CBSE Class 12 Accountancy
Sample Paper 08 (2019-20)

Maximum Marks: 80
Time Allowed: 3 hours

General Instructions:

i. This question paper contains two parts – A and B.
ii. Part A is compulsory for all.
iii. Part B has two options – Analysis of Financial Statements and Computerised Accounting.
iv. Attempt only one option of Part B.
v. All parts of a question should be attempted at one place.

Section A

1. During 2016, subscription received in cash is Rs. 42000. It includes Rs. 1,600 for 2015 and Rs. 600 for 2017. Also Rs. 3000 has still to be received for 2016. Calculate the total amount of subscription to be credited to Income & Expenditure account if there are 428 members and annual subscription is Rs 100.

2. Why is outgoing partner entitled to a share of goodwill of the firm

   a. Goodwill earned by the firm is the effort of retired partners

   b. Goodwill earned by the firm is the effort of all the partners

   c. Goodwill earned by the firm is the effort of only one the partners

   d. Goodwill earned by the firm is the effort of new partners

3. State any two situations when a partnership firm can be compulsorily dissolved.

4. Ram is admitted as a partner on M/s Iron and Steel Co. a partnership firm of Naman and Manik. The firm has reserve of `50000 and accumulated profit of 100000. At the time of admission Arpit an accountant distributed the reserve and accumulated profit

in their profit sharing ratio. Naman was of the opinion that reserve and profit should not be distributed because even if they do not distribute reserve and profit, they will remain in business and can be distributed when partners retire or firm is dissolved. Do you agree with Naman give reason?

a. No, it puts Naman and Manik to disadvantage

b. Yes , it puts Naman and Manik to advantage

c. Yes , it puts Naman and Manik to advantage

d. No, it puts Ram to disadvantage

5. Give the formula of calculation of goodwill by Capitalisation of super profits method.

6. Define Investment Fluctuation Reserve.

7. Ajay, vijay and Lucky are sharing profits and losses in the ratio 5:3:2. Calculate the new profit sharing ratio if Lucky's share is increased by 1/10th share by acquiring from Ajay.

8. If, at the time of change in profit sharing ratio among existing partners, some balance of Profit and Loss Account appears in the books, where will you transfer the same?

9. If the retiring partner is not paid the full amounts due to him immediately on retirement, how should his Capital Account be shown in subsequent Balance Sheet?

10. Fill in the blanks:

    Revaluation account is a ________ account.

11. State any six situations in which the court may order to dissolve a partnership firm.

12. Which of the following statement is not correct?

    a. Debentures can be issued at discount

    b. A Debenture holder is a lender

    c. Debenture is considered as external equity

d. Debentures are completely unsafe

13. Fill in the blanks:

    A company must receive minimum subscription of ________ of shares before it allots the share.

14. Janta Kalayan Club has 1250 members each paying an annual subscription of Rs.150. During the year ended 31^{st} March 2018, the club did not receive subscription from 45 members and received subscriptions in advance from 46 members for the year ending 31^{st} March 2019. On 31^{st} March 2017, the outstanding subscriptions were Rs.15,000 and subscriptions received in advance were Rs.3000.
    Calculate the amount of subscription that will be debited to the 'Receipts and Payments Account' for the year ended 31^{st} March 2018.

OR

Explain the basic features of income and expenditure account.

15. A, B and C were partners in a firm sharing profits in the ratio of 6 : 5 : 4. Their capitals were A Rs 1,00,000, B Rs 80,000 and C Rs 60,000 respectively. On 1st April, 2009, C retired from the firm and the new profit sharing ratio between A and B was decided as 11 : 4. On C's retirement the goodwill of the firm was valued at Rs 90,000. Showing your calculations clearly, pass necessary journal entry for the treatment of goodwill on C's retirement.

16. X and Y are partners in a firm. X gets a commission of 10% on the net profits before charging any commission and Y gets a commission of 10% on the net profits after charging all commission.
    Compute the missing figures from the following Profit and Loss Appropriation Account for the year ended 31st March, 2015.

Profit and Loss Appropriation Account
for the year ended on 31st March, 2015

Dr.				**Cr.**

Particulars		(Rs)	Particulars	(Rs)
To X's Comission		1,65,000	By profit and loss A/c(By Net profit)	---
To Y's Comission A/c		--		
To Profit Transferred to				
X's Capital A/c	--			
Y's Capital A/c	--	--		

OR

X and Y invested Rs. 20,000 & Rs. 10,000. Interest on capital is allowed @ 6% per annum. Profits are shared in ratio of 2 : 3. Profits for year ending 11.3.2015 is Rs. 1,500. Show allocation of profits when partnership deed.

a. Allows interest on capital & deed is silent on treating interest as charge.
b. Interest is charge against profit.

17. Complete the missing figures in the following Extract of Balance Sheet:

Morning Stores Ltd.
Balance Sheet (Extract) as at...

Particulars	**Note No.**	**(Rs.)**
Equity And Liabilities		
1. Shareholders' Funds Share Capital	1	----

Notes to Accounts

Share Capital	
Authorised Capital	
4,00,000 Equity Shares of Rs. 10 each	----

10,000 Preference Shares of Rs. 100 each	----

Issued Capital	
3,00,000 Equity Shares of Rs. 10 each	
10,000; 10% Preference Shares of Rs. 100 each	---
Subscribed Capital	
Subscribed and fully paid-up. 2,50,000 Equity Shares of Rs. 10 each	---
Subscribed but not fully paid-up 10,000; 10% Preference Shares of Rs. 100 each; Rs. 80 called-up	---

18. Journalise the following transactions regarding Realisation expenses:

    a. Realisation expenses amounted to Rs 2,500.
    b. Realisation expenses amounting to Rs 3,000 were paid by Ashok, one of the partners.
    c. Realisation expenses Rs 2,300 borne by Tarun, personally.
    d. Amit, a partner was appointed to realise the assets, at a cost of Rs 4,000. The actual amount of Realisation amounted to Rs 3,000.

