CBSE Class 12 Accountancy
Sample Paper 08 (2020-21)

Maximum Marks: 80
Time Allowed: 3 hours

General Instructions:

i. This question paper comprises two Parts – A and B. There are 32 questions in the question paper. All questions are compulsory.
ii. Part A is compulsory for all candidates.
iii. Part B has two options i.e. (1) Analysis of Financial Statements and (2) Computerized Accounting. You have to attempt only one of the given options.
iv. Question nos. 1 to 13 and 23 to 29 are very short answer type questions carrying 1 mark each.
v. Question nos. 14 and 30 are short answer type–I questions carrying 3 marks each.
vi. Question nos. 15 to 18 and 31 are short answer type–II questions carrying 4 marks each.
vii. Question nos. 19, 20 and 32 are long answer type–I questions carrying 6 marks each.
viii. Question nos. 21 and 22 are long answer type–II questions carrying 8 marks each.
ix. There is no overall choice. However, an internal choice has been provided in 2 questions of three marks, 2 questions of four marks and 2 questions of eight marks.

Section A

1. The persons who have entered into a partnership business with one another are individually called ________.
   a. Co-operatives
   b. Firm
   c. Company
   d. Partner
2. The amount of goodwill brought in by the new partner is shared by the ________ partners in their ________ ratio.
   a. Gaining partner, gaining
   b. All partners (including new) in new ratio

c. Sacrificing partners, sacrificing
d. All old partners in old ratio

3. _______ shares are issued by a company at discount to its employees or directors for their hard work and dedication towards the company.
   a. Bonus Shares
   b. Preference Shares
   c. Employees Stock Option Scheme
   d. Sweat Equity Shares
4. Expenditure on the construction of the Pavilion is Rs.6,00,000. The construction work is in progress and has not yet completed. Pavilion fund as at 31st March 2011 is Rs.10,00,000 and Capital fund as at 31st March 2011 is Rs.20,00,000. Calculate the amount to be shown on the liability side as Pavilion fund
   a. Rs.4,00,000
   b. Rs.2,00,000
   c. Rs.40,00,000
   d. Rs.6,00,000
5. First pay _______ and then pay _______ is the basic rule
   a. Firm's Debt, Private debt
   b. Capital A/cs, Current A/cs
   c. to the partners, to the outsiders
   d. Private debts, Partners
6. Which of the following statement is incorrect?
   a. Sweat Equity shares can be issued at a discount
   b. Shares can be issued at discount
   c. The company can issue shares other than cash
   d. There is no limit for securities premium
7. Unrecorded Asset taken over by the partner will not be shown in:
   a. None of these
   b. Partners Capital A/c
   c. Realisation A/c
   d. Cash A/c
8. _______ on the reconstitution of partnership is necessary because their present value may be different from their book value.

a. Reassessment of assets
b. Assessment of assets
c. Revaluation of assets
d. Valuation of assets

9. Fill in the blanks:

In case of retirement of a partner, profit or loss on revaluation of assets and re-assessment of liabilities is distributed among _______ partners in _______ ratio.

10. If Preliminary expenses are given on the Asset side of the Balance sheet. What treatment will be done?
    a. Debited to all partners in equal ratio
    b. Debited to old partners in gaining ratio
    c. Debited to all partners capital A/c in the old ratio
    d. Credited to all partners capital account
11. During the death of partner many items are calculated _______ can be calculated on the basis of time and sales.
    a. Goodwill of the firm
    b. Deceased partner's share of profit
    c. Revaluation Profit
    d. Amount paid to the executor of the deceased partner.
12. A firm earned net profits during the last three years as:

2008-09	Rs.36,000
2009-10	Rs.40,000
2010-11	Rs.44,000

The capital investment of the firm is Rs.1,20,000. A fair return on the capital having regard to the risk involved is 10%. Calculate the value of goodwill on the basis of three year's purchase of the super profit for the last three year.

a. Rs.92000
b. Rs. 70000
c. Rs.65000
d. Rs. 84000

13. For transfer of Profit from Profit and Loss Appropriation account to Reserve account, which account to be credited
    a. Reserve A/c
    b. Profit and Loss Appropriation account
    c. Profit and Loss Adjustment Account
    d. Profit and Loss account

14. The Receipt and Payment Account of Kelvin Sports Club showed that Rs. 63,000 were received by way of subscriptions for the year ended on March 31, 2018.
    The additional information was as under:

    i. Subscription Outstanding as on March 31, 2017, was Rs. 6,500
    ii. Subscription received in advance as of March 31, 2017, was Rs. 4,100
    iii. Subscription Outstanding as on March 31, 2018, was Rs. 5,400
    iv. Subscription received in advance as of March 31, 2018, was Rs. 2,500
    Show how that above information would appear in the final accounts for the year ended on March 31, 2018, of Kelvin Sports Club.

OR

Calculate the amount of stationery to be posted to Income and Expenditure Account of Indian Cultural Society for the year ending 31st March 2018 from the following information :

Particulars	**1.4.2017 (Rs.)**	**31.3.2018 (Rs.)**
Stock of stationery	21,000	18,000
Creditors for stationery	11,000	23,000

Stationery purchased during the year ended 31st March 2018 was Rs.75,000. Also, present the relevant items in the Balance Sheet of the society as at 31st March 2018.

15. A and B are partners sharing profits and losses in the ratio of 3 : 2. Their capital on 31st March 2018 after all adjustments stood at ₹1,65,500 and ₹1,27,600 respectively. Profits amounting to ₹50,000 for the year 2017-18 were distributed after allowing interest on drawings @ 12% p.a. During the year A withdrew ₹15,000 at the beginning of every

quarter and B withdrew ₹40,000 during the year. The partnership deed is silent on interest on drawings but provides for interest on capital @ 5% p.a. Interest on Capital has not been provided.

Showing your workings clearly, pass the necessary adjustment entry to rectify the above errors.

OR

The capital accounts of Alka and Archana showed credit balances of ₹4,00,000 and ₹3,00,000 respectively, after taking into account drawings and net profit of ₹2,00,000. The drawings of the partners during the year 2018-19 were:

i. Alka withdrew ₹10,000 at the end of each quarter.
ii. Archana's drawings were:

	₹
31st May 2018	8,000
1st November 2018	7,000
1st February 2019	5,000

Calculate interest on partners' capitals @ 10% p.a. and interest on partners' drawings @ 6% p.a. for the year ended 31st March 2019.

16. Give journal entries to record the following transaction of forfeiture and reissue of shares and open share forfeiture account.

    L Ltd forfeited 470 equity shares of Rs. 10 each issued at a premium of Rs. 5 per share for non-payment of allotment money Rs. 8 per share (including share premium Rs. 5 per share) and the first and final call of Rs. 5 per share. Out of these, 60 equity shares were subsequently reissued @ Rs.14 per shares.

