaluation transferred to partners in their old profit-sharing ratio)				

Or

JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2022					
June 30	Babita's Capital A/c	...Dr.		15,000	
	David's Capital A/c	...Dr.		5,000	
	To Chetan's Capital A/c				20,000
	(Being Chetan's Share of Goodwill adjusted in the Capital Account of Babita and David in their gaining ratio of 3 : 1)				
	Profit & Loss Suspense A/c	...Dr.		12,500	
	To Chetan's Capital A/c				12,500
	(Being Chetan's share of profit till the date of his death credited)				

Notes: (*i*) Chetan's Share of Goodwill $= ₹\ 60,000 \times \frac{2}{6} = ₹\ 20,000$

(*ii*) Chetan's Share of profit till the date of death $= ₹\ 1,50,000 \times \frac{3}{12} \times \frac{2}{6} = ₹\ 12,500.$

12. (*i*) Capital Employed $= ₹\ 15,00,000 - ₹\ 12,00,000 = ₹\ 3,00,000$

Normal Profit $= ₹\ 3,00,000 \times \frac{10}{100} = ₹\ 30,000$

Super Profit $= \frac{₹\ 18,000}{4} = ₹\ 4,500$

Average Profit = Normal Profit + Super Profit

$= ₹\ 30,000 + ₹\ 4,500 = ₹\ 34,500.$

(*ii*) JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c (₹ 18,000 × 1/6)	...Dr.		3,000	
	To Premium for Goodwill A/c				3,000
	(Being the premium for goodwill brought through cheque)				
	Premium for Goodwill A/c	...Dr.		3,000	
	To Aman's Capital A/c				1,800
	To Manish's Capital A/c				1,200
	(Being the premium for goodwill credited to Aman and Manish in their sacrificing ratio of 3 : 2)				

13.

Year	*Outstanding Debentures* (₹)	*Balance in DRR before Redemption* (₹)	*Amount transferred from DRR to General Reserve after redemption* (₹)	*Balance in DRR Account* (₹)
31st March, 2022	10,00,000	1,00,000	50,000	50,000
31st March, 2023	5,00,000	50,000	25,000	25,000
31st March, 2024	2,50,000	25,000	25,000	...

Or

Date of Redemption	*When Investment should be made or Balance in DRI*	*Nominal (Face) Value of Debentures to be redeemed*	*Minimum Investment in DRI*
31st March, 2022	On or before 30th April, 2021	₹ 2,50,000	₹ 37,500 (15% of ₹ 2,50,000)
31st March, 2023	On or before 30th April, 2022	₹ 3,50,000	₹ 52,500 (15% of ₹ 3,50,000) **Further Investment:** ₹ 15,000 (₹ 52,500 – ₹ 37,500, Existing Investment)
31st March, 2024	On or before 30th April, 2023	₹ 4,00,000	₹ 60,000 (15% of ₹ 4,00,000) **Further Investment:** ₹ 60,000 – ₹ 52,500 = ₹ 7,500)

14. JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Debentures Allotment A/c	...Dr.		3,40,000	
	Loss on Issue of Debentures A/c (₹ 60,000 + ₹ 1,00,000)	...Dr.		1,60,000	
	To 10% Debentures A/c				4,00,000
	To Premium on Redemption of Debentures A/c				1,00,000
	(Being the Allotment money due)				
	Bank A/c (₹ 3,40,000 – ₹ 60,000)	...Dr.		2,80,000	
	To Debentures Allotment A/c				2,80,000
	(Being the Allotment money received)				

15. (*i*)

Dr. REALISATION ACCOUNT *Cr.*

Particulars		₹	Particulars	₹
To Sundry Assets (WN)		88,000	By Creditors	25,000
To Bank A/c:			By Bank A/c (Assets)	1,20,000
Payment to Creditors (80% of ₹ 25,000)		20,000		
To Bank A/c:				
Realisation Expenses		2,000		
To Profit transferred to:				
Ram's Capital A/c	26,250			
Rahim's Capital A/c	8,750	35,000		
		1,45,000		1,45,000

(*ii*)

Dr. PARTNERS' CAPITAL ACCOUNTS *Cr.*

Particulars	Ram ₹	Rahim ₹	Particulars	Ram ₹	Rahim ₹
To Balance *b/d*	...	5,000	By Balance *b/d*	80,000	...
To Profit & Loss A/c	6,000	2,000	By Realisation A/c	26,250	8,750
To Bank A/c (Bal. Fig.)	1,00,250	1,750			
	1,06,250	8,750		1,06,250	8,750

Working Note:

Calculation of Sundry Assets at the time of Dissolution:

BALANCE SHEET
as on ...

