CBSE
Class XII Accountancy

Time: 3 hrs **Total Marks: 80**

General Instructions:

1) This question paper contains two parts **A** and **B**.
2) Part A consists of 60 marks and Part B consists of 20 marks.
3) All parts of a question should be attempted at one place.

PART – A

1. Pass journal entry to distribute 'Workmen Compensation Reserve' of ₹1,40,000 at the time of retirement of Noor, when there is a claim of ₹50,000 against it. The firm has three partners, Neeti, Noor and Nayan. **[1]**

2. Ranjan and Rajani are partners in a firm without a partnership deed. Ranjan's Capital is ₹20,000 and Rajani's capital is ₹28,000. Ranjan has advanced a loan of ₹10,000 and claims interest @ 12% p.a. on it. State with reasons whether his claim is valid or not. **[1]**

3. Sunil and Suman were partners in a firm sharing profits in 3:2 ratio. From 1st March, 2016, they decided to change it to 3:1. For this purpose the goodwill of the firm was valued at ₹2,60,000. Give necessary journal entry for the treatment of goodwill. **[1]**

4. Varun, Vrijesh and Vrunda were partners sharing profits in the ratio of 5:3:2. Vrijesh retired on 1st January, 2016 with A and C agreeing to share the profits in future in the ratio of 6:4. Find the Gaining Ratio. **[1]**

5. On 20.2.2016 the first call of ₹2 per share became due on 50,000 equity shares allotted by Indrani Ltd. Inder a holder of 1200 shares did not pay the first call money. Indu a holder of 850 shares paid the second and final call of ₹4 per share along with the first call.
Pass the necessary journal entry for the amount received by opening calls - in - arrears and calls - in - advance account in the books of the company. **[1]**

6. What is Capital Fund? **[1]**

7. From the following, find out the amount of subscriptions to be included in the Income and Expenditure Account for the year ended 31st March, 2015. Subscriptions were received during the year 2014-15 as:

For the year 2013-14	₹200
For the year 2014-15	₹3,000
For the year 2015-16	₹300

Subscriptions outstanding as at 31st March, 2014 were ₹350 out of which ₹50 were considered to be irrecoverable. On the same date, subscriptions received in advance for 2014-15 were ₹200. Subscriptions still outstanding as at 31st March, 2015 amounted to ₹600. **[3]**

8. Aadi, Bali and Khali were partners sharing profits in the ratio of 6:4:5. Their capitals were Aadi- ₹8,00,000, Bali- ₹4,80,000 and khali- ₹4,60,000. On 1st April, 2016, Bali retired from the firm and the new profit-sharing ratio between Aadi and khali was decided as 11:4. On Bali's retirement, the goodwill of the firm was valued at ₹5,25,000. Show your working clearly and pass necessary Journal entry for the treatment of goodwill on Bali's retirement. **[3]**

9. Vijesh and Vishal were partners in a firm sharing profits in the ratio of 3:2.
On 1.4.2015, Vrushali was admitted as a new partner for 1/6th the share in the profits with a guaranteed profit of ₹2,50,000. The new profit sharing ratio between Vishal and Vijesh will remain the same but they decided to bear any deficiency on account of guarantee to Vrushali in the ratio 2:3. The profit of the firm for the year ended 31.3.2016 was ₹12, 00,000.
Prepare Profit and Loss Appropriation Account of Vijesh, Vishal and Vrushali for the year ended 31.3.2016. **[4]**

10. Aparna, Prerna and Priya were partners in a firm sharing profits in the ratio of 2:2:1. On 31-12-2016 Priya died. On that date his Capital account showed a credit balance of ₹3,80,000 and Goodwill of the firm was valued at 2,40,000. There was a debit balance of ₹1,50,000 in the profit and loss account. Priya's share of profit in the year of his death was to be calculated on the basis of the average profit of last five years. The average profit of last five years was ₹1,25,000. The firm closes its books 31st March every year.
Pass necessary journal entries in the books of the firm on Priya's death. **[4]**

11. Pankaj and Sangita were partners in a firm sharing profits in the ratio of 7:8. On 1.4.2016 their firm was dissolved. After transferring assets (other than cash) and outsider's liabilities to realisation account, you given the following information:

a. Ruchir, a creditor of ₹14,00,000 accepted land valued at ₹9,00,000 and paid ₹5,00,000 to the firm.
b. Giriraj, a second creditor for ₹2,35,000 accepted ₹2,00,000 in cash and investments of ₹33,000 in full settlement of his account.
c. Hardik, a third creditor amounting to ₹3,75,000 accepted stock of the book value of ₹2,60,000 for ₹2,45,000 and the balance was paid to him by cheque.
d. Loss on dissolution was ₹1,35,000.

Pass necessary journal entries for the above transactions in the books of the firm. **[6]**

12. Following is the Receipts & Payments Account of a Star Club for the year ending Dec. 31, 2015: **[6]**

Receipts	₹	Payments	₹
To Balance b/d	1,90,000	By Salaries	4,40,000
To Subscriptions	6,70,000	By Sports Equipment	4,00,000
To interest on investments @8% p.a. for full year	40,000	By Balance c/d	1,60,000

Additional information:

i. The club had received ₹30,000 for subscription in 2014 for 2015.
ii. Salaries had been paid only for 11 months
iii. Stock of sports equipment on 31st December 2014 was ₹3,50,000 and on 31st December 2015 ₹7,00,000. Prepare Income & Expenditure Account.

