ANSWERS

Part A

1. (*c*)

Working Note:

$$\text{New Profit Share of Old Partner} = \text{Old Profit Share} - \text{Share Acquired by Incoming Partner}$$

$$\text{Profit Share Acquired by Saloni from Raman} = \frac{2}{3} \times \frac{1}{4} = \frac{2}{12}$$

$$\text{Profit Share Acquired by Saloni from Rohit} = \frac{1}{3} \times \frac{1}{4} = \frac{1}{12}$$

$$\text{Saloni's Profit Share} = \frac{2}{12} + \frac{1}{12} = \frac{3}{12} \text{ or } \frac{1}{4}$$

$$\text{Raman's New Profit Share} = \frac{3}{5} - \frac{2}{12} = \frac{36-10}{60} = \frac{26}{60}$$

$$\text{Rohit's New Profit Share} = \frac{2}{5} - \frac{1}{12} = \frac{24-5}{60} = \frac{19}{60}$$

$$\text{New Profit-sharing Ratio of Raman, Rohit \& Saloni} = \frac{26}{60} : \frac{19}{60} : \frac{1}{4} = 26 : 19 : 15.$$

2. (*b*)

3. (*d*) ***Or*** (*c*)

4. (*b*)

Working Note:

Net Effect of Accumulated Profits/Losses or Reserves:	₹
General Reserve	1,00,000
Profit & Loss (Dr.)	(2,00,000)
Advertisement Suspense A/c	(50,000)
Net Effect	(1,50,000)

Net effect of the above is negative, therefore gaining partner (Shiv) will be credited and sacrificing partner (Mohan) will be debited by their share of loss.

Or

(*c*)

5. (*c*)

Reason:
Manager's commission is debited to Profit & Loss Account since it is a charge against the profit and not an appropriation of profit.

6. (*c*)

Working Note:		₹
Loss on Issue of Debentures	=	1,60,000
Less: Premium on Redemption of Debentures (10,000 × ₹ 10)	=	1,00,000
Discount on Issue of Debentures	=	60,000

$$\% \text{ of Discount} = \frac{₹\,60,000}{₹\,10,00,000} \times 100 = 6\%.$$

Or

(*c*)

Working Note:

		₹
Premium on Redemption of Debentures (Loss on Issue of Debentures)	=	1,00,000
Less: Loss on Issue of Debentures adjusted from Statement of Profit & Loss	=	40,000
Loss on Issue of Debentures adjusted from Securities Premium		60,000

% of Premium on Issue of Debentures = $\frac{₹60,000}{₹10,00,000} \times 100 = 6\%$.

7. (*d*) ₹ 4,950

Working Note:

[(250 × ₹ 15) + (150 × ₹ 8)] = ₹ 4,950.

8. (*d*)*

*Balance paid to creditor Raj = ₹ 22,000 – ₹ 12,000 = ₹ 10,000.

9. (*b*)

Working Note:

Net Profit of the firm = ₹ 3,02,500 – ₹ 900 (Interest on Loan) = ₹ 3,01,600.

10. (*d*)

Working Note:

Interest on Drawings = ₹ 15,000 × $\frac{4}{100} \times \frac{5^*}{24}\left(or\ \frac{2.5}{12}\right)$ = ₹ 125.

$$\text{*Average Period} = \frac{\text{Month's Left after First Drawings + Months Left after Last Drawing}}{2}$$

$$= \frac{5+0}{2} = 2.5 \text{ months.}$$

11. (*b*)

Working Notes:

Calculation of Amount of Appropriation Credited:

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

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

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

Divisible Profit = ₹ 1,00,000 (Net Profit) + ₹ 1,000 (Interest on Drawings Charged)
= ₹ 1,01,000.

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

Current Accounts will be Credited:

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

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

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

Or

(*b*)

Working Note:

ADJUSTMENT TABLE

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

12. (*d*) ₹ 900.

