CLASS-XII (2022-23)

SAMPLE QUESTION PAPER - 5

SUBJECT ACCOUNTANCY 055

TIME 3 HOURS **MAX. MARKS 80**

GENERAL INSTRUCTIONS:

1. This question paper contains 34 questions. All questions are compulsory.
2. This question paper is divided into two parts, Part A and B.
3. Part - **A is compulsory for all candidates.**
4. Part - B has two options i.e. **(i) Analysis of Financial Statements and (ii) Computerised Accounting.** Students must attempt **only one** of the given options.
5. Question 1 to 16 and 27 to 30 carries 1 mark each.
6. Questions 17 to 20, 31and 32 carries **3** marks each.
7. Questions from 21 ,22 and 33 carries **4** marks each
8. Questions from 23 to 26 and 34 carries **6** marks each
9. There is no overall choice. However, an internal choice has been provided in 7 questions of **one mark**, 2 questions of **three marks**, 1 question of **four marks** and 2 questions of **six marks.**

Part A:- Accounting for Partnership Firms and Companies

1. **Assertion (A):** It is necessary to ascertain new profit sharing ratio for old partners when a new partner is admitted. **[1]**

   Reason (R): New partner acquires his share from old partners which reduces old partners' share in profits.

   a) Both A and R are true and R is the correct explanation of A.

   b) Both A and R are true but R is not the correct explanation of A.

   c) A is true but R is false.

   d) A is false but R is true.

2. Goodwill of the firm is not affected by **[1]**

   a) Location of the firm

   b) None of these

   c) Better customer service

   d) Favourable contracts

   OR

   Under the Capitalisation of Super Profit, the formula for calculating the goodwill is

   a) Average profit divided by the rate of return

   b) Super profit divided by the rate of return

   c) Super profit multiplied by the rate of return

   d) Average profit multiplied by the rate of return

3. Which of the following statement is true? **[1]**

   A. a minor cannot be admitted as a partner

   B. a minor can be admitted as a partner, only into the benefits of the partnership

C. a minor can be admitted as a partner but his rights and liabilities are the same of an adult partner

D. none of these

a) Only A b) Only B

c) Only C d) Only D

4. The debentures are issued under the ________ of company [1]

a) Section 12 of Companies Act b) Registration

c) Rules & Principles d) Common seal

5. Discount on Reissue of shares cannot be more than the ________. [1]

a) Called up amount b) Forfeited Amount

c) Face value of share d) Bank amount received

OR

When shares issued are 10,000 but applied shares are 8,000 then it is a case of:

a) None of the above b) pro-rata

c) under subscription d) Over-subscription

6. Which of the following account is not prepared at the time of dissolution? [1]

a) Cash Account b) Partners Capital Account

c) Realisation Account d) Revaluation Account

OR

If the firm is dissolved, the partner's personal assets are first used for payment of the:

a) firm's liabilities b) Any of firm's liabilities and Personal liabilities.

c) First applied towards payment of private debt and surplus towards firm's debt d) Personal liabilities

7. If principal security is already issued then additionally which security is to be issued? [1]

a) Collateral security and Principal security b) Principal security

c) Personal security d) Collateral security

OR

Debentures can be issued through various modes other than cash, one such is through collateral security When does company issue debentures as collateral security?

a) When the lender does not gives additional security
b) When a lender demands additional or secondary security
c) When lender does not demands additional or secondary security
d) When a lender gives additional security

8. Which capital should be stated in the Memorandum of Association of a company? **[1]**

a) Subscribed capital
b) Issued Capital
c) Authorised Capital
d) Paid-up capital

Question No. 9 to 10 are based on the given text. Read the text carefully and answer the questions: **2.0**

X, Y and Z are partners sharing profits and losses in the ratio of 5:3:2. From 1st April, 2018, they decided to share profits and losses equally. The profit and loss account showed a debit balance of ₹ 10,000. The Partnership Deed provides that in the event of any change in the profit-sharing ratio, the goodwill should be valued at two years' purchase of the average profit of the preceding five years. The profits and losses of the preceding years ended 31st March, are:

Year	2013-14	2014-15	2015-16	2016-17	2017-18
Profits (₹)	70,000	85,000	45,000	35,000	10,000 (Loss)

9. Change in the existing agreement of profit sharing ratio is considered as:

a) None of these
b) Reconstitution of a partnership firm
c) Dissolution of a partnership firm
d) Revaluation of a partnership firm

10. State the ratio in which the partners share the accumulated profits when there is a change in the profit-sharing ratio amongst existing partners:

a) Sacrificing ratio
b) New ratio
c) Old ratio
d) Equal ratio

11. A and B are partners in a firm sharing profits and losses in the ratio of 3 : 5 They admit a new partner C. A surrenders $\frac{1}{5}$ of his share and B $\frac{2}{5}$ of his share in favour of C. For purpose of C's admission, goodwill of the firm is valued at ₹ 75,000 and C brings his share of goodwill in cash which is retained in the firm's books. Calculate sacrificing ratio of A and B. **[1]**

a) 3 : 4
b) 4 : 3
c) 2 : 1
d) 7 : 3

12. When a company purchases some assets and not paying cash instead issues debentures as a payment for the purchase, from the vendors it is known as the issue of: [1]

a) Debentures issued for cash

b) Debentures issued for consideration other than cash

c) Debentures issued as collateral security

d) Debenture issued in consideration of asset

13. When the business is taken over by another business, the excess of purchase consideration over its net value asset is referred to as ____. [1]

a) Generated Goodwill

b) Super Goodwill

c) Average Goodwill

d) Purchase Goodwill

14. Is outgoing partner entitled to a share of goodwill of the firm? [1]

a) Yes Goodwill earned by the firm is the effort of retired partners

b) Yes Goodwill earned by the firm is the effort of all the partners of firm.

c) No Goodwill earned by the firm is the effort of only one the partners

d) No Goodwill earned by the firm is the effort of new partners.

