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**SAMPLE PAPER (solved)**  
**For CBSE Examination March 2018**  
**ACCOUNTANCY**  
**Class - XII**

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**Time allowed: 3 hours**

**Maximum Marks: 80**

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**General Instructions:**

1. This question paper contains Two parts A & B.
  2. Both the parts are compulsory for all.
  3. All parts of questions should be attempted at one place.
  4. Marks are given at the end of each question.
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**Part - A**

**Partnership, Share Capital and Debentures**

1. Meghna, Sejal and Deepali are partners without any partnership deed. On 1<sup>st</sup> April, 2016 their capital account balance is Rs.5,00,000 each respectively. Meghna advanced a loan of Rs.1,00,000 to the firm on the above date but in next 4 months they could not finalised the rate of interest on such loan. On 1<sup>st</sup> August, 2016 they decided to form a partnership deed, according to which interest on Meghna's loan will be given @ 7.5 % per annum. What amount of interest will be paid to Meghna on her loan on 31<sup>st</sup> March, 2017? [1]
  2. Mr. Simar and Mr. Parth are involved in a partnership business since last 8 years with 4:3 profit sharing ratio. They decided to add a new partner (Mr. Upjay Singh) and it is also decided that Mr. Parth and Mr. Upjay Singh will continue with the same profit sharing ratio which is existing between Mr. Simar and Mr. Parth. Find out the New Ratio and Sacrificing Ratio. [1]
  3. Vinod Limited forfeited a share of Rs.100 issued at a premium of 100% for non-payment of first call of Rs.25 and final call of Rs.10 per share. State the minimum price at which this share can be reissued. [1]
  4. Rajesh, Vinod and Mukesh were partners in a firm. In spite of repeated reminders by the authorities, they kept dumping hazardous material into a nearby river. The Court ordered for the dissolution of their partnership firm with immediate effect. While dissolution process was on Realisation expenses Rs.3,800 were to be borne by Vinod but paid by Mukesh. How will record it? Give entry. [1]
  5. Why would an investor prefer to invest partly in shares and partly in debentures of a Company? [1]
  6. Do we calculate Interest on Drawings when a partnership firm is showing losses in the books of accounts since last 3 years? [1]
  7. Vinod Limited had issued 8,000, 12% Debentures of Rs.100 each at a discount of 6% on 1 April, 2013. These debentures were redeemable at par on or before 31<sup>st</sup> March 2018. [3]
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- Directors of Vinod Limited decided to redeem all these debentures on 31<sup>st</sup> March, 2015 by converting them into Equity Shares of Rs.10 each at par.  
Give necessary journal entries including writing off discount.
8. How will you treat Workmen Compensation Reserve at the time dissolution of a partnership firm when Workmen Compensation Reserve given in the Balance Sheet Rs.40,000. [3]  
Situation 1: Liability of Workmen Compensation Reserve stood at Rs.30,000.  
Situation 2: Liability of Workmen Compensation Reserve stood at Rs. 55,000.
9. Balance Sheet of Vinod Ltd. showing Rs.9,80,000 balance in the Securities Premium Reserve on 31<sup>st</sup> March, 2017. The Management of the Company has decided not to carry this balance in the next Balance Sheet and it will be utilised. State the purpose for which this balance can be utilised as per the Companies Act, 2013. [3]
10. Vinod Ltd. has an authorised capital of Rs.45,00,000 divided into Equity Shares of Rs.30 each. The company invited application for issuing 1,40,000 shares. [3]  
Applications for 1,36,000 shares were received.  
All calls were made and were duly received except the final call of Rs.10 per share on 10,000 shares. These shares were forfeited.  
(i) Present the Share Capital in the Balance Sheet of the company as per Schedule III of the Companies Act, 2013.  
(ii) Also, prepare Notes to Accounts for the same.
11. Vinod, Ashish and Gaurav were partners sharing profits in the ratio of 3:3:2. The partnership deed provided for the following: [4]  
(i) Ashish was guaranteed a profit of Rs.1,00,000 p.a.  
(ii) A remuneration of Rs.4,000 per quarter to Vinod and Ashish.  
(iii) Gaurav was entitled to a commission of Rs.16,000.  
The profit of the firm for the year ended 31<sup>st</sup> March, 2017 was Rs.3,00,000 which was distributed among the partners in the ratio of 2:2:1 without taking into consideration the provisions of partnership deed. Give rectifying entry for the above items and show your working clearly.
12. RK, GK and VK were partners in a firm sharing profits in the ratio of 2/4 : 3/8 : 1/8. The firm closes its books on 31<sup>st</sup> March every year. On 1<sup>st</sup> February, 2017 GK died and it was decided that the new profit sharing ratio between RK and VK will be 1:1. The Partnership deed provided for the following on the death of a partner: [4]  
(a) His Share of profit in the year of his death was to be computed on the basis of average profits of past two years.  
(b) His share of goodwill be calculated on the basis of half of the profits credited to his account during the previous four completed years. The profits for last four years were:  
Year 2012 – 13 Rs.2,40,000  
Year 2013 – 14 Rs.1,60,000  
Year 2014 – 15 Rs.80,000  
Year 2015 – 16 Rs.1,60,000  
Pass necessary journal entries relating to goodwill and profit to be transferred to GK's Capital Account. Show your working clearly.
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13. Vinod and Mayank were partners in a firm sharing profits and losses in the ratio of 1:1. [6]  
In spite of repeated reminders by the authorities, they kept dumping hazardous material into a nearby river. The court ordered for the dissolution of their partnership firm on 31<sup>st</sup> March, 2017. Their Balance Sheet on that was as follows:

Liabilities	Amount	Assets	Amount
Capitals: Vinod	2,00,000	Fixed Assets	3,80,000
Mayank	1,00,000	Investments	1,00,000
Creditors	3,60,000	Debtors	2,00,000
Mrs. Vinod's loan	60,000	Less: Provision	20,000
Mayank's loan	1,00,000	Stock	70,000
Investment Fluctuation Fund	30,000	Bank	80,000
		Profit and Loss A/c	40,000
	8,50,000		8,50,000

The assets were realized and the liabilities were paid off as follows :

- (a) Creditors were paid Rs.3,50,000 in full settlement of their claim.  
 (b) Mayank took away 90% of the investment at a discount of 10%.  
 (c) Vinod promised to pay off Mrs. Vinod's loan and took away stock at 20% discount.  
 (d) Rohit, a debtor of Rs.50,000 had to pay the amount due 3 months after the date of dissolution. He was allowed a discount of 5% for making payment immediately. The remaining debtors were collected in full.  
 (e) Fixed Assets realised Rs.2,82,000 and remaining investment realised Rs.7,500.  
 (f) There was an old furniture which had been written off completely from the books. Mayank took away the same for Rs.4,000.  
 (g) Realisation expenses Rs.2,000 were paid by vinod.  
 Prepare Realisation Account, Bank Account and Partners Capital Account. Also identify the value being conveyed in the question.

14. Vinod, Ayush and Pukhraj were partners in a firm sharing profits in the ratio of 1:2:3. [6]  
Their Balance Sheet as on 31.3.2015 was as follows:

Liabilities	Amount	Assets	Amount
Creditors	1,00,000	Land	1,00,000
Bills Payable	40,000	Building	1,00,000
Reserve Fund	60,000	Plant	2,00,000
Capitals: Vinod	2,00,000	Stock	80,000
Ayush	1,00,000	Debtors	60,000
Pukhraj	50,000	Bank	10,000
	5,50,000		5,50,000

All partners have decided that reconstitution of partnership is to be done with effect from 1<sup>st</sup> April, 2015. For this it was agreed that:

- (a) Creditors of Rs.12,000 were not likely to be claimed and hence be written off.  
 (b) Goodwill of the firm be valued at Rs.3,00,000.  
 (c) Land be revalued at Rs.1,60,000 and building be depreciated by 6%.

Prepare Revaluation Account, Partners Capital Account and new Balance Sheet.

