CBSE Class 12 Accountancy
Sample Paper 05 (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 term given to excess of income over expenditure in case of non-profit organisations?

2. A, M and B are partners in a firm sharing profit and losse in the ratio of 3:2:2 B has desired to retire from the firm and desires his son should be admitted as partner in his place. The partnership deed is silent A and M agrees to the change and sharing profit and loss in the same ratio. Do you think the change will be as per the law and why?

   a. Permission from court is required

   b. Yes because it is done through the consent of all the partners

   c. Both Yes because it is done through the consent of all the partners and No not to be admitted as per the law options

   d. No not to be admitted as per the law

3. All the partners want to dissolve the firm. Vinod wants that his loan of Rs.40,000 must be paid off before the payment of capitals to the partners. But Amit wants that

capitals must be paid before the payment of Vinod's Loan. Comment.

4. N and S are partners sharing profits and losses in the sates 2:1. They admit G as a partner for 1/4th Share. G pays ₹50,000 as capital but does not bring any amount for goodwill. The goodwill of the new firm is valued at ₹36,000. Calculate the amount to be credited to N for his sacrifice in the form of premium for goodwill.

    a. ₹5000

    b. ₹3000

    c. ₹2000

    d. ₹6000

5. Anna and Bobby were partners sharing profits and losses in the ratio of 5 : 3. On 1st April 2014, their capital accounts showed balances of Rs 3,00,000 and Rs 2,00,000 respectively.
   Calculate the amount of profit to be distributed between the partners if the partnership deed provided for interest on capital @ 10% per annum and the firm earned a profit of Rs 45,000 for the year ended 31st March 2015.

6. What do you understand by Sacrificing Partners?

7. State accounting treatment for transfer of Accumulated losses.

8. What do you understand by Sacrificing Ratio?

9. P, Q, and R were partners in a firm. On 31^{st} March, 2018 R retired. The amount payable to R Rs.2,17,000 was transferred to his loan account. R agreed to receive interest on this amount as per the provisions of Partnership Act, 1932. State the rate at which interest will be paid to R.

10. Fill in the blanks:

    Revaluation account is a ________ account.

11. Identify a situation, under which court may order for dissolution of a partnership firm.

12. Vinod Limited has to redeem its debentures worth Rs.60,000 by paying a lump sum amount to the debenture holders. How much DRR company should create?

    a. 15,000

    b. No DRR is required

    c. 30,000

    d. 60,000

13. Fill in the blanks:

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

14. What do you understand by receipt and payment account? How is it different from an income and expenditure account?

    OR

    Name any two items that are shown under the head 'other current liabilities' and any two items that are shown under the head 'other current assets' in the balance sheet of a company as per Schedule III of the Companies Act, 2013.

15. X, Y and Z are partners in a firm sharing profits in the ratio of 2:2:1. X retires and after all adjustments the Capital A/c's of Y and Z have a balance of Rs. 70,000 and Rs. 50,000 respectively. They decided to adjust their capitals in new profit sharing ratio by withdrawing or bringing cash. Give necessary Journal entries and show your working clearly.

16. Ramesh and Suresh were partners in a firm sharing profits in the ratio of their capitals contributed on commencement of business which were Rs 80,000 and Rs 60,000 respectively. The firm started business on April 1, 2016. According to the partnership agreement, interest on capital and drawings are 12% p.a. and 10% p.a., respectively. Ramesh and Suresh are to get a monthly salary of Rs 2,000 and Rs 3,000, respectively.
    The profits for year ended March 31, 2017 before making above appropriations was Rs 1,00,300. The drawings of Ramesh and Suresh were Rs 40,000 and Rs 50,000,

respectively. Interest on drawings amounted to Rs 2,000 for Ramesh and Rs 2,500 for Suresh. Prepare Profit and Loss Appropriation Account and partners' capital accounts, assuming that their capitals are fluctuating.

OR

Arun and Arora were partners in firm sharing profits in the ratio of 5: 3. Their fixed capitals on 1st April 2019 were: Arun: Rs 60,000 and Arora: Rs 80,000. They agreed to allow interest on capital @ 12% per annum and to charge on drawings @ 15% per annum. The profit of the firm for the year ended 31st March 2020 before all the above adjustments were Rs 12,600. The drawings made by Arun were Rs 2,000 and by Arora Rs 4,000 during the year.
Prepare profit and loss appropriation account of Arun and Arora. Show your calculations clearly. The interest on capital will be allowed even if the firm incurs a loss.

17. ABC Ltd. grants options to its 100 employees to subscribe 500 shares each of Rs. 10 each within 180 days from the end of vesting period of 3 years. The fair (market) value of each share is Rs. 45 whereas the price at which it is offered (exercise price) is Rs. 30.
Pass the necessary Journal entries if 75 employees exercised the option by the exercise date.

18. Ramesh and Umesh were partners in a firm sharing profits in the ratio of their capitals. On 31st March, 2013, their Balance Sheet was as follows-

Liabilities		**Rs.**	**Assets**	**Rs.**
Creditors		1,70,000	Bank	1,10,000
Workmen Compensation Reserve		2,10,000	Debtors	2,40,000
General Reserve		2,00,000	Stock	1,30,000
Ramesh's Current Account		80,000	Furniture	2,00,000
Capital A/cs:			Machinery	9,30,000

Ramesh	7,00,000		Umesh's Current Account	50,000
Umesh	3,00,000	10,00,000		
		16,60,000		16,60,000

On the above date the firm was dissolved.

a. Ramesh took over 50% of stock at Rs. 10,000 less than book value. The remaining stock was sold at a loss of Rs. 15,000. Debtors were realised at a discount of 5%.
b. Furniture was taken over by Umesh for Rs. 50,000 and machinery was sold for Rs. 4,50,000.
c. Creditors were paid in full.
d. There was an unrecorded bill for repairs for Rs. 1,60,000 which was settled at Rs. 1,40,000. Prepare Realisation Account,

19. As at March 31, 2017 the following balances have been extracted from the books of the Indian Chartered Accountants Recreation Club and you are asked to prepare (1) Trading Account for ascertaining gross profit derived from running restaurant and dining room and (2) Income and Expenditure Account for the year ended March 31, 2017 (3) and a Balance Sheet as at that date.

