# ANSWERS

## Part A

**1.** (*d*)

***Working Note:***

Profit share given by Alok to Sanjana = 1/9

Profit share given by Alok to Nidhi = 3/9 – 1/9 = 2/9

Sanjana's new profit share = 4/9 + 1/9 = 5/9

Nidhi's new profit share = 2/9 + 2/9 = 4/9

New profit-sharing ratio of Sanjana and Nidhi = 5/9 : 4/9 = 5 : 4.

**2.** (*b*)

***Working Note:***

Share sacrificed = Old profit share – New profit share

Simi's sacrifice = 4/7 – 7/14 = 1/14

Manu's sacrifice = 3/7 – 4/14 = 2/14

Sacrificing Ratio of Simi and Manu = 1/14 : 2/14 or 1 : 2.

**3.** (*b*)

Shares applied are 90% of the shares issued for subscription. In other words, No. of shares applied = ₹ 13,50,000/₹ 15 = 90,000 shares. Hence, shares will be allotted. Shares Application Money includes Securities Premium of ₹ 5 per share. Hence, ₹ 4,50,000 (90,000 × ₹ 5).

***Or***

(*d*)

Number of Debentures to be issued are 13,173 (₹ 15,15,000/₹ 115) and balance will be paid in cash.

**4.** (*c*)

***Working Note:***

Tushar's share of profit = ₹ 5,40,000 × 1/6 = ₹ 90,000

Deficiency = Guaranteed profit – ₹ 90,000
= ₹ 1,50,000 – ₹ 90,000 = ₹ 60,000

Uday's share of profit = (₹ 5,40,000 × 3/6) – ₹ 60,000 = ₹ 2,10,000.

***Or***

(*a*)

***Working Note:***

ADJUSTMENT TABLE

| Particulars | Bharti's Current A/c (₹) | Astha's Current A/c (₹) | Dinkar's Current A/c (₹) | Total ₹ |
|---|---|---|---|---|
| I. Amount already credited by way of share of profit | 20,000 | 20,000 | 20,000 | 60,000 |
| II. Amount which should have been credited: | | | | |
| Interest on Capital | 5,000 | 10,000 | 15,000 | 30,000 |
| Share of Profit | 10,000 | 10,000 | 10,000 | 30,000 |
| Total | 15,000 | 20,000 | 25,000 | 60,000 |
| III. Difference (I – II) | 5,000 Dr. | ... | (5,000) Cr. | ... |

**5.** (*d*)

**6.** (*d*)

As minimum subscription for equity shares is not received but its 6% Preference Shares are oversubscribed.

***Or***

(*b*)

**7.** (*a*)

The sum total of Consideration and Sundry Liabilities in excess of Sundry Assets is Goodwill paid. Hence, it is debited to Goodwill Account.

**8.** (*b*) ***Or*** (*b*)

**9.** (*a*)

***Working Note:***

| | ₹ | ₹ |
|---|---|---|
| Net profit (Given) | | 4,20,000 |
| *Less:* Interest on capital (8% on ₹ 2,35,000) | 18,800 | |
| Sunil's salary | 40,000 | 58,800 |
| Divisible profits | | 3,61,200 |

Vir's share = ₹ 3,61,200 × 1/6 = ₹ 60,200.

**10.** (*c*)

***Working Note:***

| *Total appropriations credited to Sunil* | ₹ |
|---|---|
| Salary | 40,000 |
| Interest on capital (₹ 75,000 × 8/100) | 6,000 |
| Profit (₹ 3,61,200 × 1/3) | 1,20,400 |
| Total | 1,66,400 |

**11.** (*c*)

***Working Note:***

| Date | Particulars | | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|---|
| | Rahul's Capital A/c (₹ 1,00,000 × 70/100 × 80/100) | ...Dr. | | 56,000 | |
| | Bank A/c [(₹ 1,00,000 × 30/100 × 90/100) – 5%] | ...Dr. | | 25,650 | |
| | To Realisation A/c | | | | 81,650 |

**12.** (*d*)

First and final call is of ₹ 27 (₹ 2 + ₹ 25 as securities premium). The call is fully received, hence the amount received is ₹ 54,00,000 (₹ 27 × 2,00,000).

