CBSE
Class XII Accountancy

Time:3 Hrs **Max. Marks: 80**

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

Part A

1. Vinod, Karan and Sampurna are partners. Vinod wants to admit his son Yuvraj into business as a new partner, but Karan and Sampurna do not agree. Can Yuvraj become a partner of the firm? Give reason. (1)

2. What is meant by Reconstitution of Partnership Firm? (1)

3. Name the liability which is not shown in the Balance Sheet but paid at the time of dissolution of a partnership firm. (1)

4. X, Y and Z are partners sharing profits in the ratio of 1/2, 2/5 and 1/10. Find the new ratio of the remaining partners if Z retires. (1)

5. What steps can a company take other than rejecting applications in case of oversubscription? (1)

6. Adjustments for outstanding expenses, prepaid expenses or depreciation are not made in receipts and payments accounts. Why? (1)

7. In the year ended 31^{st} March, 2018, subscriptions received were ₹2,10,000. These subscriptions include ₹3,000 for the year ended 31^{st} March, 2017 and ₹4,000 for the year ending 31^{st} March, 2019. On 31^{st} March, 2018, subscriptions due but not received were ₹5,000. The corresponding amount on 1^{st} April, 2017 was ₹6,000. Determine the amount that should be credited to Income and Expenditure Account as subscriptions for the year ended 31^{st} March, 2018. (3)

8. Vinod and Dhruv were equal partners. They decided to admit a new partner Mr.Gaurav in to firm and for this purpose goodwill of the firm is to be valued at two years purchase of super profits. On the admission of Mr. Gaurav Average Profits of the firm were calculated at ₹21,500 and Capital Employed at ₹2,00,000. The normal rate of return in similar business is 10%.
Find out the value of goodwill. (3)

9. Vinod, Deepak and Mukesh were partners in a firm sharing profits in the ratio of 4:4:2. The firm closes its books on 31^{st} March every year. Deepak died on 24 August 2009. On Deepak's Death the goodwill of the firm was valued at ₹1,50,000. The partnership deed provided that on the death of a partner his share in the profits of the firm in the year of his death will be calculated on the basis of last year's profit. The profit of the firm for the year ended 31^{st} March 2009 was ₹4,00,000. Give necessary journal entries and calculation of Deepak's Share of profit. (4)

10. Vinod and Mridul are partners sharing profits in the ratio 6:4, with capitals of ₹1,00,000 and ₹60,000 respectively. Interest on capital is agreed to be paid @ 6% p.a. Mridul is allowed a salary of ₹5,000 p.a. During 2013, the profits prior to the calculation of interest on capital but after charging Mridul's salary amounted to ₹25,000. A provision of 5% of profits is to be made in respect of manager's commission. Prepare accounts showing the allocation of profits and partner's capital accounts. (4)

11. ***(a)*** Vinod, Ashish and Gaurav were partners sharing profits in the ratio of 4/7:2/7:1/7, respectively. Following was their Balance Sheet as on 31st March 2016:

Liabilities	**₹**	**Assets**	**₹**
Workmen Compensation Reserve	14,000	Preliminary Expenses	14,000
Capital:		Cash	14,000
Vinod	60,000	Stock	30,000
Ashish	40,000	Debtors	22,000
Gaurav	30,000	Building	40,000
Creditors	30,000	Plant	53,000
Bills Payable	4,000	Motor van	26,000
General Reserve	21,000		
	1,99,000		**1,99,000**

On the above date, Vinod retired and he donated half of his amount to an NGO working for the education of girls belonging to the backward class. It was agreed that

i. Assets and liabilities were valued as Stock ₹18,000, Debtors ₹21,000, Building ₹51,200, Plant ₹50,000 and Creditors ₹28,000.
Amount due to Vinod will be transferred to Vinod's loan account.

ii. Prepare Revaluation Account and Vinod's Capital Account and identify any two values disclosed by Vinod.

(b) Vinod and Vimanyu were partners in a firm sharing profits in the ratio of 3/5 and 2/5. From 1st April, 2016 they decided to change it to ¾ and ¼. For this purpose the goodwill of the firm was valued at ₹1,40,000. Give necessary journal entry for the treatment of goodwill. (6)

12. ***(a)***Vinod Limited purchased building worth ₹7,70,000 from DLF Limited (Construction Company). Vinod Limited issued 12% Debentures of ₹100 each in lieu of purchase consideration at a premium of 10%. Give necessary entries for the above transactions in the books of Vinod Limited.