OR

Methods of calculation of profit share up to date of death will be:

a) Yearly basis

b) Time basis

c) Turnover basis

d) Both Time basis and Turnover basis

15. When the value of goodwill is not given at the time of admission of a new partner, it is inferred from the capital of the new firm and profit-sharing ratio. This concept is called ________. [1]

a) Purchased Goodwill

b) Premium for Goodwill

c) Average Goodwill

d) Hidden Goodwill

16. For calculation of capital in the beginning what should be added in the capital at the end of the year: [1]

a) Drawing

b) Additional capital

c) Salary

d) Profit

17. P, Q and R were partners sharing profits in the ratio of 2 : 2 : 1. The firm closes its books on March 31 every year. On June 30, 2017, R died. The following information is provided on R's death: [3]

i. The balance in his capital account in the beginning of the year was ₹ 6,50,000.

ii. He withdrew ₹ 60,000 on May 15, 2017 for his personal use.

On the date of death of a partner the partnership deed provided for the following:

a. Interest on capital @ 10 % per annum.

b. Interest on drawings @ 12 % per annum.

c. His share in the profit of the firm till the date of death, to be calculated on the basis of the rate of Net Profit on Sales of the previous year, which was 25 %. The Sales of the firm till June 30, 2017 were ₹ 6,00,000.

Prepare R's Capital Account on his death to be presented to his executors.

18. Average net profit of Home Depot expected in the future is ₹ 54,000 per year. The average capital employed in the business is ₹ 3,00,000. Normal profit expected from capital invested in this class of business is 10%. The remuneration of the partners is estimated to be ₹ 9,000 p.a. Find out the value of goodwill on the basis of two years' purchase of super profit. **[3]**

19. F Ltd. issues ₹7,00,000; 10% Debentures of ₹100 each at a premium of 5% redeemable at 110% after 5 years. Journalise. **[3]**

20. X, Y and Z are sharing profits and losses in the ratio of 5 : 3 : 2. With effect from 1st April, 2019, they decide to share profits and losses equally. Calculate each partner's gain or sacrifice due to the change in ratio. **[3]**

21. What journal entries would be recorded for the following transactions on the dissolution of a firm of Arti and Karim after various assets (other than cash) on the third party liabilities have been transferred to Reliasation account. **[4]**

i. Arti took over the Stock worth ₹ 80,000 at ₹ 68,000.

ii. There was an unrecorded Bike of ₹ 40,000 which was taken over by Mr. Karim.

iii. The firm paid ₹ 40,000 as compensation to employees.

iv. Sundry creditors amounting to ₹ 36,000 were settled at a discount of 15%.

v. Loss on realisation ₹ 42,000 was to be distributed between Arti and Karim in the ratio of 3 : 4.

22. X Ltd. forfeited 1,500 shares of ₹10 each (originally issued at a premium of ₹3 per share which was payable along with application money) on which allotment money of ₹3 and first call money of ₹2 were not received; the final call money of ₹3 is not yet called. These shares were originally allotted on pro-rata basis in the ratio of 3 : 2. These shares were subsequently reissued at a discount of ₹1 per share, credited as ₹7 paid up. **[4]**

Pass necessary Journal entries for forfeiture and reissue of shares.

23. X Ltd invited applications for issuing 50,000 equity shares of ₹ 10 each. The amount was payable as follows. **[6]**

On application	₹ 2 per share
On allotment	₹ 2 per share
On first call	₹ 3 per share
On second and final call	Balance amount

Applications for 70,000 shares were received. Applications for 10,000 shares were rejected and the application money was refunded.

Shares were allotted to the remaining applicants on a pro-rate basis and excess money received with applications was transferred towards sums due on allotment and calls if any.

Gopal, who applied for 600 shares, paid his entire share money with the application. Ghosh, who had applied for 6,000 shares, failed to pay the allotment money and his shares were immediately forfeited. These forfeited shares were re-issued to Sultan for ₹ 20,000; ₹ 4 per share paid-up. The first call money and the second and final call money was called and duly received. Pass necessary journal entries for the above transactions in the books of X Ltd.

Open Calls-in-advance account and calls-in-arrears account wherever necessary.

24. A, B and C are in partnership sharing profits in the ratio of 3 : 2 : 1. On 28th February, 2017 C retires from the firm. Their Balance Sheet on this date was as follows: **[6]**

Liabilities		**₹**	**Assets**	**₹**
Sundry Creditors		1,20,000	Bank	25,000
Outstanding Expenses		10,000	Debtors	1,65,000
Profit & Loss Account		1,50,000	Stock	2,50,000
Capital Accounts:			Investments	3,00,000
A	5,00,000		Fixed Assets	5,40,000
B	3,00,000			
C	2,00,000	10,00,000		
		12,80,000		**12,80,000**

The following was agreed upon :

i. Goodwill of the firm is valued at ₹ 1,50,000. C sells his share of goodwill to A and B in the ratio of 4 : 1.

ii. Stock is revalued at ₹ 3,00,000 and debtors are revalued at ₹ 1,50,000.

iii. Outstanding expenses be brought down to ₹ 3,000.

iv. Investments are sold at a loss of 10%.

v. C is paid off in full.

