



5. (a) Credited to Premium on Redemption of Debenture Account.

**Or**

(b) In case the company incurs loss, interest is not paid on debentures.

6. (b) Q, P, R.

7. (c) 12%.

**Working Note:**

Goodwill = Capitalised value of Average Profit – Net Assets (Assets – Liabilities)

₹ 1,50,000 = Capitalised Value of Average Profit – ₹ 21,00,000 (₹ 30,00,000 – ₹9,00,000)

Capitalised Value of Average Profit = ₹ 22,50,000 (₹ 21,00,000 + ₹ 1,50,000)

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

$$₹ 22,50,000 = \frac{₹ 2,70,000 (\text{₹ } 45,000 + \text{₹ } 2,25,000)}{\text{Normal Rate of Return}} \times 100$$

$$\text{Normal Rate of Return} = \frac{₹ 2,70,000}{₹ 22,500} \times 100 = 12\%$$

8. (a) Dinkar—₹ 31,500, Navita—₹ 31,500 and Vani—₹ 30,000.

**Working Note:**

PARTNERS' CAPITAL ACCOUNTS

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

9. (d) ₹ 16,000.

**Working Note:**

Allotment money due but not received from Sunil:	₹
Application money received on shares applied (600 × ₹ 40)	24,000
Less: Application money due on shares allotted (400 × ₹ 40)	16,000
Excess application money adjusted on allotment	<u>8,000</u>
Allotment money due on shares allotted (400 × ₹ 60)	24,000
Less: Excess application money adjusted on allotment	8,000
Allotment money due but not received	<u>16,000</u>

10. (a) ₹ 10,000.

**Working Note:**

No. of shares allotted to Sunil =  $600 \times \frac{2}{3} = 400$  shares

Calculation of Gain on reissue to be transferred to Capital Reserve:

	₹
Amount forfeited on reissued shares (200 shares)	12,000
Less: Reissue Discount (200 × ₹ 10)	2,000
Gain on reissue to be transferred to Capital Reserve	10,000

11. (b) ₹ 12,000.

**Working Note:**

Dr.	FORFEITED SHARES ACCOUNT		Cr.
Particulars	₹	Particulars	₹
To Share Capital A/c (Discount on reissue) (200 × ₹ 10)	2,000	By Share Capital A/c (600 × ₹ 40)	24,000
To Capital Reserve A/c	10,000		
To Balance c/d	12,000		
	24,000		24,000

12. (c) ₹ 52,000.

13. (a) Cash/Bank A/c, Revaluation A/c

14. (c) Assertion (A) is incorrect but Reason (R) is correct..

**Or**

(d) ₹ 8,750.

**Working Note:**

$$\text{Average Profit} = \frac{\text{₹ } 1,20,000 - \text{₹ } 50,000 + \text{₹ } 1,70,000}{3} = \text{₹ } 80,000$$

$$\text{Khushi's share of profit till the date of death} = (\text{₹ } 80,000 - \text{₹ } 10,000) \times \frac{3}{12} \times \frac{5}{10} = \text{₹ } 8,750.$$

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

16. (a) ₹ 5,18,750.

**Working Note:**

	₹	₹
Inventory as on the date of dissolution		5,00,000
70% of the inventory purchased by partner		3,50,000
Balance Inventory	1,50,000	
Less: Obsolete Inventory (10%)	15,000	
	1,35,000	
Balance Inventory realised (₹ 1,35,000 × 125%)		1,68,750
Amount shown as realised		5,18,750

17. JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2025 July 1	Nigam's Capital A/c ...Dr. Shreya's Capital A/c ...Dr. To Monu's Capital A/c (Monu's share of goodwill adjusted in Capital Accounts of Nigam and Shreya in their gaining ratio of 3 : 1))		59,250 19,750	79,000
	Profit & Loss Suspense A/c ...Dr. To Monu's Capital A/c (Monu's share of estimated profit till the date of his death credited)		4,000	4,000

**Working Notes:**

1. Calculation of Goodwill and Monu's Share of Goodwill:

$$\text{Monu's Share of Goodwill} = 50/100 [(\text{₹ } 97,000 + \text{₹ } 1,05,000 + \text{₹ } 30,000 + \text{₹ } 84,000) \times 4/8] = \text{₹ } 79,000.$$

2. Calculation of Monu's Share of Profit till the date of death:

$$\text{Monu's Share of Profit} = \frac{\text{₹ } 84,000 \text{ (Profit)}}{\text{₹ } 21,00,000 \text{ (Sales)}} \times \text{₹ } 2,00,000 \times 4/8 = \text{₹ } 4,000.$$

3. Gaining Ratio of Nigam and Shreya = 3 : 1.

18. ADJUSTING ENTRY

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2025 April 1	Vijay's Capital A/c ...Dr. To Ajay's Capital A/c (Adjustment entry for rectifying the errors)		52,800	52,800

**Working Notes:**

1. TABLE SHOWING CALCULATION OF OPENING CAPITAL

Particulars	Ajay (₹)	Vijay (₹)
Closing Capital as on 31st March, 2025	6,00,000	2,00,000
Less: Profit (3 : 2)	1,80,000	1,20,000
	4,20,000	80,000
Add: Drawings	1,00,000	2,00,000
Capital in the beginning as on 1st April, 2024	5,20,000	2,80,000

2. Interest on Capital: Ajay = ₹ 5,20,000 × 12/100 = ₹ 62,400; Vijay = ₹ 2,80,000 × 12/100 = ₹ 33,600.

3. ADJUSTMENT TABLE

Particulars	Ajay (₹)	Vijay (₹)
I. Amount already credited	1,80,000	1,20,000
II. Amount which should have been credited:		
Interest on Capital	62,400	33,600
Salary	1,20,000	...
Share of Profit (₹ 3,00,000 – ₹ 62,400 – ₹ 33,600 – ₹ 1,20,000) in 3 : 2	50,400	33,600
	2,32,800	67,200
III. Amount to be adjusted (I – II)	52,800 (Cr.)	52,800 (Dr.)

Or

**PROFIT & LOSS APPROPRIATION ACCOUNT**  
for the year ended 31st March, 2025

Dr. Particulars	₹	Particulars	₹
To Interest on Capital A/cs:		By Profit & Loss A/c (Net Profit)	3,90,000
X's Current A/c (₹ 1,25,000 × 5/100)	6,250		
Y's Current A/c (₹ 1,25,000 × 5/100)	6,250		
Z's Current A/c (₹ 2,50,000 × 5/100)	12,500		
To Z's Current A/c (Salary)	15,000		
To Profit transferred to:			
X's Current A/c			
(₹ 12,500 + ₹ 37,500 + ₹ 75,000)	1,25,000		
Y's Current A/c			
(₹ 12,500 + ₹ 22,500 + ₹ 75,000)	1,10,000		
Z's Current A/c			
(₹ 25,000 + ₹ 15,000 + ₹ 75,000)	1,15,000		
	3,50,000		
	3,90,000		3,90,000

**Note:** The statement 'Their Current Account balances were nil' means capitals are fixed.

**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)			
	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%) (WN)			
	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)			

**Working Note:** No. of Debentures to be issued = ₹ 8,00,000/₹ 80 = 10,000 Debentures.

**20. JOURNAL**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	<b>Common for all cases:</b>			
	Bank A/c ...Dr.		60,000	
	To Premium for Goodwill A/c			60,000
	(Share of goodwill brought in cash)			

(i)	Premium for Goodwill A/c ...Dr.	60,000	
	To Divya's Capital A/c		30,000
	To Anjali's Capital A/c		30,000
	(Premium for goodwill credited to Sacrificing partners' capital accounts in their sacrificing ratio of 1 : 1)		
(ii)	Premium for Goodwill A/c ...Dr.	60,000	
	To Divya's Capital A/c		60,000
	(Premium for goodwill credited to sacrificing partner Divya)		
	Premium for Goodwill A/c ...Dr.	60,000	
	Anjali's Capital A/c* ...Dr.	24,000	
	To Divya's Capital A/c (₹ 3,60,000 × 7/30)		84,000
	(Premium for goodwill credited to sacrificing partner Divya)		

\* Anjali will also compensate Divya as she is also gaining 2/30th share.

Firm's Goodwill = ₹ 60,000 × 6/1 = ₹ 3,60,000.

Anjali will compensate Divya by = ₹ 3,60,000 × 2/30 = ₹ 24,000.

## 21. JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2025 April 1	Rohit's Capital A/c ...Dr.		6,000	
	To Sumit's Capital A/c			6,000
	(Adjustment for goodwill made on Change in Profit-sharing ratio) (WN 1)			
	Sumit's Capital A/c ...Dr.		4,000	
	To Rohit's Capital A/c			4,000
	(Excess profit already credited to Sumit written back and credited to Rohit) (WN 2)			

### Working Notes:

1. Value of Goodwill = ₹ 40,000 + ₹ 50,000 = ₹ 90,000.

2. Calculation of Gain/Sacrifice:

Particulars	Sumit	Rohit
New Profit Share	3/5	2/5
Old Profit Share	2/3	1/3
Difference	$3/5 - 2/3 = -1/15$	$2/5 - 1/3 = 1/15$
	Sacrificing Partner	Gaining Partner
Compensation	₹ 90,000 × 1/15 = ₹ 6,000	₹ 90,000 × 1/15 = ₹ 6,000

3.

Particulars	Sumit (₹)	Rohit (₹)
Share of Profit already credited in Old Ratio	40,000	20,000
Share of Profit which should have been credited in New Ratio	36,000	24,000
Difference	4,000 (Dr.)	(4,000) (Cr.)

## 22. BALANCE SHEET OF HONEY WELL LTD. as at ...

Particulars	Note No.	Current Year (₹)
<b>I. EQUITY AND LIABILITIES</b>		
<b>1. Shareholders' Funds</b>		
(a) Share Capital	1	78,80,000

### Notes to Accounts

Particulars	₹	₹
<b>1. Share Capital</b>		
<b>Authorised Capital</b>		
16,00,000 Equity Shares of ₹ 10 each		1,60,00,000
40,000, Preference Shares @ ₹ 100 each		40,00,000
		<u>2,00,00,000</u>
<b>Issued Capital</b>		
6,00,000 Equity Shares @ ₹ 10 each		60,00,000
20,000, 8% Preference Shares of ₹ 100 each		20,00,000
		<u>80,00,000</u>
<b>Subscribed Capital</b>		
<b>Subscribed and Fully Paid-up</b>		
5,90,000 (6,00,000 – 10,000) Equity Shares @ ₹ 10 each (Out of the above, 1,00,000 Equity Shares are issued for consideration other than cash)	59,00,000	
18,000, 8% Preference Shares of ₹ 100 each	18,00,000	77,00,000
<b>Subscribed but not Fully Paid-up</b>		
2,000, 8% Preference Shares of ₹ 100 each	2,00,000	
Less: Calls-in-Arrears	1,00,000	1,00,000
<b>Shares Forfeited Account</b>		80,000
		<u>78,80,000</u>

**Note:** Application Money in excess of Allotment Money is refunded since the question does not specify it to be adjusted against call.

23.

### Books of Romerio Ltd. JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2024				
April 1	Bank A/c ...Dr. To Debentures Application and Allotment A/c (Application money received on 80,000 debentures)		80,00,000	80,00,000
	Debentures Application and Allotment A/c ...Dr. Loss on Issue of Debentures A/c ...Dr. To 8% Debentures A/c To Premium on Redemption of Debentures A/c (Issue of ₹ 80,00,000, 8% Debentures of ₹ 100 each at par and redeemable at a premium of 5%)		80,00,000 4,00,000	80,00,000 4,00,000
2025				
March 31	Interest on Debentures A/c ...Dr. To Debentureholders' A/c (Interest on Debentures due)		6,40,000	6,40,000
	Debentureholders A/c ...Dr. To Bank A/c (Interest on Debentures paid)		6,40,000	6,40,000

Statement of Profit & Loss (Finance Cost) ...Dr.	6,40,000	
To Interest on Debentures A/c (Interest on Debentures written off)		6,40,000
Securities Premium A/c ...Dr.	3,00,000	
Statement of Profit & Loss ...Dr.	1,00,000	
To Loss on Issue of Debentures A/c (Loss on Issue of Debentures written off)		4,00,000

**24.**

REALISATION ACCOUNT			
Dr.		Cr.	
Particulars	₹	Particulars	₹
To Machinery A/c	48,000	By Investment Fluctuation Reserve A/c	22,000
To Furniture A/c	22,000	By Sundry Creditors A/c	28,000
To Investment A/c	33,000	By Zoya's Capital A/c (Stock)	18,750
To Stock A/c	25,000	By Bank A/c:	
To Sundry Debtors A/c	17,000	Machinery	43,200
To Bank A/c:		Debtors	15,000
Creditors	10,000	Investment	33,000
Unrecorded liability	7,500	By Hima's Capital A/c (Loss)	1,275
		By Zoya's Capital A/c (Loss)	765
		By Bhanu's Capital A/c (Loss)	510
	1,62,500		1,62,500

PARTNERS' CAPITAL ACCOUNTS							
Dr.				Cr.			
Particulars	Hima ₹	Zoya ₹	Bhanu ₹	Particulars	Hima ₹	Zoya ₹	Bhanu ₹
To Balance b/d	...	...	30,000	By Balance b/d	50,000	80,000	...
To Realisation A/c (Stock)	...	18,750	...	By Workmen Compensation Reserve A/c	7,500	4,500	3,000
To Realisation A/c (Loss)	1,275	765	510	By Bank A/c (Bal. Fig.)	...	...	27,510
To Bank A/c (Bal. Fig.)	<b>56,225</b>	<b>64,985</b>	...				
	57,500	84,500	30,510		57,500	84,500	30,510

BANK ACCOUNT			
Dr.		Cr.	
Particulars	₹	Particulars	₹
To Balance b/d	32,000	By Realisation A/c	17,500
To Realisation A/c	91,200	By Hima's Capital A/c	56,225
To Bhanu's Capital A/c	27,510	By Zoya's Capital A/c	64,985
		By Hima's Loan A/c	12,000
	1,50,710		1,50,710

25.

## JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2025				
April 1	General Reserve A/c ...Dr. To Anil's Capital A/c To Beena's Capital A/c (General Reserve distributed among the old partners in their old ratio)		70,000	40,000 30,000
April 1	Anil's Capital A/c ...Dr. Beena's Capital A/c ...Dr. To Profit & Loss A/c (Accumulated loss distributed among the old partners in their old ratio)		4,000 3,000	7,000
April 1	Investment Fluctuation Reserve ...Dr. Revaluation A/c ...Dr. To Investment A/c (Fall in the value of investment adjusted through Investment Fluctuation Reserve and shortfall charged to Revaluation Account)		10,000 7,000	17,000
April 1	Anil's Capital A/c ...Dr. Beena's Capital A/c ...Dr. To Revaluation A/c (Loss on revaluation transferred to old partners in their old ratio)		4,000 3,000	7,000
April 1	Bank A/c ...Dr. To Chahat's Capital A/c To Premium for Goodwill A/c (Capital and premium for goodwill brought in cash)		1,01,000	80,000 21,000
April 1	Premium for Goodwill A/c ...Dr. To Anil's Capital A/c To Beena's Capital A/c (Premium for goodwill distributed between sacrificing partners in the sacrificing ratio 2 : 5) (WN)		21,000	6,000 15,000

**Working Note:**

Calculation of Sacrificing Ratio:

$$\text{Share Sacrificed} = \text{Old Profit Share} - \text{New Profit Share}$$

$$\text{Anil's Sacrifice} = \frac{4}{7} - \frac{2}{4} = \frac{16-14}{28} = \frac{2}{28}; \text{ Beena's Sacrifice} = \frac{3}{7} - \frac{1}{4} = \frac{12-7}{28} = \frac{5}{28}; \text{ Sacrificing Ratio} = \frac{2}{28} : \frac{5}{28} = 2 : 5.$$

**Or**

Dr.

## PARTNERS' CAPITAL ACCOUNTS

Cr.