17. A and B share profits and losses in the ration of 5:2. They have decided to dissolve the firm. Assets and external liabilities have been transferred to Realisation A/c. Pass the Journal Entries to affect the following:
    a. Bank Loan of Rs. 12,000 is paid off.
    b. A was to bear all expenses of Realisation for which he is given to the commission of

Rs. 400.

c. Deferred Advertisement Expenditure A/c appeared in the book at Rs. 28,000.
d. Stock worth Rs. 1,600 was taken over by B at Rs. 1,200.
e. As unrecorded Computer realized Rs. 7,000.
f. There was an outstanding bill for repairs for Rs. 2,000. Which was paid off.

18. Under each of the following capital accounts of partners a firm, list which items may be debited or credited:
    i. Capitals are fixed.
    ii. Capitals are fluctuating.

19. Following is the receipts and payments account of the Indian Youth Association for the year ended 31st December 2013

Receipts and Payments Account

for the year ended 31st December 2013

Receipts	Amount (Rs.)	Payments	Amount (Rs.)
To Balance b/d		By Salaries	90,000
Cash in hand 7,500		By Rent	18,000
Cash at Bank 73,500	81,000	By Printing and stationery	4,500
To Subscriptions	1,20,000	By Postage	1,200
To Bank interest	600	By Typewriter purchased	12,000
To Sale of old car	12,000	By Investments	24,000
		By Balance c/d	
		Cash in hand 3,900	
		Cash at bank 60,000	63,900
	2,13,600		**2,13,600**

Investments were purchased on 1st July 2013 and yielded interest @ 5% per annum subscriptions included Rs. 24,000 for 2012 and Rs. 12,000 for 2014. Subscriptions for 2013 still in arrear were Rs. 24,000. Rent for December 2013 Rs. 500 is still unpaid. Rs. 900 are payable against a bill for stationery. The book value of the car was Rs. 16,500. Prepare the income and expenditure account for the year ended 31st December 2013 and the balance sheet as at that date.

20. Hyatt Ltd. took a loan of ₹8,00,000 from State Bank of India and issued 10,000; 9% Debentures of ₹100 each as collateral security. How will the issue of debentures be shown in the Balance Sheet:
    i. When Journal entry is not passed; and
    ii. When Journal entry is passed?

21. The Balance Sheet of Wrong and Right who shared profits and losses in the ratio of 3 : 2 was as follows on January. 01, 2016.

Balance Sheet of W and R
as on Jan. 01, 2016

Liabilities		Amount (Rs)	Assets		Amount (Rs)
Sundry Creditors		20,000	Cash in hand		5,000
Partner's Capital			Sundry Debtors	20,000	
Wrong	40,000		Less: Provision for doubtful debts	700	19,300
Right	30,000	70,000	Stock		25,000
			Plant and Machinery		35,000
			Patents		5,700
		90,000			90,000

On this date Bright was admitted as a partner on the following conditions:

i. He was to get $\frac{4}{15}$ share of profit.
ii. He had to bring in Rs 30,000 as his capital.
iii. He would bring cash for goodwill which would be based on $2\frac{1}{2}$ years purchase of the

profits of the past four years.

iv. Wrong and Right would withdraw half the amount of goodwill premium brought by Bright.

v. The assets would be revalued as: Sundry Debtors at book value less a provision of 5%; Stock at Rs 20,000; Plant and Machinery at Rs 40,000; and Patents at Rs 12,000.

vi. Liabilities were valued at Rs 23,000, one bill for goods purchased having been omitted from books.

vii. Profit for the past four years were:

2012 = 15,000

2013 = 20,000

2014 = 14,000

2015 = 17,000

Pass necessary journal entries and prepare ledger accounts to record the above.Also prepare the Balance Sheet after Bright's admission.

OR

A and B are partners sharing profits in equal proportion. Following is the Balance Sheet as at 31st March, 2021

Balance Sheet

Liabilities		**Rs.**	**Assets**		**Rs.**
Creditors		40,000	Cash		2,000
B/P		14,000	Bank		10,000
Capitals:			Debtors	42,000	
A	50,000		Less: Provision	4,000	38,000
B	45,000	95,000	B/R		17,000
			Stock		20,000
			Investments		20,000
			Furniture		5,000
			Building		37,000

		1,49,000			**1,49,000**

C admitted as a partner and contribute 30,000 as capital. It was decided that the provision raised to Rs. 6,500. Building and furniture be valued at Rs. 45,000 and Rs. 4,500 respectively. Personal investments of A Rs. 4,300 be treated as firm's investments. A claim of Rs. 1,200 by an employee has been admitted.
Prepare Revaluation Account, Capital Account and Balance Sheet after admission.

22. Radha Mohan Ltd. invited applications for issuing 4,00,000 equity shares of Rs. 50 each.
The amount was payable as follows
On application - Rs. 15 per share
On allotment - Rs. 25 per share
On first and final call - Rs. 10 per share
Applications for 6,00,000 shares were received and pro-rata allotment was made to all the applicants on the following basis
Applicants for 4,00,000 shares were allotted 3,00,000 shares.
Applicants for 2,00,000 shares were allotted 1,00,000 shares.
It was decided that excess amount received on applications will be adjusted towards sums due on allotment and surplus if any, will be refunded. Vibhuti, who was alloted 6,000 shares out of the group applying for 4,00,000 shares did not pay the allotment money and his shares were forfeited immediately. Afterwards, these forfeited shares were reissued at Rs. 30 per share fully paid up. Later on, first and final call was made. Shahid, who had applied for 2,000 shares out of the group applying for 2,00,000 shares failed to pay first and final call and his shares were also forfeited. These shares were afterwards reissued at Rs. 60 per share fully paid up.
Pass necessary journal entries in the books of Radha Mohan Ltd for the above transactions.

OR

X Ltd issued 40,000 equity shares of Rs. 10 each at a premium of Rs. 2.50 per share. The amount was payable as follows
On application — Rs. 2 per share
On allotment — Rs. 4.50 per share (including premium)
and on-call — Balance t 6 per share

Owing to heavy subscription the allotment was made on a pro-rata basis as follows

i. Applications for 20,000 shares were allotted 10,000 shares.
ii. Applications for 56,000 shares were allotted 14,000 shares.
iii. Applications for 48,000 shares were allotted 16,000 shares.

It was decided that the excess amount received on applications would be utilised on the allotment and the surplus would be refunded. Ram, to whom 1,000 shares were allotted, who belongs to category (i), failed to pay allotment money. His shares were forfeited after the call. Pass necessary journal entries in the books of X Ltd for the above transactions.