13. Rajeev, Sarvil and Tarun were partners in a firm sharing profit in the ratio of 1:2:3. On 31-3-2015 their Balance sheet was as follows:

Balance Sheet of Rajeev, Sarvil and Tarun
as on 31-3-2016

Liabilities		Amount ₹	Assets	Amount ₹
Creditors		50,000	Land	50,000
Bills Payable		35,000	Building	50,000
			Plant	1,05,000
Capitals			Stock	40,000
Rajeev	1,00,000		Debtors	35,000
Sarvil	50,000		Bank	10,000

Tarun	25,000	1,75,000		
General Reserve		30,000		
		2,90,000		**2,90,000**

On the above date Danish was admitted as new partner and it was decided that:

(i) Goodwill of the firm will be valued at ₹2,70,000

(ii) Land will be revalued at ₹80,000 and building be depreciated by 6%.

(iii) Creditors of ₹6,000 were not likely to be claimed and hence should be written off

Prepare Revaluations Account, Partner's Capital Accounts and Balance Sheet of the reconstitute firm. **[6]**

14. On 1-4-2014 LN Ltd had 12,000, 9% Debentures of 100 each outstanding.

(i) On 1-4-2014 the company purchased 2500 of its own debentures for ₹101 each in the open market and cancelled the same immediately.

(ii) On 1-4-2015 the company redeemed at par debentures of ₹5,50,000 by draw of a lot.

(iii) On 28-2-2016 the remaining debentures were purchased for immediate cancellation for ₹3,97,000.

Pass necessary journal entries for the above transactions in the books of the company ignoring debentures redemption reserve and interest on debentures. **[6]**

15. Gagan Ltd has issued 50,000 equity shares of ₹10 each at a premium of ₹2 per share payable with application money. The incomplete journal entries related to the issue are given below. You are required to complete these blanks.

Books of Gagan Ltd
Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2016 Jan 12	___________ Dr. To ____________________ (Being amount received on application for 75,000 shares @ ₹5 per share including premium)		-----	-----
Jan 21	Equity Share Application A/c Dr. To ______________ To _______________ To _______________ To _______________ (Being Transfer of application money to share capital securities premium, money refunded for 10,000 shares for rejected application and balance adjusted towards amount due on allotment as shares were allotted on Pro-rata basis)		-----	----- ----- ----- -----
Jan 27	__________ Dr. To ______________ (Being Amount due on allotment @ ₹4 per share)		-----	-----
Feb 19	____________ To ______________ (Being Balance amount received on allotment)		-----	-----
April 03	Dr. _________ To ______________ (Being First and Final Call money due)		-----	-----
April 18	Dr __________		-----	

	Calls – in – arrears A/c Dr. To _______________ (Being Money received on First and Final Call)		1,500	-----
April 23	Dr. _________ To _______________ To _______________ (Being Forfeited the shares on which call money was not received)		-----	----- -----
Oct 5	__________ Dr. __________ Dr. To _______________ (Being Re-issued the forfeited shares @ 8 per share fully paid up)		----- -----	-----
-----	_________ Dr. To _______________ (________________________________)		-----	-----

OR

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

On application ₹3 per share (including premium ₹1 per share)

On allotment ₹5 per share (including premium ₹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 remaining applicants. Excess money received with applications was adjusted towards sums due on allotment. Jagdish holding 800 shares failed to pay the allotment money and his shares were immediately forfeited. Afterwards final call was made. Gajanan 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 re-issued at ₹8 per share fully paid up. The re-issued shares included all the forfeited shares of Jagdish.

Pass necessary journal entries for the above transactions in the books of the company. **[8]**

16. Jazz, Harry and Kimmi were partners in a firm sharing profits in the ratio of 5:3:2. On 31-3-2016 their Balance Sheet was as follows:

Balance Sheet of Jazz, Harry and Kimmi
as on 31-3-2016

Liabilities		Amount ₹	Assets		Amount ₹
Creditors		80,000	Land & Building		1,55,000
Investment Fluctuation Fund		20,000	Motor Vans		47,000
P & L Account		80,000	Investments		38,000
Capitals			Machinery		24,000
Jazz	1,00,000		Stock		30,000
Harry	80,000		Debtors	80,000	
Kimmi	40,000	2,20,000	Less : Provision	6,000	74,000
			Cash		32,000
		3,62,000			4,00,000

On the above data Harry retires and Jazz and Kimmi agreed to continue the business on the following terms:

(i) Goodwill of the firm was valued at ₹1,02,000.

(ii) There was a claim of ₹9,000 for workmen's compensation.

(iii) Provision for bad debts was to be reduced by ₹3,000.

(iv) Harry will be paid ₹14,000 in cash and the balance will be transferred in his loan account which will be paid in four equal yearly installments together with interest @ 10% p.a.

(v) The new profit sharing ratio between Jazz and Kimmi will be 3:2 and their capitals will be in their new profit sharing ratio. The capital adjustments will be done by opening current accounts.

Prepare Revaluation Account, Partner's Capital Accounts and Balance Sheet of the new firm.

OR

Arbaaz, Birbal and Chintan were partners in a firm sharing profit in the ratio of 3:2:1. On 31-3-2016 their Balance sheet was as follows:

Balance Sheet of Arbaaz, Birbal and Chintan as on 31-3-2016

Liabilities		Amount ₹	Assets	Amount ₹
Creditors		87,000	Bank	17,000
General Reserve		21,000	Debtors	23,000
			Stock	1,10,000
Capitals			Investments	30,000
Arbaaz	60,000		Furniture & Fittings	10,000
Birbal	40,000		Machinery	38,000
Chintan	20,000	1,20,000		
		2,28,000		2,28,000

On the above date Dhaval was admitted as new partner and it was decided that

(i) The new profit sharing ratio between Arbaaz, Birbal, Chintan and Dhaval will be 2:1:1:1.

