
SAMPLE PAPER- 3 (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.
-

Partnership, Share Capital and Debentures

1. Can a partner be exempted from sharing the losses in a firm? If yes, under what circumstances?
 - (a) If all partners agree
 - (b) If there is no partnership deed
 - (c) If one partner is new
 - (d) If one partner is active partner (1)
 2. When an asset is taken over by a partner, why is his capital account debited?
 - (a) To increase his capital account
 - (b) To reduce his capital balance
 - (c) To open his current account
 - (d) To close his current account (1)
 3. Apart from location and profitability, list any two other factors affecting Goodwill of a firm. (1)
 4. Can 'Securities premium' be used as working capital? Give reason in support of your answer. (1)
 5. What is the nature of interest on Debentures? (1)
 6. Vinod Limited purchased assets of Fukrey Limited for Rs.8,40,000 and took over the liabilities (creditors) of Rs.80,000 for an agreed purchase consideration of Rs.8,00,000. Vinod Limited issued 12% debentures of Rs.100 each at 25% premium for purchase consideration. Pass necessary Journal entries in the books of Vinod Limited. (3)
 7. A and B were partners in a firm sharing profits in 3:2 ratio. They admitted C and D as new partners. The new profit sharing ratio will be 2:2:1:1. C and D brought Rs.2, 75,000 each for their
-

respective capitals and also necessary amount of premium for goodwill in cash. Goodwill was valued at Rs.2,40,000 for the firm. Calculate sacrificing ratio of A and b and pass necessary Journal entries for the above transactions in the books of the firm. (3)

8. Vinod Limited has 80,000; 8% Debentures of Rs.100 each due for redemption on 31st March, 2014. Assume that Debenture Redemption Reserve has a balance of Rs.38,00,000 on that date. Record necessary journal entries at the time of Redemption of Debentures. (3)

9. 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. Journalise the transactions to record the forfeiture and reissue of shares. (4)

10. DK, EK and FK were partners in a firm sharing profits in the ratio of 5:7:8. Their fixed capitals were ; DK Rs.10,00,000; EK Rs.14,00,000 and FK Rs.16,00,000. Their Partnership deed provided for the following:

(i) Interest on capital @ 10% per annum and Interest on drawings @ 12% per annum.

(ii) Salary of Rs.20,000 per month to FK.

DK Withdrew Rs.80,000 on 31st January, 2013; EK withdrew Rs.1,00,000 on 31st March, 2013 and FK withdrew Rs.60,000 on 31st December, 2013.

During the year ended 31st December, 2013, the firm earned a profit of Rs.7,00,000. Prepare P/L Appropriation Account. Partners have also decided to give more jobs in their business to the economically backward women. Identify the values disclosed by the partners. (4)

11. A, B and C are partners in a firm sharing profits in the ratio of 3 : 2: 1. Their balance sheet as at 31.12.2004 was as under:

| Liabilities | Amount | Assets | Amount |
|-----------------|-----------------|-----------------|-----------------|
| Creditors | 46,000 | Cash in hand | 18,000 |
| General Reserve | 12,000 | Debtors | 25,000 |
| Capitals : A | 40,000 | Less: Provision | <u>3,000</u> |
| B | 40,000 | Stock | 18,000 |
| C | <u>30,000</u> | Furniture | 30,000 |
| | 1,10,000 | Machinery | 68,000 |
| | | Goodwill | 12,000 |
| | <u>1,68,000</u> | | <u>1,68,000</u> |

B retires on 1.1.2005 on the following terms:

(a) Provision for doubtful debts will be raised by Rs.1,000.

(b) Stock will be depreciated by 10% and Furniture by 5%.

(c) There is an outstanding claim for damages of Rs.1,100 and it is to be provided for in the books.

(d) Creditors will be written back by Rs.6,000.

(e) Goodwill of the firm is valued at Rs.24,000, which is not to be shown in the books of the new firm.

(f) B is paid in full with the cash brought in by A and C in such a manner that their capitals are in proportion to their profit sharing ratio 3:2.