Debit Balances	**Rs**	**Credit Balances**	**Rs**
Stock-in-hand	1170	Receipts Dining Room	87,660
Purchases	24,660	Subscriptions	9,450
Dining Room	32,370	Billiard's Receipts	7,300
Rent	10,470	Sunday Receipts	410
Wages	18,690	Interest on Fixed Deposit	270
Repairs and Renewals	5,400	Sundry Creditors	5310
Fuel and Light	5,280	Grant from Institute (permanent)	42,000
Misc. Expenses	4,050	Income and Exp. A/c (1.4.16)	1,380
Cash in hand	560	Suspense A/c (See note)	60

Cash at bank	2,760		
Fixed Deposit	8,500		
Sundry Debtors	2,250		
China glass, cutlery and linen	600		
Billiard Table	2,070		
Fixtures and Fittings	870		
Furniture	4,140		
Club Premises	30,000		
	1,53,840		1,53,840

On March 31, 2016 stock of restaurant consisted of Rs 900 and Rs 60 respectively. Provide depreciations Rs 60 on fixtures and fittings, Rs 390 on billiard table and Rs 560 on furniture.

20. Pass necessary journal entries for the issue and redemption of debentures in the following cases 20,000, 12% debentures of Rs. 50 each were issued and to be redeemed as follows

    i. Issued at par and redeemed at a premium of 10%.
    ii. Issued at a premium of 10% and redeemable at a premium of 20%.
    iii. Issued at par and 50% of the redemption to be made in cash.

OR

Vivek Transport Ltd. has 5,000; 10% Debentures of Rs. 20 each due for redemption on 30^{th} Sept. 2015. Debentures Redemption Reserve has a balance of Rs. 80,000 on that date. Record the necessary entries at the time of redemption of debentures.

21. Shikhar and Rohit were partners in a firm sharing profits in the ratio of 7 : 3. On 1st April, 2013 they admitted Kavi as a new partner for 1/4 share in profits of the firm. Kavi brought Rs 4,30,000 as his capital and Rs 25,000 for his share of goodwill premium. The balance sheet of Shikhar and Rohit as on 1st April, 2013 was as follows

Balance Sheet

as on 1st April, 2013

Liabilities	Amount (Rs)	Assets	Amount (Rs)
General Reserve	1,00,000	Land and Building	3,50,000
Workmen's Compensation Fund	1,00,000	Machinery	4,50,000
Creditors	1,50,000	Debtors 2,20,000	
Capital A/cs		(-) Provision for Doubtful Debts 20,000	2,00,000
Shikhar 8,00,000		Stock	3,50,000
Rohit 3,50,000	11,50,000	Cash	1,50,000
	15,00,000 =======		15,00,000 =======

It was agreed that:

i. The value of land and building will be appreciated by 20%.
ii. The value of machinery will be depreciated by 10%.
iii. The liabilities of workmen's compensation fund was determined at Rs 50,000.

iv. Capitals of Shikhar and Rohit will be adjusted on the basis of Kavi's capital and actual cash to be brought in or to be paid off as the case may be.

Prepare revaluation account, partners' capital accounts and the balance sheet of the new firm.

OR

Leena and Rohit are partners in a firm sharing profits in the ratio of 3 : 2. On 31st March, 2018, their Balance Sheet was as follows:

Balance Sheet of Leena and Rohit as at 31st March, 2018

Liabilities		**Amount (Rs.)**	**Assets**		**Amount (Rs.)**
Sundry Creditors		80,000	Cash		42,000
Bills Payable		38,000	Debtors	1,32,000	
General Reserve		50,000	Less: Provision for doubtful debts	<u>2000</u>	
Capitals :			Stock		1,30,000
Leena	1,60,000		Plant and Machinery		1,50,000
Rohit	1,40,000				
		3,00,000			
		4,68,000			4,68,000

On the above date Manoj was admitted as a new partner for $\frac{1}{5}\text{th}$ share in the profits of the firm on the following terms:

i. Manoj brought proportionate capital. He also brought his share of goodwill premium of Rs.80,000 in cash.
ii. 10% of the general reserve was to be transferred to provision for doubtful debts
iii. Stock was overvalued by Rs.16,000

iv. The capital of the new firm was to be fixed at Rs.90,000 and necessary adjustments were to be made by bringing in or paying off cash as the case may be.
v. Leena, Rohit, and Manoj will share future profits in the ratio of 5 : 3 : 2.

Prepare Revaluation Account, Partners' Capital Accounts and the Balance Sheet of the reconstituted firm.

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

On application	Rs.3 per share
On allotment	Rs.3 per share (including premium)
On first call	Rs.3 per share
On second and final call	Balance amount

(i)	To applicants for 90,000 shares	40,000 shares
(ii)	To applicants for 50,000 shares	40,000 shares
(iii)	To applicants for 20,000 shares	Full shares

Excess money paid on application is to be adjusted against the amount due on allotment and calls.
Rishabh, a shareholder, who applied for 1,500 shares and belonged to category (ii), did not pay allotment, first and second and final call money. Another shareholder, Sudha, who applied for 1,800 shares and belonged to category (i), did not pay the first and second and final call money.
All the shares of Rishabh and Sudha were forfeited and were subsequently re-issued at Rs.7 calls-in-advance account wherever required.

