# ANSWERS

## Part A

**1.** (*b*) Capital Accounts are maintained following Fixed Capital Accounts Method, hence, Current Accounts will be debited and credited.

***Working Note:*** ADJUSTMENT TABLE

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

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

**3.** (*d*) ₹ 900

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

***Or***

(*c*) ₹ 12,00,000

***Working Note:***

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

**4.** (*c*) ₹ 92,000

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

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

***Or***

(*a*)

**5.** (*c*) ₹ 5,500; ₹ 4,500

***Working Note:***

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

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

**6.** (*a*) debited, Goodwill.

***Or***

(*b*) 10,000

***Working Note:***

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

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

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

**8.** (*a*) ₹ 1,00,000

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

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

***Or***

(*b*) ₹ 50,000

***Working Note:***

*C* gets 1/10th share. *A* and *B* get 9/10th share which they will share in the ratio of 5 : 4.

The future profit sharing-ratio is 5 : 4 : 1.

If ₹ 10,000 is for 1/10th share, then for 5/10th share it will be ₹ 50,000.

**9.** (*b*) ₹ 1,76,000

= [₹ 1,72,800 + 12,000 (Salary to partners) – ₹ 8,800 (Manager's commission)].

***Working Note:***

Net profit before salary = ₹ 1,72,800 + ₹ 12,000 (Partner's salary) = ₹ 1,84,800

Manager's commission = ₹ 1,84,800 × 5/105 = ₹ 8,800

Net profit of the firm = ₹ 1,84,800 – ₹ 8,800 = ₹ 1,76,000.

**10.** (*d*) ₹ 1,000

| *Interest on Drawings:* | ₹ |
|---|---|
| Karan = ₹ 12,000* × $\frac{10}{100} \times \frac{6}{12}$ = | 600 |
| Tarun = ₹ 8,000* × $\frac{10}{100} \times \frac{6}{12}$ = | 400 |
| | 1,000 |

*Interest is charged on the amount which is in excess of the given limit.

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

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

**13.** (*b*) ₹ 20,000

***Working Note:***

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

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

**14.** (*c*) ₹ 7,500

***Working Note:***

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

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

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

**15.** (*b*) ₹ 5,000 per quarter

***Working Note:***

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

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

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

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

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

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

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

***Or***

(*d*) ₹ 2,00,000

***Working Note:***

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

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

Goodwill = ₹ 2,40,000

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

Average Profit = Normal Profit + Super Profit

= ₹ 1,40,000 + ₹ 60,000 = ₹ 2,00,000.

**16.** (*b*) ₹ 1,33,750

***Working Note:***

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

**17.**

JOURNAL

| Date | Particulars | | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|---|
| | Bank A/c | ...Dr. | | **8,100** | |
| | To *A*'s Capital A/c | | | | **3,600** |
| | To *C*'s Capital A/c | | | | **4,500** |
| | (Amount brought in by *A* and *C* to pay on *B*'s retirement) | | | | |
| | *A*'s Capital A/c | ...Dr. | | 3,600 | |
| | *C*'s Capital A/c | ...Dr. | | 4,500 | |
| | To *B*'s Capital A/c | | | | 8,100 |
| | (*B*'s share of goodwill adjusted in Capital Accounts of gaining partners in their gaining ratio of **4 : 5***) | | | | |
| | *B*'s Capital A/c | ...Dr. | | **8,100** | |
| | To Bank A/c | | | | **8,100** |
| | (Amount paid to *B* on his retirement for selling his shares) | | | | |

*Gaining ratio of $A$ and $C$ = ₹ 3,600 : 4,500 = 4 : 5.

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

$$\text{Share acquired by } A = \frac{4}{9} \times \frac{3}{8} = \frac{12}{72}$$

$$\text{Share acquired by } C = \frac{5}{9} \times \frac{3}{8} = \frac{15}{72}$$

$$A\text{'s New Profit Share} = \frac{4}{8} + \frac{12}{72} = \frac{48}{72}$$

$$C\text{'s New Profit Share} = \frac{1}{8} + \frac{15}{72} = \frac{24}{72}$$

Hence, New Profit-sharing Ratio of $A$ and $C$ = $\frac{48}{72} : \frac{24}{72}$ = 2 : 1.