19. From the following information of Gems Club, prepare Income and Expenditure Account for the year ended 31st March 2018.
    Receipts and Payments Account of Gems Club for the year ending 31st March 2018.

Receipts	Amount (Rs.)	Payments	Amount
To Balance b/d	50,000	By Furniture	1,30,000
To Interest on Investments	2,400	By Salaries	64,500
To Donations	17,000	By Miscellaneous Expenses	52,000

To Subscriptions	3,00,000	By Telephone Charges	12,000
To Rent Received	70,000	By Fax Machine	6,000
To Sale of old newspapers	600	By 6% Investments (on 01.08.2017)	1,00,000
		By printing and Stationery	19,000
		By Balance c/d	56,500
	4,40,000		4,40,000

Additional Information:

Subscriptions received included Rs.15,000 for 2018 – 19. The amount of subscriptions outstanding on 31st March, 2018 were Rs.20,000. Salaries unpaid on 31st March 2018 were Rs.8,000 and Rent receivable was Rs.2,000. Opening stock of printing and stationery was Rs.12,000, whereas Closing stock was Rs.15,000.

20. On 1st April, 2014, KK Ltd invited applications for issuing 5,000, 10% debentures of Rs. 1,000 each at a discount of 6%. These debentures were replayable at the end of 3rd year at a premium of 10%. Applications for 6,000 debentures were received and the debentures were alloted on pro-rata basis to all the applicants. Excess money received with applications was refunded.
The directors decided to transfer the minimum amount to debenture redemption reserve on 31st March, 2016. On 1st April, 2016, the company invested the necessary amount in 9% bank fixed deposit as per the provisions of the Companies Act, 2013. Tax was deducted at source by bank on interest @ 10% per annum.
Pass the necessary journal entries for issue and redemption of debentures. Ignore entries relating to writing off loss on issue of debentures and interest paid on debentures.

OR

Devi Ltd. on 1st April, 2006 acquired assets of the value of Rs. 6,00,000 and liabilities worth Rs. 70,000 from P & Co. at an agreed value of Rs. 5,50,000. Devi Ltd. issued 12% Debentures of Rs.100 each at a premium of 10% in full satisfaction of purchase consideration. The debentures were redeemable 3 years later at a premium of 5%.

Pass entries to record the above including redemption of debentures.

21. Murari and Vohra were partners in a firm with capitals of Rs 1,20,000 and Rs 1,60,000 respectively. On 1st April, 2010 they admitted Yadav as a partner for 1/4th share in profits on his payment of Rs 2,00,000 as his capital and f 90,000 for his l/4th share of goodwill. On that date, the creditors of Murari and Vohra were Rs 60,000 and bank overdraft was Rs 15,000. Their assets apart from cash included stock Rs 10,000; debtors Rs 40,000; plant and machinery Rs 80,000; land and building Rs 2,00,000. It was agreed that stock should be depreciated by Rs 2,000; plant and machinery by 20%, Rs 5,000 should be written-off as bad debts and land and building should be appreciated by 25%.
Prepare revaluation account, capital accounts of Murari, Vohra and Yadav and the balance sheet of the new firm.

OR

Following is the balance sheet of Amit and Vidya as on 31st March, 2014.

Balance Sheet
as at 31st March, 2014

Liabilities		**Amt(Rs)**	**Assets**		**Amt (Rs)**
Creditors		26,000	Bank		20,000
Employees Provident Fund		16,000	Stock		30,000
Workmen's Compensation Fund		30,000	Debtors	44,000	
Capital A/cs			(-) Provision for Bad Debts	(2,000)	42,000
Amit	1,10,000		Plant and Machinery		1,20,000
Vidya	60,000	1,70,000	Goodwill		20,000

			Profit and Loss Account		10,000
		2,42,000			2,42,000

On the above date Chintan was admitted as a partner for 1/4th share in the profits of the firm with the following terms

i. Rs 2,900 will be written off as bad debts.
ii. Stock was taken over by Vidya at Rs 35,000.
iii. Goodwill of the firm was valued at Rs 40,000. Chintan brought his share of goodwill premium in cash.
iv. Chintan brought proportionate capital and the capitals of the other partners were adjusted on the basis of Chintan's capital. For this necessary cash was to be brought in or paid off to the partners as the case may be.
Prepare revaluation account and partners' capital accounts.

22. X Ltd invited applications for issuing 75,000 equity shares of Rs. 10 each at a premium of Rs. 5 per share. The amount was payable as follows
On application and allotment — Rs. 9 per share (including premium)
On first and final call — Balance amount.
Applications for 3,00,000 shares were received. Applications for 2,00,000 shares were rejected and money refunded. Shares were allotted on pro-rata basis to the remaining applicants. The first and final call was made. The amount was duly received except on 1,500 shares applied by Ravi. His shares were forfeited. The forfeited shares were reissued at a discount of Rs. 4 per share. Pass necessary journal entries for the above transactions in the books of X Ltd.

OR

X Ltd invited applications for issuing 50,000 equity shares of Rs.10 each. The amount was payable as follows.

On application	Rs.2 per share
On allotment	Rs.2 per share

On first call	Rs.3 per share
On second and final call	Balance amount

Applications for 70,000 shares were received. Applications for 10,000 shares were rejected and the application money was refunded.
Shares were allotted to the remaining applicants on a pro-rate basis and excess money received with applications was transferred towards sums due on allotment and calls if any.
Gopal, who applied for 600 shares, paid his entire share money with the application.
Ghosh, who had applied for 6,000 shares, failed to pay the allotment money and his shares were immediately forfeited. These forfeited shares were re-issued to Sultan for Rs.20,000; Rs.4 per share paid-up. The first call money and the second and final call money was called and duly received. Pass necessary journal entries for the above transactions in the books of X Ltd.
Open Calls-in-advance account and calls-in-arrears account wherever necessary.

