

CBSE
Class XII Accountancy

Time: 3 hours

Max. Marks: 80

General Instructions:

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

Part-A

1. Vinod and Yuvraj want to form a partnership firm. Name the Act which provides for the maximum number of partners in a partnership firm. What is the maximum number of partners which a partnership firm can have? (1)
2. Vinod, Ashish and Gaurav were partners in a firm sharing profits in the ratio of $\frac{1}{2}$, $\frac{3}{10}$ and $\frac{1}{5}$. They admitted Manish as a new partner for $\frac{1}{5}$ th share in the profit which he acquired from Vinod and Ashish in the ratio 3:2. Calculate the new profit-sharing ratio of Vinod, Ashish, Gaurav and Manish. (1)
3. Distinguish between 'Dissolution of partnership' and 'Dissolution of partnership firm' on the basis of court's intervention. (1)
4. What are the main provisions under which DRR can be created for a company according to the new Companies Act, 2013? (1)
5. Give two examples of Non for Profit Organization. (1)
6. Vinod and Manthan are partners in a firm without any partnership deed. Their capitals are ₹10,00,000 and ₹8,00,000, respectively. Vinod is an active partner and looks after the business. Vinod wants a salary of ₹10,000 per month and profits should be shared in the capital ratio. State with the reason whether his claim is valid or not. (1)
7. What amount of stationery will be recorded in Income & Expenditure A/c for the year 2018: (3)

	2017 (₹)	2018 (₹)
Stock of Stationery	3,000	500
Creditors for Stationery	2,000	1,300
Advance Stationery	200	1,300
Amount paid for Stationery	-	10,800

8. Why should assets and liabilities be revalued on the reconstitution of a partnership firm? Explain briefly giving examples. (3)
9. Ram, Mohan and Sohan were in a partnership sharing profits as 4:2:1, respectively. It was provided that in no case Sohan's share in profit should be less than ₹7500. The profits for the year 2014 amounted to ₹31,500. You are required to show the appropriation among partners. (4)
10. Champa, Kavita and Sonia were partners in a firm sharing profits in the ratio 5:3:2. The firm closes its books on 31st March every year. Champa died on 30th June 2015. On that date, her capital account showed a debit balance of ₹5,000 and goodwill of the firm was valued at ₹3,70,000. There was a debit balance of ₹12,000 in the profit and loss account. Champa's share of profit in the year of her death was to be calculated on the basis of the average profit of the last 5 years which was ₹80,000. Pass necessary journal entries in the books of the firm on Champa's death. (4)

11. Arun, Pukhraj and Mehul were partners in a firm sharing profits in the ratio 2:2:1. On 31st March 2016, their firm was dissolved. The Balance Sheet of the firm at the date of dissolution was as follows:

Liabilities	₹	Assets	₹
Creditors	1,60,000	Sundry Assets	2,60,000
Capitals:		Cash in Hand	14,000
Arun	1,50,000	Mehul's Capital A/c	46,000
Pukhraj	10,000	Profit and Loss A/c	50,000
General Reserve	50,000		
	3,70,000		3,70,000

The firm was dissolved on that date. Sundry assets were taken over by Mehul for ₹1,30,000 and Arun took over the creditors for ₹1,50,000. Expenses of dissolution paid by Pukhraj were ₹10,000.

Prepare the Revaluation Account, Partners Capital Account and Cash Account.

(6)

12. Prepare Income and Expenditure A/c for the year ending 31.12.2018 and Balance sheet:

(6)

Receipts	₹	Payments	₹
Balance b/d	95,000	Salary	1,65,000
Subscriptions	3,30,000	Sports equipment	2,00,000
Interest on investment (@8%p.a for full year)	20,000	Balance c/d	80,000
	4,45,000		4,45,000

Additional information:

1. Club received ₹10,000 for subscription in 2017 for 2018.
2. Salary has been paid for 11 months.
3. Stock of sports equipment as on 31.12.2017 ₹1,50,000 and on 31.12.2018 ₹3,25,000.

