

GENERAL INSTRUCTIONS:

1. This question paper contains 34 questions. All questions are compulsory.
2. This question paper is divided into two parts, Part A and B.
3. Part - A is compulsory for all candidates.
4. Part - B has two options i.e. (i) **Analysis of Financial Statements** and (ii) **Computerised Accounting**. Students must attempt **only one** of the given options.
5. Question 1 to 16 and 27 to 30 carries 1 mark each.
6. Questions 17 to 20, 31 and 32 carries 3 marks each.
7. Questions from 21, 22 and 33 carries 4 marks each
8. Questions from 23 to 26 and 34 carries 6 marks each
9. There is no overall choice. However, an internal choice has been provided in 7 questions of **one mark**, 2 questions of **three marks**, 1 question of **four marks** and 2 questions of **six marks**.

Part A:- Accounting for Partnership Firms and Companies

1. **Assertion (A):** A new partner can be admitted into a partnership firm with the consent of the existing partners. [1]
Reason (R): According to section 31 of the Indian Partnership Act, 1932, the new partner shall not be introduced into a firm without the consent of all the existing partners. Unless it is agreed otherwise by the partners and partnership deed.
a) Both A and R are true and R is the correct explanation of A. b) Both A and R are true but R is not the correct explanation of A.
c) A is true but R is false. d) A is false but R is true.
2. Ram and Rohit started business on 1st April 2012 with capitals of Rs. 2,50,000 and Rs. 1,50,000 respectively. On the 1st of October 2012, they decided that their capitals should be Rs. 2,00,000 each. The necessary adjustments in the capitals were made by introducing or withdrawing cash. Interest on capital is allowed at 8% p.a. Calculate the interest on Rohit's Capital on March 31, 2013. [1]
a) ₹12,000 b) ₹14,050
c) ₹12,050 d) ₹14,000
3. If an excess of issued price over the nominal value of share price is received it is called _____. [1]
a) premium on issue of share b) Profit of the company
c) Issued capital d) Discount on issue of share

OR

a) Paid-up amount b) Face Value

c) Not called up amount d) Called up amount

- OR

a) Machinery b) Goodwill
c) Furniture d) Building

- OR

a) Dr. Side of Partners capital account

b) Cash Account

c) Realisation Account

d) Credit side of partners' capital account

- OR

a) 60,000 b) 48,000

c) 40,000 d) 45,000

- a) Bonus Shares
 - b) Preference Shares
 - c) Employees Stock Option Scheme
 - d) Sweat Equity Shares

9. On that date, the following journal entry was passed by the firm:

Workmen's Compensation Reserve appeared in the Balance Sheet of the firm at ₹ 32,000. The claim on account of workmen's compensation was determined at ₹ 40,000. Excess of claim over the reserve will be:

- | | |
|------------------------------------|--|
| a) Debited to Revaluation Account | b) Capital Account |
| c) Credited to Revaluation Account | d) Credited to old partner's Capital Account. Debited to old partner's |

12. Sushma Limited issued 1,000, 13% debentures of Rs.100 each at a premium of 10%. Applications were received for 900 debentures only. All applications were accepted and debentures were allotted. What amount is to be credited to the Securities Premium Account? [1]

- | | |
|----------|-----------|
| a) 1,000 | b) 10,000 |
| c) 900 | d) 9,000 |

13. When the rate of Interest on Drawings is given without the word per annum, interest will be calculated _____. [1]

- | | |
|-----------------|--------------------------------|
| a) For 12 month | b) Irrespective of time period |
| c) For 6 month | d) For 1 month |

14. Which partner's capital account can be credited at the time of settlement of goodwill amount? [1]

- | | |
|--|---|
| a) Retiring and Sacrificing partner both | b) A partner who has no gain or sacrifice |
| c) Retired partner | d) Sacrificing partner |

OR

What journal entry required to pass to transfer the due amount to the loan account of retiring partner?

- | | |
|---|--|
| a) Partner executor A/c ... Dr.
To Retiring partner's loan A/c | b) Gainer partners A/c ... Dr.
To Retiring partner's loan A/c |
| c) Retiring Partner's capital A/c ... Dr.
To Retiring partner's loan A/c | d) Retiring Partner's capital A/c ... Dr.
To Bank A/c |

15. When a product plays important role in increasing the goodwill of the firm, what factor is mainly responsible for that? [1]

- | | |
|-----------------------------|------------------------|
| a) Efficiency of Management | b) Quality of product. |
| c) Favourable Contracts | d) Market Situation |

16. The incoming partner cannot acquire his share of profits: [1]

a) From one or more partners (not from all partners)

b) From the old partners in their old profit sharing ratio

c) From the old partners in their new profit sharing ratio

d) From the old partners in some agreed ratio

17. Why does the need for valuation of goodwill arise in relation of partnership firm? [3]

18. Deepak Ltd. purchased furniture of ₹2,20,000 from M/s. Furniture Mart. 50% of the amount was paid to M/s. Furniture Mart by accepting a Bill of Exchange and for the balance the company issued 9% Debentures of ₹100 each at a premium of 10% in favour of M/s. Furniture Mart. [3]

Pass Journal entries in the books of Deepak Ltd.

[Hints:

i. Dr. Furniture A/c and Cr. M/s. Furniture Mart By ₹2,20,000.

ii. Dr. M/s. Furniture Mart - ₹2,20,000; Cr. Bills Payable A/c - ₹1,10,000; 9% Debentures A/c - ₹1,00,000 and Securities Premium Reserve A/c - ₹10,000.]

