CBSE
Class XII Accountancy

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

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

PART – A

1. A group of 35 people wants to form a partnership firm. These people want your advice related to the maximum number of persons that can be there in a partnership firm and name of the Act under whose provisions it is given. **[1]**

2. Capital Account is debited when an asset is taken over by a partner. Why? **[1]**

3. Sita, Geeta and Rita were partners in a firm sharing profits in the ratio 6:4:2 respectively. Their capitals were ₹60,000, ₹40,000 and ₹20,000 respectively. State the ratio in which the goodwill of the firm, amounting to ₹10,00,000, will be adjusted in the capital accounts of the remaining partners on the retirement of Geeta. **[1]**

4. What do you mean by hidden goodwill? **[1]**

5. Shubam Ltd. forfeited 200 equity shares of ₹10 each issued at a premium of 20% for non-payment of final call of ₹4 including premium. State the maximum amount of discount at which these shares can be reissued. **[1]**

6. Where is general donation received shown in the final accounts of a Not-For-Profit Organisation? **[1]**

7. On the basis of the following information, calculate the amount to be debited to Stationery Account in Income and Expenditure Account for the year en 31st March, 2018: **[3]**

	₹
Stock of stationery on 1st April, 2017	30,000
Creditors for stationery on 1st April, 2017	20,000
Amount paid for stationery during 2017-18	1,08,000
Stock of stationery on 31st March, 2018	5,000
Creditors for stationery on 31st March, 2018	13,000

8. On 1st April, 2016, Bindu and Nirja entered into partnership to construct toilets in government schools in the remote areas of Uttar Pradesh. They contributed capitals of ₹20,00,000 and ₹30,00,000 respectively. Their profit-sharing ratio was 2:3 and interest allowed on capital as provided in the Partnership Deed was 12% per annum. During the year ended 31st March, 2017, the firm earned a profit of ₹5,40,000. Prepare Profit and Loss Appropriation Account of Bindu and Nirja for the year ended 31st March, 2017.**[3]**

9. Rita and Shubhada are partners in a firm sharing profits and losses in the ratio of 3 : 2. They admit Monika as a partner for $\frac{1}{4}$th share in the profits of the firm. Monika brings ₹60,000 as his capital and his share of goodwill in cash. Goodwill of the firm is to be valued at two years' purchase of average profits of the last four years.

The profits of the firm during the last four years are given below:

Year	Profit (₹)
2014-15	35,000
2015-16	47,500
2016-17	67,000
2017-18	74,500

The following additional information is given:

(i) To cover management cost an annual charge of ₹5,625 should be made for the purpose of valuation of goodwill.

(ii) The closing stock for the year ended 31.3.2018 was overvalued by ₹1,500.

Pass necessary journal entries on Monika's admission showing the working notes clearly. **[4]**

10. Nakul, Divya and Akash are partners sharing profits in the ratio of 5 : 3 : 7. On April 1st, 2016, Nakul gave a notice to retire from the firm. Divya and Akash decided to share future profits in the ratio of 2 : 3. The adjusted capital accounts of Divya and Akash show a balance of ₹43,000 and ₹90,500 respectively. The total amount to the paid to Nakul is ₹1,10,500. This amount is to be paid by Divya and Akash in such a way that their capitals become proportionate to their new profit sharing ratio. Pass necessary journal entries for the above transactions in the books of the firm. Show working clearly. **[4]**

11. From the following Receipts and Payments Account of Adi National Club and from the information supplied, prepare Income and Expenditure Account for the year ended 31st March, 2015 and Balance Sheet as at that date: **[6]**

RECEIPTS AND PAYMENTS ACCOUNT

for the year ended 31st March, 2015

Dr. **Cr.**

Receipts		₹	Payments	₹
To Balance b/d		7,000	By Salaries	28,000
To Subscriptions:			By General Expenses	6,000
2013-14	5,000		By Electricity Charges	4,000
2014-15	20,000		By Books	10,000
2015-16	4,000	29,000	By Newspapers	8,000
To Rent		14,000	By Balance c/d	4,000
(Received from the Use of Hall)				
To Profit from Entertainment		8,000		
To Sale of Old Newspapers		2,000		
		60,000		**60,000**

(a) The club has 50 members each paying an annual subscription of ₹500. Subscriptions Outstanding on 31st March, 2014 were ₹6,000.

(b) On 31st March, 2015, Salaries Outstanding amounted to ₹2,000. Salaries paid in 2014-15 included ₹6,000 for the year 2013-14.

(c) On 1st April, 2014, the Club owned Building valued at ₹2,00,000; Furniture ₹20,000 and Books ₹20,000.

(d) Provide depreciation on Furniture at 10%.

