CBSE
Class XII Accountancy
Abroad Board Paper_Set1_2014

Time: 3 Hours **Max. Marks: 80**

General Instructions:

1) This question paper contains two parts **A** and **B.**
2) Part **A** is **compulsory** for all.
3) All parts of a question should be attempted at one place.

Section A

(i) This section consists of **18** questions.
(ii) All the question are compulsory.
(iii) Question Nos. **1** to **7** are very short – answer questions carrying **1** mark each.
(iv) Question Nos. **8** to **10** carry **3** marks each.
(v) Question Nos. **11** and **14** carry **4** marks each.
(vi) Question Nos. **15** to **16** carry **6** marks each.
(vii) Question Nos. **17** and **18** Carry **8** marks each.

Section B

(i) This section consists of **7** questions
(ii) All questions are compulsory
(iii) Question Nos.**19** and **21** are very short – answer carrying **1** mark each
(iv) Question Nos. **22** carry **3** marks
(v) Question Nos. **23** to **24** carry **4** marks
(vi) Question No.**25** carries **6** marks

Section-A

1. X, Y and Z are partner sharing profits in the ratio of $\frac{1}{2}, \frac{3}{10}$ and $\frac{1}{5}$. Calculate the gaining ratio of remaining partner when Y retires from the firm.

2. Distinguish between dissolution of partnership and partnership firm on the basis of 'Settlement of assets and liabilities'.

3. Why does a firm revaluate its assets and reassess its liabilities on retirement or death of a partner?

4. Why is 'Realisation Account' prepared?

5. When can a company forfeit the shares held by a shareholder?

6. Give the meaning of 'Share Capital'.

7. What is meant by issue of debentures as collateral security?

8. Bhuwan and Shivam were partner in a firm sharing profits in the ratio of 3:2. Their capitals were ₹50,000 and ₹75,000 respectively. They admitted Atul on 1st April, 2013 as a new partner for $1/4^{th}$ share in the future profits. Atul bought ₹75,000 as his capital. Calculate the value of goodwill of the firm and record necessary journal entries for the above transactions on Atul's admission.

9. Vishesh Ltd. issued 10,000, 10% Debentures of ₹100 each on 1st April, 2012. The issue was fully subscribed. According to the terms of issue, interest on debentures is payable half-yearly on 30th September and 31st March and tax deducted at source is 10%. Pass the necessary journal entries related to the debenture interest for the half-yearly ending on 31st March, 2013 and transfer of interest on debentures for the year to Statement of Profit and Loss.

10. Pass necessary journal entries in the following cases :
   i. Kim India Ltd. converted 1,000, 9% debentures of ₹100 each issued at a discount of 10% into equity shares of ₹100 each issued at a premium of ₹25%.
   ii. Sonali Ltd. redeemed 6,000, 12% debentures of ₹100 each which were issued at a discount of ₹10 per debenture by converting them into equity shares of ₹100 each ₹90 paid up.

11. Karam Singh and Suleman decided to start a partnership firm to manufacture low cost paper bags from the waste paper as plastic bags were creating many environmental problem. For this, they contributed capitals of ₹2,00,000 and ₹1,00,000 respectively on 1st April, 2012. Suleman also expressed his willingness to admit Inderjeet as a partner without capital in the firm. Inderjeet is specially abled but a very creative and intelligent friend of his. Karam Singh agreed to this. The terms of partne₹hip were as follows:
   i. Karam Singh, Suleman and Inderjeet will share profit in the ratio of 2: 2: 1.
   ii. Interest on capital will be provided @6% p.a

Due to shortage of capital, Karam Singh contributed ₹50,000 on 30th September, 2012 and Suleman contributed ₹20,000 on 1st January 2013 as additional capital. The profit of the firm for the year ended 31st March, 2013 was ₹2,00,300.
   a. Identify any two values which the firm wants to communicate to the society.
   b. Prepare Profit and Loss Appropriate Account of the firm for the year ending 31st March, 2013.

12. Manika, Nishtha and Sakshi were partner in a firm sharing profits in the ratio of 2:2:1 respectively. On 31st March, 2013, their Balance Sheet as under.

Balance Sheet As on 31st March, 2013

Liabilities		Amount ₹	Assets	Amount ₹
Capital:			Fixed Asset	3,60,000
Manika	2,80,000		Stock	2,80,000
Nishtha	3,00,000		Debtor	1,30,000
Sakshi	1,00,000	6,80,000	Cash	4,60,000
Reserve Fund		3,00,000		
Creditor		2,50,000		
		12,30,000		**12,30,000**

Sakshi died on 1st July, 2013. It was agreed between her executor and the remaining partner that:
   a. Goodwill of the firm be valued at 3 year' purchase of average profits for the last four year. The average profits were ₹5,00,000.
   b. Interest on capital be provided at 12% p.a.
   c. Her share in the profits up to the date of death will be calculated on the basis of average profits for the last three years.

Prepare Sakshi's Capital Account as on 1st July, 2013.

13. On 1st April, 2012, Khanna Ltd. was formed with an authorised capital of ₹20,00,000 divided into 2,00,000 equity shares of ₹10 each. The company issued prospectus inviting applications for 1,80,000 equity shares. The company received applications for 1,70,000 equity shares. During the first year, ₹8 per share were called, Shikha holding 2,000 share and Poonam holding 4,000 shares did not pay the first call of ₹2 per share. Poonam's shares were forfeited after the first call and later on 3,000 of the forfeited shares re-issued at ₹6 per share, ₹8 called up.