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

25. A, B and C were partners in a firm sharing profits in the ratio of 2: 2: 1. Their Balance Sheet as at March 31, 2019 was as follows: **[6]**

BALANCE SHEET OF FIRM A, B and C as at March 31, 2019

Liabilities		₹	**Assets**	₹
Creditors		30,000	Land	85,000
Bill Payable		20,000	Building	50,000
Outstanding Expenses		25,000	Plant	1,00,000
General Reserve		50,000	Stock	40,000
Capital:			Debtors	25,000
A	50,000		Cash	5,000
B	60,000			
C	70,000	1,80,000		
		3,05,000		**3,05,000**

From April 1, 2019 the partners decided to share profits in the ratio of 1: 2: 3. For this purpose it was agreed that:

i. The goodwill of the firm should be valued at ₹ 60,000.

ii. Land should be revalued at ₹ 1,00,000. Building should be depreciated by 6%.

iii. Creditors amounting to ₹ 3,000 were not to be paid.

You are required to:

i. Record the necessary journal entries to give effect to the above agreement.

ii. Prepare the capital accounts of the partners.

iii. Prepare the balance sheet of the reconstituted firm.

Partners decide that General Reserve will be transferred to Capital Accounts whereas revised values of assets and liabilities are not to be recorded in the books.

Part B :- Analysis of Financial Statements

26. On 1-4-2015, K.K. Ltd. issued 500, 9% Debentures of ₹500 each at a discount of 4%, redeemable at a premium of 5% after three years. **[6]**

Pass necessary Journal Entries for the issue of debentures and debenture interest for the year ended 31-3-2016 assuming that interest is payable on 30th September and 31st March and the rate of tax deducted at source is 10%. The company closes its books on 31st March every year.

27. While calculating the cash flow statement from investment activities following items should be added except? **[1]**

a) Cash paid for purchase of Non-current Investment

b) Interest received

c) Cash received from sale of fixed assets

d) Cash received from sale of investments

OR

As per Accounting Standard-3, Cash Flow is classified into

a) Operating activities and financing activities

b) Investing activities and financing activities

c) Operating activities and investing activities

d) Operating activities, financing activities and investing activities

28. Cash Flow Statement is based upon **[1]**

a) Credit basis of accounting
b) None of these
c) Cash basis of accounting
d) Accrual basis of accounting

OR

Following are the unamortized expenses except ________.

a) Issue of share capital
b) Loss on issue of debentures
c) Share issue expenses
d) Discount on issue of debentures

29. Main limitation of analysis of financial statements is: **[1]**

a) Affected by window dressing
b) Do not reflect changes in the price level
c) Difficulty in forecasting
d) All of these

30. The financial analysis becomes significant because it: **[1]**

a) ignores price level changes
b) is affected by personal bias
c) measures the efficiency of business
d) lacks qualitative analysis

31. A company had a liquid ratio of 1.5: 1 and a current ratio of 2: 1. Its inventory turnover ratio was 6 times. It had total current assets of ₹ 2,00,000 **[3]**
Find out revenue from operations if the goods are sold at 25 % profit on cost.

32. Rearrange the following items under assets according to Schedule III: **[3]**

(i) Office Equipment,	(ii) Loose Tools,	(iii) Goodwill,
(iv) Trademarks,	(v) Bills Receivable,	(vi) Debtors,
(vii) Land,	(viii) Building	(ix) Stock-in-Trade,
(x) Stores and Spare Parts,	(xi) Furniture,	(xii) Vehicles,
(xiii) Advance to Subsidiaries,	(xiv) Cash at Bank,	
(xv) Cash in Hand,	(xvi) Work-in-Progress (Machinery),	
(xvii) Plant,	(xviii) Interest Accrued on Investments, and	
(xix) Deposits with Electricity Supply Company.		

33. Assuming that the current ratio is 1.5 : 1, state giving reasons, which of the following transactions would (i) improve, (ii) reduce, (iii) not alter the current ratio:- **[4]**

i. Realisation of current assets
ii. Payment of current liabilities
iii. B/R dishonoured
iv. Sale of goods at par
v. Sale of goods at profit
vi. Sale of goods at loss
vii. Purchase of goods for cash
viii. Purchase of goods on credit of 3 months
ix. Sale of furniture for cash
x. Sale of machinery on a credit of 5 months
xi. Sale of land on long-term deferred payment basis
xii. Purchase of motor car for cash

OR

State with reason, whether the Proprietary Ratio will improve, decline or will not change because of the following transactions if Proprietary Ratio is 0.8 : 1:

i. Obtained a loan of ₹ 5,00,000 from State Bank of India payable after five years.
ii. Purchased machinery of ₹ 2,00,000 by cheque.
iii. Redeemed 7% Redeemable Preference Shares ₹ 3,00,000.
iv. Issued equity shares to the vendor of building purchased for ₹ 7,00,000.
v. Redeemed 10% redeemable debentures of ₹ 6,00,000.

34. Prepare a cash flow statement from the following: **[6]**

STATEMENT OF PROFIT AND LOSS
(for the year ended 31st March, 2018)

	Note No.	₹
I. Revenue from Operations		25,40,000
II. Expenses:		
Cost of Materials Consumed		20,60,000
Employee Benefit Expenses		1,36,000
Finance Costs	1	20,000
Depreciation and Amortization Expenses	2	70,000
Total Expenses		22,86,000
III. Profit before Tax (I-II)		2,54,000
Provision for Tax		34,000
Profit after Tax		2,20,000

Notes:

(1)	Finance Costs:	
	Interest on Debentures	20,000
(2)	Depreciation and Amortization Expenses :	
	Depreciation	54,000
	Goodwill written off	16,000
		70,000

