CBSE
Class XII Accountancy

Time: 3 hrs **Total Marks: 80**

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

PART – A

1. Monika and Manav are partners in a firm without any partnership Deed. Their capitals are ₹12,00,000 and ₹10,00,000 respectively. Monika is an active partner and looks after the business. Monika wants that profit should be shared in proportion of capitals. State with reasons whether her claim is valid or not. **[1]**

2. The capital of Aman and Bipasha are ₹15,00,000 and ₹13,00,000 . To increase the capital base of the firm to ₹40,00,000 , they admit Kiran. To join the firm, kiran is required to pay a sum of ₹14,00,000. What is the amount of premium for Goodwill? **[1]**

3. The firm of Rajvi and Mandar was dissolved on 1.3.2016. According to the agreement Rajvi had agreed to undertake the dissolution work for an agreed remuneration of ₹3,000 and bear all realization expenses. Dissolution expenses were ₹2,300 and the same were paid by the firm. Pass the necessary Journal entry for the payment of dissolution expenses. **[1]**

4. Bela and Albela are partners in a firm sharing profits in the ratio of 4:1 respectively. They admitted Bijoy as a new partner for 1/4 share in the profit, which he acquired wholly from Bela. Determine new profit-sharing ratio of partners. **[1]**

5. Why non-cash expenditure such as depreciation is not shown in the Receipts and Payments Account? **[1]**

6. After all the debentures have been redeemed, the 'Balance of Debenture Redemption Reserve' will be transferred to which account? **[1]**

7. In 2016-17, the subscriptions received were ₹42,000. These subscriptions include ₹600 for 2015-16 and ₹800 for 2017-18. On March 31, 2017, the subscriptions due but not received were ₹1,000. The corresponding amount on April 01, 2016 was ₹1, 200. What amount should be credited to the Income and Expenditure Account as subscriptions for the year 2015-17? **[3]**

8. Jairaj and Giridhar were partners sharing profits in the ratio of 3:2. Their Balance Sheet as 31st March, 2016 was:

Liabilities	₹	Assets		₹
Creditors	25,000	Cash		14,800
Bills Payable	12,000	Debtors	20,500	
Bank Overdraft	18,000	Less: Provision for Bad Debts	300	20,200
Reserve	15,000	Stock		20,000
Jain's Capital	70,000	Plant		48,000
Gupta's Capital	60,000	Building		70,000
		Motor Vehicles		27,000
	1,90,000			**1,90,000**

They agreed to admit Mitul for 1/4th share from 1st April, 2016 subject to the following terms:

(i) Mitul to bring in capital equal to 1/4th of the total capital of Jairaj and Giridhar after all adjustments including premium for goodwill.
(ii) Building to be appreciated by ₹18,000 and Stock to be depreciated by ₹7,000.
(iii) Provision for Bad Debts on Debtors to be raised to ₹900.
(iv) A provision be made for ₹1,900 for outstanding legal charges.
(v) Mitul's share of goodwill/premium was calculated at ₹10,000.

Prepare Revaluation Account of the firm on Mishra's admission. **[3]**

9. The following is the Balance Sheet of Anand, Bijal and Charu as on 31st March, 2016:

Liabilities		**Amount ₹**	**Assets**	**Amount ₹**
Sundry Creditors		6,500	Cash In hand	900
Reserve Fund		6,400	Cash at bank	8,500
Capital Accounts			Stock	9,000
Anand	15,000		Debtors	10,000
Bijal	7,500		Furniture	12,000
Charu	7,500	30,000	Tools	2,500
		42,900		42,900

'Charu' died on 30 June, 2016. Under the terms of Partnership Deed, the executors of the deceased partner were entitled to:

i. Amount standing to the credit of partner's capital account.
ii. Interest on capital @ 6% per annum.
iii. Share of goodwill on the basis of twice the average of past three years profits.
iv. Share of profit from the closing of last financial year to the date of death on the basis of last year's profit. The profits of the last three years were as follows:

Year	**Profit**
2013-2014	9,500
2014-2015	10,000
2015-2016	12,000

The firm closes its books on 31th March every year. The partners shared profits in the ratio of their capitals.

Prepare Charu's Capital Account to be presented to his executors. **[4]**

10. Kishor, Guarav and Kabir were partners in a firm sharing profits and losses equally. The firm was engaged in the storage and distribution of canned juice and its godowns were located at three different places in the city. Each godown was being managed individually by Kishor, Guarav and Kabir. Because of increase in business activities at the godown managed by Guarav, he had devote more time. Guarav demanded that his share in the profits of the firm be increased, to which Kishor and Kabir agreed. The new profit sharing ratio was agreed to be 1: 2: 1. For this purpose the goodwill of the firm was valued at two years purchase of the average profits of last five years. The profits of the last five years were as follows:

Years	Profit ₹
I	4,00,000
II	4,90,000
III	7,37,000
IV (Loss)	37,000
V	2,10,000

You are required to:

i. Calculate the goodwill of the firm.
ii. Pass necessary Journal Entry for the treatment of goodwill on change in profit sharing ratio of Kishor, Garav and Kabir. **[4]**