Liabilities	₹	Assets	₹
Creditors	25,000	Cash at Bank	4,000
Ram's Capital	80,000	Sundry Assets (Balancing Figure)	88,000
		Profit & Loss A/c	8,000
		Rahim's Capital	5,000
	1,05,000		1,05,000

16. (*i*)

Dr. PARTNERS' CAPITAL ACCOUNTS *Cr.*

Particulars	Sahaj ₹	Nimish ₹	Gauri ₹	Particulars	Sahaj ₹	Nimish ₹	Gauri ₹
To Revaluation A/c (WN 1)	7,567	3,783	...	By Balance *b/d*	1,20,000	80,000	...
To Balance *c/d*	1,42,433	91,217	1,16,825	By General Reserve A/c	20,000	10,000	...
				By Premium for Goodwill A/c	10,000	5,000	...
				By Cash A/c (WN 2)	...	...	1,16,825
	1,50,000	95,000	1,16,825		1,50,000	95,000	1,16,825

(*ii*) BALANCE SHEET OF THE RECONSTITUTED FIRM
as at 1st April, 2022

Liabilities		₹	Assets		₹
Creditors		30,000	Cash (₹ 20,000 + ₹ 15,000 + ₹ 1,16,825)		1,51,825
Employees Provident Fund		40,000	Debtors	30,000	
Capital A/cs:			*Less:* Bad Debts	3,000	
Sahaj	1,42,433			27,000	
Nimish	91,217		*Less:* Provision for Doubtful Debts	1,350	25,650
Gauri	1,16,825	3,50,475	Stock		45,000
			Furniture		72,000
			Machinery		1,26,000
		4,20,475			4,20,475

Working Notes:

1.

Dr. REVALUATION ACCOUNT *Cr.*

Particulars		₹	Particulars		₹
To Stock A/c		5,000	By Machinery A/c		6,000
To Furniture A/c		8,000	By Loss on Revaluation transferred to:		
To Bad Debts A/c		3,000	Sahaj's Capital A/c	7,567	
To Provision for Doubtful Debts A/c		1,350	Nimisha's Capital A/c	3,783	11,350
[(₹ 30,000 – ₹ 3,000) × 5/100]					
		17,350			17,350

2. *Calculation of Gauri's Capital:*

Combined Capital of Sahaj and Nimish for 2/3 share

= ₹ 1,42,433 + ₹ 91,217 = ₹ 2,33,650

Gauri's Capital in the New Firm = ₹ 2,33,650 × 3/2 × 1/3 = ₹ **1,16,825**.

Or

(*i*)

Dr. REVALUATION ACCOUNT *Cr.*

Particulars		₹	Particulars	₹
To Profit transferred to:			By Provision for Doubtful Debts A/c	2,000
Charu's Capital A/c	1,200			
Harsha's Capital A/c	800	2,000		
		2,000		2,000

(*ii*)

Dr. PARTNERS' CAPITAL ACCOUNTS *Cr.*

Particulars	Charu ₹	Harsha ₹	Vaishali ₹	Particulars	Charu ₹	Harsha ₹	Vaishali ₹
To Current A/c (Bal. Fig.)	5,400	3,600	...	By Balance *b/d*	30,000	20,000	...
To Balance *c/d* (Note)	36,000	24,000	20,000	By General Reserve A/c	2,400	1,600	...
				By Revaluation A/c	1,200	800	...
				By Workmen Compensation Reserve A/c	1,800	1,200	...
				By Investment Fluctuation Reserve A/c	3,600	2,400	...
				By Cash A/c	...	...	20,000
				By Premium for Goodwill A/c	2,400	1,600	...
	41,400	27,600	20,000		41,400	27,600	20,000

Note: *Calculation of Partners' Capital on the basis of Vaishali's Capital:*

Since Vaishali brings in ₹ 20,000 as a her capital for 1/4th share.