Prepare Revaluation A/c, Partners Capital A/cs and Balance Sheet. (6)

12. X Ltd. has an Authorized capital of Rs.15,00,000 divided into 1,00,000 Equity shares of Rs.10 each and 50,000 9% preference share of Rs.10 each .

The company invited applications for all the preference shares but only 90,000 equity shares.

All the preference shares were subscribed, called and paid while subscriptions were received for only 85,000 equity shares. During the first year Rs.8 per share were called.

Ram holding 1,000 shares and Shyam holding 2,000 shares did not pay first call of Rs.2.

Shyam's shares were forfeited after the first call and later on 1,500 of the forfeited shares were reissued at Rs.6 per share Rs.8 called up.

(a) Show share capital in the Balance Sheet as per revised Schedule VI as at 31st March 2013.

(b) Prepare relevant 'Notes to Accounts' (4)

13. A, B and C are partners in a trading firm. The firm has a fixed total capital of Rs.60,000 held equally by all the partners. Under the partnership deed the partners were entitled to:

(a) A and B to a salary of Rs.1,800 and Rs.1,600 per month respectively.

(b) In the event of the death of a partner, Goodwill was to be valued at 2 years purchase of the Average profits of the last 3 years.

(c) Profit upto the date of the death based on the profit of the previous year.

(d) Partners were to be charged interest on drawings at 5% p.a. and allowed interest on capitals at 6% p.a.

B died on 1.1.2011. His drawings to the date of death were Rs.2,000 and the interest thereon was Rs.60. The profits for the three years ending 31.3.2008, 2009 and 2010 were Rs.21,200; Rs.3,200 (Dr.) and Rs.9,000 respectively.

Prepare A's Capital Account to calculate the amount to be paid to his executors. (6)

14. Following is the Balance Sheet of X and Y, who share profits and losses in the ratio of 4 : 1, as at 31st March 2012 :

| Liabilities | Amount | Assets | Amount |
|-----------------------------|----------|---------------------|--------------|
| Sundry Creditors | 8,000 | Bank | 20,000 |
| Bank Overdraft | 6,000 | Debtors | 17,000 |
| X's Brother's Loan | 8,000 | Less : Provision | <u>2,000</u> |
| Y's Loan | 3,000 | Stock | 15,000 |
| Investment Fluctuation fund | 5,000 | Investments | 25,000 |
| Capitals : | | Buildings | 25,000 |
| X | 50,000 | Goodwill | 10,000 |
| Y | 40,000 | Profit and Loss A/c | 10,000 |
| | 90,000 | | |
| | 1,20,000 | | 1,20,000 |

The firm was dissolved on the above date and the following arrangements were decided upon :

(i) X agreed to pay off his brother's loan.

(ii) Debtors of Rs.5,000 proved bad.

(iii) Other assets realized :- Investments 20% less ; and goodwill at 60%.

(iv) One of the creditors for Rs.5,000 was paid only Rs.3,000.

(v) Buildings were auctioned for Rs.30,000 and the auctioneer's commission amounted to Rs.1,000.

(vi) Y took a part of stock at Rs.4,000 (being 20% less than the book value) and balance stock was realized 50%.

(vii) Realisation expenses amounted to Rs.2,000.

Prepare Realisation Account, Partners Capital Account and Cash Account. (6)

15. X and Y were partners in a firm sharing profits in 3 : 1 ratio. They admitted Z as a new partner for 1/4th share in the profits. Z was to bring Rs.20,000 as his capital and the capitals of X and y were to be adjusted on the basis of Z's capital in the profit sharing ratio. The balance sheet of X and Y on 31.3.2006 was as follows:

| Liabilities | | Amount | Assets | | Amount |
|------------------|---------------|--------|-----------|--|--------|
| Sundry Creditors | | 18,000 | Cash | | 5,000 |
| Bills Payable | | 10,000 | Debtors | | 17,000 |
| General Reserve | | 12,000 | Stock | | 12,000 |
| Capitals : X | 25,000 | 35,000 | Machinery | | 21,000 |
| Y | <u>10,000</u> | | Building | | 20,000 |
| | | 75,000 | | | 75,000 |

Other terms of agreement on Z's admission were as follows:

- Z will bring Rs.6,000 for his share of goodwill.
 - Building will be valued at Rs.25,000 and Machinery at Rs.19,000.
 - A Provision at 5% on debtors will be created for bad debts.
 - Capital accounts of X and y were adjusted by opening current accounts.
- Prepare Revaluation A/c, Partners Capital A/cs and Balance Sheet of new firm. (8)

16. Vinod Limited issued 30,000 shares of Rs.10 each at maximum discount, payable as follows:
 Rs.3 per share on Application
 Rs.2 per share on Allotment
 Balance on first and final call
 Applications were received for 50,000 shares.
 Applications for 10,000 shares were rejected and allotment was made on pro-rata basis to the remaining applicants.
 Harish who applied for 1,600 shares failed to pay the amount due on allotment and call. Company forfeited his shares. Later on out of the forfeited shares company reissued 800 shares at Rs.10 per share fully paid up.
 Pass necessary journal entries in the books of Vinod Limited. (8)

Part – B

Financial Statement Analysis

- State with reason whether charging of depreciation on furniture will result into inflow, outflow or no flow of cash. (1)
- Interest received by a finance company is classified under which king of activity while preparing Cash Flow Statement. (1)
- State how qualitative aspects are ignored in Financial Statement Analysis. (1)
- 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) Tax Reserve | (iv) Premium on Redemption of debentures |
| (ii) Interest on calls in advance | (v) Loose Tools |
| (iii) Stores and spares | (vi) Bank Balance |

21. From the following statement of profit and loss of VK Limited for the years ended 31st March 2010 and 2009.

| Particulars | 31 March 2010 | 31 March 2009 |
|---------------------------|-----------------------------------|-----------------------------------|
| Revenue from operations | 300% of cost of material consumed | 200% of cost of material consumed |
| Cost of material consumed | 12,00,000 | 10,00,000 |
| Other Expenses | 20% of cost of material consumed | 10% of cost of material consumed |
| Tax | 50% | 50% |

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 | 3, 00,000 | |
| 10% Debentures | 5, 00,000 | |
| Tax Rate | 40% | |
| Capital Employed | 40, 00,000 | (4) |

23. Following is the Balance Sheets of Greenland Limited as on 31st March 2012:

| Particulars | Note No. | 31 st March 2011-12 (Rs.) | 31 st March 2010-11 (Rs.) |
|---|----------|--------------------------------------|--------------------------------------|
| I. Equity and Liabilities | | | |
| 1. Shareholders' Funds | | | |
| (a) Share Capital | | 12,00,000 | 8,00,000 |
| (b) Reserves and Surplus (Profit Balance) | | 3,50,000 | 4,00,000 |
| 2. Non-current Liabilities | | | |
| Long-term Borrowings : Bank Loan | | 4,40,000 | 3,50,000 |
| 3. Current Liabilities | | | |
| (a) Trade Payables (Creditors) | | 60,000 | 50,000 |
| Total | | <u>20,50,000</u> | <u>16,00,000</u> |
| II Assets | | | |
| 1. Non-current Assets | | | |
| (a) Fixed Assets: | | | |
| (i) Tangible Assets : Machinery | | 12,00,000 | 9,00,000 |
| 2. Current Assets | | | |
| (a) Inventories (Stock) | | 2,00,000 | 1,00,000 |
| (b) Trade Receivables (Debtors) | | 3,10,000 | 2,30,000 |
| (c) Cash and Cash Equivalents | | 3,40,000 | 3,70,000 |
| Total | | <u>20,50,000</u> | <u>16,00,000</u> |

Adjustments:

- (i) The Company paid interest Rs.36,000 on its long term borrowings.
- (ii) Depreciation provided on fixed assets during the year amounted to Rs.1,20,000. (6)

