

CBSE Class 12 Accountancy
Sample Paper 04 (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.
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Section A

1. Receipt and payment account and income and expenditure account have a similarity between them. State the similarity.
2. In what situation we make the following journal entry?
Old Partners Capital A/c Dr.
To Goodwill A/c
 - a. To write off the existing book value of Goodwill
 - b. To Find out the amount due to outgoing partner
 - c. To Debit the Gainer partners
 - d. To Calculate the retiring partner's share of Goodwill
3. What is the dissolution of partnership?
4. In case of undistributed accumulated losses whose account should be debited
 - a. New partner's A/c
 - b. Old partner's Capital A/c
 - c. Gaining Partner's A/c

d. Goodwill A/c

5. What is Hidden Goodwill?
6. State the ratio in which the partners share profits or losses on the revaluation of assets and liabilities when there is a change in profit sharing ratio amongst the existing partners.
7. Give the meaning of 'reconstitution of a partnership firm'.
8. Ram, Shyam and Mohan are sharing profits and losses in the ratio of 5:3:2. Calculate the sacrificing ratio when they decide to share future profit & loss equally.
9. X, Y and Z are partners in a firm sharing profits and losses in the ratio of 2:1:1, Y retires on 31st march, 2011. On that date, there was a balance Rs. 24,000 in general reserve and Rs. 16,000 in profit and loss A/c of the firm. Give Journal entries.
10. Fill in the blanks:

In case of downward revaluation of an asset, Revaluation account is _____.
11. When an asset is taken over by a partner, why is his capital account debited?
12. Vinod Limited has to redeem its debentures worth ₹1,00,000 by paying a lump sum amount to the debenture holders. There is balance available in the DRR ₹14,000. How much DRR company must create if the redemption is made purely out of the profits?
 - a. 86,000
 - b. 1,00,000
 - c. 20,000
 - d. 6,000
13. Fill in the blanks:

When the shares are reissued at a price more than face value it is known as _____.
14. Explain the statement 'receipt and payment account is a summarised version of cash book'.

OR

Present the following information for the year ended 31st March 2018 in the financial statement of a not-for-profit organisation.

Particulars	(Rs.)
Opening balance of Match Fund	5,00,000
Sale of Match tickets	3,75,000
Donations for Match Fund received during the year	1,24,000
Match expenses	10,00,000

15. Monika, Sonika and Manisha were partners in a firm sharing profits in the ratio of 2 : 2 : 1 respectively. On 31st March, 2013 their balance sheet was as under

Balance Sheet
as at 31st March, 2013

Liabilities		Amt(Rs)	Assets	Amt(Rs)
Reserve Fund		1,50,000	Fixed Assets	3,60,000
Creditors		2,40,000	Stock	60,000
Capital A/cs			Debtors	1,20,000
Monika	1,80,000		Cash	2,70,000
Sonika	1,50,000			
Manisha	90,000	4,20,000		
		8,10,000		8,10,000

Sonika died on 30th June, 2013. It was agreed between her executors and the remaining partners that

- i. Goodwill of the firm be valued at 3 years' purchase of average profits for the last four years. The average profits were Rs 2,00,000.
- ii. Interest on capital be provided at 12% per annum.
- iii. Her share in the profits upto the date of death will be calculated on the basis of

average profits for the last 4 years.

Prepare Sonika's capital as on 30th June, 2013.

16. Praveen, Sahil and Riya are partners having fixed capitals of $\text{Rs } 2,00,000$, $\text{Rs } 1,60,000$ and $\text{Rs } 1,20,000$ respectively. They share profits in the ratio of 3: 1: 1. The partnership deed provided for the following which was not recorded in the books.
1. Interest on capital @ 5% per annum.
 2. Salary to Praveen $\text{Rs } 1,500$ per month and to Riya $\text{Rs } 1,000$ per month.
 3. Transfer of profit to general reserve $\text{Rs } 10,000$. Net profit for the year ended 31st March, 2015 was $\text{Rs } 1,00,000$.

Pass necessary rectifying entry for the above adjustments in the books of the firm. Also show your workings clearly.

OR

A and B entered into partnership on 1st April, 2009 without any partnership deed. They introduced capital of $\text{Rs } 5,00,000$ and $\text{Rs } 3,00,000$ respectively. On 31st October, 2009, A advanced $\text{Rs } 2,00,000$ by way of loan to the firm without any agreement as to interest. The profit and loss account for the year ended 31st March, 2010 showed a profit of $\text{Rs } 4,30,000$, but the partners could not agree upon the amount of interest on loan to be charged and the basis of division of profits.

Pass a journal entry for the distribution of the profit between the partners and prepare the capital accounts of both the partners and loan account of 'A'.

17. X Ltd. issued 60,000 shares of 10 each, at a maximum discount permitted by the Companies Act, payable as follows:
on the application: $\text{Rs. } 4$ per share,
on allotment: $\text{Rs. } 3$ per share
and on final call: the balance.
All money was duly received except final call on 1,000 shares. Pass necessary Journal entries in the books of the company.
18. A and B are partners sharing profits and losses equally. They decided to dissolve their firm. Assets and Liabilities have been transferred to Realisation Account. Pass

necessary Journal entries for the following.

- i. A was to bear all the expenses of Realisation for which he was given a commission of Rs 4000.
- ii. Advertisement suspense account appeared on the asset side of the Balance sheet amounting Rs 28000
- iii. Creditors of Rs 40,000 agreed to take over the stock of Rs 30,000 at a discount of 10% and the balance in cash.
- iv. B agreed to take over Investments of Rs 5000 at Rs 4900
- v. Loan of Rs 15000 advanced by A to the firm was paid off.
- vi. Bank loan of Rs 12000 was paid off.

19. The Treasurer of India Tennis Club presented the following receipts and payments account for the year ended 31 March, 2013.

Receipt and Payments Account
for the year ended 31st March, 2013

Receipts	Amt (Rs.)	Payments	Amt (Rs.)
To Cash at bank (Opening)	10,200	By Purchase of balls	4,000
To Subscriptions	24,000	By Refreshments creditors	22,000
To Sales of refreshments	30,500	By Marking and repairing courts	3,800
To Court hire	2,700	By Construction of new court	25,000
To Sales of balls	3,700	By General expenses	3,100
		By Cash at bank (Closing)	13,200
	<u>71,100</u>		<u>71,100</u>

Additional Information

- i. The club's courts were valued at Rs. 60,000 on 1st April, 2012.
- ii.