**13.** (*d*)

**14.** (*a*)

***Working Note:*** PARTNERS' CAPITAL ACCOUNTS

| Particulars | Dinkar (₹) | Navita (₹) | Vani (₹) |
|---|---|---|---|
| Capital (Given) | 20,000 | 20,000 | 30,000 |
| *Add:* Share of Goodwill (₹ 30,000 × 1/3 = ₹ 10,000) | 5,000 | 5,000 | ... |
| Profit on Revaluation | 6,500 | 6,500 | ... |
| Total | 31,500 | 31,500 | 30,000 |

**15.** (*c*) ***Or*** (*a*)

**16.** (*a*)

***Working Note:***

1. *Calculation of net effect of revaluation:*

| | ₹ |
|---|---|
| Building | 30,000 |
| Machinery | (66,000) |
| Creditors | 3,000 |
| Outstanding Expenses | (9,000) |
| Loss on Revaluation | (42,000) |

2. *Calculation of gain/loss of share:*

| | Prema | Ratna | Neha |
|---|---|---|---|
| New Profit Share | 2/10 | 3/10 | 5/10 |
| Old Profit Share | 5/10 | 3/10 | 2/10 |
| Gain/(Sacrifice) | (3/10) Sacrifice | ... | 3/10 Gain |

ADJUSTING JOURNAL ENTRY

| Date | | Particulars | | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|---|---|
| 2022 | | | | | | |
| April | 1 | Prema's Capital A/c (₹ 42,000 × 3/10) | ...Dr. | | 12,600 | |
| | | To Neha's Capital A/c (₹ 42,000 × 3/10) | | | | 12,600 |
| | | (Adjustment made for net loss on revaluation) | | | | |

**Note:** In case of loss on revaluation, sacrificing Partner's Capital Account will be debited and Gaining Partner's Capital Account will be credited. In case of Profit on Revaluation, Gaining Partner's Capital Account will be debited and Sacrificing Partner's Capital Account will be credited.

**17.**

JOURNAL

| Date | Particulars | | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|---|
| | Priya's Capital A/c (60,000 × 4/5) | ...Dr. | | 48,000 | |
| | Siya's Capital A/c (60,000 × 1/5) | ...Dr. | | 12,000 | |
| | To Riya's Capital A/c | | | | 60,000 |
| | (Adjustment of Riya's share of goodwill) | | | | |
| | Debtors | ...Dr. | | 8,000 | |
| | To Revaluation A/c | | | | 8,000 |
| | (Amount receivable from an old debtors) | | | | |
| | Revaluation A/c | ...Dr. | | 8,000 | |
| | To Priya's Capital A/c | | | | 4,000 |
| | To Riya's Capital A/c | | | | 3,000 |
| | To Siya's Capital A/c | | | | 1,000 |
| | (Profit on revaluation distributed) | | | | |

***Working Note:***

*Calculation of Riya's Share of Goodwill:*

1. Total profit = ₹ 1,20,000 + ₹ 80,000 + ₹ 40,000 + ₹ 80,000 = ₹ 3,20,000.
2. Riya's share of profits credited during 4 years = ₹ 3,20,000 × 3/8 = ₹ 1,20,000

   Riya's share of goodwill = ₹ 1,20,000 × 1/2 = ₹ 60,000.

**18.**

PROFIT & LOSS APPROPRIATION ACCOUNT

*Dr.* *for the year ended 31st March, 2022* *Cr.*

| Particulars | | | | ₹ | Particulars | | ₹ |
|---|---|---|---|---|---|---|---|
| To Interest on Capital: | | | | | By Profit & Loss A/c: | | |
| Vikas | | | 12,000 | | Net Profit | 2,50,000 | |
| Vijay | | | 9,000 | 21,000 | *Less:* Interest on Loan (Note 1) | | |
| To Salary: Vikas | | | | 60,000 | (₹ 50,000 × 6/100 × 6/12) | 1,500 | 2,48,500 |
| To Commission to Vijay (2/100 × ₹ 10,00,000) | | | | 20,000 | By Interest on Drawings (Note 2): | | |
| To General Reserve A/c | | | | 29,500 | Vikas (₹ 1,00,000 × 5/100 × 6/12) | 2,500 | |
| To Profit transferred to: | | | | | Vijay (₹ 1,20,000 × 5/100 × 6/12) | 3,000 | 5,500 |
| | 70,000 | | Balance | | | | |
| Vikas | 40,000 | + | 26,750 | 66,750 | | | |
| Vijay | 30,000 | + | 26,750 | 56,750 | | | |
| | | | | 2,54,000 | | | 2,54,000 |

**Notes:**

1. As per the Indian Partnership Act, 1932, Interest on Loan is to be allowed @ 6% p.a.
2. Interest on Drawings has been calculated for an average period of 6 months as date of drawings is not given.
3. Transfer to Reserve = 20% of (₹ 2,48,500 – ₹ 21,000 – ₹ 60,000 – ₹ 20,000) = ₹ 29,500.

