CBSE Class 12 Accountancy
Sample Paper 09 (2019-20)

Maximum Marks: 80
Time Allowed: 3 hours

General Instructions:

i. This question paper contains two parts – A and B.
ii. Part A is compulsory for all.
iii. Part B has two options – Analysis of Financial Statements and Computerised Accounting.
iv. Attempt only one option of Part B.
v. All parts of a question should be attempted at one place.

Section A

1. Is entrance/admission fees a revenue receipt?

2. Calculation of sharing of profit up to date of death will be calculated on the basis of

   a. Yearly basis
   b. Time basis
   c. Turnover basis
   d. Both Time basis and Turnover basis

3. Name the asset that is not transferred to the debit side of realisation account, but brings certain amount of cash against its disposal at the time of dissolution of the firm.

4. Goodwill Given in the old Balance Sheet will be:

   a. Credited to old Partners Capital accounts
   b. Written off to the old partners
   c. Written off by the Sacrificing partners
   d. Distributed by Gainer partners

5. A, B and C decided that interest on capitals will be provided to each partner @ 5% per annum, but after one year C wants that no interest on capital is to be provided to any partner. State how 'C' can do this?

6. What do you understand by New Profit-Sharing Ratio?

7. A & B are partners sharing in the ratio 3:2. They admit C as a new partner. C purchase 1/10 share from A. Calculate new profit sharing ratio.

8. If, at the time of change in profit sharing ratio among existing partners, Revaluation Account shows a loss, where will you debit the same?

9. Dinkar, Navita and Vani were partners sharing profits and losses in the ratio of 3 : 2 : 1. Navita died on 30th June, 2017. Her share of profit for the intervening period was based on the sales during that period, which were Rs.6,00,000. The rate of profit during the past four years had been 10% on sales. The firm closes its books on 31st March every year.

10. Fill in the blanks:

    The newly admitted partner brings his/ her share of capital for which he will get ________ in firm.

11. State the provisions of Section 48 of the Partnership Act 1932 regarding settlement of Accounts during the Dissolution of Partnership firm.

12. Debenture Allotment Account is:

    a. Personal Account

    b. Nominal Account

    c. Real Account

    d. None of these

13. Fill in the blanks:

    Part of issued capital applied by public for subscription is known as ________ capital.

14. List any four items of 'Reserves' that are shown under the heading 'Reserves and Surplus' in the Balance Sheet of a company as per Schedule III of the Companies Act, 2013.

OR

From the following information related to Amar Nath Charitable Society prepare Income and Expenditure Account for the year ended March 31, 2015.

Receipt & Payment A/C

Receipts	**Amount**	**Payments**	**Amount**
To Balance b/d	4,400	By Investments	30,000
To Sale of old New paper	600	By Salaries	29,000
To Subscriptions	56,000	By Miscellaneous Exp.	400
To Donations	34,000	By Telephone Charges	25,800
To Rent received	24,000	By Furniture	6,000
To Interest on Investment	4,600	By Printing & Stationery	800
		By Fax Machines	12,000
		By Balance c/d	19,600
	1,23,600		123600

Additional Information:

1. Subscription received includes Rs. 1,200 for 2015-16. The amount of subscription outstanding on March 31, 2015 Rs. 1,000;
2. Salaries unpaid for the year 2014-15 Rs. 1,400;
3. 60% of the Donations are to be capitalized.
4. Rent receivable as on 31-03- 2015 is Rs. 400

15. On 31st March, 2014, the balance sheet of Pooja, Qureshi and Ross, who were partners in a firm was as under

Balance Sheet

as on 31st March, 2014

Liabilities		Amt(Rs)	Assets	Amt(Rs)
Sundry Creditors		2,50,000	Building	2,60,000
Reserve Fund		2,00,000	Investment	1,10,000
Capital A/cs			Qureshi's Loan	1,00,000
Pooja	1,50,000		Debtors	1,50,000
Qureshi	1,00,000		Stock	1,20,000
Ross	1,00,000	3,50,000	Cash	60,000
		8,00,000		8,00,000

Qureshi died on 1st July, 2014. The profit sharing ratio of the partners was 2 : 1 : 1 . On the death of the partner, the partnership deed provided for the following

i. His share in the profits of the firm till the date of his death will be calculated on the basis of average profit of last three completed years.
ii. Goodwill of the firm will be calculated on the basis of total profit of last two years.
iii. Interest on loan given by the firm to a partner will be charged at the rate of 6% per annum or Rs 4,000 whichever is more.
iv. Profits for the last three years were Rs 45,000, Rs 48,000 and Rs 33,000.

Prepare Qureshi's capital account to be rendered to his executors.

16. Jain, Gupta and Singh were partners in a firm. Their fixed capitals were : Jain Rs 4,00,000, Gupta Rs 6,00,000 and Singh Rs 10,00,000. They were sharing profits in the ratio of their capitals. The firm was engaged in the processing and distribution of flavoured milk. The partnership deed provided for interest on capital at 10% per annum. During the year ended 31st March, 2019 the firm earned a profit of Rs 1,47,000.
Showing your working notes clearly, prepare profit and loss appropriation account of the firm.

OR

Rakesh and Roshan are partners, sharing profits in the ratio of 3:2 with capitals of Rs 40,000 and Rs 30,000, respectively. They withdrew from the firm the following amounts, for their personal use:

Rakesh	**Month**	**Rs**
	May 31, 2016	600
	June 30, 2016	500
	August 31, 2016	1,000
	November 1, 2016	400
	December 31, 2016	1,500
	January 31, 2017	300
	March 01, 2017	700
Rohan	At the beginning of each month	400

Interest is to be charged @ 6% p.a. Calculate interest on drawings, assuming that book of accounts are closed on March 31, 2017, every year.

17. On 1st April, 2012, Vishwas Ltd was formed with an authorised capital of Rs. 10,00,000 divided into 1,00,000 equity shares of Rs. 10 each. The company issued prospectus inviting applications for 90,000 equity shares. The company received applications for 85,000 equity shares. During the first year, Rs. 8 per share were called. Ram holding 1,000 shares and Shyam holding 2,000 shares did not pay the first call of Rs. 2 per share. Shyam's shares were forfeited after the first call and later on 1,500 of the forfeited shares were reissued at Rs. 6 per share, Rs. 8 called up.

    Show the following

    i. Share capital in the balance sheet of the company as per Revised Schedule III Part I of the Companies Act, 2013.
    ii. Also prepare 'notes to accounts' for the same.