Particulars	1st April 2012 (Rs.)	31st March 2013 (Rs.)
Tennis balls on hand (at cost)	400	900

Creditors for refreshments	4,000	3,000
Subscriptions outstanding	2,000	3,500

Prepare an income and expenditure account for the year ended 31st March, 2013 and show the balance sheet as on that date.

20. Y Ltd. redeemed its Rs. 20,000, 9% debentures out of profit by drawing of lot on 30th Nov. 2015 Journalise.

OR

On 1st April, 2015 KK Ltd issued 500, 9% debentures, of Rs.500 each at a discount of 4%, redeemable at a premium of 5% after three years. Pass necessary journal entries for the issue of debentures and debenture interest for the year ended 31st March, 2016 assuming that interest is payable on 30th September and 31st March and the rate of tax deducted at source is 10%. The company closes its books on 31st March every year.

21. Raman and Rohit were partners in a firm sharing profits and losses in the ratio of 2:1. On 31st March, 2018, their Balance Sheet was as follows :

Balance Sheet of Raman and Rohit as at 31st March, 2018

Liabilities		Amount (Rs.)	Assets		Amount (Rs.)
Creditors			Plant and Machinery		1,75,000
Raman	1,40,000		Furniture and Fixtures		65,000
Rohit	<u>1,00,000</u>	2,40,000	Stock		47,000
Workmen Compensation Fund		40,000	Debtors	1,10,000	
Creditors		1,60,000	Less: Provision for doubtful debts	<u>7,000</u>	1,03,000

			Bank Balance		50,000
		4,40,000			4,40,000

On the above date, Saloni was admitted in the partnership firm. Raman surrendered th of his share and Rohit surrendered th of his share in favour of Saloni. It was agreed that :

- i. Plant and machinery will be reduced by Rs.35,000 and furniture and fixtures will be reduced to Rs.58,500.
- ii. Provision for bad and doubtful debts will be increased by Rs.3,000.
- iii. A claim for Rs.16,000 for workmen's compensation was admitted.
- iv. A liability of Rs.2,500 included in creditors is not likely to arise.
- v. Saloni will bring Rs.42,000 as her share of goodwill premium and proportionate capital.

Prepare Revaluation Account, Partners' Capital Accounts and Balance Sheet of the reconstituted firm.

OR

Alfa and Beta were partners in a firm. They were trading in artificial limbs. On 1st April, 2013 they admitted Gama, a good friend of Beta into the partnership, Gama lost his one hand in accident and Alfa and Beta decided to give one artificial hand free of cost to Gama. The balance sheet of Alfa and Beta as at 31st March, 2013 was as follows

Balance Sheet

as at 31st March, 2013

Liabilities	Amount (Rs)	Assets	Amount (Rs)
Provision for Doubtful Debts	40,000	Cash	1,00,000
Workmen's Compensation Fund	56,000	Sundry Debtors	8,00,000
Outstanding Expenses	30,000	Stock	2,00,000
		Machinery	

Creditors	3,00,000		3,86,000
Capital A/cs		Profit and Loss A/c	40,000
Alfa 5,00,000			
Beta 6,00,000	11,00,000		
	15,26,000 =====		15,26,000 =====

Gama was admitted in the firm on the following terms:

- i. Gama will bring Rs 4,00,000 as his share of capital, but he was unable to bring any amount for goodwill.
- ii. The new profit sharing ratio between Alfa, Beta and Gamma will be 3: 2: 1.
- iii. Claim on account of workmen compensation was Rs 30,000.
- iv. To write off bad debts amounted to Rs 40,000.
- v. Creditors were paid Rs 20,000 more.
- vi. Outstanding expenses be brought down to Rs 12,000.
- vii. Rs 20,000 be provided for an unforeseen liability.
- viii. Goodwill of the firm was valued at Rs 1,80,000.

Prepare revaluation account, capital accounts of partners and the opening balance sheet of the new firm. Also, identify any one value which the partners wanted to communicate to the society.

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

On application — Rs. 2 per share

On allotment — Rs. 1 per share

On first call — Rs. 3 per share

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

On 10,000 shares — Rs. 6 per share

On 3,000 shares — Rs. 3 per share

On 2,000 shares — Rs. 2 per share

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

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

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

OR

SK Ltd invited applications for issuing 3,20,000 equity shares of Rs. 10 each at a premium of Rs. 5 per share. The amount was payable as follows

On application — Rs. 3 per share (including premium Rs. 1 per share)

On allotment — Rs. 5 per share (including premium Rs. 2 per share)

On first and final call — Balance.

Applications for 4,00,000 shares were received. Applications for 40,000 shares were rejected and application money refunded. Shares were allotted on pro-rata basis to the rest. Excess money received with applications was adjusted towards sums due on allotment. Jeevan holding 800 shares failed to pay the allotment money and his shares were immediately forfeited. Afterwards final call was made, Ganesh, who had applied for 2,700 shares failed to pay the final call. His shares were also forfeited. Out of the forfeited shares 1,500 shares were reissued at Rs. 8 per share fully paid up. The re-issued shares included all the forfeited shares of Jeevan. Pass necessary journal entries for the above transactions in the books of the company.

Section B

23. Loss on sale of investment is:

- a. Other expenses
- b. Depreciation
- c. Amortisation Expense
- d. Cost of material consumed

24. State the forms in which ratios can be expressed.

25. What will be the impact of 'Bill Payable given to Creditors' on a liquid ratio of 1: 1?
The state with reason.

26. Under what heads and sub-heads will the following items appear in the Balance Sheet of a company as per Revised Schedule VI Part 1 of the Companies Act 1956?

- i. Debentures;
- ii. Loose tools;
- iii. Calls-in-advance

27. From the following Balance Sheet of India Ltd. and the additional information given below made out the Cash Flow Statement:

Liabilities	2007	2008	Assets	2007	2008
Share Capital	3,00,000	4,00,000	Goodwill	1,15,000	90,000
Mortgage Loan	1,50,000	1,00,000	Land & Building	2,00,000	1,70,000
General Reserve	40,000	70,000	Plant	80,000	2,00,000
P & L A/c	30,000	48,000	Debtors	1,60,000	2,00,000
Proposed Div.	42,000	50,000	Stock	77,000	1,09,000
Creditors	55,000	83,000	Bills Receivable	20,000	30,000
Bills Payable	20,000	16,000	Cash in hand	15,000	10,000
Provisions for Taxation	40,000	50,000	Cash at Bank	10,000	8,000
.	6,77,000	8,17,000	.	6,77,000	8,17,000

Additional information:

- i. Depreciation of Rs.1,000/- and Rs.20,000/- has been charged on Plant and Land & Building respectively in 2007-08.
- ii. The interim dividend of Rs.20, 000/- has been paid in 2007-08.
- iii. Income Tax of Rs.35, 000/- was paid during the year 2007-08.