Particulars	Alka ₹	Harpreet ₹	Shreya ₹	Particulars	Alka ₹	Harpreet ₹	Shreya ₹
To Goodwill A/c (Written off)	1,800	1,200	600	By Balance b/d	40,000	25,000	20,000
To Revaluation A/c (WN 1)	4,200	2,800	1,400	By Profit & Loss A/c	4,050	2,700	1,350
To Alka's Capital A/c (WN 2)	...	2,000	1,000	By Harpreet's Capital A/c	2,000	...	...
To Bank A/c	11,050	...	...	By Shreya's Capital A/c	1,000	...	...
To Alka's Loan A/c (Bal. Fig.)	<b>30,000</b>	...	...				
To Balance c/d	...	21,700	18,350				
	<u>47,050</u>	<u>27,700</u>	<u>21,350</u>		<u>47,050</u>	<u>27,700</u>	<u>21,350</u>

Dr.		ALKA'S LOAN ACCOUNT		Cr.	
Date	Particulars	₹	Date	Particulars	₹
2024			2023		
March 31	To Bank A/c (₹ 15,000 + ₹ 2,700)	17,700	April 1	By Alka's Capital A/c	30,000
March 31	To Balance c/d	15,000	2024		
		32,700	March 31	By Interest A/c (₹ 30,000 × 9/100)	2,700
					32,700
2025			2024		
March 31	To Bank A/c (₹ 15,000 + ₹ 1,350)	16,350	April 1	By Balance b/d	15,000
		16,350	2025		
			March 31	By Interest A/c (₹ 15,000 × 9/100)	1,350
					16,350

**Working Notes:**

1. Dr.		REVALUATION ACCOUNT		Cr.	
Particulars	₹	Particulars	₹		₹
To Stock A/c	2,300	By Loss transferred to Capital A/c:			
To Furniture A/c	500	Alka	4,200		
To Machinery A/c	750	Harpreet	2,800		
To Building A/c	4,000	Shreya	1,400		8,400
To Provision for Doubtful Debts A/c	850				
	8,400				8,400

2. Alka's share of goodwill = ₹ 6,000 × 1/2 = ₹ 3,000, which is contributed by Harpreet and Shreya in their gaining ratio, i.e., 2 : 1.

**26. JOURNAL**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c (30,000 × ₹ 40) ...Dr.		12,00,000	
	To Shares Application A/c (Application money received)			12,00,000
	Shares Application A/c ...Dr.		12,00,000	
	To Share Capital A/c (20,000 × ₹ 30)			6,00,000
	To Securities Premium A/c (20,000 × ₹ 10)			2,00,000
	To Shares Allotment A/c (6,000 × ₹ 40)			2,40,000
	To Bank A/c (4,000 × ₹ 40)			1,60,000
	(Application money adjusted and surplus refunded)			
	Shares Allotment A/c (20,000 × ₹ 30) ...Dr.		6,00,000	
	To Share Capital A/c (Allotment money due)			6,00,000
	Bank A/c ...Dr.		3,56,400	
	To Shares Allotment A/c (WN 1 and 2) (Allotment money received)			3,56,400

Shares First and Final Call A/c (20,000 × ₹ 40) ...Dr.	8,00,000	
To Share Capital A/c (First and final call money due)		8,00,000
Bank A/c ...Dr.	7,92,000	
To Shares First and Final Call A/c (First and final call money received except on 200 shares)		7,92,000
Share Capital A/c (200 × ₹ 100) ...Dr.	20,000	
To Shares Allotment A/c		3,600
To Shares First and Final Call A/c		8,000
To Forfeited Shares A/c (260 × ₹ 40) (200 shares forfeited for non-payment of allotment and call money)		8,400
Bank A/c (200 × ₹ 90) ...Dr.	18,000	
Forfeited Shares A/c (200 × ₹ 10) ...Dr.	2,000	
To Share Capital A/c (Reissue of 200 shares on fully paid up)		20,000
Forfeited Shares A/c ...Dr.	6,400	
To Capital Reserve A/c (Transfer of gain on reissue)		6,400

**Working Notes:**

1. Calculation of Allotment money due but not received from Ramesh:	₹
No. of shares applied by Ramesh (200 × 26,000/20,000) = 260 shares	
Application money received (260 × ₹ 40)	10,400
Less: Application money due on shares allotted (200 × ₹ 40)	8,000
Excess Application money adjusted on Allotment (60 × ₹ 40)	<u>2,400</u>
Money due from Ramesh on Allotment (200 × ₹ 30)	6,000
Less: Excess application money adjusted	2,400
Allotment money due but not received	<u>3,600</u>
2. Calculation of Allotment money received Later on:	₹
Total Allotment money due (20,000 × ₹ 30)	6,00,000
Less: Excess Application money adjusted on Allotment	2,40,000
	<u>3,60,000</u>
Less: Allotment money not received from Ramesh	3,600
Allotment money due but not received	<u>3,56,400</u>

**Or**

**In the Books of Finolex Ltd.**

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	<b>Bank A/c</b> ...Dr.		<b>3,50,000</b>	
	To <b>Equity Shares Application A/c</b>			<b>3,50,000</b>
	(Amount received on applications for 70,000 shares @ ₹ 5 per share including premium)			

Equity Shares Application A/c	...Dr.	<b>3,50,000</b>	
To <b>Equity Share Capital A/c</b>			<b>1,50,000</b>
To <b>Securities Premium A/c</b>			<b>1,00,000</b>
To <b>Bank A/c (8,000 × ₹ 5)</b>			<b>40,000</b>
To <b>Equity Shares Allotment A/c (12,000 × ₹ 5)</b>			<b>60,000</b>
(Transfer of application money to share capital, securities premium, money refunded for 8,000 shares for rejected applications and balance adjusted towards amount due on allotment as shares were allotted on <i>pro rata</i> basis)			
<b>Equity Shares Allotment A/c</b>	...Dr.	<b>2,00,000</b>	
To <b>Equity Share Capital A/c</b>			<b>2,00,000</b>
(Amount due on allotment @ ₹ 4 per share)			
<b>Bank A/c</b>	...Dr.	<b>1,40,000</b>	
To <b>Equity Shares Allotment A/c</b>			<b>1,40,000</b>
(Balance amount received on allotment)			
<b>Equity Shares First and Final Call A/c</b>	...Dr.	<b>1,50,000</b>	
To <b>Equity Shares Capital A/c</b>			<b>1,50,000</b>
(First and final call money due)			
<b>Bank A/c</b>	...Dr.	<b>1,48,500</b>	
Calls-in-Arrears A/c	...Dr.	1,500	
To <b>Equity Shares First and Final Call A/c</b>			<b>1,50,000</b>
(Money received on first and final call except on 500 shares)			
<b>Equity Share Capital A/c (500 × ₹ 10)</b>	...Dr.	<b>5,000</b>	
To <b>Forfeited Shares A/c (500 × ₹ 7)</b>			<b>3,500</b>
To <b>Calls-in-Arrears A/c (500 × ₹ 3)</b>			<b>1,500</b>
(Forfeited the shares on which call money was not received)			
<b>Bank A/c (500 × ₹ 8)</b>	...Dr.	<b>4,000</b>	
<b>Forfeited Shares A/c (500 × ₹ 2)</b>	...Dr.	<b>1,000</b>	
To <b>Equity Shares Capital A/c</b>			<b>5,000</b>
(Reissued the forfeited shares @ ₹ 8 per share fully paid up)			
<b>Forfeited Shares A/c</b>	...Dr.	<b>2,500</b>	
To <b>Capital Reserve A/c</b>			<b>2,500</b>
(Gain on reissue on forfeited shares transferred to Capital Reserve Account)			

**Note:** No. of shares on which first and final call money is not received and forfeited =  $\frac{\text{Calls - in - Arrears}}{\text{First and final call per share}}$

$$= \frac{\text{₹ 1,500}}{\text{₹ 3}} = \text{500 shares.}$$

## Part B

27. (c) NIL.

**Or**

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

**Reason:** Transactions which represent movement between items of Cash and Cash Equivalents are not Cash Flows but cash management.

28. (b) 3 times.

**Working Note:**

Cost of Revenue from Operations = Opening Inventory + Purchases – Closing Inventory

₹ 6,00,000 = ₹ 1,00,000 + ₹ 8,00,000 – Closing Inventory

Closing Inventory = ₹ 1,00,000 + ₹ 8,00,000 – ₹ 6,00,000 = ₹ 3,00,000

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

=  $\frac{\text{₹ 1,00,000} + \text{₹ 3,00,000}}{2}$  = ₹ 2,00,000

Inventory Turnover Ratio =  $\frac{\text{Cost of Revenue from Operations}}{\text{Average Inventory}}$  =  $\frac{\text{₹ 6,00,000}}{\text{₹ 2,00,000}}$  = 3 Times.

**Or**

(b) Current Ratio is also known as Acid Test Ratio.

29. (a) ₹ 2,05,000.

**Working Note:**

	₹
Dividend paid (Year I)	= (3,00,000)
Proceeds from Debentures issued	= 2,50,000
Interest on Debentures	= (1,20,000)
Interim Dividend	= (1,25,000)
Proceeds from Issue of Preference Shares	= 5,00,000
Cash Inflow from Financing Activities	= <u>2,05,000</u>

30. (d) Cash and Cash Equivalents.

31. COMPARATIVE STATEMENT OF PROFIT & LOSS  
for the years ended 31st March, 2024 and 2025

Particulars	Note No.	2023–24 ₹	2024–25 ₹	Absolute Change (Increase/Decrease) (₹)	Percentage Change (Increase/Decrease) (%)
I. Revenue from Operations		10,00,000	12,00,000	2,00,000	20.00
II. Add: Other Income		2,50,000	3,00,000	50,000	20.00
III. Total Revenue (I + II)		12,50,000	15,00,000	2,50,000	20.00
IV. Less: Employee Benefit Expense		3,75,000	6,00,000	2,25,000	60.00
V. Profit before Tax (III – IV)		8,75,000	9,00,000	25,000	2.86
VI. Tax		3,50,000	3,60,000	10,000	2.86
VII. Profit after Tax (V – VI)		5,25,000	5,40,000	15,000	2.86

**Working Note:**

	2023-24	2024-25
Other Income	$\text{₹ } 10,00,000 \times \frac{25}{100} = \text{₹ } 2,50,000$	$\text{₹ } 12,00,000 \times \frac{25}{100} = \text{₹ } 3,00,000$
Employee Benefit Expenses	$\text{₹ } 12,50,000 \times \frac{30}{100} = \text{₹ } 3,75,000$	$\text{₹ } 15,00,000 \times \frac{40}{100} = \text{₹ } 6,00,000$

*Or***Madhav Ltd.**COMPARATIVE BALANCE SHEET *as at 31st March, 2024 and 2025*

Particulars	Note No.	31st March, 2024 (₹)	31st March, 2025 (₹)	Absolute Change (₹)	Percentage Change (%)
<b>I. EQUITY AND LIABILITIES</b>					
<b>1. Shareholders' Funds</b>					
Share Capital		3,00,000	3,50,000	50,000	16.67
<b>2. Non-Current Liabilities</b>					
Long-term Borrowings		2,00,000	1,00,000	(1,00,000)	(50.00)
<b>3. Current Liabilities</b>					
Trade Payables		1,00,000	1,50,000	50,000	50.00
<b>Total</b>		6,00,000	6,00,000	...	...
<b>II. ASSETS</b>					
<b>1. Non-Current Assets</b>					
Property, Plant and Equipment and Intangible Assets:		3,00,000	4,00,000	1,00,000	33.33
<b>2. Current Assets</b>					
Trade Receivables		3,00,000	2,00,000	(1,00,000)	(33.33)
<b>Total</b>		6,00,000	6,00,000	...	...

**32.**

S. No.	Item	Major Head	Sub-head
(i)	Provident Fund Payable	Current Liabilities	Other Current Liabilities
(ii)	Copyrights	Non-current Assets	Property, Plant and Equipment and Intangible Assets—Intangible Assets
(iii)	Patents being developed by company	Non-current Assets	Property, Plant and Equipment and Intangible Assets—Intangible Assets under Development

**33. (a)** Let Revenue from Operations = ₹ 100

Gross Profit = ₹ 20

Cost of Revenue from Operations = ₹ 100 – ₹ 20 = ₹ 80

If cost is ₹ 80, then

Revenue from Operations = ₹ 100

If cost is ₹ 3,20,000, then

Revenue from Operations = ₹ 3,20,000 × 100/80 = ₹ 4,00,000

$$\begin{aligned}\text{Working Capital} &= \text{Capital Employed} - \text{Non-current Assets} \\ &= ₹ 1,00,000 - ₹ 80,000 = ₹ 20,000\end{aligned}$$

$$\begin{aligned}\text{Working Capital Turnover Ratio} &= \frac{\text{Revenue from Operations}}{\text{Working Capital}} \\ &= \frac{₹ 4,00,000}{₹ 20,000} = \mathbf{20 \text{ times.}}\end{aligned}$$

(b) Let Cost of Revenue from Operations = ₹ 100

$$\text{Gross Profit} = ₹ 25$$

$$\text{Cost of Revenue from Operations} = ₹ 9,00,000 \times 100/125 = ₹ 7,20,000$$

$$\begin{aligned}\text{Operating Profit} &= \text{Revenue from Operations} - \text{Operating Cost} \\ &= ₹ 9,00,000 - (₹ 7,20,000 + ₹ 45,000) \\ &= ₹ 1,35,000\end{aligned}$$

$$\begin{aligned}\text{Operation Profit Ratio} &= \frac{\text{Operating Profit}}{\text{Revenue from Operations}} \times 100 \\ &= \frac{₹ 1,35,000}{₹ 9,00,000} \times 100 = \mathbf{15\%}.\end{aligned}$$

*Or*

(a) Total Assets = Total Debts + Equity Shareholders' Funds + Preference Share Capital  
= ₹ 9,00,000 + ₹ 2,00,000 + ₹ 1,00,000 = ₹ 12,00,000

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

$$2.4 : 1 = \frac{₹ 12,00,000}{\text{Debt}}$$

$$\text{Debt} = \frac{₹ 12,00,000}{2.4} = ₹ 5,00,000$$

$$\begin{aligned}\text{Current Liabilities} &= \text{Total Debts} - \text{Debts} \\ &= ₹ 9,00,000 - ₹ 5,00,000 = ₹ \mathbf{4,00,000}.\end{aligned}$$

(b) Net Assets or Capital Employed Turnover Ratio =  $\frac{\text{Revenue from Operations}}{\text{Net Assets or Capital Employed}}$   
=  $\frac{₹ 37,50,000}{₹ 25,00,000} = \mathbf{1.5 \text{ Times}}$

Revenue from Operations = ₹ 37,50,000 (Given)

$$\begin{aligned}\text{Capital Employed (Note)} &= \text{Shareholders' Funds} + \text{Long-term Borrowings} \\ &= ₹ 20,00,000 + ₹ 5,00,000 \\ &= ₹ 25,00,000.\end{aligned}$$

**Note:** Shareholders' Funds include Equity Share Capital, Preference Share Capital and Reserves and Surplus. In the absence of information on assets and current liabilities being not given, capital employed is determined which is equal to net assets.

34.

## CASH FLOW STATEMENT for the year ended 31st March, 2025

Particulars	₹	₹
<b>A. Cash Flow from Operating Activities</b>		
Net Profit before Tax and Extraordinary Items (WN 1)	2,10,000	
Add: Non-cash and Non-operating Expenses:		
Depreciation (WN 4)	80,000	
Interest on Debentures [(₹ 1,00,000 × 10/100 × 6/12) + (₹ 5,00,000 × 10/100 × 6/12)]	30,000	
Goodwill Amortised	60,000	
Loss on Sale of Machinery	12,000	
Operating Profit before Working Capital Changes	3,92,000	
Change in Current Assets and Current Liabilities:		
Increase in Inventories (50,000)	(50,000)	
Increase in Trade Receivables (2,00,000)	(2,00,000)	
Cash Generated from Operating Activities before Tax	1,42,000	
Less: Tax Paid	30,000	
Cash Flow from Operating Activities		1,12,000
<b>B. Cash Flow from Investing Activities</b>		
Proceeds from Sale of Machinery	18,000	
Purchase of Machinery (WN 2)	(8,10,000)	
Cash Used in Investing Activities		(7,92,000)
<b>C. Cash Flow from Financing Activities</b>		
Payment of Bank Overdraft	(10,000)	
Proceeds from Issue of Equity Shares [₹ 4,00,000 + ₹ 20,000 (Premium)]	4,20,000	
Dividend Paid	(50,000)	
Proceeds from Issue of Debentures [₹ 4,00,000 – ₹ 20,000 (Discount on Issue)]	3,80,000	
Interest paid on Debentures	(30,000)	
Cash Flow from Financing Activities		7,10,000
<b>D. Net Increase in Cash and Cash Equivalents (A + B + C)</b>		30,000
Add: Cash and Cash Equivalents in the beginning of the year		60,000
<b>E. Cash and Cash Equivalents at the end of the year</b>		90,000

**Working Notes:**

1. Calculation of Net Profit before Tax and Extraordinary Items:	₹
Surplus, i.e., Balance in Statement of Profit & Loss (Closing)	3,50,000
Less: Surplus, i.e., Balance in Statement of Profit & Loss (Opening)	3,00,000
Net Profit for the Year	50,000
Add: Provision for Tax	60,000
Transfer to General Reserve	50,000
Dividend Paid	50,000
<b>Net Profit before Tax</b>	<b>2,10,000</b>

2. Provision for tax of Previous Year is treated as **tax paid during the year** and Provision for tax of Current Year is treated as **Tax Provision made during the year**.

