CBSE Class 12 Accountancy
Sample Paper 10 (2019-20)

Maximum Marks: 80
Time Allowed: 3 hours

General Instructions:

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

Section A

1. What is the difference between Fund Based Accounting and Non Fund Based Accounting?

2. _______ can be calculated on the basis of time and sales.

   a. Goodwill of the firm

   b. Deceased partner's share of profit

   c. Revaluation Profit

   d. Revaluation loss

3. What is Realisation Account?

4. Being Chander brought rs 20000 for his share of goodwill. Which account should be debited?

   a. Goodwill A/c

   b. Cash/Bank A/c

c. Profit and Loss A/c

d. Partner's capital account

5. If super profits are Rs 1500 and rate of return is 15%. State the goodwill on the basis of capitalising the super profits.

6. State the ratio in which the partners share profits or losses on the revaluation of assets and liabilities when there is a change in profit sharing ratio amongst the existing partners.

7. Why are 'reserves and surplus' distributed at the time of reconstitution of the firm?

8. Give the meaning of 'reconstitution of a partnership firm'.

9. P, Q and R were partners in a firm sharing profits in the ratio of 5 : 4 : 3. Their capitals were Rs 40,000, Rs 50,000 and Rs 1,00,000 respectively. State the ratio in which the goodwill of the firm amounting to Rs 1,20,000 will be adjusted on the retirement of R.

10. Fill in the blanks:
    Revaluation account is a ________ account.

11. In case of dissolution of a firm, which liabilities are to be paid first?

12. Why does a company purchase its own debentures from the open market?
    a. For Raising Finance
    b. For Cancellation only
    c. For Cancellation OR Investment
    d. For Investment only

13. Fill in the blanks:

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

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

OR

Show the treatment of items of income and expenditure account when there is a specific fund for those items.

15. X, Y, and Z share profit and losses in the ratio of 12: 13: 5. Z retires and surrenders $\frac{1}{5}^{\text{th}}$ of his share in favour of Y and remaining in favour of X. Calculate new profit 5 sharing ratio and gaining ratio.

16. Ajay, Binay and Chetan were partners sharing profits in the ratio of 3 : 3 : 2. The partnership deed provided for the following

    i. Salary of Rs 2,000 per quarter to Ajay and Binay.
    ii. Chetan was entitled to a commission of Rs 8,000.
    iii. Binay was guaranteed a profit of Rs 50,000 per annum.

    The profit of the firm for the year ended 31st March, 2015 was Rs 1,50,000 which was distributed among Ajay, Binay and Chetan in the ratio 2: 2: 1, without taking into consideration the provisions of partnership deed. Pass necessary rectifying entry for the above adjustments in the books of the firm. Show your workings clearly.

OR

Lalan and Balan were partners in a firm sharing profits in the ratio of 3: 2. Their fixed capitals on 1st April, 2010 were Lalan Rs 1,00,000 and Balan Rs 2,00,000. They agreed to allow interest on capital @ 12% per annum and charge on drawings @ 15% per annum. The firm earned a profit, before all above adjustments, of Rs 30,000 for the year ended 31st March, 2011. The drawings of Lalan and Balan during the year were Rs 3,000 and Rs 5,000 respectively. Showing your calculation clearly, prepare profit and loss appropriation account of Lalan and Balan. The interest on capital will be allowed even if the firm incurs loss.

17. The authorised capital of Suhani Ltd is Rs. 45,00,000 divided into 30,000 shares of Rs. 150 each. Out of these, company issued 15,000 shares of Rs. 150 each at a premium of Rs. 10 per share. The amount was payable as follows: Rs. 50 per share on application, Rs. 40 per share on allotment (including premium), Rs. 30 per share on

first call and balance on final call. Public applied for 14,000 shares. All the money was duly received.

Prepare an extract of balance sheet of Suhani Ltd as per Revised Schedule III, Part I of the Companies Act, 2013 disclosing the above information. Also prepare 'notes to accounts' for the same.

18. Pass the necessary journal entries for the following transactions on the dissolution of the firm of S and T after the various assets (other than cash) and outside liabilities have been transferred to realisation account.

    i. S agreed to pay off her husband's loan Rs. 1,900.
    ii. A debtor whose debt of Rs. 930 was written off as bad debts in the books paid Rs. 750 in full settlement.
    iii. T took over all investments at Rs. 1,330.
    iv. Sundry creditors Rs. 1,000 were paid at 9% discount.
    v. Realisation expenses Rs. 340 were paid by S for which she was allowed Rs. 300.
    vi. Loss on realisation Rs. 940 was divided between S and T in 3: 2 ratio.

19. From the following Receipts and Payments Account and additional information, prepare Income and Expenditure Account and Balance Sheet of Sears Club, Noida as on March 31, 2018.

Receipts and Payments Account of Sears Club for the year ended 31-3-2018

Receipts	Amount (Rs.)	Payments	Amount (Rs.)
To Balance b/d	20,000	By Stationery	23,400
To Subscriptions		By 12% Investments	8,000
2016-17 40,000		By Electricity expenses	10,600
2017-18 94,000		By Expenses on lectures	30,000
2018-19 7,200	1,41,200	By Sports equipment	59,000
To Donations for building	40,000	By Books	40,000

To Interest on Investments	800	By Balance c/d	50,000
To Government Grant	17,400		
To Sale of Old furniture			
(Book value Rs.4,000)	1,600		
	2,21,000		**2,21,000**

Additional Information :

i. The club has 200 members each paying an annual subscription of Rs.1,000. Rs.60,000 were in arrears for last year and 25 members paid in advance in the last year for the current year.
ii. Stock of stationery on 1-4-2017 was Rs.3,000 and on 31-3-2018 was Rs.4,000.

