CBSE
Class XII Accountancy
All India Board Paper_Set3_2012

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

General Instructions:

1) This question paper contains two parts **A** and **B**
2) Part **A** is **compulsory** for all
3) All parts of a question should be attempted at one place

Section A

(i) This section consists of **16** questions
(ii) All the question are compulsory
(iii) Question Nos. **1** to **5** are very short – answer questions carrying **1** mark each.
(iv) Question Nos. **6** to **8** carry **3** marks each
(v) Question Nos. **9** and **11** carry **4** marks each
(vi) Question Nos. **12** to **14** carry **6** marks each
(vii) Question Nos. **15** and **16** Carry **8** marks each

Section B

(i) This section consists of **7** questions
(ii) All questions are compulsory
(iii) Question Nos.**17** and **19** are very short – answer carrying **1** mark each
(iv) Question Nos. **20** carry **3** marks
(v) Question Nos. **21** to **22** carry **4** marks
(vi) Question No.**23** carries **6** marks

Section-A

1. Name an item which is never shown on the 'Payments' side of 'Receipts and Payments Account', but is shown as an Expense while preparing 'Income and Expenditure Account'.

2. A Partnership deed provides for the payments of interest on Capital but there was a loss instead of profit during the year 2010-2011. At what rate will the interest on capital be allowed?

3. Give any one distinction between sacrificing ratio and gaining ratio.

4. State any one purpose for admitting a new partner in a firm?

5. What is meant by calls in advance?

6. From the following information, calculate the amount of subscription due to be shown in the 'Income and Expenditure Account' for the year ended 31.3.2011 if there are 1000 members and each paying ₹300 p.a. as subscription.
Subscription received during the year 2010 - 2011: ₹3,00,000.
Subscription received in advance as on 31.3.2011: ₹36,800.
Subscription outstanding as on 1.4.2010: ₹32,000.
Subscription received in advance as on 1.4.2010: ₹25,000?

7. Sundram Ltd. Purchased Furniture for ₹3,00,000 from Ravindram Ltd. ₹1,00,000 were paid by drawing a Promissory Note in favour of Ravindram Ltd. The balance was paid by issue of Equity Shares of ₹10 each at a premium of 25%. Pass necessary Journal entries in the book of Sundram Ltd.

8. Nav Lakshmi Ltd. Invited application for issuing 3,000, 12% Debentures of ₹100 each at a premium of ₹50 per Debentures. The full amount was payable on application. Applications were received for 4,000 debentures. Applications for 1,000 debentures were rejected and application money was refunded. Debentures were allotted to the remaining applicants. Pass necessary Journal entries for the above transaction in the books of Nav Lakshmi Ltd.

9. Lalan and Balan were partners in a firm sharing profits in the ratio of 3 : 2. Their fixed capitals on 1.4.2010 were: Lalan ₹1,00,000 and Balan ₹2,00,000. They agreed to allow interest on capital @ 12% per annum and to change on drawing @ 15% per annum. The firm earned a profit, before all above adjustments of ₹30,000 of the year ended 31.3.2011. The drawing before Lalan and Balan during the year were ₹3,000 and ₹5,000 respectively. Showing your calculations, clearly prepare Profit and Loss Appropriation Account of Lalan and Balan. The interest on capital will be allowed even if the firm incurs a loss.

10. A, B, C and D are partners sharing profits in the ratio of 3:3:2:2 respectively. D retires and A, B and C decide to share the future profits in the ratio of 3:2:1. Goodwill of the firm is valued at ₹6,00,000. Goodwill already appears in the book at ₹4,50,000. The profits for the first year after D's retirement amount to ₹12,00,000. Give the necessary Journal entries to record Goodwill and to distribute the profits. Show your calculations clearly.

11. Sarvottam Ltd. Decided to redeem its 1250, 12% Debentures of ₹100 each. It purchased 850 Debentures from the open market at ₹96 per Debenture. The remaining Debenture were redeemed out of profit. The company has already made a provision for Debenture Redemption Reserve in its books. Pass necessary Journal entries in the books of the company for the above transaction.

12. Pass necessary Journal entries for the following transaction in the books of Cell Phone Ltd:

i. Redeemed ₹2, 88,000, 12% Debenture by conversion into Equity Shares of ₹100 each. The Equity Shares were issued at a discount 4%.

ii. Converted 385, 12% Debentures of ₹1000 each into New 13% Debentures of ₹100 each. The new Debentures were issued at a premium 25%.

13. Achal and Vichal were partners in a firm sharing profits in the ratio of 3 : 5 .On 31.3.2011, their Balance Sheet was as follows:

Balance Sheet of Achal and Vichal

as on 31.3.2011

Liabilities		₹	Assets	₹
Capital:			Land and Building	4,00,000
Achal	3,00,000		Stock	3,00,000
Vichal	5,00,000	8,00,000	Debtors	2,22,000
Creditors		1,79,000	Bank	78,000
Employees Provident Fund		21,000		
		10,00,000		**10,00,000**

The firm was dissolved on 1.4.2011 and the Assets and Liabilities were settled as follows:

(i) Land and Building realised ₹24,30,000;

(ii) Debtors realised ₹2,25,000 (with interest) and ₹1,000 were recovered for bad debts written off last year;

(iii) There was an unrecorded investment which was sold for ₹25,000;

(iv) Vichal tookover Machinery at ₹2,80,000 for cash;

(v) 50% of the creditors were paid ₹4,000 less in full settlement and the remaining creditors were paid full amount.