13. Vinod and Swami are partners in a firm sharing profits in the ratio 2:3. The balance sheet of the firm as on 31 March 2015 is given below:

Balance Sheet

Liabilities	Amount ₹	Assets	Amount ₹
Sundry Creditors	3,10,000	Land	5,00,000
Outstanding Expenses	70,000	Building	7,20,000
Capitals:		Plant	8,00,000
Vinod 8,00,000		Furniture	1,20,000
Swami 12,00,000	20,00,000	Stock	1,80,000
General Reserve	1,20,000	Sundry Debtors	1,50,000
		Cash in hand	30,000
	25,00,000		25,00,000

The partners decided to share profits in equal ratio w.e.f. 1 April 2015. The following adjustments were agreed upon:

1. Goodwill of the firm was valued at ₹4,00,000, but it was not to appear in the books.
2. They decided to show the General Reserve in the new Balance Sheet without affecting its book value.
3. Land was valued at ₹8,00,000, Plant at ₹7,20,000 and Furniture at ₹1,00,000 and were to appear at revalued amounts in the balance sheet. Pass necessary journal entries to give effect to the above and prepare the Balance Sheet.

(6)

14. (a) VK Refrigerators Limited had an outstanding balance of ₹5,000, 6% debentures of ₹100 each, redeemable at a premium of 10%. According to the terms of redemption, the company redeemed 10% of these debentures by converting them into 8% Preference Shares of ₹100 each issued at a premium

of 10%. Calculate the number of shares to be issued on conversion and record the journal entries for the redemption in the books of the company.

(b) On 31st January 2005, Vinod Limited converted its ₹88,00,000, 6% Debentures into equity shares of ₹20 each at a premium of ₹2 per share. Pass the necessary journal entries in the books of the company for the redemption of debentures. (6)

15. Vinod Ltd. invited applications for 12,000 equity shares of ₹10 each at a premium of ₹2 per share payable as follows:

On Application..... ₹2
 On Allotment ₹5 including premium
 On First Call ₹3
 On Final Call ₹2

Applications were received for 24,000 shares and pro-rata allotment was made to the applicants of 15,000 shares. Excess money was utilised for allotment only.

VK, a shareholder to whom 120 shares were allotted, failed to pay the allotment money on the first call. His shares were forfeited after the first call.

DK, a shareholder of 180 shares, failed to pay after two calls; his shares were forfeited after the second call. Of the forfeited shares, 240 were reissued (including 120 shares of VK) credited as fully paid for ₹9 per share.

Give journal entries. (8)

OR

RS Ltd. has issued 25,000 equity shares of ₹10 each at a premium of ₹2 per share payable with application money. The incomplete journal entries related to the issue are given below. You are required to complete these blanks.

Date	Particulars	L.F.	Debit ₹	Credit ₹
 Dr. To (Being application money received for 35000 shares @ ₹5 per share)		-----	-----
 Dr. To To To To (Being transfer of share application money to share capital a/c, securities premium a/c, refunded for 4000 shares for rejected applications and balance to share allotment as shares were allotted on pro-rata basis)		-----	----- ----- ----- -----
 Dr. To (Amount due on allotment @ ₹4 per share)		-----	-----
 Dr. To (Being balance amount received on allotment)		-----	-----
 Dr. To		-----	-----

(Being first and final call money due)			
.....	Dr.	-----	
Calls in Arrears	Dr.	-----	
To			-----
(Being money received on first and final call except on 500 shares)			
.....	Dr.	-----	
To			-----
To			-----
(Being forfeited shares on which first and final call money was not received)			
.....	Dr.	-----	
.....	Dr.	-----	
To			-----
(Being re-issued forfeited shares @ ₹8 per share fully paid-up)			
.....	Dr.	-----	
To			-----
(Being.....)			

16. Vinod and David are partners sharing profits in the ratio 3:2. Their Balance Sheet as on 31st March 2016 was as follows:

Balance Sheet			
Liabilities	Amount ₹	Assets	Amount ₹
Capitals		Office & Equipment	30,000
Vinod 5,00,000		Land & Building	5,00,000
David 3,00,000	8,00,000	Plant & Machinery	3,50,000
Creditors	1,80,000	Debtors	2,00,000
Bills Payable	1,20,000	Stock	1,20,000
Bank Loan	1,00,000	Cash in Hand	50,000
General Reserve	50,000		
	12,50,000		12,50,000

Madan was admitted as a partner on 1st April 2016 for 1/6th share and the following was agreed upon:

1. Madan will bring ₹20,000 as premium for goodwill and ₹2,50,000 as his capital.
2. Assets are revalued as Debtors 10% less, Stock 10% more and plant and machinery is to be appreciated by ₹20,000.
3. Creditors were undervalued by ₹20,000.
4. Vinod and David will adjust their capitals on the basis of Madan's capital and adjustment (if any) will be made in cash.