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

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

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

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

5. Discount of Issue of Debentures = ₹ 4,00,000 × 5/100 = ₹ 20,000 has been adjusted from Securities Premium (*i.e.*, Issue of New Equity Shares = ₹ 4,00,000 × 5/100 = ₹ 20,000) as per Section 52(2) of the Companies Act, 2013. Since discount has not been written off from Statement of Profit & Loss, it is not adjusted while calculating Operating Profit.

□□□□

**ANSWERS (MTP 9)**

**Part A**

1. (c) Transferred to the credit of Profit & Loss Appropriation Account.

*Or*

- (c) 10% p.a.

**Working Note:**

$$\begin{aligned} \text{Average Period} &= \frac{\text{Time Left after First Drawing} + \text{Time Left after Last Drawing}}{2} \\ &= \frac{9+3}{2} = 6 \text{ Months} \end{aligned}$$

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

Let the Rate of Interest =  $x$

$$₹ 540 = ₹ 10,800 \times \frac{x}{100} \times \frac{6}{12}$$

$$₹ 540 = ₹ 54x$$

$$x = \frac{₹ 540}{₹ 54} = 10\%$$

2. (b) Revaluation Account will be debited by ₹ 10,000.

*Or*

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

3. (c) ₹ 35,400.

**Working Note:**

$$\text{Average Profit} = \frac{₹ 4,000 + ₹ 47,800 (\text{₹ } 52,200 - ₹ 4,400^*) + ₹ 54,400 (\text{₹ } 62,400 + ₹ 4,400^* - ₹ 12,400)}{3}$$

$$= ₹ 35,400.$$

\*Defective item of ₹ 4,400 is a part of Closing stock of year II, this will also become a part of opening stock of IIIrd year. So, it is subtracted from the profit of II year, since overvaluation of closing stock would have increased the profits. Overvaluation of opening stock in year III, reduced the profits so it is added in the profit of III year.

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

*Or*

- (a) Debit side of Profit & Loss Appropriation Account.



12. (c) 26 : 19 : 15.

**Working Note:**

New Profit Share of Old Partner = Old Profit Share – Share taken by incoming partner

Share taken by Damini from Atul =  $2/3 \times 1/4 = 2/12$

Share taken by Damini from Beena =  $1/3 \times 1/4 = 1/12$

Damini's Profit share =  $2/12 + 1/12 = 3/12$

Atul's New Profit Share =  $3/5 - 2/12 = 26/60$

Beena's New Profit Share =  $2/5 - 1/12 = 19/60$

New Ratio of Atul, Beena and Damini =  $26/60 : 19/60 : 3/12 = \mathbf{26 : 19 : 15}$ .

13. (c) Debit of Profit & Loss Suspense Account.

14. (b) ₹ 35,000.

**Working Note:**

Total Adjusted Capital of Arjit and Shekhar:	Arjit (₹)	Shekhar (₹)
Capital before Adjustment	69,000	51,000
Add: Share of Goodwill	5,000	5,000
Share of General Reserve	9,000	6,000
	<u>83,000</u>	<u>62,000</u>
Less: Share of Loss on Revaluation	3,000	2,000
	<u>80,000</u>	<u>60,000</u>

Total adjusted capital of Arjit and Shekhar for 4/5th share = ₹ 80,000 + ₹ 60,000 = ₹ 1,40,000

Total capital of new firm will be = ₹ 1,40,000 × 5/4 = ₹ 1,75,000

Vishal's capital will be = ₹ 1,75,000 × 1/5 = ₹ 35,000.

15. (c) to account the Profit & Loss A/c (Dr.).

16. (d) In cases (b) and (c) only.

17. JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c (₹ 54,000 × 3/20) ...Dr.		8,100	
	To Premium for Goodwill A/c (Amount of goodwill brought by Anna for share of profit, otherwise than as gift, i.e., 3/20)			8,100
	Premium for Goodwill A/c ...Dr.		8,100	
	To Priya's Capital A/c			4,050
	To Karam's Capital A/c			4,050
	(Goodwill credited to sacrificing partners in their sacrificing ratio of 1 : 1)			
	Profit & Loss Appropriation A/c ...Dr.		60,000	
	To Priya's Capital A/c			24,000
	To Karam's Capital A/c			18,000
	To Anna's Capital A/c			18,000
	(Profit credited to all partners in the their new ratio of 4 : 3 : 3)			

**Working Note:**

$$\text{Profit Share gifted by Priya} = \frac{1}{2} \times \frac{3}{20} = \frac{3}{40}$$

$$\text{Profit Share taken by Anna from Priya} = \frac{1}{2} \times \frac{3}{20} = \frac{3}{40}$$

$$\text{Profit Share taken by Anna from Karam} = \frac{1}{2} \times \frac{3}{20} = \frac{3}{40}$$

$$\text{Profit share taken by Anna other than gift} = \frac{3}{40} + \frac{3}{40} = \frac{6}{40} \text{ or } \frac{3}{20}$$

Goodwill to be brought by Anna is ₹ 54,000 ×  $\frac{3}{20}$ , i.e., ₹ 8,100

$$\text{Priya's New Profit Share} = \frac{5}{8} - \frac{3}{20} - \frac{3}{40} = \frac{16}{40}$$

$$\text{Karam's New Profit Share} = \frac{3}{8} - \frac{3}{40} = \frac{12}{40}$$

$$\text{New Profit-sharing Ratio of Priya, Karam and Anna} = \frac{16}{40} : \frac{12}{40} : \frac{3}{10} = 16 : 12 : 12 = 4 : 3 : 3.$$

**18.****PROFIT & LOSS APPROPRIATION ACCOUNT**

Dr.

for the year ended 31st March, 2025

Cr.

Particulars	₹	Particulars	₹
To Interest on Capital:		By Profit & Loss A/c:	
Vikas	12,000	Profit	2,50,000
Vijay	9,000	Less: Interest on Loan (Note 1)	
	21,000	(₹ 50,000 × 6/100 × 6/12)	1,500
To Salary: Vikas	60,000		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
70,000	Balance		5,500
Vikas	40,000 + 26,750		
Vijay	30,000 + 26,750		
	2,54,000		2,54,000

**Notes:**

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

**Or****CALCULATION OF OPENING CAPITAL**

Particulars	P (₹)	Q (₹)	R (₹)
Closing Capital	1,50,000	1,80,000	2,10,000
Add: Drawings	20,000	20,000	20,000
	1,70,000	2,00,000	2,30,000
Less: Share of Profit	12,000	24,000	24,000
Opening Capital (1st April, 2024)	1,58,000	1,76,000	2,06,000
Interest on Capital @ 10% p.a.	15,800	17,600	20,600

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	P's Capital A/c ...Dr.		12,000	
	Q's Capital A/c ...Dr.		24,000	
	R's Capital A/c ...Dr.		24,000	
	To Profit & Loss Adjustment A/c (Share of profit wrongly credited, now debited to Capital Accounts)			60,000
	Profit & Loss Adjustment A/c ...Dr.		54,000	
	To P's Capital A/c			15,800
	To Q's Capital A/c			17,600
	To R's Capital A/c			20,600
	(Interest on capital credited to Partners' Capital Accounts)			
	Profit & Loss Adjustment A/c ...Dr.		6,000	
	To P's Capital A/c			1,200
	To Q's Capital A/c			2,400
	To R's Capital A/c			2,400
	(Divisible profit credited to Partners' Capital Accounts in their profit-sharing ratio)			

19. According to Section 37 of the Indian Partnership Act, 1932, Karan has the choice to get either of the following till the settlement is made:

(i) Interest @ 6% p.a. on the balance amount = ₹ 2,00,000 ×  $\frac{6}{12} \times \frac{6}{100}$  = ₹ 6,000.

(ii) Share in profit earned proportionate to his amount outstanding to total capital

$$= \frac{\text{₹ } 2,00,000}{\text{₹ } 10,00,000} \times \text{₹ } 1,00,000 = \text{₹ } 20,000$$

$$*\text{₹ } 10,00,000 = \text{₹ } 2,00,000 + \text{₹ } 5,00,000 + \text{₹ } 3,00,000$$

Karan should exercise option (ii) as amount under this option is more as compared to option (i).

Total amount payable to Karan = ₹ 2,00,000 + ₹ 20,000 = ₹ 2,20,000.

20.

**In the Books of Epson Ltd.**

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Sundry Assets A/c ...Dr.		14,00,000	
	To Sundry Liabilities A/c			4,00,000
	To Spark Ltd.			9,19,000
	To <b>Capital Reserve A/c (Balancing Figure)</b>			<b>81,000</b>
	(Assets and Liabilities of Spark Ltd. taken over)			
	Spark Ltd. ...Dr.		9,19,000	
	To Bank A/c			39,000
	To Equity Share Capital A/c (8,000 × ₹ 100)			8,00,000
	To Securities Premium A/c (8,000 × ₹ 10)			80,000
	(Purchase consideration paid through cheque and balance by issue of 8,000 Equity shares of ₹ 100 each at 10% premium)			

**Working Note:** No. of Shares to be issued =  $\frac{\text{₹ } 9,19,000 - \text{₹ } 39,000}{\text{₹ } 110} = 8,000$  shares.

## 21.

## JOURNAL OF NAVNIRMAN LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Equity Shares First Call A/c ...Dr. To <b>Equity Share Capital A/c</b> (First call due on 4,00,000 shares @ ₹ 2 per share)		8,00,000	8,00,000
	Bank A/c ...Dr. <b>Calls-in-Arrears A/c</b> ...Dr. To Equity Shares First Call A/c To <b>Calls-in-Advance A/c</b> ( <b>First call money received on 3,99,300 shares along with final call on 6,000 shares</b> )		<b>8,16,600</b> <b>1,400</b>	<b>8,00,000</b> <b>18,000</b>
	Equity Shares Final Call A/c ...Dr. To Equity Share Capital A/c (Final call due on 4,00,000 shares @ ₹ 3 per share)		<b>12,00,000</b>	<b>12,00,000</b>
	Bank A/c ...Dr. <b>Calls-in-Advance A/c</b> ...Dr. To Equity Shares Final Call A/c To <b>Calls-in-Arrears A/c</b> ( <b>Final call received along with arrears of first call and Call-in-Advance adjusted</b> )		<b>11,83,400</b> <b>18,000</b>	<b>12,00,000</b> <b>1,400</b>

## 22.

## JOURNAL OF PARTH, RAMAN AND ZAISHA

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2024 April 1	General Reserve A/c ...Dr. To Parth's Capital A/c To Raman's Capital A/c To Zaisha's Capital A/c (General Reserve distributed in old ratio)		20,000	10,000 6,000 4,000
April 1	Revaluation A/c ...Dr. Workmen Compensation Reserve A/c ...Dr. To Workmen Compensation Claim A/c (Liability of workmen compensation claim created out of Workmen Compensation Reserve and Revaluation Account)		8,000 12,000	20,000
April 1	Revaluation A/c ...Dr. To Stock A/c (Decrease in value of stock recorded through Revaluation Account)		3,200	3,200
April 1	Investments A/c ...Dr. Creditors A/c ...Dr. To Revaluation A/c (Increase in value of investments recorded and amount not likely to be claimed by creditors written off)		2,000 900	2,900
April 1	Parth's Capital A/c ...Dr. Raman's Capital A/c ...Dr. Zaisha's Capital A/c ...Dr. To Revaluation A/c (₹ 8,000 + ₹ 3,200 - ₹ 2,900) (Loss on Revaluation of assets and reassessment of liabilities transferred to partners Capitals Accounts in their old ratio)		4,150 2,490 1,660	8,300

23. (i) Number of Debentures to be issued =  $\frac{\text{₹ } 52,50,000}{\text{₹ } 105} = 50,000$  Debentures.

(ii)

**In the Books of Galaxy Ltd.**

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2024				
April 1	Debentures Application and Allotment A/c ...Dr.		52,50,000	
	Loss on Issue of Debentures A/c ...Dr.		5,00,000	
	To 6% Debentures A/c			50,00,000
	To Securities Premium A/c			2,50,000
	To Premium on Redemption of Debentures A/c			5,00,000
	(Allotment of debentures made)			

(iii)

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2025				
March 31	Securities Premium A/c ...Dr.		2,50,000	
	Statement of Profit & Loss ...Dr.		2,50,000	
	To Loss on Issue of Debentures A/c			5,00,000
	(Loss on Issue of Debentures Account written off)			

(iv)

Dr.		LOSS ON ISSUE OF DEBENTURES ACCOUNT				Cr.
Date	Particulars	₹	Date	Particulars	₹	
2024			2025			
April 1	To Premium on Redemption of Debentures A/c	5,00,000	March 31	By Securities Premium A/c	2,50,000	
		5,00,000		By Statement of Profit & Loss	2,50,000	
					5,00,000	

24. (A)

Dr.		PARTNERS' CAPITAL ACCOUNTS				Cr.
Particulars	Mohan ₹	Sohan ₹	Particulars	Mohan ₹	Sohan ₹	
To Balance b/d	...	20,000	By Balance b/d	40,000	...	
To Profit & Loss A/c	5,000	5,000	By General Reserve A/c	3,500	3,500	
To Realisation A/c (Dissolution Exp.)	1,000	...	By Realisation A/c (Unrecorded Liability)	3,000	...	
To Realisation A/c (Unrecorded Asset)	...	2,000	By Bank A/c (Amount Brought)	...	53,500	
To Realisation A/c (Loss)	30,000	30,000	—Balancing Figure			
To Bank A/c (Final Payment—Bal. Fig.)	10,500	...				
	46,500	57,000		46,500	57,000	

Dr.		MOHAN'S LOAN ACCOUNT		Cr.	
Particulars	₹	Particulars	₹		
To Bank A/c (Payment)	27,500	By Balance b/d	25,000		
		By Interest on Loan A/c	2,500		
	27,500		27,500		

(B)		JOURNAL			
Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)	
(i)	Realisation A/c ...Dr.		10,000		
	To Bank A/c			10,000	
	(Balance of creditor (Raj) paid)				
(ii)	Loan from Rakesh A/c ...Dr.		11,000		
	To Rakesh's Capital A/c			1,000	
	To Bank A/c			10,000	
	(Loan of ₹ 1,000 transferred to his Capital Account and balance paid)				

**Note:** No entry will be passed for the settlement of ₹ 12,000 against which machine has been given.

## 25.

Dr.		REVALUATION ACCOUNT		Cr.	
Particulars	₹	Particulars	₹		
To Stock A/c	20,000	By Furniture A/c	60,000		
To Profit on Revaluation transferred to:					
Tushar's Capital A/c	25,000				
Kapil's Capital A/c	15,000				
	40,000				
	60,000		60,000		

Dr.		PARTNERS' CAPITAL ACCOUNTS						Cr.	
Particulars	Tushar ₹	Kapil ₹	Ajay ₹	Particulars	Tushar ₹	Kapil ₹	Ajay ₹		
To Goodwill A/c	50,000	30,000	...	By Balance b/d	3,00,000	2,00,000	...		
To Balance c/d	3,90,000	2,70,000	2,50,000	By Revaluation A/c	25,000	15,000	...		
				By Workmen Compensation Reserve A/c	25,000	15,000	...		
				By General Reserve A/c	50,000	30,000	...		
				By Bank A/c	...	...	2,50,000		
				By Premium for Goodwill A/c	40,000	40,000	...		
	4,40,000	3,00,000	2,50,000		4,40,000	3,00,000	2,50,000		

**BALANCE SHEET OF THE RECONSTITUTED FIRM**  
*as at 1st April, 2025*

Particulars	₹	Particulars	₹
Sundry Creditors	1,20,000	Bank (₹ 60,000 + ₹ 2,50,000 + ₹ 80,000)	3,90,000
Employees Provident Fund	20,000	Sundry Debtors	80,000
Capital Accounts:		Stock	80,000
Tushar	3,90,000	Furniture	2,40,000
Kapil	2,70,000	Machinery	2,60,000
Ajay	2,50,000		
	9,10,000		
	10,50,000		10,50,000