28. State true or false:

Capital Reserve recorded under Share Capital (subhead) in Shareholders fund (major head).

29. Match the following:

(a) Purchase of land and building	(i) Not shown in cash flow statement

(b) issue of share	(ii) operating activity
(c) conversion of debenture into shares	(iii) Investing activity
(d) depreciation on fixed asset	(iv) financing activity

30. List the items which are shown under the heading 'current liabilities' as per Schedule III, Part I of the Companies Act, 2013.

OR

Under what heads and sub-heads, will the following items appear in the balance sheet of a company as per Schedule III, Part I of the Companies Act, 2013.

- i. Subsidy reserve
- ii. Mining rights
- iii. Provision for doubtful debts

31. Prepare the Common size Balance Sheet and comment on the financial position of K Ltd. and L Ltd. The Balance Sheets of K Ltd. and L Ltd. as at 31.3.2012 are given below:

Particulars	Note No.	K Ltd.		L Ltd.	
		Figures as at the end of the current reporting period	Figures as at the end of the previous reporting period	Figures as at the end of the current reporting period	Figures as at the end of the previous reporting period
I. EQUITY AND LIABILITIES					
Shareholder's Funds					
Share		3,00,000		4,00,000	

Capital:					
Issued and paid up		2,00,000		3,00,000	
Reserves and Surplus					
Current liabilities					
Short - term Borrowings:		1,00,000		50,000	
		6,00,000		7,50,000	
II. ASSETS					
Non - Current Assets					
Fixed Assets		4,00,000		4,00,000	
Current Assets		2,00,000		3,50,000	
		6,00,000		7,50,000	

OR

Under which major headings and subheadings will the following items be presented in the Balance Sheet of a company as per Schedule III, Part I of the Companies Act, 2013?

- i. Balance of the Statement of Profit and Loss
- ii. Interest accrued on investments
- iii. Livestock
- iv. Licenses and Franchise
- v. Securities Premium Reserve
- vi. Trade Marks
- vii. Work in Progress

viii. 9% Debentures repayable during the current year

32. From the following Balance Sheets of B.C.R. Ltd. as at 31st March 2013 and 31st March 2012, prepare Cash Flow Statement :

Balance Sheets of B.C.R. Ltd.
as at 31st March 2013 and 31st March 2012

Particulars	31st March 2007 (Rs.)	31st March 2006 (Rs.)
I. EQUITY AND LIABILITIES		
1. Shareholders Funds		
(a) Share Capital	7,00,000	5,00,000
(b) Reserves and Surplus : Surplus i.e, Balance in Statement of Profit and Loss	3,50,000	2,00,000
2. Non - Current Liabilities		
Bank Loan	3,50,000	2,00,000
3. Current Liabilities		
(a) Trade Payables(Creditors)	52,000	55,000
(b) Short - term Provisions	1,20,000	80,000
	12,72,000	9,35,000
II. ASSETS		
1. Non - Current Assets		
(a) Fixed Assets		
(i) Tangible : Equipment	5,00,000	50,00,000
(ii) Intangible Assets	95,000	1,00,000
(b) Non - Current Investments	1,00,000	--

(c) Non-current Investments	1,00,000	
2. Current Assets		
(a) Trade Receivables	1,47,000	80,000
(b) Inventories (Stock)	1,30,000	55,000
(b) Cash and Cash Equivalents : Bank	3,00,000	2,00,000
	12,72,000	9,35,000

Note to Accounts:

Particulars	31st March 2013 (Rs.)	31st March 2012 (Rs.)
1. Short-term Provisions		
Proposed Dividend	70,000	50,000
Provision for Tax	50,000	30,000
	1,20,000	80,000

Additional Information :

During the year Equipment costing Rs. 1,00,000 was purchased. Loss on sale of Equipment amounted to Rs. 12,000, Rs. 18,000 depreciation was charged on Equipment.

Note: Balance Sheets given in the question paper have been modified as per Schedule III of Companies Act, 2013.

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Solution
Section A

1. The similarity between receipt and payment account and income and expenditure account is both are prepared by non-profit organisations.
2. (a) To write off the existing book value of Goodwill
Explanation: The above entry mentioned in the question, will be made when existing book value of Goodwill is written off by all the old partners in their old profit sharing ratio. This Goodwill can be taken from the books/Balance sheet.
3. Dissolution of partnership refers to the change in the existing relations of the partners. The firm continues its business. As one or more than one can partner take over the overall business of the firm.
4. (b) Old partner's Capital A/c
Explanation: At the time of admission of a new partner, all accumulated profits and losses should be distributed among the old partners in their old profit sharing ratio. Accumulated losses given in the assets side of the balance sheet should also be written off to the old partners in the old ratio. Hence the old partners capital accounts are to be debited to write off the accumulated losses in the balance sheet.
5. When the value of Goodwill is not mentioned, it is assumed that goodwill is hidden or it needs to be calculated. Hidden Goodwill is calculated with the help of Capital Employed in business. To calculate the hidden goodwill, actual capital employed in business should be deducted from the total required capital.
6. At the time of change in profit sharing ratio among the existing partners, Gain or loss on revaluation are distributed in existing partners in old profit sharing ratio,
7. Any change in the existing agreement of partnership is reconstitution of a partnership firm. As a result, the existing agreement comes to an end and the new agreement comes into existence. But, the firm continues its business as earlier and

Reconstitution of a firm always leads to change in profit-sharing ratio among partners.

8.

	Ram	Shyam	Mohan
Existing Shares	5/10	3/10	2/10
New Shares	1/3	1/3	1/3
Gain/ Sacrifice share	5/30	-1/30	-4/30

Sacrifice Ratio = Old Profit sharing ratio - new profit sharing ratio.

Ram's old share=5/10

Ram's new share=1/3

Ram's sacrifice=5/10-1/3=15/30-10/30=5/30

Shyam's old share=3/10

Shyam's new share=1/3

Shyam's gain=3/10-1/3=9/30-10/30=1/30

Mohan's old share=2/10

Mohan's new share=1/3

Mohan's gain=2/10-1/3=6/30-10/30=4/30

9.