20. SSS Ltd. issued 25,000,10% debentures of 100 each. Give journal entries and the Balance Sheet in each of the following cases when :

i. The debentures were issued at a premium of 20%
ii. The debentures were issued as a collateral security to bank against a loan of Rs.20,00,000.
iii. The debentures were issued to a supplier of machinery costing Rs.28,00,000 as his full and final payment.

OR

Rahul Ltd. has 50,000 9% Debentures of Rs. 50 each due on redemption on 31st March 2015. Debentures redemption reserve has a balance of Rs. 5,00,000 on that date. Record the necessary journal entries at the time of redemption of debentures.

21. Charu and Harsha were partners in a firm sharing profits in the ratio of 3: 2. On 1st April, 2014 their balance sheet was as follows

Balance Sheet

as at 1st April ,2014

Liabilities		**Amt (Rs)**	**Assets**	**Amt (Rs)**

Creditors		17,000	Cash	6,000
General Reserve		4,000	Debtors	15,000
Workmen Compensation Fund		9,000	Investments	20,000
Investment Fluctuation Fund		11,000	Plant	147,000
Provision for Doubtful Debts		2,000	Land and Building	38,000
Capital A/cs				
Charu	30,000			
Harsha	20,000	50,000		
		93,000		93,000

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

i. Vaishali will bring Rs 20,000 for her capital and Rs 4,000 for her share of goodwill premium.
ii. All debtors were considered good.
iii. The market value of investments was Rs 15,000.
iv. There was a liability of Rs 6,000 for workmen compensation.
v. Capital accounts of Charu and Harsha are to be adjusted on the basis of Vaishali's capital by opening current accounts. Prepare revaluation account and partners' capital accounts.

OR

L, M and N were partners in a firm sharing profits in the ratio of 3: 2: 1. Their balance sheet as at 31st March, 2015 was as follows

Balance Sheet

as at 31st March, 2015

Liabilities	Amount (Rs)	Assets	Amount (Rs)

Creditors	1,68,000	Bank	34,000
General Reserve	42,000	Debtors	46,000
Capital A/cs		Stock	2,20,000
L 1,20,000		Investments	60,000
M 80,000		Furniture	20,000
N 40,000	2,40,000	Machinery	70,000
	4,50,000 =======		4,50,000 =======

On the above date, O was admitted as a new partner and it was decided that:

i. The new profit sharing ratio between L, M, N and O will be 2: 2 : 1: 1.
ii. Goodwill of the firm was valued at Rs 1,80,000 and O brought his share of goodwill premium in cash.
iii. The market value of investments was at Rs.36,000.
iv. Machinery will be reduced to Rs 58,000.
v. A creditor of Rs 6,000 was not likely to claim the amount and hence is to be written-off.
vi. O will bring proportionate capital so as to give him 1/6th share in the profits of the firm. Prepare revaluation account, partners' capital accounts and the balance sheet of the new firm.

22. X Ltd issued 40,000 equity shares of Rs. 10 each at a premium of Rs. 2.50 per share.
The amount was payable as follows
On application — Rs. 2 per share
On allotment — Rs. 4.50 per share (including premium)
and on call — Balance t 6 per share
Owing to heavy subscription the allotment was made on pro-rata basis as follows

i. Applications for 20,000 shares were allotted 10,000 shares.
ii. Applications for 56,000 shares were allotted 14,000 shares.
iii. Applications for 48,000 shares were allotted 16,000 shares.

It was decided that excess amount received on applications would be utilised on allotment and the surplus would be refunded. Ram, to whom 1,000 shares were allotted, who belongs to category (i), failed to pay allotment money. His shares were forfeited after the call. Pass necessary journal entries in the books of X Ltd for the above transactions.

OR

RK Ltd invited applications for issuing 80,000 equity shares of Rs. 10 each at a premium of Rs. 35 per share. The amount was payable as follows
On application — Rs. 8 (including Rs. 5 premium) per share
On allotment — 12 (including Rs. 10 premium) per share
On first and final call — Balance
Applications for 75,000 shares were received and allotment was made to all the applicants Rahim, a shareholder who was allotted 3,000 shares failed to pay allotment money and his shares were immediately forfeited.
Afterwards, the first and final call was made. Suhani who held 3,000 shares failed to pay the final call. Her shares were also forfeited. All the forfeited shares were reissued for a sum of Rs. 62,000 as fully paid up. Pass necessary journal entries for the above transactions in the books of RK Ltd.

Section B

23. Match the following. Option are as below

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

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

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

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

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

24. What is measured by Liquidity Ratios?

25. From the following information calculate interest coverage ratio:

	Rs.
10,000 equity shares to Rs. 10 each	1,00,000
8% Preference Shares	70,000
10% Debentures	50,000
Long term Loans from Banks	50,000
Interest on longs term loans from bank	5,000
Profit after tax	75,000
Tax	9,000

26. Name the head under which the **Calls-in-Advance** is shown in the company's Balance Sheet.

27. Purchase of patents would result in inflow', outflow or no flow' of cash? Give your answer with reason?

28. State true or false:

    Capital Reserve recorded under Share Capital (subhead) in Shareholders fund (major head).

