CBSE Class 12 Accountancy

Sample Paper 10 (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. Items listed below appear in the Profit and loss appropriation account except:
   a. Salary to partner's
   b. Interest on capital
   c. Commission to partner's
   d. Insurance Premium
2. Hem and Nem are partners in a firm sharing profits in the ratio of 3:2. Their capitals were ₹80,000 and ₹50,000 respectively. They admitted Sam on Jan. 1, 2007 as a new partner for $\frac{1}{5}$ share in the future profits. Sam brought ₹60,000 as his capital. With what amount Nem's capital account will be credited?
   a. 13,200

b. 22,000
c. 8,800
d. 66,000

3. At the time of forfeiture of accounts share Capital Account should be debited with:
   a. Paid-up amount
   b. Face Value
   c. Not called up amount
   d. Called up amount
4. When a subscription is received in advance by a Non-profit organisation it is shown in ________.
   a. None of these
   b. Receipt and payment account
   c. Income and Expenditure account
   d. Balance sheet
5. Name the Account which is prepared for finding the profit or loss on getting amount from the selling off all assets and paying the amount of liabilities.
   a. Dr. side of Realisation Account
   b. Dr. side of Revaluation Account
   c. Realisation Account
   d. Cr.Side of Revaluation Account
6. If an applicant gets less shares than the shares applied by the applicant, this situation is called ________.
   a. Over-subscription
   b. Under-subscription
   c. Pro-rata
   d. Rejection
7. Realisation Account is:
   a. Real Account
   b. P/L Adjustment A/c
   c. Personal Account
   d. Nominal Account
8. A, B and C are partners sharing profits in the ratio of capitals (old 5:3:2 and new 2:3:5). Their capital after adjustment in the new capital ratio is Rs 20,000, Rs 30000, Rs 50000.

Who will bring the amount of actual cash for adjustment?

a. None of these
b. C
c. B
d. A

9. A, B and C are partners sharing profits in the ratio of 2: 2: 1. C retired. The new profit-sharing ratio between A and B will be _______.

10. Among the following which account is not a temporary account?
   a. Capital Account of the partners
   b. Revaluation Account
   c. Profit and Loss Suspense Account
   d. Partner's loan account
11. Methods of calculation of profit share up to date of death will be:
   a. Yearly basis
   b. Time basis
   c. Turnover basis
   d. Both Time basis and Turnover basis
12. The formula for capitalization of Average Profit is
   a. $\frac{Average\ \text{Profit}}{Normal\ rate\ of\ return}$
   b. $\frac{Average\ \text{Profit}}{Normal\ \text{Profit}}$
   c. $\frac{Average\ \text{Profit} \times 100}{Normal\ rate\ of\ return}$
   d. $\frac{Average\ \text{Profit} + 100}{Normal\ \text{Profit}}$
13. How drawing against capital is differ from drawings against profit:
   a. Drawings against capital will not be recorded at all
   b. Drawings against capital will reduce the capital
   c. Drawings against capital will affect the current account
   d. Drawings against capital will reduce the profit

14. From the following information of a club, show the amounts of match expenses and match fund in the financial statements of the club for the year ended on 31st March 2016

	Amt (Rs.)

March expenses (paid during the year 2015-2016)	30,000
Match fund (as at 31st March 2015)	17,000
Donation for match fund (received during the year 2015-16)	9,000
Receipt from the sale of match tickets (received during the year 2015-2016)	3,000

OR

Ram & Sham are partners sharing profits & losses in the ratio of 3:2. Ram being non-working partner contributes Rs. 20,00,000 as his capital & Shyam being a working parties, gets a salary of Rs. 8000 per month. As per partnership deed interest is paid @ 8% p.a. & salary is allowed. Profits before providing that for the year ending 31st March 2015 were Rs. 80,000. Show the distribution of profits.

15. Arun, Shobha and Yuvraj were partners in a firm. On 1st April 2018, their Fixed Capitals Stood at ₹1,00,000, ₹50,000 and ₹50,000 respectively.
As per the provisions of partnership deed,
    i. Partners were entitled to an annual salary of ₹20,000 each.
    ii. Interest on Capital @ 10% p.a. was to be provided.
    iii. Profits were to be shared in the ratio 3 : 1 : 1. Net profit for the year ended 31st March 2019 was ₹90,000.
    Pass Journal Entries for the above in the books of the firm.

OR

Ashok, Brijesh and Cheena are partners sharing profits and losses in the ratio of 2 : 2 : 1. Ashok and Brijesh have guaranteed that Cheena share in any year shall not be less than Rs 20,000. The net profit for the year ended March 31, 2017, amounted to Rs 70,000. Prepare Profit and Loss Appropriation Account.

16. A company issued 15,000 fully paid-up equity shares of Rs. 100 each for the purchases of the following assets and liabilities from Gupta Bros.
Plant – Rs. 3,50,000; Stock Rs. 4,50,000
Land and Building Rs. 6,00,000; Sundry Creditors Rs. 1,00,000
Pass necessary Journal entries.
17. A and B are Partners in a Firm Sharing Profits and losses in the ratio of 3 : 2. On 31st

March 2019, their Balance Sheet was as follows-

Balance sheet as at 31st March 2019

Liabilities	Rs.	Assets	Rs.
Creditors	38,000	Cash at Bank	11,500
Mrs. A's Loan	10,000	Stock	6,000
B's Loan	15,000	Debtors	19,000
Reserve	5,000	Furniture	4,000
A's Capital	10,000	Plant	28,000
B's Capital	8,000	Investments	10,000
		Profits and Loss A/c	7,500
Total	**86,000**	**Total**	**86,000**

The firm was dissolved on 31st March 2019 on both the partners agreed to the following:

a. A took investment at an agreed value of Rs. 8,000. He also agreed to settle Mrs. A's Loan
b. The other assets realised as: Stock, Rs. 5,000, Debtors, Rs. 18,500, Furniture Rs. 4,500, Plant 25,000.
c. Expenses of Realisation came to Rs. 1,600
d. creditors agreed to accept Rs. 37,000 in full settlement of their claims.