SAMPLE PAPER- 3 (solved)
ACCOUNTANCY
Class – XII

Solution

1. Yes it can be done only if partners have agreed that one or more of them shall not be liable for losses.
2. The main purpose of debiting capital account is to reduce his capital for the asset taken over by him.
3. (i) Efficiency of Management (ii) Quality of Goods or Products
4. 'Securities Premium' cannot be used as working capital. According to Section 77 A and 78 of the Companies Act, 1956, Securities Premium can be utilised only for the specific purposes mentioned under these sections.
5. It is a charge against the profits because it will be paid whether there is profit or loss.
6. Journal

| | | |
|---|----------|----------|
| Sundry Assets A/c Dr. | 8,40,000 | |
| Goodwill A/c (Bal. Fig) | 40,000 | |
| To Liabilities A/c | | 80,000 |
| To Fukrey Limited | | 8,00,000 |
| | | |
| Fukrey Limited | 8,00,000 | |
| To 12% Debentures A/c | | 6,40,000 |
| To Securities premium | | 1,60,000 |
| | | |
| No. of debentures issued = 8,00,000/125 = 6,400 | | |

7. Journal

| | | |
|--------------------------|----------|----------|
| Bank A/c Dr. | 6,30,000 | |
| To C's Capital A/c | | 2,75,000 |
| To D's Capital A/c | | 2,75,000 |
| To Premium for goodwill | | 80,000 |
| | | |
| Premium for goodwill Dr. | 80,000 | |
| To A's Capital A/c | | 64,000 |
| To B's Capital A/c | | 16,000 |

8. Journal

| | | | |
|------------------|----------------------------------|-----------|-----------|
| 2014 March 31 | Statement of Profit and Loss Dr. | 2,00,000 | |
| | To Debenture Redemption Reserve | | 2,00,000 |
| | 8% Debentures A/c Dr. | 80,00,000 | |
| | To Debenture holders A/c | | 80,00,000 |
| | Debenture holders A/c Dr | 80,00,000 | |
| | To Bank | | 80,00,000 |
| | Debenture Redemption Reserve | 40,00,000 | |
| | To General Reserve | | 40,00,000 |

9. Journal

| | | |
|-----------------------------------|-------|-------|
| Share Capital A/c Dr. | 7,000 | |
| To Share Forfeiture A/c | | 4,000 |
| To Share 1 st Call A/c | | 2,000 |
| To Discount on issue of shares | | 1,000 |
| Bank A/c Dr. | 2,000 | |
| Discount on issue of shares | 400 | |
| Share Forfeiture A/c | 400 | |
| To Share Capital | | 2,800 |
| Bank A/c Dr. | 4,200 | |
| Discount on issue of shares | 600 | |
| Share Forfeiture A/c | 1,200 | |
| To Share Capital | | 6,000 |
| Share Forfeiture A/c Dr. | 2,400 | |
| To Capital Reserve | | 2,400 |

10. Profit & Loss Appropriation Account

| Particulars | Amount | Particulars | Amount |
|---------------------------|----------|--------------------------|----------|
| To Interest on capital: | | By Profit b/d | 7,00,000 |
| DK's Current A/c | 1,00,000 | By Interest on drawings: | |
| EK's Current A/c | 1,40,000 | DK's Current A/c | 8,800 |
| FK's Current A/c | 1,60,000 | EK's Current A/c | 9,000 |
| To Salary: | | | |
| FK's Current A/c | 2,40,000 | | |
| To Profit transferred to: | | | |
| DK's Current A/c | 19,450 | | |
| EK's Current A/c | 27,230 | | |
| FK's Current A/c | 31,120 | | |
| | 7,17,800 | | 7,17,800 |

11. Revaluation Account

| Particulars | Amount | Particulars | Amount |
|---------------------------------|--------|---------------------|--------|
| To Provision for doubtful debts | 1,000 | By Sundry creditors | 6,000 |
| To Stock | 1,800 | | |
| To Furniture | 1,500 | | |
| To Provision for out.damages | 1,100 | | |
| To Profit transferred to: | | | |
| A | 300 | | |
| B | 200 | | |
| C | 100 | | |
| | 6,000 | | 6,000 |

