
SAMPLE PAPER- 1 (solved)
Class – XII ACCOUNTANCY

Time allowed: 3 hours

Maximum Marks: 80

General Instructions:

1. This question paper contains Two parts A& B.
 2. Both the parts are compulsory for all.
 3. All parts of questions should be attempted at one place.
 4. Marks are given at the end of each question.
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Part – A

Partnership, Share Capital and Debentures

1. What share of profits would a “Sleeping Partner”, who has contributed 75% of the total capital, get in the absence of partnership deed?
(a) 75% of the profit
(b) 50% of the profit
(c) In Capital Ratio
(e) In Equal Ratio (1)
 2. If the amount of super profit is negative, what does it indicate?
(a) Firm has more goodwill
(b) Negative Goodwill
(c) No Goodwill of firm
(d) Goodwill is equal to super profit (1)
 3. A and B are partners with capitals of Rs.90,000 and Rs.1,00,000 respectively. They decide to admit C into the partnership for $\frac{1}{4}$ th share in the future profits. C is to bring in a sum of Rs.80,000 as his capital. Calculate the amount of goodwill. (1)
 4. Vinod Limited wants to issue 1,00,000 Equity Shares of Rs.100 each at a discount. State clearly the conditions which should be fulfilled by the company to issue these shares. (1)
 5. What is meant by issue of debentures for consideration other than cash? (1)
 6. EK and FK were partners in a firm sharing profits in the ratio of 3 : 1. They admitted GK as a new partner on 1.3.2005 for $\frac{1}{3}$ rd share. It was decided that EK, FK and GK will share future profits equally. GK brought Rs.50,000 in cash and Machinery worth Rs.70,000 for his share of profit as premium for goodwill. Showing your working clearly, give necessary entries. (3)
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7. Sagar and Sarita were partners in a firm sharing profits in 3 : 2 ratio. On 28.02.2006, Their firm was dissolved. On that date the balances in their capital accounts were Sagar Rs.20,000 (Cr.), Sarita Rs.5,000 (Dr.). There was a debit balance of Rs.15,000 in the profit and loss account. The general reserve account had a balance of Rs.30,000. Dissolution resulted into a gain of Rs.75,000. You are required to prepare the capital accounts of the partners at the time of dissolution assuming that the necessary cash was paid or brought in by the partners for final settlement as the case may be. (3)
8. Madhu and Garima started business on 1.4.2004 with capitals of Rs.80,000 and Rs.60,000 respectively. Their profit sharing ratio was 3 : 2. During the year ended 31.3.2005 they earned a profit of Rs.50,000. Their drawings during the year were Madhu Rs.7,000 and Garima Rs.5,000. On 31.3.2005 the firm was dissolved. Creditors on that date were Rs.37,000. The assets were realised for Rs.2,80,000. The expenses of realisation were Rs.5,000. Prepare Realisation Account only. (3)
9. A and B were sharing profits in the ratio of 3 : 2. They decided to admit C into the partnership for $\frac{1}{6}$ th share of the future profits. Goodwill, valued at 4 times the average super profits of the firm, was Rs.18,000. The firm had Assets worth Rs.15,00,000 and Liabilities Rs.12,00,000. The normal earning capacity of such firms is expected to be 10% p.a. Find the Average Profits/Actual Profits earned by the firm during the last 4 years. (4)
10. On 31st December 2013, the Balance Sheet of X, Y and Z who were partners in a firm was as under:

Liabilities	Amount	Assets	Amount
Creditors	25,000	Building	26,000
Reserve Fund	20,000	Investments	15,000
Capitals: X 15,000		Debtors	15,000
Y 10,000		Bills Receivable	6,000
Z <u>10,000</u>	35,000	Stock	12,000
		Cash	6,000
	<u>80,000</u>		<u>80,000</u>

The partnership deed provides that the profits should be shared in the ratio of 2:1:1 and in the event of death of a partner, his executors will be entitled to be paid out:

- The capital to his credit at the date of last Balance Sheet.
- His proportion of Reserve at the date of last Balance Sheet.
- His proportion of profits to the date of death based on the average profit of the last three completed years plus 10%.
- By way of goodwill, his proportion of the total profits for the three preceding years.
- The net profits for the last three years were: 2011 Rs.16,000; 2012 Rs.16,000; 2013 Rs.15,400. Z died on 1st April 2014. He had withdrawn Rs.5,000 to the date of his death. The investments were sold at par and Z's executors were paid off.