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

(8)

OR

Vinod, Dhruv and Devansh are partners sharing profits and losses in the ratio 2:2:1. Their Balance Sheet as on 31st March 2016 is as follows: (8)

Balance Sheet			
Liabilities	Amount ₹	Assets	Amount ₹
Capitals		Plant & Machinery	9,00,000
Vinod 6,00,000		Inventories	1,59,000
David 4,50,000		Debtors 1,50,000	
Madan 3,00,000	13,50,000	Less: Provision 9,000	1,41,000
Creditors	1,50,000	Cash in Hand	4,50,000
General Reserve	1,50,000		
	16,50,000		16,50,000

Devansh gets retirement on the above-mentioned date and it was decided to pay his due amount in cash. Assets and liabilities are adjusted as follows:

1. Inventories will be revalued at ₹1,50,000.
2. Plant and machinery will be revalued at ₹9,90,000.
3. Provision for doubtful debts is to be maintained at 10% on debtors.

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

Part-B

17. What is meant by a Cash Flow Statement? (1)

18. While preparing the Cash Flow Statement, the accountant of Vinod Limited (a finance company) showed dividend received on investments as 'Investing Activity'. Was he correct in doing so? Give reason. (1)

19. (a) Give any one limitation of a Financial Statement Analysis. (4)

(b) State under which major headings the following items will be presented in the Balance Sheet of a company as per Schedule III of the Companies Act, 2013:

- i. Long-term borrowings
- ii. Trade Payables
- iii. Provision for tax
- iv. Securities Premium Reserve
- v. Patents
- vi. Accrued Income

20. Calculate the Gross Profit Ratio and Working Capital Turnover Ratio from the following: (4)

Revenue from Operations	₹30,00,000
Cost of Revenue from Operations	₹20,00,000
Current Assets	₹6,00,000
Current Liabilities	₹2,00,000
Paid up Share Capital	₹5,00,000

21. From the following statement of profit and loss of Vinod Ltd. for the years ended 31st March 2016, prepare the Comparative Statement of Profit & Loss. (4)

Particulars	Note	31.03.2016	31.03.2015
Revenue from Operations		60,00,000	40,00,000
Other Income		15% of the Revenue from Operations	20% of the Revenue from Operations
Expenses		60% of the Revenue from Operations	50% of the Revenue from Operations

Tax Rate		50%	50%
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22. Prepare a Cash Flow Statement from the following Balance Sheets of Vinod Limited:

(6)

Particulars	Note No.	31 st Mar. 2016 ₹	31 st Mar. 2015 ₹
i. Equity and Liabilities			
1. Shareholders' Funds			
a. Share capital		15,00,000	11,00,000
b. Reserves and surplus		4,00,000	4,50,000
2. Non-current Liabilities			
Long term borrowings (Debentures)		5,00,000	4,10,000
3. Current liabilities			
a. Trade payables		1,00,000	90,000
Total		25,00,000	20,50,000
ii. Assets			
1. Non-Current assets			
a. Fixed assets:			
Tangible (Machinery)		15,00,000	12,00,000
2. Current assets			
a. Inventories		4,00,000	3,00,000
b. Trade receivable		5,00,000	4,20,000
c. Cash and cash equivalents		1,00,000	1,30,000
Total		25,00,000	20,50,000

Additional Information:

- Depreciation charged on machinery during the year was ₹1,50,000.
- Company paid interest on debentures ₹40,000.
- Dividend paid ₹1,00,000.

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Solution

SECTION A

1. Answer :

A partnership firm can have minimum two and maximum 50 partners according to the new Companies Act, 2013, and vide Rule 10 of the Companies (Miscellaneous) Rules, 2014.

2. Answer :

Vinod's share = $\frac{1}{2}$, i.e. $\frac{5}{10} = \frac{5}{10} - \frac{3}{25} = \frac{19}{50}$

Ashish's share = $\frac{3}{10} - \frac{2}{25} = \frac{11}{50}$

Gaurav's share = $\frac{1}{5}$, i.e. $\frac{2}{10} = \frac{2}{10} \times \frac{5}{5} = \frac{10}{50}$

Manish's share = $\frac{1}{5} \times \frac{10}{10} = \frac{10}{50}$

Thus, the new profit-sharing ratio for Vinod, Ashish, Gaurav and Manish will be 19:11:10:10.