29. Match the following:

(a) Cash budget is prepared for	(i) Marketable security
(b) cash flow statement is prepared for	(ii) cash payment of wages
(c) cash equivalents include	(iii) Future period
(d) cash flow from operating activity	(iv) Past period

30. Under which sub-headings will the following items be placed in the balance sheet of a company as per Schedule III, Part I of the Companies Act, 2013.

i. Capital reserves
ii. Bonds
iii. Loans repayable on demand
iv. Vehicles
v. Goodwill
vi. Loose tools

OR

Under what heads and sub-heads, the following items will appear in the balance sheet of a company as per Schedule III, Part I of the Companies Act, 2013.

i. Premium on redemption of debentures
ii. Loose tools
iii. Balances with banks

31. From the following information provided, prepare a comparative statement of profit and loss for the period 2018 and 2019.

Particulars	**2018 Amt (Rs.)**	**2019 Amt (Rs.)**
Revenue from Operations	6,00,000	9,00,000
Gross Profit	40% on Revenue from Operations	50% on Revenue from Operations
Administrative Expenses	20% on Gross Profit	15% on Gross Profit
Income Tax	50%	50%

OR

From the following 'statement of profit and loss' for the year ended 31st March, 2013, prepare a ‘comparative statement of profit and loss of Good Services Ltd.

Particulars	Note No	2012-2013 Amt. (Rs.)	2011-2012 Amt. (Rs.)
Revenue from Operations		20,00,000	15,00,000
Other Incomes		10,00,000	4,00,000
Expenses		21,00,000	15,00,00

Rate of income tax was 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 plant was Rs. 10000 and building Rs. 60000.

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Solution
Section A

1. Difference between Fund based accounting and Non Fund based accounting are as follows :

	Basis	Fund Based Accounting	Non fund based Accounting
i)	Accounting base	It is on cash basis	It is on accrual basis
ii)	Funds	Specific funds are used for specific purposes except for general fund.It means neither incomes from such funds nor expenses from such funds enter Income & Expenditure Account.Ex.- Sports Fund etc.	Funds can be used for any profit earning purpose. It means income from such funds and expenses from such funds enter in Income and Expenditure Account. Ex. General Fund.
iii)	Economic interest	Owners have no economic interests.	Owners have economic interest in the form of profit.
iv)	Accountability	Accountability is towards law, regulations, legislature, parliament contributors and donors of fund.	Accountability is towards all stock holders, viz, owners creditors, government regulations etc.
v)	Usual earnings	Usually expenditure is more than income known as deficit.	The result of matching of revenue and expenses may either be profit or loss.

2. (b) Deceased partner’s share of profit

   Explanation: Deceased partner’s share of profit can be calculated on the basis of the time and sales. His share of profit will be transferred to his capital account.

3. Realisation account is a nominal account which is prepared at the time of dissolution of firm to record the realized value of assets and payment of the liabilities.

4. (b) Cash/Bank A/c

   Explanation: When a new partner is admitted and he brings his share of goodwill (premium for goodwill) in cash, in such a case Cash or Bank account should be debited and Premium for goodwill account should be credited.

5. **Goodwill** = Super Profit x $\frac{100}{\text{Normal Rate of Return}}$

   = 1,500 x $\frac{100}{15}$

   = Rs. **10,000**.

6. At the time of change in profit sharing ratio among the existing partners,Gain or loss on revaluation are distributed in existing partners in old profit sharing ratio,

7. New partner is not entitled to any share in Reserves and surplus at the time of reconstitution of the firm because they are earned/accrued by the old partners so undistributed profits or losses are always distributed among old partners in old Profit-sharing ratio.

8. Any change in the existing agreement of partnership is reconstitution of a partnership firm. As a result, the existing agreement comes to an end and the new agreement comes into existence. But, the firm continues its business as earlier and Reconstituion of a firm always leads to change in profit-sharing ratio amomg partners.

9. Goodwill will be adjusted by the remaining partners in their gaining ratio. Here, R's share of goodwill, i.e. ₹30,000 (1,20,000 $\times$ 3/12) will be contributed by P and Q in their gaining ratio, i.e. 5: 4.

10. Nominal

11. According to Section 48 (b), debts of the firm to the third parties and dissolution expenses are to be paid first. After that partners' loans are to paid and at the end

partners capitals are settled.

12. (c) For Cancellation OR Investment

Explanation: The main purpose of a company in purchasing its own debentures from the open market can be:

(i) For Immediate Cancellation

(ii) For Investment Purpose

13. Subscribed

14. **Profit & Loss Appropriation Account**

for the year ended 31st March, 2015

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

Working Notes:-

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

Salary = 8000×12 =Rs. 96,000

Total 2,56,000

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

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

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

OR

There are various sources of receipts like donations, subscriptions, government grants, etc. to an NPO. Some receipts are specific while others are general. While the former can only be used for the specific purpose for which they are received, the latter can be used for any purpose. For example, if donation is received for construction of buildings, then this donation is a specific donation and thereby can only be used for construction of the building. The specific receipts are not considered as revenue income for the NPO and hence are not shown in the Income and Expenditure Account. In fact, such receipts are considered as liabilities to the NPO as these amounts are received for specific purpose and cannot be used for any other purpose. Specific receipts are shown in the Liabilities side of the Balance Sheet, until and unless they are fully set off against the purpose for which they are received. On the other hand, if these amounts are invested outside the organizations (in the form of shares, debentures, etc.), then these are called funds like, match funds, prize fund, etc. The interest and income earned on such investments are not credited to the Income and Expenditure Account but in fact are credited to the respective Fund Account. Similarly, the expenses incurred for such funds are not debited to the Income and Expenditure Account but, in fact, are debited to the respective Fund Account. These special funds are shown in the Liabilities side of the Balance Sheet.