19. X, Y and Z are partners in a firm sharing profits in the ratio of 3 : 2 : 1. On 1st April, 2009, X retires from the firm, Y and Z agrees that the capital of the new firm shall be fixed at Rs 2,10,000 in the profit sharing ratio. The capital accounts of Y and Z after all adjustments on the date of retirement showed balances of Rs 1,45,000 and Rs 63,000 respectively. State the amount of actual cash to be brought in or to be paid to the partners. [3]

20. X and Y are partners in a firm sharing profits in the ratio of 3 : 2. With effect from 1st April, 2019, they agreed to share profits equally. For this purpose, the goodwill of the firm is valued at ₹75,000. You are required to fill up the following Journal entry: [3]

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Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2019					
April 1	Y's Capital A/c	Dr.		?	
	To X's Capital A/c				?
	(Being ?)				

21. Prayuj Ltd. forfeited 2,000 shares of ₹10 each, fully called up, on which they had received only ₹14,000. 50 of the forfeited shares were reissued for ₹9 per share fully paid up. [4]

Pass necessary journal entries for forfeiture and re-issue of shares. Also prepare a share forfeited account.

22. 'Y Ltd. invited applications for issuing 15,000 equity shares of ₹10 each on which ₹6 per share were called up, which were payable as follows [6]

On application — ₹2 per share

On allotment — ₹1 per share

On first call — ₹3 per share

The issue was fully subscribed and the amount was received as follows

On 10,000 shares — ₹6 per share

On 3,000 shares — ₹3 per share

On 2,000 shares — ₹2 per share

The directors forfeited those shares on which less than ₹6 per share were received.

The forfeited shares were reissued at ₹9 per share, as ₹6 per share paid-up.

Pass necessary journal entries for the above transactions in the books of the company.

23. A, B and C are partners sharing profits and losses in the ratio of 3 : 2 : 1. They [4]
decided to dissolve their firm on 1st Jan. 2019. Complete the Realisation Account, Loan Account, Capital Accounts and Bank Account from the information given below:

REALISATION ACCOUNT

Dr.			Cr.		
Particulars		₹	Particulars		₹
To Sundry Assets:			By Sundry Liabilities:		
Stock A/c	59,400		Provision for Bad Debts A/c	3,000	
Debtors A/c	57,000		Creditors A/c	46,200	
Plant and Machinery A/c	1,31,000	2,47,500	Bills Payable A/c	10,800	60,000
To Bank A/c (Liabilities paid off)		?	By		?
To		?	By Bank A/c (Assets realised):		
			Stock	45,000	
			Goodwill	12,000	
			Debtors	34,200	
			Plant and Machinery	90,000	?
			By Loss on realisation transferred to:		
			A's Capital A/c	?	
			B's Capital A/c	?	
			C's Capital A/c	9,450	?
		?			?

LOAN FROM A ACCOUNT

Dr.		Cr.	
Particulars	₹	Particulars	₹
To	?	By Balance b/d	?

	?		?
--	---	--	---

CAPITAL ACCOUNTS

Dr.				Cr.			
Particulars	A	B	C	Particulars	A	B	C
	₹	₹	₹		₹	₹	₹
To	?	?	?	By	?	?	?
To Bank A/c (Final Payment)	?	?	?	By Workmen Compensation Reserve	?	3,000	?
				By Bank A/c (Amount brought in)	?	3,900	?
	?	18,900	?		64,500	?	61,500

BANK ACCOUNTS

Dr.		Cr.	
Particulars	₹	Particulars	₹
To Balance b/d	?	By Realisation A/c (Liabilities Paid)	?
To Realisation A/c (Sale of unrecorded asset)	15,000	By Realisation A/c (Exp.)	2,400
To	?	By Loan From A A/c	57,000
To	?	By	?
		By	?
	?		?

24. X, Y and Z were in partnership sharing profits in the ratio of 3:2:1. On 1 st April, 2015 the Balance Sheet of the firm stood as follows: [6]

Liabilities		₹	Assets	₹
Provision for Doubtful Debts		1,300	Cash at Bank	10,000
Sundry Creditors		15,000	Debtors	16,000
Capitals:			Stock	20,000
X	78,750		Machinery	60,000
Y	70,000		Land and Building	1,20,000
Z	61,250	2,10,000		
		2,26,300		2,26,300

Z retires on the above date and the new profit sharing ratio between X and Y will be 5 : 4. Following terms were agreed :

- Land and Buildings be reduced by 10%.

- ii. Out of the insurance premium paid during the year ₹ 5,000 be carried forward as unexpired.
- iii. There is no need of any provision for doubtful debts.
- iv. Goodwill of the firm be valued at ₹ 54,000.
- v. X and Y decided that their capitals will be adjusted in their new profit sharing ratio, by bringing in or paying cash to the partners. Z's a/c will be transferred to his loan a/c.
 - a. Pass necessary journal entries; prepare the capital accounts and the new balance sheet.
 - b. Z is paid ₹ 9,300 on the date of retirement and the remaining amount in three equal instalments together with interest at the rate of 10% p.a. on the outstanding balance. Show Z's loan a/c for 3 years.

25. Ashok, Bhim and Chetan were partners in a firm sharing profits in the ratio of 3 : 2 : 1. Their balance sheet as at 31st March, 2019 was as follows [6]

Balance Sheet
as at 31st March, 2019

Liabilities		Amount (₹)	Assets	Amount (₹)
Creditors		1,00,000	Land	1,00,000
Bills payable		40,000	Building	1,00,000
General Reserve		60,000	Plant	2,00,000
Capital A/cs			Stock	80,000
Ashok	2,00,000		Debtors	60,000
Bhim	1,00,000		Bank	10,000
Chetan	50,000	3,50,000		
		5,50,000		5,50,000

Ashok, Bhim and Chetan decided to share the future profits equally, with effect from 1st April, 2019. For this it was agreed that

- i. Goodwill of the firm be valued at ₹3,00,000.
 - ii. Land be revalued at ₹1,60,000 and building be depreciated by 6%.
 - iii. Creditors of ₹12,000 were not likely to be claimed and hence be written off.
- Prepare revaluation account, partners' capital accounts and balance sheet of the reconstituted firm.
26. On 1st April, 2012 a Limited Company issued 10% Debentures of the face value of ₹1,20,000 at a discount of 6%. The debentures are repayable by annual drawings of ₹40,000 commencing from the end of 3rd year. How will you deal with discount on debentures? [6]
- Show the discount on issue of debentures account in the Company's ledger for the period of duration of debentures. Assume that the accounts are closed on 31st March each year.