BALANCE SHEETS
as at

Particulars	**Note No.**	**31.3.2018 ₹**	**31.3.2017 ₹**
I. EQUITY AND LIABILITIES:			
(1) Shareholder's Funds:			
(a) Share Capital		5,00,000	4,00,000
(b) Reserves & Surplus	1	3,96,000	1,66,000
(2) Non-Current Liabilities:			
Long-term Borrowings	2	1,50,000	2,00,000
(3) Current Liabilities:			
(a) Short-term Borrowings	3	18,000	15,000
(b) Trade Payables		1,06,000	74,000
(c) Short term Provision	4	32,000	25,000
TOTAL		12,02,000	8,80,000

II. ASSETS:			
(1) Non-Current Assets:			
(a) Fixed Assets:			—
(i) Tangible Assets	5	6,18,000	3,60,000
(ii) Intangible Assets	6	24,000	40,000
(b) Long-term Investments		76,000	50,000
(2) Current Assets:			
(a) Current Investments		8,000	10,000
(b) Inventory		2,80,000	2,33,000
(c) Trade Receivables		1,36,000	1,50,000
(d) Cash & Bank Balances		60,000	37,000
TOTAL		12,02,000	8,80,000

Note :

(1)	Reserve & Surplus:	**31.3.2018** ₹	**31.3.2017** ₹
	Securities Premium	10,000	—
	Reserve	3,86,000	1,66,000
		3,96,000	1,66,000
(2)	Long-term Borrowings:		
	12% Debentures	1,50,000	2,00,000
(3)	Short-term Borrowings:		
	Bank Overdraft	18,000	15,000
(4)	Short term Provision:		
	Provision for Tax	32,000	25,000
(5)	Tangible Assets:		
	Building	1,88,000	—
	Machinery	4,30,000	3,60,000
		6,18,000	3,60,000
(6)	Intangible Assets:		
	Goodwill	24,000	40,000

SOLUTION

Part A:- Accounting for Partnership Firms and Companies

1. **(a)** Both A and R are true and R is the correct explanation of A.
   Explanation: Both A and R are true and R is the correct explanation of A.
2. **(b)** None of these
   Explanation: None of these

   OR

   (b) Super profit divided by the rate of return
   Explanation: Super profit divided by the rate of return
3. **(b)** Only B
   Explanation: Minor can be admitted for profit shares only.
4. **(d)** Common seal
   Explanation: A debenture is a document issued by a company as evidence of a debt to the holder usually arising out of a loan and most commonly secured by a charge. A company issue its debentures under the Common Seal of the company. Otherwise, it will not be issued to the public.
5. **(b)** Forfeited Amount
   Explanation: A company can reissue its shares (forfeited shares) at a discount but discount should not exceed the forfeited amount i.e. the amount credited to the forfeited shares.

   OR

   (c) under subscription
   Explanation: under subscription
6. **(d)** Revaluation Account
   Explanation: The main reason is that the revaluation account is prepared at the time of reconstitution of partnership when the values of assets and liabilities change. in case of dissolution of the business, assets are sold off and liabilities are paid off so revaluation account cannot be made. in case of Dissolution of Partnership firm Realisation A/c is prepared not revaluation A/c.

   OR

   (c) First applied towards payment of private debt and surplus towards firm's debt
   Explanation: Debts which the firm owes to outsiders are known as firm's debt whereas the debts which a partner owes in his personal capacity are known as private debts.
7. **(d)** Collateral security
   Explanation: Sometimes a company issue its debentures as a subsidiary or secondary security when primary security is already given. Such an issue is known as the issue of debentures as collateral security.

   OR

   (b) When a lender demands additional or secondary security
   Explanation: A company issue its debentures through collateral security when the lender demands additional security in addition to the prime or principal security.
8. **(c)** Authorised Capital
   Explanation: The authorised capital is to be stated in the Memorandum of association

of a company. Authorized capital is also known as the nominal capital of the company. The authorised capital is maximum capital to be issued by the company during its lifetime.

9. **(b)** Reconstitution of a partnership firm
   Explanation: Reconstitution of a partnership firm
10. **(c)** Old ratio
    Explanation: Old ratio
11. **(a)** 3 : 4
    Explanation: Calculation of sacrificing ratio of A & B
    Old Share = 3 : 5
    A's Sacrifice share = $\frac{3}{5} \times \frac{1}{5} = \frac{3}{25}$
    B's Sacrifice share = $\frac{2}{5} \times \frac{2}{5} = \frac{4}{25}$
    Sacrificing Ratio of A and B will be = 3 : 4
12. **(b)** Debentures issued for consideration other than cash
    Explanation: When a company purchases some assets and instead of paying cash issue debentures as a payment for the purchase from the vendors it is known as the issue of debentures for consideration other than cash.
    Asset A/c ... Dr.
    To vendor A/c
    Vendor A/c ... Dr.
    To debentures A/c
13. **(d)** Purchase Goodwill
    Explanation: Purchased goodwill is recorded in the books of accounts, when a running business is purchased by another business by paying the extra amount than the actual value of the business. Purchased goodwill is the difference between the value paid for an enterprise as a going concern and the sum of its assets less the sum of its liabilities, each item of which has been separately identified and valued.
14. **(b)** Yes Goodwill earned by the firm is the effort of all the partners of firm.
    Explanation: Goodwill earned by the firm is the effort of all the partners of firm. When a partner retires from the firm, he should get his share of goodwill (Goodwill x share of outgoing partner) other than his capital amount (adjusted).