(ii) Goodwill of the firm was valued at ₹90,000 and Dhaval brought his share of goodwill premium in cash.

(iii) The Market value of investments was ₹23,000

(iv) Machinery will be reduced to ₹31,000

(v) A Creditor of ₹5,000 was not likely to claim the amount and hence to be written off.

(vi) Dhaval will bring proportionate capital so as to give him $1/6^{th}$ share in the profits of the firm.

Prepare Revaluations Account, Partner's Capital Accounts and Balance Sheet of the reconstitute firm. **[8]**

PART – B

17. "Declaration of final dividend" will result into cash inflow, cash outflow or no cash flow. Explain with reason. **[1]**

18. Oswal Ltd., is carrying on a Mutual Fund business. It invested ₹50,00,000 in shares and ₹25,00,000 in debentures of various companies during the year. It received ₹5,00,000 as dividend and interest. Find out Cash Flow from Investing Activities. **[1]**

19. (a) Under what heads and following items will appear in the Balance Sheet of a company as per Schedule III of the Companies Act, 2013:

(i) Encashment of Employees Earned Leave payable on retirement

(ii) Vehicles?

(iii) Subsidy Reserve;

(iv) Mining Rights;

(b) Write down any one objective of Financial Statement Analysis. **[4]**

20. From the details given below, calculate the following ratios. **[4]**

(a) Inventory (Stock) Turnover Ratio

(b) Operating Ratio

	₹		₹
Revenue from Operations (Net Sales)	2,20,000	Debtors	16,000

Cost of Revenue from Operations, i.e., Cost of Goods Sold	1,80,000	Operating Expenses	19,000
Opening Inventory	28,000	Net Fixed Assets	1,35,000
Closing Inventory	32,000		

21. From the following information provided, prepare Comparative Statement of Loss for the period 2016 and 2015: **[4]**

Particulars	2016	2015
Revenue from Operations	₹8,00,000	₹5,00,000
Cost of Materials Consumed	30% of Revenue from Operations	50% of Revenue from Operations
Other Expenses % (Revenue from Operations - Cost of Materials Consumed)	5%	15%
Income Tax	50%	50%

22. Following are the Balance Sheets of Krishna Ltd. as on 31st March, 2016 and 2015: **[6]**

BALANCE SHEETS OF KRISHNA LTD.
as of 31st March, 2016 and 2015

Particulars	Note No.	31st March, 2016	31st March, 2015
I. EQUITY AND LIABILITIES			
1. **Shareholders' Funds**			
a. Share Capital		16,00,000	12,00,000
b. Reserves and Surplus		5,00,000	4,00,000
2. **Non-Current Liabilities**			
a. Long-term Borrowings		7,80,000	4,20,000
3. **Current Liabilities**			
Trade Payables		1,00,000	60,000
Short-term Provisions		2,80,000	2,00,000
Total		**32,60,000**	**22,80,000**
II. ASSETS			
1. Non-Current Assets			
a. Fixed Assets:			
i. Tangible Assets		16,00,000	9,00,000
ii. Intangible Assets		2,40,000	3,00,000
2. Current Assets			
a. Inventories		4,00,000	3,50,000
b. Trade Receivables		8,50,000	6,50,000
c. Cash and Cash Equivalents		1,70,000	80,000
Total		**32,60,000**	**22,80,000**

Notes to Accounts

Particulars	31st March, 2016	31st March, 2015
1. **Reserves and Surplus**		
Surplus, i.e., Balance in Statement of Profit and Loss	5,00,000	4,00,000
2. **Short-term Provisions**		
Provision for Tax	80,000	60,000
3. **Tangible Assets**		
Machinery	17,60,000	10,00,000
Less: Accumulated Depreciation	(1,60,000)	(1,00,000)
	16,00,000	9,00,000
4. **Intangible Assets**		
Goodwill	2,40,000	3,00,000

Prepare Cash Flow Statement after taking into account the following adjustment: Tax paid during the year amounted to ₹1,10,000.

CBSE
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Solution

PART – A

Answer 1

Journal Entry

Date	**Particulars**	**L.F.**	**Debit ₹**	**Credit ₹**
	Workman Compensation Reserve A/c Dr.		1,40,000	
	To Workman Compensation Claim A/c			50,000
	To Neeti's Capoital A/c			30,000
	To Noor's Capital A/c			30,000
	To Nayan's Capital A/c			30,000
	(Being the liabilities for Workman Compensation created out of reserve and remaining reserve distributed equally amongst the partners)			

Answer 2

Claim of Ranjan is not valid because in the absence of partnership deed, interest on partner's loan will be given @ 6% p.a.

Answer 3

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Sunil's Capital A/c Dr.		39,000	
	To Suman's Capital A/c			39,000
	(Being adjustment made for goodwill at the time of change in ratio)			

Note: Goodwill adjustment amount = 2,60,000 × 3/20 = 39,000

Answer 4

Old Share = 5 :3: 2

New Share of Varun and Vrunda = 6:4 ... (Given)

Gain Ratio = New Ratio– Old Ratio

A = 6/10 – 5/10 = 1/10

C = 4/10 – 2/10 = 2/10

Answer 5

In the books of Indrani Ltd
Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2016 Feb 20	Equity Share First Call A/c Dr. To Equity Share Capital A/c (Being first Call money due on 50,000 equity shares @ ₹2 each)		1,00,000	 1,00,000
	Bank A/c Dr. Calls – in – Arrears A/c Dr. To Equity Share First Call A/c To Calls – in – Advance A/c (Being amount received on first call except 1200 shares @ ₹2 each and second and final call received in advance @ ₹4 each on 850 shares)		1,01,000 2,400	 1,00,000 3,400

Answer 6

Capital Fund is the excess of assets over liabilities of a Not-For-Profit organisation.