Part B :- Analysis of Financial Statements

27. The analysis of a financial statement by a shareholder is an example of: [1]
- a) Internal Analysis
 - b) Vertical Analysis
 - c) External Analysis
 - d) Horizontal Analysis

28. Dividend paid by a Trading company is classified under which kind of activity while preparing cash flow statement [1]
- a) Cash flow from operating activities
 - b) Cash Equivalent
 - c) Cash flow from Financing activities
 - d) Cash flow from Investing activities

OR

When provision for depreciation account is separately maintained. In this method, two accounts namely _____ and _____ account is prepared.

- a) Fixed assets and Dividend account
 - b) Fixed assets and Investment account
 - c) Fixed assets and provision for depreciation account
 - d) Investment and provision for recitation account
29. Financial analysis becomes useless because it: [1]
- a) measures the Solvency
 - b) lacks Qualitative Analysis
 - c) makes a comparative study
 - d) measures the profitability

30. An investment normally qualifies as cash-equivalent only when from the date of acquisition it has a short maturity period of: [1]
- a) One month or less
 - b) Three months or less
 - c) Three months or more
 - d) One year or less

OR

Increase in the balance of Securities premium reserve will be _____.

- a) Less in Investing Activities
 - b) Less in Financing Activities
 - c) Add in Financing Activities
 - d) Add in Investing Activities
31. Give the headings under which the following items will be shown in a Company's Balance Sheet: [3]
- i. Mining Rights
 - ii. Debtors
 - iii. Interest on Calls in Advance
 - iv. Work-in-progress
 - v. Mortgage Loan

vi. Bonds

32. Calculate trade receivables turnover ratio from the following data: [3]

Total Revenue from Operations for the year (Total Sales) ₹ 2,00,000

Cash Revenue from Operations for the year (Cash Sales) ₹ 40,000

Trade Receivables at the beginning of the year ₹ 20,000

Trade Receivables at the end of the year ₹ 60,000

33. The following figures relate to the years ending 31st December, 2017 and 2018. [4]
What do they indicate?

	31-12-2017 ₹	31-12-2018 ₹
Revenue from Operations (Sales)	6,00,000	7,00,000
Revenue from Operations Return (Sales Returns)	60,000	40,000
Gross Profit on Revenue from Operations	20%	25%
Trade Receivables	59,000	1,06,000
Opening Inventory	1,20,000	—
Closing Inventory	1,60,000	2,40,000

In 2017 Trade Receivables increased by ₹ 10,000. Ascertain the Trade Receivables turnover ratio and the Inventory Turnover Ratio. Give your comments about the company's performance in 2018.

OR

Assuming that the Current Ratio is 2 : 1, state, giving reasons, which of the following transactions would (i) improve, (ii) reduce, or (iii) not alter, the current ratio:

- Cash collected from trade receivables or cash received against B/R on its maturity.
- B/R received from trade receivables or B/R drawn.
- B/R endorsed to trade payables.
- B/R dishonoured.
- Sale of Inventories at par for cash.
- Sale of Inventories at profit for cash.
- Sale of Inventories at loss for cash.
- Sale of Inventories at par on credit.
- Sale of Inventories at profit on credit.
- Sale of Inventories at loss on credit.
- Purchase of Inventories for cash.
- Purchase of Inventories on credit.

34. From the following information, calculate Net Flow from Operating Activities and [6]
Financing Activities:

Particulars	31st March, 2019	31st March, 2018
	₹	₹
Equity Share Capital	13,75,000	11,25,000
5% Preference Share Capital	5,00,000	7,50,000
General Reserve	3,75,000	3,00,000
Surplus, i.e, Balance in Statement of Profit and Loss	3,75,000	(3,50,000)
Securities Premium Reserve	25,000	-
Provision for Tax	1,00,000	50,000
Non-current Liabilities (8% Debentures)	6,50,000	3,75,000
Short-term Borrowings (8% Bank Loan)	1,00,000	1,25,000
Trade Payables	5,00,000	2,50,000
Trade Receivables and Inventories	13,00,000	11,50,000

Additional Information:

- During the year additional debentures were issued at par on 1st October and Bank Loan was repaid on the same date.
- Dividend on Equity Shares @ 8% was paid on Opening Balance.
- Income ₹ 1,12,500 has been provided during the year.
- Preference shares were redeemed at par at the end of the year.

SOLUTION

Part A:- Accounting for Partnership Firms and Companies

1. (a) Both A and R are true and R is the correct explanation of A.

Explanation: Both A and R are true and R is the correct explanation of A.

2. (d) ₹14,000

Explanation: Calculation of Interest on Rohit's Capital:

$$1,50,000 \times \frac{8}{100} \times \frac{6}{12} = \text{Rs. } 6,000$$

$$2,00,000 \times \frac{8}{100} \times \frac{6}{12} = \text{Rs. } 8,000$$

$$\text{Total Interest on Rohit's Capital} = 6,000 + 8,000 = \text{Rs. } 14,000$$

3. (a) premium on issue of share

Explanation: When a company issues its shares at a price which is more than its actual face value, it is known as shares issued at premium i.e. if shares are issued at Rs.120 when its face value is Rs.100 then Rs.20 is premium.

