

SAMPLE QUESTION PAPER - 5
SUBJECT- ACCOUNTANCY (055)
CLASS XII (2023-24)

Time Allowed: 3 hours

Maximum Marks: 80

General Instructions:

1. This question paper contains 34 questions. All questions are compulsory.
2. This question paper is divided into two parts, Part A and B.
3. **Part - A is compulsory for all candidates.**
4. Part - B has two options i.e. **(i) Analysis of Financial Statements and (ii) Computerised Accounting**. Students must attempt only one of the given options.
5. Question 1 to 16 and 27 to 30 carries 1 mark each.
6. Questions 17 to 20, 31 and 32 carries 3 marks each.
7. Questions from 21, 22 and 33 carries 4 marks each
8. Questions from 23 to 26 and 34 carries 6 marks each
9. There is no overall choice. However, an internal choice has been provided in 7 questions of **one mark**, 2 questions of **three marks**, 1 question of **four marks** and 2 questions of **six marks**.

Part A:- Accounting for Partnership Firms and Companies

1. X and Y are partners with capitals of ₹ 39,000 and ₹ 27,000. They admit Z as partner with $\frac{1}{5}$ th share in profit of the firm. Z brings ₹ 24,000 as capital. Z's Share for premium for goodwill: [1]

| | |
|----------|-----------|
| a) 8,000 | b) 12,000 |
| c) 6,000 | d) 7,000 |
2. **Assertion (A):** Partners are both **Agents and Principals**. [1]
Reason (R): As an agent, a partner represents other partners and binds them through his acts. As a principal, he is bound by the act of other partners.

| | |
|---|---|
| a) Both A and R are true and R is the correct explanation of A. | b) Both A and R are true but R is not the correct explanation of A. |
| c) A is true but R is false. | d) A is false but R is true. |
3. Y Ltd. forfeited 400 shares of ₹ 10 each, ₹ 7 called up, for non-payment of the first call of ₹ 2 per share. Out of these, 300 shares were reissued for ₹ 6 per share as ₹ 7 paid up. What is the amount to be transferred to Capital Reserve Account? [1]

a) ₹ 300

b) ₹ 2,100

c) ₹ 1,200

d) ₹ 1,700

OR

A Co.Ltd. issued ₹ 40,000; 12% Debentures at a discount of 10% redeemable at par. Pass Journal Entries

a) Bank A/c Dr. 40,000

To 12% Debentures A/c 36,000

To Discount on Issue of

Debentures A/c 4,000

b) Bank A/c Dr. 36,000

Discount on Issue of Debentures

A/c Dr. 4,000

To 12% Debentures A/c 40,000

c) 12% Debenture Application A/c

Dr. 36,000

Discount on Issue of Debentures

A/c Dr. 4,000

To 12% Debentures A/c 40,000

d) Bank A/c Dr. 36,000

To 12% Debenture Application

A/c 36,000

4. Isha and Naman were partners in a firm sharing profits and losses in the ratio of 2 : [1]

3. With effect from 1st April, 2022 they agreed to share profits and losses equally. Due to change in the profit sharing ratio, Isha's gain or sacrifice will be:

a) Sacrifice $\frac{1}{10}$

b) Sacrifice $\frac{2}{5}$

c) Gain $\frac{1}{10}$

d) Gain $\frac{2}{5}$

OR

Which of the following is legally qualified to start a partnership business?

a) A person disqualified by Law

b) Lunatic person

c) Solvent person

d) Minor Partner

5. A and B were partners in a firm sharing profits and losses in the ratio of 3 : 2. On 1st [1]

April, 2021 the balances in their capital accounts were ₹ 1,50,000 and ₹ 2,00,000 respectively. The partnership deed provided that interest on partners capital will be allowed @ 10% per annum. During the year ended 31st March, 2022, the firm incurred a loss of ₹ 10,000. Interest on A's capital will be:

a) ₹ 6,000

b) Nil

c) ₹ 15,000

d) ₹ 9,000

6. What type of debentures can be issued by an Indian company? [1]

- | | |
|----------------|---------------|
| a) Unsecured | b) Secured |
| c) Convertible | d) Redeemable |

OR

Interest on Debentures issued as Collateral Security is

- | | |
|---------------------------|-------------|
| a) None of these | b) paid |
| c) may or may not be paid | d) not paid |

7. **Assertion (A):** A company may forfeit the shares for non-payment of calls amount depend upon the Articles of Association of the company. [1]

Reason (R): Shares can be forfeited only if it is allowed by the Articles of Association of the company.

- | | |
|---|---|
| a) Both A and R are true and R is the correct explanation of A. | b) Both A and R are true but R is not the correct explanation of A. |
| c) A is true but R is false. | d) A is false but R is true. |

8. Gaining Ratio is applicable in the calculation of: [1]

- | | |
|---|---|
| a) For the distribution of Reserves and profits | b) For distribution of existing goodwill among partners |
| c) Retiring partner's share of goodwill only | d) For the Calculation of profit |

OR

Z is a partner in a firm. He withdrew regularly ₹ 2,000 every month for the six months ending 31st March, 2023. If interest on drawings is charged @ 8% p.a. the interest charged will be:

- | | |
|----------|----------|
| a) ₹ 240 | b) ₹ 280 |
| c) ₹ 200 | d) ₹ 480 |

Question No. 9 to 10 are based on the given text. Read the text carefully and answer the questions: [2]

A, B and C started a firm on 1st October, 2020 sharing profits equally. A drew regularly ₹ 4,000 in the beginning of every month for the six months ended 31st March, 2021. B drew regularly ₹ 4,000 at the end of every month for the six months ended 31st March,

2021. C drew regularly ₹ 4,000 in the middle of every month for the six months ended 31st March, 2021. IOD is charged at 5% p.a.

9. What is the total amount of drawings of the partners?

- | | |
|-------------|---------------|
| a) ₹ 96,000 | b) ₹ 1,44,000 |
| c) ₹ 24,000 | d) ₹ 72,000 |

10. What is the interest on drawings of B?

- | | |
|----------|----------|
| a) ₹ 300 | b) ₹ 250 |
| c) ₹ 350 | d) ₹ 200 |

11. In the absence of a partnership deed, partners, are not entitled to receive: [1]

- | | |
|------------------------|-----------------|
| a) Salaries | b) Commission |
| c) Interest on Capital | d) All of these |

12. Neeraj Ltd. forfeited 1,000 shares of ₹ 10 each issued at 20% premium (₹ 8 Called up) on which application of each and allotment of ₹ 5 each (including premium) has been received. Out of these, 700 shares were reissued for ₹ 6 per share (₹ 8 paid up). What is the amount transferred to Capital Reserve? [1]

- | | |
|------------|------------|
| a) ₹ 3,500 | b) ₹ 700 |
| c) ₹ 1,400 | d) ₹ 2,100 |

13. _____ can be used to write off Capital losses. [1]

- | | |
|--------------------|---|
| a) Capital Reserve | b) Discount on issue of Sweat Equity Shares |
| c) Reserve Capital | d) Issued Capital |

14. If a fixed amount is withdrawn by a partner at the end of each quarter, **interest on drawings** on the total amount withdrawn will be calculated for: [1]

- | | |
|-------------|--------------------------|
| a) 6 months | b) 3 months |
| c) 9 months | d) $4\frac{1}{2}$ months |