Partners' Capital Account

| Particulars | A | B | C | Particulars | A | B | C |
|----------------|--------|--------|--------|--------------------|--------|--------|--------|
| To Goodwill | 6,000 | 4,000 | 2,000 | By Balance b/d | 40,000 | 40,000 | 30,000 |
| To B's Capital | 2,400 | -- | 5,600 | By A's Capital | -- | 2,400 | -- |
| To Balance c/d | 37,900 | 48,200 | 24,500 | By C's Capital | -- | 5,600 | -- |
| | | | | By Revaluation A/c | 300 | 200 | 100 |
| | | | | By General reserve | 6,000 | 4,000 | 2,000 |
| | 46,300 | 52,200 | 32,100 | | 46,300 | 52,200 | 32,100 |
| To balance c/d | 66,360 | 48,200 | 44,240 | By Balance b/d | 37,900 | 48,200 | 24,500 |
| | 66,360 | 48,200 | 44,240 | By Cash (bal.fig) | 28,460 | -- | 19,740 |
| | | | | | 66,360 | 48,200 | 44,240 |

Balance Sheet

| Liabilities | Amount | Assets | Amount |
|----------------------------|----------|------------------------|----------|
| Capitals: A | 66,360 | Plant & Machinery | 68,000 |
| B | 44,240 | Furniture | 28,500 |
| Creditors | 40,000 | Stock | 16,200 |
| Provision for out. damages | 1,100 | Debtors less provision | 21,000 |
| | | Cash | 18,000 |
| | 1,51,700 | | 1,51,700 |

12. Balance Sheet

(Extract only)

| Particulars | Note No. | 2012-13 | 2011-12 |
|---------------------------------|----------|------------------|---------|
| I Equity and Liabilities | | | |
| I. Equity and Liabilities | | | |
| 1. Shareholders' Funds | | | |
| (a) Share Capital | 1 | 11,77,000 | |
| (b) Reserves & Surplus | 2 | 6,000 | |
| | | 11,83,000 | |

Notes to Accounts:

| 1. SHARE CAPITAL | |
|---|------------------|
| Authorised Capital | |
| 1,00,000 equity shares of Rs.10 each | 10,00,000 |
| 50,000 9% preference shares of Rs.10 each | <u>5,00,000</u> |
| Issued capital | |
| 90,000 equity shares of Rs.10 each | 9,00,000 |
| 50,000 9% preference shares of Rs.10 each | <u>5,00,000</u> |
| Subscribed Capital | |
| Subscribed and fully paid | |
| 50,000, 9% preference shares of Rs.10 each | 5,00,000 |
| Subscribed but not fully paid | |
| 84,500 equity shares of Rs.10 each Rs.8 called up | 6,76,000 |
| Less Calls in arrears (2,000) | 6,74,000 |
| Add shares forfeited | <u>3,000</u> |
| | 11,77,000 |
| 2. RESERVES AND SURPLUS | |
| Capital Reserve | 6,000 |
| | 11,83,000 |

13. B's Capital Account

| Particulars | Amount | Particulars | Amount |
|----------------------------------|--------|------------------------|--------|
| To Drawings | 2,000 | By Balance b/d | 20,000 |
| To Interest on Drawings | 60 | By Salary | 14,400 |
| To B's Executor's A/c (Bal. fig) | 41,490 | By A's Capital | 3,000 |
| | | By C's Capital | 3,000 |
| | | By P/L Suspense | 2,250 |
| | | By Interest on capital | 900 |
| | 43,550 | | 43,550 |

14. Realisation Account

| Particulars | Amount | Particulars | Amount |
|--------------------------------|----------|--------------------------------|----------|
| To Sundry Assets: | | By Investment F. Fund | 5,000 |
| Goodwill 10,000 | | By Provision for D. Debts | 2,000 |
| Building 25,000 | | By Creditors | 8,000 |
| Investment 25,000 | | By Bank Overdraft | 6,000 |
| Stock 15,000 | | By X's Brother's Loan | 8,000 |
| Debtors <u>17,000</u> | 92,000 | By Bank A/c (Assets realized): | |
| To X's Capital A/c (loan) | 8,000 | Goodwill 6,000 | |
| To Bank A/c (liabilities paid) | | Building 30,000 | |
| Creditors 6,000 | | Investment 20,000 | |
| Bank overdraft <u>6,000</u> | 12,000 | Stock 5,000 | |
| To Bank A/c (Commission) | 1,000 | Debtors <u>12,000</u> | 73,000 |
| To Bank A/c (Exp.) | 2,000 | By Y's Capital A/c (stock) | 4,000 |
| | | By Loss transferred to: | |
| | | X | 7,200 |
| | | Y | 1,800 |
| | 1,15,000 | | 1,15,000 |