Total Capital of firm would be = ₹ 20,000 × $\frac{4}{1}$ = ₹ **80,000**

Charu's Capital would be ₹ 80,000 × $\frac{3}{4} \times \frac{3}{5}$ = ₹ **36,000**

Harsha's Capital would be ₹ 80,000 × $\frac{3}{4} \times \frac{2}{5}$ = ₹ **24,000**.

17. (*i*) BALANCE SHEET OF UNIVERSAL LTD. *as at 31st March 2022*

Particulars	Note No.	31st March, 2022 (₹)
I. EQUITY AND LIABILITIES		
1. Shareholders' Funds		
(*a*) Share Capital	1	5,00,000
(*b*) Reserves and Surplus	2	25,000
2. Current Liabilities		
(*a*) Trade Payables		25,000
(*b*) Other Current Liabilities	3	10,000
(*c*) Short-term Provisions	4	35,000
Total		5,95,000
II. ASSETS		
1. Non-Current Assets		
Property, Plant and Equipment and Intangible Assets:		
(*i*) Property, Plant and Equipment	5	3,25,000
(*ii*) Intangible Assets	6	70,000
2. Current Assets		
(*a*) Trade Receivables		60,000
(*b*) Cash and Bank Balances	7	1,40,000
Total		5,95,000

(*ii*) **Notes to Accounts**

Particulars		31st March, 2022 (₹)
1. Share Capital		
Authorised Capital		
... Equity Shares of ₹ 100 each		...
Issued Capital		
5,000 Equity Shares of ₹ 100 each		5,00,000
Subscribed Capital		
Subscribed and fully paid-up		
5,000 Equity Share of ₹ 100 each		5,00,000
2. Reserves and Surplus		
Securities Premium		75,000
Surplus, *i.e.*, Balance in Statement of Profit & Loss		(50,000)
		25,000
3. Other Current Liabilities		
Unclaimed Dividend		10,000
4. Short-term Provisions		
Provision for Tax		35,000
5. Property, Plant and Equipment		
Property, Plant & Equipment (at cost) (Tangible Fixed Assets)	3,50,000	
Less: Accumulated Depreciation	25,000	3,25,000
6. Intangible Assets		
Patents & Trade Masks		70,000
7. Cash and Bank Balance		
Cash at Bank		1,40,000

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

Dr. *for the year ended 31st March, 2022* *Cr.*

Particulars		₹	Particulars		₹
To Mathew's Salary A/c (₹ 1,250 × 6)		7,500	By Profit & Loss A/c*		5,25,000
To Interest on Capital:			[Net Profit (₹ 5,17,500 + ₹ 7,500)]		
John (₹ 1,50,000 × 5/100 × 6/12)	3,750		By Interest on Current A/cs:		
Mathew (₹ 1,00,000 × 5/100 × 6/12)	2,500		John (₹ 21,250 × 4/100 × 6/12)	425	
Ginni (₹ 75,000 × 5/100 × 6/12)	1,875	8,125	Mathew (₹ 15,000 × 4/100 × 6/12)	300	725
To Interest on Current A/c—Ginni		500	By Interest on Drawings: (WN)		
(₹ 25,000 × 4/100 × 6/12)			John	225	
To John's Commission A/c		25,000	Mathew	375	
(₹ 5,25,000 × 5/105)			Ginni	300	900
To Profit transferred to:					
John's Current A/c	2,42,750				
Mathew's Current A/c	1,21,375				
Ginni's Current A/c	1,21,375	4,85,500			
		5,26,625			5,26,625

*Mathew's salary should be debited to Profit & Loss Appropriation Account and not to Profit & Loss Account.