Prepare Realisation Account, Bank Account and Partners' Capital Accounts.

18. J and K are partners sharing profits and losses in the ratio of 3:1. Their capitals at the end of the financial year 2016-2017 were ₹ 1,50,000 and ₹ 75,000. During the year 2016-2017, J's drawings were ₹ 20,000 and the drawings of K were ₹ 5,000, which had been duly debited to partner's capital accounts. Profit before charging interest on capital for the year was Rs. 16,000. The same had also been debited in their profit sharing ratio. K had brought additional capital of ₹ 16,000 on October 1, 2016. Calculate interest on capital @ 12% p.a. for the year 2016-2017.
19. From the following Receipts and Payments Accounts of Cricket Club and the additional

information given, prepare the Income and Expenditure Account for the Year ending 31-12-2018 and Balance sheet as on that date:

RECEIPTS AND PAYMENTS ACCOUNT
for the year ending 31-12-2018

To bal. b/d	**Rs.**		**Rs.**
-Cash	3520	By Maintenance	6820
-Bank	27380	By Crockery Purchased	2650
-Fixed Deposit @ 6%	30000	By Match Expenses	13240
To Subscription (including Rs. 6000 for 2017)	40000	By Salaries	11000
TO Entrance fees	2750	By Conveyance	820
To Donation	5010	By Upkeep of Lawns	4240
To Interest on Fixed Deposits	900	By postage stamps	1050
To Tournament Fund	20000	By Purchase Of cricket goods	9720
To Sale of Crockery(book value Rs. 1200)	2000	By Sundry expenses	2000
		By Investments	5700
		By Tournament Expenses	18800
		By balance c/d:	
		-Cash	2200
		-Bank	23320
		Fixed Deposits	30000
	131560		**131560**

Additional Information:

i. Salary outstanding is Rs. 1000.

ii. Opening Balance of Stock of Postage and Stationery and Cricket gods is Rs. 750 and Rs. 3210 respectively. Closing stock of the same is Rs. 900 and Rs. 2800 respectively.

iii. Outstanding subscription for 2017 and 2018 is Rs. 6600 and Rs. 8000 respectively.

20. Pass Journal entries for the issue of debentures in each of the following alternative cases:

i. 10% Debenture of Rs 100 each issued at Rs 100, repayable at Rs 100.

ii. 10% Debenture of Rs 100 each issued at Rs 95, repayable at Rs 100.

iii. 10% Debenture of Rs 100 each issued at Rs 105, repayable at Rs 100.

iv. 10% Debenture of Rs 100 each issued at Rs 100, repayable at Rs 105.

21. Murari and Vohra were partners in a firm with capitals of Rs 1,20,000 and Rs 1,60,000 respectively. On 1st April 2010 they admitted Yadav as a partner for 1/4th share in profits on his payment of Rs 2,00,000 as his capital and f 90,000 for his l/4th share of goodwill. On that date, the creditors of Murari and Vohra were Rs 60,000 and bank overdraft was Rs 15,000. Their assets apart from cash included stock Rs 10,000; debtors Rs 40,000; plant and machinery Rs 80,000; land and building Rs 2,00,000. It was agreed that stock should be depreciated by Rs 2,000; plant and machinery by 20%, Rs 5,000 should be written off as bad debts and land and building should be appreciated by 25%.

Prepare revaluation account, capital accounts of Murari, Vohra and Yadav and the balance sheet of the new firm.

OR

X and Y are sharing profits in 5:3.

Balance Sheet

Liabilities		**Rs.**	**Assets**		**Rs.**
Creditors		15000	Debtors	20000	
Employee's Provident Fund		10000	Less: Provision	600	19400
Workmen Compensation Reserve		5800	Stock		25000
Capital A/cs:			Buildings		5000
X	70000		Machinery		80000
Y	31000	101000	Profit and Loss a/c		2400

		131800			**131800**

They admit Z for 1/8th share in profits. Z brings Rs. 20000 as his capital and Rs. 12000 for goodwill. Z acquires his share entirely from X. Following revaluations are also made:

a. Employee's Provident Fund is to be increased by Rs. 5000.
b. All Debtors are good.
c. Stock decreased by Rs. 3000.
d. Creditors are to be paid Rs. 1000 more.
e. Machinery is to be revalued at Rs. 70000.

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

22. Shyam Ltd invited applications for issuing 80,000 equity shares of Rs. 10 each at a premium of Rs. 40 per share. The amount was payable as follows
On application — Rs. 35 per share (including Rs. 30 premium)
On allotment — Rs. 8 per share (including Rs. 4 premium)
On first and final call — Balance
Applications for 77,000 shares were received. Shares were allotted to all the applicants. Sundram to whom 7,000 shares were allotted failed to pay the allotment money. His shares were forfeited immediately after allotment. Afterwards, the first and final call was made. Satyam, the holder of 500 shares failed to pay the first and final call. His shares were also forfeited. Out of the forfeited shares 1,000 shares were reissued at Rs. 50 per share fully paid-up. The reissued shares included all the shares of Satyam. Pass necessary journal entries for the above transactions in the books of Shyam Ltd.