(b) On 1st April 2012, a company issued ₹4,000 9% debentures of ₹100 each at a discount of 10%, repayable at a premium of 10%. The terms of issue provided for the redemption of ₹40,000 debentures every year commencing from 31st March 2014, either by purchase from the open market or by draw of lots at the company's option.
On 31st March 2014, the company purchased for cancellation its own debentures of the face value of ₹32,000 at ₹95 per debenture and ₹8,000 at ₹90 per debenture. The expenses of purchase amounted to ₹1,000. Record the necessary journal entries for redemption of 9% debentures. (6)

13. How will you treat the following items: (6)

Receipt and Payment 31-12-2006

Receipts	**₹**	**Payments**	**₹**
		By Salaries:	
		2005	20,000
		2006	2,80,000
		2007	18,000

Additional Information:

i. Salaries outstanding on 31st December, 2005 ₹25,000.
ii. Salaries outstanding on 31st December, 2006 ₹45,000
iii. Salaries paid in advance on 31st December, 2005 ₹10,000.

14. Vinod and Yuvraj were partners sharing profits and losses equally. On 31st March, 2016 when the firm was dissolved their books showed the following balances on that date:

Liabilities	₹	Assets	₹
General Reserve	1,500	Investments	9,500
Vinod's Capital A/c	20,000	Furniture	2,700
Yuvraj's Capital A/c	10,000	Goodwill	10,000
Sundry Creditors	14,700	Sundry Debtors	10,300
Bills Payable	3,800	Closing Stock	16,000
		Preliminary Expenses	1,500
	50,000		**50,000**

Vinod agreed to bear all expenses of realization and for this he was to be paid ₹500. The firm could realize only ₹9,400 of sundry debtors and 75% of the value of the stock. Furniture was sold for ₹1,600 but nothing could be realized for the goodwill. Vinod took over the investment for ₹11,000. You are required to prepare Realisation Account. (6)

15. Vinod and Manthan are partners in a firm sharing profits in the ratio of 3:2. Their Balance Sheet on 1st April, 2015 was as follows:

Liabilities		₹	Assets	₹
Capital A/c:			Plant	60,000
Vinod	60,000		Patents	20,000
Manthan	50,000	1,10,000	Stock	40,000
GeneralReserve		20,000	Debtors	36,000
Creditors		30,000	Cash	4,000
		1,60,000		**1,60,000**

Devansh is admitted as a partner on the above date on the following terms:

i. He will pay ₹20,000 as premium for 1/4th share in the future profits.

ii. The assets are to be valued as: Plant ₹64,000; Stock ₹36,000; Debtors at book figure less a provision of 5% for doubtful debts.

iii. It was found that creditors include a sum of ₹2,800 which was not to be paid. But it was also found that there was a liability for compensation to workers amounting to ₹4,000.

iv. Devansh was to introduce ₹40,000 as capital and the capitals of the other partners were to be adjusted in the new profit sharing ratio. For this purpose current accounts were to be opened.

Prepare Revaluation A/c, Partners Capital A/c and Balance Sheet and identify the value being conveyed in the question. (8)

OR

RK, MK and SK were partners sharing profits in the ratio of 5:3:2. On 31st March2016 their Balance sheet was:

Particulars	Amount	Particulars	Amount
Capitals: RK	3,00,000	Land and Building	2,50,000
MK	2,50,000	Furniture	60,000
SK	1,50,000	Machinery	3,00,000
Creditors	60,000	Stock	3,80,000
General Reserve	3,10,000	Bank Balance	80,000
	10,70,000		**10,70,000**

SK died on 1st August 2016. It was agreed that:

(i) Goodwill of the firm is to be valued at ₹3,50,000.

(ii) Machinery be valued at ₹2,80,000; Furniture ₹80,000; Land and building ₹3,00,000 on this date.

(iii) For the purpose of calculating SK's Share in the profits of the current year, the profit should be taken to have accrued on the same scale as in 2015-16, which were ₹1,50,000.