Working Note:

Calculation of Interest on Drawings:

$$\text{John} = (₹\ 2,500 \times 6) \times \frac{6}{100} \times \frac{3^*}{12} = ₹\ 225$$

*Since fixed amount is withdrawn in the middle of every month during 6 months, interest will be charged for 3 months, *i.e.,*

$$\text{Average Period} = \frac{\text{Months Left after First Drawings} + \text{Months Left After Last Drawings}}{2}$$

$$= \frac{5.5 + .5}{2} = \frac{6}{2} = 3 \text{ Months.}$$

$$\text{Mathew} = (₹\ 5,000 \times 6) \times \frac{6}{100} \times \frac{2.5^*}{12} = ₹\ 375$$

$$^*\text{Average Period} = \frac{5+0}{2} = 2.5 \text{ months}$$

$$\text{Ginni} = ₹\ 20,000 \times \frac{6}{100} \times \frac{3^*}{12} = ₹\ 300$$

*Since date of drawing is not given, the Interest on Total Drawings is calculated for 3 months.

(*ii*)

Dr. JOHN'S CURRENT ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Balance *b/d*	21,250	By Interest on Capital A/c	3,750
To Drawings A/c	15,000	By Commission A/c	25,000
To Interest on Drawings A/c	225	By Profit & Loss Appropriation A/c (Profit)	2,42,750
To Interest on Current A/c	425		
To Balance *c/d*	2,34,600		
	2,71,500		2,71,500

Or

(*i*) PROFIT & LOSS APPROPRIATION ACCOUNT

for the year ended 31st March, 2022

Dr. Particulars		₹	Particulars	₹ *Cr.*
To Interest on Capital:			By Net Profit (as per Profit & Loss A/c)	2,16,000
Ahmad (5% of ₹ 8,00,000)	40,000			
Bheem (5% of ₹ 6,00,000)	30,000			
Daniel (5% of ₹ 4,00,000)	20,000	90,000		
To Bheem's Salary A/c		36,000		
To Daniel's Commission A/c		12,000		
To Profit transferred to: (WN)				
To Ahmad's Capital A/c	39,000			
Bheem's Capital A/c	25,000			
Daniel's Capital A/c	14,000	78,000		
		2,16,000		2,16,000

Working Notes:

1. Distribution of Profit:

Particulars	Ahmad	Bheem	Daniel
Profit of ₹ 78,000 (₹ 2,16,000 – ₹ 90,000 – ₹ 36,000 – ₹ 12,000) will be divided among partners in 5 : 3 : 2	₹ 78,000 × 5/10 = ₹ 39,000	₹ 78,000 × 3/10 = ₹ 23,400	₹ 78,000 × 2/10 = ₹ 15,600

Ahmad's Share of Profit is ₹ 39,000 which is more than the guaranteed profit of ₹ 25,000.

Bheem's minimum guaranteed amount (including his interest on capital is ₹ 55,000. Bheem is getting ₹ 30,000 as interest and ₹ 23,400 as share of profit. It means, there is a deficiency of ₹ 1,600(₹ 55,000 – ₹ 30,000 – ₹ 23,400). This deficiency will be met by Daniel personally.

New Share of Bheem will be: ₹ 23,400 + ₹ 1,600 = ₹ 25,000

New share of Daniel will be: ₹ 15,600 – ₹ 1,600 = ₹ 14,000.

(*ii*)

AHMAD'S CAPITAL ACCOUNT

Dr. Particulars	₹	Particulars	₹ *Cr.*
To Balance *b/d*	8,79,900	By Balance *b/d*	8,00,000
		By Interest on Capital A/c	40,000
		By Profit & Loss Appropriation A/c (Share of Profit)	39,000
	8,79,000		8,79,000

19. (*i*) JOURNAL OF SARGAM LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c ...Dr.		24,00,000	
	To Equity Shares Application A/c			24,00,000
	(Being the application money received @ ₹ 20 on 1,20,000 shares)			
	Equity Shares Application A/c (1,20,000 × ₹ 20) ...Dr.		24,00,000	
	To Equity Share Capital (80,000 × ₹ 20)			16,00,000
	To Equity Shares Allotment A/c (40,000 × ₹ 20)			8,00,000
	(Being the application money adjusted)			