12. Naresh, Harman and Girish were partners sharing profits in the ratio 2:1:3. Their Balance Sheet as on 31.3.2016 was as follows: **[6]**

Balance Sheet of Naresh, Harman and Girish as on 31-3-2016

Liabilities		Amount ₹	Assets	Amount ₹
Creditors		1,00,000	Land	1,00,000
Bills Payable		40,000	Building	1,00,000
General Reserve		90,000	Plant	2,15,000
Capitals			Stock	80,000
Naresh	2,00,000		Debtors	65,000
Harman	1,00,000		Bank	20,000

Girish	50,000	3,50,000		
		5,50,000		**5,50,000**

From 1-4-2016 Naresh, Harman and Girish decided to share the future profits equally. For this purpose it was decided that:

(a) Goodwill of the firm be valued at ₹5,40,000.
(b) Land is to be revalued at ₹1,60,000 and building is to be depreciated by 6%.
(c) Creditors of ₹12,000 were not likely to be claimed and hence be written off.

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

13. Laila and Praful were partners in a firm sharing profits in the ratio of 3:7. On 1.4.2016 their firm was dissolved. After transferring assets (other than cash) and outsider's liabilities to realisation account, you are given the following information:

a. A creditor of ₹4,80,000 accepted machinery valued at ₹8,00,000 and paid to the firm ₹3,20,000.
b. A Second creditor for ₹65,000 accepted stock at ₹53,000 in full settlement of his claim.
c. A third creditor amounting to ₹1,05,000 accepted ₹45,000 in cash and investments worth ₹47,000 in full settlement of his claim.
d. Loss on dissolution was ₹30,000.

Pass necessary journal entries for the above transactions in the books of firm assuming that all payments were made by cheque. **[6]**

14. On 1.4.2014 Ramila Ltd. had ₹50,00,000, 9% debentures of ₹100 each outstanding.

(i) On 1.4.2015 the company purchased in the open market 20,000 of its own debentures at Rs 98 each and cancelled the same immediately.
(ii) On 1.10.2015 the company redeemed at par debentures of Rs 18,00,000 by draw of a lot.
(iii) On 31.3.2016 the remaining debentures were purchased for immediate cancellation for Rs10,95,000. Ignoring interest on debentures and debenture redemption reserve.

Pass necessary journal entries for the above transactions in the books of Ramila Ltd. **[6]**

15. Devang, Darshan and Dashrath are partners in a firm sharing profits and losses as 5:4:3. Their Balance Sheet as at 31st March, 2016 was:

Liabilities		**₹**	**Assets**	**₹**
Sundry Creditors		40,000	Cash at Bank	50,000
Outstanding Expenses		15,000	Sundry Debtors	2,10,000
General Reserve		85,000	Stock	3,00,000
Capital A/cs:			Furniture	60,000
Devang	4,00,000		Plant and Machinery	4,20,000
Darshan	3,00,000			
Dashrath	2,00,000	9,00,000		
		10,40,000		**10,40,000**

From 1st April, 2016, they agree to alter their profit-sharing ratio as 4:3:2. It is also decided that

(a) Furniture be taken at 70% of its value.
(b) Stock be appreciated by 25%.
(c) Plant and Machinery be valued at ₹4,00,000.
(d) Outstanding Expenses be increased by ₹14,000.

Partners agreed that altered values are not to be recorded in the books and they also do not want to distribute the General Reserve. You are required to pass a single Journal entry to give effect to the above. Also, prepare revised Balance Sheet.

OR

Binny, Vinnie and Pooh entered into partnership on 1st April, 2014. They contributed capital ₹40,000, ₹30,000 and ₹20,000 respectively and agreed to share profits in the ratio of 3:2:1. Interest on capital was to allowed @ 15% p.a. and interest on drawings was to be charged at an average rate of 5%. During the years ended 31st March, 2016, the firm made profit of ₹21,600 and ₹25,140 respectively before allow or charging interest on capital and drawings. The drawings of each partner were ₹6,000 per year. On 31st March, 2016, the partners decided to dissolve the partnership due to difference of opinion. On that date, the creditors amounted to ₹20,000.The assets, other than cash ₹2,000, realized ₹1,21,000. Expenses of dissolution amounted to ₹760.

Draw up necessary Ledger Accounts to close the books of the firm. **[8]**

16. Rishi Ltd. is having an authorised capital of ₹60,00,000 divided into equity shares of ₹100 each. The company offered 54,000 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:

Laxmi, a holder of 100 shares did not pay allotment and call money.

Prodeep, a holder of 200 shares did not pay call money.

The company forfeited the shares of Laxmi and Prodeep. Subsequently, the forfeited shares were reissued for ₹80 per share as fully paid-up. Show the entries for the above transactions in the Cash Book and Journal of the company.