Answer 7

Subscriptions Account

Dr. Cr.

Date	Particulars	₹	Date	Particulars	₹
2014 April 01	To Outstanding Subscription A/c	3,50	2014 April 01	By Subscriptions Received in Advance A/c	200
	To Income and Expenditure A/c (Balancing Figure)	3,700		By Income and Expenditure A/c (For Bad Debts)	50
2015 March 31	To Subscriptions Received in Advance A/c	3,00		By Bank A/c [₹(200 + 3,000 + 300)]	3,500
			2015 March 31	By Outstanding Subscriptions A/c	600
		4,350			**4,350**

Answer 8

JOURNAL

Date	Particulars	L.F.	Debit ₹	Credit ₹
2016 April 1	Aadi's Capital A/c Dr. To Bali's Capital A/c To Khali's Capital A/c (Being the treatment of goodwill on Bali's retirement)		1,75,000	 1,40,000 35,000

Working Note:

Calculation of Gaining Ratio (New Ratio - Old Ratio)

$\text{Aadi's Gain} = \frac{11}{15} - \frac{6}{15} - \frac{5}{15}\text{(Gain)};$

$\text{Khali's Gain} = \frac{4}{15} - \frac{5}{15} = -\frac{1}{15}\text{(Sacrifice)}$

Thus, Aadi is the only gaining partner. He will compensate not only Bali but also Khali, the sacrificing partner.

Goodwill of the firm =₹5,25,000
Bali's Share = ₹5,25,000 × 4/15 = ₹1,40,000
Aadi to compensate Khali to the extent of sacrifice made by him, ₹5,25,000 × 1/15 = 35,000.

Answer 9

Profit and Loss Appropriation Account
for the year ended March 31,2016

Dr. **Cr.**

Particulars		Amount ₹	Particulars	Amount ₹
To Profit transferred to :			By Profit and Loss A/c	12,00,000
Vijesh's Capital A/c	5,70,000			
Vishal's Capital A/c	3,80,000			
Vrushali's Capital A/c	2,50,000	12,00,000		
		12,00,000		12,00,000

Woring Notes:

$\text{Vrushali's Share in Profit} = 12,00,000 \times \frac{1}{6} = 2,00,000$

$\text{Minimum Guaranteed Profit to Vrushali} = 2,50,000$

$\text{Deficiency} = 50,000 (2,50,000 - 2,00,000)$

Deficiency to be borne by Vijesh and Vishal in the ratio of 2 : 3

$\text{Amount to be borne by Vijesh} = 50,000 \times \frac{2}{5} = 20,000$

$\text{Amount to be borne by Vishal} = 50,000 \times \frac{3}{5} = 30,000$

$\text{Remaining Profit Share} = 9,50,000$

$\text{Vijesh's Profit Share} = 9,50,000 \times \frac{3}{5} = 5,70,000$

$\text{\& Vishal's Profit Share} = 9,50,000 \times \frac{2}{5} = 3,80,000$

Answer 10

Journal

Date	Particulars		L.F.	Dr. ₹	Cr. ₹
	Aparna's Capital A/c	Dr.		24,000	
	Prerna's Capital A/c	Dr.		24,000	
	To Priya's Capital A/c				48,000
	(Being adjustment of goodwill done in gaining ratio)				

	Aparna's Capital A/c Dr. Prerna's Capital A/c Dr. Priya's Capital A/c Dr. To Profit and Loss A/c (Being debit balance in P & L written off among all partners in old ratio)		60,000 60,000 30,000	 1,50,000
	Profit and Loss Suspense A/c Dr. To Priya's Capital A/c (Being priya's share of profit up to date of death dispensed through P&L Suspense A/c)		18,750	 18,750
	Priya's Capital A/c Dr. To Priya's Executor A/c (Being amount due to Priya transferred to his Executor A/c)		4,16,750	 4,16,750

Working Notes:

WN 1: Calculation of Priya's Share of Goodwill

$$\text{Priya's Share of Goodwill} = \text{Firm's Goodwill} \times \text{His Profit Share}$$

$$= 2,40,000 \times \frac{1}{5} = 48,000$$

48,000 will be borne by gaining partners in gaining ratio

Since, nothing is specified; it is assumed that continuing partners gain in their old profit sharing ratio of 2:2

$$\text{Aparna's gain} = 48,000 \times \frac{2}{4} = 24,000$$

$$\text{Prerna's gain} = 48,000 \times \frac{2}{4} = 24,000$$

WN2: Calculation of Share of Debit balance in P & L A / c

$$\text{Aparna's Share} = 1,50,000 \times \frac{2}{5} = 60,000$$

$$\text{Prerna's Share} = 1,50,000 \times \frac{2}{5} = 60,000$$

$$\text{Priya's Share} = 1,50,000 \times \frac{1}{5} = 30,000$$

WN3: Calculation of Share in Profit (earned during the year)

Priya's Share

= Average Profits × Number of Months Priya Remained × His Profit Share

$$= 1,25,000 \times \frac{9}{12} \times \frac{1}{5} = 18,750$$

WN4: Calculation of Amount transferred to Priya's Executor A / c

$$\text{Amount due to Priya} = \text{Capital} + \text{Credit Items} - \text{Debit Items}$$

$$= 3,80,000 + 48,000 - 30,000 + 18,750 = 4,16,750$$

Answer 11

In the books of ……
Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
(a)	Bank A/c Dr. To Realisation A/c (Being Ruchir a creditor of ₹14,00,000 accepted machinery valued at ₹9,00,000 and paid ₹5,00,000 to the firm)		5,00,000	 5,00,000
(b)	Realisation A/c To Cash A/c (Being Giriraj, a second creditor of 2,35,000 accepted 2,00,000 in cash and investment of 33,000 in full settlement)		2,00,000	 2,00,000
(c)	Realisation A/c Dr. To Bank A/c (Being Hardik, a third creditor of 3,75,000 accepted Stock of book value of 2,60,000 for 2,45,000 and balance paid by cheque)		1,30,000	 1,30,000
(d)	Pankaj's Capital A/c Dr. Sangita's Capital A/c Dr. To Realisation A/c (Being loss on dissolution transferred to partners capital accounts)		63,000 72,000	 1,35,000

Note: No entry will be made when asset is taken over by the creditor.

