CBSE Class 12 Accountancy
Sample Paper 06 (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. How fixed capital account is differ from fluctuating capital account?
   a. Fixed capital account neither show positive or negative accounts
   b. Fixed capital account can never show a negative balance
   c. Fixed capital account can show only negative account
   d. Fixed capital account can show both positive and negative accounts
2. A and B are partners in a firm sharing profits and losses in the ratio of 3:2. They admit C into a partnership for $\frac{1}{5}$ share. C brings ₹30,000 as capital and ₹10,000 as goodwill. At the time of admission of C, goodwill appears in the balance sheet of A and B at ₹3,000. New profit sharing ratio of partners shall be 5:3:2. What will be the entry for existing goodwill written off?

a.

A's capital A/c	Dr.	1,500	
C's capital A/c	Dr.	1,500	
To Goodwill			3,000

b.

A's capital A/c	Dr.	1,700	
B's capital A/c	Dr.	1,300	
To Goodwill			3,000

c.

A's capital A/c	Dr.	1,500	
B's capital A/c	Dr.	1,500	
To Goodwill			3,000

d.

A's capital A/c	Dr.	1,800	
B's capital A/c	Dr.	1,200	
To Goodwill			3,000

3. If the Forfeited shares were reissued at a premium and the premium money is already received on those Forfeited shares, security premium A/c will be:
    a. not be cancelled or debited
    b. Cancelled
    c. Should be added to new premium
    d. Debited
4. All assets and liabilities of Non-profit organisation are reported on its statement of
    a. Cash Flow statement
    b. Income position
    c. Financial position
    d. Fund flow statement
5. Nilay and Poppy were partners sharing profits equally. Their firm was dissolved. Nilay agreed to take over 50% of the stock at 10% less on its book value and the

remaining stock was sold at a gain of 15%. Balance sheet show stock amounted Rs 35000. By what amount Bank A/c (stock realised) should be shown on the credit side of realization account?

a. ₹20000
b. ₹17750
c. ₹15500
d. ₹20125

6. Directors of Varun Ltd forfeited 200 shares of ₹20 each, ₹15 per share called upon which ₹10 per share had been paid. Directors reissued all the forfeited shares to B as ₹15 per share paid up for payment of ₹10 each. State the minimum amount at which these shares can be reissued.
   a. Rs.15
   b. Rs.55
   c. Rs.10
   d. Rs.20
7. Realisation Account differs from Revaluation Account as
   a. Prepared only once during the life of a firm
   b. Prepared at three times during the life of a firm
   c. Prepared at a number of times during the life of a firm
   d. Prepared only twice during the life of a firm
8. The partner whose share has increased as a result of the change is called
   a. Gaining partner
   b. Sacrificing partner
   c. Sacrificing ratio
   d. Gaining ratio
9. Fill in the blanks:

   On retirement, the value of goodwill is credited to _______ partner.

10. When a Partner died he will not be able to take his due amount then, will the due amount of deceased be paid and if yes to whom it is paid?
    a. Remaining Partners
    b. His Executor
    c. Not payable to anyone

d. Sacrificing partner

11. Retiring partner is not entitled to receive _______.
    a. His share of profit or loss on Revaluation
    b. His share of profit for the period
    c. Complete goodwill of the firm
    d. His Capital account balance
12. Calculate the average profit for the last four year's profits. The profits for the last four years were:

2008	27000
2009	39000
2010	16000 (loss)
2011	40000

    a. ₹10000
    b. Rs. 22500
    c. ₹30000
    d. ₹40000
13. Interest on capital to be given to X & Y when Profits shown by P and L A/c Rs. 1,500 and capitals invested by X & Y are Rs. 30,000 and 20,000 (rate of interest is 10% p.a.).
    a. 600 and 900
    b. 3000 and 2000
    c. 300 and 200
    d. 900 and 600
14. From the information as provided below, prepare Income and Expenditure account of Green Club for the year ended 31 March 2017:

Details	Amount (Rs)
Fees collected, including Rs.80,000 on account of the previous year	5,20,000
Fees for the year outstanding	30,000
Salary paid, including Rs. 5,000 on account of the previous year	68,000
Salary outstanding at the end of the year	3,000

Entertainment expenses	8,000
Tournament expenses	25,000
Meeting Expenses	18,000
Travelling Expenses	7,000
Purchase of Books and Periodicals, including Rs. 31,000 for purchase of Books	40,000
Rent	15,000
Postage, telegrams and telephones	6,000
Printing and Stationery	18,000
Donations received	25,000

OR

From the following extract of Receipt and Payment Account of Himalaya Club and the additional information as provided with. Compute the amount of income from subscriptions and show as to how they would appear in the Income and Expenditure Account for the year ending March 31, 2018. Also, prepare the extract of Balance Sheet as at that date.