OR

Pass necessary Journal entries in the following cases:

i. Orange Ltd. converted 1,000; 9% Debentures of ₹100 each issued at a discount of 10% into equity shares of ₹100 each issued at a premium of 25%.
ii. Kitkat Ltd. redeemed 4,000; 13% Debentures of ₹100 each which were issued at a discount of 10 per debenture by converting them into equity shares of ₹100 each, ₹90 paid up. **[8]**

PART – B

17. Cash Flow Statement is not a substitute for income statement. Why? **[1]**

18. While calculating Cash Flow from Operating Activities of Shahrukh Ltd. 'Depreciation provided on fixed assets' was added to net profit. Was the accountant correct in doing so? Give reason. **[1]**

19. (a) Under what heads and following items will appear in the Balance Sheet of a company as per Schedule III of the Companies Act, 2013:

(i) Tax Reserve
(ii) Interest on Calls-in-Advance
(iii) Stores and Spares?
(iv) Mining Rights

(b) Which are the three financial characteristics which are analysed by Financial Analysis? **[4]**

20. Calculate 'Return on Investment' and 'Debt to Equity Ratio' from the following information: **[4]**

Net Profit after Interest and Tax	₹6,00,000
10% Debentures	₹8,00,000
Tax Rate	40%
Capital Employed	₹40,00,000

21. Prepare a 'Comparative Statement of Profit and Loss' from the following information: **[4]**

Particulars	31st March, 2016	31st March, 2015
Revenue from Operations	300% of Raw Materials Consumed	Tax 250% of Raw Materials Consumed
Expenses:		
Cost of Raw Materials Consumed	₹6,00,000	₹4,00,000
Other Expenses	6% of Revenue from Operations	6% of Revenue from Operations
Rate of Income Tax	50% of Net Profit before Tax	50% of Net Profit before Tax

22. Balance Sheets of Krish Ltd. as at 31st March, 2016 and 31st March, 2015 were: **[6]**

Particulars	31st March, 2016(₹)	31st March, 2015(₹)
I. EQUITY AND LIABILITIES		
1. Shareholders' Funds		
(a) Share Capital	10,00,000	6,00,000
(b) Reserves and Surplus: Surplus, re., Balance in Statement of Profit and Loss	2,50,000	1,50,000
2. Current Liabilities		
Short-term Provisions: Proposed Dividend	50,000	40,000
Total	**13,00,000**	**8,90,000**
II. ASSETS		
1. Non-Current Assets		
Fixed Assets (Tangible): Plant and Machinery	8,00,000	5,00,000
2. Current Assets		
(a) Inventories (Stock)	1,25,000	75,000
(b) Cash and Cash Equivalents	5,00,000	3,40,000
Total	**13,00,000**	**8,90,000**

Additional Information:

1. ₹50,000 depreciation has been charged to Plant and Machinery during' the year 2016.
2. A piece of machinery costing ₹12,000 (book value ₹5,000) was sold at 60% profit on book value.
   Prepare Cash Flow Statement.

CBSE
Class XII Accountancy
Solution

PART – A

Answer 1
A partnership firm can have minimum two and maximum 50 partners as per the new Companies Act, 2013 and vide Rule 10 of the companies (Miscellaneous) Rules, 2014.

Answer 2
Capital Account is debited because the claim of Capital Account is reduced by the value of the asset that is taken over by the partner.

Answer 3
Gaining Ratio, i.e., 6:2

Answer 4
The excess of desired total capital of the firm over the actual combined capital of all partners is known as hidden capital.

Answer 5
These shares can be reissued upto a discount of ₹8 per share or ₹1600.

Answer 6
It is shown in Income and Expenditure Account on the Credit side.

Answer 7

Statement of Subscription
for the year ended March 31, 2018

Particulars	₹
Amount paid for during the year 2017 – 18	1,08,000
Add : Stock of Stationery for 1st April 2017	30,000
Add : Creditors for stationery on 31st March, 2018	13,000
Less : Stock of stationery on 31st March, 2018	(5,000)
Less : Creditors for stationery on 1st April, 2017	(20,000)
Stationery used during the year 2017-18	**1,26,000**

Answer 8

PROFIT AND LOSS APPROPRIATION ACCOUNT
for the year ended 31st March, 2017

Particulars		₹	Particulars	₹
To Interest on Capital:			By Profit and Loss A/c-Net Profit	5,40,000
Bindu's Capital A/c	2,16,000			
Nirja's Capital A/c	3,24,000	5,40,000		
		5,40,000		**5,40,000**

Working Notes:

1. Interest on Capital to Bindu = ₹20,00,000 × 12/100 = 2,40,000
   Interest on Capital to Nirja = ₹30,00,000 × 12/100 = 3,60,000

Total Interest = 6,00,000

2. Total Interest due to Bindu and Nirja is ₹6,00,000. However, total distributable profit is just ₹5,40,000. So, total profit of ₹5,40,000 will be distributed between Bindu and Nirja in the ratio of their due interest on capitals, i.e., ₹2,40,000: ₹3,60,000. i.e., 2:3
   Interest allowed to Bindu = ₹5,40,000 × 2/5 = ₹2,16,000; and
   Interest allowed to Nirja = ₹5,40,000 × 3/5 =₹3,24,000.