18. A, B and C were equal partners. On 31st March 2019 their balance sheet stood as:

Liabilities	Rs.	Assets	Rs.
Creditors	50,400	Cash	3,700
Reserve	12,000	Stock	20,100
Capital A /c:		Debtors	62,600
A	40,000	Loan to A	10,000
B	25,000	Investments	16,000
C	15,000	Furniture	6,500
		Building	23,500
Total	1,42,400	Total	1,42,400

The firm was dissolved on the above date on the following terms:

i. For the purpose of dissolution Investments were valued at Rs. 18,000 and A took over the investments at this value,
ii. Fixed Assets realised Rs. 29,700 whereas Stock and Debtors realised Rs. 80,000.
iii. Expenses of Realisation amounted to Rs. 1,300.
iv. Creditors allowed a discount of Rs. 800.
v. One bill receivable for Rs. 1,500 under discount wPartners' Capital Account Profitas dishonoured as the acceptor had become insolvent and was unable to pay anything and hence the bill had to be met by the firm.

Prepare the Realisation Account, Cash Account and Partners' Capital Accounts showing how the accounts would finally be settled among the partners.

19. Amit and Sumit commenced business as partners on 01.04.2014. Amit contributed Rs. 40,000 and Sumit Rs. 25, 000 as their share of capital. The partners decided to share their profits in the ratio of 2:1. Amit was entitled to salary of Rs. 6,000 p.a. Interest on capital was to be provided @ 6% p.a. The drawings of Rs. 4, 000 was made by Amit and Rs. 8,000 was made by Sumit. The profits after providing salary and interest on capital for the year ended 31st March, 2015 were Rs. 12,000.

Draw up the capital accounts of the partners

1. When capitals are fluctuating
2. When capitals are Fixed

20. Rahul Ltd. redeemed Rs. 25,00,000; 12% Debentures at a premium of 5% out of profit on 30th Sept., 2015. Pass the necessary journal entries for the redemption of Debentures.

OR

Bharat Ltd had an authorised capital of Rs.20,00,000 divided into 2,00,000 equity shares of Rs.10 each. The company issued 1,00,000 shares and the dividend paid per share was Rs.2 of the year ended 31st March, 2008. The management of the company decided to export its products to the neighbouring countries Nepal, Bhutan, Sri Lanka, and Bangladesh. To meet the requirement of additional funds, the financial manager of the company put up the following three alternatives before its Board of Directors

i. Issue 54,000 equity shares.
ii. Obtain a loan from Import and Export Bank of India. The loan was available at 12% per annum interest.
iii. To issue 9% debentures at a discount of 10%.

After comparing the available alternatives the company decided on 1st April, 2008 to issue 6,000 9% debentures of Rs.100 each at a discount of 10%. These debentures were redeemable in four instalments starting from the end of third year.
The amount of debentures to be redeemed at the end of third, fourth, fifth and sixth year was as follows

Year	Amount (Rs)
III	1,00,000
IV	1,00,000
V	2,00,000

VI	2,00,000

Prepare 9% debentures account for the years 2008-09 to 2014-15.

21. Atal and Madan were partners in a firm sharing profits in the ratio of 5 : 3. On 31st March, 2011 they admitted Mehra as a new partner for 1/5th share in the profit. The new profit sharing ratio was 5 :3 :2 . On Mehra's admission, the balance sheet of the firm was as follows

Balance Sheet

as at 31st March, 2011

Liabilities		Amt(Rs)	Assets	Amt(Rs)
Provision for Bad Debt		1,200	Land and Building	1,50,000
Creditors		20,000	Machinery	40,000
Workmen Compensation Fund		32,000	Patents	5,000
Capital A/cs			Stock	27,000
Atal	1,50,000		Debtors	47,000
Madan	90,000	2,40,000	Cash	4,200
			Profit and Loss A/c	20,000
		2,93,200		2,93,200

On Mehra's admission, it was agreed that

1. Mehra will bring Rs 40,000 as his capital and Rs 16,000 for his share of goodwill premium, half of which was withdrawn by Atal and Madan.
2. A provision of 2.5% for bad and doubtful debt was to be created.
3. Included in the sundry creditors was an item of Rs 2,500 which was not to be paid.
4. A provision was to be made for an outstanding bill for electricity Rs 3,000.
5. A claim of Rs 325 for damages against the firm was likely to be admitted. Provision for the same was to be made.
   After the above adjustment, the capitals of Atal and Madan were to be adjusted on the basis of Mehra's capital. Actual cash was to be brought in or to be paid off to

Atal and Madan, as the case may be. Prepare revaluation account, capital accounts of the partners and the balance sheet of the new firm.

OR

Mohan and Mahesh were partners in a firm sharing profits in the ratio of 3: 2. On 1st April, 2012, they admitted Nusrat as a partner in the firm. The balance sheet of Mohan and Mahesh on that date was as under

Balance Sheet

as at 1st April, 2012

Liabilities		Amt(Rs)	Assets	Amt(Rs)
Creditors		2,10,000	Cash in Hand	1,40,000
Workmen's Compensation Fund		2,50,000	Debtors	1,60,000
General Reserve		1,60,000	Stock	1,20,000
Capital A/cs			Machinery	1,00,000
Mohan	1,00,000		Building	2,80,000
Mahesh	80,000	1,80,000		
		8,00,000		8, 001000

It was agreed that

i. The value of building and stock be appreciated to Rs 3,80,000 and Rs 1,60,000 respectively.
ii. The liabilities of workmen's compensation fund was determined at Rs 2,30,000.
iii. Nusrat brought in her share of goodwill Rs 1,00,000 in cash.
iv. Nusrat was to bring further cash as would make her capital equal to 20% of the combined capital of Mohan and Mahesh after above revaluation and adjustments are carried out.
v. The future profit sharing ratio will be Mohan 2/5th, Mahesh 2/5th, Nusrat 1/5th. Prepare revaluation account, partners' capital accounts and balance sheet of the new firm. Also, show clearly the calculation of capital brought by Nusrat.

22. AXN Ltd invited applications for issuing 1,00,000 equity shares of Rs. 10 each at a premium of Rs. 6 per share. The amount was payable as follows

On application — Rs. 4 per share (including Rs. 2 premium).
On allotment — Rs. 5 per share (including Rs. 2 premium).
On first call — Rs. 4 per share (including Rs. 2 premium).
On second and final call — Balance amount

The issue was fully subscribed.