**18.**

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

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

***Working Note:***

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

Deficiency = Guaranteed Profit – ₹ 16,500

= ₹ 50,000 – ₹ 16,500 = ₹ 33,500

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

Deficiency to be borne by Alia = ₹ 33,500 $\times \frac{1}{2}$ = ₹ 16,750

Deficiency to be borne by Karan = ₹ 33,500 $\times \frac{1}{2}$ = ₹ 16,750.

***Or***

JOURNAL

| Date | Particulars | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|
| 2022 | | | | |
| April 1 | Kadar's Capital A/c (₹ 2,00,000 × 2/10) ...Dr. | | 40,000 | |
| | Muna's Capital A/c (₹ 2,00,000 × 1/10) ...Dr. | | 20,000 | |
| | To Nadim's Capital A/c (₹ 2,00,000 × 3/10) | | | 60,000 |
| | (Adjustment made for revaluation on account of change in profit-sharing ratio by debiting gaining partners and crediting sacrificing partner) | | | |
| April 1 | Kadar's Capital A/c (₹ 5,88,000 × 2/10) ...Dr. | | 1,17,600 | |
| | Muna's Capital A/c (₹ 5,88,000 × 1/10) ...Dr. | | 58,800 | |
| | To Nadim's Capital A/c (₹ 5,88,000 × 3/10) | | | 1,76,400 |
| | (Adjustment made for goodwill on change in the profit-sharing ratio) | | | |

***Working Notes:***

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

Sacrifice share = Old Profit Share – New Profit Share

Nadim = 5/10 – 2/10 = 3/10

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

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

2. *Valuation of Goodwill:*

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

= ₹ 1,96,000

Goodwill = ₹ 1,96,000 × 3 = ₹ 5,88,000.

**19.** (*a*) JOURNAL

| Date | Particulars | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|
| | Advance for Machinery A/c ...Dr. | | 5,00,000 | |
| | To Bank A/c | | | 5,00,000 |
| | (Advance paid to vendor for machinery) | | | |
| | Machinery A/c ...Dr. | | 25,00,000 | |
| | To Vendor's A/c | | | 25,00,000 |
| | (Machinery purchased) | | | |

| | | | | |
|---|---|---|---|---|
| | Bank A/c ...Dr. | | 20,00,000 | |
| | To Bank Loan A/c | | | 20,00,000 |
| | (Loan taken from Bank) | | | |
| | Debentures Suspense A/c ...Dr. | | 20,00,000 | |
| | To 10% Debentures A/c | | | 20,00,000 |
| | (20,000, 10% Debentures issued to bank as Collateral Security) | | | |
| | Vendor's A/c ...Dr. | | 25,00,000 | |
| | To Bank A/c | | | 20,00,000 |
| | To Advance for Machinery A/c | | | 5,00,000 |
| | (Cheque issued to vendor for due amount) | | | |

(*b*)

*Dr.* VENDOR'S ACCOUNT *Cr.*

| Particulars | ₹ | Particulars | ₹ |
|---|---|---|---|
| To Bank A/c | 20,00,000 | By Machinery A/c | 25,00,000 |
| To Advance for Machinery A/c | 5,00,000 | | |
| | 25,00,000 | | 25,00,000 |

***Or***

(*a*) JOURNAL OF LUXOR PENS LTD.