OR

Sunstar Ltd. invited applications for issuing 2,00,000 equity shares of < 50 each. The amount was payable as follows :
On Application – Rs.15 per share
On Allotment – Rs.10 per share

On First and Final Call – Rs.25 per share
Applications for 3,00,000 shares were received. Allotment was made to the applicants as follows :

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

Excess money received with applications was adjusted towards sums due on allotment and calls. Namita, a shareholder of Category I, holding 3,000 shares failed to pay the allotment money. Her shares were forfeited immediately after allotment. Manav, a shareholder of Category II, who had applied for 1,000 shares failed to pay the first and final call. His shares were also forfeited. All the forfeited shares were reissued at Rs.60 per share fully paid up.
Pass necessary journal entries and prepare Cash Book for the above transactions in the books of Sunstar Ltd.

Section B

23. Low ‘Working Capital Turnover Ratio’ indicates:

    a. Under-utilization of working capital

    b. Over-utilization of working capital

    c. There is no working capital

    d. No use of working capital

24. What is meant by ‘Accounting Ratios’?

25. State how personal bias can get reflected in ratio analysis.

26. Name two items of revenue from operations of a finance company.

27. Compute the cash flow from financing activities from the following information:

Particulars	31.3.2011(Rs.)	31.3.2012(Rs.)

Equity Share Capital	10,00,000	20,00,000
10% Debentures	2,00,000	—
8% Debentures	—	3,00,000

Additional Information :

i. Interest paid on debentures during the year Rs. 20,000.
ii. Dividend paid during the year Rs. 50,000.
iii. During the year 2011-12, the company issued bonus shares to equity shareholders in the ratio of 2: 1 by capitalising reserves.

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. Prepare Comparative Statement of Profit and Loss from the following:

Particulars	**Note No.**	**31st March 2013(Rs)**	**31st March 2012(Rs)**
Revenue from Operations		30,00,000	20,00,000
Other Income (% of Revenue from Operations)		15%	20%
Expenses (% of Operating Revenue)		60%	50%

OR

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

i. Stores and spares
ii. Proposed dividend
iii. Computer software

31. From the following information extracted from the books of PQ Ltd., prepare a Balance Sheet of the company as at 31st March, 2012 as per Schedule-Ill of the Indian Companies Act, 2013:

Particulars	**(Rs.)**
Long-term Borrowings	500
Trade Payables	30
Share Capital	400
Reserve and Surplus	90
Fixed Assets(tangible)	800
Inventories	20
Trade receivables	80
Cash and Cash Equivalents	120

OR

Prepare a Comparative Statement of Profit and Loss from the following information:

Particulars	**31st March 2013(Rs.)**	**31st March 2012(Rs.)**
Revenue from Operations	200% of Raw Materials Consumed	175% of Raw Materials Consumed

Expenses:		
Cost of Materials Consumed	5,00,000	3,00,000
Other Expenses	5% of Revenue from operations	5% of Revenue from Operations
The rate of Income tax	50% of Net Profit before Tax	50% of Net Profit before Tax

32. Following are the Balance Sheets of Young India ltd.:

Liabilities	**(2006)** Rs.	**(2005)** Rs.	Assets	**(2006)** Rs.	**(2005)** Rs.
Share Capital	700000	600000	Fixed Assets	650000	400000
General Reserve	200000	150000	Debtors	350000	200000
Profit & loss A/c	200000	100000	Stock	250000	150000
14% Debentures issued for purchase of fixed assets	200000	-	Cash	130000	100000
Proposed Dividend	80000	70000	Underwriting Commission	-	70000
	1380000	**920000**		**1380000**	**920000**

Assuming the depreciation for the year to be Rs. 50000 and interim dividend paid during the year to be paid 5% on opening capital. Prepare Cash Flow Statement.

Solution
Section A

1. Surplus is the term given to excess of income over expenditure in case of not-for-profit organizations

2. (b) Yes because it is done through the consent of all the partners
   Explanation:

   A new partner can be admitted with consent of all the partners. Once all the partners are ready, court will never interfere in such settlements.

3. Vinod is correct because according to the Indian Partnership Act, 1956, at the time of dissolution of a partnership firm liabilities will be paid in the following manners:

   i. Outsiders or External debts or Third party debts will be paid first
   ii. Partner's Loan (if any) taken by firm from any partner will be repaid to that partner
   iii. Partners Capital contributed by each partner will be repaid to him in the capital contribution ratio
   iv. Balance amount will be shared among the partners in their profit sharing ratios
4. (d) ₹6000
   Explanation: Calculation of the amount to be credited to N:
   Old Ratio = 2:1
   New Ratio = 2:1:1
   Sacrifice Share of N = 2/3 – 2/4 = 2/12 and Sacrifice Share of S = 1/3 – 1/4 = 1/12
   Sacrificing Ratio = 2:1
   G's share in goodwill = 36,000 × 1/4 = 9,000; N's share = 9,000 × 2/3 = 6,000

5. No profit will be distributed as the amount of profit (i e., Rs 45,000) is not sufficient to pay the interest on capital (Rs 50,000),so Interest on capital i.e. Rs.45,000, to be provided in the interest ratio of the partners.

6. The partners whose share stand decreased as a result of change in profit-sharing ratio are known as Sacrificing Partners. Sacrificing ratio shows the sacrifice of share of each sacrificing partner.

7. **Journal**

Date	Particulars	L.F.	Dr.	Cr.
	Old partners' Capital (Current) A/c …….Dr.		In old ratio	
	To Profit and Loss A/c (Dr. Balance)			
	To Deferred Revenue Expenditure A/c (Say, advertisement suspense)			

8. Sacrificing ratio is the ratio in which the partner or partners have agreed to sacrifice their share of profit in favour of one or more partners of the firm. Sacrificing ratio of each partner is calculated as follows: Sacrificing Ratio = Old Ratio - New Ratio

9. The rate at which interest will be paid to R is ***6% p.a***.

10. Nominal

11. A court may order for dissolution of a partnership firm on insolvency of all the partners or all the partners except one become insolvent.

12. (a) 15,000

    Explanation: As per the Section 71 (4) of the Companies Act, 2013 and Rule 18 (7) of the companies Rules 2014 company must create 25% DRR. i.e. 15,000.