Working Note:

		₹
Amount Forfeited on 300 shares (300 × ₹ 4)	=	1,200
Less: Loss (Discount) on Re-issue [(300 × ₹ 6) – ₹ 1,500]	=	300
Amount transferred to Capital Reserve	=	900

13. (*c*)

14. (*d*)

Working Note:

$$\text{Ben's Actual Share of Loss} = ₹\,1,20,000 \times \frac{1}{6} = ₹\,20,000$$

$$\text{Guaranteed amount of profit for half year} = ₹\,30,000 \times \frac{6}{12} = ₹\,15,000$$

$$\text{Deficiency} = \text{Guaranteed Amount} + \text{Loss Share}$$

$$= ₹\,15,000 + ₹\,20,000 = ₹\,35,000$$

Or

(*c*)

15. (*c*)

Reasons:

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

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

16. (*c*)

Working Note:

Calculation of Partners' New Capital:

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

$$= \frac{₹\,2,40,000}{1/5}$$

$$= ₹\,2,40,000 \times \frac{5}{1} = ₹\,12,00,000.$$

Total Capital of Pankaj & Naresh in New Firm will be:

₹ 12,00,000 – ₹ 2,40,000 = ₹ 9,60,000

Pankaj's New Capital = ₹ 9,60,000 × $\frac{5}{8}$ = ₹ 6,00,000

Naresh's New Capital = ₹ 9,60,000 × $\frac{3}{8}$ = ₹ 3,60,000

Saurabh's Capital = ₹ 2,40,000.

17.

JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Furniture A/c	...Dr.		12,000	
	To Revaluation A/c				12,000
	(Unrecorded furniture recorded)				
	Revaluation A/c	...Dr.		12,000	
	To Parth's Capital A/c				6,000
	To Angad's Capital A/c				4,000
	To Leesha's Capital A/c				2,000
	(Gain (profit) on revaluation distributed among partners)				
	Angad's Capital A/c (₹ 50,000 + ₹ 4,000)	...Dr.		54,000	
	To Cash A/c				42,000
	To Furniture A/c				12,000
	(Angad's account settled by giving cash along with furniture)				

18.

Dr. PROFIT & LOSS APPROPRIATION ACCOUNT *for the year ended 31st March, 2022* *Cr.*

Particulars		₹	Particulars	₹
To Partner's Salary—Kapil		30,000	By Profit & Loss A/c (WN)	1,44,000
To Interest on Capital A/cs:				
Sachin	20,000			
Kapil	15,000	35,000		
To Partners' Capital Accounts: (Share of Profit)				
Sachin (3/5)	47,400			
Kapil (2/5)	31,600	79,000		
		1,44,000		1,44,000

Commission payable to the manager is a charge against profit. It, therefore, will be transferred to Profit & Loss Account and not in the Profit & Loss Appropriation Account.

Working Note:

Net profit before distribution is calculated as under:	₹
Net Profit (as given)	1,20,000
Add: Kapil's Salary	30,000
	1,50,000
Less: Manager's Commission (Provision: 5% of ₹ 1,20,000)	6,000
	1,44,000

Or

Calculation of Interest on Drawings:

Since date of drawings are not given, interest will be charged for 6 months.

		₹
Vimal	: ₹ 15,000 × 5/100 × 6/12 =	375
Nirmal	: ₹ 12,600 × 5/100 × 6/12 =	315
Kailash	: ₹ 12,000 × 5/100 × 6/12 =	300
Total		990

ADJUSTMENT TABLE

Particulars	Vimal (₹)	Nirmal (₹)	Kailash (₹)	Total (₹)
I. Interest on Drawings (Dr.)	375	315	300	990
II. Division of ₹ 990 in 3 : 2 : 1 (Cr.)	495	330	165	990
III. Difference (I – II)	120 Cr.	15 Cr.	135 Dr.	...

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Kailash's Capital A/c ...Dr.		135	
	To Vimal's Capital A/c			120
	To Nirmal's Capital A/c			15
	(Adjustment of interest on drawings)			

19. JOURNAL OF CHROME LTD.

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

Or

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Plant & Machinery ...Dr.		4,00,000	
	Building A/c ...Dr.		6,00,000	
	Stock A/c ...Dr.		5,00,000	
	Sundry Debtors A/c ...Dr.		3,00,000	
	To Sundry Creditors A/c			2,00,000
	To Krishna Traders			15,00,000
	To Capital Reserve A/c (Bal. Fig.)			1,00,000
	(Purchase of assets and liabilities of Krishna Traders)			

	Krishna Traders ...Dr.		3,00,000	
	To Bank A/c			3,00,000
	(₹ 3,00,000 paid to Krishna Traders by cheque)			
	Krishna Traders ...Dr.		12,00,000	
	To Equity Share Capital A/c			10,00,000
	To Securities Premium A/c			2,00,000
	(Balance discharged by issue of 10,000 equity shares of ₹ 10 each at 20% premium (Note)			