Answer 9

Computation of Adjusted Profit:

Journal

Year	Profit (₹) Adjustments		Adjusted Profit (₹)
2014-15	₹35,000 – ₹5,625 for Management Cost		29,375
2015-16	₹47,500 – ₹5,625 for Management Cost		41,875
2016-17	₹67,000 – ₹5,625 for Management Cost		61,375
	₹74,500 – ₹5,625 for Management Cost	68,875	
2017-18	– ₹1,500 overvaluation of closing Stock	(1,500)	67,375
	Total Profit		2,00,000

$$\text{Average Profit} = \frac{₹2,00,000}{4} = ₹50,000$$

$$\text{Goodwill} = \text{Average Profit} \times \text{No. of years purchase} = ₹50,000 \times 2 = ₹1,00,000$$

$$\text{Monika's Share of Goodwill} = ₹1,00,000 \times \frac{1}{4} = ₹25,000$$

In the books of Rita, Shubhada & Monika

Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2018 Apr. 1	Cash A/c Dr. To Monika's Capital A/c To Premium for Goodwill A/c (Being Monika's Capital and share of goodwill brought in cash)		85,000	 60,000 25,000
Apr. 1	Premium for Goodwill A/c Dr. To Rita's Capital A/c To Shubhada's Capital A/c (Being Goodwill distributed among sacrificing partners in the ratio 3:2)		25,000	 15,000 10,000

Answer 10

Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
	Cash A/c Dr. To Divya's Capital A/c To Akash's Capital A/c (Being cash brought in by Divya and Akash to adjust their capital in new profit sharing ratio)		1,10,500	 54,600 55,900
	Divya's Capital A/c Dr. Akash's Capital A/c Dr. To Nakul's Capital A/c		44,200 66,300	 1,10,500

	(Being payment made to Nakul on his retirement)				

Working Notes

Adjusted Capital of Divya = 43,000

Adjusted Capital of Akash = 90,500

Amount Payable to Nakul = 1,10,500

Total Capital of the New firm = Total Adjusted Capital of Divya and Akash + Amount Payable

= (43,000 + 90,500) + 1,10,500 = 2,44,000

New Ratio = 2:3

New Capital of Divya and Akash after Nakul's retirement will be:

New Capital of Divya= $2{,}44{,}000 \times \frac{2}{5} = 97{,}600$

New Capital of Akash = $2{,}44{,}000 \times \frac{3}{5} = 1{,}46{,}400$

Calculation of Amount to be Paid off/Brought in by David and Aslam

Particulars	Divya	Akash
New Capital Balance	97,600	1,46,400
Old Adjusted Capital	43,000	90,500
Amount to be brought in	54,600 (Deficit)	55,900 (Deficit)

It is also mentioned that Nakul will be paid by Divya and Akash such that their capitals becomes proportionate in their new profit sharing ratio.

Total capital = ₹2,44,000
Paid by Divya = ₹97,600/₹2,44,000 = 0.4 = 0.4× ₹1,10,500 = ₹44,200
Paid by Akash = ₹1,46,400/₹2,44,000 = 0.6 = 0.6× ₹1,10,500 = ₹66,300

Remaining Capital of Divya and Nakul
David = ₹53,400 (₹97,600- ₹44,200)
Aslam = ₹80,100 (₹1,46,400 - ₹66,300)

Answer 11

In the books of Adi National Club
Income and Expenditure Account
for the year ended March 31,2015

Dr. **Cr.**

Expenditure		₹	Income	₹
To Salaries	28,000		By Subscription (50 members × ₹500 each)	25,000
Add : Outstanding for 2015	2,000		By Rent Received from the use of hall	14,000
Less: Outstanding for 2014	(6,000)	24,000	By Profit from Entertainment	8,000
To General Expenses		6,000	By Sale of Old Newspapers	2,000
To Electricity Charges		4,000		
To Newspaper		8,000		
To Depreciation on Furniture (20,000 × 10%)		2,000		
To Surplus (Balancing Fig.)		5,000		
		49,000		**49,000**

Balance Sheet
as on April 01,2014

Liabilities	₹	Assets	₹
Salaries Outstanding	6,000	Subscriptions Outstanding	6,000
Capital Fund	2,47,000	Building	2,00,000
(Balancing Fig.)		Furniture	20,000
		Books	20,000
		Cash at Bank	7,000
	2,53,000		**2,53,000**

Balance Sheet
as on March 31,2015

Liabilities		₹	Assets		₹
Advance Subscription		4,000	Subscription Outstanding		
Salaries Outstanding		2,000	For 2014-15 (25,000 – 20,000)	5,000	
Capital Fund	2,47,000		For 2013-14 (6,000 – 5,000)	1,000	6,000
Add : Surplus	5,000	2,52,000	Building		2,00,000
			Furniture	20,000	
			Less : 10 % Depreciation	(2,000)	18,000
			Books	20,000	
			Add : Purchases	10,000	30,000
			Cash and Bank		4,000
		2,58,000			**2,58,000**

Answer 12

Revaluation Account

Dr. Cr.