OR

Megha Ltd. invited applications for issuing 90,000 equity shares of Rs.100 each at a premium of Rs.60 per share. The amount was payable as follows :
On Application - Rs.70 per share (including premium Rs.10)
On Allotment - Rs.4 per share (including premium Rs.50)
On First call and Final Call - Balance amount
Applications for 1,00,000 shares were received. Shares were allotted on pro-rata basis to all the applicants. Excess money received with the application was adjusted towards

sums due on allotment. Sudha, a shareholder holding 4,500 shares, failed to pay the allotment money. Her shares were forfeited immediately after allotment. Afterwards, the first and final call was made. Rajat, a holder of 3,600 shares, failed to pay the first and final call. His shares were also forfeited. All the forfeited shares were re-issued for < 90 per share fully paid up.

Pass necessary journal entries and prepare Cash Book for the above transactions in the books of Megha Ltd.

Section B

23. Which of the following transactions would not create a cash flow?
    a. Goods purchased in cash
    b. Amortization of a patent
    c. Sale of office equipment at book value
    d. Payment of dividend.
24. The Quick Ratio of the company is 1.5: 1. State with the reason which of the following transactions would (i) increase, (ii) decrease or (iii) not change the ratio:
    i. Paid rent ₹3,000 in advance.
    ii. Trade Receivables included a debtor Shri Ashok who paid his entire amount due to ₹9,700.
25. Study of the relationship between various items is known
    a. Trend Analysis
    b. Comparative statements
    c. Common Size statements
    d. Ratio Analysis
26. Purchase and Sales of Shares by a manufacturing company comes under ________.
    a. Financing Activities
    b. Not recorded
    c. Operating Activities
    d. Investing activities
27. Provision for tax is shown under the sub head ________.
28. Match the following. Option are as below

a. Operating profit ratio	i. Relationship between operating profit and net sale
b. Operating ration	ii. Relationship between gross profit to net sales

c. Gross profit	iii. Relationship between operating cost and net sales

a. a - iii, b - ii, c - i
b. a - iii, b - ii, c - i
c. a - i, b - ii, c - iii
d. a - i, b- iii, c - ii

29. Liquid Ratio is also known as:
    a. Debt Equity Ratio
    b. Current Ratio
    c. Gross Profit Ratio
    d. Acid Test Ratio

30. Calculate Working Capital Turnover Ratio from the following information:

Particulars	**(Rs.)**
Current Assets	1,80,000
Current Liabilities	30,000
Cost of Goods Sold	10,00,000
Gross Profit	20% of the cost

OR

Current liabilities of a company are ₹ 3,00,000. Its Current Ratio is 3 and Liquid Ratio is 1. Calculate the value of Inventories.

31. From the following Statement of Profit and Loss, prepare Common-size Statement of Profit and Loss of Jayant Ltd. for the year ended 31st March 2012:

Statement of Profit And Loss of Jayant Ltd.

for the year ended 31st March 2012

Particulars	**(Rs.)**
Income	
Revenue from Operations	25,28,000
Other Income	38,000

Total Revenue	25,66,000
Expenses	
Cost of Materials Consumed	14,00,000
Other Expenses	5,00,000
Total Expenses	19,00,000
Tax	3,38,000

OR

Following particulars are related to the Statement of Profit & Loss of Assam Tea Ltd. for two consecutive years:

Particulars	**31.3.2019**	**31.3.2018**
	₹	₹
Revenue from Operations	75,00,000	60,00,000
Other Incomes	1,20,000	1,50,000
Expenses	50,60,000	44,00,000
Income Tax	40%	35%

You are required to prepare a Comparative Statement of Profit & Loss.

32. Following is the balance sheet of Wisben Ltd as on 31st March 2012.

Particulars	**Note No.**	**2012 Amt (Rs.)**	**2011 Amt (Rs)**
I. EQUITY AND LIABILITIES			
l. Shareholders' Funds			
(a) Share Capital		7,00,000	6,00,000
(b)Reserves and Surplus (Balance m statement of profit and loss)		2,00,000	1,10,000
2. Non-current Liabilities			
Long-term Borrowings		3,00,000	2,00,000

3. Current Liabilities			
Trade Payables		30,000	25,000
Total		12,30,000	9,35,000
II. ASSETS			
1.Non-current Assets			
Fixed Assets			
Tangible Assets		11,00,000	8,00,000
2.Current Assets			
(a) Inventories		70,000	60,000
(b) Trade Receivable		32,000	40,000
(c) Cash and Cash Equivalents		28,000	35,000
Total		12,30,000	9,35,000

Additional Information

During the year, a piece of machinery of the book value of Rs. 80,000 was sold for Rs.65,000.

Depreciation provided on tangible assets during the year amounted to Rs. 2,00,000.

Prepare a cash flow statement.

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Solution

Section A

1. (d) Insurance Premium

   Explanation: Insurance Premium paid for the business is a charge against the profit. It means this transaction will reduce the profit of the firm. All charge items are shown in profit and loss account only. That's why Insurance Premium paid for the business is shown in profit and loss account and not in profit and loss appropriation account. It is not an appropriation of profit.

2. (c) 8,800

   Explanation: Calculation of Nem's account for goodwill (to be credited his account):

   The total capital of the new firm = Sam's capital $\times$ reciprocal of his share

   = 5 $\times$ Rs.60,000 = Rs. 3,00,000

   Combined capital = Hem's + Nem's + Sam's = Rs.80,000 + Rs. 50,000 + Rs.60,000 = Rs.1,90,000

   Goodwill of the firm = Rs.1,10,000 (Rs. 3,00,000 - Rs.1,90,000)

   Sam's share = 1,10,000 $\times \frac{1}{5}$ = Rs. 22,000

   Nem's account to be credited with = 22,000 $\times \frac{2}{5}$ (sacrificing ratio) = 8,800

3. (d) Called up amount

   Explanation: At the time of forfeiture of shares, share capital account should be debited with the called up amount but not paid up by shareholders and not with the face value or paid-up amount etc.(i.e. a number of shares forfeited x called up amount per share).