OR

- (d) Called up amount

Explanation: At the time of forfeiture of shares, share capital account should be debited with the called up amount but not paid up by shareholders and not with the face value or paid-up amount etc.(i.e. a number of shares forfeited x called up amount per share).

4. (b) Fictitious Asset

Explanation: Discount on issue of debentures is treated as a fictitious asset and should be written off against the Statement of Profit and Loss. As it shows Debit Balance and it is shown on the Assets side of balance sheet.

5. (d) Capital Employed

Explanation: Capital Employed

OR

- (b) Goodwill

Explanation: Goodwill is not fictitious but intangible in nature and having realizable value.

6. (d) Partner's Capital account, Profit sharing ratio

Explanation: At the time of dissolution, all accumulated profits and losses should be transferred to the partners capital account in their profit sharing ratio as they are treated as free reserves. so free reserves are distributed among partners.

Accumulated losses are transferred to the debit side of partner's capital A/c in profit sharing ratio.

OR

- (a) Dr. Side of Partners capital account

Explanation: Profit and Loss (Dr. balance) given in the balance sheet will be transferred to the debit side of partners capital account in their respective profit sharing ratio. It should not be transferred to the realization account as it is a free reserve. Journal Entry will be:

Partners Capital A/c Dr

To P & L A/c

7. (c) 45,000

Explanation: Net amount = $100 - 100 \times 10\% = 90$

Total amount paid by 500 excess applicants = $90 \times 500 = \text{Rs. } 45,000$

So amount to be refunded to the applicants = 45,000

OR

(b) 48,000

Explanation: Y Limited has taken an asset of 100 lakhs and liabilities of 4000000.

So remaining amount = 6000000

A number of debentures issued = $\frac{6000000}{125} = 48,000$ Debentures to the Sita Enterprises.

8. (d) Sweat Equity Shares

Explanation: "Sweat equity shares" are such equity shares, which are issued by a company to its directors or employees at a discount for providing their know-how or making available rights in the nature of intellectual property rights or value additions, by whatever name called.

9. (d) Profit and Loss (Dr.) Balance ₹ 3,00,000

Explanation: Profit and Loss (Dr.) Balance ₹ 3,00,000

10. (b) Goodwill ₹ 3,00,000

Explanation: Goodwill ₹ 3,00,000

11. (a) Debited to Revaluation Account

Explanation: Excess Amount of Claim over WCR (Workmen Compensation Reserve) will be Debited to Revaluation Account.

12. (d) 9,000

Explanation: Securities premium = $100 \times 10\% = 10$

Applications received = 900

Security premium amount = $900 \times 10 = 9,000$

13. (b) Irrespective of time period

Explanation: The word per annum (P.a.) is the key element in the calculation of interest on drawings. When per annum (p.a.) word is given, it means interest on drawings is to be calculated on the time basis or for a particular time period. When word per annum (p.a.) is not given with the rate of interest on drawings, it means interest on drawings is to be calculated for the full year irrespective of time period. Interest on drawing will be calculated for full year. Time will not be taken for calculation of interest on drawing.

14. (a) Retiring and Sacrificing partner both

Explanation: If any partner sacrificing instead of gaining at the time of retirement or death, in such a case that partner's capital account and retiring partner's capital account should be credited for the adjustment of goodwill amount.

OR

(c) Retiring Partner's capital A/c ... Dr.

To Retiring partner's loan A/c

Explanation: The following journal entry will be recorded for the amount transferred to the retiring partner's loan account:

Retiring Partner's capital A/c ... Dr.

To Retiring partner's loan A/c

(being partner capital balance transferred to loan account)

15. (b) Quality of product.

Explanation: A firm producing qualitative products can easily have name and fame in the market. This lead to increase in the value of goodwill. The business firms which enjoys good commercial reputation for the quality of their products, they have a high value of goodwill.

16. (c) From the old partners in their new profit sharing ratio

Explanation: A new partner can acquire his share of profits from the old partners in their old profit sharing ratio or from one partner or from the old partners equally. But he cannot acquire his share of profit from the old partners in the new profit sharing ratio because the new profit sharing ratio is fixed only after the admission of the new partner. New partner only can get his share from only old partner or partners.

17. In case of a partnership firm, goodwill can be sold to some another business entity without selling the whole business. Hence when you are going to sell the goodwill of your business, you should be assured of the value of your goodwill at that particular time.

18.

Books of Deepak Ltd.

Journal Entries

Date	Particulars		L.F.	Debit Amount (₹)	Credit Amount (₹)
	Furniture A/c	Dr.		2,20,000	
	To M/s. Furniture Mart				2,20,000
	(Being purchased furniture of ₹2,20,000 from M/s. Furniture Mart)				
	M/s. Furniture Mart	Dr.		1,10,000	
	To Bills Payable A/c				1,10,000
	(Being 50% of the amount was paid to M/s. Furniture Mart by accepting a Bill of Exchange or Bills Payable)				
	M/s. Furniture Mart	Dr.		1,10,000	
	To 9% Debentures A/c				1,00,000
	To Securities Premium A/c				10,000
	(Being 1,000 debentures of 100 each issued to M/s. Furniture Mart at a premium of 10% in satisfaction of purchase consideration)				

Point of Knowledge:-

Number of Debentures to be issued = $\frac{1,10,000}{100+10} = 1,000$ Debentures

19.

Calculation of cash to be brought in or paid out

Particulars	Y (Rs.)	Z (Rs.)
Adjusted Capital at X's retirement	1,45,000	63,000

(-) New Capital in new firm (2,10,000 in 2 : 1)	(1,40,000)	(70,000)
Cash to be brought in or withdrew by	= 5,000	= -7,000

Therefore, for making their capital in the new ratio;

Y will withdrew Rs 5,000

And Z will bring Rs 7,000

20.