Section B

23. Rent Received is classified under:
    a. Investing Activities
    b. Financing Activities
    c. Cash and Cash Equivalents
    d. Operating Activities
24. What does 'Proprietary Ratio' indicate?
25. How a Company's balance sheet is different from the balance sheet of the partnership firm?
    a. A company's Balance Sheet format is fixed under schedule III. Whereas, there is no standard form prescribed under the Indian Partnership Act,1932 for a partnership Firm's balance sheet.
    b. In case of a company's Balance sheet, the previous year's figures are required to be given whereas it is not so in the case of a partnership firm's balance sheet.
    c. Not different
    d. For the company's Balance Sheet and partnership balance sheet format is fixed under schedule III.
26. Which of the following is concerned with financing activities?
    a. Income tax paid
    b. Interest paid on long term loans
    c. Rent Received
    d. Sale of investment
27. Fill in the blanks:

Securities Premium Reserve is shown on the Equity and Liabilities part of the Balance Sheet under the head _______ and _______.

28. XYZ Company's total current assets are ₹10,000,000 and its total current liabilities are ₹8,000,000 then its current ratio would be
   a. 2:1
   b. 1.25 : 1
   c. 1:50
   d. 1:2
29. Ideal Liquid ratio is
   a. 2 : 1
   b. 1 : 1
   c. 1 : 2
   d. 3 : 1
30. Working Capital Rs. 36,000; Current Ratio 2.8:1; Inventory Rs. 16,000. Calculate Current Assets, Current Liabilities and Quick Ratio.

OR

From the following information calculate Proprietary Ratio and Total Assets to Debt Ratio

Balance Sheet of ABC Ltd.

As at

Particulars	**Note No.**	**Figure for Current Years (Rs.)**
1. EQUITY AND LIABILITIES		...
(1) Shareholders' funds		...
(a) Share capital		4,50,000
(b) Reserves and surplus		1,80,000
(2) Non-current Liabilities		...
(a)Long-term borrowings		75,000
(3) Current liabilities		...
(a)Trade payables		45,000

Total		**7,50,000**
II. ASSETS		...
(1)Non-current assets		...
(a)Fixed assets		2,25,000
(b)Non-current investments		1,50,000
(2)Current Assets		...
(a)Inventories		...
Total		**7,50,000**

31. Prepare the Common size Balance Sheet and comment on the financial position of K Ltd. and L Ltd. The Balance Sheets of K Ltd. and L Ltd. as at 31.3.2012 are given below:

Particulars	**Note No.**	**K Ltd.**		**L Ltd.**	
		Figures as at the end of the current reporting period	**Figures as at the end of the previous reporting period**	**Figures as at the end of the current reporting period**	**Figures as at the end of the previous reporting period**
I. **EQUITY AND LIABILITIES**					
Shareholder's Funds					
Share Capital:		3,00,000		4,00,000	
Issued and paid-up		2,00,000		3,00,000	
Reserves and Surplus					

Current liabilities					
Short - term Borrowings:		1,00,000		50,000	
		6,00,000		7,50,000	
II. **ASSETS**					
Non - Current Assets					
Fixed Assets		4,00,000		4,00,000	
Current Assets		2,00,000		3,50,000	
		6,00,000		7,50,000	

OR

Prepare a comparative statement of profit and loss from the following information extracted from the statement of profit and loss of Fun Sports Ltd for the year ended 31st March 2015.

Particulars	**31st March 2015 Amt (Rs.)**	**31st March 2014 Amt (Rs.)**
Revenue from Operations	70,00,000	50,00,000
Employee Benefit Expenses	35,00,000	20,00,000
Depreciation	8,00,000	5,00,000
Other Expenses	16.,00,000	12,00,000
Tax Rate	40%	40%

32. From the following Balance Sheets of B.C.R. Ltd. as at 31st March 2013 and 31st March 2012, prepare Cash Flow Statement :

Balance Sheets of B.C.R. Ltd.

as at 31st March 2013 and 31st March 2012

Particulars	**31st March 2007 (Rs.)**	**31st March 2006 (Rs.)**
I. **EQUITY AND LIABILITIES**		
1. **Shareholders Funds**		
(a) Share Capital	7,00,000	5,00,000
(b) Reserves and Surplus: Surplus i.e, Balance in Statement of Profit and Loss	3,50,000	2,00,000
2. **Non - Current Liabilities**		
Bank Loan	3,50,000	2,00,000
3. **Current Liabilities**		
(a) Trade Payables(Creditors)	52,000	55,000
(b) Short - term Provisions	1,20,000	80,000
	12,72,000	**9,35,000**
II. **ASSETS**		
1. **Non - Current Assets**		
(a) Fixed Assets		
(i) Tangible : Equipment	5,00,000	50,00,000
(ii) Intangible Assets	95,000	1,00,000
(b) **Non - Current Investments**	1,00,000	--
2. **Current Assets**		
(a) Trade Receivables	1,47,000	80,000
(b) Inventories(Stock)	1,30,000	55,000
(b) Cash and Cash Equivalents : Bank	3,00,000	2,00,000
	12,72,000	9,35,000

Note to Accounts:

Particulars	31st March 2013 (Rs.)	31st March 2012 (Rs.)
1. Short-term Provisions		
Proposed Dividend	70,000	50,000
Provision for Tax	50,000	30,000
	1,20,000	80,000

Additional Information :

During the year Equipment costing Rs. 1,00,000 was purchased. Loss on sale of Equipment amounted to Rs. 12,000, Rs. 18,000 depreciation was charged on Equipment.

Note: Balance Sheets given in the question paper have been modified as per Schedule III of Companies Act, 2013.

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Solution

Section A

1. (d) Partner
   Explanation: A person who joins a partnership business individually called a partner. The group of partners is called Firm and the name under which all business activities going on is known as the firm's name. Partners are agreed to share profit or loss of the firm.
2. (c) Sacrificing partners, sacrificing
   Explanation: The amount of premium for goodwill brought in by the new partner will be shared only by the sacrificing partners in their sacrificing ratio.
   Sacrificing ratio = Old Ratio - New ratio.
3. (d) Sweat Equity Shares
   Explanation: Sweat equity shares" are such equity shares, which are issued by a company to its directors or employees at a discount for providing their know-how or making available rights in the nature of intellectual property rights or value additions, by whatever name called.
4. (a) Rs.4,00,000
   Explanation: Pavilion fund is a specific fund which is for construction for pavilion hence it is a liability. Any expenditure to construct will be deducted from this fund.
   So, Expenditure on construction is deducted from the pavilion fund and added to the capital fund and it is also shown on assets side as work in progress (WIP).
   Amount to be shown on the liability side of the balance sheet of Non-profit organisation as Pavilion fund = Balance in pavilion fund - Expenditure on the construction of the pavilion
   Amount to be shown on liability side of balance sheet as pavilion fund = 10,00,000 - 6,00,0000= Rs. 4,00,000
5. (a) Firm's Debt, Private debt
   Explanation: This is the basic rule of any business firm is that business has to pay first to the outsiders (Creditors/firm's debts, bank or lenders etc.) and then pay to the partners

and other personal payments of partners (if any).