Receipt and Payment Account for the year ending March 31, 2018

Receipts		**Amount (Rs)**	**Payments**	**Amount (Rs)**
To Subscriptions:				
2016-17	7,000			
2017-18	30,000			
2018-19	5,000	42,000		

Additional Information:

i. Subscriptions outstanding March 31, 2017: Rs 8,500
ii. Total Subscriptions outstanding March 31, 2018: Rs 18,500

iii. Subscriptions received in advance as on March 31, 2017: Rs 4,000

15. Yadu, Vidu and Radhu were partners in a firm sharing profits in the ratio of 4 : 3 : 3. Their fixed capitals on 1st April, 2018 were ₹ 9,00,000, ₹ 5,00,000 and ₹ 4,00,000 respectively. On 1st November 2018, Yadu gave a loan of ₹ 80,000 to the firm. As per the partnership agreement:
    i. The partners were entitled to interest on capital @ 6 % p.a.
    ii. Interest on partners' drawings was to be charged @ 8 % p.a.

    The firm earned profits of ₹ 2,53,000 (after interest on Yadu's loan) during the year 2018 - 19. Partners' drawings for the year amounted to Yadu: ₹ 80,000, Vidu: ₹ 70,000 and Radhu: ₹ 50,000. Prepare Profit and Loss Appropriation Account for the year ending 31st March 2019.

OR

P and Q were partners in a firm sharing profits in the ratio of 5:3. On 1st April 2019, they admitted R as a new partner for 1/8th share in the profits with a guaranteed profit of Rs 75,000. The new profit sharing ratio between P and Q will remain the same but they agreed to bear any deficiency on account of guarantee to R in the ratio of 3:2. The profit of the firm for the year ended 31st March 2020 was Rs 4,00,000. Prepare profit and loss appropriation account of P, Q and R for the year ended 31st March 2020.

16. X Ltd. invited application for 10,000 shares of the value of Rs. 10 each. The amount is payable as Rs. 2 on application and Rs. 5 on allotment and balance on First and Final Call. The whole of the above issue was applied and cash duly received. Give Journal entries for the above transaction.
17. The book value of assets (other than cash and bank) transferred to Realisation Account is Rs 1,00,000. 50% of the assets are taken over by a partner Atul, at a discount of 20%; 40% of the remaining assets are sold at a profit of 30% on cost; 5% of the balance being obsolete, realised nothing and remaining assets are handed over to a Creditor, in full settlement of his claim.
    You are required to record the journal entries for Realisation of assets.
18. Praveen, Sahil and Riya are partners having fixed capitals of Rs 2,00,000, Rs 1,60,000 and Rs 1,20,000 respectively. They share profits m the ratio of 3: 1: 1. The partnership

deed provided for the following which was not recorded in the books.

1. Interest on capital @ 5% per annum.
2. Salary to Praveen Rs 1,500 per month and to Riya Rs 1,000 per month.
3. Transfer of profit to general reserve Rs 10,000. Net profit for the year ended 31st March 2015 was Rs 1,00,000.

Pass necessary rectifying entry for the above adjustments in the books of the firm. Also, show your workings clearly.

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 a 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. Pass necessary Journal entries relating to the issue of debentures for the following:
    a. Issued ₹ 4,00,000; 9% Debentures of ₹ 100 each at a premium of 8% redeemable at 10% premium.
    b. Issued ₹ 6,00,000; 9% Debentures of ₹ 100 each at par, repayable at a premium of 10%.
    c. Issued ₹ 10,00,000; 9% Debentures of ₹ 100 each at a premium of 5%, redeemable at par.

21. The Balance Sheet of Sunder and Chand who share profits and losses in the ratio of 3 : 2 as at 31st March, 2007 as follows :

BALANCE SHEET

as at 31.3.2007

Liabilities	**(Rs)**	**Assets**	**(Rs)**
Creditors	40,000	Bank	800

Profit and Loss A/c	5,000	Debtors	10,000
Sunder's Capital	50,000	Stock	57,200
Chand's Capital	75,000	Furniture	37,000
		Machinery	45,000
		Goodwill	20,000
	1,70,000		1,70,000

On 1.4.2007 Vishwash was admitted into partnership on the following terms :

a. The new profit sharing ratio shall be 1 : 2 : 2.
b. Vishwash is to bring his capital of Rs 50,000 and to pay Rs 20,000 as his share of goodwill in the firm.
c. Existing goodwill is to be written off.
d. The other assets be revalued as under :
   Machinery Rs 50,200; Furniture Rs 30,000; Stock Rs 62,000; Debtors Rs 12,000.

Prepare Revaluation Account, Partners' Capital Accounts, Bank Account and Balance Sheet of the new firm as at 1.4.2007.

OR

X and Y were partner in ratio of 2:3. Their Balance Sheet as at 31st March, 2021

Liabilities	**Rs.**	**Assets**	**Rs.**
Creditors	12435	Cash	710
X's Capital	34050	Bank	11925
Y's Capital	34050	Debtors	5500
		Stock	18000
		Furniture	4400
		Building	40000
	80535		**80535**

They admitted Z for 1/3rd share in future profits on the following terms:

a. Z is to bring in Rs. 30000 as capital and Rs. 20000 as goodwill for his share.
b. Stock and Furniture are to be reduced in value by 10%.

c. Building is to be appreciated by Rs. 15000.
d. Provision of 5% is to be made on Debtors.