Date	Particulars	L.F.	Debit. (Rs.)	Credit. (Rs.)
	General Reserve A/c Dr.		24,000	...
	Profit & Loss A/c Dr.		16,000	...
	To X's capital A/c		...	20,000

	To Y's capital A/c		...	10,000
	To Z's capital A/c (Being balance in General Reserve A/c and Profit & Loss A/c distributed to all the partners in their old profit sharing ratio, e.g.2:1:1, on Y's retirement		...	10,000

10. Debited

11. It is debited because the partner's claim over the firm is decreased by the amount of asset taken over by him, thus his capital account is decreased.

12. (a) 86,000

Explanation: When a company redeemed its shares purely out of profit in such a case we make 100% DRR. In this case DRR should be Rs.1,00,000 but ₹14,000 balance of DRR is already available. So DRR will be created only for the remaining amount i.e. 86,000

13. Premium

14. Receipts and payments account is a summary of the cash book. This account is prepared by those organisations which maintain their books on cash basis. All cash receipts are recorded on the receipts side (i.e., debit side) and all cash payments are recorded on the payments side (i.e., credit side) of receipts and payments account. It is prepared on the basis of cash and bank transactions recorded in the cash book."A **receipt and payment account** is a summarized cash book (cash and bank) for a given period". or. "This is simply a summary of the cash transactions as in the cash book, analyzed and classified under suitable headings, including the opening and closing balances".

It begins with the opening balance of cash and bank and ends with the closing balances of cash and bank (balancing figure) at the end of the accounting period. It records all the cash and bank transactions both of capital and revenue nature.

It not only records the cash and bank transactions relating to the current accounting period but also cash and bank receipts (or payments) received during the current accounting period that may be related to the previous or next accounting period. This account only helps us to ascertain the closing balance of the cash and bank and helps

Organisation Name
RECEIPTS AND PAYMENTS A/c
For the Year ended.....

Receipts	Amt.	Payments	Amt.

OR

Income and Expenditure A/c
for the year ended 31st March, 2018

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Match Expenses	1,000		

Balance sheet
as at 31st March 2018

Liabilities		Rs.	Assets	Rs.
Match fund	5,00,000			
Add Sale of Match Tickets	3,75,000			
Add Donations	1,24,000			
Less Match expenses	<u>(9,99,000)</u>	---		

15.

Sonika's Capital Account

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Dr					Cr
Date	Particulars	Amount (Rs.)	Date	Particulars	Amount (Rs.)
2013 June 30	To Sonika's Executor A/c	4,74,500	2013 Apr 1	By Balance b/d	1,50,000
			June 30	By Reserve Fund A/c (1,50,000 $\frac{2}{5}$)	60,000
			June 30	By Interest on Capital A/c(1,50,000 $\frac{12}{100 \times 3/12}$)	4,500
			June 30	By Profit and Loss Suspense A/c(Profit)	20,000
			June 30	By Monika's Capital A/c	1,60,000
			June 30	By Manisha's Capital A/c	80,000
		4,74,000			4,74,000

Working Notes

1. Calculation of Sonika's Share of Goodwill

Average profit of last 4 years = Rs 2,00,000; Finn's goodwill = $2,00,000 \times \frac{3}{5}$ = Rs 6,00,000

Sonika's share - $\frac{6,00,000}{3}$ = Rs 2,40,000

Gaining ratio of Monika and Manisha = 2 : 1

Monika will contribute = $2,40,000 \times \frac{2}{3}$ = Rs 1,60,000;

Manisha will contribute = $2,40,000 \times \frac{1}{3}$ = Rs 80,000

2. Calculation of Sonika's Share of Profit

Sonika's share of profit = $\frac{2,00,000}{3}$ = Rs 20,000, Rs. 20,000 will be debited to Profit and loss suspense account because it is the estimation of profit and actual profit cannot be calculated without closing all the ledgers. Hence at the time of death we calculate estimated profit and at the end of the year profit and loss suspense

account adjusted with Profit and loss account.

16.

ADJUSTMENT ENTRY

Date	Particulars	LF	Amt(Rs)	Amt(Rs)
	Praveen's Current A/c		10,400	
	Sahil's Current A/c		4,800	
	To Riya's current A/c			5,200
	To General Reserve A/c (Being the adjustment entry passed)			10,000

STATEMENT SHOWING ADJUSTMENT TO BE MADE

Particulars	Praveen(Rs)	Sahil(Rs)	Riya(Rs)	Total
I. Amount already Recorded				
Share of Profit i.e, Rs 1,00,000 in 3: 1: 1	60,000	20,000	20,000	1,00,000
II.The amount which should have been Recorded				
Interest on Capital	10,000	8,000	6,000	24,000
Salary	18,000		12,000	30,000
Share of profit i.e, 36,000 in 3: 1: 1	21,600	7,200	7,200	36,000
	49,600	15,200	25,200	90,000
III. Balance to be adjusted(Net Effect) [I - II]	10,400(Dr)	4,800(Dr)	5,200(Cr)	10,000(Cr)

Calculation of Adjusted Profits

Adjusted Profits = Given Profit - Transfer to Reserve - Interest on Capital - Salary
= 1,00,000 - 10,000 - 24,000(10,000+ 8,000+ 6,000)- 30,000 (18,000+ 12,000)= Rs 36,000

Calculation of Interest on Capital

Praveen = 2,00,000 =Rs 10,000, Sahil× 1,60,000 =Rs 8,000, Riya = 120,000 =Rs 6,000

Salary : Praveen (1,500 12) = Rs 18,000, Riya (1,000 12) = Rs 12,000

Distribution of profit

Praveen = $36000 \times \frac{3}{5} = 21,000$, Sahil = $36,000 \times \frac{1}{5} = 7200$, Riya = $36,000 \times \frac{1}{5} = 7,200$.