15. **Calculation of New Profit Sharing Ratio:**

as we know that Gaining ratio = new ratio - old ratio

so new ratio = gaining ratio + old ratio

X's gain = $\frac{4}{5} \times \frac{5}{30} = \frac{4}{30}$

Y's gain = $\frac{1}{5} \times \frac{5}{30} = \frac{1}{30}$

X's new share = $\frac{12}{30} + \frac{4}{30} = \frac{16}{30}$

Y's new share = $\frac{13}{30} + \frac{1}{30} = \frac{14}{30}$

New ratio of X and Y = 8 : 7

Calculation of Gaining Ratio:

Gaining Ratio = New Ratio - Old Ratio

NEW ratio = 8:7 & old ratio =12:13:5

X's Gaining Share = $\frac{8}{15} - \frac{12}{30} = \frac{16-12}{30} = \frac{4}{30}$

Y's Gaining Share = $\frac{7}{15} - \frac{13}{30} = \frac{14-13}{30} = \frac{1}{30}$

Thus, gaining ratio of X and Y = 4 : 1

16. **Adjustment Entry**

Date	Particulars	LF	Amt(Dr)	Amt(Cr)
	Binay's capital A/c		2,000	
	Ajay's Capital A/c		6,400	
	To Chetan's Capital A/c (Being the adjustment entry passed)			8,400

Table showing adjustments to be made

Particulars	Ajay(Rs)	Binay(Rs)	Chetan(Rs)	Total
I. Amount already Recorded Share of Profit to be debited i.e. Rs 1,50,000 in 2 : 2 : 1	60,000	60,000	30,000	1,50,000
II. Amount which should have been Recorded				
Commission			8,000	8,000
Salary to Ajay and Binay $(2000 \times 4 = 8,000)$	8,000	8,000		16,000
Guarantee to Binay	--------	50,000	----------	50,000
Share of Profit to be credited i.e., Rs 76,000 in 3: 2	45,600	----------	30,400	76,000
	53,600	58,000	38,400	1,50,000
Balance to be adjusted Net Effect [I - II]	6,400(Dr)	2,000(Dr)	8,400(Cr)	Nil

Working Notes:

Calculation of Adjusted Profits

Adjusted Profit = Given Profit - Salary - Commission - Guarantee to Binay

= 1,50,000 - 16,000 (8,000 + 8,000) - 8,000 - 50,000 = Rs 76,000

Distribution Of Profit

Ajay's share of profit = $76000 \times 3/5 = 45600$

Chetan's share of profit = $76,000 \times 2/5 = 30400$

OR

Profit and Loss Appropriation Account
for the year ending 31st March, 2011

Dr					**Cr**
Particulars		**Amt(Rs)**	**Particulars**		**Amt(Rs)**
To Interest on capital A/cs			By Profit and Loss A/c (Net profit)		30,000
Lalan's current A/c	12,000		By Interest on Drawings A/c		
Balan's Current A/c	24,000	36,000	Lalan's Current A/c	225	
			Balan's Current A/c	375	600
			By Net Loss transferred to		
			Lalan's Current A/c (5400×3/5)	3,240	
			Balan's Current A/c (5400×2/5)	2,160	5,400
		36,000			36,000

Working Note

i. Interest on drawings is to be calculated on an average basis for 6 months as the time period is not given i.e.
   Interest on Lalan's drawings = 3,000 $\times \frac{15}{100} \times \frac{6}{12}$ = Rs 225
   Interest on Balan's drawings = 5,000 $\times \frac{15}{100} \times \frac{6}{12}$ = Rs 375
ii. Calculation of Interest on capital

Lalan = 1,00,000 $\times \frac{12}{100}$ = Rs 12,000

Balan = 2,00,000 $\times \frac{12}{100}$ = Rs 24,000

iii. As in the above question fixed capitals are given,so everything will be charged through partner's current account.

iv. Interest on capital is to be allowed whether the firm has earned profit or incurred loss that means interest on capital is considered as charge on profit.

17. **In the books of Suhani Ltd.**

Balance Sheet

Particulars	**Note No.**	**Rs.**
I. Equities & Liabilities		
1. Shareholder's Fund		
(a) Share Capital	1	21,00,000
(b) Reserve & Surplus	2	1,40,000

Note to Account

Particulars	**Rs.**
1. Share Capital:	
(a) Authorized Share Capital:	
30,000 equity share @rs.150 each	45,00,000
(b) Issued share capital:	
15,000 equity share @ rs.150 each	22,50,000
(c) Subscribed & Fully Paid-up Share Capital:	
14,000 equity share @rs. 150 each	**21,00,000**

2. Reserve & Surplus:	
Security Premium Reserve (14,000 equity shares @ Rs. 10 each)	**1,40,000**

18. **JOURNAL**

Date	Particulars		L.F.	Amount Rs.	Amount Rs.
	Realisation A/c	Dr.		1,900	
	To S's Capital A/c (Being S's husband loan was taken over by S, transferred to her capital account)				1,900
	Bank A/c	Dr.		750	
	To Realisation A/c (Being debtors realised as 930 in 750)				750
	T's Capital A/c	Dr.		1,330	
	To Realisation A/c (Being the investment taken over by T transferred to his capital account)				1,330
	Realisation A/c (working note no 1)	Dr.		910	
	To Bank A/c (Being creditors settled of 1,000 at 9 % discount))				910
	S's Capital A/c	Dr.		300	
	To Realisation A/c (Being the realisation expenses born by S transferred to her capital a/c)				300
	S's Capital A/c(940 x 3/5)	Dr.		564	
	T's Capital A/c(940 x 2/5)	Dr.		376	
	To Realisation A/c				