Equity Shares Allotment A/c ...Dr.		48,00,000	
To Equity Share Capital A/c			32,00,000
To Securities Premium A/c			16,00,000
(Being the allotment money due)			
Bank A/c (WN 1 & 2) ...Dr.		38,00,000	
Calls-in-Arrears A/c ...Dr.		2,00,000	
To Equity Shares Allotment A/c			40,00,000
(Being the allotment money received except on 4,000 shares)			
Equity Shares First & Final Call A/c ...Dr.		32,00,000	
To Equity Share Capital A/c			32,00,000
(Being the first & final call money due)			
Bank A/c ...Dr.		30,08,000	
Calls-in-Arrears A/c (4,800 × ₹ 40) ...Dr.		1,92,000	
To Equity Shares First & Final Call A/c			32,00,000
(Being the first & final call money received on 75,200 shares)			
Equity Share Capital A/c (4,800 × ₹ 100) ...Dr.		4,80,000	
Securities Premium A/c (4,000 × ₹ 20) ...Dr.		80,000	
To Calls-in-Arrears A/c (₹ 3,60,000 + ₹ 32,000)			3,92,000
To Forfeited Shares A/c (₹ 1,20,000 + ₹ 48,000)			1,68,000
(Being the shares forfeited for non-payment of allotment & call money)			
Bank A/c ...Dr.		4,20,000	
To Equity Share Capital A/c			4,20,000
(Being the 4,200 forfeited shares reissued for ₹ 100 per share)			
Forfeited Shares A/c ...Dr.		1,50,000	
To Capital Reserve A/c (WN 3)			1,50,000
(Being the gain on reissue of forfeited shares transferred to Capital Reserve)			

Working Notes:

1. *Calculation of allotment money not paid by Sitaram:*

(*a*) Number of shares allotted to Sitaram = $\frac{80,000}{1,20,000} \times 6,000 = 4,000$

(*b*) *Money not paid an allotment:*

	₹
Money paid on application (6,000 × ₹ 20)	1,20,000
Less: Amount adjusted on allotment (4,000 × ₹ 20)	80,000
Excess application money adjusted on allotment	40,000
Money due on allotment (4,000 × ₹ 60)	2,40,000
Less: Excess application money adjusted	40,000
Money not paid by Sitaram on allotment	2,00,000

2. *Money received on allotment:*

	₹
Total amount due on allotment (80,000 × ₹ 60)	48,00,000
Less: Excess application money adjusted	8,00,000
	40,00,000
Less: Money not received from Sitaram on allotment* (WN 1)	2,00,000
Money received on allotment	38,00,000

3. *Calculation of Gain on Re-issue to be transferred to Capital Reserve:* ₹

Amount forfeited on Re-issued of: Sitaram's 3,400 shares = ₹ 12,000 × $\frac{3,400}{4,000}$ 1,02,000

Harman's 800 shares 48,000

Total gain on re-issue to be transferred 1,50,000

Since shares were reissued for ₹ 100 per share as fully paid up, therefore full amount of ₹ 1,50,000 is to transferred to Capital Reserve.

(*ii*)

Dr. CALLS-IN-ARREARS ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Equity Shares Allotment A/c	2,00,000	By Equity Share Capital A/c	3,12,000
To Equity Shares First & Final Call A/c	1,92,000	By Securities Premium A/c	80,000
	3,92,000		3,92,000

Or

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c ...Dr.		8,00,000	
	To Equity Shares Application A/c			8,00,000
	(Being the application money received @ ₹ 1 per share for 8,00,000 shares)			
	Equity Shares Application A/c ...Dr.		8,00,000	
	To Equity Share Capital A/c (5,00,000 × ₹ 1)			5,00,000
	To Equity Shares Allotment A/c			2,00,000
	To Bank A/c (1,00,000 × ₹ 1)			1,00,000
	(Being the application money adjusted)			
	Equity Shares Allotment A/c ...Dr.		10,00,000	
	To Equity Share Capital A/c			10,00,000
	(Being the allotment money due on 5,00,000 equity shares @ ₹ 2 each)			
	Bank A/c ...Dr.		7,92,000	
	Calls-in-Arrears A/c (WN 1) ...Dr.		8,000	
	To Equity Shares Allotment A/c			8,00,000
	(Being the allotment money received on 4,95,000 shares)			
	Equity Shares First Call A/c ...Dr.		15,00,000	
	To Equity Shares Capital A/c			15,00,000
	(Being the first call money due on 5,00,000 equity shares)			
	Bank A/c ...Dr.		14,70,000	
	Calls-in-Arrears A/c (10,000 × ₹ 3) ...Dr.		30,000	
	To Equity Shares First Call A/c			15,00,000
	(Being the first call money received on 4,90,000 shares)			
	Equity Shares Second and Final Call A/c ...Dr.		20,00,000	
	To Equity Share Capital A/c			20,00,000
	(Being the second and final call money due on 5,00,000 shares)			
	Bank A/c ...Dr.		19,60,000	
	Calls-in-Arrears A/c (10,000 × ₹ 4) ...Dr.		40,000	
	To Equity Shares Second and Final Call A/c			20,00,000
	(Being the second and final call money received on 4,90,000 shares)			