Partners' Capital Account

| Particulars | X | Y | Particulars | X | Y |
|-----------------------|--------|--------|--------------------|--------|--------|
| To P/L A/c | 8,000 | 2,000 | By Balance b/d | 50,000 | 40,000 |
| To Realisation A/c | -- | 4,000 | By Realisation A/c | 8,000 | -- |
| To Realisation A/c | 7,200 | 1,800 | | | |
| To Bank A/c (payment) | 42,800 | 32,200 | | | |
| | 58,000 | 40,000 | | 58,000 | 40,000 |

Bank Account

| Particulars | Amount | Particulars | Amount |
|--------------------|--------|----------------------------|--------|
| To Balance b/d | 20,000 | By Realisation A/c (Liab.) | 12,000 |
| To Realisation A/c | 73,000 | By Realisation (Comm.) | 1,000 |
| | | By Realisation (Exp.) | 2,000 |
| | | By Y's Loan A/c | 3,000 |
| | | By X's Capital A/c | 42,800 |
| | | By Y's Capital A/c | 32,200 |
| | 93,000 | | 93,000 |

15. Revaluation Account

| Particulars | Amount | Particulars | Amount |
|---------------------------------|--------|-----------------|--------|
| To Machinery A/c | 2,000 | By Building A/c | 5,000 |
| To Provision for doubtful debts | 850 | | |
| To Profit transferred to: | | | |
| X | 1,613 | | |
| Y | 537 | | |
| | 5,000 | | 5,000 |

Partners' Capital Account

| Particulars | X | Y | Z | Particulars | X | Y | Z |
|--------------------|--------|--------|--------|--------------------|--------|--------|--------|
| To Balance c/d | 40,113 | 15,037 | 20,000 | By Balance b/d | 25,000 | 10,000 | -- |
| | | | | By Revaluation A/c | 1,613 | 537 | -- |
| | | | | By Gen Reserve | 9,000 | 3,000 | -- |
| | | | | By Cash | -- | -- | 20,000 |
| | | | | By Premium | 4,500 | 1,500 | -- |
| | 40,113 | 15,037 | 20,000 | | 40,113 | 15,037 | 20,000 |
| To Y's current A/c | -- | 37 | -- | By Balance b/d | 40,113 | 15,037 | 20,000 |
| To Bal. c/d | 45,000 | 15,000 | 20,000 | By X's current A/c | 4,887 | -- | -- |
| | 45,000 | 15,037 | 20,000 | | 45,000 | 15,037 | 20,000 |

Balance Sheet

| Liabilities | Amount | Assets | Amount |
|--------------------|----------|------------------------|----------|
| Capitals: X 45,000 | | Building | 25,000 |
| Y 15,000 | | Machinery | 19,000 |
| Z <u>20,000</u> | 80,000 | Stock | 12,000 |
| Creditors | 18,000 | Debtors less provision | 16,150 |
| Bills Payable | 10,000 | Cash | 31,000 |
| Y's Current A/c | 37 | X's Current A/c | 4,887 |
| | 1,08,037 | | 1,08,037 |

16. Journal

| Date | Particulars | L.F | Debit | Credit |
|------|--------------------------------|-----|----------|----------|
| | Bank A/c Dr. | | 1,50,000 | |
| | To Share Application A/c | | | 1,50,000 |
| | Share Application A/c Dr. | | 1,50,000 | |
| | To Share Capital | | | 90,000 |
| | To Share Allotment | | | 30,000 |
| | To Bank A/c | | | 30,000 |
| | Share Allotment A/c Dr. | | 60,000 | |
| | Discount on issue of shares | | 30,000 | |
| | To Share capital | | | 90,000 |
| | Bank A/c Dr. | | 28,800 | |
| | To Share Allotment A/c | | | 28,800 |
| | Share final call A/c | | 1,20,000 | |
| | To Share Capital A/c | | | 1,20,000 |
| | Bank A/c Dr. | | 1,15,200 | |
| | To Share Final call | | | 1,15,200 |
| | Share Capital A/c Dr. | | 12,000 | |
| | To Share Allotment | | | 1,200 |
| | To Share Final call | | | 4,800 |
| | To Discount on issue of shares | | | 1,200 |
| | To Share Forfeiture | | | 4,800 |

| | | | |
|--------------------|--|-------|-------|
| Bank A/c | | 8,000 | |
| To Share Capital | | | 8,000 |
| Share Forfeiture | | 3,200 | |
| To Capital Reserve | | | 3,200 |