Section B

23. Accounting Ratio is

    a. Based on cash transactions only

    b. It is arithmetical relationship between two accounting variables

    c. Based on credit transactions only

    d. tool used by individuals to conduct a quantitative analysis of information

24. What does ROP ratio indicate?

25. Give some examples of Non-operating expenses.

26. What is the importance of financial statements?

27. Under which type of activity will you classify ‘Sale of shares of another company’ while preparing Cash Flow statement?

28. State true or false:

Trade payable means sundry creditors and bills payable.

29. Match the following:

(a) cash received from royalty, fees	(i) financing activity
(b) Payment of salary	(ii) investing activity
(c) issue of shares	(iii) inflow
(d) sale of patents	(iv) outflow

30. Under which sub-headings, the following items will be placed in the balance sheet of a company as per Schedule III, Part I of the Companies Act, 2013.

i. Accrued incomes
ii. Loose tools
iii. Provision for employees benefits
iv. Unpaid dividend
v. Short-term loans
vi. Long-term loans

OR

List the items which are shown under the heading 'current assets' in the balance sheet of a company as per Schedule III, Part 1 of the Companies Act, 2013.

31. Explain briefly any four objectives of **Financial Statement Analysis.**

OR

Prepare a comparative statement of profit and loss from the following information.

Particulars	**2009 Amt (Rs.)**	**2010 Amt (Rs.)**
Revenue from Operations	10,00,000	12,50,000
Cost of Revenue from Operations	5,00,000	6,50,000
Carriage inwards	30,000	50,000
Operating Expenses	50,000	60,000

Operating Expenses	[illegible]	[illegible]
Income Tax	50%	50%

32. Following are the Balance Sheets of Krishna Ltd. as on 31st March 2014 and 2013 :

Balance Sheets of Krishna Ltd.

as at 31st March 2014 and 2013

Particulars	**31st March 2007(Rs.)**	**31st March 2006(Rs.)**
I. **EQUITY AND LIABILITIES**		
1. **Shareholders Funds**		
(a) Share Capital	14,00,000	10,00,000
(b) Reserves and Surplus	5,00,000	4,00,000
2. **Non - Current Liabilities**		
Long - term Borrowings	5,00,000	1,40,000
3. **Current Liabilities**		
(a) Trade Payables(Creditors)	1,00,000	60,000
(b) Short - term Provisions	1,00,000	60,000
	25,80,000	**16,60,000**
II. **ASSETS**		
1. **Non - Current Assets**		
(a) Fixed Assets		
(i) Tangible Assets	16,00,000	9,00,000
(ii) Intangible Assets	1,40,000	2,00,000
2. **Current Assets**		
(a) Inventories(Stock)	2,50,000	2,00,000
(b)Trade Receivables	5,00,000	3,00,000
(b) Cash and Cash Equivalents : Bank	90,000	60,000

	25,80,000	16,60,000

Notes to Accounts

Particulars	**31st March 2014(Rs.)**	**31st March 2013(Rs.)**
1. Reserves and Surplus		
Surplus, i.e. Balance in Statement of Profit and Loss	5,00,000	4,00,000
2. Short-term Provisions		
Provision for Tax	80,000	60,000
3. Tangible Assets		
Machinery	17,60,000	10,00,000
Less: Accumulated Depreciation	(1,60,000)	(1,00,000)
	16,00,000	9,00,000
4. Intangible Assets		
Goodwill	1,40,000	2,00,000

Prepare Cash Flow Statement after taking into account the following adjustment:
Tax paid during the year amounted to Rs. 70,000.

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Solution
Section A

1. Subscription to be credited to Income and Expenditure account
   = 428 members x 100 = **42,800**.

2. (b) Goodwill earned by the firm is the effort of all the partners
   Explanation: Goodwill earned by the firm is the effort of all the partners. When a partner retires from the firm, he should get his share of goodwill other than his capital amount (adjusted).

3. A firm is compulsorily dissolved in the following cases:

   i. When the business of the firm becomes illegal.
   ii. When all the partners or all but one partner become insolvent.

4. (a) No, it puts Naman and Manik to disadvantage
   Explanation: It is always better to distribute all the accumulated profits and reserves at the time of admission of a new partner. All accumulated profits and reserves belong to the old partners only, to avoid the future disputes, it is better to distribute all the profits and reserves (by old partners) otherwise it will be a disadvantage for them.

5. Goodwill = Super Profit $\times \frac{100}{\text{Normal rate of Return}}$

   When a similar type of business earns profit at a certain percentage of the capital employed, it is called normal rate of return.

6. Investment fluctuation reserve is a reserve set aside out of profit to meet fall in the market value of the investment.

7.

	Ajay	Vijay	Lucky
Existing Share	5/10	3/10	2/10

Share Acquired by Lucky from Ajay	-1/10		+1/10
New Profit Sharing Ratio	4/10	3/10	3/10

Share of Ajay=Old share-Share acquired by Lucky

Share of Vijay = 3/10

New Profit Sharing Ratio = 4:3:3

8. Old partners' capital account in their old profit sharing ratio.

9. If the retiring partner is not paid fully immediately on retirement, the remaining balance of his Capital Account will be transferred to his Loan Account and will be shown as his loan on the liabilities side of the Balance Sheet of the firm and if it is paid in instalments than it will be shown in balance sheet as well as its a/c also maintain properly till it finally paid.

10. Nominal

11. There are many reasons for which court orders the dissolution of the partnership, they are as follows:

    i. one of the partner become of unsound mind.
    ii. A partner has become permanently incapable of performing his duties as partner.
    iii. A partner is found guilty of misconduct
    iv. When there is a breach of Agreement by partner
    v. A Partner transfer his right
    vi. That the business of the firm cannot be carried on save at a loss.

12. (d) Debentures are completely unsafe

    Explanation: Debentures are safe in comparison of shares. Debentures are almost risk free because most of the time they are secured by a charge on the assets of the company.