**Working Notes:**

*Valuation of Firm's Goodwill:*

$$\text{Super Profit} = \text{Average Profit} - \text{Normal Profit} = ₹ 2,00,000 - ₹ 1,20,000 = ₹ 80,000$$

$$\text{Goodwill} = \text{Super Profit} \times 4 = ₹ 80,000 \times 4 = ₹ 3,20,000$$

$$\text{Ajay's Share of Goodwill} = ₹ 3,20,000 \times 1/4 = ₹ 80,000.$$

**Or**

REVALUATION ACCOUNT			
Dr.	₹	Cr.	₹
To Stock A/c	80,000	By Fixed Assets A/c	2,40,000
To Profit on Revaluation transferred to:			
Rupal's Capital A/c	80,000		
Shanu's Capital A/c	60,000		
Trisha's Capital A/c	20,000		
	1,60,000		
	2,40,000		2,40,000

PARTNERS' CAPITAL ACCOUNTS							
Dr.	Rupal	Shanu	Trisha	Cr.	Rupal	Shanu	Trisha
	₹	₹	₹		₹	₹	₹
To Trisha's Capital A/c (WN 1)	...	1,00,000	...	By Balance b/d	8,00,000	6,00,000	2,00,000
To Trisha's Loan A/c	...	...	3,60,000	By General Reserve A/c	1,60,000	1,20,000	40,000
To Cash A/c (Bal. Fig.)	<b>2,40,000</b>	...	...	By Shanu's Capital A/c (WN 1)	...	...	1,00,000
To Balance c/d (WN 2)	8,00,000	8,00,000	...	By Revaluation A/c (Profit)	80,000	60,000	20,000
				By Cash A/c (Bal. Fig.)	...	<b>1,20,000</b>	...
	10,40,000	9,00,000	3,60,000		10,40,000	9,00,000	3,60,000
	10,40,000	9,00,000	3,60,000		10,40,000	9,00,000	3,60,000

**BALANCE SHEET OF THE RECONSTITUTED FIRM**  
*as at 1st April, 2025*

Particulars	₹	Particulars	₹
Sundry Creditors	4,00,000	Fixed Assets	10,60,000
Trisha's Loan	3,60,000	Stock	2,00,000
Capital Accounts:		Sundry Debtors	5,00,000
Rupal	8,00,000	Cash (₹ 7,20,000 + ₹ 1,20,000 - ₹ 2,40,000)	6,00,000
Shanu	8,00,000		
	16,00,000		
	23,60,000		23,60,000

**Working Notes:**

1. Trisha's share of profit was taken by Shanu. Thus, she is the only gaining partner.

$$\text{Shanu's New Profit Share} = \frac{3}{8} + \frac{1}{8} = \frac{4}{8}$$

$$\text{Rupal's Profit Share} = \frac{4}{8}$$

$$\text{New Profit-sharing Ratio of Rupal and Shanu} = \frac{4}{8} : \frac{4}{8} \text{ or } 1 : 1.$$

$$2. \text{Capital of Rupal in New Firm} = ₹ 16,00,000 \times \frac{1}{2} = ₹ 8,00,000$$

$$\text{Capital of Shanu in New Firm} = ₹ 16,00,000 \times \frac{1}{2} = ₹ 8,00,000.$$

**26.**

Dr.		SHARES ALLOTMENT ACCOUNT		Cr.	
Particulars	₹	Particulars	₹		
To Share Capital A/c (10,000 × ₹ 2)	20,000	By Shares Application A/c (WN 1)	8,000		
To Securities Premium A/c (10,000 × ₹ 3)	30,000	By Bank A/c (WN 3)	37,800		
		By Calls-in-Arrears A/c (WN 2)	4,200		
	50,000		50,000		

Dr.		SECURITIES PREMIUM ACCOUNT		Cr.	
Particulars	₹	Particulars	₹		
To Calls-in-Arrears A/c (1,000 × ₹ 3)	3,000	By Shares Allotment A/c (10,000 × ₹ 3)	30,000		
To Balance c/d	27,000				
	30,000		30,000		

Dr.		SHARES FORFEITURE ACCOUNT		Cr.	
Particulars	₹	Particulars	₹		
To Share Capital A/c (Discount on reissue of 800 shares)	800	By Share Capital A/c (1,200 × ₹ 4)	4,800		
To Capital Reserve A/c (WN 4)	3,040				
To Balance c/d (₹ 4,800/1,000 × 200)	960				
	4,800		4,800		

Dr.		CALLS-IN-ARREARS ACCOUNT		Cr.	
Particulars	₹	Particulars	₹		
To Shares Allotment A/c	4,200	By Share Capital A/c	3,200		
To Shares First Call A/c (1,000 × ₹ 2)	2,000	By Securities Premium A/c	3,000		
	6,200		6,200		

**Working Notes:**

1. Excess application money adjusted on allotment =  $(12,000 - 10,000) \times ₹ 4 = ₹ 8,000$ .

2. Amount not received, i.e., Calls-in-Arrears:

(i) Shares allotted to him =  $\frac{10,000}{12,000} \times 1,200 = 1,000$

(ii) Application money received =  $1,200 \times ₹ 4 = ₹ 4,800$

(iii) Application money due on shares allotted =  $1,000 \times ₹ 4 = ₹ 4,000$

(iv) Excess Application money adjusted on allotment =  $₹ 4,800 - ₹ 4,000 = ₹ 800$

(v) Allotment money due on shares allotted =  $1,000 \times ₹ 5 = ₹ 5,000$

(vi) Allotment money due but not received (Calls-in-Arrears) =  $₹ 5,000 - ₹ 800 = ₹ 4,200$ .

3. Calculation of amount received on allotment:

	₹
Total allotment money due $(10,000 \times ₹ 5)$	50,000
Less: Excess application money adjusted (WN 1)	<u>8,000</u>
	42,000
Less: Allotment money due but not received (WN 2)	<u>4,200</u>
Amount received on Allotment	<u><u>37,800</u></u>

4. Calculation of amount transferred to Capital Reserve:

Amount forfeited on reissued shares $(₹ 4,800/1,000 \times 800)$	3,840
Less: Reissue Discount $(800 \times ₹ 1)$	<u>800</u>
Gain on reissue transferred to Capital Reserve	<u><u>3,040</u></u>

**Or**

(a) JOURNAL OF X LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c $(20 \times ₹ 7)$ ...Dr.		140	
	To Calls-in-Arrears A/c $(20 \times ₹ 2)$			40
	To Forfeited Shares A/c $(20 \times ₹ 5)$			100
	(20 Shares Forfeited for non-payment of first call money)			
	Bank A/c $(15 \times ₹ 8)$ ...Dr.		120	
	To Share Capital A/c $(15 \times ₹ 7)$			105
	To Securities Premium A/c $(15 \times ₹ 1)$			15
	(15 shares reissued as ₹ 7 paid-up for ₹ 8 per share)			
	Forfeited Shares A/c ...Dr.		75	
	To Capital Reserve A/c $(₹ 100/20 \times 15)$			75
	(Transfer of gain on reissue of 15 shares)			

(b) JOURNAL OF Y LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c $(90 \times ₹ 8)$ ...Dr.		720	
	Securities Premium A/c $(90 \times ₹ 2)$ ...Dr.		180	
	To Share Allotment A/c $(90 \times ₹ 5)$			450
	To Forfeited Shares A/c $(90 \times ₹ 5)$			450
	(90 shares forfeited for non-payment of allotment money)			

Bank A/c (80 × ₹ 10)	...Dr.	800	
To Share Capital A/c (80 × ₹ 8)			640
To Securities Premium A/c (80 × ₹ 2)			160
(80 shares reissued as ₹ 8 paid-up for ₹ 10 per share)			
Forfeited Shares A/c (80 × ₹ 5)	...Dr.	400	
To Capital Reserve A/c (₹ 450/90 × 80)			400
(Transfer of gain on reissue of 80 shares)			

### Part B

27. (c) Issue of Shares against purchase of fixed asset.

**Reason:** Only equity has increased whereas debts remains unchanged.

*Or*

(a) Both Current Ratio and Quick Ratio will improve.

**Reason:** Total Current Assets and Quick Assets are increased by ₹ 9,000 but Total Current Liabilities remain unchanged.

28. (b) Both statements are incorrect.

**Reason:** Investing Activities are the acquisition and disposal of long-term Assets and other Investments not included in Cash Equivalents.

Principal Revenue producing Activity of Stock Broking Company is earning commission on Purchase/Sale of shares for clients. If shares are purchased, it is an investing activity.

29. (b) Inflow of ₹ 1,10,000.

Dr.		INVESTMENT ACCOUNT		Cr.	
Particulars	₹	Particulars	₹		
To Balance b/d	5,00,000	By Bank A/c (Sale) (Balancing Figure)		<b>2,10,000</b>	
To Bank A/c (Purchases)	1,00,000	By Balance c/d		4,00,000	
To Statement of Profit & Loss	10,000				
	<u>6,10,000</u>				<u>6,10,000</u>

$$\begin{aligned} \text{Cash Flow from Investing Activities} &= \text{Sale Proceeds} - \text{Investment Purchased} \\ &= ₹ 2,10,000 - ₹ 1,00,000 = ₹ 1,10,000. \end{aligned}$$

*Or*

(d) ₹ 9,00,000.

**Working Note:**

	₹
Equity Share Capital	15,00,000
10% Bank Loan repaid	(5,00,000)
Dividend paid	(1,00,000)
Cash Flow from Financing Activities	<u>9,00,000</u>

**Note:** Dividend received during the year is an Investing Activity.

30. (a) Income Statement.

31.

S. No.	Item	Major Head	Sub-head
(i)	Cheques and drafts on hand	Current Assets	Cash and Cash Equivalents
(ii)	Capital Work-in-Progress	Non-current Assets	Property, Plant and Equipment and Intangible Assets— Capital Work-in-Progress
(iii)	Provident Fund Payable	Current Liabilities	Other Current Liabilities
(iv)	Mortgage Loan	Non-current Liabilities	Long-term Borrowings
(v)	General Reserve	Shareholders' Funds	Reserves and Surplus
(vi)	Stores and Spares	Current Assets	Inventories

*Or*

- (i) Window dressing means presenting of better financial position than what actually is by manipulating the books of accounts. In this situation, financial statements may give false information to the users.
- (ii) Cross-sectional Analysis involves comparison of actual ratios of one firm with those of some other similar firm belonging to the same industry or industry average at the same point of time.
- (iii) To determine operating efficiency with which resources are utilised to generate revenue.

32. COMPARATIVE STATEMENT OF PROFIT & LOSS for the years ended 31st March, 2024 and 2025

Particulars	Note No.	31st March, 2024 ₹	31st March, 2025 ₹	Absolute Change (Increase/Decrease) ₹	Percentage Change (Increase/Decrease) %
I. Revenue from Operations		10,00,000	20,00,000	10,00,000	100.00
II. Expenses:					
(a) Cost of Materials Consumed		6,00,000	15,00,000	9,00,000	150.00
(b) Other Expenses		60,000	1,80,000	1,20,000	200.00
<b>Total Expenses</b>		<b>6,60,000</b>	<b>16,80,000</b>	<b>10,20,000</b>	<b>154.55</b>
III. <b>Profit before Tax (I – II)</b>		<b>3,40,000</b>	<b>3,20,000</b>	<b>(20,000)</b>	<b>(5.88)</b>
IV. Tax		1,02,000	1,28,000	26,000	25.49
V. <b>Profit after Tax (III – IV)</b>		<b>2,38,000</b>	<b>1,92,000</b>	<b>(46,000)</b>	<b>(19.33)</b>

$$\begin{aligned}
 33. (a) \text{ Fixed Assets Turnover Ratio} &= \frac{\text{Revenue from Operations}}{\text{Net Fixed Assets}} \\
 &= \frac{\text{₹ } 32,00,000 \text{ (WN 1)}}{\text{₹ } 20,00,000 \text{ (WN 2)}} = \mathbf{1.6 \text{ Times.}}
 \end{aligned}$$

**Working Notes:**

1. Calculation of Revenue from Operations:

Let Revenue from Operations = ₹ 100, it means Gross Profit = 25% of ₹ 100 = ₹ 25

Cost of Revenue from Operations = ₹ 100 – ₹ 25 = ₹ 75

When Cost of Revenue from Operations = ₹ 24,00,000, then

Revenue from Operations = ₹ 24,00,000 × 100/75

= ₹ 32,00,000.

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

= ₹ 22,00,000 + ₹ 4,00,000 – ₹ 6,00,000 = ₹ 20,00,000.

(b) Closing Inventory = 25% of ₹ 32,00,000 = ₹ 8,00,000  
 Opening Inventory = ₹ 8,00,000 × 1/4 = ₹ 2,00,000  
 Inventory Turnover Ratio =  $\frac{\text{Cost of Revenue from Operations}}{\text{Average Inventory}}$   

$$= \frac{₹ 24,00,000}{\left(\frac{₹ 2,00,000 + ₹ 8,00,000}{2}\right)} = 4.8 \text{ Times.}$$

*Or*

(a) Return on Investment (ROI) =  $\frac{\text{Net Profit before Interest \& Tax}}{\text{Capital Employed}} \times 100$   

$$= \frac{₹ 22,50,000}{₹ 1,80,00,000} \times 100 = 12.5\%.$$

**Working Notes:**

1. Net Profit before Interest & Tax = Profit after Tax + Tax\* + Interest\*\*  
 $= ₹ 9,00,000 + ₹ 6,00,000 + ₹ 7,50,000 = ₹ 22,50,000.$

\*Tax = ₹ 9,00,000 ×  $\frac{40}{60}$  = ₹ 6,00,000

\*\*Interest = Debenture Interest + Interest on Bank Loan  
 Total Interest = ₹ 4,50,000 + ₹ 3,00,000 = ₹ 7,50,000.

2. Capital Employed = Equity Share Capital + Preference Share Capital + Reserves & Surplus + Debentures + Bank Loan  
 $= ₹ 60,00,000 + ₹ 45,00,000 + ₹ 15,00,000 + ₹ 30,00,000 + ₹ 30,00,000$   
 $= ₹ 1,80,00,000.$

(b) Net Assets Turnover Ratio =  $\frac{\text{Revenue from Operations}}{\text{Capital Employed}}$   

$$= \frac{₹ 5,40,00,000 *}{₹ 1,80,00,000} = 3 \text{ Times}$$

\*Sales – Sales Return = ₹ 5,62,50,000 – ₹ 22,50,000 = ₹ 5,40,00,000.

34.

CASH FLOW STATEMENT  
for the year ended 31st March, 2025

Particulars	₹
<b>I. Cash Flow from Operating Activities</b>	
Net Profit before Tax and Extraordinary Items (WN 1)	2,63,000
<i>Add: Adjustments for Non-cash and Non-operating Items:</i>	
Depreciation	1,47,000
Operating Profit before Working Capital Changes	4,10,000
<i>Adjustments for change in Current Assets and Current Liabilities:</i>	
Inventories	(20,000)
Trade Receivables	(15,000)
Trade Payables	23,000
<i>Cash Flow from Operating Activities</i>	3,98,000

<b>II. Cash Flow from Investing Activities</b>	
Purchase of Machinery (WN 2)	(5,10,000)
<i>Cash Used in Investing Activities</i>	<u>(5,10,000)</u>
<b>III. Cash Flow from Financing Activities</b>	
Proceeds from Issue of Equity Shares	3,00,000
Interim Dividend Paid	(70,000)
Preference Dividend Paid	(18,000)
Redemption of Preference Shares	(1,00,000)
Premium on Redemption of Preference Shares	(5,000)
<i>Cash Flow from Financing Activities</i>	<u>1,07,000</u>
<b>IV. Net Decrease in Cash and Cash Equivalents (I + II + III)</b>	<u>(5,000)</u>
<b>V. Add: Opening Cash and Cash Equivalents</b>	37,500
<b>VI. Cash and Cash Equivalents</b>	<u>32,500</u>

**Working Notes:**

1. Calculation of Net Profit before Tax and Extraordinary Items:	₹	₹
Closing Balance of Surplus, i.e., Balance in Statement of Profit & Loss		1,50,000
Less: Opening Balance of Surplus, i.e., Balance in Statement of Profit & Loss		<u>1,00,000</u>
Profit made during the year		50,000
Add: Interim dividend paid during the current year	70,000	
Dividend on Preference Share Capital	18,000	
Transfer to General Reserve	1,25,000	2,13,000
Net Profit before Tax and Extraordinary Items		<u><u>2,63,000</u></u>

2. Dr.	PROPERTY, PLANT AND EQUIPMENT ACCOUNT (MACHINERY ACCOUNT)		Cr.
Particulars	₹	Particulars	₹
To Balance b/d	4,67,000	By Depreciation A/c	1,47,000
To Bank A/c (Purchases)—Balancing Figure	<b>5,10,000</b>	By Balance c/d	8,30,000
	<u>9,77,000</u>		<u>9,77,000</u>

□□□□

**ANSWERS (MTP 10)**

**Part A**

1. (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.

*Or*

(d) ₹ 10,00,000.