Answer 12

Income and Expenditure Account
For the year ended 31st December, 2015

Dr. Cr.

Expenditure		₹	Income		₹
To Salaries	4,40,000		By Subscription	6,70,000	
Add: outstanding	40,000	4,80,000	Add: Advance Subscription		
To Dep. on sports equipment:			received (PY)	30,000	7,00,000
Opening stock	3,50,000		By Interest on investments		40,000
Add: Purchases	4,00,000				
	7,50,000				
Less: closing stock	7,00,000	50,000			
To Excess of income over expenditure, i.e, Surplus		2,10,000			
		7,40,000			**7,40,000**

Answer 13

Revaluation Account

Dr. Cr.

Particulars		Amount ₹	Particulars	Amount ₹
To Building A/c		3,000	By Land A/c	30,000
To Revaluation Profit A/c			By Creditors A/c	6,000
Rajeev	5,500			
Sarvil	11,000			
Tarun	16,500	33,000		
		36,000		**36,000**

Partner's Capital Account

Dr. **Cr.**

Particulars	Rajeev ₹	Sarvil ₹	Tarun ₹	Particulars	Rajeev ₹	Sarvil ₹	Tarun ₹
To Tarun's Capital A/c	45,000			By Balance b/d	1,00,000	50,000	25,000
				By Revaluation Profit A/c	5,500	11,000	16,500
				By General Reserve A/c	5,000	10,000	15,000
				By Rajeev's Capital A/c			45,000
To Balance c/d	65,500	71,000	1,01,500				
	1,10,500	71,000	1,01,500		1,10,500	71,000	1,01,500

Balance Sheet

Liabilities		Amount ₹	Assets		Amount ₹
Capital					
Rajeev	65,500		Land	50,000	
Sarvil	71,000		Add :Increase	30,000	80,000
Tarun	1,01,500	2,38,000	Building	50,000	
			Less : Depreciation	3,000	47,000
Creditors	50,000				
Less : Written off	6,000	44,000	Plant		1,05,000
			Bank		10,000
Bills payable		35,000	Stock		40,000
			Debtors		35,000
		3,17,000			**3,17,000**

Working Notes

Old Ratio	New Ratio
1 : 2 : 3	1 : 1 : 1

Sacrificing Ratio of Rajeev = Old Ratio - New Ratio $= \frac{1}{6} - \frac{1}{3} = \boxed{\frac{1}{6}} \Rightarrow$ Gaining

Sacrificing Ratio of Sarvil = Old Ratio - New Ratio $= \frac{2}{6} - \frac{1}{3} = \frac{0}{6}$

Sacrificing Ratio of Tarun = Old Ratio - New Ratio $= \frac{3}{6} - \frac{1}{3} = \boxed{-\frac{1}{6}} \Rightarrow$ Sacrificing

Rajeev will compensate Tarun, since he is gaining

Rajeev's Capital A/c	Dr.	45,000	
To Tarun's Capital A/c			45,000

Answer 14

In the books of LN Ltd
Journal

Date	Particulars		L.F.	Dr. ₹	Cr. ₹
(i) 2014 Apr 01	Own Debentures A/c	Dr.		2,52,500	
	To Bank A/c				2,52,500
	(Being purchase of 2,500 own debentures @ ₹101 each)				
	9% Debentures A/c	Dr.		2,50,000	
	Loss on Cancellation of own Debentures	Dr.		2,500	
	To own Debentures A/c				2,52,5000
	(Being cancellation of own debentures)				
(ii) 2015 Apr 01	9% Debentures A/c	Dr.		5,50,000	
	To Debenture holders A/c				5,50,000
	(9% Debenture due for redemption)				
	Debentures holders A/c	Dr.		5,50,000	
	To Bank A/c				5,50,000
	(Being amount paid to debenture holders)				
(iii) 2016 Feb 28	Own Debentures A/c	Dr.		3,97,000	
	To Bank A/c				3,97,000
	(Purchase of 4,000 own debentures)				
	9% Debentures A/c	Dr		4,00,000	
	To Own Debentures A/c				3,97,000
	To Gain (Profit) on Cancellation				3,000
	(Being own debentures purchased and cancelled)				
	Gain (Profit) on Cancellation A/c	Dr.		3,000	
	To Capital Reserve A/c				3,000
	(Being transfer of Gain (Profit) on redemption of debentures to Capital Reserve)				