15. (a) On 1<sup>st</sup> April, 2014, Vinod Ltd. issued 2,000; 11% debentures of Rs.100 each. 30% of these debentures were redeemable at the end of 3<sup>rd</sup> year by converting them into Equity Share of Rs.100 each issued at a premium of 50%. The remaining debentures were [6]

redeemable at the end of 4<sup>th</sup> year by converting the same into Equity Shares of Rs.100 each at par. Pass necessary journal entries in the books of the firm for issue and redemption of debentures.

(b) Fill in the blanks in the following entries:

Date	Particulars	L.F	Debit (Rs.)	Credit (Rs.)
	Sundry Assets A/c Dr. To Sundry Creditors A/c To ..... To ..... (Being business of Vinod & Co. purchased for a consideration of Rs.30,00,000)		?	?
	..... Dr. ..... Dr. To 11% Debenture A/c (Being paid to Vinod & Co. by issue debentures at discount)			

16. Vinod Ltd. had issued 1,00,000 Equity Shares of Rs.10 each at a premium of Rs.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. [8]

Date	Particulars	L.F	Debit (Rs.)	Credit (Rs.)
	..... Dr. To ..... (Being amount received on application for 1,40,000 shares @ 5 per share including premium)		?	?
	Equity Share Application A/c Dr. To ..... To ..... To ..... To ..... (Being transfer application money to Share capital, securities premium, and refunded for 16,000 shares for rejected applications and balance adjusted towards allotment as shares were allotted on pro-rata basis)		?	? ? ? ?
	..... Dr. To ..... (Being amount due on allotment @ Rs.4 per share)		?	?

..... Dr. To ..... (Being amount received on allotment)		?	?
..... Dr. To ..... (Being first and final call due)		?	?
..... Dr. Calls in Arrear A/c Dr. To ..... (Being amount received on call)		3,000	?
..... Dr. To ..... To ..... (Being shares forfeited for not paying call)		?	?
..... Dr. ..... Dr. To ..... (Being reissue of forfeited shares @ Rs.8 fully paid)		?	?
..... Dr. To ..... (Being amount transferred to capital reserve)		?	?

OR

Vinod Ltd. invited applications for issuing 80,000 Equity Shares of Rs.100 each at a premium of 20 per share. The amount was payable as follows:

On Application ..... Rs. 20 per share

On Allotment ..... Rs.40 per share Along with premium

On First & Final Call ..... Balance

Application for 1,20,000 shares were received. Allotment was made on pro-rata basis to all the applicants. Excess money received on applications was adjusted on sums due on allotment.

Mr. SK, who had applied for 6,000 shares, failed to pay the allotment money.

Mr. HK, did not pay first and final call on 800 shares allotted to him.

The share of Mr. SK and Mr. HK were forfeited. Out of the forfeited shares 4,200 were reissued of Rs.100 per share as fully paid up. The reissued shares included all the forfeited shares of Mr. HK. Pass necessary journal entries for the above transactions in the books of Vinod Ltd.

17. Amit and Modi are partners in a firm sharing profits/losses in the ratio of 3/5 and 2/5. [8]  
On 31<sup>st</sup> March, 2017 they admitted Yogi into partnership for 1/5<sup>th</sup> share in the profits of

the firm. Yogi requested the existing partners to give employment to financially weaker persons and specially abled persons. Amit and Modi were agreed to this proposal of Yogi. On that date their Balance Sheet stood as under:

Liabilities	Amount	Assets	Amount
Capitals : Amit	2,40,000	Plant and Machinery	2,60,000
Modi	2,00,000	Furniture	50,000
Creditors	2,00,000	Investment	2,00,000
General Reserve	40,000	Sundry debtors	1,00,000
		Bank	70,000
	6,80,000		6,80,000

Yogi was admitted on the following terms:

- He will bring 1,60,000 as capital and Rs.60,000 for his share of goodwill premium.
- Partners will share future profits in the ratio of 5:3:2.
- Profit on Revaluation of assets and reassessment of liabilities was Rs.14,000.
- After making adjustments, the Capital Accounts of the partners will be in proportion of Yogi's Capital. Balance (if any) to be paid off or brought in by the old partners by cheque as the case may be.

Prepare Partners Capital Account and Bank Account. Also identify any two values.