Kumar, the holder of 400 shares did not pay the allotment money and Ravi, the holder of 1,000 shares paid his entire share money along with allotment money. Kumar's shares were forfeited immediately after allotment. Afterwards first call was made. Gupta, a holder of 300 shares failed to pay the first call money and Gopal, a holder of 600 shares paid the second call money also along with first call. Gupta's shares were forfeited immediately after the first call. Second and final call was made afterwards. The whole amount due on second call was received. All the forfeited shares were re-issued at t 9 per share fully paid up.

Pass necessary journal entries for the above transactions in the books of the company.

OR

'BMY Ltd' invited applications for issuing 1,00,000 equity shares of Rs. 10 each at a premium of Rs. 10 per share. The amount was payable as follows
On application — Rs. 10 per share (including Rs. 5 premium)
On allotment — The balance
The issue was fully subscribed. A shareholder holding 300 shares paid the full share money with application. Another shareholder holding 200 shares failed to pay the allotment money. His shares were forfeited. Later on these shares were reissued for Rs. 4,000 as fully paid-up. Pass necessary journal entries for the above transactions m the books of BMY Ltd.

Section B

23. INVENTORY TURNOVER RATIO is also called as

a. Debtor turnover ratio
b. Working capital turnover ratio
c. Creditor's turnover ratio
d. Stock turnover ratio

24. What does a low Working Capital Turnover Ratio indicate?

25. A company has a current ratio of 4:1 and Quick ratio is 2.5;1. Assuming that the inventories are Rs 22500, find out total current assets and current liabilities.

26. State the first heading under Equity and Liabilities part of the Balance Sheet of a company as per the Schedule III.

27. 'Payment of dividend' will come under which type of activity while preparing a cash flow statement?

28. State true or false:

    Employee Provident Fund Payable at retirement > Long term Provisions (Subhead) > Non Current Liabilities (Major head).

29. Match the following:

(a) Dividend paid	(i) Investing activity
(b) Loss on sale of marketable security	(ii) cash and cash equivalents
(c) sale of patent	(iii) Financing activity
(d) sale of marketable security	(iv) operating activity

30. How would you show the following two items in a company's Balance Sheet as at 31st March, 2012 as per the requirement of Schedule VI: General Reserve (Since 31st March, 2011) Rs. 3,00,000, Statement of Profit and Loss (Debit Balance) for 2011-12 Rs. 2,00,000.

OR

State the objectives of 'analysis of financial statements'.

31. Prepare a Balance Sheet of Ratna Ltd. as at 31st March 2015, as per provision of Part I, Schedule III, under Section 129 of Companies Act, 2013 from the following information:

Particulars	**(Rs.)**	**Particulars**	**(Rs.)**
Sundry Creditors	1,08,000	Building	50,000
Provision for Taxation	62,000	Loose Tools	30,000
Provision for Provident Fund	50,000	Plant & Machinery	50,000
Reserve Fund	1,15,000	Goodwill	30,000
Cash in Hand	10,000	Preference Share Capital	80,000
Sundry Debtors	2,45,000	Equity Share Capital	1,00,000
Stock - in - trade	2,00,000	Debentures	1,20,000
Furniture	10,000		

OR

Prepare Comparative Statement of Profit and Loss from the following :

Particulars	**31st March 2013(Rs.)**	**31st March 2012(Rs.)**
Revenue from Operations	12,50,000	10,00,000
Cost of Materials Consumed	6,50,000	5,00,000
Other Expenses	60,000	50,000

Interest on Investments @ RS. 30,000 and Taxes Payable @ 50%.

32. From the following balance sheet of JY Ltd as at 31st March, 2017, prepare a cash flow.

Particulars		**Note No.**	**31st March, 2017 (Rs.)**	**31st March, 2016 (Rs.)**

I EQUITY AND LIABILITIES				
(1) **Shareholder's Funds**				
(a) Share Capital			5,00,000	5,00,000
(b) Reserves and Surplus		1	1,00,000	(25,000)
(2) **Non-current Liabilitites**				
Long-term Borrowings		2	2,50,000	1,50,000
(3) **Current Liabilities**				
(a) Short-term Borrowings		3	1,50,000	1,00,000
(b) Short-term Borrowings		4		1,25,000
	Total			
II ASSETS				
(1) **Non-current Assets**				
(a) Fixed Assets i. Tangible		5	6,00,000	4,50,000
(2) **Current Assets**				
Table Receivables			2,75,000	2,25,000
Cash and Cash Equivalents			1,25,000	75,000
Short-term Loans and Advances			2,00,000	1,00,000
	Total			

Note to Accounts

Note No.	Particulars	31st March,	31st March

		2017 (Rs.)	2016 (Rs.)
1.	**Reserves and Surplus**		
	(Surplus, i.e., Balance in the statement of Profit and Loss)	1,00,000	(25,000)
		1,00,000	(25,000)
2.	**Long-term Borrowings**		
	10% Debentures	2,50,000	1,50,000
		2,50,000	1,50,000
3.	**Short-term Borrowings**		
	Bank Overdraft	1,50,000	1,00,000
		1,50,000	1,00,000
4.	**Short-term Provisions**		
	(i) Proposed Dividend	75,000	50,000
	(ii) Provision for Tax	1,25,000	75,000
		2,00,000	1,25,000
5.	**Tangible Assets**		
	Machinery	7,37,500	5,25,000
	Accumulated Description	(1,37,500)	(75,000)
		6,00,000	4,50,000

Additional Information

Rs.1,00,000, 10% debentures were issued on 31st March, 2017.

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Solution
Section A

1. Yes, entrance/admission fee is a revenue receipt for N. P. O..

2. (d) Both Time basis and Turnover basis
   Explanation:
   Deceased partner's share will be calculated on the basis of:
   •Time
   •Turnover
   Note : Read the question carefully while calculating the share of profit of deceased partner.

3. The asset which is not recorded in the balance sheet is called as the unrecorded asset. This asset does not transfer to the debit side of Realisation account. However, if it is sold in the market the sale proceeds is recorded.

4. (b) Written off to the old partners
   Explanation:
   Goodwill existing in the old balance sheet of a partnership firm before admitting a new partner will be written off to the capital accounts of the old partners in their old profit sharing ratio.

5. In the absence of partnership deed, provisions of the Indian Partnership act ,1932 applies and it states that no interest on capital is allowed in the absence of partnership deed and C can only do that if partnership deed agrees.

6. New Profit-Sharing Ratio is the ratio in which all the partners, including new or incoming partner, will share future profits and losses of the firm.