**Working Note:**

Normal Profit = Average Profit – Super Profit  
 = ₹ 5,00,000 – ₹ 4,00,000 = ₹ 1,00,000  
 Normal Profit = Capital Employed ×  $\frac{\text{Normal Rate of Return}}{100}$   
 ₹ 1,00,000 = Capital Employed ×  $\frac{10}{100}$   
 Capital Employed = ₹ 1,00,000 × 100/10 = ₹ 10,00,000.

2. (c) credited, ₹ 77,000.

**Working Note:**

₹ 75,000 + ₹ 2,000 = ₹ 77,000.

*Or*

(c) Realisation A/c	...Dr.	₹ 50,000
To Bank A/c		₹ 25,000
To Rajesh's Capital A/c		₹ 25,000

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

4. (a) 5%.

**Working Note:**

Total Loss on Issue of Debentures	₹ 4,00,000
Less: Discount on Issue of Debentures @ 5% of ₹ 40,00,000	2,00,000
Premium on Redemption of Debentures	<u>2,00,000</u>
% of Premium on Redemption of Debentures = $\frac{₹ 2,00,000}{₹ 40,00,000} \times 100 = 5\%$ .	

*Or*

(a) It is a part of uncalled capital to be called only on winding-up of the company.

5. (a) Dr. Revaluation A/c and Cr. Cash/Bank A/c by ₹ 20,000.

6. (b) 8 : 7.

**Working Note:**

New Profit Share of Remaining Partner = Old Profit Share – Profit Share acquired

$$\text{Profit Share taken by Mita} = \frac{1}{6} \times \frac{1}{5} = \frac{1}{30}$$

$$\text{Profit Share taken by Veena} = \frac{1}{6} \times \frac{4}{5} = \frac{4}{30}$$

$$\text{Mita's New Profit Share} = \frac{3}{6} + \frac{1}{30} = \frac{15+1}{30} = \frac{16}{30}$$

$$\text{Veena's New Profit Share} = \frac{2}{6} + \frac{4}{30} = \frac{10+4}{30} = \frac{14}{30}$$

New Profit-sharing Ratio between Mita and Veena =  $\frac{16}{30} : \frac{14}{30}$  or 16 : 14 or 8 : 7.

7. (d) ₹ 900.

**Working Note:**

	₹
Forfeited amount = 300 × ₹ 4	1,200
Less: Discount on reissue = 300 × ₹ 1	<u>300</u>
Gain on reissue transferred to Capital Reserve	<u><u>900</u></u>

*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	<u>₹ 3,00,000</u>
Loss on Issue of Debentures to be transferred to the debit of Statement of Profit & Loss	<u><u>₹ 12,00,000</u></u>

8. (b) ₹ 90,000.

**Working Note:**

$$\text{Total Interest on Capital} = \text{Total capital of the firm} \times \frac{\text{Rate of Interest}}{100}$$

$$= ₹ 18,00,000 (\text{₹ } 8,00,000 + \text{₹ } 6,00,000 + \text{₹ } 4,00,000) \times 5/100 = ₹ 90,000.$$

9. (d) ₹ 10,800.

**Working Note:**

<i>Interest on Drawings:</i>	₹
Ahmad (₹ 1,20,000 × 6/100 × 6.5/12)	3,900
Bheem (₹ 1,20,000 × 6/100 × 6/12)	3,600
Daniel (₹ 1,20,000 × 6/100 × 5.5/12)	<u>3,300</u>
Total Interest on Drawings	<u><u>10,800</u></u>

10. (d) ₹ 1,600.

**Working Note:**

Divisible Profit of the firm = ₹ 2,05,200 (Profit) + ₹ 10,800 (Interest on Drawings) – ₹ 90,000 (Interest on Capital) – ₹ 36,000 (Salary) – ₹ 12,000 (Commission)  
= ₹ 78,000

Bheem's share of profit = ₹ 78,000 × 3/10 = ₹ 23,400

Bheem's Deficiency = ₹ 55,000 – [(₹ 23,400 + ₹ 30,000 (Interest on Capital))]  
= ₹ 55,000 – ₹ 53,400 = ₹ 1,600.

11. (b) Bharat Ltd. ...Dr. ₹ 20,00,000

To Share Capital A/c	₹ 12,72,700
To Securities Premium A/c	₹ 1,27,270
To Bank A/c	₹ 6,00,030

(Settlement of amount due to vendors)

**Working Note:**

(i) Payment by Cheque = 30% of ₹ 20,00,000 = ₹ 6,00,000.

(ii) No. of Shares Issued =  $\frac{₹ 20,00,000 - ₹ 6,00,000}{₹ 110 \text{ (Issue Price)}} = 12,727.27$

Shares cannot be issued in fraction. Thus, Number of Shares Issued = 12,727. Balance amount ₹ 30 will be paid by bank.

Total Payment from Bank = ₹ 6,00,000 + ₹ 30 = ₹ 6,00,030.

12. (c) ₹ 92,000.

**Working Note:**

Investment Fluctuation Reserve	₹ 5,000
Add: Shortage debited to Revaluation A/c	3,000
Fall in the book value of investment	<u>8,000</u>

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

13. (a) ₹ 1,500.

**Working Note:**

Application money of ₹ 1,500 (500 × ₹ 3) was received on forfeited shares, which is forfeited. Forfeited shares are reissued at a premium. Therefore, total amount forfeited, i.e., ₹ 1,500 is gain on reissue.

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

15. (a) ₹ 1,00,000.

**Working Note:**

	₹	₹
Balance of Capital Account		2,01,000
Less: Investment taken over	58,000	
Transferred to Loan	<u>1,23,000</u>	<u>1,81,000</u>
Debtors taken over		<u>20,000</u>

Total value of the debtors = ₹ 20,000 × 100/20 = ₹ 1,00,000.

16. (b) ₹ 5,00,000.

**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 ₹ 1,00,000 is for 1/10th share, then for 5/10th share it will be ₹ 5,00,000.

**Or**

(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

17. JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	<b>Adjusting Entries</b>			
(i)	Interest on Capital A/c ...Dr. To Puskar's Capital A/c (Interest on Capital provided)		90,000	90,000
(ii)	Interest on Loan A/c (₹ 8,00,000 × 10/100 × 6/12) ...Dr. To Anoop's Loan A/c (Interest on Loan provided to Anoop)		40,000	40,000
(iii)	Ekansh's Capital A/c (₹ 1,00,000 × 6/12 × 12/100) ...Dr. To Interest on Drawings A/c (Interest charged on Ekansh's Drawings)		6,000	6,000
	<b>Transfer Entries</b>			
(i)	Profit & Loss Appropriation A/c ...Dr. To Interest on Capital A/c (Interest on Capital transferred to Profit & Loss Appropriation Account)		90,000	90,000
(ii)	Profit & Loss A/c ...Dr. To Interest on Loan A/c (Interest on loan transferred)		40,000	40,000
(iii)	Interest on Drawings A/c ...Dr. To Profit & Loss Appropriation A/c (Interest on Drawings transferred to Profit & Loss Appropriation Account)		6,000	6,000

**Or**

I. Valuation of Goodwill:

$$\begin{aligned}
 \text{A. Average Profit} &= \frac{\text{₹ } 2,44,000 + \text{₹ } 3,00,000 - \text{₹ } 40,000 + \text{₹ } 4,20,000}{4} \\
 &= \text{₹ } 2,31,000.
 \end{aligned}$$

B. <i>Super Profit:</i>	₹
Average Profit	2,31,000
Less: Management Cost	<u>72,000</u>
Average Profit	1,59,000
Less: Normal Return @ 12% of ₹ 12,00,000	<u>1,44,000</u>
Super Profit	<u><u>15,000</u></u>

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	<u>1/6</u>	<u>- 1/6</u>	<u>...</u>
	Sacrificing Partner	Gaining Partner	

JOURNAL

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

18. JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Adil's Capital A/c ...Dr.		<b>39,000</b>	
	Cris's Capital A/c ...Dr.		33,000	
	To Bhavya's Capital A/c			<b>72,000</b>
	(Bhavya's share of goodwill adjusted in the Capital Accounts of gaining partners in their gaining ratio of 13 : 11)			

**Calculation of Gaining Ratio:**

Gain of a Partner = New Profit Share – Old Profit Share

$$\text{Adil's Gain} = \frac{5}{8} - \frac{4}{9} = \frac{45 - 32}{72} = \frac{13}{72}$$

$$\text{Cris's Gain} = \frac{3}{8} - \frac{2}{9} = \frac{27 - 16}{72} = \frac{11}{72}$$

$$\text{Gaining Ratio} = \frac{13}{72} : \frac{11}{72} \text{ or } 13 : 11.$$

**Working Note:**

$$\text{Cris's gain for } \frac{11}{24} = ₹ 33,000; \quad \text{Adil's gain for } \frac{13}{24} = ₹ 33,000 \times \frac{24}{11} \times \frac{13}{24} = ₹ 39,000;$$

$$\text{Bhavya's Share of Goodwill} = ₹ 33,000 + ₹ 39,000 = ₹ 72,000.$$

**19.** JOURNAL OF SMITH LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2024				
Oct. 1	Sundry Assets A/c ...Dr. To Sundry Liabilities A/c To Bharat Ltd. (WN) To Capital Reserve A/c (Balancing Figure) (Assets and liabilities taken over from Bharat Ltd.)		80,00,000	15,00,000 60,00,000 <b>5,00,000</b>
	Bharat Ltd. ...Dr. Loss on Issue of Debentures A/c ...Dr. To Bank A/c To 7% Debentures A/c To Securities Premium A/c To Premium on Redemption of Debentures A/c (Cheque issued for ₹ 10,00,000 and 40,000, 7% Debentures of ₹ 100 each issued to Bharat Ltd. @ 25% premium, redeemable at 10% premium)		60,00,000 4,00,000	10,00,000 40,00,000 10,00,000 4,00,000
2025				
March 31	Securities Premium A/c ...Dr. To Loss on Issue of Debentures A/c (Loss on Issue of Debentures written off from Securities Premium)		4,00,000	4,00,000

**Working Note:**

Purchase Consideration paid to Bharat Ltd. by Cheque	₹ 10,00,000
40,000, 7% Debentures of ₹ 100 each @ ₹ 125 (₹ 100 Nominal (Face) Value + ₹ 25 Premium)	₹ 50,00,000
Total Consideration	<u>₹ 60,00,000</u>

**20.** JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	General Reserve A/c ...Dr. To Aman's Capital A/c To Anil's Capital A/c To Anant's Capital A/c (General Reserve transferred to Partners' Capital Accounts in their profit-sharing ratio)		2,40,000	80,000 80,000 80,000
	Realisation A/c ...Dr. To Anant's Capital A/c (Payment of dissolution expenses by Anant)		16,000	16,000
	Loan by Aman A/c ...Dr. To Bank A/c To Realisation A/c (Aman's Loan settled at ₹ 68,000)		70,000	68,000 2,000

**21. ADJUSTING ENTRY**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Yudh's Current A/c ...Dr.		35,000	
	To Veer's Current A/c			8,425
	To Yash's Current A/c			26,575
	(Adjustment entry passed)			

**Working Note:**

**ADJUSTMENT TABLE**

Particulars	Yudh (₹)	Veer (₹)	Yash (₹)
<b>I. Profit wrongly credited in the ratio of 3 : 2 : 1</b>	1,50,000	1,00,000	50,000
<b>II. Amount which should have been credited:</b>			
Interest on Capital	15,000	10,000	5,000
Salary	...	60,000	...
Commission 5/100[₹ 3,00,000 – ₹ 30,000 (Interest on Capital)]	...	...	13,500
Net Profit distributed (5 : 2 : 3) [₹ 3,00,000 – ₹ 30,000 (Interest on Capital) – ₹ 60,000 (Salary) – ₹ 13,500 (Commission)]	98,250	39,300	58,950
Guarantee Effect*	1,750	(875)	(875)
	1,15,000	1,08,425	76,575
<b>III. Difference (I – II)</b>	35,000	8,425	26,575
	Dr.	Cr.	Cr.

\*Yudh's Deficiency = ₹ 1,00,000 – ₹ 98,250 = ₹ 1,750 which is borne by Veer and Yash equally, i.e., ₹ 875.

**22. JOURNAL**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c [₹ 1,500 + ₹ 2,500 (₹ 3,500 – ₹ 1,000)] ...Dr.		<b>4,000</b>	
	Securities Premium A/c ...Dr.		1,000	
	To Forfeited Shares A/c			<b>1,500</b>
	To Calls-in-Arrears A/c			3,500
	(500 shares forfeited for non-payment of ₹ 7 per share including premium of ₹ 2 per share)			
	Bank A/c ...Dr.		<b>2,700</b>	
	Forfeited Shares A/c ...Dr.		<b>300</b>	
	To Share Capital A/c			<b>3,000</b>
	(300 shares reissued at ₹ 9 per share as fully paid)			
	Forfeited Shares A/c ...Dr.		600	
	To Capital Reserve A/c (300 × ₹ 2)			600
	(Forfeiture money transferred to capital reserve)			

**Dr. FORFEITED SHARES ACCOUNT Cr.**

Particulars	₹	Particulars	₹
To Share Capital A/c	<b>300</b>	By Share Capital A/c	1,500
To Capital Reserve A/c	600		
To Balance c/d	600		
	<u>1,500</u>		<u>1,500</u>

**Working Notes:**

1. No. of Forfeited Shares =  $\frac{\text{Securities Premium}}{\text{Premium per share}} = \frac{\text{₹ 1,000}}{\text{₹ 2}} = \mathbf{500 \text{ shares}}$
2. Amount forfeited per share = ₹ 1,500/500 = ₹ 3
3. Discount on reissue = ₹ 1 per share
4. Gain on reissue = ₹ 3 – ₹ 1 = ₹ 2 per share
5. No. of reissued shares =  $\frac{\text{Capital Reserve}}{\text{Gain on reissue per share}} = \frac{\text{₹ 600}}{\text{₹ 2}} = \mathbf{300 \text{ shares.}}$

**23. (i)****In the Books of Health & Wealth Ltd.**

## JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2024				
April 1	Bank A/c (10,000 × ₹ 94) ...Dr. To Debentures Application and Allotment A/c (Application money received on 9% Debentures)		9,40,000	9,40,000
April 1	Debentures Application and Allotment A/c ...Dr. Discount on Issue of Debentures A/c ...Dr. To 9% Debentures A/c (Debentures application money transferred to 9% Debentures Account, issued at 6% discount redeemable at par)		9,40,000 60,000	10,00,000
2025				
March 31	Interest on Debentures A/c ...Dr. To Debentureholders' A/c (Interest payable on 9% Debentures to debentureholders')		90,000	90,000
March 31	Debentureholders' A/c ...Dr. To Bank A/c (Interest paid on debentures)		90,000	90,000
March 31	Statement of Profit & Loss ...Dr. To Interest on Debentures A/c (Interest on Debentures transferred to Statement of Profit & Loss)		90,000	90,000
March 31	Securities Premium A/c ...Dr. Statement of Profit & Loss ...Dr. To Discount on Issue of Debentures A/c (Discount on Issue of Debentures written off)		45,000 15,000	60,000

**(ii) Dr.**

## DISCOUNT ON ISSUE OF DEBENTURES ACCOUNT

**Cr.**

Date	Particulars	₹	Date	Particulars	₹
2024			2025		
April 1	To 9% Debentures A/c	60,000	March 31	By Securities Premium A/c	45,000
				By Statement of Profit & Loss	15,000
		60,000			60,000

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
To Provision for Doubtful Debts A/c	3,000		15,000
	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 Advertisement Suspense A/c	12,000	8,000	...	By Workmen Compensation Reserve A/c	12,000	8,000	...
To Balance c/d	1,62,000	1,43,000	1,52,500	By General Reserve A/c	18,000	12,000	...
				By Premium for Goodwill A/c	18,000	12,000	...
				By Bank A/c (Note)	...	...	1,52,500
	1,83,000	1,57,000	1,52,500		1,83,000	1,57,000	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 Sundry 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 (Goodwill)	8,000	...	...
To Aruna's Capital A/c (Adjustment of Goodwill)	...	8,000	32,000	By Varuna's Capital A/c (Goodwill)	32,000	...	...
To Bank A/c (Bal. Fig.)	1,19,750	...	...	By Bank A/c (Bal. Fig.)	...	1,150	1,01,600
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:**

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

	₹
Amount payable to Aruna	1,19,750
Adjusted capital of Karuna (₹ 1,02,500 – ₹ 15,000 – ₹ 1,650 – ₹ 8,000)	77,850
Adjusted 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
- 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. (₹)
2025 May 31	Profit & Loss Suspense A/c ...Dr. To Chand's Capital A/c (Chand's share of profit transferred to his account) (WN 1)		5,000	5,000
	Adil's Capital A/c ...Dr. Bhavya's Capital A/c ...Dr. To Chand's Capital A/c (₹ 3,50,000 × 2/10) (Chand's share of goodwill adjusted through capital accounts) (WN 3)		43,750 26,250	70,000
	Revaluation A/c ...Dr. To Adil's Capital A/c To Bhavya's Capital A/c To Chand's Capital A/c (Transfer of profit on revaluation) (WN 4)		20,000	10,000 6,000 4,000
	General Reserve A/c ...Dr. To Adil's Capital A/c To Bhavya's Capital A/c To Chand's Capital A/c (General Reserve transferred)		80,000	40,000 24,000 16,000
	Adil's Capital A/c ...Dr. Bhavya's Capital A/c ...Dr. Chand's Capital A/c ...Dr. To Goodwill A/c (Existing goodwill written off)		25,000 15,000 10,000	50,000

Adil's Capital A/c	...Dr.	10,000	
Bhavya's Capital A/c	...Dr.	6,000	
Chand's Capital A/c	...Dr.	4,000	
To Advertisement Suspense A/c (Advertisement Suspense Account written off)			20,000
Chand's Capital A/c	...Dr.	2,81,000	
To Chand's Executor's A/c (Transfer of Chand's Capital Account to his Executor's Account) (WN 6)			2,81,000

**Working Notes:**

- Chand's Share of Profit till date of death = ₹ 1,50,000 ×  $\frac{2}{12} \times \frac{2}{10} = ₹ 5,000$ .
- Firm's Goodwill =  $\frac{₹ 1,30,000 + ₹ 1,20,000 + ₹ 1,60,000 + ₹ 1,50,000}{4} \times 2.5 = ₹ 3,50,000$ .
- Chand's share in Goodwill = ₹ 3,50,000 × 2/10 = ₹ 70,000  
Gaining Ratio = 5 : 3.  
Therefore, Adil will pay Goodwill to Chand ₹ 43,750 (₹ 70,000 × 5/8) and Bhavya will pay ₹ 26,250 (₹ 70,000 × 3/8).