13. Subscribed

14. Receipt and payment account is the summary of cash and bank transaction occurred during the accounting period. It is a real account.

basis	**receipt & Payment**	**Income & expenditure**
Nature	it is a real account	It is a nominal account

Cash & Bank balance	it begins with an opening balance of cash or bank	It has no opening balance.
Adjustment entries	There is no need of any adjustment entries.	it is necessary to make adjustments in this account
Transaction	Transactions—both capital and revenue-are recorded here	Only revenue transactions are recorded here.
Double Entry system	It is outside the double entry system.	It is within the double entry system.

OR

The two items shown under the head 'other current Liabilities are

1. Call in Advance
2. Outstanding Expense

The two items shown under the head 'other current assets' are

1. Accrued Income
2. Prepaid expenses

15. The capital of the new firm = Total Capital of Y and Z after all adjustments = Rs. 70,000 + Rs. 50,000 = Rs. 1,20,000

.	**For Y (Rs.)**	**For Z (Rs.)**
New Capital based on New Profit Sharing Ratio of Y and Z i.e. 2:1 (total amount of capital being Rs. 1,20,000)	80,000	40,000
Existing capital after all adjustments at the time of retirement of X	70,000	50,000
Cash is being brought in or paid off by the existing partners	10,000 (Cash	10,000 (Cash to

	brought in)	be paid)

Journal Entries

Particulars	L.F.	Debit (Rs.)	Credit (Rs.)
Bank A/c Dr.		10,000	...
To Y's Capital A/c (Being Amount to be brought in by Y)		...	10,000
Z's Capital A/c Dr.		10,000	...
To Bank A/c (Being Amount to be withdrawn by Z)		...	10,000

Profit and Loss Appropriation Account

Dr.					Cr.
Particulars		**Amount (Rs)**	**Particulars**		**Amount (Rs)**
Interest on Capital			Profit and Loss Account		1,00,300
Ramesh	9,600		Interest on Drawings		
Suresh	7,200	16,800	Ramesh	2,000	
			Suresh	2,500	4,500
Partner's Salaries					
Ramesh	24,000				
Suresh	36,000	60,000			
Profit Transferred to capital Accounts					
Ramesh's Capital {28,000 ×	16,000				

(4/7)}					
Suresh's Capital {28,000 × (3/7)}	12,000	28,000			
		1,04,800			1,04,800

Partners' Capital Account

	Ramesh	Suresh		Ramesh	Suresh
Particulars	**Amount (Rs.)**	**Amount (Rs.)**	**Particulars**	**Amount (Rs.)**	**Amount(Rs.)**
Drawings	40,000	50,000	Cash	80,000	60,000
Interest on Drawings	2,000	2,500	Interest on Capital	9,600	7,200
Balance c/d	87,600	62,700	Partners' Salaries	24,000	36,000
			Profit & Loss Appropriation	16,000	12,000
	1,29,600	1,15,200		1,29,600	1,15,200

Profit Sharing Ratio on the basis of Capital	=	Ramesh	:	Suresh
		80,000	:	60,000
		4	:	3

Working Note: If the date of withdrawal is not given, then interest on total drawings for the year is calculated for six months on average basis.

16. **OR**

Profit and Loss Appropriation Account

Particulars		Rs.	Particulars	Rs.
To Interest on capital:			By Net Profit	12600
Arun	7200		By Interest on Drawings:	

Arora	9600	16800	Arun	300	
			Arora	600	900
			By Loss transferred:		
			Arun	2062	
			Arora	1238	3300
		16800			16800

17. In this question Shares are issued under option scheme which means, employee stock option that grants specified employees of a company the right to buy a certain amount of company shares at a predetermined price for a specific period. An employee stock option differs slightly from an exchange-traded option, because it is not traded between investors on an exchange.

    So, According to the Employee Stock Option Scheme, the journal entries can be done as follows:-

In the Books of XYZ Ltd.
Journal

Date	Particulars		L.F.	Dr.(Rs.)	Cr.(Rs.)
Year 1	Employees Compensation Expense A/c	Dr.		2,50,000	
	To Shares Options Outstanding A/c (Being the one-third amount of difference between fair value and exercise price recognised as an expense)				2,50,000
Year 2	Employees Compensation Expense A/c	Dr.		2,50,000	
	To Shares Options Outstanding A/c (Being the one-third amount of difference between fair value and exercise price				2,50,000

	recognised as an expense)				
Year 3	Employees Compensation Expense A/c	Dr.		2,50,000	
	To Shares Options Outstanding A/c (Being the one-third amount of difference between fair value and exercise price recognised as an expense)				2,50,000
Year 4	Bank A/c	Dr.		11,25,000	
	Shares Options Outstanding A/c	Dr.		7,50,000	
	To Share Capital A/c				3,75,000
	To Securities Premium A/c				13,12,500
	To General Reserve A/c(Being the shares allotted to 75 employees who exercised the option. Amount out of Shares Options Outstanding Account relating to 37,500 shares transferred to Securities Premium Reserve and that relating to Options not exercised transferred to General Reserve)				1,87,500

18. **Realisation Account**

Particulars	Rs.	Particulars	Rs.
To Debtors A/c	2,40,000	By Creditors A/c	1,70,000
To Stock A/c	1,30,000	By R's Current A/c	55,000
To Furniture A/c	2,00,000	By Bank A/c (Stock)	50,000
To Machinery A/c	9,30,000	By Bank A/c (Debtor)	2,28,000
To Bank A/c (Creditor)	1,70,000	By Umesh's current A/c	50,000

To Bank A/c	1,40,000	By Bank A/c (Machinery)		4,50,000
		By Loss Transferred:		
		Ramesh	5,64,900	
		Umesh	2,42,100	8,07,000
	18,10,000			**18,10,000**

19. **Important Note:**

    1. Credit side of the Trial Balance of the question is short by Rs 60. Thus, in order to tally both sides of the Trial Balance, Suspense Account will be opened with the difference amount of Rs 60.
    2. In the adjustment, Closing Stock should be Rs 960 instead of Rs 900.