7. A's old share = 3/5
   Purchased by C=1/10
   Therefore A's New share = 3/5-1/10=

6/10-1/10=5/10

B's share=2/5

B's New Share = 4/10

C's share= 1/10

New Profit sharing ratio=5/10:4/10:1/10

=5:4:1

8. Profit and loss arriving on account of such revaluation up to the date of reconstitution may be adjusted in the partner’s capital accounts in their sacrificing ratio

9. Profits of the film till Navita's death = 10% of Rs. 6,00,000 = Rs. 60,000

   Navita's Share in profits of the film = $\frac{2}{6} \times 60,000$ = **Rs. 20,000**

10. Profit share

11. According to section 48 of the partnership act 1932

    a. Losses including the deficiencies of Capitals are to be paid-
       1. First out of profits
       2. Next out of Capitals of the partners
       3. Lastly if required, by the partners individually in their profit sharing ratio.
    b. The Assets of the firm and the amount contributed by the partners to make up the deficiency of capital shall be applied for –
       1. First to pay the debts of the firm to the third parties.
       2. Partners Loan
       3. Partners capital

12. (a) Personal Account

    Explanation: Debenture Allotment Account is a personal account. It is Representative Personal Account.

13. Subscribed

14. The four items shown in the Balance Sheet of a company under the head of 'Reserves and Surplus' as per the Companies Act,2013 are :

    i. Capital Reserve ;
    ii. Securities Premium Reserve ;

iii. Capital Redemption Reserve ;
iv. Debenture Redemption Reserve.

OR

Amar Nath Charitable Society

Income & Expenditure A/c
(For the period ended on March 31, 2015)

Expenditure		Amount	Income		Amount
To Printing & Stationery		800	By Subscription	56,000	
To Salaries	29,000		Add: Outstanding (End)	1,000	
Add: Outstanding	1,400	30,400	Less: Prepaid (End)	1200	55800
To Telephone Charges	...	25,800	By Rent Received	24000	
To Misc. Expenses	...	400	Add: Outstanding (End)	400	24400
To Surplus	...	41,600	By Donations (40%)		13600
.	...		By Interest on Investments	...	4600
.	...	...	By Sale of old Newspaper	...	600
Total		99,000	Total		99,000

Note:

40% of the donation is Revenue.Amount of Donation= 34000*40% = 13600.

In Income and Expenditure Account only expenses and incomes of revenue nature are accounted.

15. **Qureshi's Capital Account**

Dr			Cr
Particulars	**Amount (Rs.)**	**Particulars**	**Amount (Rs.)**
To Qureshi's Loan A/c	1,00,000	By Balance b/d	1,00,000
To Interest on Loan A/c	4,000	By Reserve Fund (2,00,000 $\times$1/4)	50,000
To Qureshi's Executor A/c	68,875	By Profit and Loss Suspense A/c	2,625
		By Pooja's Capital A/c	13,500
		By Ross's Capital A/c	6,750
	1,72,875		1,72,875

Working Note

1. **Calculation of Qureshi's Share in Profit upto Death**
   Average profit = $\frac{45,000+48,000+33,000}{3}$ = Rs 42,000; Qureshi s share $\times \frac{1}{4} \times \frac{3}{12}$ = 42,000 = Rs 2,625
2. **Calculation of Share of Goodwill**
   Goodwill = 48,000 + 33,000 = Rs 81,000; Qureshi's share =81,000 $\times \frac{1}{4}$ = Rs 20,250
   Pooja will pay = 20,250 $\times \frac{2}{3}$ = Rs 13,500, Ross will pay = 20,250 $\times \frac{1}{3}$ = Rs 6,750
3. Qureshi share of Goodwill will be debited to Pooja and Ross in their gaining ratio which is 2:1. In the absence of any information regarding New ratio, Old ratio will be new ratio among the remaining partners and Gaining ratio also same if Old ratio and New Ratio is equal.

16. **Profit and Loss Appropriation Account**

PARTICULARS		**Rs.**	**PARTICULARS**		**Rs.**
To Interest on capital			By net Profit		147000
Jain	40000		By loss transferred:		
Gupta	60000		Jain	10600	

Singh	100000	200000	Gupta	15900	
			Singh	26500	53000
		200000			200000

OR

The partnership deed normally carries the name of the business, the address of its principal place of business and a short summary of the business the partners intend to operate. A business in this context might include the purchase of residential or commercial real estate with the intention of renting it out and making income from it. The deed gives important financial details of the partnership, such as the amount of capital to be invested by each partner, the ownership shares that each partner is entitled to through this investment, the salaries to be paid to each partner and the method of distributing the business income.

Interest on drawings should be calculated from the date of the withdrawal of the amount.

In case the date of the withdrawal is not given, interest should be charged for six months on the total amount, because it is assumed that the drawings were made evenly throughout the year.

Rakesh’s Interest on Drawings

	Drawings × Period	Product
31 May 2016 to 31 March 2017	600 × 10 month =	6,000
30 June 2016 to 31 March 2017	500 × 9 month=	4,500
31 August 2016 to 31 March 2017	1,000 × 7month =	7,000
1 November 2016 to 31 March 2017	400 × 5 month=	2,000
31 December 2016 to 31 March 2017	1,500 × 3month =	4,500
31 January 2017 to 31 March 2017	300 × 2month =	6,00
01 March 2017 to 31 March 2017	700 × 1 month =	700

	Sum of Product	25,300

Interest = Sum of Product × $\frac{\text{Rate}}{100} \times \frac{1}{12}$

= $25,300 \times \frac{6}{100} \times \frac{1}{12}$

= Rs 126.5

Interest on Rohan's Capital

= Total Drawing × $\frac{\text{Rate}}{100} \times \frac{13}{2 \times 12}$

$= 4,800 \times \frac{6}{100} \times \frac{13}{2 \times 12}$

= Rs 156

17. **Balance Sheet (Extract)**

as at ....

Particulars	**Note No.**	**Current Year Amt (₹)**	**Previous Year Amt(₹)**
I. EQUITY AND LIABILITIES :			
Shareholders' Funds :			
(a) Share Capital	1	6,77,000	
(b) Reserves and Surplus	2	6,000	
Total		6,83,000	
2. ASSETS :			
Current Assets :			
Cash and Cash Equivalents	3	6,83,000	
Total		6,83,000	

Notes to Accounts

Particulars	**Rs.**	**Rs.**
1. Share Capital :		
Authorised Share Capital :		
1,00,000 Equity Shares of Rs. 10 each		10,00,000
Issued Share Capital :		
90,000 Equity Shares of Rs. 10 each		9,00,000
Subscribed Capital :		
Subscribed but not Fully Paid up :		
84,500 Equity Shares of ₹ 10 each, ₹ 8 called up	6,76,000	
(-) Calls-in-arrears (1,000 $\times$ 2)	(2,000)	6,74,000
Add : Share Forfeiture Account (500 $\times$ 6)		3,000
2. Reserves and Surplus		
Capital Reserve		6,000
3. Cash and Cash Equivalents :		
cash at bank		6,83,000

Working Note :

Capital Reserve : When forfeited shares are reissued at discount, then discount is adjusted from the shares forfeiture account. So Capital Reserve will be :

a. Amount forfeited on re-issued shares $= 12,000 \times \frac{1,500}{2,000} = 9,000$
b. Amount utilised at the time of reissue$= Rs. 3,000 (1,500 \times 2)$
   Capital reserve $(a - b) = 9,000 - 3,000 = Rs. 6,000$
   NOTE : Calls-in-arrears will be shown for only of Ram's holding because Shyam's shares have already been forfeited.