11. On 1.1.2010, Umesh and Kartik entered into partnership with fixed capitals of ₹18,00,000 and ₹12,00,000 respectively. They were doing good business and were interested in its expansion but could not do the same because of lack of capital. Therefore, to have more capital, they admitted Pujit as a new partner on 1.1.2012. Pujit brought ₹10,00,000 as capital and the new profit sharing ratio decided was 3:2:5. On 1.1.2014, another new partner Harshal was admitted with a capital of ₹8,00,000 for 1/10th share in the profits, which he acquired equally from Umesh, Kartik and Pujit. On 1.4.2016 Pujit died and his share was taken over by Umesh and Harshal equally. Calculate :

a. The sacrificing ratio of Umesh and Kartik on Pujit's admission.

b. New profit sharing ratio of Umesh, Kartik, Pujit and Harshal on Harshal's admission.

c. New profit sharing ratio of Umesh, Kartik and Hashal on Pujit's death. **[6]**

12. Pratik, Deep and Harshit were partners in a firm sharing profit in the ratio of 1:2:3. On 31-3-2015 their Balance sheet was as follows:

Balance Sheet of Pratik, Deep and Harshit as on 31-3-2015

Liabilities		Amount ₹	Assets	Amount ₹
Creditors		25,000	Land	25,000
Bills Payable		15,000	Building	25,000
General Reserve		15,000	Plant	50,000
Capitals			Stock	20,000
Pratik	50,000		Debtors	15,000
Deep	25,000		Bank	7,500
Harshit	12,500	87,500		
		1,42,500		1,42,500

Pratik, Deep and Harshit decided to Share the profits equally with effect from 1-4-2015. For this It was agreed that:

(i) Goodwill of the firm will be valued at ₹75,000

(ii) Land will be revalued at ₹40,000 and building be depreciated by 6%.

(iii) Creditors of ₹3,000 were not likely to be claimed and hence should be written off **[6]**

13. 'Mugdha Ltd' had an authorized capital of ₹10,00,00,000 divided into 10,00,000 equity shares of ₹100 each. The company had already issued 2,00,000 shares. The dividend paid per share for the year ended 31.3.2009 was ₹30. The management decided to export its products to African countries. To meet the requirements of additional funds, the finance manager put up the following three alternate proposals before the Board of Directors

a. Issue 47,500 equity shares at a premium of ₹100 per share.

b. Obtain a long-term loan from bank which was available at 12% per annum.

c. Issue 9% debentures at a discount of 5%.

After evaluating these alternatives the company decided to issue 1, 00,000, 9% debentures on 1.4.20010. The face value of each debenture was ₹100. These debentures were redeemable in four installments starting from the end of third year, which was as follows:

Year	Amount
III	10,00,000
IV	20,00,000
V	30,00,000
VI	40,00,000

Prepare 9% debenture account from 1.4.2010 till all the debentures were redeemed. **[6]**

14. Given below is the Receipts and Payments Account of a Sakshi club for the year ended 31st March, 2017:**[6]**

Receipts And Payments Account

Dr. **Cr.**

Receipts		**₹**	**Payments**	**₹**
To Balance b/d		1,02,500	By Salaries	60,000
To Subscription:			By Expenses	7,500
2015-16	4,000		By Drama Expenses	45,000
2016-17	2,05,000		By Newspapers	15,000
2017-18	6,000	2,15,000	By Municipal Taxes	4,000
To Donations		54,000	By Charity	35,000
To Proceeds of Drama Tickets		95,000	By Investments	2,00,000
To Sale of Waste Paper		4,500	By Electricity Charges	14,500
			By Balance c/d	90,000
		4,71,000		4,71,000

Prepare club's Income and Expenditure Account for the year ended 31st March, 2017 and Balance Sheet as at that date after taking the following information into account:

(i) There are 5,000 members, each paying an annual subscription of ₹50, ₹5,000 are still in arrears for the year 2015-16.

(ii) Municipal Taxes amounted to ₹4,000 per year have been paid up to 30th June and ₹5,000 are outstanding of salaries.

(iii) Building stands in the books at ₹5,00,000.

(iv) 6% interest has accrued on investments for five months.

15. 'Golden Ltd.' was registered with an authorized capital of ₹4,00,000 divided into 40,000 shares of ₹10 each. 6,000 of these shares were issued to the vendor for building purchased. 8,000 shares were issued to the public and ₹5 per share were called up as follows:

On application - ₹2 per share
On allotment - ₹1 per share
On first call - Balance of the called up amount

The amounts received on these shares were as follows:
On 6,000 shares - Full amount called
On 1,250 shares - ₹3 per share
On 750 shares - ₹2 per share
The directors forfeited 950 shares on which ₹2 per share were received.
Pass necessary journal entries for the above transactions in the books of Golden Ltd

OR

'Ruby Ltd.' invited applications for issuing 10,000 equity shares of ₹100 each at a premium of ₹100 per share.
The amount was payable as follows:
On application and allotment - ₹100 per share (including ₹50 premium)
On first and final call - The balance
The issue was fully subscribed. A shareholder holding 500 shares paid the full share money with application.
Another shareholder holding 300 shares failed to pay the first and final call money. His shares were forfeited.
The forfeited shares were re-issued for ₹28,000 as fully paid up.
Pass necessary journal entries for the above transactions in the books of the company. **[8]**

16. Charmi and Hemal were partners in a firm sharing profits in the ratio of 3:2. On 1-4-2015 their Balance Sheet was as follows:

Balance Sheet

Liabilities		**Amount ₹**	**Assets**	**Amount ₹**
Creditors		19,000	Cash	6,000
General Reserve		4,000	Debtors	17,000
Workmen Compensation Fund		9,000	Investments	20,000
Investment Fluctuation Fund		11,000	Plant	14,000
Provision for bad debts		2,000	Land and building	38,000
Capitals				
Charmi	30,000			
Hemal	20,000	50,000		
		95,000		95,000

On the above date Vrinda was admitted for 1/4th share in the profits of the firm on the following terms:

(a) Vrinda will bring ₹20,000 for her capital and ₹4,000 for her share of goodwill premium.
(b) All debtors were considered good.
(c) The market value of investments was ₹14,000.
(d) There was a liability of ₹6,000 for workmen compensation.
(e) Capital accounts of Charmi and Hemal are to be adjusted on the basis of Vrinda's capital by opening current accounts.