Show the following:
   a. 'Share Capital' in the Balance Sheet of the company as per revised Schedule VI Part I of the Companies Act, 1956.
   b. Also prepare 'Notes to Accounts'.

14. Pass necessary journal entries for the following transactions in the books of Sewak Ltd :

i. Sewak Ltd. acquired assets of ₹5,00,000 and liabilities of ₹3,00,000 of Goodwill Ltd. for a purchase consideration of ₹1,35,000.Payment to Goodwill Ltd. was made by issuing equity shares of 10 each at a discount of 10%.

ii. Purchase furniture of ₹5,00,000 from Ramprastha Ltd. The payment to Ramprastha Ltd. was made by issuing equity shares of ₹10 each at a premium of 25%.

15. Anil, Vineet and Vipul were partner in a firm manufacturing food items. They were sharing profits in the ratio of 5:3:2. Their capitals on 1st April, 2012 were ₹4,00,000, ₹5,00,000 and 9,00,000 respectively. After the floods in Uttranchal, all partners decided to help the flood victims per orally.
For this Anil withdrew ₹30,000 from the firm in 30th September,2012. Vineet instead of withdrawing cash from the firm took some food items amounting to ₹25,000 from the firm and distributed those to flood victims. On the other hand, Vipul withdrew ₹2,50,000 from his capital on 1st January, 2013 and built a shelter-home to help flood victims.
The partner deed provides for charging interest on drawings @6% p.a. After the final accounts were prepared it was discovered that interest on drawings had not been charged. Give the necessary adjusting entry and show the working notes clearly. Also state any two values that the partner wanted to communicate to the society.

16. Ramesh and Umesh were partner in firm in a sharing profit in the ratio of their capital. On 31st March ,2013 their balance Sheet was as follows: On the above date the firm was dissolved.

Balance Sheet of Ramesh and Umesh as on 31st March ,2013

Liabilities		Amount ₹	Assets	Amount ₹
Creditor		1,70,000	Bank	1,10,000
Workman Companion Fund		2,10,000	Debtor	2,40,000
Satya's Current Account		2,00,000	Stock	1,30,000
Capital's:		80,000	Furniture	2,00,000
Ramesh	7,00,000		Machinery	9,30,000
Umesh	3,00,000	10,00,000	Umesh's Current Account	50,000
		16,60,000		**16,60,000**

i. Ramesh took over 50% of stock at ₹10,000 less than book value. The remaining stock was sold at a loss of ₹15,000. Debtor were realised at a discount of 5%.

ii. Furniture was taken over by Umesh for ₹50,000 and machinery was sold for ₹4,50,000.

iii. Creditors were paid in full.

iv. There was an unrecorded bill for repair for ₹1,60,000 which was settled at ₹1,40,000.
Prepare Realisation Account.

17. Kalpana and Kanika were partner in a firm sharing profits in the ratio of 3:2. On 1st April, 2013 they admitted Karuna as a new partner for 1/5th share in the profits of the firm. The Balance Sheet of Kalpana and Kanika as on 1st April, 2013, was as follows:

Balance Sheet of Kalpana and Kanika as on 1st April, 2013

Liabilities		₹	Assets		₹
Capital:			Land and Building		2,10,000
Kalpna	4,80,000		Plant		2,70,000
Kanika	2,10,000	6,90,000	Stock		2,10,000
General Reserve		60,000	Debtor	1,32,000	
Workman's Compensation Fund		1,00,000	Less: Provision	12,000	1,20,000
Creditor		90,000	Cash		1,30,000
		9,40,000			**9,40,000**

It was agreed that:

i. The value of Land and Building will be appreciated by 20%.

ii. The value of plant be increased by ₹60,000.
iii. Karuna will bring ₹80,000 for her share of goodwill premium.
iv. The liabilities of Workmen's Compensation Fund were determined at ₹60,000.
v. Karuna will bring in cash as capital to the extent of $\frac{1}{5}$th share of the total capital of the new firm.

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

OR

P, Q and R were partner in a firm sharing profit in the ratio of 7 : 2: 1. On 1st April, 2013 their Balance Sheet was as follows:

Balance Sheet of P, Q and R as on 1st April, 2013

Liabilities		₹	Assets		₹
Capital:			Land		12,00,000
P	9,00,000		Building		9,00,000
Q	8,40,000		Furniture		3,60,000
R	9,00,000	26,40,000	Stock		6,60,000
General Reserve		3,60,000	Debtor	6,00,000	
Workman's Compensation Fund		5,40,000	Less: Provision	30,000	5,70,000
Creditor		3,60,000	Cash		2,10,000
		39,00,000			**39,00,000**

On the above date Q retired.

The following were agreed:

i. Goodwill of the firm was valued at ₹12,00,000.
ii. Land was to be appreciated by 30% and Building was to depreciated by ₹3,00,000.
iii. Value of furniture was to be reduced by ₹60,000.
iv. The liabilities for Workmen's Compensation Fund were determined at ₹1,40,000.
v. Amount Payable to Q was transferred to his loan account.
vi. Capitals of P and R were to be adjusted in their new profit sharing ratio, For this purpose current accounts of the partners will be opened.