15. Girish and Balwant share profits in the ratio of 2 : 1. Vinod is admitted with $\frac{1}{5}$ share in profits. Vinod acquires $\frac{2}{3}$ of his share from Girish and $\frac{1}{3}$ of his share from Balwant. The new ratio will be: [1]

a) 8 : 4 : 3

b) 2 : 1 : 1

c) 13 : 23 : 12

d) 23 : 13 : 12

OR

A and B are partners sharing profits in the ratio of 7 : 3. They decided to admit Rishi as a new partner and new profit sharing ratio is 4 : 3 : 3. Rishi Paid ₹ 12,000 as his share of goodwill. Amount of goodwill transfer to the capital account of B:

a) 4800

b) 3600

c) 1200

d) Nil

16. Total creditors of the firm (already transferred to Realisation Account) were ₹30,000. [1]
Out of this, creditors waived their claim of ₹5,000 while the rest agreed to allow discount @ 10% of their respective claim. Journal Entry would be

a)

| | | | |
|-----------------|-----|--------|--------|
| Realisation A/c | Dr. | 25,000 | |
| To Bank A/c | | | 25,000 |

b)

| | | | |
|--------------------|-----|--------|--------|
| Bank A/c | Dr. | 22,500 | |
| To Realisation A/c | | | 22,500 |

c)

| | | | |
|---------------------|-----|--------|--------|
| Mohan's Capital A/c | Dr. | 22,500 | |
| To Realisation A/c | | | 22,500 |

d)

| | | | |
|--------------------|-----|--------|--------|
| Bank A/c | Dr. | 25,000 | |
| To Realisation A/c | | | 25,000 |

17. The capital of the firm of Amit and Sonu is ₹ 10,00,000 and the market rate of interest is 15%. Annual salary to the partners is ₹ 60,000 each. The profit for the last three years were ₹ 2,80,000, ₹ 3,80,000 and ₹ 4,20,000. Goodwill of the firm is to be valued on the basis of two years purchase of last three years average super profits. Calculate the goodwill of the firm. [3]
18. Arun and Barun were partners sharing profits in the ratio of 3 : 2. Their capitals were ₹ 50,000 and ₹ 30,000 respectively. Partnership deed provided for interest on capital @ 6% p.a. to Arun and Barun and quarterly salary of ₹ 1,000 to Barun. Arun had given a loan of ₹ 1,00,000 on 1st October, 2021 to the firm without any agreement about interest. For the year 2021-22, the profits earned were ₹ 26,800. [3]
Prepare Profit and Loss Appropriation Account of the firm for the year ended 31st March, 2022.

OR

List any two items that may appear on the debit side of the Capital Account of a partner when the capitals are fluctuating.

19. X Ltd. purchased assets of Y Ltd. as under: [3]

| | |
|---------------------|------------|
| Plant and Machinery | ₹8,00,000 |
| Land and Building | ₹72,00,000 |

The purchase consideration was ₹80,00,000. ₹20,00,000 were paid through bank and the remaining by issue of 6% debentures of ₹100 each at a premium of 20%. Pass necessary journal entries in the books of X Ltd.

OR

State any three purposes other than 'issue of bonus shares' for which securities premium can be utilised.

20. Harshit and Himanshu are partners sharing profits equally. They admit Sunil into partnership for equal share. Goodwill was agreed to be valued at two years' purchase of average profit of last four years. Profits for the last four years were: [3]

| Year Ended | Normal Profit/(Loss) (₹) |
|------------------------------|--------------------------|
| 31 st March, 2020 | 70,000; |
| 31 st March, 2021 | 1,00,000; |
| 31 st March, 2022 | 55,000 (Loss); |
| 31 st March, 2023 | 1,45,000. |

The books of account of the firm revealed as follows:

- Firm had abnormal gain of ₹ 10,000 during the year ended 31st March, 2020.
 - Firm incurred abnormal loss of ₹ 20,000 during the year ended 31st March, 2021.
 - Repairs to car amounting to ₹ 50,000 was wrongly debited to vehicles on 1st May, 2022. Depreciation was charged on vehicles @ 10% on Straight Line Method.
- Calculate the value of Goodwill.

21. Eastern Company Limited issued 40,000 shares of ₹ 10 each to the public for the subscription out of its share capital, payable as ₹ 4 on application, ₹ 3 on the allotment, and the balance on 1st and final call. Applications were received for 40,000 shares. The company made the allotment to the applicants in full. All the amounts due on the allotment and first and final call were duly received. Give the journal entries in the books of the company. [4]

22. Nisha, Kishor and Rohan were partners in a firm sharing profits and losses in the ratio of 5 : 3 : 2. The firm was dissolved on 31st March, 2023 by the order of the court. After transfer of assets (other than cash) and external liabilities to Realization Account, the following transactions took place: [4]
- An unrecorded liability of the firm of ₹ 45,000 was paid by Nisha.
 - Creditors, to whom ₹ 67,000 were due to be paid, accepted furniture at ₹ 35,000 and the balance was paid to them in cash.
 - Kishor had given a loan of ₹ 18,000 to the firm which was paid to him.
 - Stock worth ₹ 85,000 was taken over by Rohan at ₹ 72,000.
 - Expenses on dissolution amounted to ₹ 6,000 and were paid by Kishor.
 - Loss on dissolution amounted to ₹ 40,000.

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

23. Instant Tools Ltd. invited applications for issuing 2,00,000 equity shares of ₹ 10 each at a premium of ₹ 2 per share. The amount was payable as follows: [6]

| | |
|-------------------------|-----------------------------------|
| On Application | ₹ 5 per share (including premium) |
| On Allotment | ₹ 3 per share |
| On First and Final Call | Balance |

Applications were received for 2,50,000 shares. Applications for 10,000 shares were rejected and pro rata allotment was made to the remaining applicants. Over payments received on application were adjusted towards sums due on allotment. All calls were made and duly received except allotment and first and final call from Neeraj who applied for 7,200 shares. His shares were forfeited. Half of the forfeited shares were reissued for ₹ 48,000 as fully paid.

Pass the necessary journal entries for the above transactions in the books of Instant Tools Ltd. Open calls-in-arrears account wherever required.

OR

Spencer Paints Ltd. was registered with an authorised capital of ₹ 50,00,000 divided in 5,00,000 equity shares of ₹ 10 each. Company issued 2,00,000 equity shares at a premium of ₹ 3 per share, payable as follows: ₹ 4 on Application; ₹ 5 on Allotment (including premium); ₹ 2 on First Call and ₹ 2 on Second and Final Call. All shares were subscribed and all the money was duly received. Share issue expenses amounted to ₹ 75,000 which were fully written off against Securities Premium. Prepare necessary Journal Entries and Bank Account.