4. (d) Balance sheet

   Explanation: It is a primary source of income of a non-profit organisation. It is usually collected every month from all the ordinary members (members of NPO). Subscription is the amount paid by the members to keep their membership alive. But if NPO receives it in advance it creates liability for NPO. Hence, Subscription received in advance is a liability for NPO which is to be shown in the balance sheet.

5. (c) Realisation Account

   Explanation: Realisation account is a nominal account. All assets sold are recorded on the credit side and liabilities paid off are recorded on the debit side. If credit side is more it is profit and if the debit side is more it is loss and profit and loss is transfer to partners capital A/c in their Profit sharing ratio.

6. (c) Pro-rata

   Explanation: When a company gets excess applications than the shares offered for subscription, it is known as oversubscription. In this situation a company may allot shares on a pro-rata basis i.e. an applicant gets less shares than the shares applied by him or the company can reject excess applicants also.

7. (d) Nominal Account

   Explanation: Nature of realization account is of Nominal account. All incomes are credited and all losses are debited. And profit or loss on realisation transfer to partners capital / Current account.

8. (b) C

   Explanation: Adjustment of the amount shall be made as follows:

   i. Total Capital = 20,000 + 30,000 + 50,000 = 1,00,000
   ii. Capitals before adjustments were : 50,000; 30,000 and 20,000 (5:3:2)
   iii. Capitals After adjustment = Rs.20,000, 30000,and 50000 (2:3:5)
   iv. C will bring amount = old capital - New capital = 50000 - 20000 = 30,000

9. 1:1

10. (a) Capital Account of the partners

    Explanation: Following Accounts are temporary accounts which are prepared only for the settlement:

    - Revaluation Account
    - Profit and Loss Suspense Account

    The capital account is the permanent account which is prepared every year and balances are carry forward and brought forward every year.

11. (d) Both Time basis and Turnover basis

    Explanation: Deceased partner's share will be calculated on the basis of:

    - Time method - proportionate profit up to date of death based on his share
    - Turnover method - $\frac{Profit\ (last\ year)}{Sales\ (last\ year)}$ $\times$ sales of the current year till the date of death

12. (c) $\frac{Average\ \text{Profit} \times 100}{Normal\ rate\ of\ return}$

Explanation:

Step 1. Calculate Average profit (total profits of previous years divided by No. of years)
Step 2. Find out the capitalised value of average profit (Average profit × 100/Normal Rate of Return)
Step 3. Find out Goodwill = Capitalised value of average profits - Net Assets

13. (b) Drawings against capital will reduce the capital

Explanation: The main difference between drawings against profit and drawings against capital is:

i. Drawings against capital will reduce the amount of capital but not the profit because it is withdrawn from capital only.
ii. Drawings against profit will reduce the amount of profit but not the capital.

14.

Dr	**Match Fund Account**				**Cr**
Particulars	**J.F.**	**Amt. (Rs.)**	**Particulars**	**J.F.**	**Amt. (Rs.)**
To Match Expenses		30,000	By Balance b/d		17,000
			By Donation for Match Fund		9,000
			By Receipts from Sale of Match Tickets		3,000
			By Income and Expenditure A/c		1,000
		30,000			30,000

Expenses on account of a match exceed of a match exceed the balance in match fund by Rs.1000. This amount will be debited to income and expenditure account.

OR

Profit & Loss Appropriation Account
for the year ended 31st March 2015

Particulars	Rs.	Particulars	Rs.
To Ram's Capital A/c	50,000	By Profit & Loss A/c	80,000
(Interest)	...		...
To Shyam's Capital A/c	30,000	(Net Profits)	...
(Salary)	80,000		80,000

Working Notes:-

Interest on capital =$20,00,000 \times \frac{8}{100}$ = Rs. 1,60,000

Salary = 8000×12 =Rs. 96,000

Total 2,56,000

Ratio of Interest & Salary = 1,600,000 : 96,000 = 5 : 3

Profits share given to Ram $\frac{5}{8} \times 80,000$ = Rs. 50,000

Shyam = $\frac{3}{8} \times 80,000$= Rs. 30,000

15. **Journal**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Profit and Loss A/c Dr.		90,000	
	To Profit and Loss Appropriation A/c			90,000
	(Profit transferred from Profit and Loss A/c to Profit and Loss Appropriation A/c)			
	Partner's Salary A/c Dr.		60,000	
	To Arun's Current A/c			20,000
	To Shobha's Current A/c			20,000
	To Yuvraj's Current A/c			20,000
	(Salary credited to Partner's Current Accounts)			
	Profit and Loss Appropriation A/c Dr.		60,000	
	To Partner's Salary A/c			60,000

	(Partner's Salary transferred to Profit and Loss Appropriation A/c)			
	Interest on Capital A/c Dr.		20,000	
	To Arun's Current A/c			10,000
	To Shobha's Current A/c			5,000
	To Yuvraj's Current A/c			5,000
	(Interest on Capital credited to Partner's Current Accounts)			
	Profit and Loss Appropriation A/c Dr.		20,000	
	To Interest on Capital A/c			20,000
	(Interest on Capital transferred to Profit and Loss Appropriation A/c)			
	Profit and Loss Appropriation A/c Dr.		10,000	
	To Arun's Current A/c			6,000
	To Shobha's Current A/c			2,000
	To Yuvraj's Current A/c			2,000
	(Divisible profit credited to Partner's Current Accounts)			

Interest On Capital:

Arun = 1,00,000 $\times$ 10% = Rs.10,000

Shobha = 50,000 $\times$ 10% = Rs.5,000

Yuvraj = 50,000 $\times$ 10% = Rs.5,000

OR

Profit and Loss Appropriation Account as on March 31, 2017				
Dr.				Cr.
Particulars		Amount Rs	Particulars	Amount Rs
			By Profit and Loss	

To Profit transferred to			(Net profit)	70,000
Ashok's Capital	28,000			
Less: Cheena's share of deficiency {6,000 × (1/2)}	(3,000)	25,000		
Brijesh's Capital	28,000			
Less: Cheena's share of deficiency {6,000 × (1/2)}	(3,000)	25,000		
Cheena's Capital	14,000			
Add: Deficiency received from				
Ashok's Capital (6,000 × 1/2)	3,000			
Brijesh's Capital (6,000 × 1/2)	3,000	20,000		
		70,000		70,000

Working Note: Ashok and Brijesh have born the deficiency in their sharing ratio and that is equal.