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

18. LCM Ltd. invited applications for issuing 2,00,000 equity shares of ₹10 each at a premium of ₹3 per share. The amount was payable as follows:

On application and allotment — ₹8 per share (including premium)

On first and final call — the balance amount

Applications for 3,00,000 share were received. Applications for 50,000 shares were rejected and money refunded. Shares were allotted on pro-rata basis to the remaining applicants. The first and final call was made as was duly received except on 2,500 share applied by Kanwar. His shares were forfeited. The forfeited shares were re-issued at ₹7 per share fully paid up.

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

OR

HCF Ltd. invited applications for issuing 75,000 equity shares of ₹10 each at a discount of 10%. The amount was payable as follows:

On application and allotment - ₹4 per share

On the first and final call - the balance amount

Applications for 2,00,000 share were received. Applications for 50,000 shares were rejected and money refunded. Shares were allotted on pro-rata basis to the remaining applicants. The first and final call was made and was duly received except on 1,500 share applied by Raja. His shares were forfeited. The forfeited shares were re-issued at maximum discount permissible under law.

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

Section- B

19. What is meant by Cash Flow' while preparing Cash Flow statement?

20. State any one objective of preparing Cash Flow Statement?

21. State any one limitation of financial statements analysis.

22. Under which major sub-headings the following items will be placed in the Balance Sheet of a company as per revised Schedule-VI, Part-I of the Companies Act, 1956:

i. Long-term Loans
ii. Capital Redemption reserve
iii. Short term Provision
iv. Goodwill
v. Provision for warranties
vi. Brand/Trademarks

23. From the following Statement of profit and loss of Navratan Ltd, year ended 31st March ,2013, prepare a comparative statement of Profit and Loss :

Particulars	**2012-13** ₹	**2011-12** ₹
Revenue from operation	8,05,000	6,14,000
Other expenses	43,000	51,000
Expenses	5,59,000	4,88,000

Rate of Income tax was 40%.

24. **(a)** The quick debt-Equity ratio of a company is 1:2 State with reason which of the following transaction would,

i. increase:
ii. decrease or
iii. not change the ratio:

1. Issued equity share of ₹1,00,000
2. Obtained a short-term loan from bank ₹1,00,000

(b) From the following information compute Total Assets to Debt Ratio:

	₹
Long Term Borrowings'	3,00,000
Long Term Provision	1,50,000
Current Liabilities	75,000
Non-Current-Assets	5,40,000
Current -Assets	1,35,000

25. Prepare a Cash Flow Statement on the basis of the information given in the Balance Sheet of Libra Ltd. as at 31-3-2013 and 31-3-2012:

Balance Sheet of Tiger Super Steel Ltd.

Particulars	Note No.	31-3-2013 ₹	31-3-2012 ₹
I. Equity and Liabilities			
1. Shareholder' Funds			
a. Equity Share Capital		8,00,000	6,00,000
b. Reserves and Surplus		4,00,000	3,00,000
2. Non-current Liabilities			
a. Long term-borrowing		1,00,000	1,50,000
3. Current Liabilities			
a. Trade Payables		40,000	48,000
Total		**13,40,000**	**10,98,000**
II. Assets			
1. Non- Current assets			
a. Fixed Assets			
i. Tangible Assets		8,50,000	5,60,0000
a. Non –Current Investment		2,32,000	1,60,000
2. Current Assets			
a. Current Investment (marketable)		50,000	1,34,000
b. Inventory		76,000	82,000
c. Trade Receivable		38,000	92,000
d. Cash and Cash equivalents		94,000	70,000
Total		**13,40,000**	**10,98,000**

CBSE
Class XII Accountancy
Abroad Board Paper_Set1–2014- Solution

SECTION A

1. **Answer:**

Calculation of Gaining Ratio:

$$X : Y : Z$$

$$\text{Old Ratio} = \frac{1}{2} : \frac{3}{10} : \frac{1}{5}$$

$$\frac{5:3:2}{10}$$

New Ratio after Y's retirement = 5:2

Gaining Ratio= New Ratio – Old Ratio

$$\text{X's Gain} = \frac{5}{7} - \frac{5}{10} = \frac{15}{70}$$

$$\text{Z's Gain} = \frac{2}{7} - \frac{2}{10} = \frac{6}{70}$$

Gaining Ratio = 15:6

2. **Answer :**

Basis of Difference	Dissolution of Firm	Dissolution of Partnership
Settlement of Assets and Liabilities	To pay off the liabilities, the assets are sold off.	Assets and liabilities are revalued.

3. **Answer :**

The assets and liabilities are to be revalued to ascertain the profit/loss on revaluation upto the date of retirement/death of a partner and adjust the same among all the partners in their old profit sharing ratio. The retiring or the deceased partner may gain profit or may bear loss due to change in the values of assets and liabilities.

4. **Answer :**

Realisation account is a nominal account which is prepared to close the books of accounts of a dissolved firm and to compute the net effect of realisation of various assets and the payments of various liabilities.

5. **Answer :**

When a shareholder fails to pay the allotment money or any subsequent calls even after the notice provided by the company, then the company is allowed to forfeit the shares of such shareholders.