	(Being the loss on realisation transferred to partners' capital accounts)	Dr.			940

Working note:

total creditor = 1,000

discount = 9% i.e 1,000 x 9 /100=90

so the payment is 1,000 - 90 =910

19. **Working Notes:**

Balance Sheet of Sears Club

as on 31st March 2017

Liabilities	**Amount (Rs.)**	**Assets**	**Amount (Rs.)**
Subscriptions received in advance	25,000	Outstanding Subscriptions	60,000
Capital Fund	62,000	Stock of Stationery	3,000
		Cash	20,000
		Furniture	4,000
	87,000		**87,000**

Income and Expenditure A/c

for the year ended March 31, 2018

Particular	**Amount (Rs.)**	**Particulars**		**Amount (Rs.)**
To Stationery consumed	22,400	By Subscriptions		2,00,000
To loss on sale of old furniture	2,400	By Interest on investments	800	
To electricity expenses	10,600	Add interest accrued	160	960
To expenses on lectures	30,000	By Government Grant		17,400

To surplus	***1,52,960***			
	2,18,360			**2,18,360**

Balance Sheet

as on 31st March 2018

Liabilities		**Amount (Rs.)**	**Assets**	**Amount (Rs.)**
Subscriptions received in advance		7,200	Outstanding Subscriptions	1,01,000
Donations for building		40,000	Stock of stationery	4,000
Capital fund	62,000		Cash	50,000
Add Surplus	1,52,960	2,14,960	Investments	80,000
			Interest accrued on investments	160
			Sports Equipment	59,000
			Books	40,000
		2,62,160		**2,62,160**

20. **JOURNAL**

Date	**Particulars**		**L.F.**	**Amt (Dr)**	**Amt (Cr)**
	Bank A/c (25,000*120)	Dr		30,00,000	
	To Debenture Application and Allotment A/c (Being application money received)				30,00,000
	Debenture Application and Allotment A/c	Dr		30,00,000	
	To 10%				

	Debentures A/c (25,000*100)				25,00,000
	To Securities Premium Reserve A/c (25,000*20) (Being application money transferred to 10% debentures account)				5,00,000

Balance Sheet
as at..........

	Particulars	Note No.	Amt (Rs)
I.	**EQUITY AND LIABILITIES**		
1	Shareholders' Funds		
	Reserve and Surplus	1	5,00,000
2	Non-current Liabilities		
	Long-term Borrowings	2	25,00,000
	Total		30,00,000
II.	**ASSETS**		
1	Current Assets		
	Cash and Cash Equivalents	3	30,00,000
	Total		30,00,000

Notes to Accounts

	Particulars	Amt (Rs)
1	Reserves and Surplus	
	Securities Premium Reserve	5,00,000
2	Non-current Liabilities	

	10% Debentures	25,00,000
3	Cash and Cash Equivalents	
	Cash at Bank	30,00,000

JOURNAL

Date	Particulars		L.F.	Amt (Dr)	Amt (Cr)
(i)	Bank A/c	Dr		20,00,000	
	To Bank loan A/c (Being bank loan taken)				20,00,000
(ii)	Debenture Suspense A/c	Dr		25,00,000	
	To 10% Debentures A/c (Being 25,000, 10% debentures of Rs.100 each issued as Collateral security)				25,00,000

Balance Sheet

As at ....

	Particulars	Amt (Rs)
1	**EQUITY AND LIABILITIES**	
	Non-current Liabilities	
	Long-term Borrowings	20,00,000

Notes to Accounts

	Particulars		Amt (Rs)
1	**Long-term Borrowings**		

	Loan from Bank		20,00,000
	25,000, 10% Debentures of Par Value of Rs.100 each Issued as Collateral Security	25,00,000	
	(-)Debenture Suspense	(25,00,000)	
			20,00,000

JOURNAL

Date	Particulars		L.F.	Amt (Dr)	Amt (Cr)
	Machinery A/c	Dr		28,00,000	
	To Vendor's A/c (Being machinery purchased)				28,00,000
	Vendor's A/c	Dr		28,00,000	
	To 10% Debentures A/c (25,000*100)				25,00,000
	To Securities Premium Reserve A/c (Being 25,000, 10% debentures issued to the supplier of machinery at premium)				3,00,000

Balance Sheet

As at..............................

	Particulars	Note No.	Amt (Rs)
I.	**EQUITY AND LIABILITIES**		
1	**Shareholders' Funds**		
	Reserves and Surplus	1	3,00,000
2	**Non-current Liabilities**		
	Long-term Borrowings	2	25,00,000

	Total		28,00,00
II.	**ASSETS**		
1.	**Non-current Assets**		
	Fixed Assets		
	Tangible Assets	3	28,00,000
	Total		28,00,000

Notes to Accounts

	Particulars	Amt (Rs)
1	**Reserves and Surplus**	
	Securities Premium Reserve	3,00,000
2	**Long-term Borrowings**	
	10% Debentures (25,000 debentures @ Rs.100)	25,00,000
3	**Tangible Fixed Assets**	
	Machinery	28,00,000

NOTES :

- Debentures issued as collateral security being for the loan of the company, debentures issued as collateral security are shown in the Note to Accounts in which loan is secured by debentures is shown.
- If the company fails to pay the loan along with interest with the time, the lender may recover the dues from the sale of primary security or by seeking redemption of collateral security.

OR

Books of Rahul Ltd.