***Or***

*Calculation of Interest on Drawings:* ₹

Garima : ₹ 1,50,000 × 5/100 × 6/12 = 3,750

Harish : ₹ 1,26,000 × 5/100 × 6/12 = 3,150

Reena : ₹ 1,20,000 × 5/100 × 6/12 = 3,000

9,900

ADJUSTMENT TABLE

| Particulars | Garima (₹) | Harish (₹) | Reena (₹) | Total (₹) |
|---|---|---|---|---|
| A. Interest on Drawings (Dr.) | 3,750 | 3,150 | 3,000 | 9,900 |
| B. Division of ₹ 9,900 (as profit) 3 : 2 : 1 (Cr.) | 4,950 | 3,300 | 1,650 | 9,900 |
| C. Difference (A – B) | 1,200 Cr. | 150 Cr. | 1,350 Dr. | ... |

JOURNAL

| Date | Particulars | | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|---|
| | Reena's Capital A/c | ...Dr. | | 1,350 | |
| | To Garima's Capital A/c | | | | 1,200 |
| | To Harish's Capital A/c | | | | 150 |
| | (Adjustment of omission of interest on drawings) | | | | |

**19.** JOURNAL

| Date | Particulars | | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|---|
| | Machinery A/c | ...Dr. | | 5,00,000 | |
| | Computers A/c | ...Dr. | | 2,50,000 | |
| | Furniture A/c | ...Dr. | | 1,50,000 | |
| | To Vendor's A/c | | | | 9,00,000 |
| | (Assets purchased) | | | | |
| | Vendor's A/c | ...Dr. | | 1,00,000 | |
| | To Bank A/c | | | | 1,00,000 |
| | (Part payment made by cheque) | | | | |

(*i*) **When 9% Debentures are issued at 20% Discount and Redeemable at Par**

JOURNAL

| Date | Particulars | | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|---|
| | Vendor's A/c | ...Dr. | | 8,00,000 | |
| | Discount on Issue of Debentures A/c | ...Dr. | | 2,00,000 | |
| | To 9% Debentures A/c | | | | 10,00,000 |
| | (10,000, 9% Debentures issued at discount of 20%) | | | | |
| | Statement of Profit & Loss (Finance Cost) | ...Dr. | | 2,00,000 | |
| | To Discount on Issue of Debentures A/c | | | | 2,00,000 |
| | (Discount on issue of debentures written off) | | | | |

(*ii*) **When 9% Debentures are issued at 10% Premium, Redeemable at 5% Premium**

JOURNAL

| Date | Particulars | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|
| | Vendor's A/c ...Dr. | | 8,00,000 | |
| | Loss on Issue of Debentures A/c ...Dr. | | 36,360 | |
| | To 9% Debentures A/c | | | 7,27,200 |
| | To Securities Premium A/c | | | 72,720 |
| | To Premium on Redemption of Debentures A/c | | | 36,360 |
| | To Bank A/c | | | 80 |
| | (7,272, 9% Debentures issued at premium of 10%) | | | |
| | Statement of Profit & Loss (Finance Cost) ...Dr. | | 36,360 | |
| | To Loss on Issue of Debentures A/c | | | 36,360 |
| | (Loss on issue of debentures written off) | | | |

***Working Note:***

*Number of Debentures to be issued:*

Payable to Vendor/Issue Price, *i.e.*, ₹ 8,00,000/₹ 110 = 7,272.73 Debentures

Since, Debentures cannot be issued in fraction, 7,272, 9% Debentures of ₹ 100 each are issued and balance ₹ 80 is paid in cash/cheque.

***Or***

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| Date | Particulars | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|
| 2021 | | | | |
| Oct. 1 | Peter ...Dr. | | 12,60,000 | |
| | Loss on Issue of Preference Shares A/c ...Dr. | | 6,30,000 | |
| | To 10% Preference Share Capital A/c | | | 6,30,000 |
| | To Securities Premium A/c | | | 6,30,000 |
| | To Premium on Redemption of Preference Shares A/c | | | 6,30,000 |
| | (6,300; 10% preference shares of ₹ 100 each issued at premium of ₹ 100) | | | |
| 2022 | | | | |
| March 31 | Securities Premium A/c ...Dr. | | 6,30,000 | |
| | To Loss on Issue of Preference Shares A/c | | | 6,30,000 |
| | (Loss on issue of preference shares written off) | | | |

**20.** I. *Valuation of Goodwill:*

A. Average profit $= \dfrac{₹\ 2,44,000 + ₹\ 3,00,000 - ₹\ 40,000 + ₹\ 4,20,000}{4} = ₹\ 2,31,000.$

B. *Super Profit:*

| | ₹ |
|---|---|
| Average Profit | 2,31,000 |
| *Less:* Remuneration of Partners | 72,000 |
| Average Trading Profit | 1,59,000 |
| *Less:* Normal Return @ 12% of ₹ 12,00,000 | 1,44,000 |
| Super Profit | 15,000 |

C. Goodwill = Super Profit × 3 years' purchase

= ₹ 15,000 × 3 = ₹ 45,000.