OR

On 31<sup>st</sup> March, 2017 the Balance Sheet of SK, HK and MK who were sharing profits and losses in the ratio of 2:3:2, stood as follows:

Liabilities	Amount	Assets	Amount
Capitals: SK	5,00,000	Land and building	9,50,000
HK	7,50,000	Machinery	2,50,000
MK	5,00,000	Furniture	3,85,000
Workmen compensation fund	4,20,000	Closing stock	2,50,000
Sundry Creditors	2,55,000	Sundry debtors	3,50,000
		Cash	2,40,000
	24,25,000		24,25,000

On 31<sup>st</sup> March, 2017 HK retired from the firm and the remaining partners decided to carry on the firm. It was agreed to revalue the assets and liabilities as follows:

- Sundry creditors of 32,500 be written off and Machinery be appreciated by 20%.
- Land and Building appreciated by 20% and closing stock valued at 2,25,000.
- Provision for doubtful debts be made at 5% on debtors.
- Goodwill of the firm be valued at Rs.2,80,000 and HK's share of goodwill be adjusted in the accounts of SK and MK who will share future profits and losses in the ratio of 3:2.
- The total capital of the newly constituted firm will be Rs.17,50,000, which will be adjusted by opening current accounts.
- Amount due to HK was settled by accepting a Bill of Exchange in his favour payable after 4 months. HK has declared that he will donate some of the amount to one NGO who is constructing a hospital in the tribal area where this firm is situated. Prepare Revaluation Account, Partners' Capital Account and Balance Sheet. Also identify any two values disclosed by HK.

**Part- B**

## Financial Statement Analysis

18. Vinod Ltd., a mutual fund company invested Rs.22,00,000 in shares of Lallantop Ltd. [1]  
After one year company receives Rs.94,000 as dividend. How it will be depicted in the Cash Flow Statement of the Company?
19. Classify the following activities as (i) Operating (ii) Investing or (iii) Financing in case of [1]  
a 'Financial Enterprise':  
(a) Non-current investment sold.  
(b) Interest received on Debentures held as investment.
20. (a) Under which major headings and sub-headings the following items will be shown in [4]  
the Balance Sheet of a company as per Schedule III, of the Companies Act, 2013.  
(i) Outstanding Expenses  
(ii) Prepaid Rent  
(iii) Patents  
(iv) Bank overdraft  
  
(b) State any two objectives of Financial Statement Analysis.
21. From the given information, calculate the following: [4]  
(i) Cost of Revenue from Operations  
(ii) Opening and Closing Inventory  
(iii) Quick Assets  
(iv) Current Assets  
Information:  
Inventory Turnover Ratio 6 times, Inventory at the end is Rs.6,000 more than the inventory in the beginning, Revenue from Operations (all credits) Rs.2,40,000, Gross Profit 25% on cost, Current Liabilities Rs.80,000, Quick Ratio 0.80: 1.
22. Prepare a Comparative Income Statement and from the following information: [4]

Particulars	31st March 2016	31st March 2017
Revenue from operations	125%	140%
(% of cost of Material Consumed)		
Cost of Material Consumed	2,40,000	2,50,000

Other expenses (% of Revenue from Operations)	10%	12%
Other Income	15,000	20,000
Tax Rate	30%	30%

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23. (a) From the following information, calculate Cash Flow from Operating Activities: [6]

Particulars	31 <sup>st</sup> March, 2017	31 <sup>st</sup> March, 2016
Surplus i.e. Balance in Statement of P/L	1,42,000	1,78,000
Inventory	24,000	8,000
Trade Receivables	1,16,000	90,000
Outstanding expenses	29,200	20,000
Goodwill	1,14,000	54,000
Cash in hand	18,000	24,000
Machinery	1,64,000	1,12,000

(i) A piece of machinery costing Rs.1,00,000 on which depreciation of Rs.40,000 had been charged was sold for Rs.20,000. Depreciation charged during the year was Rs.36,000.

(ii) Income Tax Rs.46,000 was paid during the year.

(iii) Dividend paid during the year Rs.72,000.

(b) What is meant by Cash and Cash Equivalents?