Equity Share Capital A/c (10,000 × ₹ 10) ...Dr.		1,00,000	
To Forfeited Shares A/c (₹ 15,000 + ₹ 7,000)			22,000
To Calls-in-Arrears A/c (₹ 8,000 + ₹ 30,000 + ₹ 40,000)			78,000
(Being 10,000 shares forfeited for non-payment of allotment, first call and second and final call)			
Bank A/c (8,000 × ₹ 12) ...Dr.		96,000	
To Equity Share Capital A/c (8,000 × ₹ 10)			80,000
To Securities Premium A/c (8,000 × ₹ 2)			16,000
(Being 8,000 forfeited shares reissued at ₹ 12 per share fully paid-up)			
Forfeited Shares A/c ...Dr.		16,000	
To Capital Reserve A/c			16,000
(Being the gain on reissued shares transferred to Capital Reserve)			

Working Notes:

1. *Calculation of allotment money not paid by Ashok:*
   (*i*) Total No. of shares applied by Ashok = 7,00,000/5,00,000 × 5,000 = 7,000 shares.

		₹
(*ii*)	Application money received on shares applied (7,000 × ₹ 1)	7,000
(*iii*)	Excess Application money adjusted on allotment [₹ 7,000 – (5,000 × ₹ 1)]	2,000
(*iv*)	Allotment money due on shares allotted (5,000 × ₹ 2)	10,000
(*v*)	Allotment money due but not paid by Ashok (₹ 10,000 – ₹ 2,000)	8,000

2. *Calculation of allotment money received:*

	₹	₹
Total allotment money due (5,00,000 × ₹ 2)		10,00,000
Less: (*a*) Excess application money to be adjusted on allotment	2,00,000	
(*b*) Not received from Ashok (WN 1)	8,000	2,08,000
Allotment Money Received		7,92,000

3. Calculation of Gain (Profit) on reissue to be transferred to Capital Reserve:

	₹
Amount forfeited on Ashok's 5,000 shares	7,000
Amount forfeited on Mohan's 3,000 shares (₹ 15,000 × 3,000/5,000)	9,000
Gain (Profit) on reissue to be transferred to Capital Reserve	16,000

Section B

20. (*b*)

Working Note:

$$\text{Net Profit before Interest \& Tax} = ₹\ 1,40,000 + \left(₹\ 4,00,000 \times \frac{15}{100}\right) = ₹\ 2,00,000.$$

$$\text{Capital Employed} = \text{Non-current Liabilities} + \text{Shareholders Funds}$$
$$= ₹\ 4,00,000 + ₹\ 2,40,000 = ₹\ 6,40,000$$

$$\text{Return on Capital Employed} = \frac{\text{Net-Profit before Interest \& Tax}}{\text{Capital Employed}} \times 100$$
$$= \frac{₹\ 2,00,000}{₹\ 6,40,000} \times 100 = 31.25\%.$$

21. (*b*) Investing Activity.

22. Comparative Financial Statement is an example of Horizontal Analysis. Ratio Analysis of the financial year relating to a particular accounting year is an example of Vertical Analysis.

23. Cash equivalents are held for the purpose of meeting *short-term cash commitments* rather than for investment or other purposes.

24. Decline. **Reason:** Total Current Assts are decreased by ₹ 1,000 but the total Current Liabilities remain unchanged.

25.