24. 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 : [6]

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 :

- The new profit sharing ratio shall be 1 : 2 : 2.
- Vishwash is to bring his capital of Rs 50,000 and to pay Rs 20,000 as his share of goodwill in the firm.
- Existing goodwill is to be written off.
- 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

Lokesh, Mansoor and Nihal were partners in a firm sharing profits as 50%, 30% and 20% respectively. On 31st March, 2014, their balance sheet was as follows:

| Liabilities | Amount (Rs) | Assets | Amount (Rs) |
|-----------------------------|-------------------|---------------------|-------------------|
| Creditors | 34,000 | Cash | 68,000 |
| Provident Fund | 10,000 | Stock | 38,000 |
| Investment Fluctuation Fund | 20,000 | Debtors 94,000 | |
| Capital A/cs: | | (-) Provision 6,000 | 88,000 |
| Lokesh 1,40,000 | | Investments | 80,000 |
| Mansoor 80,000 | | Goodwill | 40,000 |
| Nihal 50,000 | 2,70,000 | Profit and Loss | 20,000 |
| | 3,34,000 ===== | | 3,34,000 ===== |

On the above date, Mansoor retired and Lokesh and Nihal agreed to continue on the following terms:

- i. Firm's goodwill was valued at Rs 1,02,000 and it was decided to adjust Mansoor's share of goodwill into the capital accounts of the continuing partners.
- ii. There was a claim for workmen's compensation to the extent of Rs 12,000 and investments were brought down to Rs 30,000.
- iii. Provision for bad debts was to be reduced by Rs 2,000.
- iv. Mansoor was to be paid Rs 20,600 in cash and the balance will be transferred to his loan account which was paid in two equal instalments together with interest @ 10% per annum.
- v. Lokesh's and Nihal's capitals were to be adjusted in their new profit sharing ratio by bringing in or paying off cash as the case may be.

Prepare revaluation account and partners' capital accounts.

25. X, Y, and Z were partners sharing profits in the ratio 3: 2: 1. On 31st March 2008, their Balance Sheet stood as under : [6]

| Liabilities | | Amt(Rs.) | Assets | Amt(Rs.) |
|-----------------|---------------|----------|--------------|----------|
| Capitals: | | | Cash at Bank | 70,000 |
| X | 75,000 | | Investments | 50,000 |
| Y | 70,000 | | Patents | 15,000 |
| Z | <u>50,000</u> | 1,95,000 | Stock | 25,000 |
| Creditors | | 72,000 | Debtors | 20,000 |
| General Reserve | | 24,000 | Buildings | 75,000 |
| | | | Machinery | 36,000 |
| | | 2,91,000 | | 2,91,000 |

Z died on May 31st, 2008. It was agreed that

- a. Goodwill was valued at 3 years' purchase of the average profits of the last five years, which were 2003: Rs. 40,000; 2004: Rs. 40,000; 2005: Rs. 30,000; 2006: Rs. 40,000 and 2007: Rs. 50,000.
- b. Machinery was valued at Rs. 70,000, Patents at Rs. 20,000 and Buildings at Rs. 66,000.
- c. For the purpose of calculating Z's share of profits until the date of death, it was agreed that the same be calculated based on the average profits for the last 2 years.
- d. The executor of the deceased partner is to be paid the entire amount due by means of a cheque.

Prepare Z's Capital Accounts to be rendered to the executor and also a journal entry for the settlement of the amount due to Z's executor.

26. Govind Ltd. issued 20,000, 11% Debentures of ₹ 100 each, payable as follows: [6]
₹ 25 on application; ₹ 35 on allotment and ₹ 40 on first and final call.
All the debentures were applied. A, the holder of 500 debentures paid the entire amount on his holding on allotment and B, the holder of 100 debentures failed to pay the allotment and final call. Pass entries.

Part B :- Analysis of Financial Statements

27. For whom, analysis of financial statements is not significant? [1]
i. Share Market
ii. Taxing Officer
iii. Chief Military Officer
iv. Shareholder

- | | |
|-----------------|----------------|
| a) Option (ii) | b) Option (i) |
| c) Option (iii) | d) Option (iv) |

OR

Securities Premium Reserve is shown under:

- | | |
|------------------------|--------------------------|
| a) Current Liabilities | b) Share Capital |
| c) Reserve and Surplus | d) Short term provisions |

28. Revenue from Operations (Sales) ₹ 8,00,000; G.P. 25% on Cost; Office Exp. ₹ 25,000; [1]
Selling Exp. ₹ 15,000; Loss on Sale of Plant ₹ 10,000. Operating Ratio will be:
- | | |
|-----------|-----------|
| a) 81.25% | b) 86.25% |
| c) 85% | d) 80% |

29. As per Accounting Standard-3, Cash Flow is classified into [1]
- | | |
|--|--|
| a) Operating activities and financing activities | b) Investing activities and financing activities |
| c) Operating activities and investing activities | d) Operating activities, financing activities and investing activities |

OR

Which of the following is not source of cash?

a) Dividend received

b) Issue of shares

c) Purchase of machinery

d) Sale of asset

30. Which of the following transactions are shown under financing activities while preparing cash flow statement: [1]

i. Issue of Equity Shares

ii. Cash Received from Debtors

iii. Redemption of Debentures

iv. Cash Paid Against Trade Payables

Choose the correct option:

a) (i), (ii) and (iv)

b) (i) and (iii)

c) (i) and (ii)

d) (i)

31. Under which major heads and sub-heads the following items will be placed in the Balance Sheet of a company as per revised Schedule VI, Part I of the Companies Act, 1956 (Schedule III, Part I of the Companies Act, 2013)? [3]

i. Accrued Incomes

ii. Loose Tools

iii. Provision for Employees Benefits

iv. Unpaid Dividend

v. Short-term Loan

vi. Long-term Loans

32. Operating Cost ₹ 3,40,000; Gross Profit Ratio 20%; Operating Expenses ₹ 20,000. Calculate Operating Profit Ratio. [3]

33. From the following Statement of Profit and Loss of PP Ltd. prepare a **Common Size Statement of Profit and Loss** for the year ended 31.3.2021 and 31.3.2022: [4]

| Particulars | 2021-2022 (₹) | 2020-2021 (₹) |
|-------------------------|------------------|------------------|
| Revenue from operations | 20,00,000 | 10,00,000 |
| Other Income | 5,00,000 | 5,00,000 |
| Expenses | 10,00,000 | 7,00,000 |
| Tax Rate 50% | | |

OR

Prepare a Common Size Balance Sheet of X Ltd. from the following information:

| | 31.3.2023 | 31.3.2022 |
|---|-----------|-----------|
| Current Assets | 28.80 | 22.80 |
| Non-Current Investments | 1.80 | 1.20 |
| Property, Plant and Equipment and Intangible Assets | 41.40 | 36.00 |
| Share Capital | 30.00 | 30.00 |
| Reserves & Surplus | 12.00 | 7.20 |
| Non-Current Liabilities | 12.60 | 12.00 |
| Current Liabilities | 17.40 | 10.80 |