6. (b) Shares can be issued at a discount

   Explanation: A company cannot issue its shares at discount. It can only issue shares at par and premium. Companies Act prohibits to issue shares at discount.

7. (d) Cash A/c

   Explanation: If the unrecorded asset is taken over by a partner, it will take place in realization account as well as in concerned partner's capital account but not in cash account because partner's Capital A/c will be debited and Realisation A/c will be credited.

8. (c) Revaluation of assets

   Explanation: At the time of reconstitution of partnership firm, it is necessary to prepare revaluation account or revalue the assets and re-assess the liabilities. The present value of the assets will be different from the previous book value of assets. This is known Revaluation of Assets.

9. Old

10. (c) Debited to all partners capital A/c in the old ratio

    Explanation: At the time of retirement or death of a partner, while adjusting the capital accounts, preliminary expenses given in the balance sheet should be debited to all the partners in their old profit sharing ratio. Preliminary expenses are deferred expenditures which are to be written off between all partners.

11. (b) Deceased partner's share of profit

    Explanation: Deceased partner's share of profit can be calculated on the basis of the time and sales. His share of profit will be transferred to his capital account in the name of Profit and Loss Suspense account in case of no change in profit sharing ratio and if there is a change in profit sharing ratio then gaining partner is debited and sacrificing partner is credited.

12. (d) Rs. 84000

    Explanation: Calculation of Goodwill by Super Profit Method:

    1. Average profit = 36,000 + 40,000 + 44,000 = 1,20,000/3 = 40,000
    2. Normal Profit = 1,20,000 × 10/100 = 12,000
    3. Super Profit = 40,000 – 12,000 = 28,000
    4. Goodwill = 28,000 × 3 = 84,000

13. (a) Reserve A/c

Explanation: Reserve account should be credited at the time of the creation of a reserve when it is created out of the profit available for appropriations. Reserve is to be shown in the debit side of profit and loss appropriation account and in the liabilities side of the balance sheet. Journal for Reserve:

Profit and Loss Appropriation A/c ... Dr

To Reserve A/c

14.

Books of Kelvin Sports Club

Income and Expenditure Account

for the year ending on March 31, 2018

Dr.				**Cr.**
Expenditure	**Amount (Rs)**	**Income**		**Amount (Rs)**
		By Subscription :	63,000	
		Less: O/s on Mar. 31, 2016	(6,500)	
		Add: Advance on Mar. 31, 2016	4,100	
		Add: O/s on Mar. 31, 2017	5,400	
		Less: Advance on Mar. 31, 2017	(2,500)	63,500

Balance Sheet

as of March 31, 2017

Liabilities	**Amount (Rs)**	**Assets**	**Amount (Rs)**
Subscription in Advance	4,100	Subscription Outstanding	6,500

Balance Sheet

as of March 31, 2018

Liabilities	**Amount (Rs)**	**Assets**	**Amount (Rs)**
Subscription in Advance	2,500	Subscription Outstanding	5,400

OR

Stationery Account

Dr.			Cr.
Particulars	**Rs.**	**Particulars**	**Rs.**
To Balance b/d	21,000	By Income & Expenditure A/c	78,000
To Bank	75,000	(Balancing figure)	
		By Balance c/d	18,000
	96,000		**96,000**

Balance sheet

as on 31.03.2018

Liabilities	**Rs.**	**Assets**	**Rs.**
Creditors for stationery	23,000	Stationery's Stock	18,000

15. **JOURNAL**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	A's Capital A/c Dr.		140	
	To B's Capital A/c			140
	(Omission of interest on capital, now rectified)			

Working Notes:

Table showing adjustments

Partners	Interest on capital Cr. (₹)	Interest on drawings Cr. (₹)	Profits Dr. (₹)	Net Effect	
				Dr. (₹)	Cr. (₹)
A	10,000	4,500	14,640	140	-
B	7,500	2,400	9,760	-	140
	17,500	6,900	24,400	140	140

Calculation of Interest on capital:-

	A (₹)	B (₹)
Closing Capitals	1,65,500	1,27,600
Add: Drawings	60,000	40,000
Add: Interest on drawings	4,500	2,400
Less: Profits	30,000	20,000
Opening Capitals	2,00,000	1,50,000
Interest on Capital@5% p.a.	**10,000**	**7,500**

A: $\frac{12}{100} \times$ ₹$(15,000 \times 4) \times \frac{7.5}{12}$ = ₹4,500
B: $\frac{12}{100} \times$ ₹$40,000 \times \frac{6}{12}$ = ₹2,400

OR

Calculation of Interest on capital:

Calculation of Opening Capitals:

Particulars	**Alka (₹)**	**Archana (₹)**
Closing Capitals	4,00,000	3,00,000
Add Drawings	40,000	20,000
Less Profits	1,00,000	1,00,000
Opening Capitals	3,40,000	2,20,000
Interest on Capital@10% p.a.	34,000	22,000

Alka's Interest on Drawings = $\frac{6}{100} \times$ ₹$40,000 \times \frac{4.5}{12}$ = ₹900

When drawings are taken at end of each quarter then 4.5 months are taken.

Archana's Interest on Drawings

Date	**(₹)**	**No. of months**	**(₹)**
31.05.18	8,000	10	80,000

01.11.18	7,000	5	35,000
01.02.19	5,000	2	10,000
			1,25,000

Interest on Drawings = $\frac{6}{100} \times ₹1,25,000 \times \frac{1}{12}$ = ₹625

Alternatively, Interest on drawings can be calculated as:

$(₹8,000 \times \frac{6}{100} \times \frac{10}{12}) + (₹7,000 \times \frac{6}{100} \times \frac{5}{12}) + (₹5,000 \times \frac{6}{100} \times \frac{2}{12})$ = ₹625

16. **JOURNAL**

Date	Particulars		LF	Amt (Dr.)	Amt (Cr.)
	Equity Share Capital A/c (470 × 10)	Dr.		4,700	
	Securities Premium Reserve A/c (470 × 5)	Dr.		2,350	
	To Share Forfeiture A/c (470 × 2)				940
	To Equity Share Allotment A/c (470 × 8)				3,760
	To Equity Share First and Final Call A/c (470 × 5)				2,350
	(Being 470 shares forfeited for the non-payment of allotment and first and final call)				
	Bank A/c (60 × 14)	Dr.		840	
	To Equity Share Capital A/c (60 × 10)				600
	To Securities Premium Reserve A/c (60 × 4)				240
	(Being reissue of 60 shares @ Rs. 14 per share as fully paid-up)				
	Share Forfeiture A/c	Dr.		120	
	To Capital Reserve A/c				120
	(Being balance of forfeited share account transferred to capital reserve)				

SHARE FORFEITURE ACCOUNT

Particulars	Amt (Rs.)	Particulars	Amt (Rs.)
To Capital Reserve A/c	120	By Share Capital A/c	940
To Balance c/d (Balancing figure)	820		
	940		**940**

Working Notes :

1. Calculation of Capital Reserve :
Forfeiture Amount of 60 forfeited shares $= 940 \times \frac{60}{470} = Rs. 120$
When reissue is done at a premium, the full amount is transferred to Capital Reserve Account. So, here a full amount of Rs. 120 will be transferred to Capital Reserve Account.