6. **Answer:**

The capital raised by a company through the issue of shares is called 'Share Capital'.

7. **Answer :**

The issue of debentures as an additional security against the loan in addition to the principal security is known as issue of debentures as collateral security.

8. Answer :

Atul is entered into partnership for 1/4th share in future profits. He contributes ₹75,000 towards his share of capital.

Calculating firm's capital taking Atul's capital as the base:

Firm's Capital = New Partners Capital × Reciprocal of his share

= 75,000 × 4 = ₹3,00,000

However, the total capital as at that date is ₹2,00,000 (i.e. 50,000 + 75,000 + 75,000).

So, the difference of 1,00,000 is the hidden goodwill.

Atul's share in goodwill = 1/4th of ₹1,00,000 = ₹25,000

Journal Entry

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Cash A/c Dr.		75,000	
	To Atul's Capital A/c			75,000
	(Being for capital brought on atul's admission)			
	Atul's Capital A/c Dr.		25,000	
	To Bhuwan's Capital A/c			15,000
	To Shivam's Capital A/c			10,000
	(Being for goodwill distributed in sacrificing ratio of 3:2)			

9. Answer :

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
2013 Mar.31	Debenture Interest A/c Dr.		50,000	
	To Income Tax Payable A/c (50,000 ×10%)			5,000
	To Debenture holders' A/c			45,000
	(Being amount of interest due for 6 month and tax deducted at source)			
Mar.31	Debenture holders' A/c Dr.		45,000	
	To Bank A/c			45,000
	(Being interest paid to the debenture holders)			
Mar.31	Income Tax Payable A/c Dr.		5,000	
	To Bank A/c			5,000
	(Being payment of tax on interest on denatures)			
Mar.31	Statement of Profit and Loss A/c Dr.		1,00,000	
	To interest on debentures A/c			1,00,000
	(Being interest or debentures transferred to statement of profit and loss)			

$$\text{Half}-\text{yearly interest on Debenture} = 10{,}00{,}000 \times \frac{10}{100} \times \frac{6}{12} = 50{,}000$$

Yearly interest = Half-Yearly $\times 2$ = 1,00,000 to be transferred to statement of Profit and Loss

10. Answer :

i.

Kim India Ltd.
Journal Entry

Date	Particulars	L.F.	Debit ₹	Credit ₹
	9% Debenture A/c Dr.		1,00,000	
	To Debenture holder A/c			90,000
	To Discount on issue of debenture A/c			10,000
	(Being 1,000 9% debenture of ₹100 each issue at a discount of 10% due for redemption)			
	Debenture holders' A/c Dr		90,000	
	To Equity share capital A/c			72,000
	To Securities premium A/c			18,000
	(Being 720 equity shares of ₹100 each issued at premium of 25% to debenture holders)			

Working Note:

$$\text{Number of Equity share issued} = \frac{\text{Amount Payable}}{\text{Issue Price}} = \frac{90{,}000}{100+25} = 720 \text{ share}$$

ii.

Sonali Ltd.
Journal Entry

Date	Particulars	L.F.	Debit ₹	Credit ₹
	12% Debenture A/c Dr.		60,000	
	To Debenture holder A/c			54,000
	To Discount on issue of Debentures A/c			6,000
	(Being 6,000 12% debenture of ₹100 each issued at 10% discount due for redemption)			
	Debenture holders A/c Dr.		54,000	
	Discount on issue A/c Dr.		6,000	
	To Equity share capital A/c			60,000
	(Being 600 equity shares of ₹100 each issued at a discount of ₹10 to debenture holders)			

$$\text{Number of Equity share issued} = \frac{\text{Amount Payable}}{\text{Issue Price}} = \frac{54{,}000}{(100-10)} = \frac{54{,}000}{90} = 600 \text{ shares}$$

11. Answer :

(a) Value involved in the above scenario:

i. Environmental Conservation
ii. Encouraging Talent

(b)

Profit and Loss Appropriation Account
for the year ended April 01,2012

Dr. Cr.

Particulars		₹	Particulars	₹
To Interest on Capital A/c:			By Profit and Loss A/c	2,00,300
Karam Singh	13,500			
Suleman	6,300	19,800		
To Profit transferred to:				
Karam Singh 's Capital A/c	72,200			
Suleman 's Capital A/c	72,200			
Inderjeet's Capital A/c	36,100	1,80,500		
		2,00,300		**2,00,300**

Working Capital:

Interest on Capital:

Karam Singh's: $2{,}00{,}000 \times \frac{6}{12} \times \frac{6}{100} = 6{,}000$

$2{,}50{,}000 \times \frac{6}{12} \times \frac{6}{100} = 7{,}500$

Total Interest to Karam Singh = 13,500

Suleman: $1{,}00{,}000 \times \frac{9}{12} \times \frac{6}{100} = 4{,}500$

$1{,}20{,}000 \times \frac{3}{12} \times \frac{6}{100} = 1{,}800$

Total Interest to Suleman = 6,300

12. **Answer :**

Sakshi's Capital Account

Dr. Cr.