Prepare Revaluation Account and Partners' Capital Accounts.

OR

Olive, Rajni and Suhas were partners in a firm sharing profits in the ration of 3:2:1. On 1st April, 2016 their Balance Sheet was as follows:

Balance Sheet

Liabilities		**Amount ₹**	**Assets**	**Amount ₹**
Capital Accounts			Land and Building	3,64,000
Olive	3,58,000		Plant and Machinery	3,20,000
Rajni	3,00,000		Furniture	2,33,000
Suhas	2,62,000	9,20,000	Bills Receivables	38,000
General Reserve		48,000	Sundry Debtors	90,000
Creditors		1,80,000	Stock	1,11,000
Bills payable		95,000	Bank	87,000
		12,43,000		12,43,000

On the above date Henry was admitted on the following terms:

(i) He will bring ₹1,00,000 for his capital and will get 1/10th share in the profits.
(ii) He will bring necessary cash for his share of goodwill premium. The goodwill of the firm was valued at ₹3, 00,000.
(iii) A liability of ₹18,000 will be created against bills receivables discounted.
(iv) The value of stock and furniture will be reduced by 20%.
(v) The value of land and building will be increased by 10%.
(vi) Capital accounts of the partners will be adjusted on the basis of Henry's capital in their profit sharing ratio by opening current accounts.

Prepare Revaluation Account and Partner's Capital Accounts. **[8]**

PART – B

17. "Sale of marketable securities at par" will result into cash inflow, cash outflow or no cash flow. Explain with reason. **[1]**

18. 'Sanskruti Ltd'. was carrying on a business of packaging in Chennai and earned good profits in the past years. The company wanted to expand its business and required additional funds. To meet its requirements the company issued equity shares of ₹40,00,000. It purchased a computerised machine for ₹27,00,000. It also purchased raw material amounting to ₹5,75,000. During the current year, the Net Profit of the company was ₹23,00,000.
Find out 'Cash flow from Operating Activities' from the above transactions. **[1]**

19. (a) Under what heads and following items will appear in the Balance Sheet of a company as per Schedule III of the Companies Act, 2013:
- (i) Alls – in – Advance
- (ii) Proposed Dividend
- (iii) Computer Software
- (iv) Balance of Statement of Profit and Loss

(b) State the importance of Financial Statement Analysis to the 'lenders'. **[4]**

20. From the following, calculate:
(a) Current Ratio; and
(b) Working Capital Turnover Ratio. **[4]**

	₹		₹
Revenue from Operational	2,10,000	Total Assets	2,00,000
Shareholders' Funds	1,05,000	Non-current Liabilities	35,000
Non-current Assets	1,10,000		

21. Prepare Common -Size Statement of Profit and Loss from the following for the year ended 31st March, 2016: **[4]**

Particulars	₹
Revenue from Operations	25,00,000
Cost of Materials Consumed	7,80,000
Other Expenses	5,80,000
Interest on Investment	60,000
Tax Payable	@50%

22. From the following Balance Sheet of Vishwas Ltd. as at 31st March, 2016 and 31st March,2015 , prepare Cash Flow Statements: **[6]**

Particulars	Note No.	31st March, 2016 (₹)	31st March, 2015(₹)
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
a. Share Capital		65,000	45,000
b. Reserves and Surplus	1	42,500	24,000
2. Current Liabilities			
Trade Payables		15,000	12,700
Total		1,22,500	81,700
II. ASSETS			
1. Non-Current Assets			
a. Fixed Assets:		85,000	48,700
2. Current Assets			
a. Inventories (stock)		14,000	12,000

b. Trade Receivables (Debtors)		20,500	19,000
c. Cash and Cash Equivalents		3,000	2,000
Total		1,22,500	81,700

Note to Accounts

Particulars	31st March, 2016(₹)	31st March, 2015(₹)
1. Reserves and Surplus		
General Reserve	27,500	15,000
Surplus, i.e., Balance in Statement of Profit and Loss	15,000	9,000
	42,500	24,000

Additional Information:

1. Depreciation on Fixed Assets for the year 2015-2016 was ₹12,700.
2. An interim dividend ₹7,000 has been paid to the shareholders during the year.

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Solution

PART – A

Answer 1

If the partnership deed does not exist among the partners of a firm, then according to the Partnership Act of 1932, profits and losses are to be shared equally by all the partners of the firm.

Answer 2

The total capital of the firm is ₹28,00,000. To increase the capital base to ₹40,00,000, Kiran is to bring ₹14,00,000 (i.e ₹40,00,000 - ₹28,00,000) . But Kiran brings in ₹14,00,000. Therefore, the excess, i.e ₹2,00,000 is the premium for Goodwill.