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## SOLUTION

1. Interest on Meghna's loan  $1,00,000 \times 7.5/100 \times 8/12 = 5,000$

2. Ratio of Mr. Simar and Mr. Parth is 4:3

Ratio of Mr. Parth and Mr. Upjay Singh will be 4:3

Mr. Parth is holding 75% of Mr. Simar's Share

It means Mr. Upjay should get 75% of Mr. Parth's share

So, Share of Mr Upjay will be = 75% of 3 = 2.25

New Share = 4 : 3 : 2.25 OR 16 : 12 : 9

3. Minimum price at which Vinod Limited can issue share =  $100 - 65 = 35$

Note: Rs. 35 is not paid, it means 65 is paid.

4. Vinod's Capital A/c Dr. 3,800  
To Mukesh's Capital A/c 3,800

5. Investment in Shares is highly risky but provides higher return whereas debentures provide a fixed return whether there is profit or loss. By investing in both an investor tries to minimise his risk.

6. Yes, Interest on drawings is calculated irrespective of profit or loss. It reduces the loss because it is treated as an income for the business.

7. Journal

Date	Particulars	L.F.	Debit	Credit
1 April 2014	Bank A/c <span style="float: right;">Dr.</span> To Deb. App. & Allot. A/c (Being application money received)		7,52,000	7,52,000
31 March 2014	Deb. App. & Allot. A/c <span style="float: right;">Dr.</span> Discount on issue of Deb. <span style="float: right;">Dr.</span> To 12% Debenture A/c (Being application money adjusted)		7,52,000 48,000	8,00,000
	Statement of P/L <span style="float: right;">Dr.</span> To Discount on issue of Deb. (Being discount written off)		9,600	9,600

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31 March 2015	Statement of P/L To Discount on issue of Deb. (Being discount written off)	Dr.		9,600	9,600
	12% Debenture A/c To Discount on issue of Deb. To Statement of P/L To Debenture Holders (Being amount due to debenture holders)	Dr.		8,00,000	28,800 19,200 7,52,000
	Debenture Holders A/c To Share Capital A/c (Being issue of shares at par)	Dr.		7,52,000	7,52,000

#### 8. Situation 1.

- (i) Transfer 30,000 Workmen compensation reserve in the Cr. side of Realisation A/c.
- (ii) Pay 30,000 Workmen Compensation in the Dr. side of Realisation A/c.
- (iii) Remaining 10,000 will be distributed by the partners (Cr. side of Capital account)

#### Situation 2.

- (i) Transfer 40,000 Workmen compensation reserve in the Cr. side of Realisation A/c.
- (ii) Pay 55,000 Workmen Compensation in the Dr. side of Realisation A/c.

#### 9. Vinod Ltd. can utilise its Reserve for the following as per the Companies Act, 2013:

- (i) To Buy Back its own shares
- (ii) To issue of fully paid bonus shares.
- (iii) To write off preliminary expenses/unamortised expenses/ Expense on issue of Shares/debentures or discount on issue of debentures etc.
- (iv) Provide for premium payable on redemption of debentures (if any).

#### 10. Balance Sheet (Extract only)

Particulars	Note No.	Amount
I. EQUITY AND LIABILITIES		
Shareholders' Funds		
Share Capital	1	39,80,000

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Notes to Accounts

Particulars	Amount
<b>I. Share Capital</b>	
<b>Authorised Capital</b>	
1,50,000 Equity shares of Rs.30 each	<u>45,00,000</u>
<b>Issued Capital</b>	
1,40,000 Equity Shares of Rs.30 each	<u>42,00,000</u>
<b>Subscribed Capital</b>	
Subscribed and Fully Paid-up	
1,26,000 shares of Rs.30 each	37,80,000
Add: Share Forfeiture A/c 10,000 shares x 20	2,00,000
	39,80,000

11. Vinod's Capital A/c Dr. 12,800  
 Ashish's Capital A/c Dr. 4,000  
 To Gaurav's Capital A/c 16,800

Analytical Table

Particulars	Vinod	Ashish	Gaurav	Total
A. Profit wrongly taken	1,20,000	1,20,000	60,000	3,00,000
B. Should get: Remuneration	16,000	16,000		32,000
Commission			16,000	16,000
Profit 3,00,000 – 32,000 – 16,000	94,500	94,500	63,000	2,52,000
Deficiency adjusted	(3,300)	5,500	(2,200)	
	1,07,200	1,16,000	76,800	3,00,000
Difference A - B	12,800	4,000	16,800	Nil
	Dr.	Dr.	Cr.	