Particulars		Amount ₹	Particulars	Amount ₹
To Building A/c		6,000	By Land A/c	60,000
To Revaluation Profit			By Creditors A/c	12,000
Naresh	22,000			
Harman	11,000			
Girish	33,000	66,000		
		72,000		**72,000**

Partner's Capital Account

Dr. Cr.

Particulars	Naresh ₹	Harman ₹	Girirsh ₹	Particulars	Naresh ₹	Harman ₹	Girish ₹
To Girish's Capital A/c		90,000		By Balance b/d	2,00,000	1,00,000	50,000
				By Revaluation Profit A/c	22,000	11,000	33,000
				By General Reserve A/c	30,000	15,000	45,000
				By Harman's Capital A/c			90,000
Balance c/d	2,52,000	36,000	2,18,000				
	2,52,000	1,26,000	2,18,000		2,52,000	1,26,000	2,18,000

Balance Sheet

Liabilities		Amount ₹	Assets		Amount ₹
Capital					
Naresh	2,52,000		Land	1,00,000	
Harman	36,000		Add :Increase	60,000	1,60,000
Girish	2,18,000	5,06,000	Building	1,00,000	
			Less : Depreciation @6%	6,000	94,000
Creditors	1,00,000				
Less : Written off	12,000	88,000	Plant		2,15,000
			Bank		20,000
Bills payable		40,000	Stock		80,000
			Debtors		65,000
		6,34,000			6,04,000

Working Notes

Old Ratio	New Ratio
2 : 1 : 3	1 : 1 : 1

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

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

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

Harman will compensate Girish, since he is gaining
(5,40,000×1/6)

Harman's Capital A/c	Dr.	90,000	
To Girish's Capital A/c			90,000

Answer 13

In the books of ……
Journal

Date	Particulars		L.F.	Dr. ₹	Cr. ₹
(a)	Bank A/c	Dr.		3,20,000	
	To Realisation A/c				3,20,000
	(Being a creditor of 4,80,000 accepted machinery valued at 8,00,000 and paid 3,20,000 to the firm)				
(b)	No entry*				
(c)	Realisation A/c	Dr.		45,000	
	To Bank A/c				45,000
	(Being third creditor of 1,05,000 accepted 45,000 in cash and investments worth 47,000 in full settlement of his claim)				
(d)	Laila's Capital A/c	Dr.		9,000	
	Praful's Capital A/c	Dr.		21,000	
	To Realisation A/c				30,000
	(Being Loss on dissolution transferred to partners capital accounts)				

*Note: No entry is required since both asset and liability are already transferred to the Realization Account

Answer 14

In the books of Ramlila Ltd
Journal

Date	Particulars		L.F.	Dr. ₹	Cr. ₹
(i) 2014 Apr 01	Own Debentures A/c	Dr		19,60,000	
	To Bank A/c				19,60,000
	(Being purchase of 20,000 own debentures @ ₹98 each)				
	9% Debentures A/c	Dr		20,00,000	
	To own Debentures A/c				19,60,000
	To Gain (Profit) on cancellation				40,000
	(Being cancellation of own debentures)				
	Gain (Profit) on Cancellation A/c	Dr		40,000	
	To Capital Reserve A/c				40,000
	(Being transfer of Gain (Profit) on redemption of debentures to Capital Reserve)				

(ii) 2015 Oct.01	9% Debentures A/c	Dr		18,00,000	
	To Debentureholders A/c				18,00,000
	(Being 9% Debenture due for redemption)				
	Debenturesholders A/c	Dr		18,00,000	
	To Bank A/c				18,00,000
	(Being amount paid to debentureholders)				

(iii) 2016 Mar.31	Own Debentures A/c	Dr		10,95,000	
	To Bank A/c				10,95,000
	(Being purchase of 12,000 own debentures)				
	9% Debentures A/c	Dr		12,00,000	
	To Own Debentures A/c				10,95,000
	To Gain (Profit) on Cancellation				1,05,000
	(Being own debentures purchased and cancelled)				
	Gain (Profit) on Cancellation A/c	Dr		1,05,000	
	To Capital Reserve A/c				1,05,000
	(Being transfer of Gain (Profit) on redemption of debentures to Capital Reserve)				

Answer 15

Journal

Date	Particulars		L.F.	Debit ₹	Credit ₹
	Devang's Capital A/c	Dr.		3,000	
	To Dashrath's Capital A/c	Dr.			3,000
	(Being revaluation profit and general reserve adjusted on change in profit sharing ratio)				