18. **Realisation Account**

Particulars	**Rs.**	**Particulars**	**Rs.**

To Sundry Assets			By Creditors		50,400
Buildings	23,500		By A (investments)		18,000
Furniture	6,500		By Cash A/c (Assets Realised)		
Stock	20,100		Fixed Assets	29,700	
Debtors	62,600		Stock and Debtors	80,000	1,09,700
Investments	16,000	1,28,700	By Capital A/cs Losses		
To Cash A/c-			A	1,000	
Creditors = (50,400 - 800) = 49,600			B	1,000	
Bills dishonoured	1,500		C	1,000	3,000
Expenses	1,300	52,400			
		1,81,100			1,81,100

Cash Account

Particulars	Rs.	Particulars		Rs.
To Balance b/d	3,700	By Realisation A/c		52,400
To Realisation A/c	1,09,700	By Capital A/c A	25,000	
To A's Loan A/c	10,000	B	28,000	
		C	18,000	71,000
	1,23,400			1,23,400

Partner's Capital Accounts

Particulars	A (Rs.)	B (Rs.)	C (Rs.)	Particulars	A (Rs.)	B (Rs.)	C (Rs.)
To Real. A/c	18,000	-	-	By Balance b/d	40,000	25,000	15,000

To Real. Loss	1,000	1,000	1,000	By Reserves	4,000	4,000	4,000
To Cash A/c	25,000	28,000	18,000				
	44,000	29,000	19,000		44,000	29,000	19,000

19. When capitals are fluctuating

Capital Accounts of Amit and Sumit

Particulars	Amit (Rs.)	Sumit (Rs.)	Particulars	Amit (Rs.)	Sumit (Rs.)
To Drawing A/c	4,000	8,000	By Balance A/c (Capital)	40,000	25,000
To Balance c/d	52,400	22,500	By Salary A/c	6,000	
	…	…	By Interest on capital A/c	2,400	1,500
	…	…	By Profit and Loss	8,000	4,000
	56,400	30,500		56,400	30,500

When capital are Fixed Capital accounts

Capital Account

Particulars	Amit (Rs.)	Sumit (Rs.)	Particulars	Amit (Rs.)	Sumit (Rs.)
To Balance c/d	40,000	25,000	By Balance A/c (Capital)	40,000	25,000
	40,000	25,000	.	40,000	25,000

Current Account

Particulars	Amit (Rs.)	Sumit (Rs.)	Particulars	Amit (Rs.)	Sumit (Rs.)

To Drawing A/c	4,000	8,000	By Salary A/c	6,000	
To Balance c/d	12,400	...	By Interest on capital A/c	2,400	1,500
	...	...	By Profit and Loss Appropriation a/c	8,000	4,000
			By Balance c/d		2,500
	16,400	8,000		16,400	8,000

Working Notes: Profits after salary and interest Rs. 12,000 Amit share = $\frac{2}{3} \times 12,000$ = 8,000 Sumit share = $\frac{1}{3} \times 12,000$= 4,000

20. **Journal in the Books of Rahul Ltd.**

Date	**Particulars**		**L.F**	**Debit (Rs.)**	**Credit(Rs.)**
2015	Debentures Redemption Investment A/c	Dr.		3,75,000	...
	To Bank A/c			...	3,75,000
	(Being investment made equal to 15% of the debentures be redeemed in the current financial year)			...	...
30 Sep.	Balance in statement of Profit & Loss A/c	Dr.		25,00,000	...
	To Debentures Redemption Reserve A/c			...	25,00,000
	(Being amount equal to 100% of Debenture amount transferred to Debenture Redemption Reserve A/c)			...	...
30. Sep.	Bank A/c	Dr.		3,75,000	...
	To Debentures Red. Investment A/c			...	3,75,000

	(Being Deb. Red. Investment encashed)			...	...
30 Sep.	12% Debentures A/c	Dr.		25,00,000	...
	Premium on Red. Of Debentures A/c	Dr.		1,25,000	...
	To Debentures holders A/c			...	26,25,000
	(Being the amount due to Debentures holders)			...	...
30 Sep.	Debenture holders A/c	Dr.		26,25,000	...
	To Bank A/c			...	26,25,000
	(Being Payment made to Debentures holders)			...	...
30 Sep.	Debentures Redemption Reserve A/c	Dr.		25,00,000	...
	To General Reserve A/c			...	25,00,000
	(Being D.R.R. transferred to General Reserve)			...	...

OR

9% Debentures A/c

Date	**Particulars**	**J/F**	**Amount (Rs)**	**Date**	**Particulars**	**J/F**	**Amount (Rs)**
2009 31 Mar	To Balance c/d		6,00,000	2008 1 Apr	By Bank By Discount on issue of debentures		5,40,000 60,000
			6,00,000				**6,00,000**

			========				======
2010 31 Mar	To Balance c/d		6,00,000	2009 1 Apr	By Balance b/d		6,00,000
			6,00,000 =======				**6,00,000** =======
2011 31 Mar	To Bank To Balance c/d		1,00,000 5,00,000	2010 1 Apr	By Balance b/d		6,00,000
			6,00,000 =======				**6,00,000** =======
2013 31 Mar	To Bank To Balance c/d		1,00,000 4,00,000	2012 1 Apr	By Balance b/d		5,00,000
			5,00,000 =======				**5,00,000** ======
2014 31 Mar	To Bank To Balance c/d		2,00,000 2,00,000	2013 1 Apr	By Balance b/d		4,00,000
			4,00,000 =======				**4,00,000** ======
2015 31 Mar	To Bank		2,00,000	2014 1 Apr	By Balance b/d		2,00,000
			2,00,000 ======				**2,00,000** =======

21.