Answer 3

Date	Particulars	L.F.	Debit ₹	Credit ₹
i.	Realisation A/c Dr. To Rajvi's Capital A/c (Being the remuneration due to Ravi)		3,000	 3,000
ii.	Rajvi's Capital A/c Dr. To Bank A/c (Being the realisation expenses paid on behalf of rajvi)		2,300	 2,300

Answer 4

New Share of Bela = Old Share - Share Sacrifice in favour of Bijoy.

$$= \frac{4}{5} - \frac{1}{4} = \frac{16-5}{20} = \frac{11}{20}$$

New Ratio of Bela, Albela and Bijoy $= \frac{11}{20} : \frac{1}{5} : \frac{1}{4} = \frac{11}{20} : \frac{4}{20} : \frac{5}{20}$ or $11 : 4 : 5$

Answer 5

Receipts and Payments Account prepared by Not for Profit Organisations is based upon Cash basis of accounting. Accordingly, non cash expenditure is not shown in Receipts and Payments Account.

Answer 6

After all the debentures have been redeemed, the 'Balance of Debenture Redemption Reserve' will be transferred to 'General Reserve Account'.

Answer 7

Statement showing computation of amount of subscriptions to be credited to Income and Expenditure Account:

Particulars	₹
Subscriptions received during 2016-17	42,000
Add: Subscriptions due for year 2016-17	400
Less: Subscriptions for year 2015-16	600
Less: Received in Advance for 2017-18	800
Subscriptions for 2016-17 to be credited to the Income & Expenditure Account.	**41,000**

Working Note:

Subscription due but not received as at march 31, 2017: ₹1,000*

*includes subscriptions due not received for year 2015-16, i.e. ₹600 [1,200 (Due) – 600 (Received in 2015-16)].

Therefore, subscriptions due for year 2016-17 amounted to ₹400 (1,000 – 600).

Answer 8

Revaluation Account

Particulars		₹	Particulars	₹
To Stock A/c		7,000	By Building A/c	18,000
To Provision for Bad Debts A/c		600		
To Outstanding Legal Charges A/c		1,900		
To Gain (Profit) transferred to:				
Jairaj's Capital A/c	5,100			
Giridhar's Capital A/c	3,400	8,500		
		18,000		**18,000**

Answer 9

Charu's Capital Account

Dr. **Cr.**

Particulars	Amount ₹	Particulars	Amount ₹
To Executor A/c	14,812.50	By Balance c/d	7,500
		By Interest on Capital	112.50
		By Profit and Loss Suspense A/c	750
		By Anand's Capital A/c	3,500
		By Bijal's Capital A/c	1,750
		By Reserve Fund	1,600
	15,212.50		15,212.50

Working Notes:

WN 1 Calculation of Interest on Charu's Capital

$$\text{Interest on Capital} = 7,500 \times \frac{6}{100} \times \frac{3}{12} = 112.50$$

WN2 Calculation of Charu's share in profits

Profit of last financial year (2013-14) = 12,000

$$\text{Charu's share in profits} = 12,000 \times \frac{1}{4} \times \frac{3}{12} = 750$$

WN 3 Adjustment of Goodwill

$$\text{Average Profit} = \frac{9,500 + 10,000 + 12,000}{3} = 10,500$$

Goodwill of the firm = 10,500 × 2 = 21,000

$$\text{Charu's Share of Goodwill} = 21,000 \times \frac{1}{4} = 5,250$$

So,

$$\text{Anand will pay} = 5,250 \times \frac{2}{3} = 3,500$$

$$\text{Bijal will pay} = 5,250 \times \frac{1}{3} = 1,750$$

WN4 Calculation of Charu's Share in Reserve Fund

$$\text{Charu's Share in Reserve Fund} = 6,400 \times \frac{1}{4} = 1,600$$

Note : Since, here no information is given regarding the share acquired by Anand and Bijal, therefore, their gaining ratio is same as their new profit sharing ratio i.e. 2:1

Answer 10

Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
	Guarav's Capital A/c Dr. To Kishor's Capital A/c To Kabir's Capital A/c (Being goodwill adjusted at the time of change in profit sharing ratio)		1,20,000	 60,000 60,000

Working Note:

WN1 Calculation of Gaining Ratio

Old Ratio = 1:1:1

New Ratio = 1:2:1

Gaining Ratio = New Ratio – Old Ratio

$$\text{Kishor} = \frac{1}{4} - \frac{1}{3} = \frac{3-4}{12} = -\frac{1}{12} \text{(sacrifice)}$$

$$\text{Guarav} = \frac{2}{4} - \frac{1}{3} = \frac{6-4}{12} = \frac{2}{12} \text{(Gain)}$$

$$\text{Kabir} = \frac{1}{4} - \frac{1}{3} = \frac{3-4}{12} = -\frac{1}{12} \text{(Sacrifice)}$$

Only Guarav is gaining, Kishor and Kabir are sacrificing in the ratio of 1:1

WN2 Calculation of Goodwill of the firm

$$\text{Average Profit} = \frac{\text{Sum of years of profit}}{\text{Number of years}}$$

$$= \frac{4,00,000 + 4,90,000 + 7,37,000 - 37,000 + 2,10,000}{5}$$

$$= \frac{18,00,000}{5} = 3,60,000$$

Goodwill is calculated on the basis of two years purchase of last 5 years average profit

Goodwill = 2 × Average Profit

= 2 × 3, 60,000 = 7, 20,000

$$\text{Amount of goodwill to be adjusted} = 7,20,000 \times \frac{1}{12} = 60,000$$