Balance Sheet

Liabilities		₹	Assets	₹
Sundry Creditors		40,000	Cash at Bank	50,000
Outstanding Expenses		15,000	Sundry Debtors	2,10,000
General Reserve		85,000	Stock	3,00,000
Capital A/cs:			Furniture	60,000
Devang	4,00,000		Plant and Machinery	4,20,000
Darshan	3,00,000			
Dashrath	2,00,000	9,00,000		
		10,40,000		**10,40,000**

Working Notes:

1 Calculation of Sacrificing (or Gaining) Ratio

Old Ratio = 5:4:3

New Ratio = 4:3:2

Sacrificing (or Gaining) Ratio= Old Ratio- New Ratio

$$\text{Devang's Share} = \frac{5}{12} - \frac{4}{9} = \frac{15-16}{36} = \frac{-1}{36}\text{(Gain)}$$

$$\text{Darshan's Share} = \frac{4}{12} - \frac{3}{9} = \frac{12-12}{36} = \text{(Nil)}$$

$$\text{Dashrath's Share} = \frac{3}{12} - \frac{2}{9} = \frac{9-8}{36} = \frac{1}{36}\text{(Sacrifice)}$$

2. Calculation of Profit or Loss on Revaluation

Particulars	Amount (₹)
Increase in Stock	75,000 (Cr.)
Decrease Furniture	(18,000)(Dr.)
Decrease in Plant and Machinery	(20,000)(Dr.)
Increase in Outstanding Expenses	(12,000)(Dr.)
Profit on Revaluation	23,000(Cr.)

3. Adjustment of Profit on Revaluation and General Reserve

Amount for Adjustment = Profit on Revaluation + General Reserve = 23,000+85,000= Rs 1,08,000

$$\text{Amount to be debited to Devang's Capital} = 1,08,000 \times \frac{1}{36} = 3,000$$

$$\text{Amount to be credited to Dashrath's Capital} = 1,08,000 \times \frac{1}{36} = 3,000$$

4.

Partner's Capital Accounts

Dr. Cr.

Particulars	Devang	Darshan	Dashrath	Particulars	Devang	Darshan	Dashrath
To Dashrath's Capital A/c	3,000	-	-	By Balance B/d	4,00,000	3,00,000	2,00,000
				By Devang's Capital A/c	-	-	3,000
To Balance c/d	3,97,000	3,00,000	2,03,000				
	4,00,000	3,00,000	2,03,000		4,00,000	3,00,000	2,03,000

OR

Profit and Loss Appropriation Account
For the year ended March 31,2015

Dr. Cr.

Particulars		₹	Particulars		₹
To Interest on Capital A/c			By Profit and Loss A/c		21,600
Binny (40,000×15%)	6,000		By Interest on Drawings A/c		
Vinnie (30,000×15%)	4,500		Binny (6,000×5%)	300	
Pooh (20,000×15%)	3,000	13,500	Vinnie (6,000×5%)	300	
			Pooh (6,000×5%)	300	900
To Profit transferred to:					
Binny's Capital A/c	4,500				
Vinnie's Capital A/c	3,000				
Pooh's Capital A/c	1,500	9,000			
		22,500			**22,500**

Partners' Capital Account
For the year 2014-15

Dr. Cr.

Particulars	Binny	Vinnie	Pooh	Particulars	Binny	Vinny	Pooh
To Drawings A/c	6,000	6,000	6,000	By Cash A/c	40,000	30,000	20,000
To Interest on Drawings A/c	300	300	300	By Interest on Capital A/c	6,000	4,500	3,000
To Balance c/d	44,200	31,200	18,200	By P&L Appropriation A/c	4,500	3,000	1,500
	50,500	**37,500**	**24,500**		**50,500**	**37,500**	**24,500**

Profit and Loss Appropriation Account
for the year ended March 31,2016

Dr. Cr.

Particulars		₹	Particulars		₹
To Interest on Capital A/c			By Profit and Loss A/c		25,140
Binny (44,200×15%)	6,630		By Interest on Drawings A/c		
Vinnie (31,200×15%)	4,680		Binny(6,000× 5%)	300	
Pooh (18,200×15%)	2,730	14,040	Vinnie (6,000× 5%)	300	
To Profit transferred to:			Pooh (6,000× 5%)	300	900
Binny's Capital A/c	6,000				
Vinnie's Capital A/c	4,000				
Pooh's Capital A/c	2,000	12,000			
		26,040			**26,040**

Partners' Capital Account

Dr. Cr.