OR

JOURNAL

Date	Particulars	LF	Amt(Dr)	Amt(Cr)
31 Mar,2010	Profit and Loss Appropriation A/c		4,25,000	
	To A's capital A/c			2,12,500
	To B's capital A/c (Being profit distributed among the partners in equal ratio)			2,12,500

Partner's capital account

Dr				Cr			
Date	Particulars	A(Rs)	B(Rs)	Date	Particulars	A(Rs)	B(Rs)
31 Mar,2010	To Balance c/d	7,12,500	5,12,500	1 Apr,2009	By Balance b/d	5,00,000	3,00,000
				31 Mar,2010	By Profit and Loss Appropriation A/c	2,12,500	2,12,500
		7,12,500	5,12,500			7,12,500	5,12,500

A's Loan account

Dr				Cr			
Date	Particulars	LF	Amt(Rs)	Date	Particulars	LF	Amt(Rs)
31	To Balance			31			

Mar,2010	c/d		2,05,000	Oct,2009	By Cash A/c		2,00,000
				31 Mar,2010	By interest on Loan A/c		5,000
			2,05,000				2,05,000

Working Notes

i. Profit and Loss Appropriation Account

for the year ending 31st March 2010

Dr			Cr	
Particulars		Amt(Rs)	Particulars	Amt(Rs)
To profit transferred to			By Profit and Loss A/c(Net profit)(4,30,000 - 5,000)	4,25,000
A's capital A/c	2,12,500			
B's capital A/c	2,12,500	4,25,000		
		4,25,000		4,25,000

ii. In the absence of agreement,partners are entitled to get interest @6%p.a. on loan advanced.

i.e Interest on A's loan = 2,00,000= Rs 5,000

iii. In the absence of partnership deed, profits among the partners will be divided equally

iv. Interest on partner's loan is a charge against profit. It means that a partner will get interest on loan whether the firm has earned profit or has incurred loss and it will be subtracted from the net profit before distributing profit to the partners.

17. When Shares are issued at a price lower than their face value, they are said to have been issued at a discount. It is a loss to the company.

The issue at a discount is authorized by a resolution passed by the company in the

general meeting & sanctioned by the company law board. The maximum rate of discount must not exceed **10%** or such rate as the company law board may permit.

In the Books of X Ltd.

Journal

Date	Particulars		L.F.	Dr.(Rs.)	Cr.(Rs.)
	Bank A/c	Dr.		2,40,000	
	To Share Application A/c (Being the application money received on 60,000 shares)				2,40,000
	Share Application A/c	Dr.		2,40,000	
	To Share Capital A/c (Being the application money transferred to Share Capital Account)				2,40,000
	Share Allotment A/c	Dr.		1,80,000	
	Discount on Issue of Shares A/c	Dr.		60,000	
	To Share Capital A/c (Being the allotment money due on 60,000 shares)				2,40,000
	Bank A/c	Dr.		1,80,000	
	To Share Allotment A/c (Being the allotment money received in full)				1,80,000
	Share First and Final Call A/c	Dr.		1,20,000	
	To Share Capital A/c (Being the call money due on 60,000 shares @ 2 per share)				1,20,000
	Bank A/c	Dr.		1,18,000	
	Calls-in-Arrears A/c	Dr.		2,000	

	To Share First and Final call A/c (Being the first and final call money received on 59,000 shares @ 2 per share, balance transferred to calls-in-Arrears Account)				1,20,000
--	--	--	--	--	----------

18.

JOURNAL

Sn.	Particulars	L.F.	Debit (Rs.)	Credit (Rs.)
(a)	Realisation Account – Dr		4,000	....
	To A's Capital Account		....	4,000
	(Being Commission given to A in lieu of realisation expenses borne by him)		....	....
(b)	A's Capital Account – Dr.		14,000	....
	B's Capital Account - Dr.		14,000	....
	To Advertisement Suspense Account		....	28,000
	(Being Advertisement suspense written off in equal ratio as profit sharing ratio is not given in the question)		....	....
(c)	Realisation account – Dr.		13,000	....
	To Cash Account		....	13,000
	(Being Creditors paid off)		....	....
(d)	B's Capital account – Dr.		4,900	....
	To Realisation Account		....	4,900
	(Being assets taken over by the partner)		....	....
(e)	A's Loan Account – Dr.		15,000	....
	To Cash Account		....	15,000
	(Being Partner's loan paid off)		....	....
(f)	Realisation account – Dr.		12,000	....

	To Cash Account		....	12,000
	(Being Bank Loan paid off)		....	....

19.

Income and Expenditure Account
for the year ended 31st March, 2013

Expenditure	Amt (Rs.)	Income		Amt (Rs.)
To Marking and Repairing Courts	3,800	By Profit on Sale of Tennis balls (Note 2)		200
To General Expenses	3,100	By Subscriptions		25,500
To Excess of Income Over Expenditure	31,000	By Profit on Refreshments		
		Sales of Refreshments	30,500	
		(-) Purchase of Refreshment	<u>21,000</u>	9,500
		By Court Hire		2,700
	<u>37,900</u>			<u>37,900</u>

Balance Sheet
as at 31st March, 2013

Liabilities		Amt (Rs.)	Assets		Amt (Rs.)
Capital Fund (Note 4)	68,600		Courts	60,000	
(+) Excess of Income over Expenditure	<u>31,000</u>	99,600	(+) New Courts	<u>25,000</u>	85,000
			Tennis Balls		900
Creditors for Refreshments		<u>3,000</u>	Cash at Bank		13,200
			Subscriptions		

			Outstanding		3,500
		<u>1,02,600</u>			<u>1,02,600</u>

Working notes:

Preparation of Opening Balance sheet:

Balance Sheet as at 1st April, 2012

Dr			Cr
Liabilities	Amt (Rs.)	Assets	Amt (Rs.)
Capital Fund (Balancing Figure)	68,600	Courts	60,000
Creditors for Refreshments	4,000	Tennis Balls	400
		Cash at Bank	10,200
		Subscriptions Outstanding	2,000
	<u>72,600</u>		<u>72,600</u>

2. Calculation of profit on sale of tennis balls:

Profit on sale of balls = Selling price of balls - Cost of balls sold

=Rs.3,700 - Rs.3,500(see table below)

=Rs.200

Table showing cost of balls sold:

Particulars	Rs.
Opening Stock	400
Add: Purchases during the year	4,000
	4,400
Less: Closing stock	(900)
Cost of balls sold	3,500

20.