COMPARATIVE INCOME STATEMENT

for the years ended 31st March, 2022 and 2021

Particulars	Note No.	31st March, 2022 ₹	31st March, 2021 ₹	Absolute Change (Increase/Decrease) ₹	Percentage Change (Increase/Decrease) %
		A	B	C = A – B	D = C/B × 100
I. Revenue from Operations		60,00,000	45,00,000	15,00,000	33.33
II. Expenses					
Employee Benefit Expenses		30,00,000	22,50,000	7,50,000	33.33
Depreciation/Amortisation		7,50,000	6,00,000	1,50,000	25.00
Other Expenses		15,50,000	10,00,000	5,50,000	55.00
Total Expenses		53,00,000	38,50,000	14,50,000	37.66
III. Profit before Tax (I – II)		7,00,000	6,50,000	50,000	7.69
IV. *Less:* Tax @ 30%		2,10,000	1,95,000	15,000	7.69
V. Profit after Tax		4,90,000	4,55,000	35,000	7.69

26. (*i*) $$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}} = \frac{₹\ 2,00,000}{₹\ 2,00,000} = \mathbf{1 : 1}.$$

Current Assets = Inventories + Trade Receivables + Cash & Bank Balance

= ₹ 20,000 + ₹ 1,00,000 + ₹ 80,000 = ₹ 2,00,000

Current Liabilities = Short-term Borrowings + Trade Payables

= ₹ 50,000 + ₹ 1,50,000 = ₹ 2,00,000

(*ii*) $$\text{Inventory Turnover Ratio} = \frac{\text{Cost of Revenue from Operations}}{\text{Average Inventory}}$$

$$= \frac{₹\ 3,00,000}{₹\ 30,000} = \mathbf{10\ Times}.$$

Cost of Revenue from Operations = Opening Inventory + Purchases + Direct Expenses – Closing Inventory

= ₹ 40,000 + ₹ 2,50,000 + ₹ 30,000 – ₹ 20,000

= ₹ 3,00,000

$$\text{Average Inventory} = \frac{\text{Opening Invenory + Closing Inventory}}{2}$$

$$= \frac{₹\ 40,000 + ₹\ 20,000}{2} = ₹\ 30,000$$

(*iii*) $$\text{Proprietary Ratio} = \frac{\text{Shareholders' Funds}}{\text{Total Assets}} = \frac{₹\ 4,00,000}{₹\ 6,00,000} = \mathbf{0.67\ or\ 67\%}.$$

Shareholders' Funds = Equity Share Capital + Reserves & Surplus

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

Total Assets = Non-current Assets + Current Assets

= ₹ 4,00,000 + ₹ 2,00,000 = ₹ 6,00,000

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

$= \frac{₹\ 98,000}{₹\ 4,40,000} \times 100 = \mathbf{22.27\%}.$

Net Operating Profit = Net Profit before Tax + Non-Operating Expenses – Non-operating Income

= ₹ 1,00,000 + ₹ 8,000 (Loss on Sale of Building) – ₹ 10,000

= ₹ 98,000.

27. **Pioneer Traders Ltd.**

CASH FLOW STATEMENT *for the year ended 31st March, 2022*

Particulars	₹	₹
I. Cash Flow from Operating Activities		
Net Profit before Tax (WN 1)		2,40,000
Adjustment for Non-cash and Non-operating Items:		
Add: Depreciation on Machinery	12,000	
Loss on Sale of Machinery	5,000	
Amortisation of Patents	5,000	
Interest on Bank Loan (10% of ₹ 1,00,000)	10,000	32,000
Operating Profit before Working Capital Changes		2,72,000
Adjustments for Change in Current Assets and Current Liabilities:		
Decrease in Trade Payables	(15,000)	
Increase in Inventories	(5,000)	
Increase in Trade Receivables	(1,35,000)	(1,55,000)
Cash Generated from Operating Activities before Tax		1,17,000
Less: Tax Paid		50,000
Cash Flow from Operating Activities		67,000
II. Cash Flow from Investing Activities		
Purchase of Non-Current Investments	(75,000)	
Purchase of Machinery	(75,000)	
Proceeds from Sale of Machinery (WN 2)	58,000	
Cash Used in Investing Activities		(92,000)
III. Cash Flow from Financing Activities		
Proceeds from Issue of Shares	2,00,000	
Bank Loan Repaid	(1,00,000)	
Interest on Bank Loan Paid	(10,000)	
Dividend Paid [(₹ 60,000 – ₹ 20,000 (Unpaid)]	(40,000)	
Cash Flow from Financing Activities		50,000
IV. Net Increase in Cash and Bank Balances (I + II + III)		25,000
V. Opening Cash and Bank Balance		20,000
VI. Closing Cash and Bank Balance (IV + V)		45,000