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

20. JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2022				
April 1	Anita's Capital A/c ...Dr.		15,000	
	Asha's Capital A/c ...Dr.		10,000	
	Amrit's Capital A/c ...Dr.		5,000	
	To Goodwill A/c			30,000
	(Goodwill written-off in old ratio on change in profit-sharing ratio)			
April 1	Asha's Capital A/c ...Dr.		10,000	
	To Anita's Capital A/c			10,000
	(Adjustment for Goodwill made on change in profit-sharing ratio)			

Working Note:

Valuation of Goodwill:

Goodwill = (₹ 60,000 – ₹ 48,000) × 5 = ₹ 60,000.

Calculation of Gain or Sacrifice of Partners:

Sacrifice Share = Old Share – New Share

Anita = $\frac{3}{6}-\frac{2}{6}=\frac{1}{6}$ (*i.e.*, Sacrifice)

Asha = $\frac{2}{6}-\frac{3}{6}=\left(\frac{1}{6}\right)$ (*i.e.*, gain)

Amrit = $\frac{1}{6}-\frac{1}{6}=0$

Anita is a sacrificing partner and Asha is a gaining partner.

Compensation payable by Asha to Anita = ₹ 60,000 × $\frac{1}{6}$ = ₹ 10,000.

21. AN EXTRACT OF BALANCE SHEET OF AKASH LTD.

as at ...

Particulars	Note No.	Current Year ₹	Previous Year ₹
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(*a*) Share Capital	1	55,00,000	

Notes to Accounts

Particulars	₹
1. Share Capital	
Authorised Capital	
2,00,000 Equity Shares of ₹ 50 each	1,00,00,000
Issued Capital	
1,55,000 Equity Shares of ₹ 50 each	77,50,000
Subscribed and Fully Paid-up	
5,000 Equity Shares of ₹ 50 each fully paid	2,50,000
(These shares have been issued for consideration other than cash)	
Subscribed but not Fully Paid-up	
1,50,000 Equity Shares of ₹ 50 each issued to public, ₹ 35 paid-up	52,50,000
	55,00,000

22.

Dr. REALISATION ACCOUNT *Cr.*

Particulars	₹	Particulars		₹
To Building A/c	20,000	By Employees' Provident Fund A/c		6,000
To Plant A/c	44,000	By Creditors A/c		22,000
To Stock A/c	12,000	By Sindhu's Capital A/c (Building Taken)		20,000
To Debtors A/c	10,000	By Cash A/c:		
To Accrued Interest A/c	2,000	Plant	50,000	
To Cash A/c (Contingent Liability)	1,200	Stock	10,000	
To Sindhu's Capital A/c (for Realisation Expenses)	1,200	Debtors	9,200	69,200
To Cash A/c (Provident Fund)	6,000	By Partners' Capital A/cs (Loss):		
To Sindhu's Capital A/c (Creditors Paid)	22,000	Sindhu	600	
		Rahul	360	
		Kamlesh	240	1,200
	1,18,400			1,18,400

Notes:

1. Actual realisation paid out of Firm's Bank Account will be debited to Sindhu's Capital Account as it was a personal expense of Sindhu.
2. Agreed realisation expenses will be credited to Sindhu's Capital Account and debited to Realisation Account.

23. JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	...Dr.		3,00,000	
	To Equity Shares Application A/c				3,00,000
	(Application money received including premium)				
	Equity Shares Application A/c	...Dr.		3,00,000	
	To Equity Share Capital A/c				1,60,000
	To Securities Premium A/c				80,000
	To Equity Shares Allotment A/c				60,000
	(Share application money adjusted)				
	Equity Shares Allotment A/c	...Dr.		2,40,000	
	To Equity Share Capital A/c				2,40,000
	(Share allotment money due)				

	Bank A/c ...Dr.		1,44,000	
	To Equity Shares Allotment A/c			1,44,000
	(Share allotment money received)			
	Equity Share Capital A/c ...Dr.		80,000	
	To Equity Shares Allotment A/c			36,000
	To Forfeited Shares A/c			44,000
	(8,000 shares forfeited for non-payment of allotment money)			
	Bank A/c ...Dr.		70,000	
	Forfeited Shares A/c ...Dr.		10,000	
	To Equity Share Capital A/c			80,000
	(8,000 forfeited shares reissued at a discount)			
	Forfeited Shares A/c ...Dr.		34,000	
	To Capital Reserve A/c (₹ 44,000 – ₹ 10,000)			34,000
	(Gain on re-issue of shares transferred to capital reserve)			