17. Depreciation is a non-cash expense. Therefore, there is no flow of cash.

18. Operating Activity

19. Financial statements are concerned with the monetary aspect only, the qualitative aspect like quality of goods, efficiency of management and workers etc. are ignored while carrying out the analysis of financial statements.

20. Major Head and Sub-head

| Particulars | Major Headings | Sub-headings |
|--|-------------------------|-----------------------------|
| (i) Tax Reserve | Shareholders' funds | Reserves & Surplus |
| (ii) Interest on calls in advance | Current Liabilities | Other current liabilities |
| (iii) Stores and spares | Current Assets | Inventories |
| (iv) Premium on Redemption of debentures | Non-current Liabilities | Other long term liabilities |
| (v) Loose Tools | Current Assets | Inventories |
| (vi) Bank Balance | Current Assets | Cash & Cash Equivalents |

21. Comparative Statement of Profit & Loss

| Particulars | Note No. | 31-3-2010 | 31-3-2009 | Absolute change | % change |
|---------------------------|----------|------------------|-----------------|-----------------|-------------|
| Revenue from operations | | 36,00,000 | 20,00,000 | 16,00,000 | 80% |
| Other income | | | | | |
| Less: Expenses: | | | | | |
| Cost of Material consumed | | 12,00,000 | 10,00,000 | 2,00,000 | 20% |
| Other Expenses | | 2,40,000 | 1,00,000 | 1,40,000 | 140% |
| Total Expenses | | 14,40,000 | 11,00,000 | 3,40,000 | 30.90% |
| Total Revenue | | 21,60,000 | 9,00,000 | 12,60,000 | 140% |
| Less : Tax | | 10,80,000 | 4,50,000 | 6,30,000 | 140% |
| Profit after tax | | 10,80,000 | 4,50,000 | 6,30,000 | 140% |

22. Return on investment (ROI) = EBIT/Capital Employed

Earning after interest and tax = 3,00,000 + 50,000 interest + 2,00,000 tax = 5,50,000

Now ROI is = 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 Statement

| | |
|--|------------------------|
| (A) Cash Flow from Operating Activities | |
| Net Loss during the year | (50,000) |
| Add: Interest on Borrowings | 36,000 |
| Depreciation | <u>1,20,000</u> |
| <i>Operating Profit/loss before working capital changes</i> | 1,06,000 |
| Add: Increase in Trade Payables | 10,000 |
| Less : Increase in Inventories | (1,00,000) |
| Less: Increase in Trade Receivables | <u>(80,000)</u> |
| <i>Cash used in Operating Activities</i> | (64,000) |
| (B) Cash Flow from Investing Activities | |
| Purchased of fixed assets | <u>(4,20,000)</u> |
| <i>Cash used in investing activities</i> | (4,20,000) |
| (C) Cash Flow from Financing Activities | |
| Proceeds from issue of share capital | 4,00,000 |
| Interest paid on debentures | (36,000) |
| Long term borrowings (raised) | 90,000 |
| <i>Cash flow from financing activities</i> | <u>4,54,000</u> |
| (D) Net increase/decrease in cash and cash equivalents (A+B+C) | (30,000) |
| Add: Cash & Cash Equivalents in the beginning of the year | <u>3,70,000</u> |
| Cash and Cash Equivalents at the end of the period | 3,40,000 |

Fixed Assets Account

| Particulars | Amount | Particulars | Amount |
|--------------------|-----------|-------------------|-----------|
| To Balance b/d | 9,00,000 | By P/L A/c (Dep.) | 1,20,000 |
| To Cash (Purchase) | 4,20,000 | By Balance c/d | 12,00,000 |
| | 13,20,000 | | 13,20,000 |