Books of Y Ltd.**Journal**

Date	Particulars		L.F.	Debit(Rs.)	Credit(Rs.)
2015 Apr. 30	Deb. Redemption Investment A/c (W.N. 1)	Dr.		3,000	...
	To Bank A/c			...	3,000
	(Being Investment Made)			...	...
2015 30th Nov.	Balance in Statement of profit & Loss A/c	Dr.		5,000	...
	To Debentures Redemption Reserve A/c (W.N.2)			...	5,000
	(Being transfer of profit to Debentures Redemption Reserve)			...	...
2015 Nov. 30	Bank A/c	Dr.		3,000	...
	To Deb. Redemption Investment A/c			...	3,000
	(Being Investment encashed)			...	...
30th Nov.	9% Debentures A/c	Dr.		20,000	...
	To Debentures holders A/c			...	20,000
	(Being the amount due to Debentures)			...	...
30th Nov.	Debentures holders A/c	Dr		20,000	...
	To Bank A/c			...	20,000

	(Being the amount paid to Debenture holders)		
--	--	--	--	-----	-----

Working Note :

1. Calculation of Debenture Redemption Investment : $20,000 \times 15\% = 3,000$
2. Calculation of Debenture Redemption Reserve = $20,000 \times 25\% = 5,000$
3. After redemption Debenture Redemption Reserve is transferred to General Reserve.

OR
In the books of K Ltd.
Journal

Date	Particulars		L/F	Debit Amount (Rs)	Credit Amount (Rs)
2015 1 Apr	Bank A/c Discount on issue of debentures A/c To 9% Debentures A/c (Being issued 500 9% debentures of Rs 500 each at a discount of 4%)	Dr Dr		2,10,000 40,000	2,50,000
2015 30 Sep	Bank A/c Tax Deducted at source A/c To 9% Debenture Interest A/c (Being interest on debentures paid and TDS deducted)	Dr Dr		20,250 2,250	22,500
2016 31 Mar	Bank A/c Tax Deducted at source A/c To 9% Debenture Interest A/c (Being interest on debentures paid and TDS deducted)	Dr Dr		20,250 2,250	22,500

Particulars	(Rs.)	Particulars	(Rs.)
To Furniture and Fixture A/c	6,500	By Creditors	25,00
To Provision for doubtful debts	3,000	By Loss Transfer:	
To Plant and Machinery	35,000	Raman	28000
		Rohit	<u>14000</u>
	<u>44,500</u>		<u>44,500</u>

Partner's Capital Account

Particulars	Raman	Rohit	Saloni	Particulars	Raman	Rohit	Saloni
	Rs.	Rs.	Rs.		Rs.	Rs.	Rs.
To Revaluation A/c	28,000	14,000	-	By Balance b/d	1,40,000	1,00,000	-
To Balance c/d	1,61,600	1,02,400	1,32,000	By Workmen Compensation Fund	16,000	8,000	-
				By Premium for Goodwill A/c	33,600	8,400	-
				By Bank A/c	-	-	1,32,000
	<u>1,89,600</u>	<u>1,16,400</u>	<u>1,32,000</u>		<u>1,89,600</u>	<u>1,16,400</u>	<u>1,32,000</u>

BALANCE SHEET AS AT 31 MARCH, 2018

Liabilities	(Rs.)	Assets	(Rs.)
Capital A/cs:		Plant and machinery	1,40,000
Raman	161600	Furniture and fittings	58,500
Rohit	102400	Stock	47,000
Saloni	<u>132000</u>	Debtors	1,10,000

Workmen Claim	16,000	Less Provision	(10,000)	1,00,000
Creditors	1,57,500	Bank		2,24,000
	<u>5,69,500</u>			<u>5,69,500</u>

OR
Revaluation A/c

Dr.			Cr.
Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Creditors	20,000	By Outstanding Expenses	18,000
To Unforeseen Liability	20,000	By Loss on Revaluation Transferred to	
		Alfa's Capital A/c	
		11,000	
		Beta's Capital A/c	22,000
		11,000	
	40,000 =====		40,000 =====

Partner's Capital A/c

Dr.

Cr.

Particulars	Alfa Amount (Rs)	Beta Amount (Rs)	Gama Amount (Rs)	Particulars	Alfa Amount (Rs)	Beta Amount (Rs)	Gama Amount (Rs)
To Beta's							

Capital			30,000	By Balance c/d	5,00,000	6,00,000	
To Revaluation A/c	11,000	11,000		By Workmen's Compensation Fund A/c	13,000		
To P&L A/c	20,000	20,000		By Cash			4,00,000
To Balance c/d	4,82,000	6,12,000	3,70,000	By Gama's Capital A/c		30,000	
	5,13,000 =====	6,43,000 =====	4,00,000 =====		5,13,000 =====	6,43,000 =====	4,00,000 =====

Balance Sheet
as on 1st April, 2013

Liabilities	Amount (Rs)	Assets	Amount (Rs)
Outstanding Expenses (30,000--18,000)	12,000	Cash	1,80,000
Workmen Compensation Fund	30,000	Sundry Debtors	7,60,000
Unforeseen Liability	20,000	Stock	2,00,000
Capital A/cs		Machinery	3,86,000
Alfa 4,82,000			
Beta 6,12,000			
Game 3,70,000	14,64,000		
	15,26,000		15,26,000

	=====		=====
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Value conveyed by the partners is care and concern towards differently abled persons.

Working Note

Cash A/c

Dr.

Cr.

Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Balance b/d	1,00,000	By Creditors (3,00,000 + 20,000)	3,20,000
To Gama's Capital A/c	4,00,000	By Balance c/d	1,80,000
	5,00,000 =====		5,00,000 =====

Calculation of Sacrificing Ratio

Sacrificing Ratio = Old Share - New Share

Alfa =

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Date	Particulars	L.F.	Amt. (Dr.)	Amt. (Cr.)
1.	Bank A/c () 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
.	(Being share allotment money transferred to share capital.)	.	.	.
4.	Bank A/c Dr.	.	13,000	.
.	Calls-in-arrears A/c () Dr	.	2,000	.
.	To Share Allotment A/c	.	.	15,000
.	(Being share allotment money received on 13,000 shares @ Re.1 each.)	.	.	.
5.	Equity Share First Call A/c Dr.	.	45,000	.
.	To Equity Share Capital A/c (15,000 3)	.	.	45,000
.	(Being share first call money due on 15,000 shares @ Rs.3 per share.)	.	.	.
6.	Bank A/c Dr	.	30,000	.
.	Calls in Arrears A/c () + () Dr.	.	15,000	.
.	To Equity Share First Call A/c	.	.	45,000
.	(Being share first call money received on 10,000 shares Rs.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 Rs.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.)	.	.	.