Dr		**Revaluation Account**		**Cr**

Particulars	Amt(Rs)	Particulars		Amt(Rs)
To Provision for Outstanding Electricity Bill A/c	3,000	By Creditors A/c		2,500
To Provision for Claim for Damages A/c	325	By Provision for Bad and Doubtful Debts A/c		25
		By Loss Transferred to		
		Atal's Capital A/c(800×5/8)	500	
		Madan's Capital A/c(800×3/8)	300	800
	3,325			3,325

Dr	Partners' Capital Account						Cr
Particulars	**Atal (Rs)**	**Madan (Rs)**	**Mehra (Rs)**	**Particulars**	**Atal (Rs)**	**Madan (Rs)**	**Mehra (Rs)**
To Cash A/c	5,000	3,000	—	By Balance b/d	1,50,000	90,000	—
(Goodwill is withdrawn)				By Cash A/c	—	—	40,000
To Profit and Loss A/c	12,500	7,500	—	By Premium for Goodwill A/c	10,000	6,000	
To Revaluation A/c (Loss)	500	300	—				—
				By Workmen Compensation Fund A/c	20,000	12,000	
To Cash A/c (Balancing figure)	62,000	37,200	—				—
To Balance c/d	1,00,000	60,000	40,000				
	1,80,000	1,80,000	40,000		1,80,000	1,80,000	40,000

Balance Sheet

as at 31st March, 2011

Liabilities		Amt (Rs)	Asset		Amt (Rs)
Outstanding Electricity Bill		3,000	Debtors	47,000	
Creditors (20,000-2,500)		17,500	(-) Provision for Doubtful Debts	(1,175)	45,825
Bank Overdraft		47,000	Land and Building		1,50,000
Provision for Claim for Damages		325	Machinery		40,000
Capital A/cs			Patents		5,000
Atal	1,00,000		Stock		27,000
Madan	60,000				
Mehra	40,000	2,00,000			
		2,67,825			2,67,825

Working Note

Calculation of Sacrificing Ratio

Sacrificing Ratio = Old Share - New Share

Atal's sacrifice = $\frac{5}{8}-\frac{5}{10}=\frac{25-20}{40}=\frac{5}{40}$

Madan s sacrifice = $\frac{3}{8}-\frac{3}{10}=\frac{15-12}{40}=\frac{3}{40}$

Sacrificing ratio =5:3

Dr	Cash Account		Cr
Particulars	Amt(Rs)	Particulars	Amt(Rs)
To Balance b/d	4,200	By Atal's Capital A/c	5,000
To Mehra's Capital A/c	40,000	By Madan's Capital A/c	3,000
To Premium for Goodwill A/c	16,000	By Atal's Capital A/c	62,000

To Bank Overdraft A/c	47/000	By Madan's Capital A/c	37,200
(Balancing figure)			
	1,07,200		1,07,200

Calculation of Adjustment of Capital

Mehra’s share = 2 /1 0 ; Mehra’s capital = Rs 40,000
For 2 / 10th share, capital = 40,000
Total capital = $40,000 \times \frac{10}{2} = Rs 2,00,000$
Atal's new capital = $200,000 \times \frac{5}{10} = 1,00,000$
Madan’s new capital = $2,00,000 \times \frac{3}{10} = Rs 60,000$
Mehra’s new capital = $2,00,000 \times \frac{2}{10} = Rs 40,000$

OR

Dr		Revaluation Account		Cr
Particulars		**Amt(Rs)**	**Particulars**	**Amt(Rs**
To Profit Transferred to Capital A/cs			By Building A/c	1,00,000
Mohan	84,000		By Stock A/c	40,000
Mahesh	56,000	1,40,000		
		1,40,000		1,40,000

Dr	Partners’ Capital Account Profit						Cr
Particulars	**Mohan (Rs)**	**Mahesh (Rs)**	**Nusrat (Rs)**	**Particulars**	**Mohan (Rs)**	**Mahesh (Rs)**	**Nusrat (Rs)**
To Balance c/d	3,92,000	2,08,000	1,20,000	By Balance b/d	1,00,000	80,000	—
				By Revaluation A/c (Profit)	84,000	56,000	—
				By General Reserve A/c	96,000	64,000	—
				By Workmen's			

				Compensation Fund A/c	12,000	8,000	
				’By Premium for Goodwill lA/c	1,00,000		
				By Cash A/c	—	—	1,20,000
	3,92,000	2,08,000	1,20,000		3,92,000	2,08,000	1,,20,000

Balance Sheet

as at 1st April, 2012

Liabilities		**Amt (Rs)**	**Assets**		**Amt (Rs)**
Creditors		2,10,000	Building	2,80,000	
Liabilities for Workmen's Compensation Fund		2,30,000	(+) Appreciation	1,00,000	3,80,000
Capital A/cs			Stock	1,20,000	
			(+) Appreciation	40,000	1,60,000
Mohan	3,92,000		Machinery		1,00,000
Mahesh	2,08,000		Debtors		1,60,000
Nusrat	1,20,000	7,20,000	Cash in Hand		3,60,000
		11,60,000			11,60,000

Working Note

Calculation of Sacrificing Ratio

Sacrificing Ratio = Old Share - New Share

Mohan = $\frac{3}{5}-\frac{2}{5}=\frac{3-2}{5}=\frac{1}{5}$; Mahesh = $\frac{2}{5}-\frac{2}{5}=\frac{2-2}{5}=\text{Nil}$

Here, the entire sacrifice has been made by Mohan.

so the full premium for goodwill will be received by Mohan.

Cash Account

Particulars	Amt(Rs)	Particulars	Amt(Rs)
To Balance b/d	1,40,000	By Balance c/d	3,60,000
To Premium for Goodwill A/c	1,00,000		
To Nusrat's Capital A/c	1,20,000		
	3,60,000		3,60,000

Calculation of Cash Brought in by Nusrat as her Capital

Adjusted capital of Mohan	3,92,000
Adjusted capital of Mahesh	2,08,000
Total adjusted capital	Rs 6,00,000

Nusrat's capital should be equal to 20% of the combined adjusted capital of Mohan and Mahesh i.e. 6,00,000 $\times$ 20% =Rs 1,20,000

22. **JOURNAL**

Date	Particulars	L.F.	Amt. (Dr.)	Amt. (Cr.)
i	Bank A/c (1,00,000 $\times$ 4) Dr.		4,00,000	
	To Equity Share Application A/c			4,00,000
	(Being application money received)			
ii	Equity Share Application A/c Dr.		4,00,000	
	To Equity Share Capital A/c			2,00,000
	To Securities Premium Reserve A/c			2,00,000
	(Being application money transferred)			
iii	Equity Share Allotment A/c Dr.		5,00,000	