Journal

Date	Particulars		L.F.	Debit	Credit

				(Rs.)	(Rs.)
2014 31st March	Balance in Statement of Profit & Loss A/c	Dr.	1,25,000	...	
	To Debentures Redemption Reserve A/c (Note 1)		...	1,25,000	
	(Being transfer of profit to Debenture Redemption Reserve)		...	...	
2014 Apr. 30	Debentures Redemption Investment A/c (25,00,000*15%)	Dr.	3,75,000	...	
	To Bank A/c		...	3,75,000	
	(Being Investment in specified securities made)		...	...	
31st March	Bank A/c	Dr.	3,75,000	...	
	To Deb. Redemption Investment A/c		...	3,75,000	
	(Being Investment Encashed)		...	...	
31st March	10 % Debentures A/c	Dr.	25,00,000	...	
	To Debenture holders A/c		...	25,00,000	
	(Being the amount due to Debenture holders)		...	...	
2015 31st Match	Debenture holders A/c	Dr.	25,00,000	...	
	To Bank A/c		...	25,00,000	
	(Being the amount paid to Debenture holders)		...	...	

31st March	Debentures Redemption Reserve A/c	Dr.	6,25,000	...
	To General Reserve A/c		...	6,25,000
	(Being D.R.R. A/c Closed by transfer to General Reserve A/c after redemption of all Debentures)		...	...

Note:
Debenture Redemption Reserve should be at least 25% of the nominal value of debenture to be redeemed.
So Amount of Debenture Redemption Reserve = 25,00,000*25% = 6,25,000
Reserve already created = 5,00,000
Reserve to be created = 6,25,000 - 5,00,000 = 1,25,000

21.

Dr		**Revaluation Account**		**Cr**
Particulars		**Amt (Rs)**	**Particulars**	**Amt (Rs)**
To Gain Transferred to Partners' Capital A/c			By Provision for Doubtful Debts A/c	2,000
Charu (2000×3/5)	1,200			
Harsha (2000×2/5)	800	2,000		
		2,000		2,000

Dr	**Partners* Capita! Account**						**Cr**
Particulars	**Charu (Rs)**	**Harsha (Rs)**	**Vaishali (Rs)**	**Particulars**	**Charu (Rs)**	**Harsha (Rs)**	**Vaishali (Rs)**
To Partners' Current A/c	5,400	3,600	—	By Balance b/d	30,000	20,000	—
(Balancing				By General			

figure)				Reserve A/c	2,400	1,600	—
To Balance c/d	36,000	24,000	20,000	By Workmen Compensation			
				Fund A/c	1,800	1,200	—
				By Investment Fluctuation			
				Fund A/c	3,600	2,400	—
				By Revaluation A/c (Profit)	1,200	800	—
				By Cash A/c	—	—	20,000
				By Premium for			
				Goodwill A/c	2,400	1,600	—
					41,400	27,600	20,000

Working Note

i. **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, Charu's new share = $=\frac{3}{5}\times\frac{3}{4}=\frac{9}{20}$

Harsha's new share = $\frac{2}{5}\times\frac{3}{4}=\frac{6}{20}$

$\therefore$ New profit sharing ratio = $\frac{9}{20}:\frac{6}{20}:\frac{1}{4}=9:6:5$

ii. **Calculation of Sacrificing Ratio**

Old ratio =3:2

New ratio = 9:6:5

Sacrificing Ratio = Old Share - New Share

Charu = $\frac{3}{5}-\frac{9}{20}=\frac{12-9}{20}=\frac{3}{20}$

harsha = $\frac{2}{5}-\frac{6}{20}=\frac{8-6}{20}=\frac{2}{20}$

$\therefore$ Sacrificing ratio = 3:2

iii. **Distribution of Goodwill**

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

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

iv. **Adjustment of Capital**

Vaishali's capital for $\frac{1}{4}$ th share $= 20,000$

Total capital of firm = $20,000 \times \frac{4}{1} = Rs 80,000$

New profit sharing ratio = 9:6:5

Charu's new capital = $80,000 \times \frac{9}{20} = Rs 36,000$

Harsha's new capital = $80,000 \times \frac{6}{20} = Rs 24,000$

Vaishali's new capital = $80,000 \times \frac{6}{20} = Rs 24,000$

v. Investment Fluctuation Fund is maintained to meet the fall in market value of Investments

Investment Fluctuation Fund required to set off loss = Book value - Market Value = 20,000-15,000 = 5,000.

Surplus of Investment Fluctuation Fund = Balance of Investment fluctuation Fund-Investment Fluctuation Fund Required to set off loss= 11000-5,000=6,000

Surplus of Investment Fluctuation Fund is transferred to old partners' Capital Accounts in their old Profit-sharing Ratio.

OR

Revaluation A/c

Particulars	**Amount (Rs)**	**Particulars**	**Amount (Rs)**
To Investment A/c	24,000	By Creditors A/c	6,000
To Machinery	12,000	By Loss Transferred to Capital A/cs	
		L 15,000	

		M 10,000	
		N 5,000	30,000
	36,000 ========		36,000 =======

Partner's Capital A/c

Particulars	L Amount (Rs)	M Amount R)	N Amount Rs)	O Amount (Rs)	Particulars	L Amount (Rs)	Am (I
To Revaluation A/c (Loss)	15,000	10,000	5,000		By Balance b/d	1,20,000	80
To Balance c/d	1,56,000	84,000	42,000	56,400	By Reserve A/c	21,000	14
					By Premium for Goodwill A/c	30,000	
					By Cash A/c		
	1,71,000 ======	94,000 ======	47,000 ======	56,400 =======		1,71,000 =======	94 ==

Balance Sheet

as at 31st March,2015

Liabilities		Amt (Rs)	Assets		Amt (Rs)
Creditors (1,68,000 -6,000)		1,62,000	Debtors		46,000