13. 90%

14. Statement showing subscription to be debited to Receipts & Payment A/c For the year ending 31/03/2018

Particulars	Amount (Rs.)
Subscriptions for 2017-2018	1,87,500
Add: Subscriptions Outstanding on 31/03/2017	15,000
Subscriptions Received in advance for 2018-19	6,900
Less: Subscriptions outstanding for 2017-18	(6750)
Received in advance on 31/03/2017	(3000)
Subscription received during 2017-18	**1,99,650**

OR

The account through which surplus or deficit of a non-profit seeking concern ascertained, is called **Income and Expenditure Account.**

All the information necessary for preparation of this account will be available from ledger accounts. Its left-hand (i.e. Debit) side records all revenue expenditure, while the right-hand (i.e. Credit) side records all revenues relating to the current year. The balance of the account, if credit, indicates surplus, i.e. excess of income over expenditure. Conversely, the balance of the account, if debit, indicates deficit, i.e. excess of expenditure over income.

Features of Income and Expenditure Account:-

i. **Nature:-** It is a nominal account.
ii. **No Capital Items:-** No capital items are entered in this account.
iii. **Debit and Credit Sides:-** Its debit side includes all the expenses pertaining to the particular period and credit side includes all the income pertaining to the same period.
iv. **Opening and Closing Balances:-** No opening and closing balances are recorded in it. Only Current Period Items No item, either revenue or expenditure, pertaining to the past period or the future period is entered in this account.
v. **Similar to Profit and Loss Account:-** This account is prepared in the same manner in which a profit and loss account is prepared.
vi. **Surplus/Deficit:-** Credit balance is called ‘excess of income over expenditure’ i.e.,

surplus and debit balance is called 'excess of expenditure over income' i.e., deficit.

15. **Working Note:**

Gain = New Share - Old Share

A's Gain = 11/15 - 6/15 = 5/15 (Gain)

B's Gain = 4/15 - 5/15 = -1/15 (Sacrifice)

C's Sacrifice = 4/15

Total Goodwill of The Firm = 90,000

A's Share = 90,000 $\times$ 5/15 = 30,000

B's Share = 90,000 $\times$ 1/15 = 6,000

C's Share = 90,000 $\times$ 4/15 = 24,000

Hence Gaining Partner Capital Account is Debited And Sacrificing Partners Capital Accounts Are Credited.

JOURNAL

Date	Particulars		L.F.	Debit	Credit
1.4.2009	A's Capital A/c	Dr.		30,000	
	To B's Capital A/c				6,000
	To C's Capital A/c				24,000
	(Being Adjustment Of Goodwill Made)				

16. **Profit and Loss Appropriation Account**

Particulars		Rs.	Particulars	Rs.
To X's Commission		1,65,000	By Net profit (WN. 1)	**16,50,000**
To Y's Commission (WN. 2)		**1,35,000**		
To Profit Transferred to:				
X's Capital A/c	**6,75,000**			
Y's Capital A/c	**6,75,000**	**13,50,000**		
		16,50,000		**16,50,000**

Working Notes:

1. If X’s Commission 10% on the net profit before charging any commission = Rs. 1,65,000

Net profit before charging any commission = 1,65,000 x 100/10 = Rs. 16,50,000.

2. Calculation of Y ’s Commission :
Y's Commission = (Rs. 16,50,000 - 1,65,000) x 10/110

Y's Commission = Rs. 14,85,000 x 10/110 = Rs 1,35,000

OR

(a) When partnership deed is silent on treating interest as a charge, then Interest on Capital is given limited to profits only.

Profit & Loss Appropriation Account for the year ending 31.3.2015

Particulars	**(Rs.)**	**Particulars**	**(Rs.)**
To Interest on Capital		By Profit & Loss A/c	1,500
X 1000		(Net Profits)	...
Y 500	1,500		
	1,500		1,500

Working Notes:

Interest on Y’s Capital = $10,000 \times \frac{6}{100}$ = 600

Interest on X’s Capital = $20.000 \times \frac{6}{100}$ = 1200

Total Interest = (1200+600) = 1800

Calculate the Ratio of Interest in case of insuffiecient profits = 1200 : 600 = 2 : 1

Interest allowed to partner = $\text{Profit} \times \frac{\text{Interest be given to partner}}{\text{Total Interest}}$

Interest allowed to X = $1500 \times \frac{1200}{1800}$ = Rs. 1000

Interest allowed to Y = $1500 \times \frac{600}{1800}$ = Rs. 500

(b) Interest is charge on profit – In such case full interest will be given weather there is profit or loss and if a firm incurres loss that loss is transferred to partner's capital accounts.

Profit & Loss Appropriation is not prepared in this case instead profit & Loss Account is prepared & deficit is treated as a loss

Profit and Loss Appropriation A/c

Particulars	(Rs.)	Particulars	(Rs.)
To Interest on Capital		By Profit before Interest	1,500
X1200	...	By Loss transferred to Capital A/ cs	
Y 600	1800	X120	
	...	Y 180	300
	1800		1800

Working Notes:

a. In case of Insufficient Profits or Losses
   Profit & Loss/Profit and Loss Adjustment A/c Dr.
   To Interest on Capital A/c
   (Being interest on capital transferred to P & L Adjustment A/c
b. b. In case of Sufficient Profits
   Profit and Loss Appropriation A/c Dr.
   To Interest on Capital A/c
   (Being interest on capital transferred to P & L Appropriation A/c)

17. **Morning Stores Ltd.**

Balance Sheet (Extract) as at...