16. **Journal**

Date	Particulars	L.F	Debit (Rs.)	Credit(Rs.)
	Plant A/c Dr.		3,50,000	...
	Land and Building A/c Dr.		6,00,000	...
	Stock Account Dr.		4,50,000	...
	Goodwill Account (b/f) Dr.		2,00,000	...
	To Sundry Creditors A/c		...	1,00,000
	To Gupta Bros.		...	15,00,000
	(Being the purchase of Business from Gupta Bros)			
	Gupta Bros. Dr.		15,00,000	...

	To Equity Shares Capital Account		...	15,00,000
	(Being issue of 15,000 shares of Rs. 100 each as payment of the business price)			

Working Note :

Calculation of Goodwill: When Purchase Consideration is more than the total value of Assets and Liabilities taken of the business purchased, then the excess amount paid is considered as paid for the value of Goodwill.

Goodwill = Purchases consideration + Liabilities - assets

= Rs. 15,00,000 + Rs. 1,00,000 - Rs, 14,00,000

= Rs. 2,00,000.

17. **Realisation Account**

Particulars		**Rs.**	**Particulars**		**Rs.**
To Sundry Assets:			By Sundry Liabilities		
Debtors	19,000		Creditors	38,000	
Stock	6,000		Mrs. A's Loan	10,000	48,000
Furniture	4,000		By Bank A/c (Assets Realised)		
Plant	28,000		Stock	5,000	
Investment	10,000	67,000	Debtors	18,500	
To A's Capital A/c (Mrs. A's Loan)			Furniture	4,500	
To Bank A/c:			Plant	25,0000	53,000
Creditors	37,000		By Loss Transferred:		
Expenses	1,600	38,600	A	3,960	
			B	2,640	6,600
		1,15,600			1,15,600

Bank Account

Particulars	Rs.	Particulars	Rs.
To Balance b/d	11,500	By B's Loan A/c	15,000
To Realisation A/c	53,000	By Realisation A/c	38,600
		By A's Capital A/c	6,540
		By B's Capital A/c	4,360
	64,500		**64,500**

Partner's Capital Accounts

Particulars	A (Rs.)	B (Rs.)	Particulars	A (Rs.)	B (Rs.)
To P&L A/c	4,500	3,000	By Balance b/d	10,000	8,000
To Realisation A/c	8,000	-	By Reserve	3,000	2,000
To Realisation Loss	3,960	2,640	By Realisation A/c	10,000	-
To Bank A/c	6,540	4,360			
	23,000	10,000		23,000	10,000

18. **Statement Showing Calculation of Capital at the Beginning**

Particulars	J ₹	K ₹
Capital at the end Add: Drawings during the year	1,50,000 20,000	75,000 5,000
	1,70,000	80,000
Less: Share of profit (credited)	12,000	4,000
	1,58,000	76,000
Less: Additional capital	—	16,000
Capital in the beginning	1,58,000	60,000

Interest on capital will be as 18,960 (12% of ₹ 1,58,000) for J

₹ 8160 for K calculated as follows:

$(₹\ 60{,}000 \times \frac{12}{100}) + (₹\ 16{,}000 \times \frac{12}{100} \times \frac{6}{12})$

= ₹ 7,200 + ₹ 960

= ₹ 8,160

As clarified earlier, the interest on capital is allowed only when the firm has earned profit during the accounting year. Hence, no interest will be allowed during the year the firm has incurred a net loss and if in a year, the profit of the firm is less than the amount due to the partners as interest on capital, the payment of interest will be restricted to the number of profits. In that case, the profit will be effectively distributed in the ratio of interest in the capital of each partner. Interest on capital is calculated on opening capital of partners.

Interest on the capital of K is Rs.8,160 and for J is Rs.18,960

19. **Cricket Club Income and Expenditure account**

for the year ended 31-12-2018

Expenditure		Rs.	Income		Rs.
To Maintenance		6820	By Subscription	40000	
To Conveyance		820	Less: Rec. for last year	6000	
To Upkeep of Lawns		4240	Add: outstanding for current year	8000	42000
To Match Expenses		13240	By Entrance Fees		2750
To Salaries	11000		By Donations		5010
Add: Outstanding	1000	12000	By Interest on Fixed Deposits	900	
To postage Stamps:			Add: Outstanding	900	1800
opening balance	750		By Profit on Sale of Crockery (2000-1200)		800
Add: Purchases	1050				
Less: Closing Stock	(900)	900			

To Cricket Goods:				
~~opening balance~~	~~3210~~			
Add: Purchases	9720			
Less: Closing Stock	(2800)	10130		
To sundry Expenses		2000		
To Excess of Income over Expenditure (balance fig.)		2210		
		52360		**52360**

Balance sheet

as on 31-12-2018

Liabilities		**Rs.**	**Assets**		**Rs.**
Tournament Fund	20000		Cash		2200
Less: Tournament Expenses	18800	1200	Bank		23320
Salary Outstanding		1000	Fixed Deposit		30000
Capital (Balancing Fig.)	72660		Investment		5700
Add: surplus	2210	74870	Crockery		2650
			Accrued Interest on Fixed Deposit		900
			Subscription Due:		
			2017 (6600-6000)	600	
			2018	8000	8600
			Stock of Postage and stationery		900
			Stock of Cricket goods		2800
		77070			**77070**