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

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, the 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 the first call. Gupta's shares were forfeited immediately after the first call. The second and final call was made afterwards. The whole amount due on the 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

Sunstar Ltd. invited applications for issuing 2,00,000 equity shares of < 50 each. The amount was payable as follows :
On Application – Rs.15 per share
On Allotment – Rs.10 per share
On First and Final Call – Rs.25 per share
Applications for 3,00,000 shares were received. The allotment was made to the applicants as follows :

Category	**No. of Shares Applied**	**No. of Shares Allotted**
I	2,00,000	1,50,000

II	1,00,000	50,000

Excess money received with applications was adjusted towards sums due on allotment and calls. Namita, a shareholder of Category I, holding 3,000 shares failed to pay the allotment money. Her shares were forfeited immediately after allotment. Manav, a shareholder of Category II, who had allotted for 1,000 shares failed to pay the first and final call. His shares were also forfeited. All the forfeited shares were reissued at Rs.60 per share fully paid up.

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

Section B

23. Cash Flow Statement is based upon
    a. Credit basis of accounting
    b. None of these
    c. Cash basis of accounting
    d. Accrual basis of accounting
24. In case a bill receivable is dishonoured, elucidate whether this ratio will improve, decline or will have no change if the current ratio is 2: 1.
25. Analysis conducted by the Investors and Creditors is known as:
    a. External Analysis
    b. Cross-Sectional Analysis
    c. Time Series Analysis
    d. Horizontal Analysis
26. Purchase of shares or debentures is concerned with _______.
    a. None of these
    b. Financing Activities
    c. Investing Activities
    d. Operating Activities
27. Debentures are shown in the Balance Sheet under the head of _______ Borrowings.
28. Which of the following is not a Liquid Asset?
    a. Cash at Bank
    b. Marketable Securities
    c. Cheques in hand
    d. Prepaid Expenses

29. ______ ratio establishes the relationship between net profit and revenue from operations.

   a. Gross Profit Ratio
   b. Working Capital Turnover Ratio
   c. Net profit ratio
   d. Current Ratio

30. Inventories are ₹80,000; Working Capital ₹2,40,000; Current Assets ₹4,00,000; calculate Liquid/Quick Ratio.

OR

Calculate Liquid Ratio/Quick Ratio/Acid Test Ratio from the following:
Working Capital ₹1,80,000; Total Debts, i.e., Outside Liabilities ₹3,90,000; Long-term Debts ₹3,00,000; Inventories ₹90,000

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

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

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

OR

Prepare Common-size Statement of Profit and Loss from the following information:

Particulars	31st March 2019	31st March 2018
Revenue from Operations	₹ 10,00,000	₹ 7,50,000
Other Income	₹ 1,00,000	₹ 75,000
Purchases of Stock-in-Trade	₹ 7,50,000	₹ 6,00,000
Change in Inventories of Stock-in-Trade	₹ (50,000)	₹ 10,000
Other Expenses	₹ 10,000	₹ 7,500
Rate of Income Tax	50%	50%

32. From the following Balance Sheets of Ranjan Ltd. prepare Cash Flow Statement:

Liabilities	**2001**	**2002**	**Assets**	**2001**	**2002**

Equity Share Capital	1,50,000	2,00,000	Goodwill	36,000	20,000
12% Pre. Share Capital	75,000	50,000	Building	80,000	60,000
General Reserve	20,000	35,000	Plant	40,000	1,00,000
Profit and Loss A/c	15,000	24,000	Debtors	1,19,000	1,54,500
Creditors	37,500	49,500	Stock	10,000	15,000
	...	Cash	12,500	9,000	...
	2,97,500	2,58,500		2,97,500	3,58,500

Depreciation charged on the plant was Rs. 10000 and building Rs. 60000.

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Solution

Section A

1. (b) Fixed capital account can never show a negative balance

   Explanation: When capitals of the partners are fixed, two accounts are prepared at that time i.e. Partners Fixed capital account and Partners Current account. Partners fixed capital account shows only capital balance and additional capital or withdrawal of some part of capital permanently (if any). That's why this account cannot show a negative balance. This account shows an only positive balance.

2. (d)

A's capital A/c	Dr.	1,800	
B's capital A/c	Dr.	1,200	
To Goodwill			3,000

   Explanation: At the time of admission of a new partner, old goodwill given in the balance sheet will be written off by the old partners in their old profit sharing ratio.

   A' share of Goodwill = 3,000 $\times \frac{3}{5}$ = 1,800
   B' share of Goodwill = 3,000 $\times \frac{2}{5}$ = 1,200

3. (a) not be cancelled or debited

   Explanation: When a company reissue its forfeited shares which were originally issued at a premium and on which premium was received, should not be cancelled or debit the same at the time of reissue of forfeited shares.

4. (c) Financial position

   Explanation: The balance sheet is a statement which shows all assets and liabilities from which the financial position of the business can be ascertained. All Assets and Liabilities reported at the Balance sheet.

5. (d) ₹20125

   Explanation: Actual stock transferred to the debit side of realization account ₹35,000. Stock taken over by partner 50% of 35,000 = 17,500 - 1750 (17500 $\times$ 10%) = 15,750

Remaining stock = 35,000 - 17,500 = 17,500

Realised value of stock = 17,500 + 2625 (17500 × 15%) = 20,125

6. (c) Rs.10

   Explanation: The minimum amount at which company can reissue shares is the amount they have received on forfeiture of shares.