34. From the following Balance Sheet of Ravi Ltd. and the additional information as on 31-3-2023, prepare a Cash Flow Statement: [6]

| Ravi Ltd. | | | | |
|-------------------------------|--|----------|------------------|------------------|
| Balance Sheet as at 31-3-2023 | | | | |
| | Particulars | Note No. | 31-3-23 (₹) | 31-3-22 (₹) |
| I. | Equity and Liabilities | | | |
| | (1) Shareholders Funds | | | |
| | (a) Share Capital | | 7,90,000 | 5,80,000 |
| | (b) Reserves and Surplus | 1 | 4,60,000 | 1,20,000 |
| | (2) Non-Current Liabilities | | | |
| | Long term Borrowings | 2 | 5,00,000 | 3,00,000 |
| | (3) Current Liabilities | | | |
| | (a) Short term borrowings | 3 | 1,15,000 | 42,000 |
| | (b) Short term Provisions | 4 | 1,18,000 | 46,000 |
| | Total | | 19,83,000 | 10,88,000 |
| II. | Assets | | | |
| | (1) Non-Current Assets | | | |
| | Property, Plant and Equipment and Intangible Assets: | | | |
| | (i) Property, Plant and Equipment | 5 | 9,80,000 | 6,35,000 |
| | (ii) Intangible Assets | 6 | 2,68,000 | 1,70,000 |
| | (2) Current Assets | | | |
| | (a) Current Investments | | 1,40,000 | 70,000 |

| | | | |
|-------------------------------|--|------------------|------------------|
| (b) Trade Receivables | | 4,40,000 | 1,50,000 |
| (c) Cash and Cash Equivalents | | 1,55,000 | 63,000 |
| Total | | 19,83,000 | 10,88,000 |

Notes to Accounts

| Note No. | Particulars | 31-3-23 (₹) | 31-3-22(₹) |
|----------|---|-----------------|-----------------|
| 1. | Reserves and Surplus | | |
| | Surplus (Balance in Statement of Profit & Loss) | 3,20,000 | 60,000 |
| | General Reserve | 1,40,000 | 60,000 |
| | | 4,60,000 | 1,20,000 |
| 2. | Long-term Borrowings | | |
| | 12% Debentures | 5,00,000 | 3,00,000 |
| | | 5,00,000 | 3,00,000 |
| 3. | Short-term Borrowings | | |
| | Bank Overdraft | 1,15,000 | 42,000 |
| | | 1,15,000 | 42,000 |
| 4. | Short-terms Provisions | | |
| | Provision for Tax | 1,18,000 | 46,000 |
| | | 1,18,000 | 46,000 |
| 5. | Tangible Assets | | |
| | Plant and Machinery | 11,00,000 | 7,50,000 |
| | Less: Accumulated Depreciation | (1,20,000) | (1,15,000) |
| | | 9,80,000 | 6,35,000 |
| 6. | Intangible Assets | | |
| | Goodwill | 2,68,000 | 1,70,000 |
| | | 2,68,000 | 1,70,000 |

Additional Information:

12% debentures were issued on 1st September, 2022.

Solutions

Part A:- Accounting for Partnership Firms and Companies

1.

(c) 6,000

Explanation: Total capital of the firm after Z's admission = $24,000 \times 5/1 = 1,20,000$

Total capital of all the partners = $39,000 + 27,000 + 24,000 = 90,000$

Goodwill of the firm = $1,20,000 - 90,000$

= 30,000

Z's share in goodwill = $30,000 \times 1/5 = 6,000$

2. (a) Both A and R are true and R is the correct explanation of A.

Explanation: Both A and R are true and R is the correct explanation of A.

3.

(c) ₹ 1,200

Explanation: amount of forfeiture received on 400 shares = $400 \times ₹ 5 = ₹ 2,000$

amount of forfeiture received on 300 shares = $\frac{2,000}{400} \times 300 = ₹ 1,500$

amount transferred to capital reserve account = $1,500 - (300 \times ₹ 1) = ₹ 1,200$

OR

(c) 12% Debenture Application A/c Dr. 36,000

Discount on Issue of Debentures A/c Dr. 4,000

To 12% Debentures A/c 40,000

Explanation: 12% Debenture Application A/c Dr. 36,000

Discount on Issue of Debentures A/c Dr. 4,000

To 12% Debentures A/c 40,000

Bank A/c Dr. 36,000

To 12% Debenture Application A/c 36,000

4.

(c) Gain $\frac{1}{10}$

Explanation: Gain $\frac{1}{10}$

Isha's gain or sacrifice = $\frac{2}{5} - \frac{1}{2} = \frac{4-5}{10} = \frac{(-1)}{10}$ Gain

OR

(c) Solvent person

Explanation: Solvent person

5.

(b) Nil

Explanation: Nil

NO interest on capital provided in case of Loss.

6.

(b) Secured

Explanation: Secured

OR

(d) not paid

Explanation: not paid

7. (a) Both A and R are true and R is the correct explanation of A.

Explanation: articles of the company must authorise about the forfeiture of the shares

8.

(c) Retiring partner's share of goodwill only

Explanation: The main purpose of the calculation of gaining ratio at the time of retirement of a partner is to adjust his share of goodwill. After calculating his share of goodwill, gaining a partner's capital account will be debited in their gaining ratio and outgoing partner's capital account will be credited.

OR

(a) ₹ 240

Explanation: $12000 \times 8\% \times 3 / 12 = ₹ 240$

9. (d) ₹ 72,000

Explanation: ₹ 72,000

10. (b) ₹ 250

Explanation: ₹ 250

11.

(d) All of these

Explanation: In the absence of a partnership deed, partners, are not entitled to receive interest on capital, salaries and commission.

12.

(d) ₹ 2,100

Explanation:

| | |
|---|--------------|
| Forfeited amount is ₹ 2 on application and ₹ 3 on allotment | ₹ |
| Thus, forfeited amount on 700 share | 3,500 |
| Loss on reissue : 700×2 | <u>1,400</u> |
| Amount transferred to Capital Reserve | <u>2,100</u> |

13. (a) Capital Reserve

Explanation: Capital Reserve

14.

(d) $4\frac{1}{2}$ months

Explanation: If a fixed amount is withdrawn by a partner at the end of each quarter, **interest on drawings** on the total amount withdrawn will be calculated for 4.5 months

15. (a) 8 : 4 : 3

Explanation: Girish's New Share = $\frac{2}{3} \times \frac{4}{5} = \frac{8}{15}$

Balwant's Share = $\frac{1}{3} \times \frac{4}{5} = \frac{4}{15}$

Vinod's Share = $\frac{1}{5} = \frac{3}{15}$

∴ Girish : Balwant : Vinod = 8 : 4 : 3

OR

(d) Nil

Explanation: B is not sacrificing nor gaining on Rishu's admission.

16.

(c)

| | | | |
|---------------------|-----|--------|--|
| Mohan's Capital A/c | Dr. | 22,500 | |
|---------------------|-----|--------|--|

| | | | |
|--------------------|--|--|--------|
| To Realisation A/c | | | 22,500 |
|--------------------|--|--|--------|

Explanation: Calculation of the amount paid to the creditors in full settlement:

Total amount due to the creditors = 30,000

Amount waived by the creditors = 5,000

Amount due after deducting the amount waived by creditors = 30,000 - 5,000 = 25,000

Final Payment made to creditors are = 25,000 - 2500 (25000 × 10% Discount) = 22,500

17. Calculation of Actual Average Profit:-

Actual Average Profit = Average Profit - Remuneration to Partners

Actual Average Profit = ₹ 3,60,000 - ₹ 1,20,000

Actual Average Profit = ₹ 2,40,000

Normal Profit = Capital Employed × $\frac{\text{normal rate of return}}{100}$

Normal Profit = ₹ 10,00,000 × $\frac{15}{100}$

Normal Profit = ₹ 1,50,000

Super Profit = Actual Average Profit - Normal Profit

Super Profit = ₹ 2,40,000 - ₹ 1,50,000

Super Profit = ₹ 90,000

Goodwill = Super Profit × Number of year Purchases

Goodwill = ₹ 90,000 × 2

Goodwill = ₹ 1,80,000

18.