Prepare the Partners Capital Accounts and Balance Sheet.

(6)

11. Vinod Limited forfeited 1,000 shares of Rs.10 each, issued at a discount of Rs.1 per share, for the non-payment of the first call of Rs.2 per share. The final call of Rs.3 per share has not yet been made. Subsequently, 400 of these shares were reissued at Rs.5 per share, Rs.7 paid up and 600 reissued at Rs.7 per share fully paid. Give journal entries of forfeiture and re-issue. (4)

12. On 1st April, 2012, Ashok Ltd. was formed with an authorized capital of Rs.1,00,00,000 divided into 2,00,000 equity shares of Rs. 50 each. The company issued prospectus inviting applications for 1,50,000 shares. The issue price was payable as under:

On application: Rs.15

On allotment: Rs.20

On call: Balance

The issue was fully subscribed and the company allotted shares to all the applicants.

The company did not make the call during the year. The company also issued 5,000 shares of Rs.50 each fully paid up to the vendor for purchase of office premises.

Show the

(a) Share capital in the Balance Sheet of the company as per Schedule-VI

(b) Also prepare 'Notes to Accounts'. (4)

13. Annu and Mannu are partners sharing profits in the ratio of 3 : 2. Their Balance Sheet as on 31st March 2009 was as follows:

Liabilities	Amount	Assets	Amount
Sundry Creditors	56,000	Cash in hand	77,000
General Reserve	10,000	Debtors 42,000	
Investment Fluctuation Fund	4,000	Less : Provision <u>7,000</u>	35,000
Capitals : Annu 1,19,000		Investments (Market Price 19,000)	21,000
Mannu <u>1,12,000</u>	2,31,000	Buildings	98,000
		Plant and Machinery	70,000
	<u>3,01,000</u>		<u>3,01,000</u>

Sonu was admitted on that date for 1/4th share of profit on the following terms:

- Sonu will bring Rs.56,000 as his share of capital.
- Goodwill of the firm is valued at Rs.84,000 and Sonu will bring his share of goodwill in cash.
- Plant and Machinery appreciated by 20% and all debtors were good.
- There was a liability of Rs.9,800 included in creditors which was not likely to arise.
- New profit sharing ratio will be 2 : 1: 1.
- Capital of Annu and Mannu will be adjusted on the basis of Sonu's share of capital and any excess or deficiency will be made by withdrawing or bringing in cash by the concerned partners as the case may be.

Partners have decided to contribute some part of profit for the education of economically backward section of the society. Prepare Revaluation A/c, Partners Capital A/c and Balance Sheet of new firm and also identify the values disclosed by the partners. (6)

14. Pass necessary Journal entries for Issue of Debentures for the following:

- Issued Rs.4,00,000, 9% debentures of Rs.100 each at a premium of 8% redeemable at 10% premium.
- Issued Rs.6,00,000, 9% debentures of Rs.100 each at par, repayable at a premium of 10%.
- Issued Rs.10,00,000, 9% debentures of Rs.100 each at a premium of 5%, redeemable at par. (6)

15. Vinod Ltd. Company issued 4,000 Equity shares of Rs.10 each at a premium of Rs.2 per share payable as follows :

On application Rs. 2
 On allotment Rs. 5 (including premium)
 On 1st call Rs. 3
 On second and final call Rs. 2

Applications were received for 8,000 shares and pro-rata allotment was made on the applications for 5000 shares. Money overpaid on application was utilized on account of sums due on allotment. Raman to whom 40 shares were allotted, failed to pay allotment money on his subsequent failure to pay the 1st call his shares was forfeited. Dheeraj a holder of 60 shares, failed to pay the two calls, and his shares were forfeited after the second call, of the forfeiture shares 80 were sold to Krishna (including 40 shares of Raman) credited as fully paid for Rs.9 per share. Give journal entries. (8)

16. Following is the Balance Sheet of Aruna, Karuna and Varuna as on 31st March 2009, who have agreed to share profits and losses in proportion of their capitals:

Liabilities	Amount	Assets	Amount
Capitals : Aruna 2,00,000 Karuna 3,00,000 Varuna <u>2,00,000</u>	7,00,000	Land & Building Machinery Closing Stock	2,00,000 3,00,000 1,00,000
General Reserve	35,000	Debtors 1,10,000	
Workmen compensation fund	15,000	Less : Provision <u>10,000</u>	1,00,000
Sundry Creditors	50,000	Cash at Bank	1,00,000
	<u>8,00,000</u>		<u>8,00,000</u>