2. Since the amount of Premium has not been received on forfeited shares, Securities Premium Account has been debited.

17. **Journal**

Date	Particulars	L.F.	(Rs.)	(Rs.)
(a)	Realisation A/c	Dr.	12,000	......
	To Bank A/c (Being bank loan discharged)		......	12,000
(b)	Realisation A/c	Dr.	400	....
	To A's Capital A/c (Being commission to A credited to A's Capital Account)		....	400
(c)	A's Capital A/c	Dr.	20,000	...
	B's Capital A/c	Dr.	8,000	....
	To Deferred Advertisement Expenditure A/c (Being the deleted advertisement expenditure written off by debiting Partner's Capital Account in Ratio 5:2, i.e. Profit Sharing Ratio)		....	28,000

(d)	B's Capital A/c	Dr.	1,200	...
	To Realisation A/c (Being Stock taken over by B at Rs. 1,200 at agreed value)		....	1,200
(e)	Bank A/c	Dr.	7,000	....
	To Realisation A/c (Being unrecorded computer sold for Rs. 7,000)		....	7,000
(f)	Realisation A/c	Dr.	2,000	....
	To Bank A/c (Being outstanding bill paid for repairs)		....	2,000

18. Capital account of the partner is prepared under the two methods: (i) Fixed capital method and (ii) Fluctuating capital method.
    i. Under the fixed capital account there will be two accounts for each partner namely the partners' capital account and partner's current account. Under Capital account only when fresh capital introduced is credited or debited when capital is withdrawn. When there is no addition or withdrawal during a year, capital remains as it is. Under current accounts record transactions related to drawings, interest on drawings or debit balance of capital is debited and restal i.e. interest on capital, commission, salary, profit and loss share are credited etc.
    ii. Under Fluctuating capital account: Only one capital account is prepared during the year. There is no current account prepared or maintained under this method. All the transactions related to the drawings, interest on drawings, debit balance of profit and loss, drawings are debited and interest on capital, commission, salary, and profit and loss cr balance share, additional capital introduced are credited.

19. **Income and Expenditure Account**
for the year ended December 31

Expenditure	**Amount (Rs)**	**Income**	**Amount (Rs)**
To Salaries	90,000	By Subscription 1,20,000	
To Rent 18,000		Add O/S Current year 24,000	

Add Outstanding 500	18,500	Less O/S Last year 24,000	
To Printing & stationary 4,500		Less Advance Next year 12,000	1,08,000
Add Outstanding 900	5,400	By bank Interest	600
To Postage	1,200	To O/s Interest on investment	600
To Loss on sale of the car	4,500	By Deficit (Bal Fig)	10,400
	1,19,600		**1,19,600**

Balance Sheet

As on Jan 1, 2013

Liabilities	**Amount (Rs)**	**Assets**	**Amount (Rs)**
Capital Fund (Bal. Fig.)	1,21,500	Cash	7,500
		Bank	73,500
		Car	16,500
		Subscription o/s	24,000
	1,21,500		**1,21,500**

Balance Sheet

As on Dec 31, 2013

Liabilities	**Amount (Rs)**	**Assets**	**Amount (Rs)**
Capital Fund 1,21,500		Cash	3,900
Less Deficit 10,400	1,11,100	Bank	60,000
Advance Subscription	12,000	Investment 24,000	
Outstanding Rent	500	Add Outstanding 600	24,600

Outstanding Stationery	900	Typewriter	12,000
		Outstanding Subscription	24,000
	1,24,500		**1,24,500**

The Income and Expenditure Account is a summary of all items of incomes and expenses which relate to the ongoing accounting year. It is prepared with the objective of finding out the surplus or deficit arising out of current incomes over current expenses.

20. i. **First Method (When Journal Entry is not passed):**

An EXTRACT OF BALANCE SHEET OF HYATT LTD.

as at......

Particulars	Note No.	₹
I. EQUITY AND LIABILITIES		
Non-Current Liabilities		
Long-term Borrowings	1	8,00,000

Note to Accounts

1. Long-term Borrowings	₹
Loan from State Bank of India (Secured by issue of 10,000; 9% Debentures of ₹100 each as Collateral Security)	8,00,000

ii. Second Method (When Journal Entry is Passed):

JOURNAL

Date	Particulars		L.F.	Dr.(₹)	Cr.(₹)
	Debentures Suspense A/c	Dr.		10,00,000	
	To 9% Debentures A/c				10,00,000
	(Being the issue of 10,000; 9% Debentures of ₹100 each as collateral security for a loan				

	taken from State Bank of India)				

AN EXTRACT OF BALANCE SHEET of HYATT LTD.

as at...

Particulars	Note No.	₹
I. EQUITY AND LIABILITIES		
Non-Current Liabilities		
Long-term Borrowings	1	8,00,000

Note to Accounts

1. Long-term Borrowings		₹
Loan from State Bank of India		8,00,000
10,000; 9% Debentures of ₹100 each issued as Collateral Security	10,00,000	
Less: Debentures Suspense A/c	10,00,000	
		8,00,000

21. The goodwill of the firm is Rs 41,250 worked out as under:

Profits:

Year 2012 = 15,000

Year 2013 = 20,000

Year 2014 = 14,000

Year 2015 = 17,000

Total profit = 66,000

Average profit = Rs $\frac{66,000}{4}$ = Rs 16,500

Goodwill at $2\frac{1}{2}$ Years purchase = Rs. 16,500 × $\frac{5}{2}$ = Rs. 41,250

Bright's share of goodwill = Rs. 41,250 × 4 /15 = Rs, 11,000.