20. **JOURNAL**

Date	Particulars		L.F.	Dr.	Cr.
(i)	Bank A/c	Dr.		100	
	To Debentures Application A/c				100
	(Being the receipt of debentures application money)				
	Debentures Application A/c	Dr.		100	
	To 10% Debentures A/c				100
	(Being the issue of debentures at par)				
(ii)	Bank A/c	Dr.		95	
	To Debentures Application A/c				95
	(Being the receipt of debentures application money)				
	Debentures Application A/c	Dr.		95	
	Discount on Issue of Debentures A/c	Dr.			5
	To 10% Debentures A/c				100
	(Being the issue of debentures at 5% discount)				
(iii)	Bank A/c	Dr.		105	
	To Debentures Application A/c				105
	(Being the receipt of debentures application money)				
	Debentures Application A/c	Dr.		105	
	To 10% Debentures A/c				100
	To Securities Premium Reserve A/c				5
	(Being the issue of debentures at 5% premium)				
	Bank A/c	Dr.		100	
	To Debentures Application A/c				100
	(Being the receipt of debentures application money)				

(iv)	Debentures Application A/c	Dr.		100	
	Loss on the issue of Debentures A/c	Dr.		5	
	To 10% Debentures A/c				100
	To Premium on Redemption of Debentures A/c				5
	(Being the issue of debentures at par and redeemable at 5% premium)				

21. **Revaluation Account**

Dr.		**Cr.**	
Particular	**Amount (Rs)**	**Particulars**	**Amount (Rs)**
To Stock A/c	2,000	By Land and Building A/c	50,000
To Plant and Machinery A/c	16,000		
To Provision for Doubtful Debts A/c	5,000		
To Profit Transferred to			
Murari's Capital A/c 13,500			
Vohra's Capital A/c 13,500	27,000		
	50,000		50,000

Partner's Capital A/c

Particulars	**Murari Amount (Rs)**	**Vohra Amount (Rs)**	**Yadav Amount (Rs)**	**Particulars**	**Murar Amount (Rs)**	**Vohra Amount (Rs)**	**Yadav Amount (Rs)**
To Balance c/d	1,78,500	2,18,500	2,00,000	By Balance b/d	1,20,000	1,60,000	
				By Cash A/c			2,00,000
				By Premium			

				for			
				Goodwill A/c	45,000	45,000	
				By Revaluation A/c (Profit)	13,500	13,500	
	1,78,500	2,18,500	2,00,000		1,78,500	2,18,500	2,00,000

Balance Sheet

as on 1st April 2010

Liabilities	**Amount (Rs)**	**Assets**	**Amount (Rs)**
Creditors	60,000	Stock (10,000-2,000)	8,000
Bank Overdraft	15,000	Plant and Machinery	64,000
		(80,000 -16,000)	
Capital A/cs		Debtors 40,000	
Murari 1,78,500		(-) Provision for DoubtfulDebts 5,000	35,000
Vohra 2,12,500		Land and Building (2,00,000 + 50,000)	2,50,000
Yadav 2,00,000	5,97,000	Cash	3,15,000
	6,72,000		6,72,000

Working Note:

In order to ascertain the book value of the Sundry assets, Memorandum Balance Sheet is prepared. In order to ascertain the book value of the Sundry assets, Memorandum Balance Sheet is prepared. In order to ascertain the book value of the Sundry assets, Memorandum Balance Sheet is prepared.

Memorandum Balance Sheet

Liabilities	Amount (Rs)	Assets	Amount (Rs)
Creditors	60,000	Stock	10,000
Bank Overdraft	15,000	Debtors	40,000
Capital A/cs		Plant and Machinery	80,000
Murari 1,20,000		Land and Building	2,00,000
Vohra 1,60,000	2,80,000	Cash (Balancing figure)	25,000
	3,55,000		3,55,000

Cash A/c

Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Balance b/d	25,000	By Balance c/d	3,15,000
To Yadav's Capital A/c	2,00,000		
To Premium for Goodwill A/c	90,000		
	3,15,000		3,15,000

OR

Revaluation Account

Particulars	Rs.	Particulars		Rs.
To Stock	3000	By Provision		600
To Creditors	1000	By Loss Transfer:		
To Machinery	10000	X	11500	
To Provident Fund	5000	Y	6900	18400
	19000			**19000**

Partner's Capital Accounts

Particulars	X	Y	Z	Particulars	X	Y	Z
To Revaluation	11500	6900	-	By Balance b/d	70000	31000	-
To Profit and Loss	1500	900	-	By Workmen Compensation Reserve	3625	2175	-
To Balance c/d	72625	25375	20000	By Cash	-	-	20000
				By Premium for goodwill	12000	-	-
	85625	**33175**	**20000**		**85625**	**33175**	**20000**

Balance Sheet

Liabilities		Rs.	Assets	Rs.
Creditors		16000	Building	5000
Employee's Provident Fund		15000	Debtors	20000
Capital A/cs:			Stock	22000
X	72625		Machinery	70000
Y	25375		Cash	32000
Z	20000	118000		
		149000		**149000**

22. **Working Note 1.**

Sundram

No of shares allotted = 7000 shares

No of shares Applied = 7000 shares

Amount Due on Allotment = 7000 shares × Rs8 = Rs.56000

Satyam

No of shares Allotted = 500 shares

Amount due on 1st and Final Call = 500 shares × Rs.7 = Rs. 3500

Working Note 2.