Particulars	**Note No.**	**(Rs.)**

Equity And Liabilities		
1. Shareholders' Funds Share Capital	1	33,00,000
		33,00,000

Notes to Accounts

Share Capital	
Authorised Capital	
4,00,000 Equity Shares of Rs. 10 each	40,00,000
10,000 Preference Shares of Rs. 100 each	10,00,000
	50,00,000
Issued Capital	
3,00,000 Equity Shares of Rs. 10 each	30,00,000
10,000; 10% Preference Shares of Rs. 100 each	10,00,000
	40,00,000
Subscribed Capital	
Subscribed and fully paid-up. 2,50,000 Equity Shares of Rs. 10 each	25,00,000
Subscribed but not fully paid-up 10,000; 10% Preference Shares of Rs. 100 each; Rs. 80 called-up	8,00,000
	33,00,000

18. **JOURNAL**

	Particulars		**L.F.**	**Amount (Rs)**	**Amount (Rs)**
(a)	Realisation A/c	Dr.		2,500	
	To Bank A/c				2,500

	(Being Realisation expenses paid)				
(b)	Realisation A/c	Dr.		3,000	
	To Ashok's Capital A/c				3,000
	(Being Realisation expenses paid by Ashok)				
(c)	No entry, as all Realisation expenses are borne and paid personally by Tarun				
(d)	Realisation A/c	Dr.		4,000	
	To Amit's Capital A/c				4,000
	(Being Realisation expenses paid to Amit)				

It is to be noted that in case (a) the question does not specify who is to bear the dissolution expenses, then the expenses are treated to be borne and paid by the firm. It is assumed that all the transactions are carried through Bank A/c

19. **Income & Expenditure A/c**

Particulars		**(Rs.)**	**Particulars**		**(Rs.)**
To Salaries	64,500		By Subscription	3,00,000	
+ outstanding	8,000	72,500	(-) advance	(15,000)	
To Miscellaneous Expenses		52,000	+ o/s subscription	20,000	3,05,000
To Telephone Charges		12,000	By Interest	2400	
To Printing & Stationery			+ Accrued Interest	1600	4,000
Opening Stock	12,000		By Donations		17,000
+ Purchases	19,000		By Rent	70,000	
- Closing Stock	(15,000)	16,000	+ Receivable	2,000	72,000
To Surplus		2,46,000	By Sale of old newspaper		600

		3,98,600			**3,98,600**

20. **Working Note:**

i. Calculation of DRR = (5,000 $\times$ 1,000) $\times \frac{25}{100}$ = Rs.12,50,000
ii. Calcualtion of DRI = (5,000 $\times$ 1,000) $\times \frac{15}{100}$ = Rs.7,50,000
iii. Interest earned on investment = 7,50,000 $\times \frac{9}{100}$ = Rs.67,500
iv. Tax deducted of source = 67,500 $\times \frac{10}{100}$ = Rs.6,750

JOURNAL ENTRIES

Date	Particulars		LF	Amt (Dr)	Amt (Dr)
2014 Apr 01	Bank A/c (6,000 $\times$ 940)	Dr		56,40,000	
	To Debenture Application and Allotment A/c (Being the application money received)				56,40,000
Apr 01	Debenture Application and Allotment A/c	Dr		56,40,000	
	Loss on issue of Debentures A/c (3,00,000 + 5,00,000)	Dr		8,00,000	
	To 10% Debentures A/c (5,000 $\times$ 1,000)				50,00,000
	To Premium of Redemption of Denentures A/c (5,000 $\times$ 100)				5,00,000
	To Bank A/c (Being debentures issued at discount redeemable at premium)				9,40,000
2016 Mar 31	Surplus i.e. Balance in statement of profit and Loss	Dr		12,50,000	
	To Debenture Redemption Reserve A/c (Being debenture redemption reserve created with 25%)				12,50,000

Apr 1	Debenture Redemption Investment A/c	Dr		7,50,000	
	To Bank A/c (Being the amount equal to 15% of the value of debentures to redeemed invested)				7,50,000
2017 Mar 31	10% debentures A/c	Dr		50,00,000	
	Premium on Redemption of Debentures A/c	Dr		5,00,000	
	To Debenture's A/c (Being the amount due on redemption)				55,00,000
Mar 31	Bank A/c	Dr		8,10,750	
	Income Tax Paid A/c	Dr		6,750	
	To Debenture Redemption Investment A/c				7,50,000
	To Interest Earned on investment (Being the investment enchased and income tax paid)				67,500
Mar 31	Debenture's A/c	Dr		55,00,000	
	To Bank A/c (Being the payment made of the debentureholders)				55,00,000
Mar 31	Debenture Redemption Reserve A/c	Dr		12,50,000	
	To General Reserve A.c (Being the transfer of balance of DRR to general reserve				12,50,000

OR

Books of Devi Ltd.

JOURNAL

Date	Particulars		L.F.	Amt (Dr)	Amt (Cr)
2006 Apr-01	Sundry Assets A/c	Dr		6,00,000	
	Goodwill A/c (Balancing figure)	Dr		20,000	
	To Sundry Liabilities A/c				70,000
	To P & Co.				5,50,000
	(Being business purchased)				
	P & Co.	Dr		5,50,000	
	Loss on Issue of Debentures A/c	Dr		25,000	
	To 12% Debentures A/c (5,000 $\times$ 100)				5,00,000
	To Securities Premium Reserve A/c (5,000 $\times$ 10)				50,000
	To Premium on Redemption of Debentures A/c (5,000 $\times$ 5)				25,000
	(Being debentures issued to P & Co. in consideration)				
2009 Mar 31	Surplus i.e. Balance in Statement of Profit and Loss	Dr		1,25,000	
	To Debenture Redemption Reserve A/c (5,00,000 $\times$ 25%)				1,25,000
	(Being debenture redemption reserve created out of profit)				

	Debenture Redemption Investment A/c $(5{,}00{,}000 \times 15\%)$	Dr		75,000	
	To Bank A/c				75,000
	(Being the investment made of amount equal to 15% of value of debentures to be redeemed)				
Apr-01	Bank A/c	Dr		75,000	
	To Debenture Redemption Investment A/c				75,000
	(Being the investment encashed)				
	12% Debentures A/c	Dr		5,00,000	
	Premium on Redemption of Debentures A/c	Dr		25,000	
	To Debentureholders' (P & Co.) A/c				5,25,000
	(Being debentures due for redemption)				
	Debentureholders' A/c	Dr		5,25,000	
	To Bank A/c				5,25,000
	(Being amount paid to debentureholders)				
	Debenture Redemption Reserve A/c	Dr		1,25,000;	
	To General Reserve A/c				1,25,000
	(Being debenture redemption reserve transferred to General Reserve Account)				

Working Note :

1.Number of Debentures Issued $\frac{\text{Amount Due to } \mathit{Pand}\text{Co}}{\text{Issue Price Per Debenture}}$

$= \frac{5{,}50{,}000}{110}$ = 5,000 debentures

2.When Purchase Consideration is more than Net Assets acquired, the access of Purchase Consideration over Net Assets acquired is debited to Goodwill Account.