On March 31st 2009, Aruna desired to retire from the firm and the remaining partners decided to carry on the business. It was agreed to revalue the assets and re-assess the liabilities on that date, on the following basis:

- Land and Building be appreciated by 30%.
- Machinery be depreciated by 20%.
- There were Bad Debts of Rs.17,000.
- The claim on account of workmen compensation fund was estimated at Rs.8,000.
- Goodwill of the firm was valued at Rs.1,40,000 and Aruna's share of goodwill was adjusted against the capital accounts of the continuing partners Karuna and Varuna who have decided to share future profits in the ratio of 4:3 respectively.
- Capital of the new firm in total will be the same as before the retirement of Aruna and will be in the new profit sharing ratio of the continuing partners.
- Amount due to Aruna be settled by paying Rs.50,000 in cash and balance by transferring to her Loan A/c which will be paid later on.

Prepare Revaluation A/c, Partners Capital A/c and Balance Sheet of new firm. (8)

Part – B

Financial Statement Analysis

- The Current Ratio of Vinod Limited is 2 : 1. State giving reasons whether 'Issue of Shares for Cash' will improve, reduce or not change the ratio. (1)
- State with reason whether 'Short term deposits in Bank will result in inflow, outflow or no flow of cash. (1)

19. State any one objective of financial statement analysis. (1)

20. Give major heads and sub heads under which following items will be disclosed in the Balance Sheet as per Revised Schedule VI of the Companies Act, 1956: (3)

(i) Mining Rights	(iv) Public Deposits
(ii) Loose Tools	(v) Prepaid Insurance
(iii) Cheques in hand	(vi) Retained Earnings

21. From the following statement of profit and loss of VK Limited for the years ended 31st March 2011 and 2012.

Particulars	31 March 2011	31 March 2012
Revenue from operations	25,00,000	30,00,000
Other income	5,00,000	7,00,000
Expenses	20% of Revenue from operations	40% of Revenue from operations
Tax Rate	40%	40%

Prepare a comparative statement of profit and loss. (4)

22. Calculate 'Return on Investment' and 'Debt Equity Ratio' from the following information:

Net profit after interest and tax	Rs.3,00,000
10% Debentures	Rs.5,00,000
Tax Rate	40%
Capital Employed	Rs.40,00,000

(4)

23. From the following Balance Sheets of Vinod Limited, calculate Cash Flow from Operating Activities :

Particulars	Note No.	31-3-2012	31-3-2011
I. EQUITY AND LIABILITIES :			
1. Shareholder's Funds:			
(a) Share Capital	1	13,00,000	15,00,000
(b) Reserve and Surplus	2	7,00,000	40,000
2. Non-current Liabilities			
Long Term Borrowings : 8% Debentures		6,00,000	4,00,000
3. Current Liabilities		2,40,000	1,70,000
Total		28,40,000	21,10,000
II. ASSETS:			
1. Non-Current Assets:			
Fixed Assets:			
Tangible Assets		17,20,000	12,40,000
Intangible Assets (Goodwill)		20,000	30,000
Investments		2,50,000	1,60,000
2. Current Assets		8,50,000	6,80,000
Total		28,40,000	21,10,000

Notes to Accounts

Particulars	2012	2011
1. Share Capital		
Equity Share Capital	9,00,000	9,00,000
5% Preference Share Capital	<u>4,00,000</u>	<u>6,00,000</u>
2. Reserves and Surplus		
General Reserve	3,00,000	2,40,000
Statement of P/L	4,00,000	(2,00,000)

Additional Information:

- (a) Depreciation provided on fixed assets Rs.1,20,000.
 - (b) Preference Shares were redeemed at a premium of 5% on 31st March, 2012.
 - (c) Additional debentures were issued on 1st October, 2011.
 - (d) The Company declared and paid dividend on Equity Shares @ 8%. (6)
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Class – XII