Amount transfer to Capital Reserve = (Amount of share forfeited A/c / No of shares forfeited - Loss on Per share on Re-issue) × No. of Share Re-issue

Sundram = (Rs.35000 / 7000 share - 0) × 500 shares = Rs. 2500

Gupta = (Rs. 4500/ 500 Share - 0) × 500 share = Rs. 4500

Total = Rs.**7000**

Journal

Date	Particulars		L.F.	Debit (Rs.)	Credit (Rs.)
1.	Bank A/c	Dr.		26,95,000	
	To Equity Share Application A/c				26,95,000
	(Being Amount Received on the application of share @4 per share on 320000 shares)				
2.	Equity Share Application A/c	Dr.		26,95,000	
	To Equity Share Capital A/c				3,85,000
	To Security Premium Reserve A/c				23,10,000
	(Being amount transfer to capital a/c and adjustment of pro-rata made.)				
3.	Equity Share Allotment A/c	Dr.		6,16,0000	
	To Equity Share Capital A/c				308,000
	To Security Premium Reserve A/c				3,08,000
	(Being Amount on allotment Due on 1,60,000 shares @ 6 each including 3 rs. as premium)				
4.	Bank A/c	Dr.		5,60,000	
	To Equity Share Allotment A/c				5,60,000

	(Being amount received on Allotment)				
5.	Equity Share Capital A/c	Dr.		63,000	
	Security Premium Reserve A/c	Dr.		28,000	
	To Equity Share Forfeited A/c				35,000
	To Equity Share Allotment A/c				56,000
	(Being shares forfeited on which amount of call not received)				
6.	Equity Share First & Final call A/c	Dr.		4,90,000	
	To Equity Share Capital A/c				4,90,000
	(Being amount Due on 1st & Final Call Recorded)				
7.	Bank A/c	Dr.		4,86,500	
	To Equity Share First & Final call A/c				4,86,500
	(Being Amount received on First and Final calls)				
8.	Equity Share Capital A/c	Dr.		5000	
	Security Premium Reserve A/c	Dr.		3000	
	To Equity Share Forfeited A/c				4500
	To Equity Share First & Final call A/c				3500
	(Being shares forfeited on which amount of call not received)				
9.	Bank A/c	Dr.		50,000	

	To Equity Share Capital A/c				10,000
	To Security Premium Reserve A/c				40,000
	(Being shares Forfeited on which amount of call not received)				
10.	Equity Share Forfeited A/c	Dr.		3200	
	To Capital Reserve A/c				3200
	(Being amount of share forfeited transfer to Capital Reserve transfer A/c)				

OR

Cash Book (Bank Column Only)

Receipts	**LF**	**Rs.**	**Payments**	**LF**	**Rs.**
To Share Application & Allotment A/c		30,00,000	By Balance c/d		1,43,43,000
To Equity Share Allotment A/c		57,00,000			
To Share 1st & Final Call A/c		49,14,000			
To Equity Share Capital A/c		7,29,000			
		1,43,43,000			1,43,43,000

Books of Megha Ltd.
Journal

Date	**Particulars**		**LF**	**Dr. (Rs.)**	**Cr. (Rs.)**
(i)	Equity Share Application A/c	Dr.		30,00,000	
	To Equity Share Capital A/c				18,00,000
	To equity Share Allotment A/c				3,00,000

	To security premium a/c [Being adjustment of application money done]				9,00,000
(ii)	Equity Share Allotment A/c	Dr.		63,00,000	
	To Equity Share Capital A/c				18,00,000
	To security premium reserve a/c [Being allotment money due]				45,00,000
(iii)	Calls in arrears a/c	Dr.		3,00,000	
	To Equity Share allotment a/c [Being calls in arrears recorded]				3,00,000
(iv)	Equity Share Capital a/c	Dr.		1,80,000	
	Securities premium reserve a/c	Dr.		2,25,000	
	To equity share forfeited a/c				1,05,000
	To calls in arrears a/c [Being 4500 equity shares forfeited]				3,00,000
(v)	Share 1st and final call a/c	Dr.		51,30,000	
	To equity share capital a/c [Being 1st and final call money due.]				51,30,000
(vi)	Calls in arrears A/c	Dr.		2,16,000	
	To share 1st and final call [Being 1st and final call money received]				2,16,000
(vii)	Equity Share Capital A/c	Dr.		3,60,000	
	To equity share forfeited a/c				1,44,000
	To calls in arrears a/c [Being shares forfeited]				2,16,000
(viii)	share forfeited A/c	Dr.		81,000	
	To equity Share capital A/c				81,000

	[Being shares reissued at premium]				
(ix)	Share forfeited A/c	Dr.		1,68,000	
	To Capital Reserve A/c [Being share forfeiture transferred to capital reserve A/c]				1,68,000

Section B

23. (b) Amortization of a patent

    Explanation: Amortization of patent will not create cash flow as there is no cash transaction in Amortization. Amortization is the process of writing off losses or expenses.

24.

Transactions	Effect on Quick Ratio	Reason
(i)	Decrease	Quick Assets have decreased by ₹3,000 but Current Liabilities have not changed. Therefore, Quick Ratio will decrease.
(ii)	No change	One Current Asset (Debtors) is replaced by another Current Asset (cash or bank).

25. (d) Ratio Analysis

    Explanation: Study of the relationship between various items is known as Ratio Analysis. It is represented by a percentage.

26. (d) Investing activities

    Explanation: Purchase and Sales of Shares by a manufacturing company comes under Investing activities as an investment in other's company. Purchase or sale of share is the purchase or sale of Investment.

27. Short term provision
28. (d) a - i, b- iii, c - ii

    Explanation: Operating profit ratio indicates how much profit a company makes after paying for variable costs of production. It is expressed as a percentage of sales and shows the efficiency of a company controlling the costs and expenses associated with business operations.

