ANSWERS

Part A

1. (*d*) ₹ 19,000.

Working Note:

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

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

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

Or

(*c*) ₹ 2,00,000 (2,000 × ₹ 100).

4. (*d*) ₹ 5,000

Working Note:

Calculation of Monthly Drawings of Green:

Green draws in the beginning of every month. Therefore,

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

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

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

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

Or

(*d*) 12% p.a.

Working Note:

Calculation of Rate of Interest on Drawings:

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

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

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

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

5. (*d*) Interest on Partner's Capital. It is appropriation of profit while others are charge against profit.

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

Since debentures cannot be issued in Fraction, therefore, number of Debentures issued will be 6,631. ₹ 55 will be paid by cheque.

Or

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

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

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

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

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

8. (*a*) ₹ 1,20,000.

Working Note:

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

Or

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

Working Note:

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

9. (*d*) ₹ 10,000.

Working Note:

Interest on Capital $= \frac{10}{100}(₹\ 6{,}00{,}000 + ₹\ 4{,}00{,}000 + ₹\ 2{,}00{,}000) = ₹\ 1{,}20{,}000$

Profit after Interest on Capital $= ₹\ 3{,}00{,}000 - ₹\ 1{,}20{,}000 = ₹\ 1{,}80{,}000$

Profit-sharing Ratio between Kavita, Savita Madhu $= \frac{1}{3} : \frac{1}{2} : \frac{1}{6} = 2:3:1$

Savita's Actual Share of Profit $= ₹1{,}80{,}000 \times \frac{3}{6} = ₹\ 90{,}000$

Savita's share of profit is short of the guaranteed amount = ₹ 1,00,000 (Guaranteed Amount) – ₹ 90,000
= ₹ 10,000.

10. (*b*) Kavita ₹ 50,000; Savita ₹ 1,00,000 and Madhu ₹ 30,000.

Working Note:

Share of Partners' in Divisible Profit of ₹ 1,80,000:

Kavita's Share $= ₹\ 1{,}80{,}000 \times \frac{2}{6} = ₹\ 60{,}000$ *less* ₹ 10,000 (To Savita) = ₹ 50,000;

Savita's Share = ₹ 90,000 + ₹ 10,000 = ₹ 1,00,000;

Madhu's Share $= ₹\ 1{,}80{,}000 \times \frac{1}{6} = ₹\ 30{,}000.$

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

12. (*b*) ₹ 35,000.

Working Notes:

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

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

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

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

13. (*c*)

Reasons:

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

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

14. (*d*) ₹ 2,100

Note:

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

15. (*b*)

Working Notes:

Calculation of Amount of Appropriation Credited:

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

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

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

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

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

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

Current Accounts will be Credited:

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

Working Note:

ADJUSTMENT TABLE

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

16. (*d*) ₹ 30,000 (Loss)

Working Note:

Calculation of Gain/Loss in Realisation Account:

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

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

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

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

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

17. (*i*) % of profit on sale for 2021–22 $= \dfrac{₹\ 1,80,000}{₹\ 6,00,000} \times 100 = 30\%$

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

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

(*ii*) JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2022					
June 30	Profit & Loss Suspense A/c	...Dr.		14,400	
	To Ajay's Capital A/c				14,400
	(Ajay's share of interim profit provided)				

18. ADJUSTING JOURNAL ENTRY

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

Working Note:

ADJUSTMENT TABLE

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

Or

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

Deficiency = Guaranteed Profit – ₹ 18,000

= ₹ 50,000 – ₹ 18,000 = ₹ 32,000

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

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

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

19. JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Sundry Assets A/c	...Dr.		25,00,000	
	To Sundry Liabilities A/c				5,00,000
	To Basics Ltd.				20,00,000
	(Assets and liabilities taken over)				
	Basics Ltd.	...Dr.		20,00,000	
	Loss on Issue of Debentures A/c	...Dr.		2,00,000	
	To 6% Debentures A/c				21,00,000
	To Premium on Redemption of Debentures A/c				1,00,000
	(20,000, 6% Debentures issued at 5% discount redeemable at 5% premium)				

Or

JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	...Dr.		33,00,000	
	To Shares Application and Allotment A/c				33,00,000
	(Application money received for 3,00,000 shares)				
	Shares Application and Allotment A/c	...Dr.		33,00,000	
	To Share Capital A/c (1,00,000 × ₹ 10)				10,00,000
	To Securities Premium A/c (1,00,000 × ₹ 1)				1,00,000
	To Bank A/c (2,00,000 × ₹ 11)				22,00,000
	(Share application money adjusted and Surplus refunded)				