3. Answer :

Basis	Dissolution of partnership	Dissolution of partnership firm
Court's intervention	Court does not intervene because partnership is dissolved by mutual agreement.	A firm can be dissolved by the court's order.

4. Answer :

According to the provisions of the Companies Act, 2013, companies are required to create a Debenture Redemption Reserve of at least 25% of the face value of debentures before the redemption of debentures commences.

5. Answer :

Hospitals, schools, and Sports Club all are categorized as Not for Profit Organisations.

6. Answer :

Vinod's claim is not valid because in the absence of a partnership deed, partners are not entitled to salary and the profit-sharing ratio will be equal.

7. Answer :

Amount will be recording in Income & Expenditure A/c:

Particulars	₹
Amount paid for stationery	10,800
Add: Outstanding of CY	1,300
Less: Outstanding of PY	2,000
Add: Stock of PY	3,000
Less: Stock of CY	500
Add: Advance of PY	200
Less: Advance of CY	1,300
	11,500

8. Answer :

The book value of the assets and liabilities may be different from the present value/market value of assets and liabilities; hence, the assets are revalued and liabilities are reassessed on the reconstitution of a partnership firm. Examples:

- Change in value of land on the admission of a new partner.
- Change in value of machinery on the change in the profit-sharing ratio among existing partners.

9. Answer :

Profit and Loss Appropriation Account

Dr.		Cr.	
Particulars	₹	Particulars	₹
To Profit Transferred to Ram (18,000 – 2,000)	16,000	By Profit	31,500
Mohan (9,000 – 1,000)	8,000		
Sohan (4,500 + 2,000 + 1,000)	7,500		
	31,500		31,500

Working Note: Sohan's guaranteed amount is ₹7,500.

But he is getting only 4,500, i.e. $31,500 \times \frac{1}{7} = 4,500$.

Deficiency = 7,500 – 4,500 = 3,000 will be borne by Ram and Mohan in the ratio 4:2 OR 2:1.

Ram will give $3,000 \times \frac{2}{3} = 2,000$

Mohan will give $3,000 \times \frac{1}{3} = 1,000$

10. Answer :

Journal Entries

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015 Jun.30	Kavita's Capital A/c Dr. Sonia's Capital A/c Dr. To Champa's Capital A/c (Being Champa's share of goodwill adjusted to the existing partners in their gain ratio)		1,11,000 74,000	1,85,000
Jun.30	Champa's Capital A/c Dr. To Profit & Loss A/c (Being Champa's share in debit balance of Profit & Loss A/c transferred)		6,000	6,000
Jun.30	Profit & Loss Suspense A/c Dr. To Champa's Capital A/c (Being Champa's share of profit up to the date of death transferred to her capital account)		10,000	10,000
Jun.30	Champa's Capital A/c Dr. To Champa's executors' A/c (Being amount due to Geeta transferred to her executors' A/c)		1,84,000	1,84,000

11. Answer :

Revaluation Account

Dr.		Cr.	
Particulars	Amount ₹	Particulars	Amount ₹
To Sundry Asset	2,60,000	By Creditors	1,60,000
To Arun (Creditors)	1,50,000	By Mehul	1,30,000
To Pukhraj	10,000	By Loss Transferred:	
		Arun	52,000
		Pukhraj	52,000
		Mehul	26,000
	4,20,000		4,20,000

Partner's Capital Account

Dr.				Cr.			
Particulars	Arun ₹	Pukhraj ₹	Mehul ₹	Particulars	Arun ₹	Pukhraj ₹	Mehul ₹
To Bal. b/d	-	-	46,000	By Bal b/d	1,50,000	10,000	-
To Real. A/c	52,000	52,000	26,000	By Real A/c	1,50,000	10,000	-
To Real. A/c	-	-	1,30,000	By General Res.	20,000	20,000	10,000
To P/L	20,000	20,000	10,000	By Cash		32,000	2,02,000
To Cash	2,48,000	-	-				
	3,20,000	72,000	2,12,000		3,20,000	72,000	2,12,000

Cash Account

Dr.		Cr.	
Particulars	Amount ₹	Particulars	Amount ₹
To Bal b/d	14,000	By Arun	2,48,000
To Pukhraj	32,000		
To Mehul	2,02,000		
	2,48,000		2,48,000