**In the books of Firm
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Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2019- 2020					
April 1	Y's Capital A/c	Dr.		7,500	
	To X's Capital A/c				7,500
	(Being the adjustment made for goodwill on change in the profit-sharing ratio)(Refer Working Note)				

Working Note:

Calculation of Sacrifice/(Gain) of Partners:	X	Y
(i) Their Old Shares	3/5	2/5
(ii) Their New Shares	1/2	1/2
(iii) Sacrifice/(Gain) (i) - (ii)	$3/5 - 1/2 = 1/10$; (Sacrifice)	$2/5 - 1/2 = -1/10$ (Gain)

Thus, X Sacrifices 1/10th share and Y gains 1/10th share in profits.

21.

Books of Prayuj Ltd.
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Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c	Dr.		20,000	
	To Calls in Arrears A/c				6,000
	To Forfeited Shares A/c				14,000
	(Forfeiture of 2,000 shares)				
	Bank A/c	Dr.		450	
	Forfeited Shares A/c	Dr.		50	
	To Share Capital A/c				500
	(50 of the forfeited shares reissued for ₹9 per share)				
	Forfeited Shares A/c	Dr.		300	
	To Capital Reserve A/c				300
	(Gain on reissue of shares transferred to Capital Reserve A/c)				

Working Note:

Forfeited amount on 2,000 Shares = 14,000	₹
As such, Forfeited amount on 50 Shares = $\frac{14,000}{2,000} \times 50$	350
Less: Loss on Reissue	50
Gain on Reissue	300

Forfeited Share A/c

Dr.		Cr.	
Particulars	₹	Particulars	₹
To Share Capital A/c	50	By Share Capital A/c	14,000
To Capital Reserve A/c	300		
To Balance c/d	13,650		
	14,000		14,000

22.

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Date	Particulars		L.F.	Amt. (Dr.)	Amt. (Cr.)
1.	Bank A/c (15,000 × 2)	Dr.	.	30,000	.
.	To Equity Share Application A/c		.	.	30,000
.	(Being share application money received.)		.	.	.
2.	Equity Share Application A/c	Dr.	.	30,000	.
.	To Share Capital A/c		.	.	30,000
.	(Being share application money transferred to share capital.)		.	.	.
3.	Share Allotment A/c	Dr.	.	15,000	.
.	To Equity Share Capital A/c (15,000 × 1)		.	.	15,000
.	(Being share allotment money transferred to share capital.)		.	.	.
4.	Bank A/c	Dr.	.	13,000	.
.	Calls-in-arrears A/c (2,000 × 1)	Dr.	.	2,000	.
.	To Share Allotment A/c		.	.	15,000
.	(Being share allotment money received on 13,000 shares @ ₹1 each.)		.	.	.
5.	Equity Share First Call A/c	Dr.	.	45,000	.
.	To Equity Share Capital A/c (15,000 × 3)		.	.	45,000

Date	Particulars		L.F.	Amt. (Dr.)	Amt. (Cr.)
.	(Being share first call money due on 15,000 shares @ ₹3 per share.)		.	.	.
6.	Bank A/c Dr		.	30,000	.
.	Calls in Arrears A/c (2,000 × 3) + (3,000 × 3)	Dr.	.	15,000	.
.	To Equity Share First Call A/c		.	.	45,000
.	(Being share first call money received on 10,000 shares ₹3 per share.)		.	.	.
7.	Equity Share Capital A/c (5,000 × 6)	Dr.	.	30,000	.
.	To Calls in Arrears (2,000 + 15,000) A/c		.	.	17,000
.	To Share Forfeiture A/c		.	.	13,000
.	(Being 5,000 shares forfeited on non-payment of allotment and first call money.)		.	.	.
8.	Bank A/c (5,000 × 9)	Dr.	.	45,000	.
.	To Equity Share Capital A/c (5,000 × 6)		.	.	30,000
.	To Securities Premium Reserve A/c (5,000 × 3)		.	.	15,000
.	(Being all forfeited shares were reissued at Rs. 9 per share as ₹6 paid-up.)		.	.	.
9.	Share Forfeiture A/c	Dr.	.	13,000	.
.	To Capital Reserve A/c		.	.	13,000
.	(Being profit on share forfeiture transferred to capital reserve.)		.	.	.

23.

REALISATION ACCOUNT

Dr.			Cr.		
Particulars		₹	Particulars		₹
To Sundry Assets:			By Sundry Liabilities:		
Stock A/c	59,400		Provision for Bad Debts A/c	3,000	
Debtors A/c	57,000		Creditors A/c	46,200	
Plant and Machinery A/c	1,31,000	2,47,500	Bills Payable A/c	10,800	60,000
To Bank A/c (Liabilities paid off)		63,000	By Bank A/c (Sale of unrecorded asset)		15,000
To Bank A/c (Expenses of realisation)		2,400	By Bank A/c (Assets realised):		

			Stock	45,000	
			Goodwill	12,000	
			Debtors	34,200	
			Plant and Machinery	90,000	1,81,200
			By Loss on realisation transferred to:		
			A's Capital A/c 3/6	28,350	
			B's Capital A/c 2/6	18,900	
			C's Capital A/c 1/6	9,450	56,700
		3,12,900			3,12,900

LOAN FROM A ACCOUNT

Dr.		Cr.	
Particulars	₹	Particulars	₹
To Bank A/c	57,000	By Balance b/d	57,000
	57,000		57,000

CAPITAL ACCOUNTS

Dr.				Cr.			
Particulars	A	B	C	Particulars	A	B	C
	₹	₹	₹		₹	₹	₹
To Realisation A/c (Loss)	28,350	18,900	9,450	By Balance b/d	60,000	12,000	60,000
To Bank A/c (Final Payment)	36,150	-	52,050	By Workmen Compensation Reserve	4,500	3,000	1,500
				By Bank A/c (Amount brought in)	-	3,900	-
	64,500	18,900	61,500		64,500	18,900	61,500