Books of Wrong, Right and Bright

Journal

Date 2016	Particulars		L.F.	Credit (Rs)	Debit (Rs)
	Cash A/c	Dr.		41,000	
	To Bright's Capital A/c				30,000
	To premium for Goodwill A/c				11,000
	(Sum brought in by Bright as his Capital and his share ($\frac{4}{15}$) of the goodwill)				
	Premium for Goodwill A/c	Dr.		11,000	
	To Wrong's Capital A/c				6,600
	To Right's Capital A/c				4,400
	(Goodwill brought by Bright credited to Wrong's and Right's capital accounts in old profit ratio of 3:2)				
	Wrong's Capital A/c	Dr.		3,300	
	Right's Capital A/c			2,200	
	To Cash A/c				5,500
	(half of goodwill withdrawn by the old partners)				
	Revaluation A/c	Dr.		5,300	
Jan.	To Provision for Doubtful Debts A/c				300
01	To Stock A/c				5,000
	(Increase in provision for doubtful debts to Rs 1,000 (5% of Rs 20,000) and decrease in value of stock)				
	Plant and Machinery A/c	Dr.		5,000	
	Patents A/c	Dr.		6,300	
	To Revaluation A/c				11,300
	(Increase in value of Plant and Machinery and Patents)				

	Revaluation A/c	Dr.		3,000	
	To Sundry Creditors A/c				3,000
	(Increase in liabilities)				
	Revaluation A/c	Dr.		3,000	
	To Wrong's Capital				1,800
	To Right's Capital A/c				1,200
	(Being profit on adjustment transferred to partners' capital accounts)				

Cash Account

Dr.							Cr.
Date 2016	**Particulars**	**J.F.**	**Amount (Rs)**	**Date 2016**	**Particulars**	**J.F.**	**Amount (Rs)**
Jan. 1	To Balance b/d		5,000	Jan. 1	By Wrong's Capital A/C		3,300
	To Bright's Capital A/C		30,000		By Right's Capital A/C		2,200
	To Goodwill A/C		11,000		By Balance c/d		40,500
			46,000				46,000

Bright's Capital Account

Dr.							Cr.
Date 2016	**Particulars**	**J.F.**	**Amount (Rs)**	**Date 2016**	**Particulars**	**J.F.**	**Amount (Rs)**
Jan. 1	To Balance c/d		30,000	Jan. 1	By Cash A/C		30,000
			30,000				30,000

Wrong's Capital Account

Dr.							Cr.
Date 2016	**Particulars**	**J.F.**	**Amount (Rs)**	**Date 2016**	**Particulars**	**J.F.**	**Amount (Rs)**
Jan. 1	To Cash A/C		3,300	Jan. 1	By Balance b/d		40,000
	To Balance c/d		45,100		By premium for Goodwill A/C		6,600
					By Revaluation A/C		1,800
			48,400				48,400

Right's Capital Account

Dr.							Cr.
Date 2016	**Particulars**	**J.F.**	**Amount (Rs)**	**Date 2016**	**Particulars**	**J.F.**	**Amount (Rs)**
Jan. 1	To Cash A/C	2,200		Jan. 1	By Balance b/d		30,000
	To Balance c/d	33,400			By premium for Goodwill A/C		4,400
					By Revaluation A/C		1,200
		35,600					35,600

Revaluation Account

Dr.			Cr.
Particulars	**Amount (Rs)**	**Particulars**	**Amount (Rs)**
To Provision for doubtful debts A/C	300	By Plant and Machinery A/C	5,000
To Stock A/C	5,000	By Patents A/C	6,300

To Sundry Creditors A/C		3,000		
To Profit transferred to:				
Wrong: $\frac{3}{5}$	1,800			
Right : $\frac{2}{5}$	1,200	3,000		
		11,300		11,300

Balance Sheet of Wrong, Right and Bright
as on January 01, 2016

Liabilities		Amount (Rs)	Assets		Amount (Rs)
Sundry Creditors		23,000	Cash in hand		40,500
Capital			Sundry Debtors	20,000	
Wrong	45,100		Less: Provision for doubtful debts	1,000	19,000
Right	33,400		Stock		20,000
Bright	30,000	1,08,500	Plant and Machinery		40,000
			Patents		12,000
		1,31,500			1,31,500

The new profit sharing ratio will be:

Wrong = $(1 - \frac{4}{15}) \times \frac{3}{5} = \frac{11}{15} \times \frac{3}{5} = \frac{33}{75}$

Right = $(1 - \frac{4}{15}) \times \frac{2}{5} = \frac{11}{15} \times \frac{2}{5} = \frac{22}{75}$

Bright = $\frac{4}{15} = \frac{20}{75}$

The new ratio is 33 : 22 : 20

OR

Revaluation Account

Particulars	Rs.	Particulars	Rs.
To Provision	2500	By Building	8000
To Furniture	500		
To Claim to Employee	1200		
To Profit Transfer:			
A	1900		
B	1900		
	8000		**8000**

Partner's Capital Accounts

Particulars	A	B	C	Particulars	A	B	C
To Balance c/d	56200	46900	30000	By Balance b/d	50000	45000	
				By Revaluation	1900	1900	
				By Investments	4300	-	
				By Bank			30000
	56200	**46900**			**56200**	**46900**	**30000**

Balance Sheet (after admission)

Liabilities		Rs.	Assets		Rs.
Creditors		40000	Cash		2000
B/P		14000	Bank		40000
Claim to Employee		1200	Debtors	42000	
Capitals:			Less: Provision	6500	35500
A	56200		B/R		17000
B	46900		Stock		20000

C	30000	133100	Investments		24300
			Furniture		4500
			Building		45000
		188300			**188300**

22. **JOURNAL**

Date	Particulars	L.F	Amt (Dr)	Amt (Cr)
i	Bank A/c (6,00,000 × 15) Dr	.	90,00,000	.
.	To Equity Share Application A/c	.	.	90,00,000
.	(Being application money received on 6,00,000 equity shares @ Rs. 15 each)	.	.	.
ii	Equity Share Application A/c (6,00,000 × 15) Dr.	.	90,00,000	.
.	To Equity Share Capital A/c (4,00,000 × 15)	.	.	60,00,000
.	To Equity Share Allotment A/c (2,00,000 × 15)	.	.	30,00,000
.	(Being application money transferred to share capital account)	.	.	.
iii	Equity Share Allotment A/c (4,00,000 × 25) Dr	.	1,00,00,000	.
.	To Equity Share Capital A/c	.	.	1,00,00,000
.	(Being share allotment made due)	.	.	.
iv	Bank A/c (4,00,000 × 25) - (30,00,000) - (1,20,000) Dr	.	68,80,000	.
.	To Equity Share Allotment A/c	.	.	68,80,000
.	(Being allotment money received on 3,94,000 shares)	.	.	.
v	Equity Share Capital A/c (6,000 × 40) Dr	.	2,40,000	.
.	To Share Forfeiture A/c	.	.	1,20,000
.	To Equity Share Allotment A/c	.	.	1,20,000