4. *Dr.* REVALUATION ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Machinery A/c	50,000	By Patents A/c	20,000
To Profit transferred to:		By Land and Building A/c	50,000
Adil's Capital A/c	10,000		
Bhavya's Capital A/c	6,000		
Chand's Capital A/c	4,000		
	20,000		
	70,000		70,000

5. *Chand's share in Accumulated Profit and Loss:* ₹

General Reserve	16,000
Less: Advertisement Suspense A/c	(4,000)
	<u>12,000</u>

6. ₹ 2,00,000 + ₹ 5,000 (Profit) + ₹ 70,000 (Goodwill) + ₹ 4,000 (Revaluation Profit) – ₹ 10,000 (Goodwill written off) + ₹ 12,000 (WN 4) = ₹ 2,81,000.

**26.**

**In the Books of Royal 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 <i>c/d</i>	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

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Shares Application A/c ...Dr. To Share Capital A/c To Shares Allotment A/c (Application money adjusted)		2,40,000	2,00,000 40,000
	Shares Allotment A/c ...Dr. To Share Capital A/c (Allotment money due on 1,00,000 shares)		3,00,000	3,00,000
	Share Capital A/c ...Dr. To Shares Allotment A/c To Forfeited Shares A/c (2,000 shares forfeited for non-payment of allotment money) (WN 1)		10,000	5,200 4,800
	Shares First Call A/c ...Dr. To Share Capital A/c (First call money due on 98,000 shares)		2,94,000	2,94,000
	Forfeited Shares A/c ...Dr. To Capital Reserve A/c (Transfer of gain on reissue to Capital Reserve) (WN 3)		4,800	4,800

**Working Notes:**

1. 1,00,000 shares were issued to the applicants for 1,20,000 shares. It means Ratio of allotment = 5 : 6  
 No. of shares applied by Mohan =  $6/5 \times 2,000 = 2,400$  shares  
 Total application money paid by Mohan 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 ₹ 800  
  
 Allotment money due on 2,000 shares @ ₹ 3 per share ₹ 6,000  
 Less: Excess Application Money to be adjusted against Shares Allotment ₹ 800  
 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 ( $20,000 \times ₹ 2$ ) 40,000  
2,60,000  
  
 Less: Allotment money in arrears (WN 1) 5,200  
 Amount received on allotment 2,54,800
3. Forfeited Shares have been reissued 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. (b) ₹ 9,00,000.

**Working Note:**

30,000 shares @ ₹ 10 per share	₹ 3,00,000
60,000 shares @ ₹ 10 per share	₹ 6,00,000
	<u>₹ 9,00,000</u>

II. (d) 84,800 shares.

**Working Note:**

30,000 shares + 54,000 shares + 800 shares = 84,800 shares.

III. (d) ₹ 8,49,600.

**Working Note:**

Subscribed Capital and Fully paid:	₹ 8,48,000
Add: Forfeited shares (200 × ₹ 8)	₹ 1,600
	<u>₹ 8,49,600</u>

IV. (c) ₹ 2,000 (1,000 × ₹ 2).

V. (a) ₹ 4,000.

**Working Note:**

Calculation of Gain on Reissue of Shares:

Amount forfeited on 800 shares = 800 × ₹ 8

₹ 6,400

Less: Reissue Discount = 800 × 3

₹ 2,400

₹ 4,000

VI. (b) Capital Reserve Account.

### Part B

27. (d) All of the above.

28. (a) Sale of Machinery Costing ₹ 5,00,000 for ₹ 4,50,000.

**Reason:** Capital Employed will decrease because of loss on sale of machinery but Debt will remain unchanged.

*Or*

(b) 3 Times.

**Working Note:**

$$\begin{aligned}\text{Interest Coverage Ratio} &= \frac{\text{Net Profit before Interest and Tax}}{\text{Interest on Long-term Debts}} \\ &= \frac{₹ 30,00,000}{₹ 10,00,000 (10\% \text{ of } ₹ 1,00,00,000)} = \mathbf{3 \text{ Times.}}\end{aligned}$$

29. (c) Financing Activity.

*Or*

(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.

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

FURNITURE ACCOUNT			
Dr.			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)	<b>78,000</b>
		By Balance c/d	3,00,000
	<u>4,00,000</u>		<u>4,00,000</u>

31.

**Sun Ltd.**

**COMMON-SIZE STATEMENT OF PROFIT & LOSS**  
for the years ended 31st March, 2024 and 2025

Particulars	Note No.	Absolute Amounts		Percentage of Revenue from Operations (Net Sales)	
		31st March, 2024 (₹)	31st March, 2025 (₹)	31st March, 2024 (₹)	31st March, 2025 (₹)
I. <b>Revenue from Operations</b>		20,00,000	30,00,000	100.00	100.00
II. <i>Add:</i> Other Income		4,00,000	3,60,000	20.00	12.00
III. <b>Total Revenue (I + II)</b>		24,00,000	33,60,000	120.00	112.00
IV. <i>Less:</i> Expense		10,00,000	12,00,000	50.00	40.00
V. <b>Profit before Tax (III – IV)</b>		14,00,000	21,60,000	70.00	72.00
VI. Income Tax		5,60,000	10,80,000	28.00	36.00
VII. <b>Profit after Tax (V – VI)</b>		8,40,000	10,80,000	42.00	36.00

*Or*

**COMPARATIVE STATEMENT OF PROFIT & LOSS**  
for the years ended 31st March, 2024 and 2025

Particulars	Note No.	31st March, 2024	31st March, 2025	Absolute Change (Increase/Decrease) ₹	Percentage Change (Increase/Decrease) %
		₹	₹		
		(A)	(B)	(C = B – A)	(D = C/A × 100)
<b>I. Revenue from Operations</b>		20,00,000	<b>25,00,000</b>	<b>5,00,000</b>	25.00
<b>II. Expenses</b>					
(a) Employees Benefit Expenses		<b>7,00,000</b>	10,00,000	3,00,000	<b>42.86</b>
(b) Other Expenses		3,00,000	<b>2,00,000</b>	(1,00,000)	<b>(33.33)</b>
<b>III. Total Expenses</b>		<b>10,00,000</b>	<b>12,00,000</b>	<b>2,00,000</b>	20.00
<b>IV. Profit before Tax (I – III)</b>		<b>10,00,000</b>	13,00,000	3,00,000	<b>30.00</b>
<i>Less:</i> Tax @ 40%		4,00,000	<b>5,20,000</b>	<b>1,20,000</b>	30.00
<b>V. Profit after Tax</b>		<b>6,00,000</b>	<b>7,80,000</b>	<b>1,80,000</b>	<b>30.00</b>

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) Trade Payables	Current Liabilities	...
(iv) Interest Accrued and Due on Debentures	Current Liabilities	Other Current Liabilities.
(v) Advance given receivable after the Operating Cycle	Non-current Assets	Long-term Loans & Advances.
(vi) Investment in Property	Non-current Assets	Non-current Investments

33. (a) Proprietors' Funds = Share Capital + Reserves and Surplus  
= ₹ 5,00,000 + ₹ 3,00,000 = ₹ 8,00,000

Total Assets = Non-Current Assets + Current Assets  
= ₹ 22,00,000 + ₹ 10,00,000 = ₹ 32,00,000

$$\text{Proprietary Ratio} = \frac{\text{Proprietors' Funds}}{\text{Total Assets}} \times 100$$

$$= \frac{\text{₹ 8,00,000}}{\text{₹ 32,00,000}} \times 100 = 25\%$$

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

Quick Assets = 2 Current Liabilities

Working Capital = (Quick Assets + Inventories) – Current Liabilities  
(∵ Current Assets = Quick Assets + Inventories)

₹ 5,00,000 = 2 Current Liabilities + ₹ 2,50,000 (Inventories) – Current Liabilities

Current Liabilities = ₹ 2,50,000

Debt = Total Debt – Current Liabilities  
= ₹ 7,50,000 – ₹ 2,50,000 = ₹ 5,00,000

Equity = Total Assets – Total Debts  
= ₹ 9,50,000 – ₹ 7,50,000 = ₹ 2,00,000

$$\text{Debt-Equity Ratio} = \frac{\text{Debt}}{\text{Equity}} = \frac{\text{₹ 5,00,000}}{\text{₹ 2,00,000}} = 2.5 : 1.$$

Or

(a) Inventory Turnover Ratio =  $\frac{\text{Cost of Revenue from Operations}^*}{\text{Average Inventory}}$

$$= \frac{\text{₹ 42,00,000}}{\text{₹ 5,50,000}} = 7.64 \text{ Times.}$$

\*Cost of Revenue from Operations = Revenue from Operations + Gross Loss  
= ₹ 40,00,000 + 5% of ₹ 40,00,000 = ₹ 42,00,000

(b) Credit Revenue from Operations = Total Revenue from Operations – Cash Revenue from Operations

$$= ₹ 12,50,000 - ₹ 2,50,000 = ₹ 10,00,000$$

Closing Trade Receivables = ₹ 3,00,000

Opening Trade Receivables = ₹ 3,00,000 – ₹ 1,00,000 = ₹ 2,00,000

$$\begin{aligned} \text{Average Trade Receivables} &= \frac{\text{Opening Trade Receivables} + \text{Closing Trade Receivables}}{2} \\ &= \frac{₹ 2,00,000 + ₹ 3,00,000}{2} = \frac{₹ 5,00,000}{2} \\ &= ₹ 2,50,000 \end{aligned}$$

$$\begin{aligned} \text{Trade Receivables Turnover Ratio} &= \frac{\text{Credit Revenue from Operations}}{\text{Average Trade Receivables}} \\ &= \frac{₹ 10,00,000}{₹ 2,50,000} = 4 \text{ Times.} \end{aligned}$$

**Working Note:**

Calculation of Cash Revenue from Operations:

Let Credit Revenue from Operations = x

It means, Cash Revenue from Operations = 25% of x or 0.25x

i.e.,  $x + 0.25x = ₹ 12,50,000$

$$1.25x = ₹ 12,50,000$$

$$x = \frac{₹ 12,50,000}{1.25} = ₹ 10,00,000$$

Cash Revenue from Operations = 25% of ₹ 10,00,000 = ₹ 2,50,000.

**34. (i) CALCULATION OF CASH FLOW FROM OPERATING ACTIVITIES**

Particulars	₹	₹
<b>Cash Flow from Operating Activities</b>		
Net Profit before Tax and Extra-ordinary Items: (WN 1)		2,35,000
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		3,75,000
Add: Decrease in Current Assets and Increase in Current Liabilities:		
Trade Receivables	15,000	
Inventories	25,000	
Outstanding Expenses	10,000	50,000
		4,25,000
Less: Increase in Current Assets and Decrease in Current Liabilities:		
Prepaid Expenses	10,000	
Trade Payables	20,000	30,000
Cash Generated from Operations		3,95,000
Less: Tax Paid		45,000
<b>Cash Flow from Operating Activities</b>		<b>3,50,000</b>

## (ii) CALCULATION OF CASH FLOW FROM FINANCING ACTIVITIES

Particulars	₹
<b>Cash Flow from Financing Activities</b>	
Proceeds from Issue of 10% Debentures	50,000
Proceeds from Issue of Shares	10,00,000
Redemption of Preference Shares	(4,00,000)
Premium on Redemption of Preference Shares	(20,000)
Interest on Debentures Paid	(15,000)
Preference Dividend Paid	(45,000)
Dividend Paid on Equity Shares (Proposed Dividend of Previous Year)	(20,000)
<b>Cash Flow from Financing Activities</b>	<b>5,50,000</b>

**Working Notes:**

## 1. Calculation of Net Profit before Tax an Extra ordinary Items:

Particulars	₹
Surplus, i.e., Balance in Statement of Profit & Loss (Closing)	6,50,000
Less: Surplus, i.e., Balance in Statement of Profit & Loss (Opening)	6,00,000
	50,000
Add: Transfer to General Reserve	50,000
Dividend on Preference Shares (9% of ₹ 5,00,000)	45,000*
Dividend on Equity Share (Proposed Dividend for the year 2023-24)	20,000
Provision for Tax (WN 2)	70,000
Net Profit before Tax and Extraordinary Items	2,35,000

\*Preference shareholders get a preferential right as to payment of dividend. In the given question, company proposed and paid dividend on Equity Shares. Thus, it is implied that dividend was paid first to the preference shareholders and then to equity shareholders.

## 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)	<b>70,000</b>
	1,20,000		1,20,000

## 3. 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)	<b>65,000</b>
		By Balance c/d	6,00,000
	8,00,000		8,00,000

□□□□

**ANSWERS (MTP 11)**

**Part A**

1. (c) An incoming partner takes his profit share from one or more of the old partners as agreed.

*Or*

(d) (a) and (b).

2. (a) ₹ 4,00,000 (1,00,000 × ₹ 4 per share).

*Or*

(a) 5%.

**Working Note:**

Securities Premium before issue of Debentures	₹ 6,00,000
Less: Securities Premium after issue of Debentures	₹ 1,00,000
Loss on Issue of Debentures	₹ 5,00,000
Less: Premium on Redemption of Debentures (₹ 20,00,000 × 20/100)	₹ 4,00,000
Discount on Issue of Debentures	₹ 1,00,000
Discount per debenture = ₹ 1,00,000/20,000 = ₹ 5	
Rate of Discount = 5/100 × 100 = 5%.	

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

*Or*

(c) Called-up capital of shares forfeited, amount received on shares forfeited.

4. (a) Dr. Alfa's Capital A/c and Cr. Beta's Capital A/c by ₹ 14,000.

**Working Note:**

*Calculation of Gain/Sacrifice of Partners:*

Particulars	Alfa	Beta
I. New Profit Share	1/2	1/2
II. Old Profit Share	3/5	2/5
III. Sacrifice/(Gain): (I – II)	1/10 Sacrifice	(1/10) Gain

Loss on Revaluation of Machinery = ₹ 5,00,000 – ₹ 3,60,000 = ₹ 1,40,000.

**In case of Loss:** Dr. Alfa's Capital A/c (Sacrificing Partner) and Cr. Beta's Capital A/c (Gaining Partner) A/c by ₹ 14,000 (₹ 1,40,000 × 1/10).

*Or*

(a) Dr. Investments A/c and Cr. Revaluation A/c by ₹ 20,000.

5. (a) ₹ 10,000.

6. (d) ₹ 10,000.

**Working Note:**

$$\% \text{ of Profit on Sale (2024-25)} = \frac{\text{₹ } 1,25,000}{\text{₹ } 5,00,000} \times 100 = 25\%.$$

Profit on Sale (From 1st April, 2025 to 30th June, 2025) = ₹ 2,00,000 × 25/100 = ₹ 50,000.