BANK ACCOUNTS

Dr.		Cr.	
Particulars	₹	Particulars	₹
To Balance b/d	10,500	By Realisation A/c (Liabilities Paid)	63,000
To Realisation A/c (Sale of unrecorded asset)	15,000	By Realisation A/c (Exp.)	2,400
To Realisation A/c (Assets realised)	1,81,200	By Loan From A A/c	57,000

To B's Capital A/c	3,900	By A's Capital A/c	36,150
		By C's Capital A/c	52,050
	2,10,600		2,10,600

Working Notes:

(6) First of all, Cr. side of Realisation A/c will be completed and the total of Cr. side ₹ 3,12,900 will be put on Dr. side and the missing figure on Dr. side will be 'Liabilities paid' off ₹ 63,000.

(12) Cr. side of Bank A/c will be completed and the total of Cr. side ₹ 2,10,600 will be put on Dr. side and the missing figure will be the opening balance of ₹ 10,500.

24. a.

**IN THE BOOKS OF THE FIRM
JOURNAL ENTRIES**

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2015 April 1	Prepaid Insurance A/c	Dr.		5,000	
	Provision for Doubtful debts A/c	Dr.		1,300	
	To Revaluation A/c				6,300
	(Increase in the value of assets recorded through revaluation account)				
	Revaluation A/c	Dr.		12,000	
	To Land and Building A/c				12,000
	(Decrease in the value of assets recorded through revaluation account)				
	X's Capital A/c	Dr.		2,850	
	Y's Capital A/c	Dr.		1,900	
	Z's Capital A/c	Dr.		950	
	To Revaluation A/c				5,700
	(Loss on revaluation transferred to old partners capital account in old profit sharing ratio)				
	X's Capital A/c	Dr.		3,000	
	Y's Capital A/c	Dr.		6,000	
	To Z's Capital A/c				9,000
	(Goodwill adjusted in the gaining ratio 1:2)				
	Z's Capital A/c	Dr.		69,300	
	To Bank A/c				9,300
	To Z's Loan A/c				60,000
	(The balance of Z's Capital A/c transferred to				

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	his loan A/c)				
	Bank A/c	Dr.		2,100	
	To X's Capital A/c				2,100
	(The amount brought in by X to raise his capital to profit sharing ratio)				
	Y's Capital A/c	Dr.		2,100	
	To Bank A/c				2,100
	(The amount withdrawn by Y to bring his capital to profit sharing ratio)				

PARTNER'S CAPITAL ACCOUNT

Dr.				Cr.			
Particulars	X (₹)	Y (₹)	Z (₹)	Particulars	X (₹)	Y (₹)	Z (₹)
To Z's Capital A/c	3,000	6,000	-	By Balance b/d	78,750	70,000	61,250
To Revaluation A/c	2,850	1,900	950	By X's Capital A/c	-	-	3,000
To Bank A/c			9,300	By Y's Capital A/c	-	-	6,000
To Z's Loan A/c			60,000				
To Balance c/d	72,900	62,100	-				
	78,750	70,000	70,250		78,750	70,000	70,250
To Bank A/c	-	2,100	-	By Balance b/d	72,900	62,100	-
To Balance c/d	75,000	60,000	-	By Bank A/c	2,100	-	-
	75,000	62,100	-		75,000	62,100	-

NEW BALANCE SHEET

as at 1st April, 2015

Liabilities		₹	Assets	₹
Sundry Creditors		15,000	Cash at Bank (₹ 10,000 + ₹ 2,100 - ₹ 2,100 - ₹ 9,300)	700
Z's Loan		60,000	Debtors	16,000
Capital account balances:			Stock	20,300
X	75,000		Prepaid Insurance	5,000
Y	60,000	1,35,000	Machinery	60,000
			Land and Buildings	1,08,000

Liabilities		₹	Assets	₹
		2,10,000		2,10,000

W.N.:

i. Calculation of Gaining Ratio = New Ratio - Old Ratio

$$\text{Gain to X} = \frac{5}{9} - \frac{3}{6} = \frac{1}{18}$$

$$\text{Gain to Y} = \frac{4}{9} - \frac{2}{6} = \frac{2}{18}$$

$$\text{Hence, Gaining Ratio} = \frac{1}{18} : \frac{2}{18} = 1:2$$

ii. Adjustment of Capitals of X and Y according to new profit sharing ratio

$$= \text{Total Capital of X and Y after all the adjustments} = ₹ 72,900 + ₹ 62,100 = ₹ 1,35,000$$

This Capital should be in their profit sharing ratio, i.e., 5 : 4.

Therefore, the Capital of X in the new firm should be $\frac{5}{9}$ th of 1,35,000 = 75,000

But the existing Capital of X is = ₹ 72,900

Hence, X will bring in = ₹ 2,100

The Capital of Y in the new firm should be $\frac{4}{9}$ th of 1,35,000 = ₹ 60,000

But the existing Capital of Y is = ₹ 62,100

Hence, Y will withdraw = ₹ 2,100

b.