3.When Net Assets are more than Purchase Consideration, the access of Net Assets acquired over Purchase Consideration is credited to Capital Reserve Account.

21. **Revaluation Account**

Dr.		**Cr.**	
Particular	**Amount (Rs)**	**Particulars**	**Amount (Rs)**
To Stock A/c	2,000	By Land and Building A/c	50,000
To Plant and Machinery A/c	16,000		
To Provision for Doubtful Debts A/c	5,000		
To Profit Transferred to			
Murari's Capital A/c 13,500			
Vohra's Capital A/c 13,500	27,000		
	50,000 ======		50,000 ========

Partner's Capital A/c

Particulars	**Murari Amount (Rs)**	**Vohra Amount (Rs)**	**Yadav Amount (Rs)**	**Particulars**	**Murar Amount (Rs)**	**Vohra Amount (Rs)**	**Yadav Amount (Rs)**
To Balance c/d	1,78,500	2,18,500	2,00,000	By Balance b/d	1,20,000	1,60,000	
				By Cash A/c			2,00,000
				By Premium for			

				Goodwill A/c	45,000	45,000	
				By Revaluation A/c (Profit)	13,500	13,500	
	1,78,500 =======	2,18,500 =======	2,00,000 ========		1,78,500 =======	2,18,500 =======	2,00,000 ========

Balance Sheet

as on 1st April, 2010

Liabilities		Amount (Rs)	Assets	Amount (Rs)
Creditors		60,000	Stock (10,000-2,000)	8,000
Bank Overdraft		15,000	Plant and Machinery	64,000
			(80,000 -16,000)	
Capital A/cs			Debtors 40,000	
Murari	1,78,500		(-) Provision for DoubtfulDebts 5,000	35,000
Vohra	2,12,500		Land and Building (2,00,000 + 50,000)	2,50,000
Yadav	2,00,000	5,97,000	Cash	3,15,000
		6,72,000 =======		6,72,000 =======

Working Note:

In order to ascertain the book value of the Sundry assets, Memorandum Balance Sheet is prepared. In order to ascertain the book value of the Sundry assets, Memorandum Balance Sheet is prepared. In order to ascertain the book value of the Sundry assets, Memorandum Balance Sheet is prepared.

Memorandum Balance Sheet

Liabilities	Amount (Rs)	Assets	Amount (Rs)
Creditors	60,000	Stock	10,000
Bank Overdraft	15,000	Debtors	40,000
Capital A/cs		Plant and Machinery	80,000
Murari 1,20,000		Land and Building	2,00,000
Vohra 1,60,000	2,80,000	Cash (Balancing figure)	25,000
	3,55,000 ========		3,55,000 ========

Cash A/c

Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Balance b/d	25,000	By Balance c/d	3,15,000
To Yadav's Capital A/c	2,00,000		
To Premium for Goodwill A/c	90,000		
	3,15,000 =======		3,15,000 ========

OR

Dr		Revaluation Account		Cr
Particulars		**Amt (Rs)**	**Particulars**	**Amt(Rs)**

To Bad Debts		900	By Stock A/c	5,000
To Profit Transferred to Capital A/cs	2,050			
Amit	2,050	4,100		
Vidya		5,000		5,000

Dr				Partners' Capital Account			Cr
Particulars	**Amit(Rs)**	**Vidya(Rs)**	**Chintan(Rs)**	**Particulars**	**Amit(Rs)**	**Vidya(Rs)**	**Chintan(Rs)**
To Goodwill A/c	10,000	10,000	__	By Balance b/d	1,10,000	60,000	__
To Profit and				By Revaluation			
Loss A/c	5,000	5,000	__	A/c (Profit)	2,050	2,050	__
To Stock A/c	__	35,000	__	By Workmen's,			
				Compensation			
To Cash A/c	42,500	__	__	Fund A/c	15,000	15,000	__
(Balancing figure)				By Premium for			
				Goodwill A/c	5,000	5,000	__
To Balance c/d	74,550	74,550	49,700	By Cash A/c(Balancing figure)	__	42,500	__
				By Cash A/c(Balancing figure)	__	__	49,700
	1,32,050	1,24,550	49,700		1,32,050	1,24,550	49,700

Working Note

1. **Calculation of New Profit Sharing Ratio**
   Let total profit be = 1
   Chintan gets $\frac{1}{4}$ the share
   Remaining share = $1 - \frac{1}{4} = \frac{3}{4}$ will be shared by Amit and Vidya in their old profit sharing ratio
   Amit's share = $\frac{3}{4} \times \frac{1}{2} = \frac{3}{8}$
   Vidya's share $\frac{3}{4} \times \frac{1}{2} = \frac{3}{8}$
   Chintan's share =$\frac{1}{4} \times \frac{1}{2} = \frac{2}{8}$
   New profit sharing ratio = 3:3: 2.
2. **Calculation of Chintan's Share of Goodwill**
   Firm's goodwill = Rs 40,000

Chintan’s share = $40,000 \times \frac{1}{4} = 10,000$ to be credited to Amit and Vidya in sacrificing ratio, Amit share = 10,000×1/2 = 5,000; Vidya share = 10,000×1/2 = 5,000

3. **Adjustment of capital**

1.