Books of Indian Chartered Accountants Recreation Club

Restaurant Trading Account

Particulars	Amount	Particulars	Amount
	Rs.		**Rs.**
Opening Stock	1,170	Closing Stock	960
Purchases	24,660	Receipts from Dining Room	87,660
Profit from Restaurant	30,420		
Dining Room Exp.	32,370		
	88,620		**88,620**

Income and Expenditure Account

as on March 31, 2017

Expenditure	Amount	Income	Amount
	Rs.		**Rs.**
To Wages	18,690	By Subscriptions	9,450
To Rent	10,470	By Sundry Receipts	410

To Fuel and Light		5,280	By Interest on Fixed Deposits	270
To Repairs an Renewals		5,400	By Profit from Restaurant	30,420
To Misc. Expenses		4,050	By Billiards Receipts	7,300
To Depreciation on;				
Fixtures and Fittings	60			
Billiards Table	390			
Furniture	<u>560</u>	1,010		
To Surplus (Excess of Income over Expenditure)		2,950		
		<u>47,850</u>		**<u>47,850</u>**

Balance Sheet
as on March 31, 2017

Liabilities		**Amount**	**Assets**		**Amount**
		Rs.			**Rs.**
Grant from Institute		42,000	Cash at Bank		2,760
Sundry Creditors		5,310	Cash in Hand		560
Suspense		60	Club Premises		30,000
Capital Fund (Income and Exp. A/c as on Apr.01, 2016)	1,380		Fixed Deposit		8,500
Add: Surplus	<u>2,950</u>	4,330	China Glass, Cutlery and Linen		600
			Fixture and Fittings	870	

			Less: Depreciation	(60)	810
			Billiards Table	2,070	
			Less: Depreciation	(390)	1,680
			Stock of Restaurant		960
			Furniture	4,140	
			Less: Depreciation	(560)	3,580
			Sundry Debtors		2,250
		51,700			**51,700**

20. **JOURNAL**

Date	Particulars		L.F.	Amt (Dr)	Amt (Cr)
(i)	**At the Time of Issue**				
	Bank A/c (20,000 × 50)	Dr		10,00,000	
	To Debenture Application and Allotment A/c				10,00,000
	(Being Application money received)				
	Debenture Application and Allotment A/c	Dr		10,00,000	
	Loss on Issue of Debentures A/c (20,000 × 5)	Dr		10,00,00	
	To 12% Debentures A/c (20,000 × 50)				10,00,000
	To Premium on Redemption of Debentures A/c (20,000 × 5)				1,00,000
	(Being application money transferred to 12%				

	debentures account)				
	At the Time of Redemption				
	12% Debentures A/c (20,000 × 50)	Dr		10,00,000	
	Premium on Redemption of Debentures A/c (20,000 × 5)	Dr		1,00,000	
	To Debentureholders' A/c				11,00,000
	(Being debentures due for redemption)				
	Debentureholders' A/c	Dr		11,00,000	
	To Bank A/c				11,00,000
	(Being amount paid to debentureholders7)				
(ii)	**At the Time of Issue**				
	Bank A/c (20,000 × 55)	Dr		11,00,000	
	To Debenture Application and Allotment A/c				11,00,000
	(Being application money received)				
	Debenture Application and Allotment A/c	Dr		11,00,000	
	Loss on Issue of Debentures A/c (20,000 × 10)	Dr		2,00,000	
	To 12% Debentures A/c (20,000 × 50)				10,00,000
	To Securities Premium Reserve A/c (20,000 × 5)				1,00,000
	To Premium on Redemption of Debentures A/c (20,000 × 10)				2,00,000
	(Being debentures issued at 10% premium and redeemable premium)				
	At the Time of Redemption				

	12% Debentures A/c (20,000 × 50)	Dr		10,00,000	
	Premium on Redemption of Debentures A/c (20,000 × 10)	Dr		2,00,000	
	To Debentureholders' A/c				12,00,000
	(Being debentures due for redemption)				
	Debentureholders' A/c	Dr		12,00,000	
	To Bank A/c				12,00,000
	(Being amount paid to debenture holders)				
(iii)	**At the Time of Issue**				
	Bank A/c (20,000 × 50)	Dr		10,00,000	
	To Debenture Application and Allotment A/c				10,00,000
	(Being application money received)				
	Debenture Application and Allotment A/c	Dr.		10,00,000	
	To 12% Debentures A/c (20,000 × 50)				10,00,000
	(Being debentures issued at par and 50% redeemable to 20% premium)				
	At the Time of Redemption				
	12% Debentures A/c (10,000 × 100)	Dr		5,00,000	
	To Debentureholders' A/c				5,00,000
	(Being 50% of 12% debentures due for redemption)				
	Debentureholders' A/c	Dr		5,00,000	
	To Cash A/c				5,00,000
	(Being payment paid in cash)				

Notes :

1. If amount towards debentures is received in lump sum, ' Debenture Application and Allotment Account' is used.

2. Loss on issue of Debenture account is an expense account and Premium on Redemption of Debentures Account is a Liability Account.

3. Loss on issue of Debentures is written off from Securities Premium Reserve or from statement of Profit or Loss.

OR

In the Books of Vivek Transport Ltd.

Journal

Date	**Particulars**		**L.F.**	**Debit(Rs.)**	**Credit(Rs.)**
2015 30 Apr.	Debentures Redemption Investment A/c (1,00,000*15%)	Dr.		15,000	...
	To Bank A/c			...	15,000
	(Being investment made for Debentures redemption)			...	...
30 Sep.	Balance in Statement of Profit & loss A/c	Dr.		20,000	...
	To Debentures Redemption Reserve A/c			...	20,000
	(Being Debenture Redemption Reserve Created up to 100% of the amount of Debentures.)			...	...
30 Sep.	Bank A/c	Dr.		15,000	...
	To Debentures Redemption Investment				

	A/c			...	15,000
	(Being investment encashed)			...	...
30 Sep.	10% Debentures A/c (5000*20)	Dr.		1,00,000	...
	To Debenture Holder A/c			...	1,00,000
	(Being amount due to Debentures holders on Redemption)			...	...
30 Sep.	Debenture Holders A/c	Dr.		1,00,000	...
	To Bank A/c			...	1,00,000
	(Being amount paid to Debentures holders)			...	...
30 Sep.	Debentures Redemption Reserve A/c (80,000+20,000)	Dr.		1,00,000	...
	To General Reserve A/c			...	1,00,000
	(Being Debenture Redemption Reserve Amount transferred is General Reserve)			...	...