Working Notes:

1. *Calculation of Net Profit before Tax:*

	₹
Surplus, *i.e.*, Balance in Statement of Profit & Loss (31st March, 2022)	2,00,000
Less: Surplus, *i.e.*, Balance in Statement of Profit & Loss (31st March, 2021)	1,00,000
Profit for the Year	1,00,000
Add: Provision for Tax (WN 3)	80,000
Dividend Payable (Last Year's Proposed Dividend)	60,000
Net Profit before Tax	2,40,000

2. *Dr.* MACHINERY ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Balance *b/d*	6,00,000	By Depreciation A/c	12,000
To Bank A/c (Purchase)	75,000	By Bank A/c (Sale) (Balancing Figure)	58,000
		By Loss on Sale of Machinery A/c (Statement of Profit & Loss)	5,000
		By Balance *c/d*	6,00,000
	6,75,000		6,75,000

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

Particulars	₹	Particulars	₹
To Bank A/c Tax (Paid)	50,000	By Balance *b/d*	40,000
To Balance *c/d*	70,000	By Statement of Profit & Loss (Bal. Fig.)	80,000
	1,20,000		1,20,000

Or

Ajanta Limited

CASH FLOW STATEMENT *for the year ended 31st March, 2022*

Particulars		₹	₹
I. Cash Flow from Operating Activities			
Net Profit before Tax (WN 1)		1,70,000	
Adjustment for Non-cash and Non-operating Items:			
Depreciation (WN 3)	65,000		
Loss on Sale of Machinery (WN 2)	3,000		
Discount on Issue of Debentures	4,000		
Interest on Debentures (₹ 3,20,000 × 9/100)	28,800	1,00,800	
Operating Profit before changes in Working Capital		2,70,800	
Add: Decrease in Current Assets and Increase in Current Liabilities:			
Inventories	40,000		
Outstanding Rent	20,000		
Creditors	20,000	80,000	
		3,50,800	
Less: Increase in Current Assets and Decrease in Current Liabilities:			
Bills Payable		80,000	
Cash Flow from Operating Activities			2,70,800

II. Cash Flow from Investing Activities		
Purchase of Machinery (WN 1)	(2,40,000)	
Proceeds from Sale of Machinery (WN 1)	32,000	
Purchase of Shares in *XYZ* Limited	(80,000)	
Cash Used in Investing Activities		(2,88,000)
III. Cash Flow from Financing Activities		
Proceeds from Issue of 9% Debentures (₹ 80,000 – ₹ 4,000 (Discount)	76,000	
Interest on Debentures	(28,800)	
Interim Dividend Paid	(50,000)	
Cash Used in Financing Activities		(2,800)
IV. Net Decrease in Cash and Bank Balance		(20,000)
Add: Opening Cash & Bank Balance		80,000
V. Closing Cash and Bank Balance		60,000

Working Notes:

1. *Calculation of Net Profit before Tax:*

	₹
Closing Balance of Surplus, *i.e.*, Balance in Statement of Profit & Loss	1,20,000
Less: Opening Balance of Surplus, *i.e.*, Balance in Statement of Profit & Loss	NIL
Profit for the Year	1,20,000
Add: Interim Dividend Paid	50,000
Net Profit before Tax	1,70,000

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

Particulars	₹	Particulars	₹
To Balance *b/d*	13,00,000	By Bank A/c (Sale)	32,000
To Bank A/c (Purchase) (Balancing Figure)	2,40,000	By Accumulated Depreciation A/c	15,000
		By Statement of Profit and Loss (Loss)	3,000
		By Balance *c/d*	14,90,000
	15,40,000		15,40,000

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

Particulars	₹	Particulars	₹
To Plant and Machinery A/c	15,000	By Balance *b/d*	1,00,000
To Balance *c/d*	1,50,000	By Statement of Profit & Loss (Depreciation) (Balancing Figure)	65,000
	1,65,000		1,65,000