| Date | Particulars | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|
| 2022 | | | | |
| Oct. 1 | Effective Pens ...Dr. | | 6,30,000 | |
| | Discount on Issue of Debentures A/c ...Dr. | | 70,000 | |
| | To 10% Debentures A/c | | | 7,00,000 |
| | (7,000; 10% Debentures of ₹ 100 each issued at a discount of 10%) | | | |
| | Bank A/c ...Dr. | | 5,00,000 | |
| | To Debentures Application and Allotment A/c | | | 5,00,000 |
| | (Application money received) | | | |
| | Debentures Application and Allotment A/c ...Dr. | | 5,00,000 | |
| | Loss on Issue of Debentures A/c ...Dr. | | 25,000 | |
| | To 10% Debentures A/c | | | 5,00,000 |
| | To Premium on Redemption of Debentures A/c | | | 25,000 |
| | (5,000, 10% Debentures issued at par and redeemable at 5% premium) | | | |
| | Statement of Profit & Loss (Finance Cost) ...Dr. | | 25,000 | |
| | To Loss on Issue of Debentures A/c | | | 25,000 |
| | (Loss on Issue of Debentures written off) | | | |

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

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

**20.** JOURNAL

| Date | | Particulars | | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|---|---|
| 2023 | | | | | | |
| April | 1 | Esha's Capital A/c | ...Dr. | | 6,250 | |
| | | Manav's Capital A/c | ...Dr. | | 300 | |
| | | To Daman's Capital A/c | | | | 6,550 |
| | | (Interest on capital and interest on drawings omitted, now adjusted) | | | | |

***Working Notes:***

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

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

2. *Calculation of Interest on Drawings:*

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

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

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

ADJUSTMENT TABLE

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

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

*as at ...*

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

**Note to Accounts**

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

**22.** JOURNAL

| Date | Particulars | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|
| | Bank A/c ...Dr. | | 1,60,000 | |
| | To Equity Shares Application A/c | | | 1,60,000 |
| | (Application money received on 80,000 Equity Shares @ ₹ 2 per share) | | | |
| | Equity Shares Application A/c ...Dr. | | 1,60,000 | |
| | To Equity Share Capital A/c | | | 1,60,000 |
| | (Transfer of application money to Equity Share Capital Account) | | | |
| | Equity Shares Allotment A/c ...Dr. | | 80,000 | |
| | To Equity Share Capital A/c | | | 80,000 |
| | (Amount due on allotment of 80,000 Equity Shares @ ₹ 1 per share) | | | |
| | Bank A/c ...Dr. | | 77,500 | |
| | To Equity Shares Allotment A/c (Note) | | | 77,500 |
| | (Amount received on the allotment of 77,500 Equity Shares @ ₹ 1 per share) | | | |
| | Equity Shares First Call A/c ...Dr. | | 80,000 | |
| | To Equity Share Capital A/c | | | 80,000 |
| | (First call money due on 80,000 Equity Shares @ ₹ 1 per share) | | | |
| | Bank A/c ...Dr. | | 72,500 | |
| | To Equity Shares First Call A/c (WN 1) | | | 72,500 |
| | (Amount received on the first call on 72,500 Equity Shares @ ₹ 1 per share) | | | |
| | Equity Shares Second Call A/c ...Dr. | | 80,000 | |
| | To Equity Share Capital A/c | | | 80,000 |
| | (Second call money due on 80,000 Equity Shares @ ₹ 1 per share) | | | |
| | Bank A/c ...Dr. | | 60,000 | |
| | To Equity Shares Second Call A/c (WN 1) | | | 60,000 |
| | (Second call money received on 60,000 Equity Shares @ ₹ 1 per share) | | | |

***Or***

JOURNAL OF KENT LTD.

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

***Working Notes:***

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

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

2. *Calculation of allotment money not paid by Rajiv:*

Rajiv belongs to Category *A* as applicants of Category *B* have already paid the allotment money on application. The amount not received from Rajiv:

(*i*) No. of shares applied by Rajiv = 1,200 shares.

(*ii*) No. of shares allotted to Rajiv = $\frac{60{,}000}{80{,}000} \times 1{,}200 = 900$ shares.