12. Answer :

Income and Expenditure Account

for the year ending 31.12.18

Dr.		Cr.	
Expenditure	₹	Income	₹
To Salary (1,65,000+15,000)	1,80,000	By Subscription	3,30,000
To Consumed Sports Equipment	25,000	Add :Advance of 2016	10,000
(2,00,000+1,50,000-3,25,000)			
To Surplus	1,55,000	By Interest on Investment	20,000
(Excess of Income over Expenditure)			
	3,60,000		3,60,000

Balance Sheet*as on 31.12.18*

Liabilities	₹	Assets	₹
Capital Fund 4,85,000		Investment 2,50,000	
Add: Surplus 1,55,000	6,40,000	Sports equipment 3,25,000	
Outstanding Salary	15,000	Cash 80,000	
	6,55,000		6,55,000

Balance Sheet*as on 31.12.17*

Liabilities	₹	Assets	₹
Advance Subscription 10,000		Investment 2,50,000	
Capital Fund (<i>Balancing Figure</i>) 4,85,000		Sports equipment 1,50,000	
		Cash 95,000	
	4,95,000		4,95,000

13. Answer :

Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
	Vinod's Capital A/c Dr. To Swami's Capital A/c (Being goodwill adjusted)		40,000	40,000
	Vinod's Capital A/c Dr. To Swami's Capital A/c (Being general reserve adjusted)		12,000	12,000
	Land A/c Dr. To Revaluation A/c (Being increase in the value of land recorded)		3,00,000	3,00,000
	Revaluation A/c Dr. To Plant A/c To Furniture A/c (Being decrease in the value of assets recorded)		1,00,000	80,000 20,000
	Revaluation A/c Dr. To Vinod's Capital A/c To Swami's Capital A/c (Being profit on revaluation transferred)		2,00,000	80,000 1,20,000

Balance Sheet

Liabilities	Amount ₹	Assets	Amount ₹
Sundry Creditors	3,10,000	Land	8,00,000
Outstanding Expenses	70,000	Building	7,20,000
Capitals:		Plant	7,20,000
Vinod 8,28,000		Furniture	1,00,000
Swami 13,72,000	22,00,000	Stock	1,80,000
General Reserve	1,20,000	Sundry Debtors	1,50,000
		Cash in hand	30,000
	27,00,000		27,00,000

14. Answer :

(a)

Journal Entries

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
	6% Debentures A/c Dr.			
	Premium on Redemption Dr.		50,000	
	To Debenture Holders A/c		5,000	55,000
	(Being amount due on redemption)			
	Debenture Holders A/c Dr.		55,000	
	To Preference Sh. Capital A/c			50,000
	To Securities Premium A/c			5,000
	(Being conversion of debenture into preference shares)			

(b)

Journal Entries

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
	6% Debentures A/c Dr.		88,00,000	
	To Debenture Holders A/c			88,00,000
	(Being amount due on redemption)			
	Debenture Holders A/c Dr.		88,00,000	
	To Equity Sh. Capital A/c			80,00,000
	To Securities Premium A/c			8,00,000
	(Being conversion of debenture into equity shares)			

15. Answer :

Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
	Bank A/c Dr.		48,000	
	To Share Application A/c			48,000
	(Being application money received)			
	Share Application A/c Dr.		48,000	
	To Share Capital A/c			24,000
	To Share Allotment A/c			6,000
	To Bank A/c			18,000

(Being application money adjusted)				
Share Allotment A/c	Dr.	60,000		
To Share Capital A/c				36,000
To Securities Premium A/c				24,000
(Being allotment money due)				
Bank A/c	Dr.	53,460		
To Share Allotment A/c				53,460
(Being allotment received)				
Share First Call A/c	Dr.	36,000		
To Share Capital A/c				36,000
(Being first call money due)				
Bank A/c	Dr.	35,100		
To Share Allotment A/c				35,100
(Being allotment received)				
Share Capital A/c	Dr.	960		
Securities Premium	Dr.	240		
To Share Allotment A/c				540
To Share First Call A/c				360
To Share Forfeiture A/c				300
Second & Final Call A/c	Dr.	23,760		
To Share Capital A/c				23,760
(Being second and final call due)				
Bank A/c	Dr.	23,400		
To Second & Final Call A/c				23,400
(Being second and final call received)				
Sh. Capital A/c	Dr.	1,800		
To Share First Call A/c				540
To Share Second & Final Call A/c				360
To Share Forfeiture A/c				900
Bank A/c	Dr.	2,160		
Share Forfeiture A/c	Dr.	240		
To Share Capital A/c				2,400
(Being reissue of shares)				
Share Forfeiture A/c	Dr.	660		
To Capital Reserve A/c				660
(Being transferred to capital reserve)				