.	(Being 6,000 shares forfeited for non-payment of allotment money)	.	.	.
vi	Bank A/c (6,000 × 30) Dr	.	1,80,000	.
.	Share Forfeiture A/c Dr	.	1,20,000	.
.	To Equity Share Capital A/c	.	.	3,00,000
.	(Being forfeited shares reissued @ 130 each as fully paid up)	.	.	.
vii	Equity Share First and Final Call A/c (3,94,000 × 10) Dr	.	39,40,000	.
.	To Equity Share Capital A/c	.	.	39,40,000
.	(Being first and final call money due)	.	.	.
viii	Bank A/c (3,93,000 × 10) Dr	.	39,30,000	.
.	To Equity Share First and Final Call A/c Dr.	.	.	39,30,000
.	(Being first and final call money received on 3,93,000 shares)	.	.	.
ix	Equity Share Capital A/c (1,000 × 50) Dr.	.	50,000	.
.	To Share Forfeiture A/c (1,000 × 40)	.	.	40,000
.	To Equity Share First and Final Call A/c (1,000 × 10)	.	.	10,000
.	(Being 1,000 shares forfeiture for non-payment of first and f call)	.	.	.
x	Bank A/c (1,000 × 60) Dr.	.	60,000	.
.	To Equity Share Capital A/c (1,000 × 50)	.	.	50,000
.	To Securities Premium Reserve A/c (1,000 × 10)	.	.	10,000
.	(Being forfeited shares reissued @ Rs. 60 each as fully paid up)	.	.	.

xi	Shares Forfeited A/c Dr.	.	40,000	.
.	To Capital Reserve A/c	.	.	40,000
.	(Being gain on reissue transferred to capital reserve)	.	.	.
.	.	.	.	.

Working Note:-

Capital Reserve:-

Number of shares applied by Vibhuti $= 6,000 \times \frac{4,00,000}{3,00,000} = 8,000$ shares

Money paid by Vibhuti on application (8,000 × 15)	1,20,000
(-) Amount adjusted with the application (6,000 × 15)	(90,000)
Excess application money adjusted on the allotment	30,000
Money due on the allotment (6,000 × 25)	1,50,000
(-) Excess application money adjusted	(30,000)
Money not paid by Vibhuti on the allotment	1,20,000

Money Received on Allotment:-

Amount due on allotment (4,00,000 × 25)	1,00,00,000
(-) Excess application money adjusted	(30,00,000)
....	70,00,000
(-) Money not received from Vibhuti on allotment	(1,20,000)
	68,80,000

Number of shares allotted to Shahid $= 2,000 \times \frac{1,00,000}{2,00,000} = 1,000$ Shares

OR

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Date	Particular	L.F.	Amt. (Dr.)	Amt. (Cr.)
	Bank A/c (1,24,000 × 2) Dr.		2,48,000	
	To Equity Share Application A/c			2,48,000
	(Being share application money received.)			
	Equity Share Application A/c Dr.		2,48,000	
	To Equity Share Capital A/c			80,000
	To Equity Share Allotment A/c			1,47,000
	To Bank A/c			21,000
	(Being share application money adjusted)			
	Equity Share Allotment A/c Dr.		1,80,000	
	To Equity Share Capital A/c (40,000 × 2)			80,000
	To Securities Premium Reserve A/c (40,000 × 2.5)			1,00,000
	(Being allotment money due on 40,000 equity shares @ Rs. 4.50 per share including a premium of Rs. 2.50 each)			
	Bank A/c Dr.		30,500	
	To Equity Share Allotment A/c			30,500
	(Being allotment money received and excess on application adjusted)			
	Equity Share First and Final Call A/c (40,000 × 6) Dr.		2,40,000	
	To Equity Share Capital A/c			2,40,000
	(Being first and final call money due on 40,000 equity shares @ Rs. 6 per share)			
	Bank A/c Dr.		2,34,000	
	To Equity Share First and Final Call A/c			2,34,000
	(Being share first and final call money received on 39,000 equity shares @ Rs. 6 each)			

	Equity Share Capital A/c (1,000 × 10) Dr.		10,000	
	Securities Premium Reserve A/c (1,000 × 2.5) Dr.		2,500	
	To Forfeited Share A/c			4,000
	To Equity Share Allotment A/c			2,500
	To Equity Share First and Final Call A/c (1,000 × 6)			6,000
	(Being 1,000 shares forfeited.)			

Working Note

Shares Applied	**Shares Allotted**	**Application Money Received @ Rs. 2**	**Application Money Transferred**	**Excess Money on Application**	**Allotment, Due @ Rs. 4.50**	**Excess Application Money Adjusted**	**Allotment Money Required**	**Refunded Money**
20,000	10,000	40,000	20,000	20,000	45,000	20,000	25,000	_
56,000	14,000	1,12,000	28,000	84,000	63,000	63,000	_	21,000
48,000	16,000	96,000	32,000	64,000	72,000	64,000	8,000	_
1,24,000	40,000	2,48,000	80,000	1,68,000	1,80,000	1,47,000	33,000	21,000

Number of shares applied by Ram $= 1,000 \times \frac{20,000}{10,000} = 2,000$ shares

Surplus towards Allotment on Ram's Shares	Amt. (Rs.)
Application money received (2,000 × 2)	4,000
(-) Application money required (1,000 × 2)	(2,000)
Surplus towards allotment	2,000

Calculation of Amount Received on Allotment

Allotment money due (40,000 × 4.50)	1,80,000
(-) Excess received with the application	(1,47,000)

	33,000
(-) Calls-in-arrears (Ram)	
Due (1,000 × 4.50) 4500	
(-) Surplus (2,000)	(2,500)
	30,500

Section B

23. (a) Investing Activities

    Explanation: Rent Received is classified under investing Activities in preparation of the Cash Flow Statement of a company. It will be added because there is an inflow of cash.

24. Proprietary Ratio compares proprietor's fund with the total assets of an enterprise. In simple words, a proprietary ratio establishes the relationship between shareholders funds & total assets. It indicates the proportion of total assets financed by shareholder's funds.

25. (a) A company's Balance Sheet format is fixed under schedule III. Whereas, there is no standard form prescribed under the Indian Partnership Act,1932 for a partnership Firm's balance sheet.

    Explanation: Partnership firm's balance sheet is a T format balance sheet where capital and liabilities are shown on left-hand side and assets are shown on the right-hand side. There is no need for subdividing assets and liabilities into subheads. A Company's balance sheet has a vertical format under which assets, liabilities and capital has to be subdivided into subheadings like shareholders fund, non-current assets, current assets, current liabilities etc.

26. (b) Interest paid on long term loans

    Explanation: Interest paid on the long term loan is concerned with financing activities as Long term loan is Non-current Liabilities. There is an outflow of cash hence it should be deducted under financing activity.