Answer 11

(i) Calculation of Sacrificing Ratio of Umesh and Kartik on Pujit's admission

Old Ratio of Umesh and Kartik = 1:1

New Ratio of Umesh and Kartik and Pujit = 3:2:5

Sacrificing Ratio = Old Ratio – New Ratio

Umesh Sacrifice $= \frac{1}{2} - \frac{3}{10} = \frac{2}{10}$

Kartik Sacrifice $= \frac{1}{2} - \frac{2}{10} = \frac{3}{10}$

Sacrificing Ratio $= 2 : 3$

(ii) Calculation of New Profit Sharing Ratio of Umesh, Kartik, Pujit and Harshal on Harshal's admission

Old Ratio of Umesh, Kartik and Pujit = 3:2:5

Harshal was admitted for $1/10^{th}$ share, which was acquired by him equally from Umesh, Kartik and Pujit

Sacrificing Share

Umesh $= \frac{1}{3} \times \frac{1}{10} = \frac{1}{10}$

Kartik $= \frac{1}{3} \times \frac{1}{10} = \frac{1}{30}$

Pujit $= \frac{1}{3} \times \frac{1}{10} = \frac{1}{30}$

New Profit Share = Old Share − Sacrificing Share

Umesh $= \frac{3}{10} - \frac{1}{10} = \frac{8}{30}$

Kartik $= \frac{2}{10} - \frac{1}{10} = \frac{5}{30}$

Pujit $= \frac{5}{10} - \frac{1}{30} = \frac{14}{30}$

Harshal $= \frac{1}{10}$ or $\frac{3}{30}$

Therefore, New Profit Sharing Ratio of Umesh, Kartik, Pujit and Harshal $= 8 : 5 : 14 : 3$

(iii) Calculation of New Profit Sharing Ratio of Uday, Kaushal and Hari on Govind's death

Old Ratio of Uday, kaushal, Govind and Hari = 8:5:14:3

Pujit died and his share $\left(\frac{14}{30}\right)$ is acquired by Uday and Hari equally

Share Acquired

Umesh $= \frac{1}{2} \times \frac{14}{30} = \frac{14}{60}$

Harshal $= \frac{1}{2} \times \frac{14}{30} = \frac{14}{60}$

New Profit Share = Old Share + Share Acquired

Umesh $= \frac{8}{30} + \frac{14}{60} = \frac{30}{60}$

Harshal $= \frac{3}{30} + \frac{14}{60} = \frac{20}{60}$

Kartik $= \frac{5}{30}$ or $\frac{10}{60}$

Therefore, New Profit Sharing Ratio of Umesh, kartik and Harshal $= 30 : 10 : 20$ or $3 : 1 : 2$

Answer 12

Revaluation Account

Dr. Cr.

Particulars		Amount ₹	Particulars	Amount ₹
To Building A/c		1,500	By Land A/c	15,000
To Revaluation Profit A/c			By Creditors A/c	3,000
Pratik	2,750			
Deep	5,500			
Harshit	8,250	16,500		
		18,000		18,000

Partner's Capital Account

Dr. **Cr.**

Particulars	Pratik ₹	Deep ₹	Harshit ₹	Particulars	Pratik ₹	Deep ₹	Harshit ₹
To Harshit's Capital A/c	12,500			By Balance b/d	50,000	25,000	12,500
				By Revaluation Profit A/c	2,750	5,500	8,250
				By General Reserve A/c	2,500	5,000	7,500
				By Pratik's Capital A/c			12,500
To Balance c/d	42,750	35,500	40,750				
	55,250	35,500	40,750		55,250	35,500	40,750

Balance Sheet
as on 31 March 2015

Liabilities		Amount ₹	Assets		Amount ₹
Capital					
Pratik	42,750		Land	25,000	
Deep	35,500		Add :Increase	15,000	40,000
Harshit	40,750	1,19,000	Building	25,000	
			Less : Dep	1,500	23,500
Creditors	25,000				
Less : Written off	3,000	22,000	Plant		50,000
			Bank		7,500
Bills payable		15,000	Stock		20,000
			Debtors		15,000
		1,56,000			1,56,000

Working Notes

Old Ratio New Ratio

1 : 2 : 3 1 : 1 : 1

Sacrificing Ratio of Pratik $= \text{Old Ratio} - \text{New Ratio} = \frac{1}{6} - \frac{1}{3} = \boxed{-\frac{1}{6}} \Rightarrow$ Gaining

Sacrificing Ratio of Deep $= \text{Old Ratio} - \text{New Ratio} = \frac{2}{6} - \frac{1}{3} = \frac{0}{6}$

Sacrificing Ratio of Harshit $= \text{Old Ratio} - \text{New Ratio} = \frac{3}{6} - \frac{1}{3} = \boxed{\frac{1}{6}} \Rightarrow$ Sacrificing