II. *Calculation of Gain / Sacrifice of Partners:*

| | Rajan | Sajan | Mehar |
|---|---|---|---|
| New profit share | 2/6 | 3/6 | 1/6 |
| Old profit share | 3/6 | 2/6 | 1/6 |
| Difference | 1/6 | – 1/6 | ... |
| | Sacrificing Partner | Gaining Partner | |

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| Date | Particulars | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|
| | Sajan's Capital A/c ...Dr.<br>To Rajan's Capital A/c (₹ 45,000 × 1/6)<br>(Adjustment made for goodwill on change in the profit-sharing ratio) | | 7,500 | <br>7,500 |

**21.**

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| Date | Particulars | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|
| | Bank A/c ...Dr.<br>To Shares Application A/c<br>(Application money received on 3,00,000 shares @ ₹ 4 per share) | | 12,00,000 | <br>12,00,000 |
| | Shares Application A/c ...Dr.<br>To Share Capital A/c (2,40,000 × ₹ 2)<br>To Securities Premium A/c<br>To Shares Allotment A/c (60,000 × ₹ 4)<br>(Application money transferred to share capital, securities premium and share allotment) | | 12,00,000 | <br>4,80,000<br>4,80,000<br>2,40,000 |
| | Shares Allotment A/c ...Dr.<br>To Share Capital A/c<br>(Allotment money due on 2,40,000 equity shares @ ₹ 4 per share) | | 9,60,000 | <br>9,60,000 |
| | Bank A/c ...Dr.<br>Calls-in-Arrears A/c ...Dr.<br>To Shares Allotment A/c<br>(Allotment money received) (WN 1 and 2) | | 7,02,000<br>18,000 | <br><br>7,20,000 |
| | Shares First and Final Call A/c ...Dr.<br>To Equity Share Capital A/c<br>To Securities Premium A/c<br>(First call money due on 2,40,000 shares @ ₹ 6 per share, including premium ₹ 2) | | 14,40,000 | <br>9,60,000<br>4,80,000 |
| | Bank A/c ...Dr.<br>To Shares First and Final Call A/c<br>To Calls-in-Arrears A/c<br>(First and Final call money received along with Calls-in-Arrears) | | 14,58,000 | <br>14,40,000<br>18,000 |

***Working Notes:***

1. No. of shares allotted to Paresh 2,40,000 × 7,500/3,00,000 = 6,000 shares.
2. *Calculation of the amount due but not received on allotment from Paresh on allotment:*
   A. Application money received on shares applied (7,500 × ₹ 4) = ₹ 30,000
   B. Money due on shares allotted (6,000 × ₹ 4) = ₹ 24,000
   C. Excess Application money adjusted on allotment (A – B) = ₹ 6,000
   D. Allotment money due on shares allotted (6,000 × ₹ 4) = ₹ 24,000
   E. Allotment money due but not received on allotment = ₹ 24,000 – ₹ 6,000 (C) = ₹ 18,000

**22.** (*a*)

*Dr.* REALISATION ACCOUNT *Cr.*

| Particulars | | ₹ | Particulars | | ₹ |
|---|---|---|---|---|---|
| To Sundry Assets A/c (WN 1) | | 16,30,000 | By Sundry Liabilities A/c: | | |
| To Cash A/c: | | | Creditors | 2,00,000 | |
| Creditors | 1,99,000 | | Bills Payable | 60,000 | |
| Bills Payable | 59,000 | | Others | 3,40,000 | 6,00,000 |
| Others | 3,40,000 | 5,98,000 | By Workmen Compensation Reserve A/c (Note) | | 40,000 |
| To Cash A/c—Workmen Compensation Claim (Note) | | 40,000 | By Cash A/c (Assets Realised) | | 14,00,000 |
| To Cash A/c (Realisation Expenses) | | 30,000 | By Loss transferred to: | | |
| | | | Mike's Capital A/c (3/5) | 1,54,800 | |
| | | | Ajay's Capital A/c (2/5) | 1,03,200 | 2,58,000 |
| | | 22,98,000 | | | 22,98,000 |

(*b*)

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

| Particulars | Mike (₹) | Ajay (₹) | Particulars | Mike (₹) | Ajay (₹) |
|---|---|---|---|---|---|
| To Realisation A/c (Loss) | 1,54,800 | 1,03,200 | By Balance *b/d* | 6,00,000 | 4,00,000 |
| To Cash A/c (Final Payment) | 4,81,200 | 3,20,800 | By Workmen Compensation Reserve A/c | 36,000 | 24,000 |
| | 6,36,000 | 4,24,000 | | 6,36,000 | 4,24,000 |

**Note:** Workmen's Compensation Reserve to the extent of liability (*i.e.*, ₹ 40,000) is transferred to the credit side of Realisation Account and balance (*i.e.*, ₹ 1,00,000 – ₹ 60,000 = ₹ 40,000) is transferred to Partners' Capital Accounts in their profit-sharing ratio.