Note:

After redemption Debenture Redemption Reserve should be transferred to General Reserve Account.

In the absence of the information regarding the date of investment in specified securities, it is presumed that investment in specified securities is made on April1, 2014.

21. **Revaluation A/c**

Particulars	Amount (Rs)	Particulars	Amount (Rs)
		By Land and Building A/c	

To Machinery A/c	45,000		70,000
To Profit Transferred to Capital A/cs			
Shikhar 17,500			
Rohit 7,500	25,000		
	70,000 =======		70,000 ======

Partner's Capital A/c

Particulars	Shikhar Amount (Rs)	Rohit Amount (Rs)	Kavi Amount (Rs)	Particulars	Shikhar Amount (Rs)	Rohit Amount (Rs)	Kavi Amount (Rs)
To Cash A/c (?)	37,000	23,000		By Balance b/d	8,00,000	3,50,000	
To Balance c/d	9,03,000	3,87,000	4,30,000	By General Reserve A/c	70,000	30,000	
				By Workmen's Compensation Fund A/ c	35,000	15,000	
				By Cash A/c			4,30,000
				By Premium for Goodwill A/c	17,500	7,500	
				By Revaluation A/ c (Profit)	17,500	7,500	
	9,40,000 ======	4,10,000 ======	4,30,000 =======		9,40,000 ======	4,10,000 =======	4,30,000 ========

Balance Sheet

as on 1st April, 2013

Liabilities	Amount (Rs)	Assets	Amount (Rs)
Creditors	1,50,000	Land and Building 3,50,000	
Liability for Workmen's Compensation Fund	50,000	(+) Appreciation 70,000	4,20,000
Capital A/cs		Machinery 4,50,000	
Shikar 9,03,000		(-) Depreciation 45,000	4.05.000
Rohit 3,87,000		Stock	3.50.000
Kavi 4,30,000	17,20,000	Debtors 2,20,000	
		(-) Provision for Doubtful Debts 20,000	2,00,000
		Cash	5,45,000
	19,20,000 ========		19,20,000 ========

Working Notes:

1. **Calculation of New Profit Sharing Ratio**

In this case, it is presumed that the existing partners continue to share the remaining profit in the same ratio in which they were sharing before the admission of the new partner. Then, existing partner's new ratio is calculated by dividing re maining share of the profit in their existing ratio. Sacrificing ratio is calculated by deducting new ratio from the existing ratio.

Let total profit be 1, Kavi gets $\frac{1}{4} th$ share

Remaining share = $= 1 - \frac{1}{4} = \frac{4-1}{4} = \frac{3}{4}$
Shikhar's share = $\frac{7}{10} \times \frac{3}{4} = \frac{21}{40}$
Rohit s share = $\frac{3}{10} \times \frac{3}{4} = \frac{9}{40}$
Kavi share = $\frac{1}{4} \times \frac{10}{10} = \frac{10}{40}$
New profit sharing ratio = 21:9:10

1. **Determination of the Combined Capital of New Firm**
   Taking Kavi's capital as base,
   The combined capital of new firm is $4,30,000 \times \frac{4}{1} = Rs 17,20,000$
   This capital will be shared by the partners in new profit sharing ratio, i.e. 21:9: 10.
   Therefore, new capitals of partners will be
   Shikhar = $17,20,000 \times \frac{21}{40} = Rs 9,03,000$
   Rohit = $17,20,000 \times \frac{9}{40} = Rs 3,87,000$
   Kavi's = $17,20,000 \times \frac{10}{40} = Rs 4,30,000$

Cash A/c

Particulars	**Amount (Rs)**	**Particulars**	**Amount (Rs)**
To Balance b/d	1,50,000	By Shikhar's Capital A/c	37,000
To Kavi's Capital A/c	4,30,000	By Rohit's Capital A/c	23,000
To Premium for Goodwill A/c	25,000	By Balance c/d	5,45,000
	6,05,000 =======		6,05,000 =======

OR

Revaluation A/c

Particulars	Rs.	Particulars		Rs.
To Stock A/c	16,000	By Loss transferred:		
To claim for workmen Compensation	40,000	Leena	33,600	
		Rohit	22,400	56,00
	56,000			**56,000**

Partner's Capital A/c

Particulars	Leena	Rohit	Manoj	Particulars	Leena	Rohit	Manoj
To Revaluation A/c (Loss)	33,600	22,400		by Balance b/d	1,60,000	1,40,000	
To Balance c/d	1,93,400	1,75,600		By General Reserve	27,000	18,000	
				By Premium for Goodwill	40,000	40,000	
				By Cash			**92,250**
To Balance c/d	**2,27,000**	**1,98,000**	**92,250**		**2,27,000**	**1,98,000**	**92,250**
	1,93,400	**1,75,600**	**92,250**		**1,93,400**	**1,75,600**	**92,250**

Working Note:

Sacrificing Share = Old Share - New Share

Leen's Sacrifice $= \frac{3}{5} - \frac{5}{10} = \frac{1}{10}$

Rohit's Sacrifice $= \frac{2}{5} - \frac{3}{10} = \frac{1}{10}$

Sacrificing Ratio = 1 : 1

Balance Sheet

as at 31st March, 2018

Liabilities		Amount (Rs.)	Assets		Amount (Rs.)
Creditors		80,000	Cash (42,000+80,000+92,250)		2,14,250
Bills Payable		38,000	Debtors	1,32,000	
Claim for workmen Compensation		40,000	Less: Provision for Doubtful Debts	7,000	1,25,000
Partner's Capital A/cs.:					
Leena	1,93,400		Pant & Machinery		1,50,000
Rohit	1,75,600		Stock		1,30,000
Manoj	92,250	4,61,250			
		6,19,250			**6,19,250**