    OR

    (d) Both Time basis and Turnover basis
    Explanation: Deceased partner's share will be calculated on the basis of:
    - Time method - proportionate profit up to date of death based on his share
    - Turnover method - $\frac{Profit\ (last\ year)}{Sales\ (last\ year)}$ $\times$ sales of the current year till the date of death
15. **(d)** Hidden Goodwill
    Explanation: It is known as hidden goodwill.
    Following formula should be used to calculate the value of hidden goodwill:
    Total Capital of the new firm - Combined capital of all partners (including new partner capital) = Hidden Goodwill
16. **(a)** Drawing
    Explanation: To calculate the interest on capital, we must find out the opening capital first. Sometimes opening capital is not given in the question but closing capital is

given. In such a case following formula should be used to find out the opening capital: Opening Capital = Closing Capital + Drawings during the year - profit during the year.

17. **R's Capital Account**

Date	Particulars	JF	Amount (₹)	Date	Particulars	JF	Amount (₹)
2017 Jun 30	To Drawing A/c		60,000	2017 Apr 1	By Balance b/d		6,50,000
2017 Jun 30	To Interest on Drawing A/c		900	2017 Jun 30	By Interest on Capital A/c		16,250
2017 Jun 30	To R's Executor's A/c		6,35,350	2017 Jun 30	By Profit & Loss Suspense A/c		30,000
			6,96,250				**6,96,250**

18. For calculation of goodwill first Super Profit is calculated as follows:-

	₹	₹
Average annual profits		54,000
Less : Partners' remuneration	9000	
Interest on capital employed ($3,00,000 \times \frac{10}{100}$)	30,000	39,000
Annual super profit		15,000

Goodwill, being two years purchase of super profit = Super Profit x No. of years of Purchase = 15000× 2 = ₹ 30,000

19. **JOURNAL OF LTD.**

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	Dr.		7,35,000	
	To Debentures Application and Allotment A/c				7,35,000
	(Being the debentures application money received)				
	Debentures Application and Allotment A/c	Dr.		7,35,000	
	Loss on Issue of Debentures A/c	Dr.		70,000	
	To 10% Debentures A/c				7,00,000
	To Securities Premium of Debentures A/c				35,000
	To Premium on Redemption of Debentures A/c				70,000
	(Being the issue of 7,000; 10% Debentures of ₹100 each at a premium of 5% and redemption at a premium of 10%)				

20. Calculation of Change in Profit Sharing ratio

Old Ratio (X, Y and Z) = 5 : 3 : 2

New Ratio (X, Y and Z) = 1 : 1 : 1

Sacrificing (or Gaining) Ratio = Old Ratio − New Ratio

X's Share = $\frac{5}{10} - \frac{1}{3} = \frac{15-10}{30} = \frac{5}{30}$ (Sacrifice)

Y's Share = $\frac{3}{10} - \frac{1}{3} = \frac{9-10}{30} = \frac{-1}{30}$ (Gain)

Z's Share = $\frac{2}{10} - \frac{1}{3} = \frac{6-10}{30} = \frac{-4}{30}$ (Gain)

$\therefore$ Y's Gain = 1/30

Z's Gain = 4/30

X's Sacrifice = 5/30

y

21. **Journal**

	Particulars		**L.F.**	**Amount ₹**	**Amount ₹**
1	Arti's Capital A/c	Dr.		68,000	
	To Realisation A/c				68,000
	(Arti took over stock worth ₹ 80,000 at ₹ 68,000)				
2.	Karim's Capital A/c	Dr.		40,000	
	To Realisation A/c				40,000
	(Karim took over an unrecorded bike of ₹ 40,000)				
3.	Realisation A/c	Dr.		40,000	
	To Bank A/c				40,000
	(Compensation paid to the employees)				
4.	Realisation A/c	Dr.		30,600	
	To Bank A/c				30,600
	(Creditors amounting ₹ 36,000 were settled at a discount of 15%) [36,000 × (85/100)]				
5.	Arti's Capital A/c	Dr.		18,000	
	Karim's Capital A/c	Dr.		24,000	
	To Realisation A/c				42,000
	(Loss on Realisation transferred to Partners' Capital Account)				

22.

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c (1,500 × ₹7)	Dr.		10,500	
	To Share Allotment A/c (Note)				750
	To Share First Call A/c				3,000
	To Forfeited Shares A/c				6,750
	(1,500 share forfeited due to non-payment of allotment & call)				
	Bank A/c (1,500 × ₹6)	Dr.		9,000	
	Forfeited Shares A/c (1,500 × ₹1)	Dr.		1,500	
	To Share Capital A/c				10,500
	(Re-issue of forfeited shares)				
	Forfeited Shares A/c	Dr.		5,250	
	To Capital Reserve A/c				5,250
	(Profit on re-issue transferred to Capital Reserve)				

Note:

No. of Shares applied = 1,500 $\times \frac{3}{2}$ = 2,250

Excess application money received:

2,250 Share - 1,500 Shares = 750 Shares × ₹5 = ₹3,750

Amount due on Allotment: 1,500 Shares × ₹3 = 4,500

Less: Excess received on application = 3,750

Allotment mone not received = 750

23. **JOURNAL**

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	Dr.		1,44,800	
	To Equity Share Application A/c				1,44,800
	(Being share application money received.)				
	Equity Share Application A/c	Dr.		1,44,800	
	To Equity Share Capital A/c				1,00,000
	To Equity Share Allotment A/c				20,800
	To Bank A/c				21,000
	To calls-in- advance A/c				3,000
	(Being share application money due.)				
	Equity Share Allotment A/c	Dr.		1,00,000	
	To Equity Share Capital A/c				1,00,000
	(Being share allotment money due.)				
	Bank A/c	Dr.		71,200	
	Calls-in-arrears A/c	Dr.		8,000	
	To Equity Share Allotment A/c				79,200
	(Being share allotment money received.)				
	Equity Share Capital A/c	Dr.		20,000	
	To Calls-in-arrears A/c				8,000
	To Share Forfeiture A/c				12,000
	(Being share forfeited.)				
	Bank A/c	Dr.		20,000	
	To Equity Share Capital A/c				20,000