Working Note:

Calculation of allotment money received:	₹
Allotment money due on 40,000 shares @ ₹ 6 per share	2,40,000
Less: Allotment money received with applications	60,000
Net amount due on 40,000 shares	1,80,000
Less: Allotment money not received on 8,000 shares, *i.e.*, ₹ 48,000 – (2,000 × ₹ 6)	36,000
Net amount received on allotment	1,44,000

(*i*) Number of shares applied by Shyam = $\frac{50,000}{40,000} \times 8,000$ = 10,000 shares.

(*ii*) Application money received on shares applied = 10,000 × ₹ 6 = ₹ 60,000.

(*iii*) Excess Application money adjusted on allotment = ₹ 60,000 – ₹ 48,000 = ₹ 12,000.

(*iv*) Allotment money due on shares allotted (8,000 × ₹ 6) = ₹ 48,000

Less: Excess Application money adjusted (iii) = ₹ 12,000

Allotment money due but not received = ₹ 36,000

Or

(*a*) JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c (1,200 × ₹ 10) ...Dr.		12,000	
	To Forfeited Shares A/c [(700 × ₹ 7) + (500 × ₹ 5)]			7,400
	To Share First Call A/c (500 × ₹ 2)			1,000
	To Share Second and Final Call A/c [(700 + 500) × ₹ 3]			3,600
	(700 shares forfeited for non-payment of second and final call and 500 shares for non-payment of first and second and final call)			
	Bank A/c (1,200 × ₹ 11)		13,200	
	To Share Capital A/c			12,000
	To Securities Premium A/c			1,200
	(1,200 forfeited shares were reissued for ₹ 11 per share)			

	Forfeited Shares A/c ...Dr.		7,400	
	To Capital Reserve A/c (Note)			7,400
	(Transfer of profit on reissued shares)			

Note: Shares are reissued at a premium, so, the entire amount forfeited on such shares, *i.e.*, ₹ 7,400 is a Capital Gain and transferred to Capital Reserve Account.

(*b*) JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c ...Dr.		20,000	
	Share Premium A/c ...Dr.		4,000	
	To Equity Shares Allotment A/c			12,000
	To Forfeited Shares A/c			12,000
	(2,000 shares forfeited for non-payment of allotment money)			
	Bank A/c ...Dr.		13,500	
	Forfeited Shares A/c ...Dr.		1,500	
	To Equity Share Capital A/c			15,000
	(Issue of 1,500 shares of ₹ 9 per share, fully called-up)			
	Forfeited Shares A/c ...Dr.		7,500	
	To Capital Reserve A/c			7,500
	(Gain ₹ 7,500 (₹ 9,000 – ₹ 1,500) on reissue of shares transferred to capital reserve)			

24.

Dr. REVALUATION ACCOUNT *Cr.*

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

Dr. PARTNERS' CAPITAL ACCOUNTS *Cr.*

Particulars	Raghu ₹	Rishu ₹	Rishabh ₹	Particulars	Raghu ₹	Rishu ₹	Rishabh ₹
To Current A/cs (Bal. Fig.)	7,200	4,800	...	By Balance *b/d*	1,35,000	90,000	...
To Balance *c/d* (WN 1 & 2)	1,80,000	1,20,000	1,00,000	By Cash A/c	...	...	1,00,000
				By General Reserve A/c	15,000	10,000	...
				By Revaluation A/c	19,200	12,800	...
				By Rishabh's Current A/c (Goodwill)	18,000	12,000	...
	1,87,200	1,24,800	1,00,000		1,87,200	1,24,800	1,00,000

Working Notes:

1. *Calculation of New Profit Sharing Ratio:*

$$\text{Let the Total Share} = 1,$$

$$\text{Rishabh's Share} = \frac{1}{4}$$

$$\text{Remaining Share} = 1-\frac{1}{4}=\frac{3}{4}$$

$$\text{Raghu's New Profit Share} = \frac{3}{4}\times\frac{3}{5}=\frac{9}{20}$$

$$\text{Rishu's New Profit Share} = \frac{3}{4}\times\frac{2}{5}=\frac{6}{20}$$

New Profit-sharing Ratio of Raghu, Rishu and Rishabh = $\frac{9}{20}:\frac{6}{20}:\frac{1}{4}=9:6:5.$