**23.**

**In the Books of Ankur Ltd.**

*Dr.* CASH BOOK (BANK COLUMN ONLY) *Cr.*

| Particulars | ₹ | Particulars | ₹ |
|---|---|---|---|
| To Shares Application A/c | 3,00,000 | By Shares Application A/c (30,000 × ₹ 2) | 60,000 |
| To Shares Allotment A/c (WN 2) | 2,54,800 | By Balance *c/d* | 8,06,800 |
| To Shares First Call A/c | 2,94,000 | | |
| To Share Capital A/c | 16,000 | | |
| To Securities Premium A/c | 2,000 | | |
| | 8,66,800 | | 8,66,800 |

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| Date | Particulars | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|
| | Shares Application A/c ...Dr. | | 2,40,000 | |
| | To Share Capital A/c | | | 2,00,000 |
| | To Shares Allotment A/c | | | 40,000 |
| | (Application money adjusted) | | | |
| | Shares Allotment A/c ...Dr. | | 3,00,000 | |
| | To Share Capital A/c | | | 3,00,000 |
| | (Allotment money due on 1,00,000 shares) | | | |

| | | | | |
|---|---|---|---|---|
| | Share Capital A/c ...Dr. | | 10,000 | |
| | To Shares Allotment A/c | | | 5,200 |
| | To Forfeited Shares A/c | | | 4,800 |
| | (2,000 shares forfeited for non-payment of allotment money) (WN 1) | | | |
| | Shares First Call A/c ...Dr. | | 2,94,000 | |
| | To Share Capital A/c | | | 2,94,000 |
| | (First call money due on 98,000 shares) | | | |
| | Forfeited Shares A/c ...Dr. | | 4,800 | |
| | To Capital Reserve A/c | | | 4,800 |
| | (Transfer of gain on reissue to Capital Reserve) (WN 3) | | | |

***Working Notes:***

1. 1,00,000 shares were issued to the applicants for 1,20,000 shares. It means Ratio of allotment = 5 : 6
   A shareholder who was allotted 2,000 shares had applied for = 6/5 × 2,000 = 2,400 shares

| | ₹ |
|---|---|
| Total application money paid by shareholder on 2,400 shares applied for @ ₹ 2 per share | 4,800 |
| *Less:* Application money on 2,000 shares allotted transferred to Share Capital | 4,000 |
| Excess Application Money to be adjusted against Shares Allotment | 8,00 |
| Allotment money due on 2,000 shares @ ₹ 3 per share | 6,000 |
| *Less:* Excess Application Money to be adjusted against Shares Allotment | 8,00 |
| Allotment money in arrears | 5,200 |

2. *Calculation of allotment money received:*

| | ₹ |
|---|---|
| Allotment money due (Gross) | 3,00,000 |
| *Less:* Excess Application money to be adjusted (20,000 × ₹ 2) | 40,000 |
| | 2,60,000 |
| *Less:* Allotment money in arrears (WN 1) | 5,200 |
| Amount received on allotment | 2,54,800 |

3. Shares have been forfeited before the first call. Called-up amount up to allotment is ₹ 5 per share. Shares have been reissued before the second call for ₹ 9 as ₹ 8 paid-up. It means ₹ 8 is as Share Capital Account and ₹ 1 as Securities Premium. Discount has not been allowed on the reissue of forfeited shares. Therefore, amount forfeited on these shares is a gain and is transferred to Capital Reserve.

***Or***

(*i*) Authorised Capital is ₹ 25,00,000 divided into 1,50,000 Equity Shares of ₹ 10 each and 20,000 Preference Shares of ₹ 50 each.

(*ii*) Issued Capital is 1,00,000 Equity Shares of ₹ 10 each totalling to ₹ 10,00,000 and 20,000, 8% Preference Shares of ₹ 50 each totalling to ₹ 10,00,000. Total Issued Capital is ₹ 20,00,000.

(*iii*) Subscribed and Fully Paid-up Capital is ₹ 20,00,000; 1,00,000 Equity Shares of ₹ 10 each and 20,000, 8% Preference Shares of ₹ 50 each.

(*iv*) Subscribed but Not Fully paid-up Capital is Nil.

(*v*) Calls-in-Advance is Nil.

**24.**

*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 |

*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 | 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, total firm's capital = ₹ 3,05,000 × 3/2 = ₹ 4,57,500. Sohan's share of capital = ₹ 4,57,500 × 1/3 = ₹ 1,52,500.