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

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

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

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

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

CALCULATION OF INTEREST ON CAPITAL

Particulars	Rakshit ₹	Malik ₹
A. *Interest on Opening Capital:*		
Rakshit = ₹ 1,20,000 × 8/12 × 6/100	4,800	
Malik = ₹ 80,000 × 8/12 × 6/100		3,200
B. *Interest on Additional Capital:*		
Rakshit = ₹ 80,000 × 4/12 × 6/100	1,600	
Malik = ₹ 20,000 × 4/12 × 6/100		400
	6,400	3,600

(*ii*) JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	On allowing Interest on Capital				
	Interest on Capital A/c	...Dr.		10,000	
	To Rakshit's Capital A/c				6,400
	To Malik's Capital A/c				3,600
	(Interest on capital provided)				
	On Closure of Interest on Capital Account:				
	Profit & Loss Appropriation A/c	...Dr.		10,000	
	To Interest on Capital A/c (Rakshit's Capital)				6,400
	To Interest on Capital A/c (Malik's Capital)				3,600
	(Interest on capital transfer to Profit & Loss Appropriation Account)				

21. BALANCE SHEET OF LATEX LTD. *as at ...*

Particulars	Note No.	Current Year ₹
I. EQUITY AND LIABILITIES		
1. Shareholders' Funds		
Share Capital	1	59,25,000

Note to Accounts

Particulars		₹
1. Share Capital		
Authorised Capital		
30,00,000 Equity Shares of ₹ 10 each		3,00,00,000
2,00,000 Preference Shares of ₹ 100 each		2,00,00,000
		5,00,00,000
Issued Capital		
10,00,000 Equity Shares of ₹ 10 each		1,00,00,000
Subscribed Capital		
Subscribed but not fully paid		
10,00,000 Equity Shares of ₹ 10 each, ₹ 6 called-up	60,00,000	
Less: Calls-in-Arrears (25,000 × ₹ 3)	75,000	59,25,000

Note: The question requires to show share capital in the Balance Sheet of the company. Hence, Securities Premium (₹ 1,00,00,000) and Calls-in-Advance (₹ 1,00,000) received is not shown in the Balance Sheet.

22. JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
(*i*)	Realisation A/c	...Dr.		2,000	
	To Bank A/c				2,000
	(Realisation expenses paid by firm)				
(*ii*)	Realisation A/c	...Dr.		5,000	
	To *X*'s Capital A/c				5,000
	(Realisation expenses paid by *X* on behalf of firm)				
(*iii*)	Realisation A/c	...Dr.		6,000	
	To *Y*'s Capital A/c				6,000
	(Remuneration due to *Y*)				
(*iv*) (*a*)	Realisation A/c	...Dr.		10,000	
	To *X*'s Capital A/c				10,000
	(Remuneration due to *X*)				
(*b*)	*X*'s Capital A/c	...Dr.		8,000	
	To Bank A/c				8,000
	(Realisation expenses paid on behalf of *X*)				

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

JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	...Dr.		90,000	
	To Equity Shares Application A/c				90,000
	(Shares application money received on 30,000 shares)				
	Equity Shares Application A/c	...Dr.		90,000	
	To Equity Share Capital A/c				60,000
	To Bank A/c				15,000
	To Equity Shares Allotment A/c				15,000
	(Shares allotted and application money adjusted)				

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

Dr. SHARE FORFEITURE ACCOUNT *Cr.*

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

Working Notes:

1. *Calculation of amount received on allotment:*

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

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

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

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

Or

In the Books of Wintex Exports Ltd.

JOURNAL

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

24.

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

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

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

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

Note: *Calculation of Sohan's Capital:*

Combined capital of Ram and Mohan (after all adjustments) for 2/3 share = 1,62,000 + 1,43,000 = ₹ 3,05,000. It means, firm's total capital = ₹ 3,05,000 × 3/2 = ₹ 4,57,500. Sohan's share of capital = ₹ 4,57,500 × 1/3 = ₹ 1,52,500.

Or

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

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

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

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

Working Notes:

1. Gain/(Sacrifice) = New Share – Old Share

   Karuna's Gain = 2/5 – 3/10 = 1/10; Varuna's Gain = 3/5 – 2/10 = 4/10; Gaining Ratio = 1 : 4.

2. Aruna's share of goodwill = ₹ 80,000 × 5/10 = ₹ 40,000 to be contributed by gaining partners in the gaining ratio, *i.e.*, 1 : 4.

   Karuna's contribution = ₹ 40,000 × 1/5 = ₹ 8,000 and Varuna's contribution = ₹ 40,000 × 4/5 = ₹ 32,000.

3. *Calculation of Total Capital of New Firm after Aruna's retirement:*

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

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

   Varuna's capital in new firm = ₹ 1,97,500 × 3/5 = ₹ 1,18,500.