27. 1. Reserves, Surplus
    2. Surplus, Reserves
    3. Surplus, Reserves

28. (b) 1.25 : 1

    Explanation: Current Ratio = 1.25

    i.e. Current Ratio = Current Assets/Current Liabilities

Current Ratio = 10,000,000/8000000 = 1.25

29. (b) 1 : 1

Explanation: Ideal liquid ratio is 1:1 i.e. Liquid assets should be equal to the current liabilities. In other words it represents a more stringent test for the liquidity of a company in comparison to the current ratio

30. Current Ratio = $\frac{\text{Current Assets}}{\text{Current Liabilities}} = \frac{2.8}{1}$

Let the Current Liabilities be Rs. x

The Current Assets will be Rs. 2.8 x

Working Capital = Current Assets – Current Liabilities

36,000 = 2.8 X – X = 1.8 X

X = Current Liabilities= $\frac{36{,}000}{1.8}$ = Rs. 20,000

First calculate Current Assets than find Quick Ratio as follows:-

Quick Ratio = $\frac{\text{Quick Assets/ Liquid Assets}}{\text{Current Liabilities}}$

Current Assets= 2.8 x 20,000

Liquid Assets = Current Assets – Inventory

Rs. 56,000 – 16,000 = Rs. 40,000

Quick Ratio = $\frac{Rs.40{,}000}{Rs.20{,}000}$ = 2:1

OR

1. Proprietary Ratio(also known as the Equity Ratio) = $\frac{\text{Equity or Shareholders' Funds}}{\text{Total Assets}}$

Equity or Shareholders' Funds = Share Capital + Reserves and Surplus

= Rs. 4,50,000 + Rs.1,80,000

= Rs. 6.30.000

Proprietary Ratio = $\frac{Rs.6{,}30{,}000}{Rs.7{,}50{,}000}$

= 0.84 : 1

2. Total Assets to Debt Ratio = $\frac{\text{Total Assets}}{\text{Debts or Long Term Liabilities}}$

= $\frac{Rs.7{,}50{,}000}{Rs.75{,}000}$

= 10:1

Total Assets to Debt Ratio = 10 : 1

Note:- Don't be confused about the Inventory amount which is not given because it is not needed while calculating any of the above-mentioned ratios.

31. **Common Size Balance Sheet of K Ltd. and L Ltd.**

as at 31.3.2012

Particulars	**Note No.**	**K Ltd.**		**L Ltd.**	
		Amount (Rs)	**% of Total**	**Amount (Rs)**	**% of Total**
I. EQUITY AND LIABILITIES					
Shareholder's Funds					
Share Capital:		3,00,000	50	4,00,000	53.3
Issued and paid-up		2,00,000	33.3	3,00,000	40
Reserves and Surplus					
Current liabilities					
Short - term Borrowings:		1,00,000	16.7	50,000	6.7
		6,00,000	100	**7,50,000**	100
II. ASSETS					
Non - Current Assets					
Fixed Assets		4,00,000	66.7	4,00,000	53.3
Current Assets		2,00,000	33.3	3,50,000	46.7
		6,00,000	100	**7,50,000**	100

OR

Comparative Statement of Profit and Loss

for the year ended 31st March 2015

Particulars	**2014**	**2015**	**Absolute Change (Increase and Decrease)**	**Percentage Change (Increase and Decrease)**

			(Rs.)	(%)
I. Revenue from Operations	50,00,000	70,00,000	20,00,000	40.00
II. Total Income	50,00,000	70,00,000	20,00,000	40.00
III. Expenses				
a) Employee Benefit Expenses	20,00,000	35,00,000	15,00,000	75.00
b) Depreciation	5,00,000	8,00,000	3,00,000	60.00
c) Other Expenses	12,00,000	16,00,000	4,00,000	33.33
IV. Total Expenses (a+b+c)	37,00,000	59,00,000	22,00,000	59.46
V. Profit before Tax (II-IV)	13,00,000	11,00,000	(2,00,000)	(15.38)
VI.Tax @ 40%	(5,20,000)	(4,40,000)	(80,000)	(15.38)
Profit after Tax	7,80,000	6,60,000	(1,20,000)	(15.38)

32. **Cash Flow Statement**

for the year ended 31st March 2013

Particulars	**Amount (Rs.)**	**Amount (Rs.)**
(A) Cash Flow from Operating Activities		
Net Profit before Tax and Extraordinary Items (WN 1)	2,70,000	
Add: Non-cash and Non-operating Expenses :		
Depreciation on Equipment	18,000	
Patents Written off	5,000	
Loss on Sale of Equipment	12,000	

Operating Profit before Working Capital Changes	3,05,000	
Change in Working Capital:		
Adjustment for Current Assets and Current Liabilities except for Cash and Bank:		
Trade Receivables(Debtors)	(67,000)	
Inventories(Stock)	(75,000)	
Trade Payables (Creditors)	(3,000)	
Cash Flow from Operations	1,60,000	
Less: Tax Paid	(30,000)	
Cash Flow from Operating Activities		1,30,000
(B) Cash Flow from Investing Activities		
Proceeds from Sale of Equipment (WN 2)	70,000	
Equipment Purchased	(1,00,000)	
Investment Purchased	(1,00,000)	
Cash Flow from Investing Activities		(1,30,000)
(C) Cash Flow from Financing Activities		
Cash Proceeds from Issue of Equity Shares	2,00,000	
Repayment of Bank Loan	(50,000)	
Dividend Paid	(50,000)	
Cash Flow from Financing Activities		1,00,000
(D) Net Increase in Cash and Cash Equivalents (A + B + C)		1,00,000
Add: Opening Balance of Cash and Cash Equivalents		2,00,000
(E) Closing Balance of Cash and Cash Equivalents		**3,00,000**

Working Notes:

	Amount

Calculation of Profit before Tax:	**(Rs.)**
Balance as per Statement of Profit and Loss	1,50,000
Add: Provision for Tax (current year)	50,000
Proposed Dividend (current year)	70,000
Net Profit before Tax	2,70,000

Calculation of the amount of Sale of Equipment:

Equipment Account

Dr.			**Cr.**
Particulars	**Amount (Rs.)**	**Particulars**	**Amount (Rs.)**
To Balance b/d	5,00,000	By Depreciation A/c	18,000
To Bank A/c	1,00,000	By Bank A/c(Sale - Bal Fig.)	70,000
		By Loss on Sale on Equipment (Statement of Profit and Loss)	12,000
		By Balance c/d	5,00,000
	6,00,000		**6,00,000**

Cash flows are classified as operating, investing, or financing activities on the statement of cash flows, depending on the nature of the transaction. Operating Activities include cash activities related to net income. Investing Activities include cash activities related to non-current assets. Financing Activities include cash activities related to non-current liabilities and owners' equity. The operating activities section of the statement of cash flows is generally regarded as the most important section since it provides cash flow information related to the daily operations of the business.