(*iii*) *Calculation of allotment money not paid by Rajiv:*

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

**23.**

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

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

BALANCE SHEET OF NEW FIRM *as at 1st April, 2023*

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

***Working Notes:***

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

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

2\. *Calculation of Karuna's Capital:*

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

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

***Or***

(*a*) JOURNAL

| Date | Particulars | | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|---|
| | Provision for Doubtful Debts A/c | ...Dr. | | 4,000 | |
| | To Revaluation A/c | | | | 4,000 |
| | (Excess Provision for Doubtful Debts transferred to Revaluation Account) | | | | |
| | Revaluation A/c | ...Dr. | | 4,000 | |
| | To *X*'s Capital A/c | | | | 2,000 |
| | To *Y*'s Capital A/c | | | | 1,200 |
| | To *Z*'s Capital A/c | | | | 800 |
| | (Profit on revaluation transferred to partners in their old profit-sharing ratio) | | | | |

(*b*) JOURNAL

| Date | Particulars | | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|---|
| | *X*'s Capital A/c | ...Dr. | | 10,000 | |
| | *Y*'s Capital A/c | ...Dr. | | 6,000 | |
| | *Z*'s Capital A/c | ...Dr. | | 4,000 | |
| | To Revaluation A/c | | | | 20,000 |
| | (Investments taken over by partners) | | | | |
| | Investments A/c | ...Dr. | | 5,000 | |
| | To Revaluation A/c | | | | 5,000 |
| | (Increase in value of assets recorded) | | | | |
| | Revaluation A/c | ...Dr. | | 5,000 | |
| | To *X*'s Capital A/c | | | | 2,500 |
| | To *Y*'s Capital A/c | | | | 1,500 |
| | To *Z*'s Capital A/c | | | | 1,000 |
| | (Profit on revaluation transferred to partners in their old profit-sharing ratio) | | | | |

(*c*) Total capital of new firm = ₹ 2,10,000 (Given)

CALCULATION OF ACTUAL CASH TO BE PAID OFF OR BROUGHT IN

| Particulars | *Y* (₹) | *Z* (₹) |
|---|---|---|
| I. New capital (₹ 2,10,000 in the ratio of 2 : 1) | 1,40,000 | 70,000 |
| II. Adjusted old capital | 1,45,000 | 63,000 |
| III. Cash to be brought in (paid off) (I – II) | (5,000) | 7,000 |

Hence, *Y* will be paid (Excess Capital) ₹ 5,000 and *Z* will bring (Deficit Capital) ₹ 7,000.

**24.**

*Dr.* REALISATION ACCOUNT *Cr.*

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

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

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

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

**25.** JOURNAL

| Date | Particulars | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|
| 2022 | | | | |
| April 1 | Bank A/c ...Dr. | | 75,20,000 | |
| | To Debentures Application and Allotment A/c | | | 75,20,000 |
| | (Application money on 8,000 debentures @ ₹ 940 each received) | | | |
| April 1 | Debentures Application and Allotment A/c ...Dr. | | 75,20,000 | |
| | Loss on Issue of Debentures A/c (8,000 × ₹ 110) ...Dr. | | 8,80,000 | |
| | To 9% Debentures A/c | | | 80,00,000 |
| | To Premium on Redemption of Debentures A/c | | | 4,00,000 |
| | (8,000; 9% Debentures of ₹ 1,000 each allotted at a discount of 6%, redeemable at a premium of 5%) | | | |
| Sept. 30 | Debentures' Interest A/c (₹ 80,00,000 × 9% × 6/12) ...Dr. | | 3,60,000 | |
| | To Debentureholders' A/c | | | 3,60,000 |
| | (Interest payable on 9% Debentures for 6 months) | | | |
| Sept. 30 | Debentureholders' A/c ...Dr. | | 3,60,000 | |
| | To Bank A/c | | | 3,60,000 |
| | (Interest paid to debentureholders) | | | |
| 2023 | | | | |
| March 31 | Debentures' Interest A/c ...Dr. | | 3,60,000 | |
| | To Debentureholders' A/c | | | 3,60,000 |
| | (Interest payable on 9% Debentures for 6 months) | | | |
| March 31 | Debentureholders' A/c ...Dr. | | 3,60,000 | |
| | To Bank A/c | | | 3,60,000 |
| | (Interest paid to debentureholders) | | | |
| March 31 | Statement of Profit & Loss (Finance Cost) ...Dr. | | 7,20,000 | |
| | To Debentures' Interest A/c | | | 7,20,000 |
| | (Interest on debentures transferred to Statement of Profit & Loss) | | | |
| March 31 | Statement of Profit & Loss (Finance Cost) ...Dr. | | 8,80,000 | |
| | To Loss on Issue of Debentures A/c | | | 8,80,000 |
| | (Loss on Issue of Debentures written off) | | | |