Prepare SK's Capital Account and Revaluation Account. (8)

16. Record the journal entries for forfeiture and reissue in the following cases:

a. X Ltd. forfeited 200 shares of ₹100 each, ₹70 called up, on which the shareholders had paid application and allotment money of ₹50 per share. Of these, 150 shares were re-issued to Naresh as ₹70 paid up for ₹80 per share.

b. Y Ltd. forfeited 180 shares of ₹10 each, ₹8 called up, issued at a premium of ₹2 per share to R for non-payment of allotment money of ₹5 per share (including premium). Of these, 160 shares were re-issued to Sanjay as ₹8 called up for ₹10 per share fully paid up.

c. Z Ltd. forfeited 30 shares of ₹100 each issued at a discount of ₹10 per share for non-payment of first and final call money of ₹30 per share. Of these, 20 shares were re-issued at ₹30 per share fully paid up.

OR

Vinod Ltd. has an authorised capital of ₹50,00,000 divided into equity shares of ₹100 each. The company offered ₹42,000 shares to the public. The amount payable was as follows:
On Application – ₹30 per share
On Allotment – ₹40 per share (including premium)
On First and Final Call – ₹50 per share
Applications were received for 40,000 shares.
All sums were duly received except the following:
Lal, a holder of 100 shares, did not pay allotment and call money.
Pal, a holder of 200 shares, did not pay call money.
The company forfeited the shares of Lal and Pal. Subsequently, the forfeited shares were reissued for ₹70 per share as fully paid-up. Show the entries for the above transactions in the cash book and journal of the company (8)

Part B

17. What is meant by outflow of cash while preparing the Cash Flow Statement? (1)

18. While preparing the Cash Flow Statement, the accountant of Vinod Ltd., a financing company showed 'Dividend received on Investments' as 'Investing Activity'. Was he correct in doing so? Give reason. (1)

19. ***(a)*** Under which major headings, the following items will be presented in the Balance Sheet of a company according to Schedule III of the Companies Act, 2013?

i. Loans provided repayable on demand
ii. Goodwill
iii. Copyrights
iv. Loose tools
v. Cheques
vi. General reserve
vii. Stock of finished goods
viii. 9% Debentures repayable after three years

(b) What is meant by Analysis of Financial Statements? (4)

20. From the following information, calculate return on capital employed or investment (ROI): (4)

Share Capital ……………………………………….₹2,00,000
Reserves & Surplus ……………………………….₹2,00,000
10% Debentures ……………………………………. ₹8,00,000
Net Profit after interest & Tax ………………….. ₹2,40,000
Tax ……………………………………………………….₹2,40,000

21. With the help of the following information from the books of Vinod Limited, prepare Comparative Statement of Profit and loss for the year ended 31st March 2016:

Particulars	2015–16	2014–15
Revenue from operations	36,00,000	20,00,000
a. Cost of Material Consumed	1/3 of the Revenue from Operations	50% of the Revenue from Operations
b. Other expenses	20% of the cost of material consumed	10% of the cost of material consumed

Tax Rate of 50% (4)

22. Prepare the Cash Flow Statement from the following Balance Sheet of Vinod Limited: (6)

	Particulars	Note No.	31.3.2016 ₹	31.3.2015 ₹
I	**EQUITY & LIABILITIES**			
1.	**Shareholders' Funds**			
	a. Share Capital		10,00,000	8,54,000
	b. Reserves & Surplus		3,50,000	2,00,000
2.	**Non-Current Liabilities**			
	a. Long-term Borrowings (Bank Loan)		1,00,000	2,00,000
3.	**Current Liabilities**			
	a. Trade Payables		60,000	56,000
	b. Short-term Provisions	1	1,90,000	1,50,000
	Total		**17,00,000**	**14,60,000**
II	**Assets:**			
1.	**Non-Current Assets**			
	a. Fixed Assets			
	i. Tangible Assets (Machinery)		8,00,000	8,00,000
	ii. Intangible Assets (Goodwill)		1,60,000	2,00,000
	b. Non-current Investment		1,40,000	--------
2.	**Current Assets**			
	a. Inventories		1,50,000	1,00,000
	b. Trade Receivables		3,50,000	3,00,000
	c. Cash & Cash Equivalents		1,00,000	60,000
	Total		**17,00,000**	**14,60,000**

Note No	Particulars	2016	2015
1	**Short Term Provisions:**		
	Proposed Dividend	1,00,000	80,000
	Provision for Tax	90,000	70,000

Additional Information:
During the year machinery costing ₹2,50,000 was purchased. Loss on sale of machinery amounted to ₹20,000. Depreciation ₹30,000 was charged on machinery.
Prepare the Cash Flow Statement.