Operating ratio is a company's operating expenses as a percentage of revenue.

Gross profit ratio is used to assess a company's financial health and business model left over from revenues after accounting for the cost of goods sold.

29. (d) Acid Test Ratio

Explanation: Liquid Ratio is also known as Acid Test Ratio which helps in assessing the short term liquidity position of the firm.

30. **Working Capital Turnover Ratio**

$= \frac{\text{Net Sales}}{\text{Working Capital}} = \frac{12,00,000}{2,50,000}$ = 8 times

Net Sales = Cost of Goods Sold + Gross Profit

= 10,00,000 + 20% of 10,00,000 = Rs. 12,00,000

Working Capital = Current Assets - Current Liabilities

= Rs. 1,80,000 - Rs. 30,000 = Rs. 1,50,000

OR

Current Liabilities = ₹3,00,000

Liquid Ratio = $\frac{\text{Liquid Assets}}{\text{Current Liabilities}}; \therefore 1 = \frac{\text{Liquid Assets}}{₹3,00,000}$

Liquid Assets = ₹ 3,00,000

Current Assets = Current Ratio $\times$ Current Liabilities

= 3 $\times$ ₹ 3,00,000 = ₹ 9,00,000

Inventories = Current Assets - Liquid Assets

= ₹ 9,00,000 - ₹ 3,00,000 = ₹ 6,00,000.

31. **In the books of Jayand Ltd.**

COMMON-SIZE STATEMENT OF PROFIT AND LOSS

for the year ended 31st March 2012

	Particulars	**Absolute Amount (Rs.)**	**(%) of Revenue from Operations**
I.	Revenue from Operations	25,28,000	100.00
II.	Other Income	38,000	1.50

III.	**Total Revenue**	**25,66,000**	**101.50**
IV.	Expenses		
	(a) Costs of Materials Consumed	14,00,000	55.37
	(b) Other Expenses	5,00,000	19.78
V.	**Total Expenses**	**19,00,000**	**75.16**
VI.	**Net Profit before tax (III-V)**	**6,66,000**	**26.34**
VII.	Less: Tax paid	3,38,000	13.37
VIII.	**Net Profit after tax (VI-VII)**	**3,28,000**	**12.97**

A common size income statement is an income statement in which each account is expressed as a percentage of the value of sales. It is used for vertical analysis, in which each line item in a financial statement is listed as a percentage of a base figure within the statement, to make comparisons easier.

OR

Assam Tea Ltd.

COMPARATIVE STATEMENT OF PROFIT & LOSS

for the years ended 31st March 2018 and 2019

Particulars		**Note No.**	**2017-18**	**2018-19**	**Absolute Change (Increase or Decrease)**	**Percentage Change (Increase or Decrease)**
	1		2	3	4	5
			A	B	(B - A = C)	C/A × 100 = D
			₹	₹	₹	%
I.	Revenue from Operations		60,00,000	75,00,000	15,00,000	25.00

II	Add: Other Incomes		1,50,000	1,20,000	(30,000)*	(20.00)
III	Total Revenue (I + II)		61,50,000	76,20,000	14,70,000	23.90
IV	Less: Expenses		44,00,000	50,60,000	6,60,000	15.00
V	Profit before Tax (III - IV)		17,50,000	25,60,000	8,10,000	46.29
VI	Less: Tax		6,12,500	10,24,000	4,11,500	67.18
VII	Profit after tax (V -VI)		11,37,500	15,36,000	3,98,500	35.03

32.

Wisben Ltd. **Cash Flow Statement** **(for the year ended 31st March 2012)**		
Particulars		**Amt (Rs)**
I. Cash Flow from Operating Activities		
Net Profit before tax and Extraordinary Items (2,00,000-1,10,000)		90,000
Adjustments for Non-Cash And Non-Operating Items		
(+) Loss on sale of Machinery	15,000	
(+) Depreciation	2,00,000	2,15,000
Operating Profit before Working Capital Changes		3,05,000
(+) Decrease in Current Assets and Increase in Current Liabilities		
Trade Receivables	8,000	
Trade Payable	5,000	

(-) Increase in Current Assets and Decrease in Current Liabilities		
Inventories	(10,000)	3,000
Net Cash Flow from Operating Activities		3,08,000
II. Cash Flow from Investing Activities		
Proceeds from Sale of Machinery	65,000	
Payment for Purchases of Tangible Assets (W.N.)	(5,80,000)	
Net Cash Used in Investing Activities		(5,15,000)
III. Cash Flow from Financing Activities		
Proceeds from Issue of Share Capital	1,00,000	
Proceeds from Long-term Borrowings	1,00,000	
Net Cash Flow from Financing Activities		2,00,000
Net Decrease in Cash and Cash Equivalents [I+II+III]		**(7,000)**
(+) Cash and Cash Equivalents in the Beginning of the year		35,000
Cash and Cash Equivalents art the End of the Year		**28,000**

Working Note

Fixed Asset Account			
Particulars	**Amt (Rs)**	**Particulars**	**Amt (Rs)**
To Balance b/d	8,00,000	By Bank A/c (Sale)	65,000
To Bank A/c (Purchases)	5,80,000	By Depreciation A/c	2,00,000
(Balancing figure)		By Statement of Profit and Loss (80,000-65,000)	15,000
		(Loss on sale)	
		By Balance c/d	11,00,000

	13,80,000		**13,80,000**

Note :

- Above Cash Flow Statement is prepared as per Accounting standard - 3 (Revised) by Indirect Method.
- Non-Operating Expenses and losses are those expenses and losses which are debited to Statement of Profit and loss but are not incurred on operating activities of the enterprise. Example: Interest on long term borrowings, goodwill, patents amortised, loss on the sale of fixed asset and investment etc.