**26.**

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

| Particulars | Karan ₹ | Suchi ₹ | Meeta ₹ | Particulars | Karan ₹ | Suchi ₹ | Meeta ₹ |
|---|---|---|---|---|---|---|---|
| To Goodwill A/c | 90,000 | 60,000 | 1,50,000 | By Balance *b/d* | 3,00,000 | 2,00,000 | 5,00,000 |
| To Profit & Loss A/c | 18,000 | 12,000 | 30,000 | By General Reserve A/c | 30,000 | 20,000 | 50,000 |
| To Profit & Loss Suspense A/c (WN 1) —Share of Loss | ... | 2,400 | ... | By Revaluation A/c (Profit) | 23,100 | 15,400 | 38,500 |
| To Suchi's Executor's A/c | ... | 1,61,000 | ... | | | | |
| To Balance *c/d* (WN 2 and 3) | 2,45,100 | ... | 4,08,500 | | | | |
| | 3,53,100 | 2,35,400 | 5,88,500 | | 3,53,100 | 2,35,400 | 5,88,500 |

*Dr.* SUCHI'S EXECUTOR'S ACCOUNT *Cr.*

| Particulars | ₹ | Particulars | ₹ |
|---|---|---|---|
| To Suchi's Executor's Loan A/c | 2,11,000 | By Suchi's Capital A/c | 1,61,000 |
| | | By Suchi's Loan A/c | 50,000 |
| | 2,11,000 | | 2,11,000 |

BALANCE SHEET

*as on 12th June 2023*

| Liabilities | | ₹ | Assets | | ₹ |
|---|---|---|---|---|---|
| Creditors | | 75,000 | Land and Building | | 6,20,000 |
| Suchi's Executor's Loan | | 2,11,000 | Machinery | | 1,35,000 |
| Profit & Loss Suspense A/c | | 2,400 | Stock | | 25,000 |
| Capital A/cs: | | | Debtors | 1,20,000 | |
| Karan | 2,45,100 | | *Less:* Provision for Doubtful Debts | 3,000 | 1,17,000 |
| Meeta | 4,08,500 | 6,53,600 | Cash | | 45,000 |
| | | 9,42,000 | | | 9,42,000 |

***Working Notes:***

1. Calculation of Suchi's Share in estimated Loss for 73 days (31st March, 2023 to 12th June, 2023)
   = ₹ 60,000 × 73/365 × 2/10 = ₹ 2,400.

2. *Calculation of Karan's and Meeta's Capital in the New Firm:*

   Karan's Capital (Adjusted) (₹ 3,00,000 + ₹ 30,000 + ₹ 23,100 – ₹ 90,000 – ₹ 18,000) = ₹ 2,45,100

   Meeta's Capital (Adjusted) (₹ 5,00,000 + ₹ 50,000 + ₹ 38,500 – ₹ 1,50,000 – ₹ 30,000) = ₹ 4,08,500

   Total ₹ 6,53,600

   Karan's capital in new firm = ₹ 6,53,600 × 3/8 = ₹ 2,45,100

   Meeta's capital in new firm = ₹ 6,53,600 × 5/8 = ₹ 4,08,500

3. After all adjustments, the Capital Account balances of Karan and Meeta are in new profit-sharing ratio. So, there is no need of Current Account.