	(Being shares issued to sultan.)				
	Share Forfeiture A/c	Dr.		12,000	
	To Capital Reserve A/c				12,000
	(Being balance of share forfeiture transferred to capital reserve.)				
	Equity Shares First Call A/c	Dr.		1,50,000	
	To Equity Shares Capital A/c				1,50,000
	(Being share first call money due.)				
	Bank A/c	Dr.		1,48,500	
	Calls-in-advance A/c	Dr.		1,500	
	To Equity Shares First Call A/c				1,50,000
	(Being share first call money received.)				
	Equity Share Second and Final Call A/c	Dr.		1,50,000	
	To Equity Share Capital A/c				1,50,000
	(Being share second call money due.)				
	Bank A/c	Dr.		1,48,500	
	Calls-in-advance A/c	Dr.		1,500	
	To Equity Share Second and Final Call A/c				1,50,000
	(Being share second and final call money received.)				

Working Note:

Analyse Table

	Shares applied	Shares allotted	Received on application @ ₹ 2	Transferred to share capital @ ₹ 2	Excess	Allotment @ ₹ 2	Calls-in-advance @ ₹ 6	Refund
I	10,000	....	20,000	....	20,000	....	....	20,000
II	59,400	49,500	1,18,800	99,000	19,800	19,800	....	....
III	600	500	6,000	1,000	5,000	1,000	3,000	1,000
	70,000	50,000	1,40,800	1,00,000	44,800	20,800	3,000	21,000

24. **REVALUATION ACCOUNT**

Dr.				Cr.
Particulars		**₹**	**Particulars**	**₹**
To Provision for doubtful debts A/c		15,000	By stock A/c	50,000
To Investments A/c		30,000	By Outstanding Expenses	7,000

			A/c	
To Revaluation Profit transferred to:				
A's Capital A/c	6,000			
B's Capital A/c	4,000			
C's Capital A/c	2,000	12,000		
		57,000		**57,000**

PARTNER'S CAPITAL ACCOUNTS

Dr.							**Cr.**
Particulars	**A (₹)**	**B (₹)**	**C (₹)**	**Particulars**	**A (₹)**	**B (₹)**	**C (₹)**
To C's Capital A/c	20,000	5,000		By Balance b/d	5,00,000	3,00,000	2,00,000
To Bank A/c			2,52,200	By Profit & Loss A/c	75,000	50,000	25,000
To Balance c/d	5,61,000	3,49,000		By Revaluation A/c	6,000	4,000	2,000
				By A's Capital A/c			20,000
				By B's Capital A/c			5,000
	5,81,000	**3,54,000**	**2,52,000**		**5,81,000**	**3,54,000**	**2,52,000**

BALANCE SHEET OF THE FIRM
as at 1st March, 2017

Liabilities		**₹**	**Assets**		**₹**
Sundry Creditors		1,20,000	Bank		43,000
Outstanding Expenses		3,000	Debtors	1,65,000	
Capital Account balances:			Less: Provision for doubtful debts	15,000	1,50,000
A	5,61,000		Stock		3,00,000
B	3,49,000	9,10,000	Fixed Assets		5,40,000
		10,33,000			**10,33,000**

W.N.:

BANK ACCOUNT

Dr.			**Cr.**
Particulars	**₹**	**Particulars**	**₹**
To Balance b/d	25,000	By C's Capital A/c	2,52,000

To Investments	2,70,000	By Balance c/d	43,000
	2,95,000		**2,95,000**

25.

Journal

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2019 April 1	General Reserve A/c	Dr.		50,000	
	To A's Capital A/c				20,000
	To B's Capital A/c				20,000
	To C's Capital A/c				10,000
	(General Reserve transferred to partner's capital accounts due to change in profit sharing ratio)				
	C's Capital A/c	Dr.		22,500	
	To A's Capital A/c				17,500
	To B's Capital A/c				5,000
	(The adjustment for revaluation of assets and liabilities and goodwill on change in profit sharing ratio)				

CAPITAL ACCOUNTS

Dr.							Cr.
Particulars	**A (₹)**	**B (₹)**	**C (₹)**	**Particulars**	**A (₹)**	**B (₹)**	**C (₹)**
To A's Capital A/c	-	-	17,500	By Balance b/d	50,000	60,000	70,000
To B's Capital A/c	-	-	5,000	By General Reserve	20,000	20,000	10,000
To Balance c/d	87,500	85,000	57,500	By C's Capital A/c	17,500	5,000	-
	87,500	**85,000**	**80,000**		**87,500**	**85,000**	**80,000**

BALANCE SHEET
(as at 1st April 2019)

Liabilities		₹	Assets	₹
Creditors		30,000	Land	85,000
Bills Payable		20,000	Building	50,000
Outstanding Expenses		25,000	Plant	1,00,000
Capitals:			Stock	40,000
A	87,500		Debtors	25,000
B	85,000		Cash	5,000
C	57,500	2,30,000		

		3,05,000		**3,05,000**

Working:

Calculation of Net amount to be adjusted :

Particulars	**₹**
Profit due to increase in the value of Land	15,000
Profit due to decrease in Creditors	3,000
	18,000
(-) Loss due to decrease in the value of Building	(3,000)
Profit on Revaluation	15,000
(+) Adjustment for Goodwill	60,000
Net Amount to be adjusted	**75,000**