Solution

- In the absence of partnership deed share of profit will be given in equal ratio to all the partners including a sleeping partner.
- Negative super profit indicates that there is no goodwill of the business firm.
- Total capital of firm is 3,20,000 i.e. $80,000 \times 4/1$
Combined or adjusted capital $90,000 + 1,00,000 + 80,000 = 2,70,000$
Goodwill = $3,20,000 - 2,70,000 = 50,000$
- Shares should be of a calls which has already been issued and an ordinary resolution should be passed by the company at its general meeting. Discount cannot exceed 10% of the value of share.
- When a company issues fully paid debentures against the purchase of some assets from vendor, it is called debentures issued for consideration other than cash.
- (i) Cash A/c Dr.50,000; Machinery A/c Dr.70,000 and Premium for Goodwill A/c Cr.1,20,000.
(ii) Premium for Goodwill A/c Dr.1,20,000; FK Dr. 30,000 and EK Cr.1,50,000.
Sacrifice of EK is $5/12$ and Gain of FK is $1/12$.
FK's Gain share = Total Goodwill $\times 1/12$ i.e. $1,20,000 \times 3/1 \times 1/12 = 30,000$.

7. Partners' Capital Account

Particulars	Sagar	Sarita	Particulars	Sagar	Sarita
To Balance b/d	--	5,000	By Balance b/d	20,000	---
To P/L A/c	9,000	6,000	By General Reserve	18,000	12,000
To Cash (final payment)	74,000	31,000	By Realisation A/c	45,000	30,000
	83,000	42,000		83,000	42,000

8. Realisation Account

Particulars	Amount	Particulars	Amount
To Sundry Assets (see note)	2,15,000	By Creditors	37,000
To Bank (creditors paid)	37,000	By Bank (assets realised)	2,80,000
To Bank (expenses)	5,000		
To Profit transfer to :			
Madhu 36,000			
Garima 24,000	60,000		
	3,17,000		3,17,000

Working note:

Calculation of sundry assets = Total of Liabilities side is Rs.2,15,000 it means assets value is also Rs.2,15,000 i.e. $80,000 + 60,000 + 50,000 + 37,000 - 7,000 - 5,000$.

- Goodwill is already given = 18,000
Therefore, Super Profit = $18,000/4 = 4,500$
Capital Employed = Assets – Liabilities
i.e. $3,00,000 = 15,00,000 - 12,00,000$
Normal Profit = Capital Employed $\times$ Normal rate
i.e. $30,000 = 3,00,000 \times 10/100$

Average Profits/Actual Profits = Normal Profits + Super Profits

$$34,500 = 30,000 + 4,500$$

10. Partners' Capital Account

Particulars	X	Y	Z	Particulars	X	Y	Z
To Z's Capital A/c	7,900	3,950	--	By Bal. b/d	15,000	10,000	10,000
To Bank A/c	--	--	5,000	By Reserve	10,000	5,000	5,000
(drawings)				By P/L Suspense	--	--	1,086
To Z's Executor	--	--	22,936	By X' Capital A/c	--	--	7,900
To Bal. c/d	17,100	11,050	--	By Y Capital A/c	--	--	3,950
	25,000	15,000	27,936		25,000	15,000	27,936

Balance Sheet

Liabilities	Amount	Assets	Amount
Capitals: X 17,100		Building	26,000
Y 11,050	28,150	Debtors	15,000
Sundry Creditors	25,000	Bills Receivable	6,000
Bank Loan	6,936	Stock	12,000
		P/L Suspense A/c	1,086
	60,086		60,086

11. Journal

Equity Share Capital A/c Dr.	7,000	
To Share Forfeiture A/c		4,000
To Equity Sh.1 st Call A/c		2,000
To Discount on issue of shares A/c		1,000
(Being shares forfeited)		
Bank A/c Dr.	2,000	
Discount on issue of shares A/c Dr.	400	
Share Forfeiture A/c Dr.	400	
To Equity Sh. Capital A/c		2,800
(Being 400 forfeited shares reissued)		
Bank A/c Dr.	4,200	
Discount on issue of shares A/c Dr.	600	
Share Forfeiture A/c Dr.	1,200	
To Equity Sh. Capital A/c		6,000
(Being 700 forfeited shares reissued)		
Share forfeiture A/c Dr.	2,400	
To Capital Reserve		2,400
(Being share forfeiture amount transferred to capital reserve)		

12. Balance Sheet of Ashok Ltd.
(Extract only)

Particulars	Note No.	2012-13	2011-12
I Equity and Liabilities			
(1) Shareholders' Funds			
(a) Share Capital	1	55,00,000	

Notes to Accounts:

Share Capital :	
Authorised Capital 2,00,000 Equity Shares of Rs.50 each	<u>100,00,000</u>
Issued Capital 5,000 Equity Shares of Rs.50 each to vendor 1,50,000 Equity Shares of Rs.50 each to public	<u>2,50,000</u> <u>75,00,000</u>
Subscribed Capital Subscribed and fully paid 5000 shares of Rs.50 each issued to vendors	<u>2,50,000</u>
Subscribed but not fully paid 1,50,000 shares of Rs.50 each issued to public. Rs.35 called up	<u>52,50,000</u> 55,00,000

13. Revaluation Account

Particulars	Amount	Particulars	Amount
To Revaluation Profit transfer to: Annu 18,480 Mannu 12,320	30,800	By provision for bad debts By Plant and Machinery By creditors	7,000 14,000 9,800
	30,800		30,800

Partners' Capital Account

Particulars	Annu	Mannu	Sonu	Particulars	Annu	Mannu	Sonu
To Cash A/c To Balance c/d	56,480 1,00,800	70,320 67,200	-- 56,000	By Balance b/d By General Reserve By Invest. Flu. Fund By Premium By Revaluation A/c By Cash	1,19,000 6,000 1,200 12,600 18,480 --	1,12,000 4,000 800 8,400 12,320 --	-- -- -- -- -- 56,000
	1,57,280	1,37,520	56,000		1,57,280	1,37,520	56,000

Balance Sheet

Liabilities	Amount	Assets	Amount
Capitals:		Plant and Machinery	84,000
Annu	1,00,800	Building	98,000
Mannu	67,200	Investment	19,000
Sonu	56,000	Debtors	42,000
Creditors	46,200	Cash	27,200
	2,70,200		2,70,200

14. Journal

Case 1	Bank A/c Dr.	4,32,000	
	To Deb. App. & Allot. A/c		4,32,000
	Deb. App. & Allot A/c	4,32,000	
	Loss on issue of deb.	40,000	
	To 9% Debenture A/c		4,00,000
	To Securities premium		32,000
	To premium on Redemption		40,000
Case 2	Bank A/c Dr.	6,00,000	
	To Deb. App. & Allot. A/c		6,00,000
	Deb. App. & Allot A/c	6,00,000	
	Loss on issue of deb.	60,000	
	To 9% Debenture A/c		6,00,000
	To premium on Redemption		60,000
Case 3	Bank A/c Dr.	10,50,000	
	To Deb. App. & Allot. A/c		10,50,000
	Deb. App. & Allot A/c	10,50,000	
	To 9% Debenture A/c		10,00,000
	To Securities premium		50,000

15. Journal

Date	Particulars	L. F	Debit	Credit
	Bank A/c Dr. To Equity Share Application A/c (Being application money received)		16,000	16,000
	Equity Share Application A/c Dr. To Equity Share Capital A/c To Equity Sh. Allotment A/c To Bank A/c (Being App. Money adjusted)		16,000	8,000 2,000 6,000

Equity Share Allotment A/c	Dr.	20,000	
To Equity Share Capital A/c			12,000
To Securities Premium A/c			8,000
(Being Amount due on the allotment)			
Bank A/c	Dr.	17,820	
To Equity Share Allotment A/c			17,820
(Being Allotment money received)			
Equity Share 1 st Call A/c	Dr.	12,000	
To Equity Share Capital A/c			12,000
(Being Amount due on the call)			
Bank A/c	Dr.	11,700	
To Equity Share 1 st Call A/c			11,700
(Being call money received)			
Equity Share Capital A/c	Dr.	320	
Securities Premium A/c	Dr.	80	
To Share Allotment A/c			180
To Equity Share First Call A/c			120
To Equity Share Forfeiture A/c			100
(Being 40 Shares of Raman forfeited)			
Equity Share 2 nd & Final Call A/c	Dr.	7,920	
To Share Capital A/c			7,920
(Being 2 nd call money due)			
Bank A/c	Dr.	7,800	
To Equity Share 2 nd & Final Call A/c			7,800
(Being 2 nd call money received)			
Share Capital A/c	Dr.	600	
To Share 1 st Call A/c			180
To Share 2 nd Call A/c			120
To Share Forfeiture A/c			300
(Being 60 shares of Dheeraj forfeited)			
Bank A/c	Dr.	360	
Share Forfeiture A/c	Dr.	40	
To Share Capital A/c			400
(Being 40 Shares of Raman Re-issued)			
Bank A/c	Dr.	360	
Share Forfeiture A/c	Dr.	40	
To Share Capital A/c			400
(Being 40 Shares of Dheeraj Re-issued)			
Share Forfeiture A/c	Dr.	220	