*Or*

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

*Calculation of Normal Profit:*

| Year ended | Profit | ₹ |
|---|---|---|
| 31st March, 2021 | (₹ 39,000 + ₹ 9,000) | 48,000 |
| 31st March, 2022 | (₹ 83,000 – ₹ 8,000) | 75,000 |
| 31st March, 2023 | | 72,000 |
| **Total** | | 1,95,000 |

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

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

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

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

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

Goodwill = Capitalised Value of the Business – Net Assets

= ₹ 5,00,000 – ₹ 4,40,000 = ₹ 60,000

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

(*ii*) JOURNAL

| Date | Particulars | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|
| 2023<br>April 1 | Bank A/c ...Dr.<br>To Cookie's Capital A/c<br>(Being the amount of capital brought by Cookie) | | 2,00,000 | <br>2,00,000 |
| | Cookie's Current A/c ...Dr.<br>To Cake's Capital A/c<br>To Muffin's Capital A/c<br>(Being the Cookie's share of goodwill credited to sacrificing partners in their sacrificing ratio of 1 : 2) | | 10,000 | <br>3,333<br>6,667 |

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

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

Sacrificing Ratio of Cake and Muffin = 1/18 : 2/18 or 1 : 2.

## Part B

**27.** (*d*) 2 Months.

***Working Note:***

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

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

? = 6 – 1.5 – 1 – 1.5 = 2 months.

*Or*

(*b*) Balance Sheet.

**28.** (*d*) A—3; B—1; C—4; D—2.

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

***Or***

(*a*) Both Statements are correct.

**30.** (*b*) ₹ 50,000.

***Working Note:***

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

**31.**

| ***S. No.*** | ***Item*** | ***Major Head*** | ***Sub-head*** |
|---|---|---|---|
| (*i*) | Balance of the Statement of Profit & Loss | Shareholders' Funds | Reserves and Surplus |
| (*ii*) | Interest Accrued on Investments | Current Assets | Other Current Assets |
| (*iii*) | Livestock | Non-current Assets | Property, Plant and Equipment and Intangible Assets—Property, Plant and Equipment |
| (*iv*) | Securities Premium | Shareholders' Funds | Reserves and Surplus |
| (*v*) | Trade Marks | Non-current Assets | Property, Plant and Equipment and Intangible Assets—Intangible Assets |
| (*vi*) | Capital Work-in-Progress | Non-current Assets | Property, Plant and Equipment and Intangible Assets—Capital Work-in-Progress. |

**32.**

(*i*) Debt to Equity Ratio $= \dfrac{\text{Long-term Debts}}{\text{Shareholders' Funds*}}$

$$= \frac{₹\ 30,00,000}{₹\ 22,00,000} = 1.36 : 1$$

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

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

*Securities Premium is already included in Reserves and Surplus.

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

$$= \frac{₹\ 60,00,000}{₹\ 30,00,000} = 2 \text{ Times}$$

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

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

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

(*iii*) Proprietary Ratio $= \dfrac{\text{Shareholders' Funds}}{\text{Total Assets}} \times 100$