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Solution

Part A

1. Answer :
Yuvraj cannot be admitted as a new partner in the firm because Karan and Sampurna have not agreed. A new partner can be admitted only with the consent of existing partners. In this case, existing partners are not ready to admit a new partner.

2. Answer :
Change in the present agreement of partnership and formation of a new partnership is called reconstitution of a partnership firm. It may be because of a change in the existing profit-sharing ratio, admission of a new partner or retirement or death of a partner.

3. Answer :
Unrecorded liabilities are directly paid at the time of dissolution of the partnership firm. They are not recorded in the balance sheet of the firm.

4. Answer :
Old share of X, Y and Z = 1/2, 2/5 and 1/10, i.e. 5:4:1
New share of X and Y after the retirement of Z = 5:4

5. Answer :
A company has the following two options:
i. To make pro-rata allotment to all the applicants
ii. To allot full shares to some and make pro-rata allotment to the remaining applicants

6. Answer :
Because receipts and payment Account records all cash receipts and cash payments. It is a consolidated cash book. It starts with opening balance of cash & bank and ends with closing balance of cash & bank, It does not take into consideration outstanding amounts of receipts and payments.

7. Answer :
Statement showing Subscriptions to be Credited to the Income and Expenditure Account:

Particulars	₹
Subscriptions received on 31st march, 2018	2,10,000
Less: Relating to the year ended 31st March, 2017	(3,000)
Less: Received in advance for the year ended 31st March, 2019	(4,000)
Add: Subscriptions due for the year ended 31st March, 2018 (WN)	2,000
Subscriptions for the year ended 31st March, 2018	**2,05,000**

Working Note:
Subscriptions due but not received as at 31st March, 2018 ₹5,000. It, therefore, includes subscriptions due but not received for the year ended 31st March, 2017 amounted to ₹3,000 [i.e., 6,000 (Due) - 3,000 (received during the year ended 31st March, 2018)]. The subscriptions due for the year ended 31st March, 2018 amounted to only ₹2,000 (i.e., 5,000 - 3,000).

8. Answer :

Average Profit of the firm = 21,500
Capital Employed = 2,00,000
Normal Profit = Capital Employed x Normal rate of return/100
20,000 = 2,00,000 x 10/100
Super Profit = Average Profits – Normal Profit
1,500 = 21,500 – 20,000
Goodwill = Super Profit x No. of Years Purchase
3,000 = 1,500 x 2

9. Answer :

Deepak's share of profit = 4,00,000 × 146/365 × 4/10 = 64,000

Journal

Date	Particulars		L.F.	Dr. ₹	Cr. ₹
	Vinod's Capital A/c	Dr.		40,000	
	Mukesh's Capital A/c	Dr.		20,000	
	To Deepak's Capital A/c				60,000
	(Being adjustment of goodwill made at the time of death of Deepak)				
	Profit and Loss Suspense A/c	Dr.		64,000	
	To Deepak's Capital A/c				64,000
	(Being Deepak's share of profit credited)				

10. Answer :

Profit and Loss Account

Dr. **Cr.**

Particulars	₹	Particulars	₹
To Managers Commission 30,000 × 5/100	1,500	By Balance b/d (25,000 + 5,000)	30,000
To Profits transferred to P/L Appropriation A/c	28,500		
	30,000		**30,000**

Profit and Loss Appropriation Account

Dr. **Cr.**

Particulars		₹	Particulars	₹
To Interest on Capital:			By Profit & Loss A/c	28,500
Vinod's Capital A/c	6,000			
Mridul's Capital A/c	3,600	9,600		
To Mridul's Salary		5,000		
To Profits transferred to				
Vinod's Capital A/c	8,340			
Mridul's Capital A/c	5,560	13,900		
		28,500		**28,500**

Partners Capital Account

Particulars	Vinod	Mridul	Particulars	Vinod	Mridul
To Bal. c/d	1,14,340	74,160	By Balance b/d By Salaries A/c By Int. On Cap A/c By P&L Appro. A/c	1,00,000 6,000 8,340	60,000 5,000 3,600 5,560
	1,14,340	**74,160**		**1,14,340**	**74,160**