22. **Working Note:**

Shares applied	Shares applied	Money received n application @ Rs.3	Money transferred to share capital	Excess Money adjusted in allotment
90,000	40,000	2,70,000	1,20,000	1,20,000
50,000	40,000	1,50,000	1,20,000	30,000
20,000	20,000	60,000	60,000	-
1,60,000	1,00,000	4,80,000	3,00,000	1,50,000

i. **Calculation of Calls-in-arrears on Rishabh's Shares**
   Allotment due (1,200 $\times$ 3) = 3,600
   (-) Excess on application (1,500 - 1200 $\times$ 3 = (900)
   = Rs.2,700
ii. **Calculation of Calls-in-arrears on First Call**
   Amount due (2,000 $\times$ 3) = 6,000

(-) Excess on application

Adjusted on allotment (1,800 - 800) $\times$ 3 - 2,400 = (600)

= Rs.5,400

iii. **Calculation of Amount Forfeited**

Rishabh (1,500 $\times$ 3)		4,500
Sudha (1,800 $\times$ 3)	5,400	
(-) Excess adjusted	(800)	4,600
Total amount forfeited		9,100

JOURNAL ENTRIES

Date	Particulars		L.F.	Amt (Dr)	Amt (Cr)
	Bank A/c (1,60,000 $\times$ 3)	Dr		4,80,000	
	To Equity Share Application A/c				4,80,000
	(Being application money received)				
	Equity Share Application A/c	Dr		4,80,000	
	To Equity Share Capital A/c				3,00,000
	To Equity Share Allotment A/c				1,50,000
	To Calls-in-advance A/c				30,000
	(Being application money transferred to share capital account)				
	Equity Share Allotment A/c	Dr		3,00,000	
	To Equity Share Capital A/c				2,00,000
	To Securities Premium Reserve A/c				1,00,000
	(Being allotment money due)				
	Bank A/c	Dr		1,47,300	
	Calls-in-arrears A/c	Dr		2,700	

	To Equity Share Allotment A/c				1,50,000
	(Being allotment money received except on 1,200 shares)				
	Equity Share First Call A/c	Dr		3,00,000	
	To Equity Share Capital A/c				3,00,000
	(Being first call money due)				
	Bank A/c	Dr		2,64,600	
	Calls-in-advance A/c	Dr		30,000	
	Calls-in-arrears A/c	Dr		5,400	
	To Equity Share First Call A/c				3,00,000
	(Being second and final call money received)				
	Equity Share Second and Final Call A/c	Dr		2,00,000	
	To Equity Share Capital A/c				2,00,000
	(Being second and final call money due)				
	Bank A/c	Dr		1,96,000	
	Calls-in-arrears A/c	Dr		4,000	
	To Equity Share Second and Final Call A/c				2,00,000
	(Being second and final call money received)				
	Share Capital A/c	Dr		20,000	
	Securities Premium Reserve A/c	Dr		1,200	
	To Calls-in-arrears A/c				12,100
	To Share Forfeiture A/c				9,100
	(Being shares forfeited)				
	Bank A/c	Dr		14,000	
	Share forfeited A/c	Dr		6,000	

	To Share Capital A/c				20,000
	(Being forfeited share re-issued)				
	Share forfeited A/c	Dr		3,100	
	To Capital Reserve A/c				3,100
	(Being forfeited amount transfer to capital reserve)				

OR

CASH BOOK (BANK COLOUMN ONLY)

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

Journal Entries

Date	Particulars		LF	Dr. (Rs.)	Cr. (Rs.)
(i)	Equity Share Application A/c	Dr.		45,00,000	
	To Equity Share Capital A/c				30,00,000
	To Equity Share Allotment A/c				12,50,000
	To Share 1st and final call A/c [Being adjustment of application money done]				2,50,000
(ii)	Equity Share Allotment A/c	Dr.		20,00,000	
	To Equity Share Capital A/c				

	[being allotment money due]				20,00,000
(iii)	Calls in arrears A/c	Dr.		15,000	
	To Equity Share allotment A/c [Being allotment money not received]				15,000
(iv)	Equity Share Capital a/c	Dr.		75,000	
	To Equity Share forfeited A/c				60,000
	To Calls in arrears A/c (Being 3,000 equity shares forfeited)				15,000
(v)	Share 1st and final call a/c	Dr.		49,25,000	
	To equity share capital a/c (being 1st and final call money due on 1,97,000 equity shares)				49,25,000
(vi)	Calls in arrears a/c	Dr.		10,000	
	To Share 1st and final call (Being 1st and final call money received except on 500 shares)				10,000
(vii)	Equity Share Capital a/c	Dr.		25,000	
	To Equity Share forfeited a/c				15,000
	To Calls in arrear A/c (Being 500 shares forfeited)				10,000
(vii)	Share forfeited A/c	Dr.		75,000	
	To Capital Reserve A/c (being forfeited re-issue of forfeited shares transferred to capital reserve a/c)				75,000

Section B

23. (a) Under-utilization of working capital

Explanation: Low working capital turnover ratio indicates that the working capital of business is under-utilized. It means firm is investing in too many account receivable and inventory to support its sales.

24. Accounting Ratios are mathematical expression of the relationship between two accounting figures taken from company's financial statements, namely made up of its income statement, balance sheet and cash flow statement.

25. Conclusion obtained from the analysis of Financial Statement are affected to a great extent by personal ability and knowledge of the analyst. In many situations, the accountant has to make the choice out of various alternatives available. For example- choice in the method of depreciation (straight line or written down), choice in the method of inventory valuation (LIFO, FIFO or HIFO). Since the subjectivity is inherent in personal judgement, the financial statements are therefore not free from personal bias. As a result, ratio analysis cannot be said to be free from bias.