Answer 15

Books of Gagan Ltd
Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2016 Jan 12	Bank A/c Dr. To Equity Share Application A/c (Being amount received on application for 75,000) shares @ ₹5 per share including premium)		3,75,000	 3,75,000
Jan 21	Equity Share Application A/c Dr. To Equity Share Capital A/c To Securities Premium A/c To Equity Share Allotment A/c To Bank A/c (10,000 × ₹5) (Being transfer of application money to share capital securities premium, money refunded for 10,000 shares for rejected application and balance adjusted towards amount due on allotment as shares were allotted on Pro-rata basis)		3,75,000	 1,50,000 1,00,000 75,000 50,000
Jan 27	Equity Share Allotment A/c Dr. To Equity Share Capital A/c (Being amount due on allotment @ ₹4 per share)		2,00,000	 2,00,000
Feb.19	Bank A/c To Equity Share Allotment A/c (Being balance amount received on allotment)		1,25,000	 1,25,000
April.03	Equity Share First & Final Call (50,000 × ₹3) Dr. To Equity Share Capital A/c (Being first and Final Call money due)		1,50,000	 1,50,000
April 18	Bank A/c Dr. Calls – in – arrears A/c (500 × ₹3) Dr. To Equity Share First and Final Call A/c (Being money received on First and Final Call)		1,48,500 1,500	 1,50,000
April 23	Equity Share Capital A/c (500 × ₹10) Dr. To Equity Share Forfeiture A/c (500 ×₹ 7) To Equity Share First & Final Call A/c (Being forfeited the shares on which call money was not received)		5,000	 3,500 1,500
Oct.5	Bank A/c (500 × ₹8) Dr. Equity Share Forfeiture A/c (500 × ₹2) Dr. To Equity Share Capital A/c (Being re-issued the forfeited shares @ ₹8 per share fully paid up)		4,000 10,000	 5,000
Oct.5	Equity Share Forfeiture A/c Dr. To Capital Reserve A/c (Being amount Transferred to Capital Reserve)		2,500	 2,500

OR

Books of Silent Ltd
Journal

Date	Particulars		L.F.	Dr. ₹	Cr. ₹
	Bank A/c	Dr.		12,00,000	
	To Equity Share Application A/c				12,00,000
	(Being amount received on application for 4,00,000)				
	Equity Share Application A/c	Dr.		12,00,000	
	To Equity Share Capital A/c				6,40,000
	To Securities Premium A/c				3,20,000
	To Equity Share Allotment A/c				1,20,000
	To Bank A/c				1,20,000
	(Being Amount of application transferred to Share Capital and excess money is adjusted towards allotment)				
	Equity Share Allotment A/c	Dr.		16,00,000	
	To Equity Share Capital A/c				9,60,000
	To Securities Premium A/c				6,40,000
	(Being Amount due on allotment)				
	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 Amount Received on Share Allotment)				
	Share Capital A/c	Dr.		4,000	
	Securities Premium A/c	Dr.		1,600	
	To Share Forfeiture A/c				1,900
	To Share Allotment A/c				3,700
	(Being 800 shares of Jagdish are forfeited due to non – payment of allotment money)				
	Equity Share First and Final A/c	Dr.		22,34,400	
	To Equity Share Capital A/c				15,96,000
	To Securities Premium A/c				6,38,400
	(Being Amount due on first and final call on 3,19,200shares)				
	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 Amount received on first and final call)				
	Equity Share Capital A/c	Dr		24,000	
	Securities Premium A/c	Dr		4,800	
	To Equity Share Forfeiture A/c				12,000
	To Equity Share First and Final Call A/c				16,800
	(Being Shares of Gajanan were forfeited)				
	Bank A/c	Dr.		12,000	
	Share Forfeiture A/c	Dr.		3,000	
	To Equity Share Capital A/c				15,000
	(Being Forfeited shares were re-issued at ₹8 per share fully paid up)				
	Equity Share Forfeiture A/c	Dr.		2,400	
	To Capital Reserve A/c				2,400
	(Being Excess amount on forfeiture is transferred to capital reserve)				

Computation Table

Categories	Applied Shares	Shares Allotted	Money Received on Application @ ₹3 each	Money transferred to Share Capital @ ₹2 each	Money transferred to Securities Premium @ ₹1 each	Excess Application money	Amount Adjusted on Allotment	Money refunded
I	40,000		1,20,000			1,20,000		1,20,000
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	1,20,000

Calculation of amount unpaid on Allotment

$$\text{Share Applied by Jagdish} = \frac{3,60,000}{3,20,000} \times 800 = 900 \text{ shares}$$

Excess money received from Jagdish	=	300 (100 × 3)
Amount due on Allotment	=	2,400 (800 × 3)
Less : Excess Application Money	=	₹300
Amount unpaid on Allotment	=	2,100
Amount unpaid on Securities Premium	=	1,600 (800 × 2)
Total amount unpaid on allotment	=	₹3,700

Calculation of amount received from Jagdish (Share Forfeiture.Cr.)

Amount received on application	=	1,600 (800 × 2) ⇒ excluding premium
Add :Excess Application money	=	300
Share Forfeiture (Cr.)	=	1,900

Unpaid amount on First and Final Call

$$\text{Share Allotted to Gajanan} = \frac{3,20,000}{3,60,000} \times 2,700 = 2,400 \text{ shares}$$

Unpaid amount on First and Final Call $= 16,800 (2,400 \times 7)$

Calculation of amount received from Gajanan (Share Forfeiture.Cr.)