***Or***

*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: | |
| | | *X*'s Capital A/c (₹ 5,500 × 5/10) | 2,750 |
| | | *Y*'s Capital A/c (₹ 5,500 × 3/10) | 1,650 |
| | | *Z*'s Capital A/c (₹ 5,500 × 2/10) | 1,100 |
| | 7,500 | | 7,500 |

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

| Particulars | *X* ₹ | *Y* ₹ | *Z* ₹ | Particulars | *X* ₹ | *Y* ₹ | *Z* ₹ |
|---|---|---|---|---|---|---|---|
| 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 *Y*'s Capital A/c (Goodwill) | 8,000 | ... | ... |
| To *X*'s Capital A/c (Adjustment of Goodwill) | ... | 8,000 | 32,000 | By *Z*'s Capital A/c (Goodwill) | 32,000 | ... | ... |
| | | | | By Bank A/c (Bal. Fig.) | ... | 1,150 | 1,01,600 |
| To Bank A/c (Bal. Fig.) | 1,19,750 | ... | ... | | | | |
| To Balance *c/d* (WN 3 and 4) | ... | 79,000 | 1,18,500 | | | | |
| | 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
   *Y*'s Gain = 2/5 – 3/10 = 1/10; *Z*'s Gain = 3/5 – 2/10 = 4/10; Gaining Ratio = 1 : 4.
2. *X*'s share of goodwill = ₹ 80,000 × 5/10 = ₹ 40,000 to be contributed by gaining partners in the gaining ratio, *i.e.*, 1 : 4. *Y*'s contribution = ₹ 40,000 × 1/5 = ₹ 8,000 and *Z*'s contribution = ₹ 40,000 × 4/5 = ₹ 32,000.
3. *Calculation of Total Capital of New Firm after X's retirement:*

| | ₹ |
|---|---|
| Amount payable to *X* | 1,19,750 |
| Adjusted old capital of *Y* (₹ 1,02,500 – ₹ 15,000 – ₹ 1,650 – ₹ 8,000) | 77,850 |
| Adjusted old capital of *Z* (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. *Y*'s capital in new firm = ₹ 1,97,500 × 2/5 = ₹ 79,000
   *Z*'s capital in new firm = ₹ 1,97,500 × 3/5 = ₹ 1,18,500.

**25.**

*Dr.* MANU'S CAPITAL ACCOUNT *Cr.*

| Particulars | ₹ | Particulars | ₹ |
|---|---|---|---|
| To Revaluation A/c (Loss) (WN 3) | 1,179 | By Balance *b/d* | 65,000 |
| To Manu's Loan A/c | 40,000 | By Rani's Capital A/c (WN 1) | 28,000 |
| To Manu's Executor's A/c (Bal. Fig.) | 1,05,988 | By Adi's Capital A/c (WN 1) | 12,000 |
| | | By Profit & Loss Suspense A/c (WN 2) | 32,000 |
| | | By Interest on Capital A/c (₹ 65,000 × 8/100 × 5/12) | 2,167 |
| | | By General Reserve A/c | 8,000 |
| | 1,47,167 | | 1,47,167 |

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

| Particulars | ₹ | Particulars | ₹ |
|---|---|---|---|
| To Furniture A/c | 3,375 | By Manu's Capital A/c | 1,05,988 |
| To Balance *c/d* | 1,02,613 | | |
| | 1,05,988 | | 1,05,988 |

***Working Notes:***

1. Value of Firm's Goodwill = ₹ 70,000 × 2 = ₹ 1,40,000.

   Manu's Share of Goodwill = ₹ 1,40,000 × $\frac{4}{14}$ = ₹ 40,000.

   Which is contributed by Rani and Adi in their gaining ratio, *i.e.*, 7 : 3. Rani's contribution = ₹ 40,000 × $\frac{7}{10}$ = ₹ 28,000 and Adi's contribution = ₹40,000 × $\frac{3}{10}$ = ₹ 12,000.
2. *Manu's Share of Profit:*

   Percentage of profit on sales = $\frac{₹\ 2,24,000}{₹\ 8,00,000} \times 100$ = 28%

   Profit up to 1st September, 2022 = ₹ 4,00,000 × $\frac{28}{100}$ = ₹ 1,12,000

   Manu's share of profit = ₹ 1,12,000 × $\frac{4}{14}$ = ₹ 32,000.

3. *Dr.* REVALUATION ACCOUNT *Cr.*

| Particulars | ₹ | Particulars | | ₹ |
|---|---|---|---|---|
| To Unrecorded Liability A/c | 7,500 | By Furniture A/c | | 3,375 |
| | | By Loss transferred to: | | |
| | | Rani's Capital A/c | 2,062 | |
| | | Adi's Capital A/c | 884 | |
| | | Manu's Capital A/c | 1,179 | 4,125 |
| | 7,500 | | | 7,500 |

**26.** (*i*) JOURNAL

| Date | Particulars | | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|---|
| 2021 Oct. 1 | Bank A/c | ...Dr. | | 7,50,000 | |
| | To Debentures Application and Allotment A/c | | | | 7,50,000 |
| | (Application money received on 15,000, 7% Debentures @ ₹ 50 per debenture) | | | | |
| | Debentures Application and Allotment A/c | ...Dr. | | 7,50,000 | |
| | Loss on Issue of Debentures A/c | ...Dr. | | 37,500 | |
| | To 7% Debentures A/c | | | | 7,50,000 |
| | To Premium on Redemption of Debentures A/c | | | | 37,500 |
| | (7% Debentures of ₹ 50 each issued, premium payable on redemption of debentures provided) | | | | |
| 2022 March 31 | Interest on Debentures A/c | ...Dr. | | 1,06,250 | |
| | To Debentureholders' A/c or Interest Payable A/c | | | | 1,06,250 |
| | (Interest on debentures provided) | | | | |
| | Statement of Profit & Loss (Finance Cost) | ...Dr. | | 1,43,750 | |
| | To Loss on Issue of Debentures A/c | | | | 37,500 |
| | To Interest on Debentures A/c | | | | 1,06,250 |
| | (Loss on issue of debentures written off and interest on debentures transferred to Statement of Profit & Loss) | | | | |