	Amt(Rs)
Amit’s capital after adjustment	1,17,050
Vidya’s capital after adjustment	32,050
Combined capital for 3/4 share	1,49,100

Total capital of new firm = $1,49,100 \times \frac{4}{3} = 1,98,800$
Amit's capital = $1,98,800 \times \frac{3}{8} = Rs 74,550$
Vidya's capital =$1,98,800 \times \frac{3}{8} = Rs 74,550$
Chintan's capital = $1,98,800 \times \frac{1}{4} = Rs 49,700$

4. **Goodwill appearing in the balance sheet will be written off in old sharing ratio among old partners**

Amit's share = 20,000×1/2 = 10,000

Vidya's share = 20,000×1/2 = 10,000

5. **Profit and loss(Dr) appearing in the balance sheet will be written off in old sharing ratio among old partners**

Amit's share = 10,000×1/2 = 5,000

Vidya's share = 10,000×1/2 = 5,000

22. **JOURNAL**

Date	Particulars	L.F.	Amt. (Dr.)	Amt. (Cr.)
	Bank A/c (3,00,000 $\times$ 9) Dr.		27,00,000	...
	To Share Application and Allotment A/c		...	27,00,000

	(Being application and allotment received.)		...	...
	Share Application and Allotment A/c Dr.		27,00,000	...
	To Share Capital A/c (75,000 × 4)		...	3,00,000
	To Securities Premium Reserve A/c (75,000 × 5)		...	3,75,000
	To Share First and Final Call A/c		...	2,25,000
	To Bank A/c (2,00,000 × 9)			18,00,000
	(Being application of 75,000 shares transferred to share capital.)		...	...
	Share First and Final Call A/c (75,000 × 6) Dr.		4,50,000	...
	To Share Capital A/c		...	4,50,000
	(Being first and final call due.)		...	...
	Bank A/c Dr.		2,21,625	...
	To Share First and Final Call A/c		...	2,21,625
	(Being first and final call received.)		...	...
	Share Capital A/c (1,125 × 10) Dr.		11,250	...
	To Share First and Final Call A/c		...	3,375
	To Share Forfeiture A/c		...	7,875
	(Being 1,125 shares were forfeited.)		...	...
	Bank A/c (1,125 × 6) Dr.		6,750	...
	Shares Forfeiture A/c Dr.		4,500	
	To Share Capital A/c (1,125 × 10)		...	11,250
	(Being all forfeited shares were reissued.)		...	...
	Share Forfeiture A/c Dr.		3,375	...
	To Capital Reserve A/c		...	3,375
	(Being share forfeiture transferred to capital		...	...

	reserve)			

Analysis Table

Applied Shares	Allotted Shares	Money Received on Application and Allotment @ Rs. 9 each	Money Transferred to Share Capital @ Rs. 4 each	Money Transferred to Securities Premium @ Rs. 5 each	Excess Application and Allotment Money	Share First and Final Call @ Rs. 6 each	Amount Adjusted on : Share First and Final, Call after
2,00,000	—	18,00,000	—	—	—	—	—
1,00,000	75,000	9,00,000	3,00,000 (75,000 $\times$ 4)	3,75,000 (75,000 $\times$ 5)	2,25,00	4,50,000	2,25,0000
3,00,000	75,000	27,00,000	3,00,000	3,75,000	2,25,000	4,50,000	2,25,000

Working Notes

Those who applied for 1,00,000 shares were allotted = 75,000 shares

Ravi who applied for 1,500 shares was allotted $= 75,000 \times \frac{1,500}{1,00,000} = 1,125$shares

Share Application and Allotment received on 1,500 shares of Rs. 9 each (including premium of Rs. 5 each)	13,500
Shares allotted (1,125 $\times$ 9)	(10,125)
Excess application and allotment money received	3,375
Share first and final call due to 1,125 shares of Rs. 6 each	6,750
Share first and final call not received (6,750 - 3,375)	3,375
Therefore, share first and final call received (2,25,000 - 3,375)	2,21,625

OR

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Bank A/c..........Dr.		1,44,800	
	To Equity Share Application A/c			1,44,800
	(Being share application money received.)			
	Equity Share Application A/c..........Dr.		1,44,800	
	To Equiry Share Capital A/c			1,00,000
	To Equity Share Allotment A/c			20,800
	To Bank A/c			21,000
	To calls-in- advance A/c			3,000
	(Being share application money due.)			
	Equity Share Allotment A/c..........Dr.		1,00,000	
	To Equity Share Capital A/c			1,00,000
	(Being share allotment money due.)			
	Bank A/c..........Dr.		71,200	
	Calls-in-arrears A/c..........Dr.		8,000	
	To Equity Share Allotment A/c			79,200
	(Being share allotment money received.)			
	Equity Share Capital A/c..........Dr.		20,000	
	To Calls-in-arrears A/c			8,000
	To Share Forfeiture A/c			12,000
	(Being share forfeited.)			
	Bank A/c..........Dr.		20,000	

	To Equity Share Capital A/c			20,000
	(Being shares issued to sultan.)			
	Share Forfeiture A/c..........Dr.		12,000	
	To Capital Reserve A/c			12,000
	(Being balance of share forfeiture transferred to capital reserve.)			
	Equity Shares First Call A/c..........Dr.		1,50,000	
	To Equity Shares Capital A/c			1,50,000
	(Being share first call money due.)			
	Bank A/c..........Dr.		1,48,500	
	Calls-in-advance A/c..........Dr.		1,500	
	To Equity Shares First Call A/c			1,50,000
	(Being share first call money received.)			
	Equity Share Second and Final Call A/c..........Dr.		1,50,000	
	To Equity Share Capital A/c			1,50,000
	(Being share second call money due.)			
	Bank A/c..........Dr.		1,48,500	
	Calls-in-advance A/c..........Dr.		1,500	
	To Equity Share Second and Final Call A/c			1,50,000
	(Being share second and final call money received.)			