7. (a) Prepared only once during the life of a firm

   Explanation: Realisation Account is prepared only once in the lifetime of the partnership firm i.e. at the time of dissolution of partnership of firm. Revaluation account is prepared at the time of reconstitution of partnership firm i.e. change in existing profit sharing ratio, admission of a partner, the retirement of a partner, death of a partner etc.

8. (a) Gaining partner

   Explanation: The partner who is getting more share of profit because of the change in profit sharing ratio is called a gainer partner. That is why gainer partner is debited and sacrificing partner is credited while the adjustment is made for goodwill or reserves and profits or loss etc.

9. Retiring

10. (b) His Executor

    Explanation: In case of death of a partner, the amount due to him will be paid to his legal heirs or his executors as suggested by partner itself. Executors are the legal heirs or the family/relatives.

11. (c) Complete goodwill of the firm

    Explanation: An outgoing partner cannot take complete goodwill of the firm. An outgoing partner can take only his share of goodwill. Outgoing partner is entitled to the followings:

    i. His capital account balance
    ii. His share in profit, reserves & gains etc.
    iii. His share in revaluation profit or loss
    iv. His share of goodwill

12. (b) Rs. 22500

    Explanation: Calculation of average profit when the loss is given:

    1. Calculation of total profits earned during 4 years:

    27,000 + 39,000 – 16,000 + 40,000 = 90,000

2. Average profit = 90,000/4 = 22,500

13. (d) 900 and 600

Explanation: Interest due to X and Y is Rs. 3,000 (30000 × 10%) and Rs. 2,000 (20000 × 10%) (total Rs.5,000) but profit is only Rs. 1,500. In this case Ratio of appropriation will be 3 : 2 (3,000 : 2,000). Now divide profit Rs. 1,500 in Ratio of appropriation i.e. 3:2.

14. **Income and Expenditure Account of Gree Club for the year ending 31 March 2017**

Expenditure		**Amount (Rs)**	**Income**		**Amount (Rs)**
To Salaries	68,000		By Fees Collected	5,20,000	
Less: Previous year's Outstanding	(5,000)		Less: Previous year's Outstanding	(80,000)	
	63,000			4,40,000	
Add: Current year's Outstanding	3,000	66,000	Add: Current year's Outstanding	30,000	4,70,000
To Entertainment Expenses		8,000	By Donations		25,000
To Tournament Expenses		25,000			
To Meeting Expenses		18,000			
To Traveling Expenses		7,000			
To Purchases of Periodicals (40,000 - 31,000)		9,000			
To Postage, Telegrams and Telephone's		6,000			
To Rent		15.000			
To Printing and Stationery		18,000			
To Surplus (Excess of Income		3,23,000			

over Expenditure) (b/f)			
	4,95,000		4,95,000

Note: Donations are assumed to be are of general nature.

OR

Income and Expenditure Account
for the year ending on March 31, 2018

Expenditure	Amount (Rs)	Income	Amount (Rs)
		By Subscriptions :	30,000
		Received for 2017-18	
		Add: Outstanding for 2017-18	17,000
		Add: Received in advance for 2017-18	4,000
			51,000

Note: Total amount of subscriptions outstanding as on 31-3-2018 are Rs. 18,500. This, includes Rs. 1,500 (Rs. 8,500 - Rs. 7,000) for subscriptions still outstanding for 2016-17. Hence, the subscriptions outstanding for 2017-18 are Rs. 17,000 (Rs. 18,500 - Rs. 1,500).

Extract of Balance Sheet of Himalaya Club
as at March 31, 2018

Liabilities	Amount (Rs)	Assets		Amount (Rs)
Subscription Received in Advance for 2017-18	5,000	Subscription Outstanding:		
		2016-17	1,500	
		2017-18	17,000	18,500

15. **Profit & Loss Appropriation A/c**
for the year ended 31st March 2019

Dr.					Cr.
Particulars		**Amount (₹)**	**Particulars**		**Amount (₹)**
To Interest on Capital:			By Profit & Loss A/c (Net		2,53,000
Yadu's Current A/c	54,000		Profit)		
Vidu's Current A/c	30,000				
Radhu's Current A/c	24,000	1,08,000	By Interest on Drawings:		
			Yadu's Current A/c	3,200	
To Profit transferred to:			Vidu's Current A/c	2,800	
Yadu's Current A/c	61,200		Radhu's Current A/c	2,000	8,000
Vidu's Current A/c	45,900				
Radhu's Current A/c	45,900	1,53,000			
		2,61,000			2,61,000

Note: Since the date of drawings is not given in the question so interest has been calculated for an average period of 6 months.