12. Calculation of Gain Share = New Share – Old Share

RK's Gain = Nil

VK's Gain = 3/8

Share of profit = 80,000 + 1,60,000 = 2,40,000/2 = 1,20,000

Profit for 10 months = 1,20,000 x 10/12 = 1,00,000

GK's share of profit = 1,00,000 x 3/8 = 37,500

Share of Goodwill = Total profit of last four years = 6,40,000

GK's share in last four year's profit = 6,40,000 x 3/8 = 2,40,000

GK's share of goodwill = 2,40,000 x 1/2 = 1,20,000

VK's Capital A/c Dr. 1,20,000  
 To GK's Capital A/c 1,20,000

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13.

## Realisation Account

Particulars	Amount	Particulars	Amount
To Sundry Assets:		By Provision for doubtful debts	20,000
Stock           70,000		By Sundry Liab:	
Investment    1,00,000		Creditors       3,60,000	
Debtors       2,00,000		Invest. F.F.     30,000	
Fixed Assets  3,80,000	7,50,000	Mrs. Vinod's loan 60,000	4,50,000
To Vinod's Capital A/c (loan)	60,000	By Vinod's Capital A/c (stock)	56,000
To Bank A/c (creditors)	3,50,000	By Mayank's Capital A/c	81,000
To Vinod's Capital A/c (expense)	2,000	(invest.)	
		By Bank A/c (Assets Realised):	
		Debtors       1,97,500	
		Fixed Assets   2,82,000	
		Investment     7,500	4,87,000
		By Mayank's Capital A/c	4,000
		By Loss transferred: Vinod	32,000
		Mayank	32,000
	11,62,000		11,62,000

## Partners' Capital Account

Particulars	Vinod	Mayank	Particulars	Vinod	Mayank
To Realisation A/c	32,000	32,000	By Balance b/d	2,00,000	1,00,000
To P/L A/c	20,000	20,000	By Realisation A/c	2,000	
To Realisation A/c	56,000	81,000	By Realisation A/c	60,000	
To Realisation A/c		4,000	By Bank A/c		37,000
To Bank A/c	1,54,000				
	2,62,000	1,37,000		2,62,000	1,37,000

## Bank Account

Particulars	Amount	Particulars	Amount
To Balance b/d	80,000	By Realisation A/c	3,50,000
To Realisation A/c	4,87,000	By Mayank's loan	1,00,000
To Mayank's Capital A/c	37,000	By Vinod's Capital A/c	1,54,000
	6,04,000		6,04,000

Values: (i) A business firm should be concerned for the Health of citizens.

(ii) Firm should take care of environment.

14. Revaluation Profit Rs.66,000; Capitals of the partners Rs.1,71,000; Rs.1,42,000 and Rs.1,63,000; Balance Sheet Rs.6,04,000.

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15. (a) **Entries on Issue of Debentures:**

Bank A/c Dr.                      2,00,000  
    To Debenture App. & Allot. A/c 2,00,000  
(Being application money received)

Debenture App. & Allot. A/c Dr. 2,00,000  
    To 11% Debentures A/c                      2,00,000  
(Being debentures issued)

**On Redemption of Debentures:**

11% Debenture A/c Dr.              60,000  
    To Debenture Holders A/c              60,000  
(Being amount due on redemption)

Debenture Holders A/c Dr.        60,000  
    To Equity Sh. Capital A/c              40,000  
    To Securities Premium                  20,000

**Redemption of Debentures (next year)**

11% Debenture A/c Dr.              1,40,000  
    To Debenture Holders A/c              1,40,000  
(Being amount due to debenture holders)

Debenture holders A/c Dr.        1,40,000  
    To Equity Share Capital A/c              1,40,000  
(Being issue of equity shares)

(b) Journal

Date	Particulars	L.F	Debit (Rs.)	Credit (Rs.)
	Sundry Assets A/c                      Dr. To Sundry Creditors A/c To Vinod & Co. To Capital Reserve (Being business of Vinod & Co. purchased for a consideration of Rs.30,00,000)		36,00,000	4,00,000 30,00,000 2,00,000
	Vinod & Co.                              Dr. Discount on issue of Deb. A/c      Dr. To 11% Debenture A/c (Being paid to Vinod & Co. by issue debentures at discount)		30,00,000 15,00,000	45,00,000

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16.