OR
JOURNAL

Date	Particulars	L.F.	Amt. (Dr.)	Amt. (Cr.)
	Bank A/c (4,00,000 3) Dr.		12,00,000	
	To Equity Share Application A/c			12,00,000
	(Being share application money received.)			
	Equity Share Application A/c Dr.		12,00,000	
	To Equity Share Capital A/c (3,20,000 2)			6,40,000
	To Securities Premium Reserve A/c (3,20,000 1)			3,20,000
	To Equity Share Allotment A/c			1,20,000
	To Bank A/c (40,000 3)			1,20,000
	(Being share application money transferred.)			
	Equity Share Allotment A/c (3,20,000 5) Dr.		16,00,000	
	To Equity Share Capital A/c (3,20,000 3)			9,60,000
	To Securities Premium Reserve A/c (3,20,000 2)			6,40,000
	(Being share allotment due.)			

	Bank A/c (16,00,000 - 1,20,000 - 3,700) Dr.		14,76,300	
	To Equity Share Allotment A/c			14,76,300
	(Being share allotment received.)			
	Equity Share Capital A/c (800 5) Dr.		4,000	
	Securities Premium Reserve A/c (800 2) Dr.		1,600	
	To Share Forfeiture A/c			1,900
	To Share Allotment A/c			3,700
	(Being 800 shares of Jeevan forfeited.)			
	Equity Share First and Final Call A/c (3,19,200 7) Dr.		22,34,400	
	To Equity Share Capital A/c (3,19,200 5)			15,96,000
	To Securities Premium Reserve A/c (3,19,200 2)			6,38,400
	(Being share first and final call due on 3,19,200 shares)			
	Bank A/c (22,34,400 - 16,800) Dr.		22,17,600	
	To Equity Share First and Final Call A/c			22,17,600
	(Being share first and final call received.)			
	Equity Share Capital A/c (2,400 10) Dr.		24,000	
	Securities Premium Reserve A/c (2,400 2) Dr		4,800	
	To Equity Share Forfeiture A/c			12,000
	To Equity Share First and Final Call A/c (2,400 7)			16,800
	(Being 2,400 shares forfeited.)			
	Bank A/c (1,500 8)		12,000	
	Share Forfeiture A/c (1 500 2)		3,000	
	To Equity Share Capital A/c (1,500 10)			15,000

	(Being 1,500 forfeited shares reissued @ Rs. 8 per share fully paid up.)							
	Equity Share Forfeiture A/c					2,400		
	To Capital Reserve A/c						2,400	
	(Being share forfeiture transferred to capital reserve.)							
Categories	Shares Applied	Shares Allotted	Money Received on Application @ Rs. 3 each	Money Transferred to Share Capital @ Rs. 2 each	Money Transferred to Securities Premium @ 11 each	Excess Application Money	Amount Adjusted on Allotment	Mon Refu
I	40,000	—	1,20,000	—	—	1,20,000	—	1,20,
II	3,60,000	3,20,000	10,80,000	6,40,000	3,20,000	1,20,000	1,20,000	—
	4,00,000	3,20,000	12,00,000	6,40,000	3,20,000	2,40,000	1,20,000	1,20,

Calculation of Amount Unpaid on Allotment

Shares applied by Jeevan shares

Excess money received from Jeevan	300 (100 3)
Amount due on allotment	2,400 (800 3)
(-) Excess application money	(300)
Amount unpaid on allotment	2,100
(+) Amount unpaid on securities premium reserve	1,600 (800 2)
Total amount unpaid on allotment	3,700

Calculation of Amount Received from Jeevan

Amount received on application = 1,600 (800 2) excluding premium

(+) Excess application money = 300

= Rs. 1,900

Unpaid Amount of First and Final Call

Shares allotted to Ganesh Shares

Unpaid amount on first and final call = Rs. 16,800 (2,400 7)

Calculation of Amount Received from Gupta

Amount received on application = 4,800 (2,400 2) excluding premium

{+} Amount received on allotment = 7,200 (2,400 3)

= Rs. 12,000

Calculation of Capital Reserve

(i) 800 shares of Jeevan	
Share forfeiture (Cr)	1,900
(-) Share forfeiture (Dr)	(1,600) (800 2)
Capital reserve	300
(ii) 200 shares of Ganesh	
Share forfeiture (Cr)	
(-) Share forfeiture (Dr)	(1,400) (700 2)
Capital reserve	2,100
Total capital reserve	Rs. 2,400 (2,100 + 300)

Section B

23. (a) Other expenses

Explanation:

The loss on sale of investment do not from part of operating cost. So will be taken in other expenses

24. Form of ratios

- pure ratio
- percentage ratio
- times ratio

25. There is no effect on liquid ratio because the liquid assets as well as the current

liabilities are not affected.

26. .

Items	Major Heads	Sub-heads
Debenture	Non current Liabilities	Long term Borrowings
Loose Tools	Current Assets	Inventories
Call in Advance	Current Liabilities	Other Current Liabilities

27.

Cash Flow Statement

Particulars	Details	Amount (RS.)
Cash Flow From Operating Activities Net Profit Before Tax And Extraordinary Items (W.N.1)	1,63,000	
(+) Goodwill written Off	25,000	
(+) Depreciation Charged On Land & Building , Plant (20,000 +1,000)	21,000	
Cash operating Profit before working Capital Change	2,09,000	
(+) Decrease In Current Assets And Increase in Current Liabilities		
Creditors	28,000	
(-) Increase in Current Assets and Decrease in Current Liabilities		
Bills payable	4,000	
Sundry Debtors	40,000	
Stock	32.000	
Bills Receivable	10,000	
Cash Operating Profit before tax and extraordinary items	1,51,000	

Lee:- Tax Paid	35,000	
Cash Flow from Operating Activity (A)		1,16,000
Cash Flow From Investing Activities Sale of Land & Building	10,000	
Purchase of Plant	(1,21,000)	
Cash Flow from Investing Activity (B)		(1,11,000)
Cash Flow from Financing Activity		
Issue of equity share capital	1,00,000	
Repayment of Mortgage loan	(50,000)	
Proposed Dividend paid	(42,000)	
Interim Dividend Paid	(20,000)	
Cash Flow from Financing Activities (C)		(12000)
Net Increase in cash and cash equivalents (A+ B+ C)		(7000)
Add: Opening cash and cash equivalent		
Cash in hand		15,000
Cash At Bank		10,000
Closing cash and cash equivalent		10,000
Cash In Hand		8,000
Cash At Bank		18,000

W.N. 1

Calculation Of Net profit Before tax and extraordinary items	48000
Closing Balance of Profit & Loss	30000
Less: - Opening Balance of Profit & Loss	18000
Add:- Provision for tax made during the year	45000
Add:- Proposed Dividend	50000

Add:- Transfer to General Reserve	30000
Add- Interim Dividend paid	20000
Net profit before tax and extraordinary items	163000

W.N. 2.