<u>Calculation of Sacrifice or Gained Share:</u>

Old Ratio of A, B and C = 2: 2: 1

New Ratio of A, B and C = 1: 2: 3

Sacrifice or Gain: Old Share - New Share

A = $\frac{2}{5} - \frac{1}{6} = \frac{7}{30}$(Sacrifice)

B = $\frac{2}{5} - \frac{2}{6} = \frac{2}{30}$ (Sacrifice)

C = $\frac{1}{5} - \frac{3}{6} = \frac{9}{30}$ (Gain)

Share of A = 75,000 $\times \frac{7}{30}$ = ₹ 17,500

Share of B = 75,000 $\times \frac{2}{30}$ = ₹ 5,000

Share of C = 75,000 $\times \frac{9}{30}$ = ₹ 22,500

26. **(a)** Cash paid for purchase of Non-current Investment

Explanation: Cash paid for the purchase of investment is deducted in investing activities while preparing a cash flow statement. It showed an outflow of cash in investing activities. But Cash received from the sale of fixed assets. Cash received from the sale of investments, Interest received are inflow hence added.

OR

(d) Operating activities, financing activities and investing activities

Explanation: Operating activities, financing activities and investing activities

Part B :- Analysis of Financial Statements

27. **Journal of K.K Ltd.**

Date	**Particulars**		**L.F.**	**Dr.(₹)**	**Cr.(₹)**
2015 April 1	Bank A/c	Dr.		2,40,000	
	To Debentures Application & Allotment A/c (Amount received on application)				2,40,000
April 1	Debenture Application & Allotment A/c	Dr.		2,40,000	
	Loss on Issue of Debentures A/c	Dr.		22,500	
	To 9% Debentures A/c				2,50,000

	To Premium on Redemption A/c (Issue of debentures at 4% discount and redeemable at 5% premium)				12,500
Sept. 30	Interest on Debentures A/c	Dr.		11,250	
	To Debentureholders a/c				10,125
	To TDS Payable A/c (Half-yearly interest due on debentures and tax deducted at source)				1,125
Sept. 30	Debentureholders A/c	Dr.		10,125	
	TDS Payable A/c	Dr.		1,125	
	To Bank A/c (Interest paid and TDS deposited in Government Account)				11,250
2016 March 31	Interest on Debentures A/c	Dr.		11,250	
	To Debentureholders A/c				10,125
	To TDS Payable A/c (Half-yearly interest due on debentures and tax deducted at source)				1,125
March 31	Debentureholders A/c	Dr.		10,125	
	TDS Payable A/c	Dr.		1,125	
	To Bank A/c (Interest paid and TDS deposited in Government Account)				11,250
March 31	Statement of Profit & Loss	Dr.		22,500	
	To Interest on Debentures A/c (Interest transferred to Statement of profit & Loss)				22,500

28. **(c)** Cash basis of accounting
Explanation: Cash basis of accounting

OR

(a) Issue of share capital
Explanation: Issue of share capital is not part of unamortized expenses. Discount on issue of debentures, Loss on the issue of debentures, and Share issue expenses are unamortized expenses. These all are amortised over a period.

29. **(d)** All of these
Explanation: All the options are correct.

30. **(c)** measures the efficiency of business
Explanation: The financial analysis measures the efficiency of the business.

31. Current Assets = ₹ 2,00,000
Current Ratio of the firm = Current Assets/Current Liabilities

2/1 = 2,00,000/Current Liabilities
Current Liabilities = ₹1,00,000
Quick Ratio = Quick Assets/Current Liabilities
1.5/1 = Quick Assets/1,00,000
Quick Assets = ₹ 1,50,000
We know that, Quick Assets = Current Assets - Stock
Using the above formula, Stock = Current Assets - Quick Assets
= ₹(2,00,000 - 1,50,000)
= ₹ 50,000
Assuming stock to be average stock
Inventory Turnover Ratio = Cost of goods sold/Average Stock
6 = Cost of Goods sold/50,000
Cost of Goods Sold = ₹ 3,00,000
Gross Profit = ₹$(3,00,000 \times \frac{25}{100})$
= ₹ 75,000
Revenue from Operations = Cost of Goods Sold + Gross Profit
= ₹ (3,00,000 + 75,000) = ₹ 3,75,000

32. Classification on the basis of schedule III:
    i. Fixed Assets (Tangible): Office Equipment, Land, Building, Furniture, Vehicles, Plant.
    ii. Fixed Assets (Intangible): Goodwill, Trademarks.
    iii. Capital Work-in-Progress: Work-in-Progress (Machinery).
    iv. Long-term Loans and Advances: Advance to Subsidiaries, Deposits with Electricity Supply Company.
    v. Inventories: Loose Tools, Stock-in-Trade, Stores and Spare Parts.
    vi. Trade Receivables: Bills Receivable, Debtors.
    vii. Cash and Cash Equivalents: Cash at Bank, Cash in Hand.
    viii. Other Current Assets: Interest Accrued on Investments.