Working Note:

Analyse Table

	Shares applied	**Shares allotted**	**Received on application @**	**Transferred to share capital @**	**Excess**	**Allotment @ Rs.2**	**Calls-in-advance**	**Refund**

			Rs.2	**Rs.2**			**@ Rs.6**	
I	10,000	....	20,000	....	20,000	....	....	20,000
II	59,400	49,500	1,18,800	99,000	19,800	19,800	....	....
III	600	500	6,000	1,000	5,000	1,000	3,000	1,000
	70,000	50,000	1,40,800	1,00,000	44,800	20,800	3,000	21,000

Section B

23. (b) It is arithmetical relationship between two accounting variables
Explanation: Accounting Ratio is also called financial ratios provide a way of expressing the relationship between one accounting data point and another which is intended to provide a useful comparison.

24. ROP ratio measures the overall efficiency and borrowing policy of the business firm. This ratio judges the performance of the business.

25. **Non-operating expenses:**

    - Finance cost i.e., the cost, interest, and other charges involved in the borrowing of money.
    - Depreciation
    - Loss on sale of fixed assets
    - Loss by fire, theft and embezzlement (theft or misappropriation of funds) etc.

26. Financial statements are the language of communicating financial data to the users of accounting .

27. Purchase of shares of another company is treated as investment. While preparing cash flow statement it is classified under investing activity. Likewise, proceeds from sale of shares of another company is classified under investing activities.

28. True

29. (a) - (iii), (b) - (iv), (c) - (i), (d) - (ii)

30. The items are arranged in the balance sheet as per schedule 3 of the company's act,2013 as per international standards. All the main Headings have sub headings and

items are arranged under these headings.

Sl.No	Items	Sub Headings
(i)	Accrued Incomes	Other Current Assets (current assets)
(ii)	Loose Tools	Inventories (current assets)
(iii)	Provision for Employees Benefits	Short-term Provision (current assets)
(iv)	Unpaid Dividends	Other Current Liabilities (current liabilities)
(v)	Short-term Loans	Short-term Borrowings (current liabilities)
(vi)	Long-term Loans	Long-term Borrowings (long term liabilities)

OR

Current Assets are the assets that are expected to be converted into cash within a year. The following are the classification of items that comes under the head current assets.

i. Current investments
ii. Inventories
iii. Trade receivables
iv. Cash and cash equivalents
v. Short-term loans and advances
vi. Other current assets

31. i. To compare inter firm position and identify the strong and weak areas if any and to corrective steps.
ii. To help determine the credit worthiness and earning potential of business.
iii. To Determine operational efficiency with which resources are utilized in generating revenue.
iv. To determine profitability with respect to sales and investment.

OR

Comparative Income Statement

Particular	**2009**	**2010**	Absolute Change	% Change
	(A)	**(B)**	**(C) = (B - A)**	**(D) = ($\frac{C}{A} \times$ 100)**
	Rs.	Rs.	Rs.	%
Revenue From Operations	1000000	1250000	250000	25
Total Revenue (I)	**1000000**	**1250000**	250000	25
Expenses:				
Cost of revenue from operations	500000	650000	150000	30
Carriage inward	30000	50000	20000	66.66
Operating Expenses	50000	60000	10000	20
Total	**580000**	**760000**	180000	31.03
Profit Before Tax (III – IV)	**420000**	**490000**	70000	16.67
Less:- Tax @50%	**210000**	**245000**	35000	16.67
Profit After Tax	**210000**	**245000**	35000	16.67

32. **In the Books of Krishna Ltd.**

Cash Flow Statement

for the year ended 31st March 2014

Particulars	**(Rs.)**	**(Rs.)**
(A) Cash Flow from Operating Activities		
Net Profit before Tax (WN 1)	1,90,000	
Add: Non-cash and Non-operating Expenses :		
Depreciation on Equipment	60,000	

Goodwill Written off	60,000	
Operating Profit before working capital changes	3,10,000	
Add: Increase in Trade Payables	40,000	
Less: Increase in Inventories	(50,000)	
Increase in Trade Receivables	(2,00,000)	
Cash Generated from Operations	1,00,000	
Less: Income Tax Paid	(70,000)	
Cash flow from Operating Activities		30,000
(B) Cash Flow from Investing Activities		
Purchase of Machinery	(7,60,000)	
Cash used in Investing activities		(7,60,000)
(C) Cash Flow from Financing Activities		
Issue of Shares	4,00,000	
Raised Long - term Borrowings	3,60,000	
Cash Flow from Financing Activities		7,60,000
(D) Net Increase in Cash and Cash Equivalents (A + B + C)		30,000
Add: Opening Balance of Cash and Cash Equivalents		60,000
(E) Closing Balance of Cash and Cash Equivalents		90,000

Working Notes:

Calculation of Net Profit Before Tax :	(Rs.)
Surplus, Le., Balance in Statement of Profit and Loss	1,00,000
Add : Provision for Tax	90,000
Net Profit before Tax	1,90,000

Provision for Tax Account

Particulars	(Rs.)	Particulars	(Rs.)
To Cash A/c (Tax paid)	70,000	By Balance b/d	60,000
To Balance c/d	80,000	By Statement of Profit and Loss (Provision made)	90,000
	1,50,000 ========		**1,50,000** =======

Cash flow is the net amount of cash that an entity receives and disburses during a period of time. A positive level of cash flow must be maintained for an entity to remain in business. The time period over which cash flow is tracked is usually a standard reporting period, such as a month, quarter, or year. Cash flow forms the basis of financial reporting. In a word, cash flow is the net amount of cash moving into and out of a business at any given time. The key word here is “time.” Cash flow can only be understood through the lens of a given time frame. Many businesses track their cash flow on a month-to-month basis.