$$= \frac{₹\ 22{,}00{,}000}{₹\ 60{,}00{,}000} \times 100 = 36.67\%.$$

**33.** ***L.M.R* Ltd.**

COMMON-SIZE BALANCE SHEET

*as at 31st March, 2022 and 2023*

| Particulars | Note No. | Absolute Amounts | | Percentage of Balance Sheet Total | |
|---|---|---|---|---|---|
| | | 31st March, 2022 (₹) | 31st March, 2023 (₹) | 31st March, 2022 (%) | 31st March, 2023 (%) |
| **I. EQUITY AND LIABILITIES** | | | | | |
| 1. Shareholders' Funds | | 4,00,000 | 8,00,000 | 50.00 | 50.00 |
| 2. Non-current Liabilities | | 2,00,000 | 5,00,000 | 25.00 | 31.25 |
| 3. Current Liabilities | | 2,00,000 | 3,00,000 | 25.00 | 18.75 |
| **Total** | | 8,00,000 | 16,00,000 | 100.00 | 100.00 |
| **II. ASSETS** | | | | | |
| 1. Non-current Assets | | 5,00,000 | 10,00,000 | 62.50 | 62.50 |
| 2. Current Assets | | 3,00,000 | 6,00,000 | 37.50 | 37.50 |
| **Total** | | 8,00,000 | 16,00,000 | 100.00 | 100.00 |

***Or***

COMPARATIVE STATEMENT OF PROFIT & LOSS

*for the years ended 31st March, 2022 and 2023*

| Particulars | Note No. | 31st March, 2022 (₹) | 31st March, 2023 (₹) | Absolute Change (Increase/ Decrease) (₹) | Percentage Change (Increase/ Decrease) (%) |
|---|---|---|---|---|---|
| I. Revenue from Operations | | 8,00,000 | 10,00,000 | 2,00,000 | 25 |
| II. *Expenses:* | | | | | |
| (*a*) Employee Benefit Expenses | | 4,00,000 | 5,00,000 | 1,00,000 | 25 |
| (*b*) Other Expenses | | 1,00,000 | 50,000 | (50,000) | (50) |
| **Total Expenses** | | 5,00,000 | 5,50,000 | 50,000 | 10 |
| III. **Profit before Tax (I – II)** | | 3,00,000 | 4,50,000 | 1,50,000 | 50 |
| IV. *Less:* Tax @ 50% | | 1,50,000 | 2,25,000 | 75,000 | 50 |
| V. **Profit after Tax (III – IV)** | | 1,50,000 | 2,25,000 | 75,000 | 50 |

**34.** CASH FLOW STATEMENT

*for the year ended 31st March, 2023*

| Particulars | | ₹ |
|---|---|---|
| **I. Cash Flow from Operating Activities** | | |
| Net Profit before Tax and Extraordinary Items (₹ 3,30,000 – ₹ 2,20,000) | 1,10,000 | |
| *Adjustments for Non-cash and Non-operating Items:* | | |
| Depreciation on Machinery (WN 3) | 25,000 | |
| Debenture Interest (10% of ₹ 1,60,000) | 16,000 | |
| *Operating Profit before Working Capital Changes* | 1,51,000 | |
| *Add:* Decrease in Trade Receivables | 1,10,000 | |
| | 2,61,000 | |
| *Less:* Decrease in Current Liabilities (Trade Payables) | 30,000 | |
| *Cash Flow from Operating Activities* | 2,31,000 | 2,31,000 |
| **II. Cash Flow from Investing Activities** | | |
| Machinery Purchased (WN 2) | (3,70,000) | |
| Non-current Investment Purchased | (35,000) | |
| *Cash Used in Investing Activities* | (4,05,000) | (4,05,000) |
| **III. Cash Flow from Financing Activities** | | |
| Proceeds from Issue of Shares | 2,00,000 | |
| Paid Interest on Debentures | (16,000) | |
| Proceeds from Debentures issued | 60,000 | |
| *Cash Flow from Financing Activities* | 2,44,000 | 2,44,000 |
| **IV. Net Increase in Cash and Cash Equivalents (I + II + III)** | | 70,000 |
| **V. *Add:* Cash and Cash Equivalents: Opening Balance** | | 2,10,000 |
| **VI. Cash and Cash Equivalents: Closing Balance (IV + V)** | | 2,80,000 |

***Working Notes:***

1. CASH AND CASH EQUIVALENTS

| Particulars | 2022 (₹) | 2023 (₹) |
|---|---|---|
| Cash and Cash Equivalents | 1,70,000 | 2,00,000 |
| Current Investments | 40,000 | 80,000 |
| Cash and Cash Equivalents | 2,10,000 | 2,80,000 |

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

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

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

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