Capital A/cs			Stock		2,20,000
L	1,56,000		Investments (60,000-24,000)		36,000
M	84,000		Furniture and Fittings		20,000
N	42,000		Machinery	70,000	
O	56,400	3,38,400	(-) Depreciation	(12,000)	58,000
			Bank		1,20,400
		5,00,400			5,00,400

Working Note

When a new partner is admitted he/she acquires his/her share in profit from the existing partners. As a result, the profit sharing ratio in the new firm is decided mutually between the existing partners and the new partner.

i. Calculation of Sacrificing Ratio

Sacrificing Ratio = Old Share - New Share

$\mathbf{L} = \frac{3}{6} - \frac{2}{6} = \frac{3-2}{6} = \frac{1}{6}$

$M = \frac{2}{6} - \frac{2}{6} = \frac{2-2}{6} = \text{Nil}$

$N = \frac{1}{6} - \frac{1}{6} = \frac{1-1}{6} = \text{Nil}$

Over a period of time, a business firm develops a good name and reputation among the customers. This help the business earn some extra profits as compared to a newly set up business. In accounting capitalised value of this extra profit is known as goodwill.

Adjustment for Goodwill

Firm’s goodwill = Rs 1,80,000

O's share of goodwill = $1,80,000 \times \frac{1}{6} = Rs30,000$

O’s share of goodwill will be credited to L’s capital account as he is the only sacrificing partner.

i. Calculation of Adjustment of Capital

Adjusted capital of L	1,56,000
Adjusted capital of M	84,000
Adjusted capital of N	42,000
Total adjusted capital	Rs 2,82,000

For 5/6th share, combined capital of L, M and N after adjustment is Rs 2,82,000
$\therefore$ Total capital of the firm is $282,000 \times \frac{6}{5} = Rs3,38,400$
$\therefore$ O's share in capital =$3,38.400 \times \frac{1}{6} = Rs56,400$

Bank A/c

Particulars	**Amount (Rs)**	**Particulars**	**Amount (Rs)**
To Balance b/d	34,000	By Balance C/d	1,20,400
To Premium for Goodwill A/c	30,000		
To 0's Capital A/c	56,400		
	1,20,400 ========		1,20,400 =======

22. **JOURNAL**

Date	**Particular**	**L.F.**	**Amt. (Dr.)**	**Amt. (Cr.)**
	Bank A/c (1,24,000 $\times$ 2) Dr.		2,48,000	
	To Equity Share Application A/c			2,48,000
	(Being share application money received.)			
	Equity Share Application A/c Dr.		2,48,000	
	To Equity Share Capital A/c			80,000

	To Equity Share Allotment A/c			1,47,000
	To Bank A/c			21,000
	(Being share application money adjusted)			
	Equity Share Allotment A/c Dr.		1,80,000	
	To Equity Share Capital A/c (40,000 × 2)			80,000
	To Securities Premium Reserve A/c (40,000 × 2.5)			1,00,000
	(Being allotment money due on 40,000 equity shares @ Rs. 4.50 per share including premium of Rs. 2.50 each)			
	Bank A/c Dr.		30,500	
	To Equity Share Allotment A/c			30,500
	(Being allotment money received and excess on application adjusted)			
	Equity Share First and Final Call A/c (40,000 × 6) Dr.		2,40,000	
	To Equity Share Capital A/c			2,40,000
	(Being first and final call money due on 40,000 equity shares @ Rs. 6 per share)			
	Bank A/c Dr.		2,34,000	
	To Equity Share First and Final Call A/c			2,34,000
	(Being share first and final call money received on 39,000 equity shares @ Rs. 6 each)			
	Equity Share Capital A/c (1,000 × 10) Dr.		10,000	
	Securities Premium Reserve A/c (1,000 × 2.5) Dr.		2,500	
	To Forfeited Share A/c			4,000
	To Equity Share Allotment A/c			2,500
	To Equity Share First and Final Call A/c (1,000 × 6)			6,000

	(Being 1,000 shares forfeited.)				

Working Note

Shares Applied	Shares Allotted	Application Money Received @ Rs. 2	Application Money Transferred	Excess Money on Application	Allotment, Due @ Rs. 4.50	Excess Applicatio Money Adjusted
20,000	10,000	40,000	20,000	20,000	45,000	20,000
56,000	14,000	1,12,000	28,000	84,000	63,000	63,000
48,000	16,000	96,000	32,000	64,000	72,000	64,000
1,24,000	40,000	2,48,000	80,000	1,68,000	1,80,000	1,47,000

Number of shares applied by Ram $= 1,000 \times \frac{20,000}{10,000} = 2,000$ shares

Surplus towards Allotment on Ram's Shares	Amt. (Rs.)
Application money received (2,000 × 2)	4,000
(-) Application money required (1,000 × 2)	(2,000)
Surplus towards allotment	2,000

Calculation of Amount Received on Allotment

Allotment money due (40,000 × 4.50)	1,80,000
(-) Excess received with application	(1,47,000)
	33,000
(-) Calls-in-arrears (Ram)	
Due (1,000 × 4.50) 4500	
(-) Surplus (2,000)	(2,500)
	30,500