	To Capital Reserve A/c (Being profit on Re-issue shares transfer to the capital reserve)			220
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16. Revaluation Account

Particulars	Amount	Particulars	Amount
To Machinery A/c	60,000	By Land and Building	60,000
To Bad Debts	7,000	By Revaluation Loss transfer to:	
		Aruna 2,000	
		Karuna 3,000	
		Varuna 2,000	7,000
	67,000		67,000

Partners' capital account

Particulars	Aruna	Karuna	Varuna	Particulars	Aruna	Karuna	Varuna
To Rev. Loss	2,000	3,000	2,000	By Balance b/d	2,00,000	3,00,000	2,00,000
To Aruna Capital	--	20,000	20,000	By Gen. Reserve	10,000	15,000	10,000
To Bank	50,000	--	--	By W.C.F	2,000	3,000	2,000
To Aruna's Loan	2,00,000	--	--	By Karuna	20,000	--	--
To Balance c/d	--	4,00,000	3,00,000	By Varuna	20,000	--	--
				By Bank (bal. fig)	--	1,05,000	1,10,000
	2,52,000	4,23,000	3,22,000		2,52,000	4,23,000	3,22,000

Balance Sheet

Liabilities	Amount	Assets	Amount
Capitals:		Land and Building	2,60,000
Karuna	4,00,000	Machinery	2,40,000
Varuna	3,00,000	Stock	1,00,000
Aruna's Loan	2,00,000	Debtors	93,000
Workmen Compensation claim	8,000	Cash at bank	2,65,000
Sundry creditors	50,000		
	9,58,000		9,58,000

17. It will improve the ratio.

18. No flow of cash because it is short term deposit and included in cash equivalents.

19. The main objective of financial statement analysis is to measure the efficiency and profitability of the business.

20. Major Headings and Sub-headings:

S. No.	Particulars	Major Headings	Sub-headings
(i)	Mining Rights	Non-current Assets	Fixed Intangible Assets
(ii)	Loose Tools	Current Assets	Inventories
(iii)	Cheques in hand	Current Assets	Cash & Cash Equivalents
(iv)	Public Deposits	Non-current Liabilities	Long Term Borrowings
(v)	Prepaid insurance	Current Assets	Other Current Assets
(vi)	Retained earnings	Shareholders' Funds	Reserve and Surplus

21. Comparative Statement of Profit and Loss

Particulars	Note No.	31-3-11	31-3-12	Absolute change	% change
Revenue from operations		25,00,000	30,00,000	5,00,000	20%
Other income		5,00,000	7,00,000	2,00,000	40%
Total Revenue		30,00,000	37,00,000	7,00,000	23.33%
Less : Expenses		5,00,000	12,00,000	7,00,000	140%
Profit before tax		25,00,000	25,00,000	--	--
Less : Tax		10,00,000	10,00,000	--	--
Profit after tax		15,00,000	15,00,000	--	--

22. Return on Investment :

Step 1 Net Profit before interest and tax

Net Profit + Interest + Tax i.e. 3,00,000 + 50,000 + 2,00,000 = 5,50,000

Step 2 Return on investment =

Net profit before interest and tax/capital employed x 100

i.e. 5,50,000/40,00,000 x 100 = 13.75%

Debt Equity Ratio : Debt/Equity i.e. 5,00,000/35,00,000 = 1:7

Debt = 10% Debentures Rs.5,00,000

Equity = Capital employed – Debt i.e. 40,00,000 – 5,00,000 = 35,00,000

23. Cash flow from Operating Activities

Net profit 4,00,000 + 2,00,000 (Loss)		6,00,000
Add: Dividend on equity shares	72,000	
Dividend on Preference Shares	30,000	
Transfer to Reserve	<u>60,000</u>	<u>1,62,000</u>
		7,62,000
Add: Depreciation	1,20,000	
Premium on redemption	10,000	
Interest on debenture 32,000 + 8,000	40,000	
Goodwill written off	<u>10,000</u>	<u>1,80,000</u>
		9,42,000
Less: Increase in current assets	(1,70,000)	
Add : Increase in current liabilities	<u>70,000</u>	<u>(1,00,000)</u>
Cash flow from Operating Activities		8,42,000