Working Notes:

i. **Calculation of Interest on Partner's drawings:**
   Interest on Yadu's Drawings = ₹(80,000 × 8/100 × 6/12) = ₹3,200
   Interest on Vidu's Drawings = ₹(70,000 × 8/100 × 6/12) = ₹2,800
   Interest on Radhu's Drawings = ₹(50,000 × 8/100 × 6/12) = ₹2,000
ii. **Calculation of Interest on Partner's Capital:**
   Interest on Yadu's Capital = ₹(9,00,000 × 6/100) = ₹54,000
   Interest on Vidu's Capital = ₹(5,00,000 × 6/100) = ₹30,000
   Interest on Radhu's Capital = ₹(4,00,000 × 6/100) = ₹24,000
iii. Interest on partner's loan is to be charge through profit and loss account. So in profit and loss appropriation account profit after interest on partners loan is

taken.

OR

New Profit sharing ratio

R = 1/8

Remaining = 7/8

P = 7/8 × 5/8 = 35/64

Q = 7/8 × 3/8 = 21/64

R = 8/64

P:Q:R = 35 : 21 : 8

R = 400000/64 × 8 = 50000

To be given to R = 75000

Deficency = 25000 bear by P & Q in ratio 3:2 (15000 & 10000)

Share of P = 400000/64 × 35 = 218750 - 15000 = 203750

Share of Q = 400000/64 × 21 = 131250 - 10000 = 121250

PROFIT AND LOSS APPROPRIATION ACCOUNT

PARTICULARS	RS.	PARTICULARS	RS.
To Profit Transferred:		By Net Profit	400000
P	203750		
Q	121250		
R	75000		
	400000		**400000**

16. The journal entries of the transactions are as follows:

In the Books Of X Ltd.

JOURNAL

Date	Particulars	L.F	Debit(₹)	Credit(₹)
	Bank A/c Dr.		20,000	...

	To share application A/c		...	20,000
	(Being the application money received on 10,000 shares at ₹ Per share)			
	Share Application A/c Dr.		20,000	...
	To Share Capital A/c		...	20,000
	(Being the transfer of application money on 10,000 shares to share capital account).			
	Share Allotment A/c Dr.		50,000	...
	To Share Capital A/c		...	50,000
	(Being the amount due on the allotment of 10,000 shares at ₹ 5 per Share)			
	Bank A/c Dr.		50,000	...
	To Share Allotment A/c		...	50,000
	(Being the receipt of allotment money of ₹ 5 on 10,000 Shares)			
	Shares First & Final Call A/c Dr.		30,000	...
	To Share Capital A/c		...	30,000
	(Being the amount due on First and Final call of 10,000 Shares at ₹ 3 per share)			
	Bank A/c Dr.		30,000	...
	To Share first & final call A/c		...	30,000
	(Being the receipt of ₹ 3 on the first and final call of 10,000 shares)			

Note: Sometimes a company can also make First call and Final Call together at one time.

17. **JOURNAL**

Particulars		L.F.	Amount Rs	Amount Rs
Realisation A/c	Dr.		1,00,000	
To Sundry Assets A/c				1,00,000
(Assets other than cash and bank transfer to Realisation Account)				
Atul's Capital A/c	Dr.		40,000	
To Realisation A/c				40,000
(Atul took over 50% of assets worth Rs 1,00,000 at 20% discount) [1,00,000 × (50/100) × (80/100)]				
Bank A/c	Dr.		26,000	
To Realisation A/c				26,000
(Assets worth Rs 20,000, i.e. 40% of assets of Rs 50,000 are sold at a profit of 30%) [50,000 × (40/100) × (130/100)]				
No entry is made for obsolescence of the assets and the assets given to the creditors in the full settlement as these are already transferred to the Realisation Account and adjusted)				

Note: Once the assets (except Cash and Bank Balances) have been transferred to Realisation Account, the accounting treatment for recorded / unrecorded assets stand as follows:

Journal Entries:

(a) If the recorded / Unrecorded asset is sold for cash:
Cash A/c Dr.
To Realisation

(b) If the recorded / Unrecorded asset is taken by any partner:

Partner's Capital A/c Dr.
To Realisation

(c) If the recorded / Unrecorded asset is taken by any creditor in full settlement of his claim
No entry is passed
but where the recorded / Unrecorded asset taken by any creditor is unable to satisfy the claim, then for the balance amount paid:
Realisation A/c Dr.
To Cash A/c
and where the recorded / Unrecorded asset taken by any creditor is more than to satisfy the claim, then for the amount refunded:
Cash A/c Dr.
To Realisation A/c

18. **ADJUSTMENT ENTRY**

Date	Particulars	LF	Amt(Rs)	Amt(Rs)
	Praveen's Current A/c		10,400	
	Sahil's Current A/c		4,800	
	To Riya's current A/c			5,200
	To General Reserve A/c (Being the adjustment entry passed)			10,000

STATEMENT SHOWING ADJUSTMENT TO BE MADE

Particulars	Praveen(Rs)	Sahil(Rs)	Riya(Rs)	Total
I. Amount already Recorded Share of Profit i.e, Rs 1,00,000 in 3: 1: 1	60,000	20,000	20,000	1,00,000
II.The amount which should have been Recorded				

Interest on Capital	10,000	8,000	6,000	24,000
Salary	18,000		12,000	30,000
Share of profit i.e, 36,000 in 3: 1: 1	21,600	7,200	7,200	36,000
	49,600	15,200	25,200	90,000
III. Balance to be adjusted(Net Effect) [I - II]	10,400(Dr)	4,800(Dr)	5,200(Cr)	10,000(Cr)