Riya's share of profit = ₹ 50,000 × 1/5 = ₹ 10,000.

7. (b) ₹ 2,00,000.

**Working Note:**

Number of Shares issued × Amount of Securities Premium, i.e., 1,00,000 × ₹ 2 = ₹ 2,00,000.

8. (d) 1,600 Shares.

**Working Note:**

Number of Shares Allotted = Shares Applied × Number of Shares Allotted/Number of Shares Applied.

$$\text{Thus, } 2,400 \times \frac{80,000}{1,20,000} = 1,600 \text{ shares.}$$

9. (b) ₹ 6,000.

**Working Note:**

Interest on Josh's loan = ₹ 2,00,000 × 6/100 × 6/12 = ₹ 6,000.

10. (b) ₹ 2,00,000.

**Working Note:**

$$\begin{aligned} \text{Transfer to General Reserve} &= 20/100 [(\text{₹ } 18,44,000 - \text{₹ } 6,000 \text{ (Interest on loan)} - \text{₹ } 1,68,000^* \text{ (Interest on capital)} - \text{₹ } 6,00,000 \text{ (Salary)} - \text{₹ } 70,000 \text{ (Commission)})] \\ &= \text{₹ } 2,00,000 \end{aligned}$$

\*Interest on Capital = ₹ 14,00,000 × 12/100 = ₹ 1,68,000.

11. (d) ₹ 8,45,000.

**Working Note:**

$$\begin{aligned} \text{Profit after all adjustments} &= \text{₹ } 18,44,000 + \text{₹ } 45,000 \text{ (Interest on Drawings)} - \text{₹ } 6,000 - \text{₹ } 1,68,000 \\ &\quad - \text{₹ } 6,00,000 - \text{₹ } 70,000 \text{ (Commission)} - \text{₹ } 2,00,000 \text{ (General Reserve)} \\ &= \text{₹ } 8,45,000. \end{aligned}$$

*Interest on Drawings:*

Josh (₹ 4,00,000 × 10/100 × 6/12)	₹ 20,000
Krish (₹ 5,00,000 × 10/100 × 6/12)	₹ 25,000
	<u>₹ 45,000</u>

12. (d) ₹ 30,000 (Loss).

**Working Note:**

*Calculation of Gain/Loss in Realisation Account:*

$$\begin{aligned} \text{Book Value of Other Assets} &= (\text{Creditors} + \text{Capital}) - \text{Cash Balance} \\ &= (\text{₹ } 70,000 + \text{₹ } 1,20,000) - \text{₹ } 10,000 = \text{₹ } 1,80,000 \end{aligned}$$

$$\begin{aligned} \text{Gain/Loss in Realisation Account} &= (\text{Book Value of Assets} + \text{Payment to Creditors}) - (\text{Creditors} + \text{Assets Realised}) \\ &= (\text{₹ } 1,80,000 + \text{₹ } 70,000) - (\text{₹ } 70,000 + \text{₹ } 1,50,000) \\ &= \text{₹ } 2,50,000 - \text{₹ } 2,20,000 = \text{₹ } 30,000 \text{ (Loss)}. \end{aligned}$$

13. (d) All of the above.

14. (d) ₹ 1,83,000.

**Working Note:**

Manju's Share of Loss for  $\frac{1}{2} = ₹ 30,000$

Total loss on Revaluation = ₹ 30,000 ×  $\frac{2}{1} = ₹ 60,000$ .

REVALUATION ACCOUNT			
Dr.			Cr.
Particulars	₹	Particulars	₹
To Stock A/c	40,000	By Creditors A/c	15,000
To Debtors A/c	2,000	By Loss transferred to:	
To Provision for Doubtful Debts A/c	16,000	Manju's Capital A/c	30,000
To Furniture A/c (Balancing Figure)	<b>17,000</b>	Priya's Capital A/c	30,000
	<u>75,000</u>		<u>60,000</u>
			<u>75,000</u>

Revalued Figure of Furniture = ₹ 1,83,000 (i.e., ₹ 2,00,000 – ₹ 17,000).

15. (d) not be paid.

16. (c) ₹ 6,00,000; ₹ 3,60,000 and ₹ 2,40,000.

**Working Note:**

Total capital of the New Firm on the basis of Z's Capital = ₹ 2,40,000 ×  $\frac{5}{1} = ₹ 12,00,000$

Combined Capital X and Y in New Firm for 4/5th Share = ₹ 12,00,000 – ₹ 2,40,000 = ₹ 9,60,000

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

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

**Or**

(b) ₹ 60,000 by Alok; ₹ 10,000 by Ravi.

**Working Note:**

Total capital of new firm = Adjusted capital of all partners

= ₹ 60,000 + ₹ 70,000 + ₹ 50,000 = ₹ 1,80,000

Calculation of cash brought by Alok and Ravi:	Alok (₹)	Ravi (₹)
A. New Capital (₹ 1,80,000 in the ratio 2 : 1)	1,20,000	60,000
B. Adjusted Old Capital	60,000	50,000
Cash to be brought in	<u>60,000</u>	<u>10,000</u>

17.

## JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Interest on Capital A/c ...Dr.		12,600	
	To Arun's Current A/c			5,400
	To Tarun's Current A/c			7,200
	(Interest on capital credited to Partners' Current Accounts)			
	Profit & Loss Appropriation A/c ...Dr.		12,600	
	To Interest on Capital A/c			12,600
	(Interest on capital transferred to Profit & Loss Appropriation Account)			

**Working Note:**

Calculation of Interest on Capital Due:

$$\text{Arun} = 12\% \text{ of ₹ } 60,000 = ₹ 7,200$$

$$\text{Tarun} = 12\% \text{ of ₹ } 80,000 = ₹ 9,600$$

$$\text{Total Interest Due} = ₹ 16,800$$

Total Interest Due is ₹ 16,800. However, total distributable profit is ₹ 12,600. Therefore, total profit of ₹ 12,600 will be distributed between Arun and Tarun in the ratio of *Interest on Capital*, i.e., in the ratio of 7,200 and 9,600 i.e., in 3 : 4.

Interest on Capital Allowed to :

$$\text{Arun} = ₹ 12,600 \times \frac{3}{7} = ₹ 5,400$$

$$\text{Tarun} = ₹ 12,600 \times \frac{4}{7} = ₹ 7,200.$$

**Or**

## JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2025				
April 1	Suman's Capital A/c (₹ 72,00,000 × 1/24) ...Dr.		3,00,000	
	Tanvi's Capital A/c (₹ 72,00,000 × 1/24) ...Dr.		3,00,000	
	To Aman's Capital A/c (₹ 72,00,000 × 2/24)			6,00,000
	(Adjusting entry due to change in profit-sharing ratio by debiting gaining partners and crediting sacrificing partner)			

**Working Notes:**

1. Calculation of Sacrifice or Gain of a partner:

Sacrifice Share = Old Profit Share – New Profit Share

$$\text{Aman's Sacrifice/Gain} = \frac{9}{24} - \frac{7}{24} = \frac{2}{24} \text{ (Sacrifice)}$$

$$\text{Suman's Sacrifice/Gain} = \frac{8}{24} - \frac{9}{24} = -\frac{1}{24} \text{ (Gain)}$$

$$\text{Tanvi's Sacrifice/Gain} = \frac{7}{24} - \frac{8}{24} = -\frac{1}{24} \text{ (Gain)}$$

2. Calculation of Net Effect of Adjustments to be made:

Particulars	₹
General Reserve	24,00,000
Credit Balance of Profit & Loss Account	12,00,000
Goodwill of the firm	42,00,000
Revaluation Loss	(6,00,000)
<b>Net Amount to be adjusted</b>	<b>72,00,000</b>

18. JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2025				
April 1	Revaluation A/c ...Dr.		1,00,000	
	Investment Fluctuation Reserve A/c ...Dr.		5,00,000	
	To Investment A/c			6,00,000
	(Loss on investment of ₹ 5,00,000 covered from Investment Fluctuation Reserve and ₹ 1,00,000 transferred to Revaluation Account)			
April 1	Workmen Compensation Reserve A/c ...Dr.		25,00,000	
	To Workmen Compensation Claim A/c			20,00,000
	To Vishal's Capital A/c			3,50,000
	To Pulkit's Capital A/c			1,50,000
	(Workmen Compensation Claim covered from Workmen Compensation Reserve and balance distributed between old partners in their old profit-sharing ratio)			

19. JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Vrinda's Capital A/c (WN 1 and 2) ...Dr.		60,000	
	To Shyam's Capital A/c			60,000
	(Amount of Goodwill totally contributed by Vrinda)			
	Vrinda's Capital A/c (WN 3 and 4) ...Dr.		18,750	
	To Shyam's Capital A/c			18,750
	(Shyam's share of profit till the date of his death adjusted by debiting gaining partner, i.e. Vrinda)			

**Working Notes:**

1. Calculation of Gaining Ratio:

$$\text{Ram's Gaining Share} = \text{New Profit Share} - \text{Old Profit Share} = \frac{1}{2} - \frac{4}{8} = \text{Nil}$$

Since, Ram is not gaining it means Vrinda is the only gaining partner.

2. Firm's Goodwill = 50% of (₹ 1,20,000 + ₹ 80,000 + ₹ 40,000 + ₹ 80,000) = ₹ 1,60,000

$$\text{Shyam's share in Goodwill} = \frac{3}{8} \times ₹ 1,60,000 = ₹ 60,000$$

3. Calculation of his share of profit up to 1st February, 2025 =  $\frac{₹ [40,000 + 80,000]}{2} \times \frac{3}{8} \times \frac{10}{12} = ₹ 18,750.$

4. In case new profit sharing ratio of continuing partners (in the question equally) differs from their old profit-sharing ratio (4 : 3 : 1), Outgoing partner's share of profits is adjusted through *Capital account of gaining partner*.

20.

## JOURNAL OF MM LTD. (AN EXTRACT)

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c ...Dr.		9,000	
	Securities Premium A/c (WN 1 and 2) ...Dr.		1,000	
	To Share Forfeiture A/c			6,000
	To Calls-in-Arrears A/c			4,000
	(Forfeiture of 1,000 shares allotted to a shareholder who had applied for 2,000 shares, for non-payment of allotment and first call) (WN 1 and 2)			
	Bank A/c ...Dr.		4,200	
	Share Forfeiture A/c ...Dr.		1,200	
	To Share Capital A/c			5,400
	(600 forfeited shares reissued at ₹ 7 per share as ₹ 9 paid-up) (WN 3)			
	Share Forfeiture A/c ...Dr.		2,400	
	To Capital Reserve A/c			2,400
	(Gain on reissued shares transferred to Capital Reserve)			

**Working Notes:**

1. Excess Application money =  $(2,000 - 1,000) \times ₹ 5 = ₹ 5,000$

2. Excess Application money adjusted on Allotment :

Towards Share Capital  $(1,000 \times ₹ 1)$

₹ 1,000

Towards Securities Premium  $(₹ 5,000 - ₹ 1,000)$

₹ 4,000

₹ 5,000

Securities Premium not received =  $[(1,000 \times ₹ 5) - ₹ 4,000] = ₹ 1,000$ .

3. Calculation of No. of Forfeited Shares reissued:

(a) Amount forfeited per share = Amount of Share forfeiture/No. of Shares forfeited  
=  $₹ 6,000/1,000 = ₹ 6$  per share.

(b) Discount on reissue = ₹ 2 per share.

(c) Gain on reissue per share =  $₹ 6 - ₹ 2 = ₹ 4$ .

(d) No. of reissued shares = Capital Reserve/Gain on reissue per share  
=  $₹ 2,400/₹ 4 = 600$  shares.

21. (a)

## JOURNAL OF LUXOR PENS LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2024				
Oct. 1	Assets A/c ...Dr.		5,00,000	
	<b>Goodwill A/c (Balancing Figure) ...Dr.</b>		<b>2,30,000</b>	
	To Liabilities A/c			1,00,000
	To Effective Pens			6,30,000
	(Assets and Liabilities taken over from Effective Pens)			
	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)			

Debtures Application and Allotment A/c	...Dr.	5,00,000	
Loss on Issue of Debtures A/c	...Dr.	25,000	
To 10% Debtures A/c			5,00,000
To Premium on Redemption of Debtures A/c			25,000
(5,000, 10% Debtures issued at par and redeemable at 5% premium)			
Statement of Profit & Loss (Finance Cost)	...Dr.	25,000	
To Loss on Issue of Debtures A/c			25,000
(Loss on Issue of Debtures written off)			

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

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

**22. JOURNAL**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Furniture A/c [(₹ 6,000 × 1/2) – 10%]	...Dr.	2,700	
	To Revaluation A/c			2,700
	(Unrecorded Furniture recorded)			
	Revaluation A/c	...Dr.	6,000	
	To Unrecorded Liability A/c (₹ 12,000 × 1/2)			60000
	(Unrecorded Liability recorded)			
	X's Capital A/c	...Dr.	1,100	
	Y's Capital A/c	...Dr.	1,100	
	Z's Capital A/c	...Dr.	1,100	
	To Revaluation A/c (₹ 6,000 – ₹ 2,700)			3,300
	(Transfer of Loss on Revaluation)			
	Y's Capital A/c	...Dr.	1,18,900	
	To Furniture A/c			2,700
	To Bank A/c			1,16,200
	(Y's claim discharged) (WN)			

**Working Note:**

Dr.		Y's CAPITAL ACCOUNT		Cr.	
Particulars	₹	Particulars	₹		
To Revaluation A/c	1,100	By Balance b/d		1,20,000	
To Furniture A/c	2,700				
To Bank A/c (Balancing Figure)	<b>1,16,200</b>				
	<u>1,20,000</u>				<u>1,20,000</u>

**23. (a) BALANCE SHEET OF AYUR LTD. (AN EXTRACT) as at ...**

Particulars	Note No.	Current Year (₹)	Previous Year (₹)
<b>I. EQUITY AND LIABILITIES</b>			
<b>1. Shareholders' Funds</b>			
Share Capital	1	42,97,000	

**Note to Accounts**

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

(b) JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c ...Dr. To Bank Loan A/c (Loan taken from State Bank of India)		30,00,000	30,00,000
	Debenture Suspense A/c ...Dr. To 9% Debentures A/c (20,000, 9% Debentures of ₹ 100 each issued as collateral security for a Loan from SBI)		20,00,000	20,00,000
	Overdraft (Cash Credit) ...Dr. To Bank A/c (Outstanding Cash credit from Axis Bank Ltd. repaid)		5,00,000	5,00,000

**24.**

Dr.		REALISATION ACCOUNT		Cr.	
Particulars	₹	Particulars	₹		
To Sundry Debtors A/c	65,000	By Provision for Doubtful Debts A/c	5,000		
To Goodwill A/c	50,000	By Sundry Creditors A/c	55,000		
To Furniture A/c	1,00,000	By Bank Loan A/c	55,000		
To Building A/c	3,80,000	By Geeta's Capital A/c (Goodwill)	40,000		
To Susan's Capital A/c (Realisation Expenses)	2,000	By Rashi's Capital A/c (Building)	3,00,000		
To Bank A/c (Creditors)	55,000	By Bank A/c:			
To Bank A/c (Bank Loan + Interest)	60,000	Debtors	52,000		
		Furniture	97,000	1,49,000	
		By Loss transferred to:			
		Susan's Capital A/c	54,000		
		Geeta's Capital A/c	32,400		
		Rashi's Capital A/c	21,600	1,08,000	
	<u>7,12,000</u>				<u>7,12,000</u>

PARTNERS' CAPITAL ACCOUNTS							
Dr.							Cr.
Particulars	Susan ₹	Geeta ₹	Rashi ₹	Particulars	Susan ₹	Geeta ₹	Rashi ₹
To Realisation A/c (Loss)	54,000	32,400	21,600	By Balance b/d	2,20,000	1,70,000	1,35,000
To Realisation A/c	...	40,000	3,00,000	By Workmen Compensation Reserve A/c	12,500	7,500	5,000
To Bank A/c (Final payment)	<b>1,80,500</b>	<b>1,05,100</b>	...	By Realisation A/c (Exp.)	2,000	...	...
				By Bank A/c (Cash bought in)	...	...	<b>1,81,600</b>
	<u>2,34,500</u>	<u>1,77,500</u>	<u>3,21,600</u>		<u>2,34,500</u>	<u>1,77,500</u>	<u>3,21,600</u>

BANK ACCOUNT			
Dr.			Cr.
Particulars	₹	Particulars	₹
To Balance b/d	70,000	By Realisation A/c (Creditors)	55,000
To Realisation A/c	1,49,000	By Realisation A/c (Bank Loan + Interest)	60,000
To Rashi's Capital A/c	1,81,600	By Susan's Capital A/c	1,80,500
		By Geeta's Capital A/c	1,05,100
	<u>4,00,600</u>		<u>4,00,600</u>