26. i. Revenue from other financial services,
    ii. Interest

27. Cash flow from financing activities is a section of a company’s cash flow statement, which shows the net flows of cash that are used to fund the company.

Computation of Cash Flow from Financing Activities

for the year ended March 31st, 2012

Particulars	**Amount (Rs.)**
Cash Flow From Financing Activities	
Redemption of 10% Debentures	(2,00,000)
Proceeds from Issue of 8% Debenture]s	3,00,000
Dividend Paid	(50,000)
Interest Paid	(20,000)
Net Cash Flow from Financing Activities	**30,000**

28. False

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

30. **Comparative Income Statement**

Particulars	**Note No.**	**31.03.2012 (Rs.)**	**31.03.2013 (Rs.)**	**Absolute Change (Rs.)**	**%age Change (%)**
		(A)	(B)	(C = B - A)	(D = $\frac{C}{A} \times 100$)
I. Revenue from Operations		20,00,000	30,00,000	10,00,000	50
II. Other Income		4,00,000	4,50,000	50,000	12.50
III. Total Revenue		**24,00,000**	**34,50,000**	10,50,000	43.75
IV. Expenses		**10,00,000**	**18,00,000**	8,00,000	80.00
V. Profit before Tax (III - IV)		14,00,000	16,50,000	2,50,000	17.86

OR

The following items are arranged under major headings and sub headings as per schedule 3 of the company's act,2013 to cop up with the international standards and to ensure uniformity in classification.

Sl. No.	**Items**	**Major - headings**	**Sub-headings**
(I)	Stores and Spares	Current Assets	Inventories
(ii)	Proposed Dividend	Current Liabilities	Short-term Provisions
(iii)	Computer Software	Non-current Assets	Fixed Assets (Intangible assets)

31. **Balance Sheet of PQ Ltd.**

as at 31st March 2012 (Extract)

	Particulars	Note No.	31st March 2012 Amount (Rs.)	31st March 2011 Amount (Rs.)
I.	**EQUITY AND LIABILITIES**			
	(1) **Shareholders' Funds**			
	(a) Share Capital		400	
	(b) Reserves and Surpluses		90	
	(2) **Non-Current Liabilities**			
	(a) Long Term Borrowings		500	
	(3) **Current Liabilities**			
	(a) Trade Payables		30	
			1,020	
II.	**ASSETS**			
	(1) **Non-current Assets**			
	(a) Fixed Assets			
	Tangible Assets		800	
	(2) **Current Assets**			
	(a) Inventories		20	
	(b) Trade Receivables		80	
	(c) Cash and Cash Equivalents		120	
			1,020	

There is a legal requirement as per Companies Act 2013 that every company should prepare Profit and Loss account and Balance Sheet as per the format given in Schedule 3. This requirement is only for companies and not for Partnership or

Proprietorship.

OR

Comparative Statement of Profit and Loss

for the years ended 31st March, 2012 and 2013

Particulars	**Note No.**	**31st March 2012 Amount (Rs.)**	**31st March 2013 Amount (Rs.)**	**Absolute Change (Increase/ Decrease) Amount (Rs.)**	**Percentage Change (Increase/ Decrease) (%)**
		(A)	(B)	(C = B - A)	(D = $\frac{C}{A} \times 100$)
I. Revenue from Operations(Total Revenue)		**5,25,000**	**10,00,000**	**4,75,000**	**90.47**
II. Expenses:					
(a) Cost of Materials Consumed		3,00,000	5,00,000	2,00,000	66.67
(b) Other Expenses		26,250	50,000	23,750	90.47
III.Total Expenses:		**3,26,250**	**5,50,000**	**2,23,750**	**68.58**
IV. Net Profit before Tax(I - III)		**1,98,750**	**4,50,000**	**2,51,250**	**126.41**
Less:Income Tax		99,375	2,25,000	1,25,625	126.41
V. **Net Profit after Tax**		**99,375**	**2,25,000**	**1,25,625**	**126.41**

A Comparative Income Statement shows the operating results for a number of accounting periods and helps the reader of such statement to compare the results over the different periods for better understanding and also for detailed analysis of variation of line wise items of Income Statement.

32. **Young India Ltd.**

CASH FLOW STATEMENT

for the year 2006

	Rs.	**Rs.**
I. Cash flow from Operating Activities:		
Net Profit Before Tax for the year	**3,30,000**	
Add: Depreciation on Fixed Assets	50,000	
Operating profit before Working Capital change	**3,80,000**	
Less: Increase in Debtors	(1,50,000)	
Increase in Stock	(1,00,000)	
Cash generated from Operating Activities	**1,30,000**	
Less: Tax paid	**-**	**1,30,000**
II. Cash flow from Investing Activities:		
Less: Purchase of Fixed Assets	(1,00,000)	**(1,00,000)**
III. Cash flow from Financing Activities:		
Less: Dividend paid	(70,000)	
Interim Dividend	(30,000)	
Issue of Shares	1,00,000	---
Net Increase In Cash or Cash Equivalent		**30,000**
Opening Cash and cash Equivalent		1,00,000
Closing Cash and cash Equivalent		1,30,000

Working Notes:

1.

Calculation of Net Profit Before Tax

	Rs.
Net Profit After Tax	1,00,000
Add: Transfer to Reserve	50,000
Proposed Dividend	80,000
Interim Dividend	30,000
Underwriting Commission written off	70,000
Net Profit Before Tax	**3,30,000**

2.

Fixed Assets A/c

Particulars	**Rs.**	**Particulars**	**Rs.**
To balance b/d	4,00,000	By Depreciation A/c	50,000
To Debentures A/c	2,00,000	By Balance B/d	6,50,000
To Cash (bal fig.)	1,00,000		
	7,00,000		**7,00,000**