Calculation of Adjusted Profits

Adjusted Profits = Given Profit - Transfer to Reserve - Interest on Capital - Salary

= 1,00,000 - 10,000 - 24,000(10,000+ 8,000+ 6,000)- 30,000 (18,000+ 12,000)= Rs 36,000

Calculation of Interest on Capital

Praveen = 2,00,000 $\times \frac{5}{100}$ =Rs 10,000, Sahil$\times \frac{5}{100} \times$ 1,60,000 =Rs 8,000, Riya = 120,000 $\times \frac{5}{100}$ =Rs 6,000

Salary: Praveen (1,500 $\times$ 12) = Rs 18,000, Riya (1,000 $\times$ 12) = Rs 12,000

Distribution of profit

Praveen = 36000 $\times$ 3/5 = 21,000, Sahil = 36,000 $\times$ 1/5 = 7200, Riya = 36,000 $\times$ 1/5 = 7,200.

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**

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
(a)	Bank A/c	Dr.		4,32,000	

	To Debenture Application and Allotment A/c				4,32,000
	(Application money received on 4,000 9% Debentures)				
	Debenture Application and Allotment A/c	Dr.		4,32,000	
	Loss on Issue of Debenture A/c	Dr.		40,000	
	To 9% Debentures A/c				4,00,000
	To Securities Premium Reserve A/c				32,000
	To Premium on Redemption of debentures A/c				40,000
	(4,000; 9% Debentures issued at a premium of Rs 8 and redeemable at a premium of 10%)				
(b)	Bank A/c	Dr.		6,00,000	
	To Debenture Application and Allotment A/c				6,00,000
	(Application money received on 6,000 9% Debentures)				
	Debenture Application and Allotment A/c	Dr.		6,00,000	
	Loss on Issue of Debenture A/c	Dr.		60,000	
	To 9% Debentures A/c				6,00,000
	To Premium on Redemption of Debentures A/c				60,000
	(6,000; 9% Debentures issued at par and redeemable at a premium of 10%)				

(c)	Bank A/c	Dr.		10,50,000	
	To Debenture Application and Allotment A/c				10,50,000
	(Application money received on 10,000 9%Debentures)				
	Debenture Application and Allotment A/c	Dr.		10,50,000	
	To 9% Debentures A/c				10,00,000
	To Securities Premium Reserve A/c				50,000
	(1,000; 9% Debentures issued at a premium of Rs 5)				

21. **Books of Sunder, Chand and Vishwash**

Revaluation Account

Dr.				**Cr.**
Particulars		**(Rs)**	**Particulars**	**(Rs)**
To Furniture A/c		7,000	By Machinery A/c	5,200
To Profit transferred to Capital A/cs of:			By Stock A/c	4,800
			By Debtor's A/c	2,000
Sunder (5,000 x 3/5)	3,000			
Chand (5,000 x 2/5)	2,000	5,000		
		12,000		12,000

Partner's Capital Account

Dr.						
Particulars	**Sunder(Rs)**	**Chand(Rs)**	**Vishwash(Rs)**	**Particulars**	**Sunder(Rs)**	**Ch**
To						

Goodwill c/d	12,000	8,000	---	By Balance b/d	50,000	
To Balance c/d	64,000	71,000	50,000	By Revaluation A/c (Profit)	3,000	
				By Bank A/c	---	
				By Premium A/c(Goodwill)	20,000	
				By Profit and Loss A/c	3,000	
	76,000	79,000	50,000		76,000	
				By Balance c/d	64,000	

Bank Account

Dr.			Cr.
Particulars	**(Rs)**	**Particulars**	**(Rs)**
To Balance b/d	800	By Balance c/d	70,800
To Vishwash's Capital A/c	50,000		
To Premium A/c(Goodwill A/c)	20,000		
	70,800		70,800
To Balance b/d	70,800		

Balance Sheet
as at 1st April 2007

Liabilities	(Rs)	Assets	(Rs)
Creditors	40,000	Bank (800 + 50,000 = 20,000)	70,800

Sunder's capital	64,000	Debtors (10,000 +2,000)	12,000
Chand's Capital	71,000	Stock (57,200 + 4,800)	62,000
Vishwash's Capital	50,000	Furniture (37,000 - 7,000)	30,000
		Machinery(45,000+5,200)	50,200
	2,25,000		2,25,000

Working Notes:

i. **Calculation of Sacrificing Ratio**
Sunder = $\frac{3}{5} - \frac{1}{5} = \frac{2}{5}$
Chand = $\frac{2}{5} - \frac{2}{5}$ = Nil. That means only Sunder surrendered his share towards Vishwas on his admission and Chand's profit sharing ratio remain the same.