2. *Calculation of Partners' New Capitals:*

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

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

New Capital of Partners:

$$\text{Raghu} = ₹\,4,00,000\times\frac{9}{20} = ₹\,1,80,000.$$

$$\text{Rishu} = ₹\,4,00,000\times\frac{6}{20} = ₹\,1,20,000.$$

Or

Dr. REVALUATION ACCOUNT *Cr.*

Particulars		₹	Particulars	₹
To Provision for Doubtful Debts A/c		700	By Sundry Creditors A/c	2,500
To Partners' Capital A/cs—Gain on Revaluation:				
X	900			
Y	600			
Z	300	1,800		
		2,500		2,500

Dr. PARTNERS' CAPITAL ACCOUNTS *Cr.*

Particulars	*X* ₹	*Y* ₹	*Z* ₹	Particulars	*X* ₹	*Y* ₹	*Z* ₹
To *Y*'s Capital A/c (Goodwill)	9,000	...	3,000	By Balance *b/d*	90,000	60,000	30,000
To Cash A/c	...	9,000	...	By General Reserve A/c	3,000	2,000	1,000
To *Y*'s Loan A/c	...	68,600	...	By Revaluation A/c (Gain)	900	600	300
To Balance *c/d* (WN 2)	90,000	...	30,000	By Workmen Compensation Reserve A/c	4,500	3,000	1,500
				By *X*'s Capital A/c	...	9,000	...
				By *Z*'s Capital A/c	...	3,000	...
				By Cash A/c (Bal. Fig.)	600	...	200
	99,000	77,600	33,000		99,000	77,600	33,000

Working Notes:

1. As profit-sharing ratio of continuing partners (*X* and *Z*) does not change among them, it means they have gained (acquired) share of retiring partner (*Y*) in their profit-sharing ratio, *i.e.*, 3 : 1.
2. Total Capital of the New firm = ₹ 1,20,000, which will be in the ratio of 3 : 1, Thus,

   X's Capital in New Firm = 3/4 of ₹ 1,20,000 = ₹ 90,000; and

   Z's Capital in New Firm = 1/4 of ₹ 1,20,000 = ₹ 30,000.

25.

Dr. SHYAM'S CAPITAL ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Shyam's Executor's A/c (Bal. Fig.)	34,700	By Balance *b/d*	12,000
		By General Reserve A/c (₹ 12,000 × 2/6)	4,000
		By Interest on Capital A/c (₹ 12,000 × 10/100 × 3/12)	300
		By Profit & Loss Suspense A/c (₹ 1,20,000 × 10/100 × 2/6)	4,000
		By Ram's Capital A/c (Goodwill)	10,800
		By Rahim's Capital A/c (Goodwill)	3,600
	34,700		34,700

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

Particulars	₹	Particulars	₹
To Bank A/c (Bal. Fig.)	34,700	By Shyam's Capital A/c	34,700
	34,700		34,700

Working Note:

Calculation of Shyam's Share of Goodwill:

Total Profit of 3 years = ₹ 8,200 + ₹ 9,000 + ₹ 9,800 = ₹ 27,000

Firm's Goodwill = (27,000 × ₹ 2) – (20% of ₹ 54,000) = ₹ 54,000 – ₹ 10,800 = ₹ 43,200

Shyam's Share of Goodwill = ₹ 43,200 × $\frac{2}{6}$ = ₹ 14,400

Shyam's Share of Goodwill ₹ 14,200 adjusting by debiting gaining partners in gaining ratio, *i.e.*, 3 : 1

Ram's contribution = ₹ 14,400 × $\frac{3}{4}$ = ₹ 10,800

Rahim's contribution = ₹ 14,400 × $\frac{1}{4}$ = ₹ 3,600.