Land & Building Account

Dr.			Cr.
Particulars	Amount	Particulars	Amount
To Balance b/d	2,00,000	By Bank A/c (Bal. Fig.)	10,000
		By Depreciation A/c	20,000
		By Balance c/d	1,70,000
	2,00,000		2,00,000

Plant A/c

Dr.			Cr.
Particulars	Amount	Particulars	Amount
To Balance b/d	80,000	BY Depreciation A/c	1,000
To Bank A/c (Bal. Fig.)	1,21,000	By Balance c/d	2,00,000
	2,01,000		2,01,000

Provision For Tax A/c

Dr.			Cr.
Particulars	Amount	Particulars	Amount
To Bank A/c	35,000	By Balance b/d	40,000
To Balance b/d	50,000	By Profit & Loss A/c (Bal.Fig.) (Tax Made)	45,000
	2,01,000		2,01,000

28. False

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

30. Current Liabilities are the amounts due to be paid to creditors within twelve months. The following are the items that comes under the head current liabilities.

- i. Short-term borrowings
- ii. Trade payables
- iii. Other current liabilities
- iv. Short-term provisions

OR

subsidy reserve is a reserve kept for providing subsidy and classified under reserves and surplus, mining rights is a long term asset and hence classified under intangible fixed assets, provision for doubtful debts is a provision meant for a short period and hence classified as short term provisions.

Sl.No.	Items	Major Headings	Sub-headings
(i)	Subsidy Reserve	Shareholder's Funds	Reserves and Surplus
(ii)	Mining Rights	Non-current Assets	Fixed Assets (Intangible assets)
(iii)	Provision for Doubtful Debts	Current Liabilities	Short-term Provisions

31. **Common Size Balance Sheet of K Ltd. and L Ltd.**
as at 31.3.2012

Particulars	Note No.	K Ltd.		L Ltd.	
		Amount (Rs)	% of Total	Amount (Rs)	% of Total
I. EQUITY AND					

LIABILITIES					
Shareholder's Funds					
Share Capital:		3,00,000	50	4,00,000	53.3
Issued and paid up		2,00,000	33.3	3,00,000	40
Reserves and Surplus					
Current liabilities					
Short - term Borrowings:		1,00,000	16.7	50,000	6.7
		6,00,000	100	7,50,000	100
II. ASSETS					
Non - Current Assets					
Fixed Assets		4,00,000	66.7	4,00,000	53.3
Current Assets		2,00,000	33.3	3,50,000	46.7
		6,00,000	100	7,50,000	100

OR

Major heads and sub-heads in the Balance Sheet of a company as per Schedule III, Part I of the Companies Act, 2013:

Name of the Items	Major Head	Sub-Head
Balance of statement of profit & loss	Shareholder's Fund	Reserves and Surplus
Interest accrued on investment	Current Assets	Other Current Assets
Live Stock	Non-Current Assets	Tangible Fixed Asset
Licences and franchise	Non-Current Assets	Intangible Fixed Asset
Securities Premium Reserve	Shareholder's	Reserves and Surplus

	Fund	
Trade Marks	Non-Current Assets	IntangibleFixed Assets
Work in progress	Current assets	Inventories
9% Debentures repayable during the current year	Current liabilities	Other Current Liabilities

32.

**Cash Flow Statement
for the year ended 31st March 2013**

Particulars	Amount (Rs.)	Amount (Rs.)
(A) Cash Flow from Operating Activities		
Net Profit before Tax and Extraordinary Items (WN 1)	2,70,000	
Add: Non-cash and Non-operating Expenses :		
Depreciation on Equipment	18,000	
Patents Written off	5,000	
Loss on sale of Equipment	12,000	
Operating Profit before Working Capital Changes	3,05,000	
Change in Working Capital:		
Adjustment for Current Assets and Current Liabilities except for Cash and Bank:		
Trade Receivables(Debtors)	(67,000)	
Inventories(Stock)	(75,000)	
Trade Payables (Creditors)	(3,000)	
Cash Flow from Operations	1,60,000	

Less: Tax Paid	(30,000)	
Cash Flow from Operating Activities		1,30,000
(B) Cash Flow from Investing Activities		
Proceeds from Sale of Equipment (WN 2)	70,000	
Equipment Purchased	(1,00,000)	
Investment Purchased	(1,00,000)	
Cash Flow from Investing Activities		(1,30,000)
(C) Cash Flow from Financing Activities		
Cash Proceeds from Issue of Equity Shares	2,00,000	
Repayment of Bank Loan	(50,000)	
Dividend Paid	(50,000)	
Cash Flow from Financing Activities		1,00,000
(D) Net Increase in Cash and Cash Equivalents (A + B + C)		1,00,000
Add: Opening Balance of Cash and Cash Equivalents		2,00,000
(E) Closing Balance of Cash and Cash Equivalents		3,00,000

Working Notes:

	Amount (Rs.)
Calculation of Profit before Tax:	
Balance as per Statement of Profit and Loss	1,50,000
Add: Provision for Tax (current year)	50,000
Proposed Dividend (current year)	70,000
Net Profit before Tax	2,70,000 =====

Calculation of amount of Sale of Equipment :

Equipment Account

Dr.

Cr.

Particulars	Amount Rs.)	Particulars	Amount (Rs.)
To Balance b/d	5,00,000	By Depreciation A/c	18,000
To Bank A/c	1,00,000	By Bank A/c(Sale - Bal Fig.)	70,000
		By Loss on Sale on Equipment (Statement of Profit and Loss)	12,000
		By Balance c/d	5,00,000
	6,00,000 =====		6,00,000 =====

Cash flows are classified as operating, investing, or financing activities on the statement of cash flows, depending on the nature of the transaction. Operating Activities include cash activities related to net income. Investing Activities include cash activities related to non current assets. Financing Activities include cash activities related to non current liabilities and owners' equity. The operating activities section of the statement of cash flows is generally regarded as the most important section since it provides cash flow information related to the daily operations of the business.