OR

Revaluation Account

Particulars		Rs.	Particulars	Rs.
To Stock		1800	By Building	15000
To Furniture		440		
To Provision		275		
To Profit Transfer:				
X	4994			
Y	7491	12485		
		15000		**15000**

Partner's Capital Accounts

Particulars	X	Y	Z	Particulars	X	Y	Z
To Balance c/d	47044	53541	30000	By Balance b/d	34050	34050	-

				By Cash	-	-	30000
				By Premium for Goodwill	8000	12000	-
				By Revaluation	4994	7491	-
	47044	**53541**	**30000**		**47044**	**53541**	**30000**

Balance Sheet of new firm

Liabilities		Rs.	Assets		Rs.
Creditors		12435	Cash		50710
Capitals:			Bank		11925
X	47044		Debtors	5500	
Y	53541		Less: Provision	275	5225
Z	30000	130585	Stock		16200
			Building		55000
			Furniture		3960
		143020			**143020**

22. **JOURNAL**

Date	**Particulars**	**L.F.**	**Amt. (Dr.)**	**Amt. (Cr.)**
i	Bank A/c (1,00,000 × 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 × 5)		2,000	
	Securities Premium Reserve A/c (400 × 2)		800	
	To Shares Forfeiture A/c (400 × 2)			800
	To Calls in arrears A/c (400 × 5)			2,000
	(Being 400 shares forfeited)			
vi	Equity Share First Call A/c (99,600 × 4) Dr.		3,98,400	
	To Equity Share Capital A/c (99,600 × 2)			1,99,200
	To Securities Premium Reserve A/c (99,600 × 2)			1,99,200
	(Being first call money due on 99,600 shares)			
vii	Bank A/c (99,300 × 4) - (1,000 × 4) + (600 × 3) Dr.		3,95,000	
	Calls in arrears A/c (300 × 4) Dr.		1,200	
	Calls in advance A/c (1,000 × 4) Dr.		4,000	
	To Equity Share First Call A/c (99,600 × 4)			3,98,400
	To Calls in advance A/c (600 × 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

CASH BOOK (BANK COLUMN ONLY)

Receipts	Amount (Rs.)	Payments	Amount (Rs.)
To share application	45,00,000	By Balance c/d	1,01,10,000
To share allotment	7,35,000		
To share 1st call	46,65,000		
To equity share capital	1,75,000		
To securities premium reserve	35,000		
	1,01,10,000		**1,01,10,000**

Journal Entries

Date	Particulars		LF	Dr. (Rs.)	Cr. (Rs.)
(i)	Equity Share Application A/c	Dr.		45,00,000	
	To Equity Share Capital A/c				30,00,000
	To Equity Share Allotment A/c				12,50,000
	To Share 1st and final call A/c [Being adjustment of application money done]				2,50,000
(ii)	Equity Share Allotment A/c	Dr.		20,00,000	
	To Equity Share Capital A/c [being allotment money due]				20,00,000
(iii)	Calls in arrears A/c	Dr.		15,000	
	To Equity Share allotment A/c [Being allotment money not received]				15,000
(iv)	Equity Share Capital a/c	Dr.		75,000	
	To Equity Share forfeited A/c				60,000
	To Calls in arrears A/c (Being 3,000 equity shares forfeited)				15,000

(v)	Share 1st and final call a/c	Dr.		49,25,000	
	To equity share capital a/c (being 1st and final call money due on 1,97,000 equity shares)				49,25,000
(vi)	Calls in arrears a/c	Dr.		10,000	
	To Share 1st and final call (Being 1st and final call money received except on 500 shares)				10,000
(vii)	Equity Share Capital a/c	Dr.		25,000	
	To Equity Share forfeited a/c				15,000
	To Calls in arrear A/c (Being 500 shares forfeited)				10,000
(vii)	Share forfeited A/c	Dr.		75,000	
	To Capital Reserve A/c (being forfeited re-issue of forfeited shares transferred to capital reserve a/c)				75,000

Section B

23. (c) Cash basis of accounting

    Explanation: Cash basis of accounting

24. No change. In case a bill receivable is dishonoured, the current ratio will have no change because it would not affect either, assets or current liabilities. Because bills receivable decreases and debtors increase by the same amount. To calculate the ratio, analysts compare a company's current assets to its current liabilities.

25. (a) External Analysis

    Explanation: Analysis conducted by the Investors and Creditors is known as External Analysis because they both are treated as outsiders.

26. (c) Investing Activities

    Explanation: Purchase of shares or debentures is concerned with investing activities as it is an investment in other company's share or debentures. there is an outflow of cash hence deducted from the investing Activity.

27. Long-term
28. (d) Prepaid Expenses

    Explanation: Prepaid expense is an advance payment therefore there is no liquidity for these items. So not forming part of liquid assets.
29. (c) Net profit ratio

    Explanation: Net Profit Ratio is the ratio of after-tax profits to net sales. It reveals the remaining profit after all costs of production, administration, and financing have been deducted from sales, and income taxes recognized.