Particulars	₹	Particulars	₹
		By Balance b/d	1,00,000
		By Interest on Capital A/c	
To Executor's A/c	4,88,000	(for 3 months)	3,000
		By Manika's Capital A/c	1,50,000
		By Nishtha's Capital A/c	1,50,000
		By Reserve Fund	60,000
		By Profit Share	25,000
	4,88,000		**4,88,000**

Working Note:

WN1: Calculation of Share of Goodwill

Goodwill is to be valued at 3 years purchase of average profit

Average Profit =5,00,000

Therefore, Goodwill = 5,00,000 × 3 = 15,00,000

Sakshi's Share of Goodwill $15{,}00{,}000 \times \frac{1}{5} = 3{,}00{,}000$

This share will be contributed by remaining partners in their Gaining Ratio Gaining Ratio of Manika and Nishta = 1: 1

Manika's share of contribution $= \frac{1}{2} \times 3{,}00{,}000 = 1{,}50{,}000$

Nishta's share of contribution $= \frac{1}{2} \times 3{,}00{,}000 = 1{,}50{,}000$

WN2: Calculation of Share Profit

Average Profit for 3 years =5,00,000

Sakshi's Share of Profit =5,00,000 × Her Share × Time Period

$$\text{Sakshi's Share of Profit} = 5,00,000 \times \frac{1}{5} \times \frac{3}{12} = 25,000$$

13. Answer :

Balance Sheet
As at April 01,2012

Particular	Note No.	₹
I. Equity and Liabilities		
1. Shareholders' fund		
a. Share capital	1	13,54,000
b. Reserve and Surplus	2	12,000
2. Non-Current Liabilities		
3. Current Liabilities		
Total		**13,66,000**
II. Assets		
1. Non-Current Assets		
2. Current Assets		
Cash and Cash Equivalents	3	13,66,000
Total		**13,66,000**

Notes to Account

Note No.	Particular		₹
1	**Share capital**		
	Authorised Capital		
	2,00,000 share of ₹10 each		20,00,000
	Issued capital		
	1,80,000 equity share of ₹10 each		18,00,000
	Subscribed Called up and paid up Capital		
	1,69,000 equity share of ₹8 each	13,52,000	
	Less: Calls-in- arrears (on 1,000 equity share @ ₹2 per Share)	4,000	
	Add: Share forfeiture (on 1,000 equity share)	6,000	13,54,000
2	**Reserve and Surplus**		
	Capital Reserve		12,000
3	**Cash and Cash Equivalents**		
	Cash at Bank		13,66,000

14. Answer :

(a)

Journal Entries

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Assets A/c Dr.		5,00,000	
	To Liabilities A/c			3,00,000
	To Capital Reserve(Balancing Figure)			65,000
	To Goodwill Ltd . A/c			1,35,000
	(Being business of goodwill Ltd. purchases)			
	Goodwill Ltd.A/c Dr.		1,35,000	
	Discount On issue of share Shares A/c Dr.		15,000	
	To Equity Share capital A/c			15,000
	(Being goodwill ltd. Was paid throught 15,000 shares of ₹10 each at 10% discount)			

Working Note:

$$\text{Number of Shares to be issued} = \frac{\text{Amount payable}}{\text{Issue price}} = \frac{1,35,000}{10-1} = 15,000 \text{ share}$$

(b)

Sewak Ltd.

Journal Entries

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Furniture A/c Dr.		5,00,000	
	To Ramprastha Ltd. A/c			5,00,000
	(Being furniture is purchased from Ramprastha Ltd.)			
	Ramprastha Ltd. A/c Dr.		5,00,000	
	To Equity Share Capital A/c			4,00,000
	To Securities Premium A/c			1,00,000
	(Being Ramprastha ltd was paid thought issue of 40,000 equity share of ₹10 each at premium of 25%)			

Working Note:

$$\text{Number of shares to be issued} = \frac{\text{Amount Payable}}{\text{Issue Price}} = \frac{5,00,000}{(10+25)} = \frac{5,00,000}{12.5} = 40,000 \text{ share}$$

15. Answer :

Journal Entries

Date	Particulars		L.F.	Debit ₹	Credit ₹
	Anil's Capital A/c	Dr.		75	
	Vineet's Capital A/c	Dr.		255	
	To Vipul's Capital A/c				330
	(Being omission of interest on drawings, now adjusted)				

Adjusting Table:

Particular	Anil	Vineet	Vipul	Total
Interest on Drawings (Dr.)	900	750		1,650
Profit of ₹ 1,650 shared in Ratio 5:3:2(Cr.	825	495	330	1,650
Difference	**75 (Dr.)**	**255 (Dr.)**	**330 (Cr.)**	**Nil**

Working Notes:

Calculation of Interest Drawings:

$$\text{Interest on Anil's Drawings} = 30{,}000 \times \frac{6}{100} \times \frac{6}{12} = 900$$

$$\text{Interest on Vineet's Drawings} = 25{,}000 \times \frac{6}{100} \times \frac{6}{12} = 750$$

Note: The amount withdrawn by Vipul (₹2,50,000) is withdrawal of capital and not drawings:

Values involved in the above scenario are as follows:

i. Duty for Nation

ii. Upliftment of Victims

16. Answer :

Realisation Account

Dr. **Cr.**

Particulars		₹	Particulars		₹
To Sundry Asset:			By Creditors A/c		1,70,000
Debtors	2,40,000		By Ramesh's Current A/c (Stock)		55,000
Stock	1,30,000		By Cash A/c (Assets Realised)		
Furniture	2,00,000		Stock	50,000	
Machinery	9,30,000	15,00,000	Machinery	4,50,000	
			Debtors	2,28,000	7,28,000
			By Umesh's Current A/c (Furniture)		50,000
To Cash A/c (Liabilities)					
Creditors	1,70,000				
Outstanding Bill	1,40,000	3,10,000	By Realisation Loss:		
			Ramesh's Current A/c	5,64,900	
			Umesh's Current A/c	2,42,100	8,07,000
		18,10,000			**18,10,000**

17. Answer :

Revaluation Account

Particulars		₹	Particulars	₹
To Revaluation Profit:			By Land and Building A/c	42,000
Kalpana’s Capital A/c	61,200		By Plant A/c	60,000
Kamika’s Capital A/c	40,800	1,02,000		
		1,02,000		**1,02,000**

Partners’ Capital Account

Particulars	Kalpana	Kanika	Karuna	Particulars	Kalpana	Kanika	Karuna
To Balance c/d	6,49,200	3,22,800	2,43,000	By Balance b/d	4,80,000	2,10,000	
				By Cash A/c			2,43,000
				By General Res. A/c	36,000	24,000	
				By Workman Compensation Fund A/c	24,000	16,000	
				By Revaluation A/c	61,200	40,800	
				By Premium for Goodwill A/c	48,000	32,000	
	6,49,200	**3,22,800**	**2,43,000**		**6,49,200**	**3,22,800**	**2,43,000**

Balance Sheet
as on April 01, 2013 after Karuna’s admission

Liabilities		₹	Assets		₹
Creditors		90,000	Cash in Hand		4,53,000
Capital:			Debtors	1,32,000	
Shikhar	6,49,200		Less: Provision for Debtors	(12,000)	1,20,000
Rohit	3,22,800		Stock		2,10,000
Kavi	2,43,000	12,15,000	Land and Building		2,52,000
Liabilities for Workmen’s			Plant		
Compensation		60,000			3,30,000
		13,65,000			**13,65,000**

Working Note:

WN1 Calculation of New Share

karuna is admitted for 1/5 share

Let the total shaer of the firm be 1

remaining share= $1-\frac{1}{5}=\frac{4}{5}$

This remaining share will be share among old partners in their old ratio i.e 3:2

Kalpna's Share = $\frac{4}{5}\times\frac{3}{5}=\frac{12}{25}$

Kanika's Share = $\frac{4}{5}\times\frac{2}{5}=\frac{8}{25}$

New Ratio = 12: 8 : 5

Calculation of Scarificing Ratio

Scarificing Ratio = Old ratio - New Ratio

Kalpana = $\frac{3}{5}-\frac{12}{25}=\frac{3}{25}$

Kanika = $\frac{2}{5}-\frac{8}{25}=\frac{2}{25}$

Scarificing ratio = 3:2

WN2 Calculate of Karuna's Capital

Adjusted Capital of Kalpana =6,49,200

Adjusted Capital of Kanika = 3,22,800

Total Adjusted Capital = 9,72,000 (6,49,200+ 3,22,800)

Karuna's Capital = Adjusted Capital of Kalpana and Kanika x Karuna's Shares Reciprocal of the Firm's share

Karuna's Capital = 9,72,000 $\times\frac{1}{5}\times\frac{5}{4}=2,43,000$

OR

Revaluation Account

Particulars	₹	Particulars	₹
To Building A/c To Furniture A/c	3,00,000 60,000	By Land A/c	3,60,000
	3,60,000		**3,60,000**

Partners' Capital Account

Particulars	P	Q	R	Particulars	P	Q	R
To Q's Capital A/c	2,10,000		30,000	By Balance b/d	9,00,000	8,40,000	9,00,000
To R Current A/c			6,75,000	By General Reserve A/c	2,52,000	72,000	36,000
To Q's Loan A/c		12,32,000		By P's Capital A/c		2,10,000	
To Balance c/d	18,97,000		2,71,000	By R's Capital A/c		30,000	
				By Workmen Compensation fund	2,80,000	80,000	40,000
				By P's Capital A/c	6,75,000		
	21,07,000	**12,32,000**	**9,76,000**		**21,07,000**	**12,32,000**	**9,76,000**

Balance Sheet
as on April 01,2013 after Q's retirement

Liabilities	₹	Assets		₹
P's Capital	18,97,000	Land		15,60,000
Q's Capital	2,71,000	Building		6,00,000
Liability Workmen Compensation	1,40,000	Furniture		3,00,000
Creditors	3,60,000	Stock		6,60,000
Q's Loan	12,32,000	Cash		2,10,000
P's Current	6,75,000	Debtors	6,00,000	
		Less :Provision	(30,000)	5,70,000
		R's Current		6,75,000
	45,75,000			**45,75,000**