OR

Journal Entries

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
	Bank A/c	Dr.	1,75,000	
	To Equity Share Application A/c			1,75,000
	(Being amount received on application 35,000 shares @ ₹ 5 per share)			
	Equity Share Application A/c	Dr.	1,75,000	
	To Equity Share Capital A/c			75,000
	To Securities Premium A/c			50,000

To Bank A/c			20,000
To Equity Share Allotment A/c			30,000
(Being transfer of share application money to share capital, securities premium, money refunded for 4000 shares rejected, applications and balance adjusted towards amount due on allotment as shares were allotted on a pro-rata basis)			
Equity Share allotment A/c	Dr.	1,00,000	
To Equity Share Capital A/c			1,00,000
(Being amount due on allotment @ ₹ 4 per share)			
Bank A/c	Dr.	70,000	
To Equity Share Allotment A/c			70,000
(Being balance amount received on allotment)			
Equity share first and final call A/c	Dr.	75,000	
To Equity Share Capital A/c			75,000
(Being first and final call money due)			
Bank A/c	Dr.	73,500	
Calls in Arrears A/c	Dr.	1,500	
To Equity Share First and Final Call A/c			75,000
(Being money received on first and final call except on 500 shares)			
Equity Share Capital A/c	Dr.	5,000	
To Shares Forfeited A/c			3,500
To Calls in Arrears A/c			1,500
(Being forfeited the shares on which call money was not received)			
Bank A/c	Dr.	4,000	
Shares Forfeited A/c	Dr.	1,000	
To Equity Share Capital A/c			5,000
(Being re-issued forfeited shares @₹8 per share fully paid up)			
Shares Forfeited A/c	Dr.	2,500	
To Capital Reserve A/c			2,500
(Being gain on reissue on forfeited shares transferred to capital reserve account)			

16. Answer :

Revaluation Account

Dr.		Cr	
Particulars	Amount ₹	Particulars	Amount ₹
To Debtors	20,000	By Stock	12,000
To Plant & Machinery	20,000	By Loss Transferred:	
To Creditors	20,000	Vinod	28,800
		David	19,200
	60,000		60,000

Partner's Capital Account

Dr.				Cr.			
Particulars	Vinod ₹	David ₹	Madan ₹	Particulars	Vinod ₹	David ₹	Madan ₹
To Rev. A/c	28,800	19,200	-	By Bal. b/d	5,00,000	3,00,000	-
To Rev. A/c	5,13,200	3,08,800	2,50,000	By Cash	-	-	2,50,000
				By Premium	12,000	8,000	-
				By Gen. Res	30,000	20,000	-
	5,42,000	3,28,000	2,50,000		5,42,000	3,28,000	2,50,000
By Bal. c/d	7,50,000	5,00,000	2,50,000	By Bal b/d	5,13,200	3,08,800	2,50,000
	7,50,000	5,00,000	2,50,000	By Cash (Bal.fig)	2,36,800	1,91,200	
					7,50,000	5,00,000	2,50,000

Balance Sheet

Liabilities	Amount ₹	Assets	Amount ₹
Capitals		Office & Equipment	30,000
Vinod	7,50,000	Land & Building	5,00,000
David	5,00,000	Plant & Machinery	3,30,000
Madan	2,50,000	Debtors	1,80,000
Creditors	2,00,000	Stock	1,32,000
Bills Payable	1,20,000	Cash in Hand	7,48,000
Bank Loan	1,00,000		
	19,20,000		19,20,000

Working Note:

Total Capital of the firm = 2,50,000 × 6/1 = 15,00,000 to be adjusted in 3:2:1.