30. Liquid/Quick Ratio = $\frac{\text{Liquid/Quick Assets}}{\text{Current Liabilities}} = \frac{3,20,000}{1,60,000}$ = 2 : 1

    Working Capital = Current Assets - Current Liabilities

    Current Liabilities = Current Assets - Working Capital

    = ₹4,00,000 - ₹2,40,000 = ₹1,60,000

    Liquid/Quick Assets = Current Assets - Inventories

    = ₹4,00,000 - ₹80,000 = ₹3,20,000

OR

Liquid/Quick Ratio = $\frac{\text{Liquid/Quick Assets}}{\text{Current Liabilities}} = \frac{1,80,000}{90,000}$ = 2 : 1

Current Liabilities = Total Debts, i.e., Outside Liabilities - Long-term Debts

= ₹3,90,000 - ₹3,00,000 = ₹90,000

Current Assets = Working Capital + Current Liabilities

= ₹1,80,000 + ₹90,000 = ₹2,70,000

Liquid/Quick Assets = Current Assets - Inventories

= ₹2,70,000 - ₹90,000 = ₹1,80,000

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

as at 31.3.2012

Particulars	**Note No.**	**K Ltd.**		**L Ltd.**	
		Amount (Rs)	**% of Total**	**Amount (Rs)**	**% of Total**
I. **EQUITY AND**					

LIABILITIES					
Shareholder's Funds					
Share Capital:		3,00,000	50	4,00,000	53.3
Issued and paid-up		2,00,000	33.3	3,00,000	40
Reserves and Surplus					
Current liabilities					
Short - term Borrowings:		1,00,000	16.7	50,000	6.7
		6,00,000	100	**7,50,000**	100
II. **ASSETS**					
Non - Current Assets					
Fixed Assets		4,00,000	66.7	4,00,000	53.3
Current Assets		2,00,000	33.3	3,50,000	46.7
		6,00,000	100	**7,50,000**	100

OR

COMMON-SIZE STATEMENT OF PROFIT AND LOSS for the years ended 31st March 2018 and 2019

Particulars	**Note No.**	**Absolute Amounts**		**Percentage of Revenue from Operations (Net Sales)**	
		31st March, 2018 (₹)	31 st March, 2019 (₹)	31st March, 2018 (%)	31st March, 2019 (%)
1. Revenue from Operations		7,50,000	10,00,000	100.00	100.00
II. Other Income		75,000	1,00,000	10.00	10.00

III. **Total Revenue (I + II)**		8,25,000	11,00,000	110.00	110.00
IV. **Expenses**					
(a) Purchases of Stock-in-Trade		6,00,000	7,50,000	80.00	75.00
(b) Change in Inventories of Stock-in-Trade		10,000	(50,000)	1.33	(5.00)
(c) Other Expenses		7,500	10,000	1.00	1.00
Total Expenses		6,17,500	7,10,000	82.33	71.00
V. **Profit before Tax (III - IV)**		2,07,500	3,90,000	27.67	39.00
VI. Less: Income Tax		1,03,750	1,95,000	13.83	19.50
VII. **Profit after Tax (V - VI)**		1,03,750	1,95,000	13.84	19.50

32. **Rajan Ltd.**

CASH FLOW STATEMENT

(for the year ended 31st December 2002)

Particulars	**Rs.**	**Rs.**
A. Cash Flow from Operating Activities	...	...
B. Net Profit before tax : Closing Balance of Profit and Loss A/c	24,000	...
Add: Transfer to General Reserve	15,000	...
	39,000	...
Less: Opening Balance of Profit and Loss A/c	(15,000)	...
Net Profit before tax and extraordinary items Adjustments for Non-Cash and Non-Operating Items	....	**24,000** ....
Add: Depreciation on Plant	10,000	....
Depreciation on Building	60,000	...
Goodwill written off	16,000	86,000
Operating profit before working capital changes		

Adjustments for : Increase in Creditors	 12,000	1,10,000 ....
Increase in Debtors	(35,500)	...
Increase in Stock	(5,000)	(28,500)
Net Cash from operating activities (A) **B. Cash Flow from Investing Activities**	...	81,500 ....
Purchase of Plant (Note 2)	(70,000)	...
Purchase of Building (Note 1)	(40,000)	...
Net cash used in investing activities (B)	...	(1,10,000)
C. Cash Flow from Financing Activities	...	...
Issue of Equity Shares	50,000	...
Redemption of 12% Preference Shares	(25,000)	...
Net Cash from financing activities (C)	...	25,000
Net decrease in cash and cash equivalents (A+B+C)	...	**(3,500)**
Cash and cash equivalents at the beginning of the year	...	12,500
Cash and cash equivalents at the close of the year	...	**9,000**

Working Notes: 1.

Dr.	**BUILDING ACCOUNT**				**Cr.**
Date	**Particulars**	**Rs.**	**Date**	**Particulars**	**Rs.**
	To Balance b/d	80,000		By Depreciation A/c	60,000
	To Bank A/c (Balancing Figure) (Purchase)	40,000		By Balance c/d	60,000
		1,20,000			**1,20,000**

Dr.	PLANT ACCOUNT				Cr.
Date	**Particulars**	**Rs.**	**Date**	**Particulars**	**Rs.**
	To Balance b/d	40,000		By Depreciation A/c	10,000
	To Bank A/c (Purchase Balancing Figure)	70,000		By Balance c/d	1,00,000
		1,10,000			1,10,000

Note :

- Non Cash Expenses mean expenses and losses debited to Statement to Profit and loss that does not involve payment of cash. So they must be added back to the Net Profit before Tax and Extraordinary Items.
- Transfer from Surplus, i.e., Balance in the statement of Profit and losses to other reserves is added to Net Profit because it is an appropriation of Net Profit for the year.