11. Answer :

Revaluation Account

Dr. **Cr.**

Particulars	₹	Particulars		₹
To Stock A/c	12,000	By Building A/c		11,200
To Debtors A/c	1,000	By Creditors A/c		2,000
To Plant A/c	3,000	By Partner's Capital A/c:		
		Vinod	1,600	
		Ashish	800	
		Gaurav	400	2,800
	16,000			**16,000**

Vinod's Capital Account

Dr. **Cr.**

Particulars	₹	Particulars	₹
To Preliminary Expenses A/c	8,000	By Bal. b/d	60,000
To Revaluation A/c	1,600	By General Reserve	12,000
To Vinod's Loan A/c	70,400	By Workmen Comp. Res.	8,000
	80,000		**80,000**

Values: (i) Welfare of society; (ii) Help in education

(b)

Journal Entries

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Vinod's Capital A/c Dr. To Vimanyu's Capital A/c (Being adjustment of goodwill made at the time of Change in profit sharing ratio)		21,000	 21,000

Working Note: Old Ratio of the partners: 3:2

New Ratio = 3:1

Gain of Vinod = 3/4 – 3/5 = 3/20

Sacrifice of Vimanyu = 2/5 – 1/4 = 3/20

12. Answer :

(a)

Journal Entries

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Building A/c Dr. To DLF Limited A/c (Being building purchased from DLF Limited)		7,70,000	 7,70,000
	DLF Limited A/c Dr.		7,70,000	

	To 12% Debenture A/c			7,00,000
	To Securities Premium A/c			70,000
	(Being issue of 12% Debentures)			

(b)

Journal Entries

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Own Debentures A/c Dr.		38,600	
	To Bank A/c			38,600
	(Being own debentures purchased)			
	Note: 320 × 95 = 30,400			
	80 × 90 = 7,200			
	Add: Expenses 1,000			
	9% Debenture A/c Dr.		40,000	
	To Own Debentures A/c			40,000
	To Gain on Cancellation of Debentures A/c			
	(Being cancellation of 400 debentures)			
	Gain on Cancellation A/c Dr.		1,400	
	To Capital Reserve A/c			1,400
	(Being gain on cancellation transferred to capital reserve)			

13. Answer :

Income and Expenditure Account

for the year ended 31st December, 2006

Dr. **Cr.**

Expenditure		₹	Income	₹
To Salaries	2,80,000			
Add: Salaries received in Advance (LY 2005)	**10,000**			
Add: Outstanding (CY 2006)	40,000			
		3,30,000		

Balance Sheet

as on 31st December, 2005

Liabilities	₹	Assets	₹
Salary outstanding	25,000	Salaries Prepaid	10,000

Balance Sheet

as on 31st December, 2006

Liabilities		₹	Assets	₹
Salaries outstanding :			Salaries Prepaid	18,000
2005 (25,000 –20,000)	5,000			
2006 (45,000–5,000)	40,000	45,000		

Note:

Salaries outstanding as on 31st December, 2006 appearing on the Liabilities side of the Balance Sheet amounted at ₹ 45000. It includes salaries outstanding for the year 2005 ₹5,000 (i.e., ₹25,000- ₹20,000) and salaries outstanding for the year 2006, amounted to only ₹ 40,000.

14. Answer:

Realisation Account

Dr. **Cr.**

Particulars		₹	Particulars		₹
To Investment A/c		9,500	By Creditors A/c		14,700
To Furniture A/c		2,700	By Bank A/c		
To Goodwill A/c		10,000	Debtors	9,400	
To Sundry Debtors A/c		10,300	Stock	12,000	
To Stock A/c		16,000	Furniture	1,600	23,000
To Vinod's Capital A/c					
(Realisation Expenses)		500	By Bills Payable A/c		3,800
To Bank A/c			By Vinod's Capital A/c		11,000
Sundry Creditors	14,700		By Loss on Realisation		
Bills Payable	3,800	18,500	Vinod	7,500	
			Yuvraj	7,500	15,000
		67,500			**67,500**

15. Answer :

Revaluation Account

Dr. **Cr.**

Particulars	₹	Particulars		₹
To Stock A/c	4,000	By Plant A/c		4,000
To Prov. For Doubtful Debts	1,800	By Creditors A/c		2,800
To Compensation A/c	4,000	By Loss transferred		
		Vinod	1,800	
		Manthan	1,200	3,000
	9,800			**9,800**