25. JOURNAL

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

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

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

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

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

Capital of Partners as per New Profit-sharing Ratio

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

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

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

26. (*i*) JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2022					
July 1	Bank A/c	...Dr.		1,65,00,000	
	To Debentures Application and Allotment A/c				1,65,00,000
	(Application money received)				
	Debentures Application and Allotment A/c	...Dr.		1,65,00,000	
	Loss on Issue of Debentures A/c	...Dr.		37,50,000	
	To 7% Debentures A/c				1,50,00,000
	To Securities Premium A/c				15,00,000
	To Premium on Redemption of Debentures A/c				37,50,000
	(75,000*, 7% Debentures of ₹ 200 each redeemable at 25% premium allotted)				
2023					
March 31	Securities Premium A/c	...Dr.		25,00,000	
	Statement of Profit & Loss (Finance Cost)	...Dr.		12,50,000	
	To Loss on Issue of Debentures A/c				37,50,000
	(Loss on issue of debentures written off)				

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

(*ii*)

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

Date	Particulars	₹	Date	Particulars	₹
2022			2023		
July 1	To 7% Debentures A/c	37,50,000	March 31	By Securities Premium A/c	25,00,000
				By Statement of Profit & Loss (Finance Cost)	12,50,000
		37,50,000			37,50,000

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

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2022					
Sept. 30	Interest on Debentures A/c	...Dr.		3,32,500	
	To Debentureholders A/c				3,32,500
	(Debenture interest payable on 10,000, 7% Debentures of ₹ 200 each for 6 months and 75,000, 7% Debentures for 3 months))				
	Debentureholders A/c	...Dr.		3,32,500	
	To Bank A/c				3,32,500
	(Interest paid to debentureholders)				
2023					
March 31	Interest on Debentures A/c	...Dr.		5,95,000	
	To Debentureholders A/c				5,95,000
	(Debenture interest payable on 85,000, 7% Debentures of ₹ 200 each for 6 months)				
	Debentureholders A/c	...Dr.		5,95,000	
	To Bank A/c				5,95,000
	(Interest paid to debentureholders)				

Part B

27. (*a*) Comparative Statement

Or

(*c*) Proprietary Ratio

28. (*b*) 15%

Working Note:

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

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

Net Profit = Operating Profit + Non-operating Income – Non-Operating Expenses

= ₹ 1,00,000 + ₹ 55,000 – ₹ 5,000 = ₹ 1,50,000

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

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

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

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

Or

(*a*) 3, 2, 1.

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

Dr. FURNITURE ACCOUNT *Cr.*

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

31.

Sun Ltd.

COMMON-SIZE STATEMENT OF PROFIT & LOSS

for the years ended 31st March, 2022 and 2023

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

32.

Item	Major Head	Sub-head (If any)
(*i*) Building under Construction	Non-current Assets	Property, Plant and Equipment and Intangible Assets—Capital Work-in-Progress.
(*ii*) Mining Rights	Non-current Assets	Property, Plant and Equipment and Intangible Assets—Intangible Assets.
(*iii*) Calls-in-Arrears	Shareholders' Funds	In Note to Accounts on Share Capital under subscribed but not fully paid capital as deductions.
(*iv*) Interest Accrued and Due on Debentures	Current Liabilities	Other Current Liabilities.
(*v*) Advance receivable after the Operating Cycle	Non-current Assets	Long-term Loans & Advances.
(*vi*) Prepaid Expenses	Current Assets	Other Current Assets.

33. (*i*) $$\text{Operating Profit} = \text{Revenue from Operations} - \text{Operating Cost}$$

$$= ₹\ 6{,}00{,}000 - ₹\ 5{,}10{,}000 = ₹\ 90{,}000$$

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

$$= \frac{₹\ 90{,}000}{₹\ 6{,}00{,}000} \times 100 = 15\%.$$

Note: Cost of Revenue from Operations already adjusted as Operating Cost is given.

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

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

Working Notes:

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

   When Gross Profit is ₹ 25, Sales = ₹ 125

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

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

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

   Or

   (Equity Share Capital + Reserves and Surplus + Long-term Loan)– Non-current Assets
   = ₹ 10,00,000 + ₹ 2,00,000 + ₹ 3,00,000 – ₹ 10,00,000 = ₹ 5,00,000.

Or

(*i*) $$\text{Trade Payables Turnover Ratio} = \frac{\text{Net Credit Purchases}}{\text{Average Trade Payables}}$$

$$= \frac{₹\ 3{,}60{,}000 - ₹\ 90{,}000}{₹\ 45{,}000} = \frac{₹\ 2{,}70{,}000}{₹\ 45{,}000} = \mathbf{6\ Times}.$$

Note: In the absence of Opening Trade Payables, Closing Trade Payables have been used in the above formula as Average Trade Payables.

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

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

Working Notes:

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

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

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

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

34.

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

Working Notes:

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

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

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

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