**Profit & Loss Appropriation A/c
for the year ended on March 31, 2022**

| Dr | | | Cr | |
|---|--------------|---------------|---------------------------------|---------------|
| Particulars | | Amount (₹) | Particulars | Amount (₹) |
| To Interest on Capital A/c | | | By P & L A/c (₹26,800 - ₹3,000) | 23,800 |
| Arun | 3,000 | | | |
| Barun | <u>1,800</u> | 4,800 | | |
| To Barun Salary A/c (1,000 × 4) | | 4,000 | | |
| To Profit transferred to Partners' Capital A/c: | | | | |
| Arun | 9,000 | | | |
| Barun | <u>6,000</u> | 15,000 | | |
| | | 23,800 | | 23,800 |

OR

i. Drawings;

ii. Interest in drawings.

19.

**BOOKS OF X LTD.
JOURNAL**

| Date | Particulars | L.F. | Dr. (₹) | Cr. (₹) |
|------|-------------------------|------|----------|---------|
| | Plant and Machinery A/c | Dr. | 8,00,000 | |

| | | | | | |
|--|--|-----|--|-----------|-----------|
| | Land and Building A/c | Dr. | | 72,00,000 | |
| | To Y Ltd. (Purchase of assets of Y Ltd.) | | | | 80,00,000 |
| | Y Ltd. | Dr. | | 20,00,000 | |
| | To Bank A/c (Part payment made through Bank) | | | | 20,00,000 |
| | Y Ltd. | Dr. | | 60,00,000 | |
| | To 6% Debentures A/c | | | | 50,00,000 |
| | To Securities Premium Reserve A/c (Issue of 50,000 Debentures of ₹100 each at 20% premium calculated as $\frac{60,00,000}{120} = 50,000$) | | | | 10,00,000 |

OR

According to Section 52 (2) of the Companies Act, 2013, the securities premium reserve may be applied for the following purposes

- To write off preliminary expenses of the company.
- To write off the expenses of or the commission paid or discount allowed on any issue of shares or debentures of the company.
- To provide for the premium payable on the redemption of any redeemable preference shares or of any debentures of the company.
- The company can use it to buy back its own shares.

Note that securities premium reserve is a capital nature receipt therefore it cannot be used to pay dividends.

20.

CALCULATION OF NORMAL PROFIT

| Year Ended | Profit/(Loss) (₹) | Adjustments* (₹) | Normal Profit (₹) |
|-------------------|-------------------|------------------|-------------------|
| 31 st March, 2020 | 70,000 | (10,000) | 60,000 |
| 31 st March, 2021 | 1,00,000 | 20,000 | 1,20,000 |
| 31st March, 2022 | (55,000) | (45,000) | (1,00,000) |
| 31st March, 2023 | 1,45,000 | 5,000 | 1,50,000 |
| | | | 2,30,000 |

$$\text{Average Profit} = \frac{\text{Total Normal Profit}}{\text{Number of Years}} = \frac{₹2,30,000}{4} = ₹ 57,500$$

$$\text{Value of Goodwill} = \text{Average Profit} \times \text{Number of Years' Purchase}$$

$$= ₹ 57,500 \times 2 = ₹ 1,15,000$$

*Adjustments:

| | |
|--|-----------------|
| 1. Repairs expenses that should have been debited to Profit and Loss Account as expense but accounted as capital expenditure. Loss to increase by ₹ 50,000 | ₹ (50,000) |
| 2. Depreciation wrongly debited to Profit and Loss Account for the Year ended 31st March, 2022 | 5,000 |
| Adjustment to be made in profit for the year ended 31st March, 2022 | (45,000) |

21.

Books of Eastern Company Limited Journal

| Date | Particulars | L.F. | Dr.(₹) | Cr.(₹) |
|------|-------------|------|--------|--------|
|------|-------------|------|--------|--------|

| | | | |
|--|-----|----------|----------|
| Bank A/c | Dr. | 1,60,000 | |
| To Share Application A/c | | | 1,60,000 |
| (Application money on 40,000 shares @ ₹ 4 per share received) | | | |
| Share Application A/c | Dr. | 1,60,000 | |
| To Share Capital A/c | | | 1,60,000 |
| (Application money transferred to share capital) | | | |
| Share Allotment A/c | Dr. | 1,20,000 | |
| To Share Capital A/c | | | 1,20,000 |
| (Money due on allotment of 40,000 shares @ ₹ 3 per share) | | | |
| Bank A/c | Dr. | 1,20,000 | |
| To Share allotment A/c | | | 1,20,000 |
| (Money received on 40,000 shares @ ₹ 3 per share on allotment) | | | |
| Share First and Final Call A/c | Dr. | 1,20,000 | |
| To Share Capital A/c | | | 1,20,000 |
| (Money due on 40,000 shares @ ₹ 3 per share on First and final call) | | | |
| Bank A/c | Dr. | 1,20,000 | |
| To Share First and Final Call A/c | | | 1,20,000 |
| (First and final call money received) | | | |

22.

JOURNAL

| Date | Particulars | L.F. | Dr. (₹) | Cr. (₹) |
|---------|--|------|---------|---------|
| 2023 | | | | |
| Mar. 31 | Realisation A/c | Dr. | 45,000 | |
| | To Nisha's Capital A/c | | | 45,000 |
| | (unrecorded liability paid by the partner) | | | |
| Mar. 31 | Realisation A/c | Dr. | 32,000 | |
| | To Cash A/c | | | 32,000 |
| | (creditors accepted the furniture and balance amount paid in cash) | | | |
| Mar. 31 | Kishor's Loan A/c | Dr. | 18,000 | |
| | To Cash A/c | | | 18,000 |
| | (Kishor's loan paid by firm) | | | |
| Mar. 31 | Rohan's Capital A/c | Dr. | 72,000 | |
| | To Realisation A/c | | | 72,000 |
| | (stock taken by Rohan) | | | |

| | | | | |
|---------|--|-----|--------|--------|
| Mar. 31 | Realisation A/c | Dr. | 6,000 | |
| | To Kishor's Capital A/c | | | 6,000 |
| | (dissolution expenses paid by Kishor on firm's behalf) | | | |
| Mar. 31 | Nisha's Capital A/c | Dr. | 20,000 | |
| | Kishor's Capital A/c | Dr. | 12,000 | |
| | Rohan's Capital A/c | Dr. | 8,000 | |
| | To Realisation A/c | | | 40,000 |
| | (loss on dissolution charged from partners in the old ratio) | | | |

23.

In the Books of Instant Tools Ltd.