***Working Notes:***

1. *Interest on Debentures:*

| | ₹ |
|---|---|
| Interest on 10,000, 8% Debentures of ₹ 100 each (₹ 10,00,000 × 8%) | 80,000 |
| *Add:* Interest on ₹ 7,50,000 @ 7% p.a. (₹ 7,50,000 × 7/100 × 6/12) | 26,250 |
| | 1,06,250 |

2. Discount / Loss on Issue of Debentures is written off in the year debentures are allotted from Securities Premium to the extent of balance in Securities Premium Account and balance from Statement of Profit & Loss. Since balance of Securities Premium Account is not given, it means it does not have a balance and therefore, Loss on Issue of Debentures is written off from Statement of Profit & Loss as finance cost.

(*ii*)

*Dr.* DEBENTURES APPLICATION AND ALLOTMENT ACCOUNT *Cr.*

| Date | Particulars | ₹ | Date | Particulars | ₹ |
|---|---|---|---|---|---|
| 2021 Oct. 1 | To 7% Debentures A/c | 7,50,000 | 2021 Oct. 1 | By Bank A/c | 7,50,000 |

(*iii*) Journal entries related to Interest Account already given under point (*i*).

## Part B

**27.** (*d*)

***Or***

(*d*)

***Working Note:***

Operating Cycle = 2 Months + 1.5 Months + 1 Month + 1.5 Months = 6 Months.

**28.** (*b*)

***Working Note:***

$$\text{Revenue from Operations} = \text{Cost of Revenue from Operations + Gross Profit}$$
$$= ₹\ 36{,}00{,}000 + ₹\ 12{,}00{,}000 = ₹\ 48{,}00{,}000$$
$$\text{Working Capital} = \text{Capital Employed} - \text{Non-current Assets}$$
$$= ₹\ 32{,}00{,}000 - ₹\ 20{,}00{,}000 = ₹\ 12{,}00{,}000$$

$$\text{Working Capital Turnover Ratio} = \frac{\text{Revenue from Operations}}{\text{Working Capital}}$$

$$= \frac{₹\ 48{,}00{,}000}{₹\ 12{,}00{,}000} = 4 \text{ Times.}$$

**29.** (*b*) ***Or*** (*c*)

**30.** (*c*)

Discount/Loss on Issue of Debentures is added after calculating Net Profit before Tax and Extraordinary Items, as non-operating item.

**31.**

| S. No. | Item | Major Head | Sub-head |
|---|---|---|---|
| (*i*) | Interest accrued and due on debentures | Current Liabilities | Other Current Liabilities |
| (*ii*) | Loose Tools | Current Assets | Inventories |
| (*iii*) | Accrued Interest on Calls-in-Arrears | Current Assets | Other Current Assets |
| (*iv*) | Interest due on Calls-in-Advance | Current Liabilities | Other Current Liabilities |
| (*v*) | Trademarks | Non-current Assets | Property, Plant and Equipment and Intangible Assets—Intangible Assets |
| (*vi*) | Premium on Redemption of Debentures | Non-current Liabilities | Other Long-term Liabilities |

**32.** (*i*) Yes, I agree with the given statement. The quality of the ratios depends on the quality of the accounts on the basis of which these ratios are established. For example, if the closing stock is over valued not only the profitability will be overstated but also the financial position will appear to be better. Thus, the ratios are as accurate the accounts.

(*ii*) 1. Inventory Turnover Ratio;

2. Return on Investment.

**33.** (*i*) • *Calculation of Current Assets:*

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}} = \frac{3}{1}$$

$$\text{Working Capital} = \text{Current Assets} - \text{Current Liabilities}$$
$$= 3 - 1 = 2$$

If Working Capital is 2, then Current Asset = 3

If Working Capital is ₹ 1,80,000, then Current Asset = $\frac{3}{2} \times 1{,}80{,}000$ = ₹ 2,70,000.

• *Calculation of Current Liabilities:*

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}} = \frac{3}{1} = \frac{₹\ 2{,}70{,}000}{\text{Current Liabilities}}$$

Current Liabilities = ₹ 2,70,000/3 = ₹ 90,000.