33. Statement showing the effect of various transactions on Current Ratio:

Tr. No.	Current Ratio will	Reason
i	Not alter	Neither the current assets not the current liabilities are affected since there is only a conversion of one current asset into another current asset.
ii	Improve	Both the current assets and current liabilities are decreased by the same amount.
iii	Not alter	Neither the current assets not the current liabilities are affected since there is only a conversion of one current asset (i.e. B/R) into another current asset (i.e. Trade Receivables).
iv	Not alter	Neither the current assets not the current liabilities are affected since there is only a conversion of one current asset(i.e., Inventory) into another current asset (i.e., Cash).
v	Improve	Current liabilities remain unchanged but current assets are decreased by amount of loss.
vi	Reduce	Current liabilities remain unchanged but current assets are decreased by amount of loss.
vii	Not alter	Neither the current assets nor the current liabilities are affected since there is only a conversion of one current asset(i.e., cash) into another current asset (i.e., Inventory).
viii	Reduce	Both the current assets and current liabilities are increased by the same amount.
ix	Improve	Current liabilities remain unchanged but current assets are increased.

x	Improve	Current liabilities remain unchanged but current assets are increased.
xi	Not alter	Neither the current assets nor the current liabilities are affected since the total non-current asset are increases as well as decreased by the same amount.
xii	Reduce	Current assets remain unchanged but current liabilities are increased.

OR

Transaction	Impact of transactions on proprietary ratio
Obtained a loan of ₹ 5,00,000 from State Bank of India payable after five years.	Total assets increase by 5,00,000 (as cash increases). However, since shareholders' funds remain unchanged, therefore proprietary ratio will decrease.
Purchased machinery of ₹ 2,00,000 by cheque.	Total assets are increasing and decreasing by 2,00,000 simultaneously (as cash decreases and machinery increases). Thus, both numerator and denominator remain unchanged and so proprietary ratio will not change.
Redeemed 7% Redeemable Preference Shares ₹ 3,00,000.	Both shareholders' funds and total assets decrease by 3,00,000 simultaneously and so proprietary ratio will decrease.
Issued equity shares to the vendor of building purchased for ₹ 7,00,000.	Both shareholders' funds and total assets increase by 7,00,000 simultaneously and so proprietary ratio will improve.
Redeemed 10% redeemable debentures of ₹ 6,00,000	Total assets decrease by 6,00,000 (as cash is going out). However, since shareholders' funds remain unchanged, therefore proprietary ratio will improve.

34.

CASH FLOW STATEMENT
for the year ended 31st March, 2018

Particulars		₹	₹
A. Cash flows from operating activities:			
Net Profit before Tax (Note 1)		2,54,000	
Adjustments for non-cash and non-operating item:			
Add: Depreciation		54,000	
Goodwill written off		16,000	
Interest on Debentures		20,000	
Operating profit before working capital changes		3,44,000	
Add: Decrease in Current Assets:			
Trade Receivables	14,000		
Add: Increase in Current Liabilities:			
Trade Payables	32,000	46,000	

	3,90,000	
Less: Increase in Current Assets :		
Inventory	47,000	
Cash generated from operating activities	3,43,000	
Payment of Tax(2)	(27,000)	
Net Cash from operating activities	3,16,000	3,16,000
B. Cash flows from Investing Activities:		
Purchase of Building	(1,88,000)	
Purchase of Machinery(3)	(1,24,000)	
Purchase of Long-term Investments	(26,000)	
Net Cash used in investing activities	(3,38,000)	(3,38,000)
C. Cash flows from Financing Activities:		
Issue of Share Capital	1,00,000	
Securities Premium	10,000	
Redemption of Debentures	(50,000)	
Payment of interest on Debentures	(20,000)	
Increase in Bank Overdraft	3,000	
Net Cash from financing activities	43,000	43,000
Net increase in Cash and Cash equivalents (A+B+C)		21,000
Add: Cash and Cash equivalents in the beginning of the period(4)		47,000
Cash and Cash equivalents at the end of the period(4)		68,000

Notes :

1. **Calculation of Net Profit before Tax :**

	₹
Reserve Balance on 31st March, 2018	3,86,000
Less: Reserve Balance on 31st March, 2017	1,66,000
	2,20,000
Add: Provision for Tax made during the Current year(2)	34,000
Net Profit before Tax and extraordinary items	2,54,000

2. **PROVISION FOR TAX A/C**

Dr.			**Cr.**
Particulars	**₹**	**Particulars**	**₹**
To Bank (B/f)	27,000	By Balance b/d	25,000

To Balance c/d	32,000	By Statement of P & L A/c	34,000
	59,000		**59,000**

3. **MACHINERY A/C**

Dr.			**Cr.**
Particulars	**₹**	**Particulars**	**₹**
To Balance b/d	3,60,000	By Statement of P & L (Depreciation)	54,000
To Bank (B/f)	1,24,000	By Balance c/d	4,30,000
	4,84,000		**4,84,000**

4. **Cash and Cash Equivalents :**

	13.3.2018 **₹**	**13.3.2017** **₹**
Cash and Bank Balances	60,000	37,000
Current Investments	8,000	10,000
Total	68,000	47,000

34. Statement showing the effect of various transactions on Current Ratio:

Tr. No.	**Current Ratio will**	**Reason**
i	Not alter	Neither the current assets not the current liabilities are affected since there is only a conversion of one current asset into another current asset.
ii	Improve	Both the current assets and current liabilities are decreased by the same amount.
iii	Not alter	Neither the current assets not the current liabilities are affected since there is only a conversion of one current asset (i.e. B/R) into another current asset (i.e. Trade Receivables).
iv	Not alter	Neither the current assets not the current liabilities are affected since there is only a conversion of one current asset(i.e., Inventory) into another current asset (i.e., Cash).
v	Improve	Current liabilities remain unchanged but current assets are decreased by amount of loss.
vi	Reduce	Current liabilities remain unchanged but current assets are decreased by amount of loss.
vii	Not alter	Neither the current assets nor the current liabilities are affected since there is only a conversion of one current asset(i.e., cash) into another current asset (i.e., Inventory).
viii	Reduce	Both the current assets and current liabilities are increased by the same amount.
ix	Improve	Current liabilities remain unchanged but current assets are increased.