26. (*a*) JOURNAL

Date		Particulars		L.F.	Dr. (₹)	Cr. (₹)
2021						
Oct.	1	Bank A/c	...Dr.		66,00,000	
		To Debentures Application and Allotment A/c				66,00,000
		(Application money received)				
		Debentures Application & Allotment A/c	...Dr.		66,00,000	
		Loss on Issue of Debentures A/c	...Dr.		12,00,000	
		To 8% Debentures A/c				60,00,000
		To Securities Premium A/c				6,00,000
		To Premium on Redemption of Debentures A/c				12,00,000
		(Debentures issued at 10% premium to be redeemed at 20% premium)				

(*b*)

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

Date	Particulars	₹	Date	Particulars	₹
2021			2022		
Oct. 1	To Premium on Redemption of Debentures A/c	12,00,000	March 31	By Securities Premium A/c	8,20,000
				By Statement of Profit & Loss (Bal. Fig.)	3,80,000
		12,00,000			12,00,000

(*c*) JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2022					
March 31	Interest on Debentures A/c	...Dr.		3,40,000	
	To Debentureholders' A/c				3,40,000
	(Interest due on debentures) (WN 1)				
	Debentureholders' A/c	...Dr.		3,40,000	
	To Bank A/c				3,40,000
	(Payment of Interest)				
	Statement of Profit & Loss (Finance Cost)	...Dr.		4,40,000	
	To Interest on Debentures A/c (WN 2)				4,40,000
	(Transfer of Debentures interest to Statement of Profit & Loss)				

Working Notes:

1. *Interest on Debentures:*

$$₹\,25{,}00{,}000 \times \frac{8}{100} \times \frac{6}{12} = ₹\,1{,}00{,}000$$

$$₹\,60{,}00{,}000 \times \frac{8}{100} \times \frac{6}{12} = ₹\,2{,}40{,}000$$

Total ₹ 3,40,000

2. $$\left[\left(₹\,25{,}00{,}000 \times \frac{8}{100}\right) + \left(₹\,6{,}00{,}000 \times \frac{8}{100} \times \frac{6}{12}\right)\right] = ₹\,4{,}40{,}000.$$

Part B

27. (*d*) ₹ 5,00,000 as Current Assets.

Or

(*a*) All are correct.

28. (*b*)

Working Note:

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

$$6 = \frac{\text{Cost of Revenue from Operations}}{₹\,8{,}000}$$

$$\text{Cost of Revenue from Operations} = ₹\,8{,}000 \times 6 = ₹\,48{,}000$$

$$\text{Revenue from Operations} = ₹\,48{,}000 + \left[₹\,48{,}000 \times \frac{25}{100}\right] = ₹\,60{,}000.$$

$$\text{Gross Profit} = \text{Revenue from Operations} - \text{Cost of Revenue from Operations}$$

$$= ₹\,60{,}000 - ₹\,48{,}000 = ₹\,12{,}000.$$

29. (*a*) ***Or*** (*c*)

30. (*b*)

Dr. MACHINERY ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Balance *b/d*	15,00,000	By Depreciation A/c	2,00,000
To Statement of Profit & Loss (Gain)	60,000	By Bank A/c (Sale) (Bal. Fig.)	5,10,000
To Bank A/c (Purchase)	1,50,000	By Balance *c/d*	10,00,000
	17,10,000		17,10,000

31.

S. No.	Item	Major Head	Sub-head
(*i*)	Accrued Income	Current Assets	Other Current Assets
(*ii*)	Current Maturities of Long-term Debts	Current Liabilities	Short-term Borrowings
(*iii*)	Premium on Redemption of Debentures	Non-current Liabilities	Other Long-term Liabilities
(*iv*)	Patents	Non-current Assets	Property, Plant and Equipment and Intangible Assets—Intangible Assets
(*v*)	Capital Advances	Non-current Assets	Long-term Loans and Advances
(*vi*)	Capital Work-in-Progress	Non-current Assets	Property, Plant and Equipment and Intangible Assets—Capital Work-in-Progress

32. (*a*) The objective of computing Debt-Equity Ratio is to measure the safety margin available to the suppliers of long-term debts. It measures the extent to which debt is being covered by Equity.

(*b*) Vijaya Ltd. has got better Debt-Equity Ratio because 100% safety margin is available for lenders since owner's equity is treated as margin of safety for lenders whereas only 50% safety margin is available for lenders in case of Vikas Ltd.