OR

Revaluation Account

Dr.		Cr.	
Particulars	Amount ₹	Particulars	Amount ₹
To Inventories	9,000	By Plant & Machinery	90,000
To Provision for doubtful debts	6,000		
To Profit Transferred:			
Vinod	30,000		
Dhruv	30,000		
Devansh	15,000		
	90,000		90,000

Partner's Capital Account

Dr.				Cr.			
Particulars	Vinod ₹	David ₹	Madan ₹	Particulars	Vinod ₹	David ₹	Madan ₹
To Cash	-	-	3,45,000	By Bal b/d	6,00,000	4,50,000	3,00,000
To Bal c/d	6,90,000	5,40,000	-	By Gen. Res	60,000	60,000	30,000
				By Rev. A/c	30,000	30,000	15,000
	6,90,000	5,40,000	3,45,000		6,90,000	5,40,000	3,45,000

Balance Sheet

Liabilities	Amount ₹	Assets	Amount ₹
Capitals		Plant & Machinery	9,90,000
Vinod 6,90,000		Inventories	1,50,000
David 5,40,000	12,30,000	Debtors 1,50,000	
Creditors	1,50,000	Less : Provision 15,000	1,35,000
		Cash in hand	1,05,000
	<u>13,80,000</u>		<u>13,80,000</u>

SECTION B

17. Answer :

A statement which is prepared by a firm during a specified period of time to know the inflows (receipts) and outflows (payments) is known as the cash flow statement.

18. Answer :

The accountant was not correct because dividend received on investment is an operating activity for a finance company and not an investing activity.

19. Answer :

(a) Financial statement analysis ignores the qualitative aspects; for example, efficiency and quality of management, changes in the price level and quality of workers (i.e. skilled or unskilled).

(b) Major Headings:

S.No.	Items	Major Heads
1	Long-Term Borrowings	Non-current Liabilities
2	Trade Payables	Current Liabilities
3	Provision for tax	Current Liabilities
4	Securities Premium Reserve	Shareholders' Funds
5	Patents	Non-Current Assets
6	Accrued Incomes	Current Assets

20. Answer :

- a. Gross Profit Ratio = Gross Profit/Net Revenue from Operations × 100
 Gross Profit = Revenue from Operations – Cost of Revenue from Operations
 = 30,00,000 – 20,00,000
 = 10,00,000
 Net Revenue from Operations = 30,00,000
 Gross Profit Ratio = 10,00,000/30,00,000 × 100 = 33.3%
- b. Working Capital Turnover Ratio = Net Revenue from Operations/Working Capital
 Net Revenue from Operations = 30,00,000
 Working Capital = Current Assets – Current Liabilities
 = 6,00,000 – 2,00,000 = 4,00,000
 Working capital turnover ratio = 30,00,000/4,00,000 = 7.5 times

21. Answer:

**Comparative Statement of Profit and Loss
for the years ended 31st March 2015 & 2016**

Particulars	31.3.2015	31.3.2016	Absolute Change	% change
Revenue from Operations	40,00,000	60,00,000	20,00,000	50%
Other Income	8,00,000	9,00,000	1,00,000	12.5%
Less: Expenses				
Other Expenses	20,00,000	36,00,000	16,00,000	80%
Profit before Tax	28,00,000	33,00,000	5,00,000	17.8%
Less: Tax @ 50%	14,00,000	16,50,000	2,50,000	17.8%
Profit after tax	14,00,000	16,50,000	2,50,000	17.8%

22. Answer :

	Particulars	Amount ₹	Amount ₹
A.	Cash Flow from Operating Activities Net Profit before tax (50,000) + 40,000 interest + 1,00,000 Dividend Add: Depreciation Operating profit before working capital changes Add: Trade Payable Less: Trade Receivable Less: Inventories Cash flow from Operating Activities	90,000 1,50,000 2,40,000 10,000 (80,000) (1,00,000)	70,000
B.	Cash Flow from Investing Activities Purchase of Machinery	(4,50,000)	(4,50,000)
C.	Cash Flow from Financing Activities Issue of Shares Debentures Interest Paid Dividend Paid Cash Flow from Financing Activities	4,00,000 90,000 (40,000) (1,00,000)	3,50,000
D.	Decrease in Cash and Cash Equivalents (A + B + C) Add: Cash and Cash Equivalents in the beginning Cash and Cash Equivalents at the end		(30,000) 1,30,000 1,00,000

Working Notes:

Machinery Account

Particulars	Amount	Particulars	Amount
To Balance b/d	12,00,000	By Depreciation	1,50,000
To Bank A/c (purchase)	4,50,000	By Balance c/d	15,00,000
	16,50,000		16,50,000