Pratik will compensate Harshit, since he is gaining

Pratik's Capital A/c	Dr.	12,500	
To Harshit's Capital A/c			12,500

Answer 13

9% Debentures A/c

Dr. **Cr.**

Date	**Particulars**	**J.F.**	**Amount ₹**	**Date**	**Particulars**	**J.F.**	**Amount ₹**
2010-11	To Balance c/d		1,00,00,000	2010-11	By Debenture Application A/c		95,00,000
					By Loss on Issue of Debentures A/c		5,00,000
			1,00,00,000				**1,00,00,000**
2011-12	To Balance c/d		1,00,00,000	2011-12	By Balance b/d		1,00,00,000
			1,00,00,000				**1,00,00,000**
2012-13	To Debenture holder's A/c		10,00,000	2012-13	By Balance b/d		1,00,00,000
	To Balance c/d		90,00,000				
			1,00,00,000				**1,00,00,000**
2013-14	To Debenture holder's A/c		20,00,000	2013-14	By Balance b/d		90,00,000
	To Balance c/d		70,00,000				
			90,00,000				**90,00,000**
2014-15	To Debenture holder's A/c		30,00,000	2014-15	By Balance b/d		70,00,000
	To Balance c/d		40,00,000				
			70,00,000				**70,00,000**
2015-16	To Debenture holder's A/c		40,00,000	2015-16	By Balance b/d		40,00,000
			40,00,000				**40,00,000**

Answer 14

In the books of Sakshi Club
Income and Expenditure Account
for the year ended 31st March 2017

Dr. Cr.

Expenditure		₹	Income		₹
			By Subscription		
To Municipal Taxes	4,000		(5,000 members × ₹50)		2,50,000
			By Interest Accrued on		
Add: Prepaid in 2015-16	1,000		Investment		5,000
Less: Prepaid in 2016-17	(1,000)	4,000	(2,00,000× 6/100 ×5/12)		
To Salaries	60,000		By Profit from Drama:		
Add: Outstanding	5,000	65,000	Proceeds	95,000	
To Expenses		7,500	Less: Drama Expenses	(45,000)	50,000
To Newspapers		15,000	By Sale of Waste Paper		4,500
To Charity		35,000	By Donations		54,000
To Electricity Charges		14,500			
To Surplus (Balancing Fig.)		2,22,500			
		3,63,500			**3,63,500**

Balance Sheet
as on 01st April 2016

Liabilities	₹	Assets	₹
		Subscription Outstanding (4,000+5,000)	9,000
Capital Fund (Balancing Fig.)	6,12,500	Municipal Taxes Prepaid	1,000
		Building	5,00,000
		Cash and Bank	1,02,500
	6,12,500		**6,12,500**

Balance Sheet
as on 31st March 2017

Liabilities		₹	Assets		₹
Advance Subscriptions		6,000	Subscriptions Outstanding		
Salaries Outstanding		5,000	2016-17 (2,50,000-2,05,000)	45,000	
Capital Fund	6,12,500		2015-16 (arrears)	5,000	50,000
Add: Surplus	2,22,500	8,35,000	Prepaid Municipal Taxes		1,000
			Building		5,00,000
			Investments	2,00,000	
			Add: Accrued Interest	5,000	2,05,000
			Cash at Bank		90,000
		8,46,000			**8,46,000**

Answer 15

In the Books of Golden Ltd
Journal

Date	Particulars		L.F.	Dr. ₹	Cr. ₹
	Machinery A/c	Dr.		60,000	
	To Vendor				60,000
	(Being machinery purchased)				
	Vendor	Dr.		60,000	
	To Equity Share Capital A/c				60,000
	(Being issued 6,000 shares to the vendor of machinery)				

	Bank A/c Dr. To Equity Share Application A/c (Being application money received on 8,000 shares)		16,000	 16,000
	Equity Share Application A/c Dr. To Equity Share Capital A/c (Being amount of application transferred to Share Capital)		16,000	 16,000
	Equity Share Allotment A/c Dr. To Equity Share Capital A/c (Being amount due on share allotment)		8,000	 8,000
	Bank A/c (8,000 – 750) Dr. To Equity Share Allotment A/c (Being amount received on share allotment)		7,250	 7,250
	Equity Share First Call A/c Dr. To Equity Share Capital A/c (Being amount due on share first call)		16,000	 16,000
	Bank A/c (16,000 – 2,500 – 1,500) Dr. To Equity Share First Call A/c (Being amount received on share first call)		12,000	 12,000
	Equity Share Capital A/c Dr. To Equity Share forfeiture A/c To Equity Share Allotment A/c To Equity Share first call A/c (Being 950 shares forfeited)		4,750	 1,900 950 1,900

OR

In the books of Ruby Ltd
Journal Entry

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
	Bank A/c Dr. To Equity Share Application and Allotment A/c (Being amount received on application for 10,000 shares along with first call money on 500 shares)		10,50,000	 10,50,000
	Equity Share Application and Allotment A/c Dr. To Equity Share Capital A/c To Securities Premium A/c To Calls-in-Advance A/c (Being amount of application transferred to Share Capital and securities premium)		10,50,000	 5,00,000 5,00,000 50,000
	Equity Share First Call A/c Dr. To Equity Share Capital A/c To Securities Premium A/c (Being amount due on first call)		10,00,000	 5,00,000 5,00,000

	Bank A/c (10,00,000 – 50,000 – 20,000) Dr. Calls – in – Advances A/c Dr. To Equity Share First Call A/c (Being amount received on share first call)		9,30,000 50,000	 9,80,000
	Equity Share Capital A/c Dr. Securities Premium A/c Dr. To Equity Share Forfeiture A/c To Equity Share First Call A/c (Being 300 shares forfeited)		30,000 15,000	 15,000 30,000
	Bank A/c Dr. Equity Share Forfeiture A/c Dr. To Equity Share Capital A/c (Being forfeited shares were reissued for ₹28,000)		28,000 2,000	 30,000
	Equity Share Forfeiture A/c Dr. To Capital Reserve A/c (Being excess amount on forfeiture is transferred to capital reserve)		13,000	 13,000