Partners Capital Account

Particulars	Vinod	Manthan	Devansh	Particulars	Vinod	Manthan	Devansh
To Reval. A/c	1,800	1,200		By Balance b/d	60,000	50,000	
To Current A/c	10,200	16,800		By Cash A/c	-	-	40,000
				By Premium A/c	12,000	8,000	
To Bal. c/d	72,000	48,000	40,000	By Gen. Res. A/c	12,000	8,000	
	84,000	**66,000**	**40,000**		**84,000**	**66,000**	**40,000**

Balance Sheet

Liabilities		₹	Assets		₹
Capital Accounts			Plant		64,000
Vinod	72,000		Patents		20,000
Manthan	48,000		Stock		36,000
Devansh	40,000	1,60,000	Debtors	36,000	
Compensation Claim		4,000	Less: Provisions	1,800	34,200
Creditors		27,200	Cash		64,000
Current Accounts					
Vinod	10,200				
Manthan	16,800	27,000			
		2,18,200			**2,18,200**

OR

Revaluation Account

Dr. **Cr.**

Particulars		₹	Particulars	₹
To Machinery A/c		20,000	By Furniture A/c	20,000
To Profit Transferred			By Land and Building A/c	50,000
RK	25,000			
MK	15,000			
SK	10,000	50,000		
		70,000		**70,000**

SK's Capital Account

Particulars	₹	Particulars	₹
To SK's Executor's A/c	3,02,000	By Balance b/d	1,50,000
		By Revaluation A/c	10,000
		By P/L Suspense A/c	10,000
		By RK Capital A/c	43,750
		By MK Capital A/c	26,250
		By General Reserve	62,000
	3,02,000		**3,02,000**

Working Note:

Calculation of SK's Profit = 1,50,000 × 4/12 x 2/10 = 10,000

16. Answer :

(a)

Journal Entries

Date	Particulars		L.F.	Debit ₹	Credit ₹
	Share Capital A/c	Dr.		14,000	
	To Share Forfeiture A/c				10,000
	To Share Call A/c				4,000
	(Being 200 shares forfeited)				
	Bank A/c	Dr.		12,000	
	To Share Capital A/c				10,500
	To Securities Premium Reserve A/c				1,500
	(Being 150 shares re-issued)				
	Share Forfeiture A/c	Dr.		7,500	
	To Capital Reserve A/c				7,500
	(Being amount transferred to capital reserve)				

(b)

Journal Entries

Date	Particulars		L.F.	Debit ₹	Credit ₹
	Share Capital A/c	Dr.		1,440	
	Securities Premium A/			360	
	To Share Allotment A/c				900
	To Share Forfeiture A/c				900
	(Being 180 shares forfeited)				
	Bank A/c	Dr.		1,600	
	To Share Capital A/c				1,280

	To Securities Premium A/c			320
	(Being 160 shares re-issued)			
	Share Forfeiture A/c Dr.		800	
	To Capital Reserve A/c			800
	(Being amount transferred to capital reserve)			

(c)

Journal Entries

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Share Capital A/c Dr.		3,000	
	To Share First & Final Call A/c			900
	To Discount on issue of shares A/c			300
	To Share Forfeiture A/c			1,800
	(Being 30 shares forfeited)			
	Bank A/c Dr.		600	
	Share Forfeiture A/c Dr.		200	
	Discount on issue of shares A/c Dr.		1,200	
	To Share Capital A/c			2,000
	(Being 20 shares re-issued)			
	Share Forfeiture A/c Dr.		Nil	
	To Capital Reserve A/c			Nil
	(Being amount transferred to capital reserve)			

OR

Journal Entries

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Equity Share Application A/c Dr.		12,00,000	
	To Equity Share Capital A/c			12,00,000
	(Being application money received on 40,000 shares)			
	Equity Share Allotment A/c Dr.		16,00,000	
	To Equity Share Capital A/c			8,00,000
	To Securities Premium A/c			8,00,000
	(Being equity share allotment made)			
	Equity Share First Call A/c Dr.		20,00,000	
	To Equity Share Capital A/c			20,00,000
	(Being first call money due on 40,000 shares)			
	Equity Share Capital A/c Dr.		30,000	
	Securities Premium A/c Dr.		2,000	
	To Share Forfeiture A/c			13,000
	To Equity Share Allotment A/c			4,000
	To Equity Share First Call A/c			15,000
	(Being 300 shares forfeited)			