Particulars	Binny	Vinnie	Pooh	Particulars	Binny	Vinnie	Pooh
To Drawings A/c	6,000	6,000	6,000	By Balance b/d	44,200	31,200	18,200
To Interest on Drawings A/c	300	300	300	By Interest on Capital A/c	6,630	4,680	2,730
To Balance c/d	50,530	33,580	16,630	By P&L Appropriation A/c	6,000	4,000	2,000
	56,830	39,880	22,930		56,830	39,880	22,930
To Cash A/c	51,280	34,080	16,880	By Balance b/d	50,530	33,580	16,630
				By Realisation A/c (Profit)	750	500	250
	51,280	**34,080**	**16,880**		**51,280**	**34,080**	**16,880**

Realisation Account

Dr. Cr.

Particulars		₹	Particulars	₹
To Sundry Assets		1,18,740	By Creditors A/c	20,000
To Cash A/c			By Cash A/c (Assets realized)	1,21,000
Creditors	20,000			
Expenses	760	20,760		
To Profit transferred to:				
Binny's Capital A/c	750			
Vinnie's Capital A/c	500			
Pooh's Capital A/c	250	1,500		
		1,41,000		**1,41,000**

Cash Account

Dr. Cr.

Particulars	₹	Particulars	₹
To Balance b/d	2,000	By Realiastion A/c	20,760
To Realiastion A/c	1,21,000	By Binny's Capital A/c	51,280
		By Vinnie's Capital A/c	34,080
		By Pooh's Capital A/c	16,880
	1,23,000		**1,23,000**

Memorandum Balance Sheet
As on March 31, 2016

Liabilities		₹	Assets	₹
Capital A/c:			Cash	2,000
Binny	50,530		Sundry Assets	1,18,740
Vinnie	33,580			
Pooh	16,630	1,00,740		
Creditors		20,000		
		1,20,740		**1,20,740**

Answer 16

Journal

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 transferred to share capital)				
	Equity Share Allotment (40,000 × 40)	Dr.		16,00,000	
	To Equity Share Capital A/c				8,00,000
	To Securities Premium Reserve A/c				8,00,000
	(Being allotment money due)				
	Equity Share First and Final Call A/c (40,000 × 50)	Dr.		20,00,000	
	To Equity Share Capital A/c				20,00,000
	(Being first call money due)				
	Equity Share Capital A/c (300 × 100)	Dr.		30,000	
	Securities Premium Reserve A/c (100 × 20)	Dr.		2,000	
	To Equity Share Allotment A/c (100 × 40)				4,000
	To Equity Share First and Final Call (300 ×50)				15,000
	To Equity Share Forfeiture A/c				13,000
	(Being 300 shares forfeited of nonpayment of allotment and call money)				
	Equity Share Forfeiture A/c (300 × 30)	Dr.		6,000	
	To Equity Share Capital A/c				6,000
	(Being share reissued)				
	Equity Share Forfeiture A/c	Dr.		7,000	
	To Capital Reserve A/c				7,000
	(Being profit on reissue transferred to capital reserve)				

Cash Book

Dr. Cr.

Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
	To Equity Share Application A/c (40,000 × 30)		12,00,000		By Balance c/d		48,02,000
	To Equity Share Allotment A/c (39,900 × 40)		15,96,000				
	To Equity Share First & Final Call A/c (39,700 × 50)		19,85,000				
	To Equity Share Capital A/c (300 × 80)		24,000				
			48,05,000				48,05,000

Working Notes :

Calculation of Share Forfeiture Amount

Application money received from Laxmi = ₹3,000 ($100 \times$ ₹30)

Application & Allotment money received from Prodeep = ₹10,000 (200×50)

OR

Books of Orange Ltd.
Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
	9% Debenture A/c Dr. To Debenture holders A/c To Discount on issue of Debenture A/c (Being 1,000, 9% debenture of ₹100 each (issue at discount of 10%) due for redemption)		1,00,000	 90,000 10,000
	Debenture holders A/c Dr. To Equity Share Capital A/c To Securities Premium A/c (Being payment made to debenture holder by issuing 720 Equity share of ₹100 each at premium of ₹25%)		90,000	 72,000 18,000

Working Note:

$$\text{Number of Shares to be issued} = \frac{\text{Amount Payble to Debentureholder}}{\text{price of a Share}}$$

$$\text{Number of Shares to be issued} = \frac{90,000}{125(100+25)} = 720\ \text{Equity Share}$$

Books of Kitkat Ltd.
Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
	13% Debenture A/c Dr. To Debenture holders A/c To Discount on issue of Debenture A/c (Being 4,000 13% debenture of ₹100 each (issue at discount of 10%) due for redemption)		4,00,000	 3,60,000 40,000
	Debenture holders A/c Dr. Discount A/c Dr. To Equity Share Capital A/c (Being payment made to debenture holder by issuing 4,000 equity share of ₹100 each at discount of ₹10)		3,60,000 40,000	 4,00,000

Working Note:

$$\text{Number of Shares to be issued} = \frac{\text{Amount Payble to Debentureholder}}{\text{price of a Share}}$$

$$\text{Number of Shares to be issued} = \frac{3,60,000}{90} = 4,000 \text{ Equity Share}$$

PART – B

Answer 17

Income Statement takes into account both cash as well as non cash transaction, Whereas Cash Flow Statement takes into account only cash transaction. Cash Flow Statement does not calculate profit or loss of the business. Hence, Cash Flow Statement cannot be substituted for income statement.