Z'S LOAN A/C

Dr.			Cr.		
Date	Particulars	₹	Date	Particulars	₹
2016 Mar. 31	To Bank A/c (₹ 20,000 + ₹ 6,000)	26,000	2015 April 1	By Z's Capital A/c (transfer)	60,000
2016 Mar. 31	To Balance c/d	40,000	2016 Mar. 31	By Interest A/c (on ₹ 60,000 at 10%)	6,000
		66,000			66,000
2017 Mar. 31	To Bank A/c (₹ 20,000 + ₹ 4,000)	24,000	2016 April 1	By Balance b/d	40,000
2017 Mar. 31	To Balance c/d	20,000	2017 Mar. 31	By Interest A/c (on ₹ 40,000 at 10%)	4,000
		44,000			44,000
2018 Mar. 31	To Bank A/c (₹ 20,000 + ₹ 2,000)	22,000	2017 April 1	By Balance b/d	20,000
			2018 Mar. 31	By Interest A/c (on ₹ 20,000 at 10%)	2,000
		22,000			22,000

25. Working Notes:

i. **Treatment of General Reserve:-**

General Reserve a/c	Dr.	60,000
---------------------	-----	--------

To Ashok's Capital a/c		30,000
To Bhim's Capital a/c		20,000
To Chetan's Capital a/c		10,000

ii. **Treatment of Goodwill:-**

Old Ratio 3:2:1

New Ratio 1:1:1

Sacrifice = Old Share - New Share

Ashok's Sacrifice = $3/6 - 1/3 = 1/6$

Bhim's Sacrifice = $2/6 - 1/3 = 0$

Chetan's Sacrifice = $1/6 - 1/3 = -1/6$ (Gain)

Entry for Goodwill:-

Chetan's Capital A/c	Dr.	50,000
To Ashok's Capital A/c		50,000

Revaluation A/c

Particulars		Amount	Particulars	Amount
To Building		6,000	By Land	60,000
To Revaluation Profit			By Creditors	12,000
Ashok	33,000			
Bhim	22,000			
Chetan	11,000	66,000		
		72,000		72,000

Capital A/c

Particulars	Ashok	Bhim	Chetan	Particulars	Ashok	Bhim	Chetan
To Ashok's Capital			50,000	By Bal b/d	2,00,000	1,00,000	50,000
To Bal. c/d	3,13,000	1,42,000	21,000	By Revaluation A/c	33,000	22,000	11,000
				By General Reserve	30,000	20,000	10,000
				By Chetan's Capital (WN2)	50,000		
	3,13,000	1,42,000	71,000		3,13,000	1,42,000	71,000

**Balance Sheet
As At 1.4.2019**

Liabilities		Amount	Assets	Amount
Creditors		88,000	Land	1,60,000

Bills payable		40,000	Building	94,000
Capital A/c			Plant	2,00,000
Ashok	3,13,000		Stock	80,000
Bhim	1,42,000		Debtors	60,000
Chetan	21,000	4,76,000	Bank	10,000
		6,04,000		6,04,000

26.

Discount on Issue Debenture

Dr.				Cr.			
Date	Particulars	J.F.	Amount	Date	Particulars	J.F.	Amount
1.4.12	To 10% Debenture A/c		7,200	31.3.13	By Profit and Loss		1,800
					By Balance c/d		5,400
			7,200				7,200
1.4.13	To Balance b/d		5,400	31.3.14	By Profit and Loss		1,800
					By Balance c/d		3,600
			5,400				5,400
1.4.14	To balance b/d		3,600	31.3.15	By Profit and Loss		1,800
					By Balance c/d		1,800
			3,600				3,600
1.4.2015	To Balance b/d		1,800	31.3.16	By Profit and Loss		1,200
					By Balance c/d		600
			1,800				1,800
1.4.2016	To balance b/d		600	31.3.17	By Profit and Loss		600
			600				600

Working Note:

Amount of Discount on Issue of Debenture = $1,20,000 \times \frac{6}{100} = 7,200$

At the end of	Debenture outstanding	Ratio	Loss to be written off every year
2011-12	1,20,000	3	$7,200 \times \frac{3}{12} = 1,800$
2012-13	1,20,000	3	$7,200 \times \frac{3}{12} = 1,800$
2013-14	1,20,000	3	$7,200 \times \frac{3}{12} = 1,800$

2014-15	80,000	2	$7,200 \times \frac{2}{12} = 1,200$
2015-16	40,000	1	$7,200 \times \frac{1}{12} = 600$
		12	₹7,200

Part B :- Analysis of Financial Statements

27. (c) External Analysis

Explanation: The analysis of a financial statement by a shareholder is an external analysis.

28. (c) Cash flow from Financing activities

Explanation: Cash flow from Financing activities

OR

(c) Fixed assets and provision for depreciation account

Explanation: When provision for depreciation (Accumulated Depreciation) A/c is maintained separately in such a case at the time of sale of asset two accounts are prepared (i) Asset Account (ii) Provision for Depreciation Account or Accumulated Depreciation Account.

29. (b) lacks Qualitative Analysis

Explanation: Financial analysis lacks qualitative analysis.

30. (b) Three months or less

Explanation: Cash Equivalent: An investment qualifies as cash equivalent when it has a maturity period of three months or less from the date of its acquisition.

OR

(c) Add in Financing Activities

Explanation:

Securities premium reserve (SPR) is directly concerned with the share capital which is part of financing activities. It is to be added in financing activities while preparing a cash flow statement. when is issued at a premium then the premium amount is received in cash hence it is inflow and should be added.

S. No.	Items	Major-Heading of balance sheet	Sub-Heading of balance sheet
i.	Mining Rights	Non-Current Assets	Fixed Assets-Intangible Assets
ii.	Debtors	Current Assets	Trade Receivables
iii.	Interest on Calls in Advance	Current Liabilities	Other Current Liabilities
iv.	Work-in-progress	Current Assets	Inventories
v.	Mortgage Loan	Non-Current Liabilities	Long-term Borrowings
vi.	Bonds	Non-Current Liabilities	Long-term Borrowings

32. Trade Receivables Turnover Ratio = $\frac{\text{Credit Revenue from Operations (Credit Sales)}}{\text{Average Trade Receivables}}$

Credit Revenue from Operations = Total Revenue from Operations - Cash Revenue from Operations

= ₹ 2,00,000 - ₹ 40,000 = ₹ 1,60,000

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

$$= \frac{₹20,000 + ₹60,000}{2}$$

$$\text{Trade Receivables Turnover Ratio} = \frac{1,60,000}{40,000} = 4 \text{ Times.}$$

33.