Journal

| Date | Particulars | | L.F. | Dr. (₹) | Cr. (₹) |
|------|--|-----|------|-----------|-----------|
| | Bank A/c | Dr. | | 12,50,000 | |
| | To Share Application A/c | | | | 12,50,000 |
| | (Received application money received on 2,50,000 shares) | | | | |
| | Share Application A/c | Dr. | | 12,50,000 | |
| | To Share Capital A/c | | | | 6,00,000 |
| | To Security Premium Reserve A/c | | | | 4,00,000 |
| | To Share Allotment A/c | | | | 2,00,000 |
| | To Bank A/c | | | | 50,000 |
| | (Application money adjusted and surplus refunded) | | | | |
| | Share Allotment A/c | Dr. | | 6,00,000 | |
| | To Share Capital A/c | | | | 6,00,000 |
| | (Allotment due on 2,00,000 shares) | | | | |
| | Bank A/c | Dr. | | 3,88,000 | |
| | Calls in arrears A/c (WN) | Dr. | | 12,000 | |
| | To Share Allotment A/c | | | | 4,00,000 |
| | (Allotment money received) | | | | |
| | Share First and Final Call A/c | Dr. | | 8,00,000 | |
| | To Share Capital A/c | | | | 8,00,000 |
| | (First and final call money due) | | | | |
| | Bank A/c | Dr. | | 7,76,000 | |
| | Calls-in-Arrears A/c (6000 × 4) | | | 24,000 | |
| | To Share First and Final Call A/c | | | | 8,00,000 |
| | (First and final call money received) | | | | |

| | | | | |
|--|---|-----|--------|--------|
| | Share Capital A/c (6000 × 10) | Dr. | 60,000 | |
| | To Calls in Arrears A/c (12,000 + 24,000) | | | 36,000 |
| | To Share Forfeiture A/c | | | 24,000 |
| | (Forfeiture of 6000 shares for non-payment of allotment and call money) | | | |
| | Bank A/c | Dr. | 48,000 | |
| | To Share Capital A/c | | | 30,000 |
| | To Security Premium A/c | | | 18,000 |
| | (3,000 shares reissued) | | | |
| | Share Forfeiture A/c | Dr. | 12,000 | |
| | To Capital Reserve A/c | | | 12,000 |
| | (Gain on reissue of shares transferred to capital reserve) | | | |

Working Notes:

Calculation of calls-in-Arrears (Allotment money not paid by Neeraj:

- Number of shares allotted to Neeraj = $7,200 \times \frac{2,00,000}{2,40,000} = 6,000$ shares.
- Excess application money adjusted on allotment $[(7,200 - 6,000) \times ₹ 5] = ₹ 6,000$

| | | |
|------|---|----------|
| iii. | Allotment money due (6,000 × ₹ 3) | ₹ 18,000 |
| | Less: Excess application money adjusted on allotment (ii) | ₹ 6,000 |
| | Amount not Received from Neeraj on Allotment | ₹ 12,000 |

OR JOURNAL

| Date | Particulars | L.F. | Dr. (₹) | Cr. (₹) |
|------|---|------|-----------|-----------|
| | Bank A/c | Dr. | 8,00,000 | |
| | To Equity Share Application A/c (Money received on application) | | | 8,00,000 |
| | Equity Share Application A/c | Dr. | 8,00,000 | |
| | To Equity Share Capital A/c (Application money transferred to Share Capital A/c) | | | 8,00,000 |
| | Equity Share Allotment A/c | Dr. | 10,00,000 | |
| | To Equity Share Capital A/c | | | 4,00,000 |
| | To Securities Premium Reserve A/c (Allotment, including premium due) | | | 6,00,000 |
| | Bank A/c | Dr. | 10,00,000 | |
| | To Equity Share Allotment A/c (Allotment money received including premium) | | | 10,00,000 |
| | Equity Share First Call A/c | Dr. | 4,00,000 | |
| | To Equity Share Capital A/c | | | 4,00,000 |

| | | | | | |
|--|--|-----|--|----------|----------|
| | (Money due on first call) | | | | |
| | Bank A/c | Dr. | | 4,00,000 | |
| | To Equity Share First Call A/c (Money received on first call) | | | | 4,00,000 |
| | Equity Share Second & Final Call A/c | Dr. | | 4,00,000 | |
| | To Equity Share Capital A/c (Money due on second & final call) | | | | 4,00,000 |
| | Bank A/c | Dr. | | 4,00,000 | |
| | To Equity Share Second & Final Call A/c (Money received on second & final call) | | | | 4,00,000 |
| | Share Issue Expenses A/c | Dr. | | 75,000 | |
| | To Bank A/c (Expenses incurred on issue of shares) | | | | 75,000 |
| | Securities Premium Reserve A/c | Dr. | | 75,000 | |
| | To Share Issue Expenses A/c (Share issue expenses written off against Securities Premium Reserve A/c) | | | | 75,000 |

BANK ACCOUNT

| Particulars | ₹ | Particulars | ₹ |
|---|------------------|-----------------------------|------------------|
| To Equity Share Application A/c | 8,00,000 | By Share Issue Expenses A/c | 75,000 |
| To Equity Share Allotment A/c | 10,00,000 | By Balance c/d | 25,25,000 |
| To Equity Share First Call A/c | 4,00,000 | | |
| To Equity Share Second & Final Call A/c | 4,00,000 | | |
| | 26,00,000 | | 26,00,000 |

BALANCE SHEET OF SPENCER PAINTS LTD.

as at ...

| Particulars | Note No. | Current year | Previous year |
|------------------------------------|----------|--------------|---------------|
| I. EQUITY AND LIABILITIES : | | ₹ | ₹ |
| Shareholder's Funds: | | | |
| (a) Share Capital | 1 | 20,00,000 | |
| (b) Reserve and Surplus | 2 | 5,25,000 | |
| | | 25,25,000 | |
| II. ASSETS: | | | |
| Current Assets: | | | |
| Cash and Cash Equivalents | 3 | 25,25,000 | |

Notes to Accounts:

| | | |
|-------------------|---|---|
| (1) Share Capital | ₹ | ₹ |
| Authorised: | | |

| | | |
|---|-----------|--|
| 5,00,000 Equity Shares of ₹ 10 each | 50,00,000 | |
| Issued, Subscribed & Fully Paid Capital | | |
| (2) Reserve and Surplus | 20,00,000 | |
| Securities Premium Reserve | 5,25,000 | |
| (3) Cash and Cash Equivalents: | | |
| Cash at Bank | 25,25,000 | |

24.

**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. | | | | | | | Cr. |
|-----------------|------------|-----------|--------------|-----------------------------|------------|-----------|--------------|
| Particulars | Sunder(Rs) | Chand(Rs) | Vishwash(Rs) | Particulars | Sunder(Rs) | Chand(Rs) | Vishwash(Rs) |
| To Goodwill c/d | 12,000 | 8,000 | --- | By Balance b/d | 50,000 | 75,000 | --- |
| To Balance c/d | 64,000 | 71,000 | 50,000 | By Revaluation A/c (Profit) | 3,000 | 2,000 | |
| | | | | By Bank A/c | --- | --- | 50,000 |
| | | | | By Premium A/c(Goodwill) | 20,000 | --- | -- |
| | | | | By Profit and Loss A/c | 3,000 | 2,000 | -- |
| | 76,000 | 79,000 | 50,000 | | 76,000 | 79,000 | 50,000 |
| | | | | By Balance c/d | 64,000 | 71,000 | 50,000 |

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 | | |

| Dr. | | | Cr. |
|------------------------------|--------|--|--------|
| 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

$$\text{Sunder} = \frac{3}{5} - \frac{1}{5} = \frac{2}{5}$$

Chand = $\frac{2}{5} - \frac{2}{5} = \text{Nil}$. 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 | Amount (Rs) | Particulars | Amount (Rs) |
|-------------------------------------|-----------------|-------------------------------------|-----------------|
| To Workmen's Compensation Claim A/c | 12,000 | By Provision for Bad Debts A/c | 2,000 |
| To Investment A/c | 30,000 | By Loss Transferred to Capital A/cs | |
| | | Lokesh 20,000 | |
| | | Mansoor 12,000 | |
| | | Nihal 8,000 | 40,000 |
| | 42,000 ===== | | 42,000 ===== |