Working Notes:

WN1: Calculation of Amount received on Application

Application amount received on 10,000 shares	=	10,00,000
Shareholders of 500 shares paid in advance (500 × 100)	=	50,000
Total amount	=	10,50,000

Answer 16

Revaluation Account

Dr. **Cr.**

Particulars		Amount ₹	Particulars	Amount ₹
To Profit transferred to :			By Provision for Bad debts A/c	2,000
Charu's Capital A/c	1,200			
Harsha's Capital A/c	800	2,000		
		2,000		2,000

Partner's Capital Account

Dr. **Cr.**

Particulars	Charmi ₹	Hemal ₹	Vrinda ₹	Particulars	Charmi ₹	Hemal ₹	Vrinda ₹
To Current A/c	5,400	3,600		By Balance b/d	30,000	20,000	
				By General Reserve A/c	2,400	1,600	
				By Workmen Compensation Fund A/c	1,800	1,200	
				By Investment Fluctuation Fund	3,600	2,400	
				By Revaluation A/c (Profit)	1,200	800	
				By Cash A/c			20,000
To Balance c/d	36,000	24,000	20,000	By Premium for Goodwill A/c	2,400	1,600	
	41,400	27,600	20,000		41,400	27,600	20,000

Working Notes:

WN1

Calculation of New Profit Sharing Ratio

Old Ratio $= 3 : 2$

Let the total profit of the firm $= 1$

Remaining profit share of the firm $= 1 - \frac{1}{4} = \frac{3}{4}$

So,

Charmi's New Share $= \frac{3}{5} \times \frac{3}{4} = \frac{9}{20}$

Hemal's New Share $= \frac{2}{3} \times \frac{3}{4} = \frac{6}{20}$

$\therefore$ New Profit Sharing Ratio $= \frac{9}{20} : \frac{6}{20} : \frac{1}{4} = 9 : 6 : 5$

WN2

Calculation of Sacrificing Ratio

Old Ratio = 3:2

New Ratio = 9:6:5

Sacrificing Ratio = Old Ratio – New Ratio

Charmi $= \frac{3}{5} - \frac{9}{20} = \frac{3}{20}$

Hemal $= \frac{2}{5} - \frac{6}{20} = \frac{2}{20}$

$\therefore$ Sacrificing Ratio $= 3 : 2$

WN3

Distribution of Goodwill

Charmi will get $= 4,000 \times \frac{3}{5} = 2,400$

Hemal will get $= 4,000 \times \frac{2}{5} = 1,600$

WN4

Adjustment of Capital

Total Capital of the firm = Vrinda's Capital × Reciprocal of her share

$$= 20,000 \times \frac{4}{1} = 80,000$$

New Profit Sharing Ratio = 9:6:5

Charmi's New Capital $= 80,000 \times \frac{9}{20} = 36,000$

Hemal's New Capital $= 80,000 \times \frac{6}{20} = 24,000$

Vrinda's New Capital $= 80,000 \times \frac{5}{25} = 20,000$

OR

Revaluation Account

Dr. Particulars	Amount ₹	Particulars		Amount ₹ Cr
To Stock A/c	22,200	By Land and Building A/c		36,400
To Furniture A/c	46,600	By Loss transferred to:		
To B/R Discounted	18,000	Olive	25,200	
		Rajni	16,800	
		Suhas	8,400	50,400
	86,800			86,800

Partner's Capital Account

Dr. Particulars	Olive ₹	Rajni ₹	Suhas ₹	Henry ₹	Particulars	Olive ₹	Rajni ₹	Suhas ₹	Henry ₹ Cr.
To Revaluation A/c (Loss)	25,200	16,800	8,400		By Balance b/d	3,58,000	3,00,000	2,62,000	
To Rajni's Current A/c		9,200			By General Reserve A/c	24,000	16,000	8,000	
To Suhas's Current A/c			1,16,600		By Cash A/c				1,00,000
To Balance c/d	4,50,000	3,00,000	1,50,000	1,00,000	By Premium for Goodwill	15,000	10,000	5,000	
					By Olive's Current A/c	78,200			
	4,75,200	3,26,000	2,75,000	1,00,000		4,75,000	3,26,000	2,75,000	1,00,000

Working Notes:

WN1:

Calculation of New Profit Sharing Ratio

Old Ratio = 3:2:1

Let the total profit of the firm = 1

$$\text{Remaining profit share of the firm} = 1 - \frac{1}{10}$$

So,

$$\text{Olive's New Share } = \frac{3}{6} \times \frac{9}{10} = \frac{27}{60}$$

$$\text{Rajni's New Share} = \frac{2}{6} \times \frac{9}{10} = \frac{18}{60}$$

$$\text{Suhas's New Share} = \frac{1}{6} \times \frac{9}{10} = \frac{9}{10}$$

$$\text{Henry's Share} = \frac{6}{6} \times \frac{1}{10} = \frac{6}{60}$$

WN2:

Calculation of Sacrificing Ratio

Old Ratio = 3:2:1

New Ratio = 9:6:3:2

Sacrificing Ratio = Old Ratio – New Ratio

$$\text{Olive} = \frac{3}{6} - \frac{9}{20} = \frac{30-27}{60} = \frac{3}{60}$$

$$\text{Rajni} = \frac{2}{6} - \frac{6}{20} = \frac{20-18}{60} = \frac{2}{60}$$

$$\text{Suhas} = \frac{1}{6} - \frac{3}{20} = \frac{10-9}{60} = \frac{1}{60}$$

WN3:

<u>Henry's share of Goodwill</u>

$$3,00,000 \times \frac{1}{10} = 30,000$$

This will be credited to Olive, Rajni and Suhas in sacrificing ratio

WN4: <u>Distribution of Goodwill</u>

$$\text{Olive will get} = 30,000 \times \frac{3}{6} = 15,000$$

$$\text{Rajni will get} = 30,000 \times \frac{2}{6} = 10,000$$

$$\text{Suhas will get} = 30,000 \times \frac{1}{6} = 5,000$$

<u>WN4</u>:

<u>Adjustment of Capital</u>

Total Capital of the firm = Henry's Capital × Reciprocal of her share

$$= 1,00,000 \times \frac{10}{1} = 10,00,000$$

New Profit Sharing Ratio = 9:6:3:2

$$\text{Olive's New Capital} = 10,00,000 \times \frac{9}{20} = 4,50,000$$

$$\text{Rajni's New Capital} = 10,00,000 \times \frac{6}{20} = 3,00,000$$

$$\text{Suhas's New Capital} = 10,00,000 \times \frac{3}{2} = 1,50,000$$

$$\text{Henry's New Capital} = 10,00,000 \times \frac{2}{20} = 1,00,000$$

PART – B

Answer 17

"Sale of marketable securities at par" will result into no flow of cash as marketable securities are part of cash equivalent.

Answer 18

Cash Flow from Operating Activities = Net Profit of the company = ₹23,00,000.

Answer 19

(a)

Items	Major Head
(i) Alls – in – Advance	Current Liabilities
(ii) Proposed Dividend	Current Liabilities
(iii) Computer Software	Non-current Assets
(iv) Balance of Statement of Profit and Loss	Shareholders' Funds

(b)

On the basis of Financial Statements Analysis, lenders will be able to decide whether their loans and interest due, would be paid in time.

Answer 20

(a)

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}} = \frac{90,000}{60,000} = 1.5 : 1$$

Note:

Current Assets = Total Assets – Non-current Assets

=₹2,00,000 – ₹1,10,000 = ₹90,000

Current Liabilities = Total Assets – Shareholders' Funds – Non Current Liabilities

= ₹2,00,000 – ₹1,05,000 –₹ 35,000 = ₹60,000.

(b)

$$\text{Working Capital Turnover Ratio} = \frac{\text{Revenue from Operationals}}{\text{Workings Capital}}$$

$$= \frac{2,10,000}{30,000} = 7 \text{ Times}$$

Note:

Working Capital = Current Assets – Current Liabilities

= ₹90,000 – ₹60,000 = ₹30,000

Answer 21

COMMON - SIZE STATEMENT OF PROFIT AND LOSS for the years ended 31st March, 2016

Particulars	Absolute Amount (₹)	(%) of Revenue from Operations
I. Revenue from Operations (Total Revenue)	25,00,000	100.00
Other Income (Interest on Investment)	60,000	2.40
Total Revenue	**25,60,000**	**102.40**
II. Expenses:		
(a) Cost of Materials Consumed	7,80,000	31.20
(b) Other Expenses	5,80,000	23.20
Total Expanses	**13,60,000**	**54.40**
III. **Net Profit before Tax (I - II)**	12,00,000	48.00
Less: Income Tax	6,00,000	24.00
IV. **Net Profit after Tax**	**6,00,000**	**24.00**

Answer 22

CASH FLOW STATEMENT for the year ended 31st March, 2016

Particulars		₹	₹
(A) Cash Flow from Operating Activities			
Net Profit before Tax (WN 1)		25,500	
Adjustments:			
Add: Depreciation on Fixed Assets		12,700	
Operating Profit before Working Capital Changes		38,200	
Less: Increase in Current Assets:			
Inventories (Stock)	(2,000)		
Trade Receivables (Debtors)	(1,500)	(3,500)	
		34,700	
Add: Increase in Current Liabilities:			
Trade Payables		2,300	
Cash Flow from Operating Activities			37,000
(B) Cash Flow from Investing Activities			
Purchase of Fixed Assets (WN 2)		(49,000)	
Cash Used in Investing Activities			(49,000)
(C) Cash Flow from Financing Activities			
Issue of Shares		20,000	
Payment of Interim Dividend		(7,000)	
Cash Flow from Financing Activities			13,000
(D) Net Increase in Cash and Cash Equivalents (A + B + C)			1,000
Add: Opening Balance of Cash and Cash Equivalents			2,000
(E) Closing Balance of Cash and Cash Equivalents			**3,000**

Working Notes:

1. Calculation of Net Profit Before Tax:	₹
Net profit as per Statement of Profit and Loss (₹15,000 - ₹9,000)	6,000
Add: Transfer to general Reserve	12,500
Interim Dividend paid during the year	7,000
Net Profit before Tax	25,500

FIXED ASSETS ACCOUNT

Particulars	₹	Particulars	₹
To Balance b/d	48,700	By Depreciation A/c	12,700
To Bank A/c (Purchases- Balancing Figure)	49,000	By Balance c/d	85,000
	97,700		**97,700**