• *Calculation of Stock (Inventory):*

$$\text{Quick Ratio} = \frac{\text{Liquid Assets}}{\text{Current Liabilities}} = \frac{1.2}{1} = \frac{\text{Liquid Assets}}{₹\ 90{,}000}$$

Liquid (Quick) Assets = ₹ 90,000 × 1.2 = ₹ 1,08,000

Current Assets = Liquid Assets + Stock

₹ 2,70,000 = ₹ 1,08,000 + Stock

Stock = ₹ 2,70,000 – ₹ 1,08,000 = ₹ 1,62,000.

(*ii*) Table showing effect on Debt-Equity Ratio (1 : 1)

| S. No. | Effect | Reason |
|---|---|---|
| (*a*) | No change | Neither long-term debt nor the shareholders' funds are affected. |
| (*b*) | Reduce | Shareholders' funds are increased by the amount of profit but total long-term debts remain unchanged. |

***Or***

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

$$4 = \frac{₹\ 1{,}80{,}000}{\text{Average Trade Receivables}}$$

$$\text{Average Trade Receivables} = \frac{₹\ 1{,}80{,}000}{4} = ₹\ 45{,}000$$

Average Trade Receivables

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

$$\text{Let Opening Trade Receivables} = x$$

$$\text{Closing Trade Receivables} = 2x$$

$$₹\ 45{,}000 = \frac{x + 2x}{2}$$

$$3x = ₹\ 90{,}000$$

$$x = \frac{₹\ 90{,}000}{3}$$

$$= ₹\ 30{,}000 \text{ (Opening Trade Receivables}$$

$$\text{Closing Trade Receivables} = ₹\ 30{,}000 \times 2 = ₹\ 60{,}000.$$

(*ii*) $$\text{Net Profit before Interest and Tax} = ₹\ 1{,}40{,}000 + \left(4{,}00{,}000 \times \frac{15}{100}\right)$$

$$= ₹\ 2{,}00{,}000$$

$$\text{Capital Employed} = \text{Long-term Debts} + \text{Shareholders' Funds}$$

$$= ₹\ 4{,}00{,}000 + ₹\ 2{,}40{,}000 = ₹\ 6{,}40{,}000$$

$$\text{Return on Capital Employed or ROI} = \frac{\text{Net Profit before Interest and Tax}}{\text{Capital Employed}} \times 100$$

$$= \frac{₹\ 2{,}00{,}000}{₹\ 6{,}40{,}000} \times 100 = 31.25\%.$$

**34.** (*i*)

| | |
|---|---|
| *Cash Flow from Investing Activities:* | ₹ |
| Proceeds from Sale of Machinery (WN 1) | 1,20,000 |
| Payment for Purchase of Machinery (WN 1) | (4,90,000) |
| Purchase of 12% Investments | (1,00,000) |
| Interest on Investments (WN 3) | 45,000 |
| **Cash Used in Investing Activities** | **(4,25,000)** |

***Working Notes:***

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

| Particulars | ₹ | Particulars | ₹ |
|---|---|---|---|
| To Balance *b/d* | 12,00,000 | By Bank A/c (Machinery sold) | 1,20,000 |
| To Bank A/c (Purchase) (Balancing Figure) | 4,90,000 | By Statement of Profit & Loss | 30,000 |
| | | By Accumulated Depreciation A/c | 40,000 |
| | | By Balance *c/d* | 15,00,000 |
| | 16,90,000 | | 16,90,000 |

2. *Dr.* ACCUMULATED DEPRECIATION ACCOUNT *Cr.*

| Particulars | ₹ | Particulars | ₹ |
|---|---|---|---|
| To Plant and Machinery A/c | 40,000 | By Balance *b/d* | 1,80,000 |
| To Balance *c/d* | 2,40,000 | By Statement of Profit & Loss (Depreciation) | 1,00,000 |
| | 2,80,000 | | 2,80,000 |

3. *Interest on 12% Investments:*

| | ₹ |
|---|---|
| Interest on Opening Investment (₹ 3,00,000 × 12%) | 36,000 |
| Interest on Additional Investment (₹ 1,00,000 × 12% × 9/12) | 9,000 |
| Total Interest | 45,000 |

*(ii)*

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

| Particulars | ₹ | Particulars | ₹ |
|---|---|---|---|
| To Bank A/c (Balancing Figure) | 1,10,000 | By Balance *b/d* | 70,000 |
| To Balance *c/d* | 80,000 | By Statement of Profit & Loss (Provision for the year) | 1,20,000 |
| | 1,90,000 | | 1,90,000 |

**Effect on Cash Flow Statement**

*Cash Flow from Operating Activities:*

Provision for Tax made for year, *i.e.*, ₹ 1,20,000 will be added to Net Profit. Thus, Net Profit before Tax and Extraordinary Items will increase by ₹ 1,20,000.

₹ 1,10,000 is the amount of tax paid during the year. It will be shown as Outflow for Tax Paid at the end of Cash Flow from Operating Activities.