Partners' Capital Account

| Particulars | Lokesh Amount (Rs) | Mansoor Amount (Rs) | Nihal Amount (Rs) | Particulars | Lokesh Amount (Rs) | Mansoor Amount (Rs) | Nihal Amount (Rs) |
|---------------------------|--------------------|---------------------|-------------------|-------------------------|--------------------|---------------------|-------------------|
| To Profit and Loss A/c | 10,000 | 6,000 | 4,000 | By Balance b/d | 1,40,000 | 80,000 | 50,000 |
| To Goodwill A/c | 20,000 | 12,000 | 8,000 | By Lokesh's Capital A/c | | 21,857 | |
| To Revaluation A/c (Loss) | 20,000 | 12,000 | 8,000 | By Nihal's Capital A/c | | 8,743 | |

| | | | | | | | |
|-------------------------------|-------------------|-------------------|-----------------|-------------------------------|-------------------|-------------------|-----------------|
| To Mansoor's Capital A/c | 21,857 | | 8,743 | By Cash A/c(Balancing Figure) | | | 4,286 |
| To Cash A/c | | 20,600 | | | | | |
| To Mansoor's Loan A/c | | 60,000 | | | | | |
| To Cash A/c(Balancing Figure) | 4,286 | | | | | | |
| To Balance c/d | 63,857 | | 25,543 | | | | |
| | 1,40,000 ===== | 1,10,600 ===== | 54,286 ===== | | 1,40,000 ===== | 1,10,600 ===== | 54,286 ===== |

Working Note: Whenever a partner exits a partnership, the books of accounts of such a firm have to be settled. The outgoing partner or his legal representatives have to be paid their dues. This means a revaluation of assets and liabilities must be done. Share of goodwill is to be calculated, and the adjusted capital after retirement is to be calculated.

Calculation of Share of Goodwill

Mansoor's share of goodwill = $1,02,000 \times \frac{3}{10} = \text{Rs } 30,600$, to be contributed by Lokesh and Nihal in gaining ratio i.e., 5 : 2

Lokesh will pay = $30,600 \times \frac{5}{7} = \text{Rs } 21,857$; Nihal will pay = $30,600 \times \frac{2}{7} = \text{Rs } 8,743$

Calculation of Capital of New Firm after Mansoor's Retirement

Lokesh's capital after adjustment = 68,143

Nihal's capital after adjustment = 21,257

Total Capital = 89,400

Lokesh's new capital = $89,400 \times \frac{5}{7} = \text{Rs } 63,857$

Nihal's new capital = $89,400 \times \frac{2}{7} = \text{Rs } 25,543$

25.

Z's Capital Account

| Dr. | | | Cr. |
|-----------------------|---------|--|---------|
| Particulars | Amt(Rs) | Particulars | Amt(Rs) |
| To Z's Executor's A/c | 80,250 | By Balance b/d | 50,000 |
| | | By General reserve(24,000 x 1/6) | 4,000 |
| | | By Revaluation A/c(30,000 x 1/6 working notes) | 5,000 |
| | | By X's Capital A/c (20,000 x 3/5) | 12,000 |
| | | By Y's Capital A/c (20,000 x 2/5) | 8,000 |
| | | By P and L Suspense A/c (working notes X) | 1,250 |
| | 80,250 | | 80,250 |

Journal

| Date | Particulars | L.F. | Dr.(Rs) | Cr.(Rs) |
|---------------|-----------------|------|---------|---------|
| 2008 March 31 | Z's Capital A/c | Dr. | 80,250 | |

| Date | Particulars | | L.F. | Dr.(Rs) | Cr.(Rs) |
|------|---|-----|------|---------|---------|
| | To Z's Executor's A/c (Being the amount due to Z transferred to Z's Executor's A/c on Z's death) | | | | 80,250 |
| | Z's Executor A/c | Dr. | | 80,250 | |
| | To Bank A/c (Being executor's A/c Settled) | | | | 80,250 |

Working Notes:

i.

Revaluation Account

| Dr. | | | | Cr. |
|--|--------|---------|------------------|---------|
| Particulars | | Amt(Rs) | Particulars | Amt(Rs) |
| To Building A/c | | 9,000 | By Machinery A/c | 34,000 |
| To Profit transferred to Capital A/cs: | | | By Patents A/c | 3,300 |
| X (30,000 x 3/6) | 15,000 | | | |
| Y (30,000 x 2/6) | 10,000 | | | |
| Z (30,000 x 1/6) | 5,000 | 30,000 | | |
| | | 39,000 | | 39,000 |

ii. Goodwill = 3 x average profit

iii. Average Profit = Total profit / number of years

iv. Total profit = 40,000 + 40,000 + 30,000 + 40,000 + Rs. 50,000 = 2,00,000.

v. Number of years = 5

vi. So Average Profit = 2,00,000 / 5 = 40,000

vii. Goodwill = 2 x average profit i.e 40000 X 3 = Rs. 1,20,000

Z's share of Goodwill = $1,20,000 \times \frac{1}{6}$ = Rs. 20,000

viii. Z's share in profit = Average profit $\times \frac{1}{6} \times \frac{2}{12}$

ix. Average profit = 50,000 + 40000 / 2 = 45,000

x. Z's share in profit = Rs. 45,000 $\times \frac{1}{6} \times \frac{2}{12}$ = Rs. 1,250

26.

Journal of Govind Ltd.

| Date | Particular | | L.F. | Dr. (₹) | Cr. (₹) |
|------|---|-----|------|----------|----------|
| | Bank A/c | Dr. | | 5,00,000 | |
| | To 11% Debentures Application A/c (Application money received on 20,000 debentures @ ₹25 each) | | | | 5,00,000 |
| | 11% Debentures Application A/c | Dr. | | 5,00,000 | |
| | To 11% Debentures A/c (Application money transferred) | | | | 5,00,000 |
| | 11% Debentures Allotment A/c | Dr. | | 7,00,000 | |
| | To 11% Debentures A/c (Allotment due) | | | | 7,00,000 |
| | Bank A/c | Dr. | | 7,16,500 | |

| Date | Particular | | L.F. | Dr. (₹) | Cr. (₹) |
|------|---|-----|------|----------|----------|
| | To 11% Debenture Allotment A/c | | | | 6,96,500 |
| | To Calls in Advance A/c (Allotment received on 19,900 debentures @ ₹ 35 per debenture; plus call received in advance on 500 debenture @ ₹ 40 per debenture) | | | | 20,000 |
| | 11% Debenture First & Final Call A/c | Dr. | | 8,00,000 | |
| | To 11% Debentures A/c (First and final call due on 20,000 debentures @ ₹ 40 per debenture) | | | | 8,00,000 |
| | Bank A/c | Dr. | | 7,76,000 | |
| | Calls in Advance A/c | Dr. | | 20,000 | |
| | To 11% Debentures First & Final Call A/c (First and final call money received on 19,900 debentures @ ₹ 40 per debenture; Calls in advance on 500 debentures of A previously received now adjusted) | | | | 7,96,000 |

Part B :- Analysis of Financial Statements

27.