	Share Forfeiture A/c Dr. To Share Capital A/c (Being forfeited shares reissued)		9,000	9,000
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Being forfeiture of reissued shares transferred)		4,000	4,000

Cash Book (Bank Column)

Particulars	₹	Particulars	₹
To Equity Share Application A/c	12,00,000	By Balance c/d	48,02,000
To Equity Share Allotment A/c	15,96,000		
To Equity Share First Call A/c	19,85,000		
To Equity Share Capital A/c	21,000		
	48,02,000		**48,02,000**

Part B

17. Answer :
Outflow of cash means decrease in cash and cash equivalents.

18. Answer :
No, accounts was not correct because the dividend received on investment should be considered as operating activities, but it is wrongly added to investing activities.

19. Answer :
(a)

S. No.	Items	Major Heads
i.	Loans provided repayable on demand	Current liabilities
ii.	Goodwill	Non-current assets
iii.	Copyrights	Non-current assets
iv.	Loose tools	Current assets
v.	Cheques	Current assets
vi.	General Reserve	Shareholders' funds
vii.	Stock of finished goods	Current assets
viii.	9% Debentures repayable after three years	Non-current liabilities

(b) It is a systematic process of analysing the given financial statement so that important decisions can be taken regarding the operations of the firm.

20. Answer :
Return on Capital Employed or Investment (ROI)

$$= \frac{\text{Net Profit before interest \& tax}}{\text{Capital Employed}} \times 100$$

$$= \frac{5,60,000}{12,00,000} \times 100$$

$$= 46.6\%$$

Working Notes:
N/P before interest and tax = 2,40,000 profit + 80,000 int. on debentures + 2,40,000 Tax = 5,60,000
Capital Employed = 2,00,000 Sh. Capital + 2,00,000 Reserves & surplus + 8,00,000 Deb. = 12,00,000

21. Answer :

Statement of Profit and Loss

For the years ended 31st March 2015 & 2016

Particulars	2014–15	2015–16	Absolute Change	%age Change
Revenue from operations	**20,00,000**	**36,00,000**	**16,00,000**	**80**
Expenses:				
(a) Cost of material consumed	10,00,000	12,00,000	2,00,000	20
(b) Other expenses	1,00,000	2,40,000	1,40,000	140.00
Total Expenses	**11,00,000**	**14,40,000**	**3,40,000**	**30.90**
Profit before tax	9,00,000	21,60,000	12,60,000	140.00
Less: Taxes @ 50%	4,50,000	10,80,000	6,30,000	140.00
Profit after Tax	**4,50,000**	**10,80,000**	**6,30,000**	**140.00**

22. Answer :

Particulars	Dr. ₹	Cr. ₹
A) Cash flows from Operating Activates:		
Net Profit before tax & extraordinary items	3,40,000	
Add: Depreciation on machinery	30,000	
Add: Goodwill amortised	40,000	
Add: Loss on sale of machinery	20,000	
Operating profit before working capital changes	4,30,000	
Add: Trade payables	4,000	
Less: Trade Receivables	50,000	
Less: Inventories	50,000	
Cash flow from operating activities before tax	3,34,000	
Less: Tax	70,000	
Cash flow from Operating Activities		**2,64,000**
B) Cash flows from Investing Activates :		
Add: Proceeds from sale of machinery	2,00,000	
Less: Purchase of machinery	2,50,000	
Less: Purchase of investments	1,40,000	
Cash used in investing activities		**(1,90,000)**
C) Cash flows from Financing Activates ::		
Issue of share capital	1,46,000	
Bank Loan repaid	(1,00,000)	
Dividend paid	(80,000)	
Cash flow from financing Activities		**(34,000)**
Net increase in cash & cash equivalents(A+B+C)		40,000
Add: Opening balance of cash & cash equivalents:		60,000
Closing Balance of cash & cash equivalents:		1,00,000

Machinery Account

Dr. **Cr.**

Particulars	₹	Particulars	₹
To Balance b/d	8,00,000	By Bank A/c (Sale)	2,00,000
To Bank A/c (purchase)	2,50,000	By Loss on Sale of Machinery	20,000
		By Depreciation A/c	30,000
		By Balance c/d	8,00,000
	10,50,000		**10,50,000**