OR

JOURNAL

Date	Particular	L.F	Amt (Dr.)	Amt (Cr.)
i	Bank A/c ($75,000 \times 8$) Dr.		6,00,000	
	To Equity Share Application A/c			6,00,000
	(Being application money received.)			
ii	Equity Share Application A/c Dr.		6,00,000	
	To Equity Share Capital A/c ($75,000 \times 3$)			2,25,000
	To Securities Premium Reserves A/c ($75,000 \times 5$)			3,75,000
	(Being application money transferred.)			
iii	Equity Share allotment A/c Dr.		9,00,000	
	To Equity Share Capital A/c ($75,000 \times 2$)			1,50,000
	To Securities Premium Reserve A/c ($75,000 \times 10$)			7,50,000
	(Being allotment money due.)			
iv	Bank A/c ($75,000 \times 12$) Dr.		8,64,000	
	To Equity Share Allotment A/c			8,64,000
	(Being allotment money received.)			
v	Equity Share Capital A/c ($3,000 \times 5$) Dr.		15,000	
	Securities Premium Reserve A/c ($3,000 \times 10$) Dr.		30,000	
	To Shares Forfeiture A/c ($3,000 \times 3$)			9,000
	To Equity Share Allotment A/c ($3,000 \times 12$)			36,000
	(Being 3,000 shares forfeited for non-payment of			

	allotment money.)			
vi	Equity Share First and Final Call A/c ($72,000 \times 25$) Dr.		18,00,000	
	To Equity Share Capital A/c ($72,000 \times 5$)			3,60,000
	To Securities Premium Reserve A/c ($72,000 \times 20$)			14,40,000
	(Being first and final call money due.)			
vii	Bank A/c ($69,000 \times 25$) Dr.		17,25,000	
	To Equity Share First and Final Call A/c			17,25,000
	(Being first and final call money received.)			
viii	Equity Share Capital A/c ($3,000 \times 10$) Dr.		30,000	
	Securities Premium Reserve A/c ($3,000 \times 20$) Dr.		60,000	
	To Shares Forfeiture A/c ($3,000 \times 5$)			15,000
	To Equity Share First and Final Call A/c ($3,000 \times 25$)			75,000
	Being shares forfeiture for non payment of call money.)			
ix	Bank A/c Dr.		62,000	
	To Equity Share Capital A/c ($6,000 \times 10$)			60,000
	To Securities Premium Reserve A/c			2,000
	(Being all forfeited shares received for Rs. 62,000 as fully paid up.)			
x	Shares Forfeiture A/c Dr.		24,000	
	To Capital Reserve A/c			24,000
	(Being gain on reissue transferred to capital reserve.)			

Section B

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

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

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

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

24. Liquidity Ratio measures **short-term solvency**.

25. Interest Coverage Ratio = (Rs 50000 ×10/100)= Rs. 5000

    Profit before Interest & Tax = Profit after tax + Interest on debentures + Interest Long term Loans

    = Rs. 75,000+9,000+5000+5000 = Rs. 94,000

    Interest Coverage Ratio = (net profit, interest &tax/fixed Interest Charges).

    =(94000/10000)= 9. 4 Times

26.

Item	Major Head	Sub Head
Call-in-Advance	Current Liabilities	Other Current Liabilities

27. Purchase of Patents would result in outflow of cash, because it involves payment of cash for acquisition of an asset. Cash outflow is the amount of cash that a business disburses

28. False

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

30. As per the provisions of schedule 3 of the company's act the following items are arranged in the sub headings and main headings as given below.

Sl.No.	**Items**	**Sub-Headings**

(i)	Capital Reserves	Reserves - reserves and surplus
(ii)	Bonds	Long-term Borrowings - long term liabilities
(iii)	Loans Repayable on Demand	Short-term Borrowings - current liabilities
(iv)	Vehicles	Tangible assets - fixed assets
(v)	Goodwill	Intangible assets- Fixed Assets
(vi)	Loose Tools	Inventories- current assets

OR

Premium on redemption of debentures is payable on redemption of debentures and treated as a long term liability. Loose tools represent inventories and balances with bank represents cash equivalents.

Sl.No	**Items**	**Major Headings**	**Sub-headings**
(i)	Premium on Redemption of Debentures	Non-current Liabilities	Other Long-term Liabilities
(ii)	Loose Tools	Current Assets	Inventories
(iii)	Balances with Banks	Current Assets	Cash and Cash Equivalents

31. **Comparative Income Statement**

Particular	**2018**	**2019**	Absolute Change	% Change
	(A)	**(B)**	**(C= B-A)**	**(D= C/A *100)**
	Rs.	Rs.	Rs.	%
I. Revenue From Operation	600000	900000	300000	50
II. Total Revenue	**240000**	**450000**	210000	87.5

III. Expenses:				
Administrative expenses	48000	67500	19500	40.625
Total	**48000**	**67500**	19500	40.625
IV. Profit Before Tax (II – III)	**192000**	**382500**	190500	99.22
Less:- Tax @50%	96000	191250	95250	99.22
V. Profit After Tax	**96000**	**191250**	95250	99..22

OR

Comparative Income Statement

Particulars	**2011-12**	**2012-13**	**Absolute Change**	**% change**
	(A)	**(B)**	**(C= B-A)**	**(D= $\frac{C}{A} \times 100$)**
	Rs.	Rs.	Rs.	%
Revenue From Operation	1500000	2000000	500000	33.33
Other Income	400000	1000000	600000	150
Total Revenue (1)	**1900000**	**3000000**	**1100000**	57.89
Expenses (2)	**1500000**	**2100000**	**600000**	40
Profit Before Tax (1- 2)	400000	900000	500000	125
Less : Tax @ 50 %	200000	450000	250000	125
Profit after Tax	**200000**	**450000**	**250000**	125

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 do 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 statement of Profit and losses to other reserves is added to Net Profit because it is an appropriation of Net Profit for the year.