	To Equity Share Capital A/c			3,00,000
	To Securities Premium Reserve A/c			2,00,000
	(Being share allotment money due)			
iv	Bank A/c Dr.		5,05,000	
	Calls in Arrears A/c Dr.		2,000	
	To Equity Share Allotment A/c			5,00,000
	To Calls in advance A/c			7,000
	(Being allotment money received except on 400 shares and calls in advance received)			
v	Equity Share Capital A/c (400 $\times$ 5)		2,000	
	Securities Premium Reserve A/c (400 $\times$ 2)		800	
	To Shares Forfeiture A/c (400 $\times$ 2)			800
	To Calls in arrears A/c (400 $\times$ 5)			2,000
	(Being 400 shares forfeited)			
vi	Equity Share First Call A/c (99,600 $\times$ 4) Dr.		3,98,400	
	To Equity Share Capital A/c (99,600 $\times$ 2)			1,99,200
	To Securities Premium Reserve A/c (99,600 $\times$ 2)			1,99,200
	(Being first call money due on 99,600 shares)			
vii	Bank A/c (99,300 $\times$ 4) - (1,000 $\times$ 4) + (600 $\times$ 3) Dr.		3,95,000	
	Calls in arrears A/c (300 $\times$ 4) Dr.		1,200	
	Calls in advance A/c (1,000 $\times$ 4) Dr.		4,000	
	To Equity Share First Call A/c (99,600 $\times$ 4)			3,98,400
	To Calls in advance A/c (600 $\times$ 3)			1,800
	(Being first call money and calls in advance received, advance received earlier adjusted)			

viii	Equity Share Capital A/c (300 × 7) Dr.		2,100	
	Securities Premium Reserve A/c (300 × 2) Dr.		600	
	To Shares Forfeiture A/c (300 × 5)			1,500
	To Calls in arrears A/c (300 × 4)			1,200
	(Being 300 shares forfeited)			
ix	Equity Share Second and Final Call A/c Dr.		2,97,900	
	To Equity Share Capital A/c			2,97,900
	(Being second call due on 99,300 shares)			
x	Bank A/c Dr.		2,93,100	
	Calls in advance A/c (1,000 × 3) + (600 × 3) Dr.		4,800	
	To Equity Share Second and Final Call A/c			2,897,900
	(Being second and final call received and advance received earlier adjusted)			
xi	Bank A/c (700 × 9)		6,300	
	Shares Forfeited A/c (700 × 1)		700	
	To Equity Share Capital A/c (700 × 10)			7,000
	(Being forfeited shares reissued)			
xii	Shares Forfeiture A/c		1,600	
	To Capital Reserve A/c			1,600
	(Being shares forfeiture transferred to capital reserve account)			

OR

JOURNAL

			Amt	**Amt**

Date	Particulars	L.F.	(Dr.)	(Cr.)
i	Bank A/c (1,00,000 $\times$10)+(300 $\times$10) Dr.	.	10,03,000	.
.	To Equity Share Application A/c	.	.	10,03,000
.	(Being share application money received on 1,00,000 shares with call in advance)	.	.	.
ii	Equity Share Application A/c (1,00,000 $\times$10)+(300 $\times$10) Dr.	.	10,03,000	.
.	To Equity Share Capital A/c (1,00,000 $\times$ 5)	.	.	5,00,000
.	To Securities Premium Reserve A/c (1,00,000 $\times$ 5)	.	.	5,00,000
.	To Calls in advance A/c (300 $\times$ 10)	.	.	3,000
.	(Being application money transferred.)	.	.	.
iii	Equity Share Allotment A/c (1,00,000 $\times$ 10) Dr	.	10,00,000	.
.	To Equity Share Capital A/c (1,00,000 $\times$ 5)	.	.	5,00,000
.	To Securities Premium Reserve A/c (1,00,000 $\times$ 5)	.	.	5,00,000
.	(Being share allotment money due with premium.)	.	.	.
iv	Bank A/c (1,00,000 $\times$ 10)-(300 $\times$ 10)-(200 $\times$ 10) Dr	.	9,95,000	.
.	Calls in advance A/c (300 $\times$ 10) Dr	.	3,000	.
.	Calls in arrears A/c (200 $\times$ 10) Dr	.	2,000	.
.	To Equity Share Allotment A/c (1,00,000 $\times$ 10)	.	.	10,00,000
.	(Being share allotment money received.)	.	.	.
v	Equity Share Capital A/c (200 $\times$ 10) Dr	.	2,000	.
.	Securities Premium Reserve A/c (200 $\times$ 5) Dr	.	1,000	.
.	To Calls in arrears A/c (200 $\times$ 10)	.	.	2,000
.	To Share Forfeiture A/c (200 $\times$ 5)	.	.	1,000

.	(Being 200 shares forfeited for non-payment of allotment.)	.	.	.
vi	Bank A/c Dr	.	4,000	.
.	To Equity Share Capital A/c (200 $\times$ 10)	.	.	2,000
.	To Securities Premium Reserve A/c (200 $\times$ 10)	.	.	2,000
.	(Being all forfeited shares reissued as fully paid-up.)	.	.	.
vii	Share Forfeiture A/c Dr	.	1,000	.
.	To Capital Reserve A/c (200 $\times$ 10)-(200 $\times$ 5)=(200 $\times$ 5)	.	.	1,000
.	(Being share forfeiture transferred to capital reserve.)	.	.	.

Section B

23. (d)

    Stock turnover ratio

    Explanation:

    Inventory turnover ratio is also known as stock turnover ratio. Inventory is wider term whereas stock is a narrow term.

24. Low ratio indicates that a business is investing very high amount in **inventory** to support its sales, which could eventually lead to an excessive amount of **obsolete inventory**

25. Current ratio = 4:1(Current Asset/ Current Liability)

    Quick ratio = 2.5:1 (Quick Asset / Current Liability)

    Inventory = 4 - 2.5 = 1.5*

    If inventory is 1.5, then Current assets = 4

If inventory is 22500, then current assets = 4 $\times$ 22500/1.5 = 60,000

Current Liabilities = 60,000/4 = Rs 15000.

Note: Quick Asset = Current Asset - Inventory

26. The first heading under Equity and Liabilities part of the Balance Sheet is **Shareholders' Funds.**

27. 'Payment of dividend' is classified as financing activity' while preparing a cash flow statement. Cash flow from financing activities is a category in a company's cash flow statement that accounts for external activities that allow a firm to raise capital.