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

*Calculation of Normal Profit:*

Year ended	Profit	₹
31st March, 2023	(₹ 39,000 + ₹ 9,000)	48,000
31st March, 2024	(₹ 83,000 – ₹ 8,000)	75,000
31st March, 2025		72,000
<b>Total</b>		<u><u>1,95,000</u></u>

$$\text{Average Normal Profit} = ₹ 1,95,000/3 = ₹ 65,000$$

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

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

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. (₹)
2025 April 1	Bank A/c ...Dr. To Cookie's Capital A/c (Being the amount of capital brought by Cookie)		2,00,000	2,00,000
	Cookie's Current A/c ...Dr. To Cake's Capital A/c To Muffin's Capital A/c (Being the Cookie's share of goodwill credited to sacrificing partners in their sacrificing ratio of 1 : 2)		10,000	3,333 6,667

**Working Note:**

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

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

$$\text{Sacrificing Ratio of Cake and Muffin} = \frac{1}{18} : \frac{2}{18} \text{ or } 1 : 2.$$

**Or**

Dr.				PARTNERS' CAPITAL ACCOUNTS				Cr.			
Particulars	Lalit ₹	Pankaj ₹	Rahul ₹	Particulars	Lalit ₹	Pankaj ₹	Rahul ₹				
To Goodwill A/c (Existing Written off)	10,000	10,000	10,000	By Balance b/d	80,000	80,000	60,000				
To Advertisement Expenditure (W/O)	10,000	10,000	10,000	By General Reserve	10,000	10,000	10,000				
To Lalit's Capital A/c	...	7,000	7,000	By Revaluation A/c (WN 1)	3,200	3,200	3,200				
To Bank A/c (Bal. Fig.)	<b>87,200</b>	...	...	By Pankaj's Capital A/c (WN 2)	7,000	...	...				
To Balance c/d (WN 3)	...	99,800	99,800	By Rahul's Capital A/c	7,000	...	...				
				By Bank A/c (Bal. Fig.)	...	<b>33,600</b>	<b>53,600</b>				
	1,07,200	1,26,800	1,26,800		1,07,200	1,26,800	1,26,800				

## BALANCE SHEET OF NEW FIRM

as on 31st March, 2025

Liabilities	₹	Assets	₹
Capital A/cs:		Building	1,00,000
Pankaj	99,800	Machinery	48,000
Rahul	99,800	Motor Car	54,000
Sundry Creditors	50,000	Sundry Debtors	48,000
		Less: Provision for Doubtful Debts	2,400
		Cash at Bank (WN 4)	2,000
	2,49,600		2,49,600

**Working Notes:**

1. Dr.		REVALUATION ACCOUNT		Cr.
Particulars	₹	Particulars	₹	
To Machinery A/c	8,000	By Building A/c	20,000	
To Provision for Doubtful Debts A/c	2,400			
To Profit transferred to:				
Lalit's Capital A/c	3,200			
Pankaj's Capital A/c	3,200			
Rahul's Capital A/c	3,200			
	9,600			
	<u>20,000</u>			<u>20,000</u>

2. Lalit's share of Goodwill = ₹ 42,000 × 1/3 = ₹ 14,000 adjusted between Pankaj and Rahul in their gaining ratio, i.e., 1 : 1.

3. Adjustment of Capital:		₹
Pankaj's Adjusted Capital = ₹ 80,000 + ₹ 10,000 + ₹ 3,200 – ₹ 10,000 – ₹ 10,000 – ₹ 7,000	=	66,200
Rahul's Adjusted Capital = ₹ 60,000 + ₹ 10,000 + ₹ 3,200 – ₹ 10,000 – ₹ 10,000 – ₹ 7,000	=	46,200
Amount Payable to Lalit	=	87,200
Total Capital of the New Firm	=	<u>1,99,600</u>
Pankaj's New Capital = ₹ 1,99,600 × 1/2	=	₹ 99,800
Rahul's New Capital = ₹ 1,99,600 × 1/2	=	₹ 99,800

4. Dr.		BANK ACCOUNT		Cr.
Particulars	₹	Particulars	₹	
To Balance b/d	2,000	By Lalit's Capital A/c	87,200	
To Pankaj's Capital A/c	33,600	By Balance c/d	<b>2,000</b>	
To Rahul's Capital A/c	53,600			
	<u>89,200</u>			<u>89,200</u>

**26.****In the Books of Piramal Ltd.**

## JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c ...Dr.		90,000	
	To Equity Shares Application A/c (Shares application money received on 30,000 shares)			90,000
	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 (Shares allotted and application money adjusted)			15,000
	Equity Shares Allotment A/c ...Dr.		1,60,000	
	To Equity Share Capital A/c			1,40,000
	To Securities Premium A/c (Allotment money due)			20,000

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 (Allotment money received except on 3,000 shares)		1,45,000
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 (3,000 shares forfeited for non-payment of allotment money)		11,250
Bank A/c ...Dr.	8,000	
Share Forfeiture A/c ...Dr.	2,000	
To Equity Share Capital A/c (1,000 forfeited shares reissued @ ₹ 8 per share)		10,000
Share Forfeiture A/c (WN 2) ...Dr.	1,750	
To Capital Reserve A/c (Gain related to reissued shares transferred to Capital Reserve)		1,750

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:

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

$$\text{Excess application money received from Ramesh adjusted on allotment} = 750 \times ₹ 3 = ₹ 2,250.$$

	₹
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	<u>21,750</u>
Total Allotment Money due	1,60,000
Less: Already Adjusted	15,000
	<u>1,45,000</u>
Less: Amount Unpaid by Ramesh	21,750
Net Amount Received	<u>1,23,250</u>

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	<u>1,750</u>

**Or**

- I. (d) Share Capital A/c (600 × ₹ 8) ...Dr. ₹ 4,800  
 Securities Premium A/c (₹ 3,000 – ₹ 2,700) ...Dr. ₹ 300  
     To Share Allotment A/c ₹ 300  
     To Forfeited Shares A/c (₹ 5,700 – ₹ 600 – ₹ 300) ₹ 4,800  
**Note:** Excess application money adjusted on allotment = (540 × ₹ 5) = ₹ 2,700, out of which ₹ 2,400 (600 × ₹ 4) adjusted towards share capital part and balance ₹ 300 towards securities premium.
- II. (d) ₹ 4,800.  
**Note:** The maximum permissible discount on reissue is amount forfeited on reissued shares, i.e., ₹ 4,800.
- III. (c) ₹ 100, ₹ 700\*.  
 \*Gain on reissue = ₹ 800 (100 × ₹ 8) – ₹ 100 (Discount on reissue) = ₹ 700.
- IV. (c) ₹ 800, ₹ 100.
- V. (d) Dr. Forfeited Shares A/c and Cr. Capital Reserve A/c by ₹ 2,800.  
**Note:** Gain on reissue of 400 shares = (₹ 3,200 – ₹ 400) = ₹ 2,800.
- VI. (c) Nil.

**Working Note:**

FORFEITED SHARES ACCOUNT			
Dr.		Cr.	
Particulars	₹	Particulars	₹
To Share Capital A/c (Vijay)	100	By Share Capital A/c	4,800
To Capital Reserve A/c	700		
To Capital Reserve A/c	800		
To Share Capital A/c	400		
(Discount on reissue of			
To Capital Reserve A/c	2,800		
To Balance c/d	Nil		
	4,800		4,800

**Note:** After reissue of all the forfeited shares, there will be no balance in Forfeited Shares Account.

**Part B**

27. (a) Comparative Statement.

*Or*

- (d) The ratio will increase to 0.89 : 1.

**Working Note:**

$$\text{Current Ratio} = 0.8 : 1$$

$$\text{Let Current Assets} = ₹ 80,000 \text{ and Current Liabilities} = ₹ 1,00,000$$

$$\text{After increase in Current Assets} = ₹ 80,000 + ₹ 45,000 = ₹ 1,25,000$$

$$\text{After increase in Current Liabilities} = ₹ 1,00,000 + ₹ 40,000 = ₹ 1,40,000$$

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}} = \frac{₹ 1,25,000}{₹ 1,40,000} = \mathbf{0.89 : 1.}$$

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

Net Profit Ratio =  $\frac{\text{Net Profit}}{\text{Revenue from Operations}} \times 100 = \frac{\text{₹ 1,50,000}}{\text{₹ 10,00,000}} \times 100 = 15\%$ .

29. (c) Added ₹ 65,000 under Operating Activities as Loss on Issue of Debentures written off and inflow of ₹ 9,00,000 under Financing 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)
<b>Cash Flow from Financing Activities</b>	<b>50,000</b>

31.

Item	Major Head	Sub-head
(i) Surplus, i.e., Balance in 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—Property, Plant and Equipment
(vi) Claim against company not acknowledged as debt	It is shown as Contingent Liability in the Notes to Accounts.	

32. COMMON-SIZE BALANCE SHEET OF PLUTO LTD. as at 31st March, 2024 and 2025

Particulars	Note No.	Absolute Amounts		% of Balance Sheet Total	
		31st March, 2024 (₹)	31st March, 2025 (₹)	31st March, 2024 (%)	31st March, 2025 (%)
<b>I. EQUITY AND LIABILITIES</b>					
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
<b>Total</b>		<b>8,00,000</b>	<b>16,00,000</b>	<b>100.00</b>	<b>100.00</b>
<b>II. ASSETS</b>					
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
<b>Total</b>		<b>8,00,000</b>	<b>16,00,000</b>	<b>100.00</b>	<b>100.00</b>

*Or*

COMPARATIVE STATEMENT OF PROFIT AND LOSS  
for the years ended 31st March, 2025 and 2024

Particulars	Note No.	31st March, 2024	31st March, 2025	Absolute Change (Increase/Decrease)	Percentage Change (Increase/Decrease)
		₹	₹	₹	%
		A	B	C = B - A	D = C/A × 100
I. <b>Revenue from Operations</b>		16,00,000	<b>20,00,000</b>	<b>4,00,000</b>	25.00
II. <i>Expenses:</i>					
Employees Benefit Expenses		<b>8,00,000</b>	10,00,000	2,00,000	<b>25.00</b>
Other Expenses		2,00,000	<b>1,00,000</b>	<b>(1,00,000)</b>	(50.00)
III. <b>Total Expenses</b>		10,00,000	11,00,000	<b>1,00,000</b>	<b>10.00</b>
IV. <b>Profit before Tax (I - III)</b>		<b>6,00,000</b>	9,00,000	3,00,000	<b>50.00</b>
Less: Tax @ 40%		2,40,000	<b>3,60,000</b>	<b>1,20,000</b>	50.00
V. <b>Profit after Tax</b>		<b>3,60,000</b>	5,40,000	1,80,000	<b>50.00</b>

33. (a) Return on Investment =  $\frac{\text{Net Profit before Interest and Tax}}{\text{Capital Employed}} \times 100$   
 $= \frac{₹ 1,60,000}{₹ 8,00,000} \times 100 = 20\%$ .

Profit after Interest and Tax = ₹ 1,00,000

Rate of tax = 20%

Profit after interest but before tax = ₹ 1,00,000 ×  $\frac{₹ 100}{₹ 100 - ₹ 20} = ₹ 1,25,000$

10% Long-term Debt = ₹ 3,50,000

Interest on long-term debt = ₹ 3,50,000 ×  $\frac{10}{100} = ₹ 35,000$

Profit before Interest and Tax = ₹ 1,25,000 + ₹ 35,000 = ₹ 1,60,000

Capital Employed = Non-current Assets + Current Assets -  
Current Liabilities

= ₹ 6,00,000 + ₹ 4,00,000 - ₹ 2,00,000

= ₹ 8,00,000

(b) Quick Ratio =  $\frac{\text{Quick Assets}}{\text{Current Liabilities}} = \frac{₹ 6,40,000}{₹ 3,20,000} = 2 : 1.$

**Working Note:**

Working Capital = Current Assets - Current Liabilities

Current Liabilities = Current Assets - Working Capital

= ₹ 8,00,000 - ₹ 4,80,000 = ₹ 3,20,000

Quick Assets = Current Assets - Inventories

= ₹ 8,00,000 - ₹ 1,60,000 = ₹ 6,40,000.

**Or**

$$(a) \quad \text{Net Profit Ratio} = \frac{\text{Net Profit}}{\text{Revenue from Operations}} \times 100$$

$$= \frac{\text{₹ 1,20,000}}{\text{₹ 8,00,000}} \times 100 = 15\%.$$

**Working Notes:**

1. Operating Profit Ratio = 100 – Operating Ratio  
= 100 – 90 = 10%.
2. Operating Profit = ₹ 8,00,000 × 10/100  
= ₹ 80,000.
3. Net Profit = Operating Profit + Non-operating Income – Non-operating Expenses  
= ₹ 80,000 + ₹ 44,000 – ₹ 4,000 = ₹ 1,20,000.

$$(b) \quad \text{Net Assets or Capital Employed Turnover Ratio} = \frac{\text{Revenue from Operations}}{\text{Capital Employed}}$$

$$= \frac{\text{₹ 10,00,000}}{\text{₹ 6,50,000}} = 1.54 \text{ Times.}$$

$$\text{Capital Employed} = \text{Total Assets} - \text{Current Liabilities}^*$$

$$= \text{₹ 7,75,000} - \text{₹ 1,25,000} = \text{₹ 6,50,000}$$

$$^* \text{Current Liabilities} = \text{Current Assets} - \text{Working Capital}$$

$$= \text{₹ 1,75,000} - \text{₹ 50,000} = \text{₹ 1,25,000}.$$

*Calculation of Revenue from Operations:*

Let Revenue from Operations = ₹ 100

Gross Profit = ₹ 20

Cost = ₹ 100 – ₹ 20 = ₹ 80.

If Cost of Revenue from Operations is ₹ 8,00,000 then Revenue from Operations = ₹ 8,00,000 × 100/80 = ₹ 10,00,000.

**34. (a) CASH FLOW FROM OPERATING ACTIVITIES**

Particulars	₹
Net Profit before Tax and Extraordinary Items (WN 1)	6,85,000
<i>Adjustment for Non-Cash and Non-operating Items:</i>	
Add: Goodwill Amortised	25,000
Operating Profit before Working Capital change	7,10,000
<i>Change in Current Assets and Current Liabilities:</i>	
Add: Increase in Trade Payables	25,000
Less: Increase in Trade Receivables	(20,000)
Cash Generated from Operations	7,15,000
Less: Tax paid	70,000
<b>Cash Flow from Operating Activities</b>	<b>6,45,000</b>

**Working Notes:**

## 1. Calculation of Net Profit before Tax and Extraordinary Items:

Particulars	₹
Profit for the year [₹ 2,50,000 – (– ₹ 3,00,000)]	5,50,000
Add: Proposed Dividend of Previous Year	75,000
Add: Provision for Tax (Current Year)	60,000
Net Profit before Tax and Extraordinary items:	6,85,000

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

Particulars	₹	Particulars	₹
To Bank A/c (Tax Paid)—(Balancing Figure)	70,000	By Balance b/d	50,000
To Balance c/d	40,000	By Statement of Profit & Loss (Provision made)	60,000
	1,10,000		1,10,000

## (b) CASH FLOW FROM INVESTING ACTIVITIES

Particulars	₹
Proceeds from Sale of Machinery	50,000
Purchase of Machinery (WN 1)	(4,40,000)
Purchase of Investments (WN 2)	(1,80,000)
Proceeds from Sale of Investments	1,00,000
<b>Cash Used in Investing Activities</b>	<b>(4,70,000)</b>

**Working Notes:**

## 1. Dr. MACHINERY ACCOUNT Cr.

Particulars	₹	Particulars	₹
To Balance b/d	10,20,000	By Bank A/c (Sale)	50,000
To Bank A/c (Balancing Figure) (Purchase)	4,40,000	By Statement of Profit & Loss (Loss on Sale of Machine)	30,000*
		By Depreciation A/c	1,40,000
		By Balance c/d	12,40,000
	14,60,000		14,60,000

\*₹ 1,40,000 – ₹ 60,000 – ₹ 50,000 = ₹ 30,000.

## 2. Dr. NON-CURRENT INVESTMENT ACCOUNT Cr.

Particulars	₹	Particulars	₹
To Bank b/d	60,000	By Bank A/c (₹ 80,000 + ₹ 20,000)	1,00,000
To Bank A/c (Purchase) (Balancing Figure)	1,80,000	By Balance c/d	1,60,000
To Statement of Profit & Loss (Profit on Sale) [₹ 80,000 × 25/100]	20,000		
	2,60,000		2,60,000

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