Answer 18

Yes, the accountant of Shahrukh Ltd. was correct because depreciation is a non-cash expense.

Answer 19

(a)

Items	Major Head
(i) Tax Reserve	Shareholders' Funds
(ii) Interest on Calls-in-Advance	Current liabilities
(iii) Stores and Spares	Current Assets
(iv) Mining Rights	Non-current Assets

(b)

The three financial characteristics which are analysed by financial analysis are Liquidity, profitability and Solvency.

Answer 20

$$\text{(i) Return on Investment} = \frac{\text{Interest and Tax Net Profit before}}{\text{Capital Employed}} \times 100$$

$$= \frac{10,80,000\,(\text{Note})}{40,00,000} \times 100 = 27\%$$

Note: Calculation of Net Profit before Interest and Tax:

	₹
Net Profit after Interest and Tax	6,00,000
Add: Interest on 10% Debentures	80,000
Add: Tax $= \frac{6,00,000 \times 40}{60}$	4,00,000
Net Profit before Interest and Tax	**10,80,000**

$$\text{(ii) Debt to Equity Ratio} = \frac{\text{Debt}}{\text{Equity}} = \frac{8,00,000}{32,00,000} = 1:4.$$

Note: Debt = 10% Debentures = ₹5,00,000

Equity = Capital Employed – Debt

= ₹40,00,000 - ₹8,00,000 = ₹32,00,000.

Answer 21

COMPARATIVE STATEMENT OF PROFIT AND LOSS for the years ended 31st March, 2015 and 2016

Particulars	31st March, 2015 ₹	31st March, 2016 ₹	Absolute Change (Increase/Decrease) (₹)	Percentage Change (Increase/Decrease) (%)
I. Revenue from Operations (Total Revenue)	10,00,000	18,00,000	8,00,000	80
II. Expenses:				
(a) Cost of Raw Materials Consumed	4,00,000	6,00,000	2,00,000	50
(b) Other Expenses	60,000	1,08,000	48,000	80
Total Expanses	**4,60,000**	**7,08,000**	**2,48,000**	**53.91**
III. **Net Profit before Tax (I - II)**	5,40,000	10,92,000	5,52,000	102.22
Less: Income Tax	2,70,000	5,46,000	2,76,000	102.22
IV. **Net Profit after Tax**	**2,70,000**	**5,46,000**	**2,76,000**	**102.22**

Answer 22

CASH FLOW STATEMENT

Particulars	₹	₹
(A) Cash Flow from Operating Activities		
Net Profit before Tax and Extraordinary Items (WN 1)	1,50,000	
Adjustments for Non-Cash and Non-Operative Items:		
Add: Depreciation on Plant and Machinery	50,000	
Less: Profit on Sale of Machinery (WIN 2)	(3,000)	
Operating Profit before Working Capital Changes	1,97,000	
Less: Increase in Inventories (Stock)	(50,000)	
Cash Generated from Operations	1,47,000	
Less: Tax Paid	----	
Cash Flow from Operating Activities		1,47,000
(B) Cash Flow from Investing Activities		
Sale Plant and Machinery (WN 2)	8,000	
Purchase of Plant and Machinery (WN 2)	(3,55,000)	
Cash Used in Investing Activities		(3,47,000)
(C) Cash Flow from Financing Activities		
Issue Share Capital	4,00,000	
Dividend Paid	(40,000)	
Cash Flow from Financial Activities		3,60,000
(D) Net Increase in Cash and Cash Equivalents (A+B+C)		1,60,000
Add: Opening Cash and Cash Equivalents		3,40,000
(E) Closing Cash and Cash Equivalents		**5,00,000**

Working Notes:

1. Calculation of Net Profit before Tax and Extraordinary Items:

	₹
Closing Balance as per Surplus, i.e., Balance in Statement of Profit and Loss	2,50,000
Less: Opening Balance as per Surplus, i.e., Balance in Statement of Profit and Loss	1,50,000
	1,00,000
Add: Proposed Dividend (Current Year)	50,000
Net Profit before Tax	**1,50,000**

2.

Plant and Machinery A/c

Particulars	₹	**Particulars**	₹
To Balance b/d	5,00,000	By Depreciation A/c	50,000
To Gain on Sale of Machinery A/c (Profit) (Statement of Profit and Loss)	3,000	By Bank A/c (Sale) (₹5,000 + 60% of 5,000)	8,000
To Bank A/c - Balancing Figure (Purchases)	3,55,000	By Balance c/d	8,00,000
	8,58,000		**8,58,000**