Working Notes:
Total Capital of P = 14,32,000 – 2,10,000 = 12,22,000
Total Capital of R = 9,76,000 – 30,000 = 9,46,000
Total Capital of new firm = 12,22,000 + 9,46,000 = 21,68,000
The new Capital has to be in the new profit sharing ratio = 7:1

$$\text{Therefore, P's new capital} = 21{,}68{,}000 \times \frac{7}{8} = 18{,}97{,}000$$

$$\text{R's new Capital} = 21{,}68{,}000 \times \frac{1}{8} = 2{,}71{,}000$$

Note: In this case, gaining ratio of P and R is same as their New Ratio i.e 7:1

18. Answer :

Journal Entries

Date	Particulars		L.F.	Debit ₹	Credit ₹
	Bank A/c	Dr.		24,00,000	
	To Equity Share Application and Allotment A/c				24,00,000
	(Being share application and allotment received on 3,00,000 of ₹8 each including premium of ₹3 each)				
	Equity Share Application and Allotment A/c	Dr.		24,00,000	
	To Equity Share capital A/c				10,00,000
	To Securities Premium A/c				6,00,000
	To Bank A/c				4,00,000
	To Equity Share First and Final Call A/c				4,00,000
	(Being share application of 2,00,000 shares transferred to share capital , share application and allotment on 50,000 share refunded and rest is adjusted on share first and final call)				
	Equity Share First and Final Call A/c	Dr.		10,00,000	
	To Equity Share Capital A/c				10,00,000
	(Being share first and final Call due on 2,00,000 shares of ₹5 each)				
	Bank A/c	Dr.		5,94,000	
	Calls in Arrears A/c	Dr.		6,000	
	To Equity Share First and Final Call A/c				6,00,000
	(Being share first and final call received)				
	Equity Share Capital A/c	Dr.		20,000	
	To Share Forfeiture A/c				14,000
	To Calls in Arrears A/c				6,000
	(Being 2,000 share were forfeited for non-payment of share first and final of ₹5 each)				
	Bank A/c	Dr.		14,000	
	Share Forfeited A/c	Dr.		6,000	
	To Equity Share Capital A/c				20,000
	(Being 2,000 forfeited share were re-issued at a discount of ₹3 per Share)				

	Share Forfeiture A/c	Dr.		8,000	
	To Capital Reserve A/c				8,000
	(Being share forfeiture transferred to capital reserve)				

Computation Table

Category	Share Applied	Share Allotted	Money received on Application and Allotment @ ₹8 each including premium of ₹3 each	Money transfers to share capital@ ₹5 each	Money transfer to securities premium @ ₹3 each	Excess Application and Allotment money	Share first and final call due @₹5 each	Amount receivable on share first and final call after adjustment	Money Refunded
I	50,000	Nil	4,00,000						4,00,000
II	2,50,000	2,00,000	20,00,000	10,00,000	6,00,000	4,00,000	10,00,000	6,00,000	
	3,00,000	2,00,000	24,00,000	10,00,000	6,00,000	4,00,000	10,00,000	6,00,000	4,00,000

Working Note:

Those who applied for 2,50,000 shares, allotted = 2,00,000 Shares

$$\text{Kanwar who applied for 2,500 shares, allotted} = 2{,}00{,}000 \times \frac{2{,}500}{2{,}50{,}000} = 2{,}000 \text{ share}$$

Share Application and Allotment received on 2,500 glares of ₹8 each (including premium of ₹3 each) = ₹ 20,000

Shares Allotted (2,000 × 8) =₹16,000

Excess Application and Allotment money received = ₹4,000

Share First and Final Call due on 2,000 shares of ₹5 each = ₹10,000

Excess Application and Allotment money received = ₹4,000

Share First and Final Call not received = ₹6,000 (10,000 -4,000)

Therefore, Share First and final Call received = ₹5,94,000 (6,00,000 -6,000)

OR

Journal Entries

Date	Particulars		L.F.	Debit ₹	Credit ₹
	Bank A/c	Dr.		8,00,000	
	To Equity Share Application and Allotment A/c				8,00,000
	(Being share application and allotment received on 2,00,000 of ₹4 each including discount of ₹1 each)				
	Share Application and Allotment A/c	Dr.		8,00,000	
	Discount on Issue of Share A/c	Dr.		75,000	
	To Equity Share Capital A/c				3,75,000
	To Bank A/c				2,00,000
	To Equity Share First and Final Call A/c				3,00,000
	(Being share application of 75,000 share transferred to share capital, share application and allotment on 50,000 shares refunded and rest is adjusted on share first and final call)				

	Equity Share First and Final Call A/c	Dr.		3,75,000	
	To Equity Share Capital A/c				3,75,000
	(Being share first and final call due on 75,000 shares of ₹5 each)				
	Bank A/c	Dr.		74,250	
	Calls in Arrears A/c	Dr.		750	
	To Equity Share First and Final Call A/c				75,000
	(Being share first and final call received)				
	Equity Share Capital A/c	Dr.		7,500	
	To Discount on Issue of Share A/c				750
	To Share Forfeiture A/c				6,000
	To Calls in arrears A/c				750
	(Being 750 share were forfeited for non-payment of share first and final of ₹5 each)				
	Bank A/c	Dr.		750	
	Discount on issue of share A/c	Dr.		750	
	Share forfeited A/c	Dr.		6,000	
	To Equity Share capital A/c				7,500
	(Being forfeited share were re-issued at maximum permissible a discount by law)				

Working Note:

Computation Table

Category	Share Applied	Share Allotted	Money received on Application and Allotment @₹4 each including discount of ₹1 each	Money transfers to share capital@ ₹ 5each	Money transfer to securities premium @ ₹1 each	Excess Application and Allotment money	Share first and final call due @₹5 each	Amount to be received on share first and final call after adjustment	Money Refunded
I	50,000	Nil	2,00,000						2,00,000
II	1,50,000	75,000	6,00,000	3,75,000	75,000	3,00,000	3,75,000	75,000	
	2,00,000	75,000	8,00,000	3,75,000	75,000	3,00,000	3,75,000	75,000	2,00,000

Those who applied for 1,50,000 shares, allotted =75,000 Shares

Those who applied for 1,500 shares, allotted $= 75{,}000 \times \frac{1{,}500}{1{,}50{,}000} = 750$ share

Share Application and Allotment received on 1,500 shares of ₹4 each (excluding discount of ₹1 each) = ₹6,000

Share Allotted (750 × 4) = ₹3,000

Excess Application and Allotment money received = ₹3,000

Share First and Final Call due on 750 shares of ₹ 5 each = ₹3,750

Excess Application and Allotment money received = ₹3,000

Share First and Final Call not received = ₹ 750 (3,750 – 3,000)

Share First and Final Call received = ₹74,250 (75,000 – 750)

SECTION- B

19. Answer :

The movement of cash in and out of the business is referred as cash flow in a business. Cash flows can be either inflows or outflows of cash and cash equivalents.

20. Answer :

The foremost objective to prepare Cash Flow Statement is to ascertain gross inflows and outflows of cash and cash equivalents from various activities of a business.

21. Answer :

The financial statement analysis is prepared on historical costs which ignores the price-level changes.

22. Answer :

	Items	Heads
i.	Long-Term Loans	Non-current Liabilities
ii.	Capital Redemption Reserve	Reserves and Surplus
iii.	Short-term provisions	Current Liabilities
iv.	Goodwill	Fixed Assets
v.	Provision for warranties	Non-current Liabilities
vi.	Brand/Trademarks	Fixed Assets

23. Answer :

Comparative Income Statement

For the years ended March 31, 2012 & 2013

Particulars	2012-13	2011-12	Absolute Change	% Change
i. Revenue from operations	8,05,000	6,14,000	1,19,000	31.11
ii. Other Income	43,000	51,000	(8,000)	(15.68)
iii. Total Revenue (I+II)	8,48,000	6,65,000	1,83,000	27.52
iv. Expense	5,59,000	4,88,000	71,000	14,55
Profit before Income Tax(III-Iv)	2,89,000	1,77,000	1,12,000	63.28
Less: Income Tax	1,15,600	70,800	44,800	63.28
Profit after Income Tax	**1,73,400**	**1,06,200**	**67,200**	**63.28**

24. Answer :

(a)

$$\text{Debt} - \text{Equity Ratio} = \frac{\text{Long} - \text{Term Debt}}{\text{Shareholder's fund}} = 1:2$$

(1) Issued Equity shares of ₹ 1,00,000 will have two effects:
It will increase the Share Capital i.e. Shareholder's Funds
It will increase the Cash i.e. Current Assets.
This increase in Shareholder's Funds will reduce the ratio as shareholder's funds and debt-equity ratio are inversely related to each other.

(2) Short-term Loan from Bank for ₹1,00,000 will:
Increase the current liabilities
Increase the cash
Both increase will not affect the debt-equity ratio as both components of debt-equity ratio are unaffected by this transaction.

(b)

$$\text{Total Assets to Debt Ratio} = \frac{\text{Total Assets}}{\text{Long} - \text{term} - \text{Debt}}$$

Total Assets = Current Assets + Non-Current Assets
= 1,35,000 + 5,40,000 = 6,75,000
Long-Term Debt = Long-Term Borrowings + Long-Term Provisions
= 3,00,000 + 1,50,000 = 4,50,000

$$\text{Therefore, Total Assets to Debt Ratio} = \frac{6{,}75{,}000}{4{,}50{,}000} = 1.5:1$$

25. Answer :

Cash Flow Statement
For the year ended March 31,2013

	Particulars	₹	₹
A	**Cash Flow from Operating Activities**		
	Profit as per statement of Profit and Loss	1,00,000	
	Profit Before Taxation		1,00,000
	Operating Profit before Working Capital adjustment		1,00,000
	Add: Decrease in Current Assets		
	Trade Receivable	54,000	
	Inventories	6,000	
	Less: Decrease in Current Liabilities		
	Trade Payable	(8,000)	52,000
	Net Cash Flow From Operating Activities		**1,52,000**
B	**Cash Flow from Investing Activities**		
	Purchase Of Fixed Assets	(2,90,000)	
	Purchases Of Investment	(72,000)	
	Net Cash used in Investing Activities		**(3,62,000)**
C	**Cash Flow from Financing Activities**		
	Proceeds from Issue Of Share Capital	2,00,000	
	Repayment of Long-term Loan	(50,000)	
	Net Cash Flow from Financing Activities		**1,50,000**
D	Net Increases Or Decreases in Cash and Cash Equivalents		(60,000)
	Add: Cash and Cash Equivalents in the beginning of the period		2,04,000
	Cash and Cash Equivalents at the end of the period		**1,44,000**