Amount received on application	=	₹4,800 (2,400 ×2) ⇒ excluding premium
Amount received on allotment	=	₹7,200 (2,400 × 3) ⇒ excluding premium
Total amount received	=	₹12,000

Calculation of Capital Reserve

(i) 800 shares of Jagdish are reissued

Share forfeiture (Cr.)	=	900
Less :Share forfeiture (Dr.)	=	1,600 (800 × 2)
Capital Reserve	=	300

(ii) 700 Shares of Gajanan are reissued

Share Forfeiture (Cr.) for 700 shares	=	3,500 $\left(\frac{12,000}{2,400} \times 700\right)$
Less : Share Forfeiture (Dr.)	=	1400 (700 × 2)
Capital Reserve	=	2,100
Total Amount of Capital Reserve	=	2,400 (2,100 + 300)

Answer 16

Revaluation Account

Dr. **Cr.**

Particulars	Amount ₹	Particulars		Amount ₹
To Claim for Workman Compensation A/c	9,000	By Provision for Doubtful Debts A/c		3,000
		By Loss on Revaluation		
		Jazz's Capital A/c	3,000	
		Harry's Capital A/c	1,800	
		Kimmi's Capital A/c	1,200	6,000
	8,000			8,000

Partner's Capital Account

Dr. **Cr.**

Particulars	Jazz ₹	Harry ₹	Kimmi ₹	Particulars	Jazz ₹	Harry ₹	Kimmi ₹
To Revaluation A/c	3,000	1,800	1,200	By Balance b/d	1,00,000	80,000	40,000
To Harry's Capital A/c	10,200		20,400	By IFF A/c	10,000	6,000	4,000
To Cash A/c		14,000		By P&L A/c	40,000	24,000	16,000
To Harry's Loan A/c		1,24,800		By Jazz's Capital A/c		10,200	
To Balance c/d	1,36,800		38,400	By Kimmi's Capital A/c		20,400	
	1,50,000	**1,40,600**	**60,000**		**1,50,000**	**1,40,600**	**60,000**
To Current A/c	31,680			By Balance b/d	1,36,800		38,400
To Balance c/d	1,05,120		70,080	By Current A/c			31,680
	1,36,800		**70,080**		**1,36,800**		**70,080**

Balance Sheet
as on March 31,2016

Liabilities		Amount ₹	Assets		Amount ₹
Creditors		80,000	Land and Building		1,55,000
			Motor Vans		47,000
Capitals			Investment		38,000
Jazz	1,05,120		Machinery		24,000
Kimmi	70,080	1,75,200	Stock		30,000
			Debtors	80,000	
Jazz's Current A/c		31,680	Less : Provision	3,000	77,000
Claim for Workmen Comp.		9,000	Cash (32,000 – 14,000)		18,000
Harry's Loan A/c		1,24,800	Kimmi's Current A/c		31,680
		4,20,680			**4,20,680**

Working Notes:

WN1 : Calculation of Gaining Ratio

Gaining Ratio = New Ratio - Old Ratio

Jazz's $= \frac{3}{5} - \frac{5}{10} = \frac{1}{10}$

Kimmi's $= \frac{2}{5} - \frac{2}{10} = \frac{2}{10}$

Gaining Ratio $= 1 : 2$

WN2: Adjustment of Goodwill

Harry's Share of Goodwill $= 1,02,000 \times \frac{3}{10} = 30,600$

30, 600 will be debited to gaining partners (Jazz and Kimmi) in the ratio of 1 : 2

Jazz's share $= 30,600 \times \frac{1}{3} = 10,200$

Kimmi's share $= 30,600 \times \frac{2}{3} = 20,400$

WN3 Adjustment of Capital

Adjusted Capital of Jazz = 1, 00,000 + 10,000 + 40,000 – 3,000 – 10,200 = ₹1, 36,800
Adjusted Capital of Kimmi = 40,000 + 4,000 + 16,000 – 1,200 – 20,400 = ₹38,400
Total Adjusted Capital = 1, 36,800 + 38,400 = ₹1, 75,200

Jazz's New Capital $= 1,75,200 \times \frac{3}{5} = 1,05,120$

Kimmi's New Capital $= 1,75,200 \times \frac{2}{5} = 70,080$

Kimmi's New Capital > Kimmi's Adjusted Capital (K owes 31,680 to the firm)
Jazz's New Capital < Jazz's Adjusted Capital (Firm owes 31,680 to Jazz)

WN4 Amount transferred to Harry's Loan A/c
Amount to be transferred = (Credit side – Debit side) – Cash paid
= (1,40,600 – 1,800) – 14,000 = ₹1,24,800

OR

Revaluation Account

Dr. Cr

Particulars	Amount ₹	Particulars		Amount ₹
To Investment A/c	7,000	By Creditors A/c		5,000
To Machinery A/c	7,000	By Loss on Revaluation		
		Arbaaz's Capital A/c	4,500	
		Birbal's Capital A/c	3,000	
		Chintan's Capital A/c	1,500	9,000
	12,000			12,000

Partner's Capital Account

Dr. Particulars	Arbaaz ₹	Birbal ₹	Chintan ₹	Dhaval ₹	Particulars	Arbaaz ₹	Birbal ₹	Chintan ₹	Dhaval ₹ Cr.
To Revaluation A/c	4,500	3,000	1,500		By Balance c/d	60,000	40,000	20,000	
To Balance c/d	81,000	44,000	22,000	29,400	By General Reserve A/c	10,500	7,000	3,500	
					By Premium For Goodwill A/c	15,000			
					By Cash A/c				29,400
	85,500	47,000	23,500	29,400		85,500	47,000	23,500	29,400

Balance Sheet

Liabilities		Amount ₹	Assets	Amount ₹
Creditors		82,000	Bank (17,000 + 29,400 + 15,000)	61,400
Capitals :			Debtors	23,000
Arbaaz	81,000			
Birbal	44,000		Stock	1,10,000
Chintan	22,000			
Dhaval	29,400	1,76,400	Investments	23,000
			Furniture & Fittings	10,000
			Machinery	31,000
		2,58,400		2,58,400

Working Notes:

WN1: Calculation of Sacrificing Ratio

Sacrificing Ratio = Old Ratio – New Ratio

$$\text{Arbaaz's} = \frac{3}{6} - \frac{2}{6} = \frac{1}{6}$$

$$\text{Birbal's} = \frac{2}{6} - \frac{2}{6} = \text{Nil}$$

$$\text{Chintan's} = \frac{1}{6} - \frac{1}{6} = \text{Nil}$$

WN 2: Adjustment of Goodwill

$$\text{Dhaval's Share of Goodwill} = 90,000 \times \frac{1}{6} = 15,000$$

15,000 will be credited to Arbaaz's Capital A / c, as he is the only sacrificing partner

WN3: Calculation of Dhaval's Proportionate Capital

Adjusted Old Capital of Arbaaz = 60,000 + 10,500 + 15,000 – 4,500 = 81,000
Adjusted Old Capital of Birbal = 40,000 + 7,000 – 3,000 = 44,000
Adjusted Old Capital of Chintan = 20,000 + 3,500 – 1,500 = 22,000
Total Adjusted Capital = 81,000 + 44,000 + 22,000 = 1, 47,000

Dhaval's Proportionate Capital
= Total Adjusted Capital × Dhaval's Profit Share × Reciprocal of Combined New Share of Old Partners

$$= 1,47,000 \times \frac{1}{6} \times \frac{6}{5} = 29,400$$

PART – B

Answer 17
"Declaration of final dividend" will result into no cash flow as dividend is only declared, i.e., it is proposed but not yet paid.

Answer 18
Cash Flow from Investing Activities is Nil as Oswal Ltd. is a financing Co.

Answer 19
(a)

Items	Major Head
(i) Encashment of Employees Earned Leave payable on retirement	Non-current Liabilities
(ii) Vehicles	Non-current Assets
(iii) Subsidy Reserve;	Shareholders' Funds
(iv) Mining Rights	Non-current Assets

(b)
The objective of Financial Statement Analysis is to know long-term as well as short-term solvency of the firm.

Answer 20
(a) Inventory (Stock) Turnover Ratio

$$= \frac{\text{Cost of Revenue from Operations, i.e., Cost of Goods Sold}}{\text{Average Inventory}} = \frac{1,80,000}{30,000} = 6 \text{ Times.}$$

Note: Average Inventory (Stock) = (Opening Inventory (Stock) + Closing Inventory (Stock))/2
= (₹28,000 + ₹ 32,000)/2 =₹30,000.

$$(c)\ \text{Operating Ratio} = \frac{\text{Cost of Revenue from Operations} + \text{Operating Expenses}}{\text{Net Sales}} \times 100$$

$$= \frac{₹1,80,000 + ₹19,000}{₹2,20,000} \times 100 = 90.45\%$$

= ₹40,00,000 - ₹8,00,000 = ₹32,00,000.

Answer 21

COMPARATIVE STATEMENT OF PROFIT AND LOSS for the years ended 31st March, 2015 and 2016

Particulars	31st March, 2015 ₹	31st March, 2016 ₹	Absolute Change (Increase/ Decrease) (₹)	Percentage Change (Increase/ Decrease) (%)
I. Revenue from Operations (Total Revenue)	5,00,000	8,00,000	3,00,000	60
II. Expenses:				
(a) Cost of Materials Consumed	2,50,000	2,40,000	(10,000)	(4)
(b) Other Expenses	37,500	28,000	(9,500)	(25.33)
Total Expanses	**2,87,500**	**2,68,000**	**(19,500)**	**(6.78)**
III. **Net Profit before Tax (I - II)**	2,12,500	5,32,000	3,19,500	150.35
Less: Income Tax	1,06,250	2,66,000	1,59,750	150.35
IV. **Net Profit after Tax**	**1,06,250**	**2,66,000**	**1,95,750**	**150.35**

Answer 22

In the Books of Krishna Ltd.
CASH FLOW STATEMENT for the year ended 31st March, 2016

Particulars	₹	₹
I. Cash Flow from Operating Activities		
Net Profit before Tax (WN 1)	2,90,000	
Add: Non-operating/Non-cash Items:		
Depreciation on Machinery	60,000	
Goodwill Written off	60,000	
Operating Profit before Working Capital Changes		4,10,000
Add: Increase in Trade Payables		40,000
		4,50,000
Less: Increase in Inventories	(50,000)	
Increase in Trade Receivables	(2,00,000)	(2,50,000)
Cash Generated from Operations		2,00,000
Less: Income Tax paid (WN 2)		1,10,000
Cash Flow from Operating Activities		90,000
II. Cash Flow from Investing Activities		
Purchase of Machinery	(7,60,000)	
Cash Used in Investing Activities		(7,60,000)
III. Cash Flow from Financing Activities		
Issue of Shares	4,00,000	
Raised Long-term borrowings	3,60,000	
Cash Flow from Financing Activities		7,60,000
IV. Net increase in Cash and Cash Equivalents (I + II + III)		90,000
V. Add: Opening Balance of Cash and Cash Equivalents		80,000
VI. Closing Balance of Cash and Cash Equivalents (IV +V)		1,70,000

Working Notes:

1. Calculation of Net Profit Before Tax:	₹
Surplus, i.e., Balance in Statement of Profit and Loss	1,00,000
Add: Provision for Tax	1,90,000
Net Profit before Tax	2,90,000

PROVISION FOR TAX ACCOUNT

Particulars	₹	Particulars	₹
To Cash A/c (Tax paid)	1,10,000	By Balance b/d	2,00,000
To Balance c/d	2,80,000	By Statement of Profit & Loss (Provision made)	1,90,000
	3,90,000		**3,90,000**