28. True

29. (a) - (iii), (b) - (iv), (c) - (i), (d) - (ii)

30. **Balance Sheet**

As on 31st March, 2012

Equity and Liabilities	Note No.	Rs.
SHAREHOLDER'S FUND Reserve and Surplus	1	1,00,000

Notes to Accounts:

	Amount (Rs.)
Reserve and Surplus:	
General Reserve(1st April, 2011)	3,00,000
Less: Statement of Profit and Loss (Dr. Balance)	2,00,000
	1,00,000

Debit balance of statement of profit and loss shall be shown as a negative figure under the head 'Surplus'. Similarly, the balance of 'Reserves and Surplus', after adjusting negative balance of surplus, if any, shall be shown under the head ‘Reserves and Surplus’ even if the resulting figure is in the negative.

OR

Financial statement analysis is the process of receiving and analysing a company's financial statements to make better economic decisions. These statements include the income statement, balance sheet, statement of cash flows and a statement of changes in equity.The objectives of analysis of financial statements are as follows:

i. To judge the financial stability of an enterprise.
ii. To measure the short-term and long-term solvency of enterprise.
iii. To measure the operating efficiency and profitability of an enterprise.
iv. To compare the intra-firm position, inter-firm position and pattern position within the industry.

31. **Balance Sheet**

Particulars	**Note No.**	**Rs.**
I. EQUITY AND LIABILITIES		
1. **Share holders’ Funds:**		
(a) Share Capital	1	1,80,000
(b) Reserves and Surpluses	2	1,15,000
2. **Non-Current Liabilities:**		
(a) Long term borrowings	3	1,20,000
(b) Long term provisions	4	50,000
3. **Current Liabilities:**		
(a) Trade Payables	5	1,08,000
(b) Short term Provisions	6	52,000
		6,25,000

II. ASSETS		
1. **Non-current Assets:**		
(a) Fixed Assets:		
Tangible Assets	7	1,10,000
Intangible Assets	8	30,000
2. **Current Assets:**		
(a) Inventories	9	2,30,000
(b) Trade Receivables	10	2,45,000
(c) Cash and Cash Equivalents	11	10,000
		6,25,000

Notes to Accounts:

	Particulars	Rs.
1.	**Share Capital:**	
	Equity Share Capital	1,00,000
	Preference Share Capital	80,000
		1,80,000
2.	**Reserves and Surplus:**	
	Reserve Fund	**1,15,000**
3.	**Long term Borrowings:**	
	Debentures	**1,20,000**
4.	**Long term Provisions:**	
	Provision for Provident Fund	**50,000**
5.	**Trade Payables:**	
	Sundry Creditors	**1,08,000**

6.	**Short Term Provisions:**	
	Provisions for Taxation	**52,000**
7.	**Tangible Assets:**	
	Furniture	10,000
	Building	50,000
	Plant and Machinery	50,000
		1,10,000
8	**Intangible Assets:**	
	Goodwill	**30,000**
9.	**Inventories:**	
	Stock - in - trade	2,00,000
	Loose Tools	30,000
		2,30,000
10	**Trade Receivables:**	
	Sundry Debtors	**2,45,000**
11	**Cash and Cash Equivalents:**	
	Cash in hand	**10,000**

OR

Comparative Statement of Profit and Loss

for the years ended 31st March 2012 and 2013

Particulars	**31st March 2012 Amount**	**31st March 2013 Amount**	**Absolute Change (Increase/ Decrease) Amount**	**Percentage Change (Increase/ Decrease) (%)**

	(Rs.)	(Rs.)	(Rs.)	
	(A)	(B)	(C = B - A)	(D = $\frac{C}{A} \times 100$)
I. Revenue from Operations	10,00,000	12,50,000	2,50,000	25.00
II. Other income(Interest on Investments)	30,000	30,000	---	---
III.Total Revenue	**10,30,000**	**12,80,000**	**2,50,000**	**24.27**
IV. Expenses:				
(a) Cost of Raw Materials Consumed	5,00,000	6,50,000	1,50,000	30.00
(b) Other Expenses	50,000	60,000	10,000	20.00
V.Total Expenses:	**5,50,000**	**7,10,000**	**1,60,000**	**29.09**
VI.Net Profit before Tax(III - V)	**4,80,000**	**5,70,000**	**90,000**	**18.75**
VII. Less: Tax Payable	2,40,000	2,85,000	45,000	18.75
VIII. **Net Profit after Tax**	**2,40,000**	**2,85,000**	**45,000**	**18.75**

A comparative income statement combines information from several income statements as columns in a single statement. It helps you identify financial trends and measure performance over time. You can compare different accounting periods from your records. Or, you can compare your income statement to other companies.

32. **Working Note:**

Particulars	**(Rs.)**	**(Rs.)**
Surplus i.e Balance in Statement of Profit and Loss (Closing)	1,00,000	
(-) Surplus i.e. Balance in Statement of Profit and Loss (Opening)	(25,000)	1,25,000
(+) Proposed Dividend	75,000	

Provision for Tax	1,25,000	2,00,000
Net Profit before Tax and Extraordinary Item		3,25,000

Cash Flow Statement

For the year ending 31st March, 2017

Particulars	**Details**	**Amount**
(A) **Cash Flow from Operating Activities**		
Net Profile before Tax and Extraordinary Items		**3,25,000**
Adjustment for		
(+) Depreciation	62,500	
(+) Interest on Debenturies (1,50,000 $\times$ 10%)	15,000	77,500
Operating Profile before Working Capital Changes		**4,02,500**
(+) Decrease in Current Assets and Increase in Current Liabilities		-
(-) Increase in Current Assets and Decrease in Current Liabilities		
Trade Receivable	(50,000)	
Short-term Loan and Advances	(1,00,000)	(1,50,000)
Cash Generated from Operations		**2,52,500**
(-) Income Tax Paid		(75,000)
Cash Flow from Operating Activities		(***1,77,500***)
(B) **Cash Flow from Financing Activites**		
Purchased of Machinery	(2,12,500)	
Cash used in Investing Activities		(***2,12,500***)
(C) **Cash Flow from Financing Activities**		
Proceeds from Issue of Debentures	1,00,000	

Increase in Bank Overdraft	50,000	
Dividend Paid	(50,000)	
Interest on Debentures	(15,000)	
Cash Flow from Financing Activities		***85,000***
Net Increase in Cash and Cash Equivalents		**50,000**
(+) Opening Cash and Cash Equivalents		75,000
Closing Cash and Cash Equivalents		1,25,000