(c) Option (iii)

Explanation: Option (iii)

OR

(c) Reserve and Surplus

Explanation: Securities premium reserve (SPR) is shown under the heading Shareholders funds and subheading Reserves and Surplus of Balance sheet.

28.

(c) 85%

Explanation: Operating Ratio = $\frac{\text{Cost of Revenue from Operations} + \text{Operating Exp.}}{\text{Revenue from Operations}} \times 100$

If Cost is 100, G.P. will be ₹ 25 and Revenue from Operations will be ₹ 125

Hence, Cost of Revenue from Operations = $8,00,000 \times \frac{100}{125}$

= 6,40,000

Operating Exp. = Office Exp. + Selling Exp.

= ₹ 25,000 + ₹ 15,000 = ₹ 40,000

Operating Ratio = $\frac{6,40,000 + 40,000}{8,00,000} \times 100 = 85\%$

29.

(d) Operating activities, financing activities and investing activities

Explanation: Operating activities, financing activities and investing activities

OR

(c) Purchase of machinery

Explanation: Purchase of machinery

30.

(b) (i) and (iii)

Explanation: (i) and (iii)

| 31. | S.No. | Particulars | Major Head of Balance Sheet | Sub-head of Balance Sheet |
|-----|-------|----------------------------------|-----------------------------|---------------------------|
| | (i) | Accrued Incomes | Current Assets | Other Current Assets |
| | (ii) | Loose Tools | Current Assets | Inventories |
| | (iii) | Provision for Employees Benefits | Non-Current Liabilities | Long-term Provisions |
| | (iii) | Unpaid Dividend | Current Liabilities | Other Current Liabilities |
| | (iv) | Short-term Loans | Current Liabilities | Short-term Borrowings |
| | (v) | Long-term Loans | Non-Current Liabilities | Long-term Borrowings |

32. Cost of Revenue from Operations = Operating Cost - Operating Expenses

$$= 3,40,000 - 20,000 = ₹ 3,20,000$$

$$\text{Gross Profit} = \frac{3,20,000 \times 20}{80} = ₹ 80,000 \text{ (gross profit is 20\% means cost of goods sold 80\%)}$$

Revenue from Operations = Cost of Revenue from Operations + Gross Profit

$$= 3,20,000 + 80,000 = ₹ 4,00,000$$

Operating Profit = Revenue from Operations - Operating Cost

$$= 4,00,000 - 3,40,000 = ₹ 60,000$$

$$\text{Operating Profit Ratio} = \frac{\text{Operating Profit}}{\text{Revenue from Operations}} \times 100 = \frac{60,000}{4,00,000} \times 100 = 15\%$$

33. **Common Size Statement of Profit & Loss**

| Particulars | Note No. | Absolute Amount | | Percentage of Revenue from Operation | |
|---------------------------------|----------|------------------|------------------|--------------------------------------|----------------------|
| | | 31st March, 2021 | 31st March, 2022 | 31st March, 2021 (%) | 31st March, 2022 (%) |
| I. Revenue from Operations | | 10,00,000 | 20,00,000 | 100 | 100 |
| II. Other Income | | 5,00,000 | 5,00,000 | 50 | 25 |
| III. Total Revenue (I + II) | | 15,00,000 | 25,00,000 | 150 | 125 |
| IV. Expenses | | 7,00,000 | 10,00,000 | 70 | 50 |
| V. Profit before tax (III - IV) | | 8,00,000 | 15,00,000 | 80 | 75 |
| VI. Income Tax (50%) | | 4,00,000 | 7,50,000 | 40 | 37.5 |
| VII. Profit after tax (V - VI) | | 4,00,000 | 7,50,000 | 40 | 37.5 |

OR

IN THE BOOKS OF X LTD.

Common Size Balance Sheet
as at 31st March, 2022 and 2023

| Particular | Note No. | Absolute Amounts | | Percentage of Balance Sheet Total | |
|------------|----------|------------------|----------|-----------------------------------|----------|
| | | 2022 (₹) | 2023 (₹) | 2022 (%) | 2023 (%) |
| | | | | | |

| | | | | | |
|--|--|--------------|--------------|---------------|---------------|
| I. Equity and Liabilities: | | | | | |
| 1. Shareholder's Funds | | | | | |
| (a) Share Capital | | 30.00 | 30.00 | 50.00 | 41.67 |
| (b) Reserve and Surplus | | 7.20 | 12.00 | 12.00 | 16.66 |
| 2. Non-Current Liabilities | | 12.00 | 12.60 | 20.00 | 17.50 |
| 3. Current Liabilities | | 10.80 | 17.40 | 18.00 | 24.17 |
| Total | | 60.00 | 72.00 | 100.00 | 100.00 |
| II. Assets: | | | | | |
| 1. Property, Plant and Equipment and Intangible Assets | | | | | |
| (a) Property, Plant and Equipment | | 36.00 | 41.40 | 60.00 | 57.50 |
| Non-current investments | | 1.20 | 1.80 | 2.00 | 2.50 |
| 2. Current Assets | | 22.80 | 28.80 | 38.00 | 40.00 |
| Total | | 60.00 | 72.00 | 100.00 | 100.00 |

34. **Working Notes:**

Calculation of Net Profit before Tax:

| | |
|------------------------------------|-----------------|
| Net Profit after Tax | 2,60,000 |
| Add: Amount transferred to Reserve | 80,000 |
| Add: Provision for Tax | 1,18,000 |
| Net Profit before Tax | 4,58,000 |

Cash Flow Statement

| Particulars | (₹) | (₹) |
|---|-------------------|-------------------|
| <u>I. CASH FLOWS FROM OPERATING ACTIVITIES</u> | | |
| Net Profit before Tax | 4,58,000 | |
| Add: depreciation on Plant and Machinery | 5,000 | |
| Interest on 12% Debentures | <u>50,000</u> | |
| Operating profit before Working Capital changes | 5,13,000 | |
| Less: Increase in Trade Receivables | <u>(2,90,000)</u> | |
| Cash generated from operations | 2,23,000 | |
| Less: Tax paid | <u>(46,000)</u> | |
| cash inflow from operating activities | | 1,77,000 |
| <u>II. CASH FLOWS FROM INVESTING ACTIVITIES</u> | | |
| Purchase of Plant and Machinery | (3,50,000) | |
| Purchase of Goodwill | <u>(98,000)</u> | |
| cash used in investing activities | | (4,48,000) |
| <u>III. CASH FLOWS FROM FINANCING ACTIVITIES</u> | | |

| | | |
|--|-----------------|------------------------|
| Issue of Shares | 2,10,000 | |
| Issue of 12% Debentures | 2,00,000 | |
| Bank overdraft raised | 73,000 | |
| Interest paid on 12 % Debentures | (50,000) | |
| cash inflow from financing activities | | <u>4,33,000</u> |
| Net increase in Cash and Cash Equivalents | | <u>1,62,000</u> |
| Add: Opening Cash and Cash equivalents: | | |
| Current Investments | 70,000 | |
| Cash and Cash equivalents | <u>63,000</u> | <u>1,33,000</u> |
| Closing Cash and Cash equivalents: | | |
| Current Investments | 1,40,000 | |
| Cash and Cash equivalents | <u>1,55,000</u> | <u>2,95,000</u> |