YEAR 2017

Closing trade receivables of 2017 were ₹ 10,000 more in comparison to the opening trade receivables of 2017. Therefore, the opening trade receivables of 2017 = ₹ 59,000 - ₹ 10,000 = ₹ 49,000.

Therefore, Average Trade Receivables

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

$$= \frac{49,000 + 59,000}{2} = ₹ 54,000$$

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

$$= \frac{5,40,000}{54,000} = 10 \text{ Times}$$

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

$$\text{Cost of Revenue from Operations} = ₹ 5,40,000 \text{ less } 20\%$$

$$= ₹ 5,40,000 - ₹ 1,08,000 = ₹ 4,32,000$$

$$\text{Average Inventory} = \frac{₹1,20,000 + ₹1,60,000}{2} = ₹ 1,40,000$$

$$\therefore \text{Inventory Turnover Ratio} = \frac{4,32,000}{1,40,000} = 3.09 \text{ times.}$$

Year 2018

Closing trade receivables of 2017 will be treated as the opening trade receivables of 2018. Therefore,

$$\text{Average Trade Receivables} = \frac{59,000 + 1,06,000}{2} = 82,500$$

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

$$= \frac{6,60,000}{82,500} = 8 \text{ times}$$

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

$$\text{Cost of Revenue from Operations} = ₹ 6,60,000 \text{ less } 25\%$$

$$= ₹ 6,60,000 - ₹ 1,65,000 = ₹ 4,95,000$$

$$\text{Average Inventory} = \frac{1,60,000 + 2,40,000}{2} = ₹ 2,00,000$$

$$\therefore \text{Inventory Turnover Ratio} = \frac{4,95,000}{2,00,000} = 2.475 \text{ times}$$

OR

Statement showing the effect of various transactions on Current Ratio:

Tr. No.	Current Ratio will	Reasons of effect o current ratio due to different transactions
(i)	Not Alter	Neither the current assets nor the current liabilities are affected since there is only a conversion of one current asset into another current asset.
(ii)	Not Alter	Neither the current assets nor the current liabilities are affected since here also, there is only a conversion of one current asset.
(Hi)	Improve	Both the current assets and current liabilities are decreased by the same amount.
(/v)	Not Alter	Neither the current assets nor the current liabilities are affected since there is only a conversion of one current asset (i.e. B/R) into another current asset (i.e., Trade Receivables).
(V)	Not Alter	Neither the current assets nor the current liabilities are affected since there is only a conversion of one current asset into another current asset.
(Vi)	Improve	Current liabilities remain unchanged but current assets are increased by the amount of profit.

Tr. No.	Current Ratio will	Reasons of effect o current ratio due to different transactions
(vii)	Reduce	Current liabilities remain unchanged but current assets are decreased by the amount of loss.
(viii)	Not Alter	The reason being same as given in point No. (v) above.
(ix)	Improve	The reason being same as given in point No. (vi) above.
(x)	Reduce	The reason being same as given in point No. (vii) above.
(xi)	Not Alter	Neither the current assets nor the current liabilities are affected since there is only a conversion of one current asset into another current asset.
(xii)	Reduce	Both the current assets and current liabilities are increased by the same amount.

34.

**In The Books of ...
Cash Flow Statement
For the year ended...**

Particulars	₹	₹
Cash Flow from Operating Activities		
Profit as per Statement of Profit and Loss		7,25,000
Items to be Added:		
Dividend on Equity Shares	90,000	
Dividend on Preference Shares	37,500	
Interest on Debentures	41,000	
Interest on Bank Loan	9,000	
Provision for Tax	1,12,500	
Transfer to General Reserve	75,000	3,65,000
Operating Profit before Working Capital Adjustments		10,90,000
Less: Increase in Current Assets		
Trade Receivables & Inventories	(1,50,000)	
Add: Increase in Current Liabilities		
Trade Payables	2,50,000	1,00,000
Cash Generated from Operations		11,90,000
Less: Taxes Paid		62,500
Cash Flow from Operating Activities		11,27,500

Cash Flow Statement

Particulars	₹	₹
Cash Flow from Financing Activities		
Dividend on Equity Shares	(90,000)	
Dividend on Preference Shares	(37,500)	
Interest on Debentures	(41,000)	
Interest on Bank Loan	(9,000)	
Increase in Securities Premium Reserve	25,000	
Proceeds from Issue of Equity Shares	2,50,000	
Proceeds from Issue of Debentures	2,75,000	
Redemption of Preference Shares	(2,50,000)	

Repayment of Bank Loan	(25,000)	
Cash Flow from Financing Activity		97,500

Working Notes:

Provision for Tax Account

Dr.		Cr.	
Particulars	₹	Particulars	₹
To Bank A/c (B/f)	62,500	By Balance b/d	50,000
To Balance c/d	1,00,000	By Profit & Loss A/c	1,12,500
	1,62,500		1,62,500

Interest on Debentures:

$$3,75,000 \times \frac{8}{100} = 30,000$$

$$2,75,000 \times \frac{8}{100} \times \frac{6}{12} = 11,000$$

Total Interest = 41,000 (30,000 + 11,000)

Interest on Bank Loan:

$$1,25,000 \times \frac{8}{100} \times \frac{6}{12} = 5,000$$

$$1,00,000 \times \frac{8}{100} \times \frac{6}{12} = 4,000$$

Total Interest = 9,000 (5,000 + 4,000)