33. (*a*) Current Liabilities = Total Debts – Non-current Liabilities

= ₹ 2,60,000 – ₹ 2,00,000 = ₹ 60,000

Current Assets = Current Liabilities + Working Capital

= ₹ 60,000 + ₹ 1,20,000 = ₹ 1,80,000

Quick Assets = Current Assets – Inventory – Prepaid Expenses

= ₹ 1,80,000 – ₹ 50,000 – ₹ 10,000 = ₹ 1,20,000

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

$$= \frac{₹\ 1{,}20{,}000}{₹\ 60{,}000} = 2:1.$$

(*b*) Total Assets = Shareholders' Funds + Non-current Liabilities + Current Liabilities

= ₹ 3,00,000 + ₹ 6,00,000 + ₹ 3,00,000 = ₹ 12,00,000

$$\text{Total Assets to Debt Ratio} = \frac{\text{Total Assets}}{\text{Debt}}$$

$$= \frac{₹\ 12{,}00{,}000}{₹\ 6{,}00{,}000} = 2:1.$$

Or

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

$= \dfrac{₹\ 5,00,000}{₹\ 1,25,000} = 4$ Times.

Working Notes:

1. Revenue from Operations = ₹ 1,30,000 + ₹ 3,70,000 = ₹ 5,00,000
2. Current Assets = ₹ 1,40,000 + ₹ 90,000 = ₹ 2,30,000
3. Working Capital = Current Assets – Current Liabilities
   = ₹ 2,30,000 – ₹ 1,05,000 = ₹ 1,25,000

(*b*) Cost of Revenue from Operations = Operating Cost – Operating Expenses

= ₹ 8,50,000 – ₹ 50,000 = ₹ 8,00,000

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

$= ₹\ 8,00,000 + \left(₹\ 8,00,000 \times \dfrac{25}{100}\right) = ₹\ 10,00,000$

Operating Profit = Revenue from Operations – Operating Cost

= ₹ 10,00,000 – ₹ 8,50,000 = ₹ 1,50,000

Operating Profit Ratio $= \dfrac{\text{Operating Profit}}{\text{Revenue from Operations}} \times 100$

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

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

Particulars		₹	₹
I. Cash Flow from Operating Activities			
Net Profit before Tax (WN 1)		1,50,000	
Add: Non-cash and Non-operating Expenses:			
Depreciation		80,000	
Interest on Debentures		50,000	
Goodwill Amortised		60,000	
Loss on Sale of Machinery		12,000	
Operating Profit before Working Capital Changes		3,52,000	
Add: Increase in Current Liabilities:			
Trade Payables		40,000	
		3,92,000	
Less: Increase in Current Assets:			
Inventories	50,000		
Trade Receivables	2,00,000	(2,50,000)	
Cash Generated from Operating Activities before Tax		1,42,000	
Less: Tax Paid		20,000	
Cash Flow from Operating Activities			1,22,000
B. Cash Flow from Investing Activities			
Sale of Machinery		18,000	
Purchase of Machinery		(8,10,000)	
Cash Used in Investing Activities			(7,92,000)

C. Cash Flow from Financing Activities		
Payment of Bank Overdraft	(10,000)	
Issue of Equity Share Capital	4,00,000	
Issue of Debentures	3,60,000	
Interest paid on Debentures	(50,000)	
Cash Flow from Financing Activities		7,00,000
D. Net Increase in Cash and Cash Equivalents (A + B + C)		30,000
Add: Cash and Cash Equivalents in the beginning of the year		60,000
E. Cash and Cash Equivalents at the end of the year		90,000

Working Notes:

1. *Calculation of Net Profit before Tax:*

	₹
Closing Balance of Reserves and Surplus	5,00,000
Less: Opening Balance of Reserves and Surplus	4,00,000
Profit during the year	1,00,000
Add: Provision for Tax made during the Current Year (WN 2)	50,000
Net Profit before Tax	1,50,000

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

Particulars	₹	Particulars	₹
To Bank A/c (Tax paid)	20,000	By Balance *b/d*	30,000
To Balance *c/d*	60,000	By Statement of Profit & Loss (Provision made) (Balancing Figure)	50,000
	80,000		80,000

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

Particulars	₹	Particulars	₹
To Balance *b/d*	10,00,000	By Accumulated Depreciation A/c	20,000
To Bank A/c (Purchase) (Balancing Figure)	8,10,000	By Bank A/c (Sale)	18,000
		By Loss on Sale of Machinery A/c (Statement of Profit & Loss)	12,000
		By Balance *c/d*	17,60,000
	18,10,000		18,10,000

4. *Dr.* ACCUMULATED DEPRECIATION ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Machinery A/c	20,000	By Balance *b/d*	1,00,000
To Balance *c/d*	1,60,000	By Depreciation A/c (Balancing Figure)	80,000
	1,80,000		1,80,000