## Journal

Date	Particulars	L.F	Debit (Rs.)	Credit (Rs.)
	Bank A/c Dr. To Equity Share application A/c (Being amount received on application for 1,40,000 shares @ 5 per share including premium)		7,00,000	7,00,000
	Equity Share Application A/c Dr. To Equity Share Capital A/c To Securities Premium To Equity Share Allotment To Bank A/c (Being transfer of application money to Share capital, securities premium, money refunded for 16,000 shares for rejected applications and balance adjusted towards amount due on allotment as shares were allotted on pro-rata basis)		7,00,000	3,00,000 2,00,000 1,20,000 80,000
	Equity Share Allotment A/c Dr. To Equity Share capital A/c (Being amount due on allotment @ Rs.4 per share)		4,00,000	4,00,000
	Bank A/c Dr. To Equity Share Allotment A/c (Being amount received on allotment)		2,80,000	2,80,000
	Equity Sh. First & Final Call A/c Dr. To Equity Share Capital A/c (Being first and final call due)		3,00,000	3,00,000
	Bank A/c Dr. Calls in Arrear A/c Dr. To Equity sh. First & final call (Being amount received on call)		2,97,000 3,000	3,00,000
	Equity Share Capital A/c Dr. To Share Forfeiture A/c To Calls in Arrears A/c (Being shares forfeited for not paying call)		10,000	7,000 3,000

Bank A/c Share Forfeiture A/c To Equity Share Capital A/c (Being reissue of forfeited shares @ Rs.8 fully paid)	Dr. Dr.		8,000 2,000	10,000
Share Forfeiture A/c To Capital Reserve (Being amount transferred to capital reserve)	Dr.		5,000	5,000

OR

Date	Particulars	L.F	Debit (Rs.)	Credit (Rs.)
	Bank A/c To Equity Share application A/c (Being amount received on application for 1,20,000 shares @ 20 per share)	Dr.	24,00,000	24,00,000
	Equity Share Application A/c To Equity Share Capital A/c To Equity Share Allotment (Being application money adjusted)	Dr.	24,00,000	16,00,000 8,00,000
	Equity Share Allotment A/c To Equity Share capital A/c To Securities Premium A/c (Being amount due on allotment)	Dr.	48,00,000	32,00,000 16,00,000
	Bank A/c To Equity Share Allotment A/c (Being amount received on allotment)	Dr.	38,00,000	38,00,000
	Equity Sh. First & Final Call A/c To Equity Share Capital A/c (Being first and final call due)	Dr.	32,00,000	32,00,000
	Bank A/c To Equity sh. First & final call (Being amount received on call)	Dr.	30,08,000	30,08,000

Equity Share Capital A/c	Dr.		4,80,000	
Securities Premium A/c	Dr.		80,000	
To Share Forfeiture A/c				1,68,000
To Share Allotment A/c				2,00,000
To Share First & Final Call				1,92,000
(Being shares forfeited for not paying call)				
Bank A/c	Dr.		4,20,000	
To Equity Share Capital A/c				4,20,000
(Being reissue of forfeited shares)				
Share Forfeiture A/c	Dr.		1,50,000	
To Capital Reserve				1,50,000
(Being amount transferred to capital reserve)				

17 Sacrificing Share = 1:1

Goodwill 60,000 brought by new partner will be shared by sacrificing partners equally.

Amit's Capital Account Rs.4,00,000

Modi's Capital Account Rs.2,40,000

Yogi's Capital Account Rs.1,60,000

Amount brought by Amit Rs.97,600

Amount withdrawn by Modi 11,600

Bank Balance Rs.3,76,000.

Values: (i) Empathy towards financial weaker section of the society.

(ii) To provide opportunities to specially abled persons.

OR

Revaluation Profit Rs.1,30,000

SK's Capital Account Rs.10,50,000

MK's Capital Account Rs.7,00,000

HK (Bill Payable) 11,05,714

SK's Current A/c Dr. Balance Rs.4,80,857

MK's Current A/c Dr. Balance Rs.74,857

Balance Sheet 30,78,214

Gain Ratio 11:4

HK's share of goodwill Rs.1,20,000

Values:

(i) Social responsibility and empathy.

(ii) Development of tribal area and concern for the health of people belonging to that area.

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18. Vinod Ltd. is a financing company so there is no cash flow from investing activities.

19. (a) Operating Activities (b) Operating Activities

20. (a) Major heads and sub-heads

- (i) Outstanding Expenses ----- Current Liabilities ----- Other current liabilities
- (ii) Prepaid Rent ----- Current Assets ----- Other current assets
- (iii) Patents ----- Non Current Assets ----- Intangible Assets
- (iv) Bank overdraft ----- Current Liabilities ----- Short term borrowings

- (b) (i) To assess the earning capacity or profitability of the firm.
- (ii) To assess the managerial efficiency and solvency of the firm.

21. Cost of Revenue from Operations

If we assume cost = 100

Gross Profit = 25

Revenue from operation will be =  $100 + 25 = 125$

Given in the question 2,40,000 (credit)

Cost of Revenue from operation =  $2,40,000 \times 100/125 = 1,92,000$

Opening and Closing Inventory

Assume opening inventory = x

Closing inventory will be 6,000 more than opening inventory =  $x + 6,000$

Average inventory =  $\text{Opening} + \text{closing inventory} / 2$

Inventory Turnover Ratio =

$\text{Cost of Revenue from operations} / \text{Average Inventory} = 6$  given

$$6 = \frac{1,92,000}{\frac{x + x + 6,000}{2}}$$

$$6x + 6x + 36,000 = 3,84,000$$

$$12x = 3,84,000 - 36,000$$

$12x = 3,48,000$  It means opening inventory will be 29,000 i.e.  $3,48,000/12$  and closing inventory  $29,000 + 6,000 = 35,000$

Quick Assets

Current liabilities 80,000 given so quick assets =  $80,000 \times 0.80 = 64,000$

Current Assets = Quick Assets + Closing inventory i.e.  $64,000 + 35,000 = 99,000$

22. COMPARATIVE INCOME STATEMENT

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Particulars	2012	2013	Absolute Change	Percentage Change
I. Revenue from Operations	3,00,000	3,50,000	50,000	16.67
II. Add : Other Income	15,000	20,000	5,000	33.33
III. Total Revenue (I+II)	3,15,000	3,70,000	55,000	17.46
IV. Expenses :				
a. Cost Material Consumed				
b. Other expenses	2,40,000	2,50,000	10,000	4.16
Total Expenses	30,000	42,000	12,000	40.00
	2,70,000	2,92,000	22,000	8.15
V. Profit before tax	45,000	78,000	33,000	73.33
(III-IV) Less : income Tax	(13,500)	(23,400)	(9,900)	73.33
VI. Profit after tax	31,500	54,600	23,100	73.33

23. (a) Cash Flow Statement (Operating Activities)

Particulars	Amount
Profit before Tax	82,000
Add: Depreciation on Machinery	36,000
Loss on sale of Machinery	40,000
Operating Profit before Working Capital Changes	1,58,000
Add: Outstanding Expense	9,200
Less: Inventory	(16,000)
Trade Receivable	(26,000)
Cash Generated from operating activities	1,25,200
Less: Tax	46,000
Cash flow from Operating Activities after tax	79,200

(b) Cash and Cash Equivalents: It means short term, highly liquid assets which can be converted into cash in a very short period of time (say less than 3 months). It involves Cash in hand, Cash at bank, Cheques in hand, and Drafts in hand, Commercial bill, Deposit slip and short term investment.