Pass necessary Journal entries for dissolution of the firm.

14. From the following Receipts and Payments Account of Adarsh Sports Club for the year ended 31.3.2011, prepare Income and Expenditure Account.

Receipts and Payments Account of Adarsh Sports Club
for the year ended 31.3.2011

Receipts	₹	Payments	₹
To Balance b/d	1,600	By Salary (Paid for 9 months)	900
To Subscription	11,250	By rent	250
To Entrance Fees (1/4th to be capitalized)	500	By Electricity	1,500
To Donations A/c	1,375	By Taxes	1,100
To Rent of hall	875	By Printing and Stationery (3/4th consumed)	200
To Sale of Investment	1,000	By Sundry Expenses	450
		By Books	3,750
		By 9% Fixed Deposit(on 31.12.2010)	7,500
		By Balance c/d	950
	16,600		**16,600**

15. Atal and Madan were partners in a firm sharing profits in the ratio of 5 : 3. On 31.3.2011 they admitted Mehra as a new partner for 1/5th share in the profits. The new profit sharing ratio was 5 : 3 : 2. On Mehra's admission the Balance Sheet to the firm was as follows:

Balance Sheet of Shikhar and Rohit as on 1st April, 2013

Liabilities		₹	Assets	₹
Capital:			Land and Building	1,50,000
Atal	1,50,000		Machinery	40,000
madan	90,000	2,40,000	patents	5,000
Provision for bad debts		1,200	Debtors	27,000
Creditors		20,000	Cash	47,000
Workman's Compensation Fund		32,000	Profit and Loss Account	4,200
				20,000
		2,93,200		**2,93,200**

On Mehra's admission it was agreed that

i. Mehra will bring ₹40,000 as his capital and ₹16,000 for his share of goodwill premium, half of which was with draw by Atal and Madan;

ii. A provision of $2\frac{1}{2}\%$ for bad and doubtful debts was to be created;

iii. Included in the sundry creditors was an item of ₹2,500 which was not to be paid;

iv. A provision was to be made for an outstanding bill for electricity ₹3,000;

v. A claim of ₹325 for damage against the firm was likely to be admitted. Provision for the same was to be made.

After the above adjustment, the capitals of Atal and Madan were to be adjusted on the basis of Mehra's capital. Actual cash was to be brought in or to be paid off to Atal and Madan as the case may be. Prepare Revaluation Account, Capital Accounts of the partners and the Balance Sheet of the new firm.

OR

Khanna, Seth and Mehta were partners in a firm sharing profit in the ratio of 3:2:5. On 31.12.2010 the Balance Sheet of Khana, Seth and Mehta was as follows:

Liabilities		₹	Assets	₹
Capital:			Goodwill	3,00,000
khanna	3,00,000		Land and Building	5,00,000

Seth	2,00,000		Machinery	1,70,000
Mehta	5,00,000	10,00,000	Stock	30,000
General Reserve		1,00,000	Debtors	1,20,000
Loan from Reserve		50,000	Cash	45,000
Creditors		75,000	Profit and Loss Account	60,000
		12,25,000		**12,25,000**

On 14 March 2011, Seth died.

The partnership deed provides that on the death of a partner the executor of the deceased partners is entitled to:

i. Balance in Capital Account;

ii. Share in profits upto the date of death on the basis of last year's profit;

iii. His share in profit/loss in revaluation of assets and re-assessment of liabilities which were as follows:

   a. Land and Building was to be appreciated by ₹1,20,000;

   b. Machinery was to be depreciated to ₹1,35,000 and stock to ₹25,000;

   c. A provision of $2\frac{1}{2}$% for bad and doubtful debts was to created on debtors;

iv. The net amount payable to Seth's executors was transferred to his loan account which was to be paid later.

Prepare Revalution Account, Partners Capital Accounts, Seth's Executors Account and the Balance Sheet of Khanna and Mehta who decided to continue the business keeping their capital balances in their new profit sharing ratio. Any surplus of deficit to be transferred the current account of the partners.

16. R.K. Ltd. invited applications for issuing 70,000 Equity Shares of ₹10 each at a premium of ₹35 per share. The amount was payable as follows:

On Application ₹15 per share (including ₹2 Premium)

On Allotment ₹10 per share (including ₹8 Premium)

On First and Final Call — Balance

Applications for 65,000 shares were received and allotment was made to all the application. A shareholder, Ram who was allotted 2,000 shares were failed to pay the allotment money. His shares were forfeited immediately after allotment. Afterwards the first and final call was made. Sohan, who had 3000 shares failed to pay the first and final call. His shares were also forfeited. Out of the forfeited shares 4,000 shares were re-issued at ₹50 per share fully paid up. The re-issued shares included all the shares of Ram.

Pass necessary Journal Entries for the above transactions in the books of R.K. Ltd.

OR

Ashish Ltd. Invited applications for issuing 75,000 Equity Shares of ₹10 each at a discount of 10%. The amount was payable as follows:

On Application ₹2 per share.

On Allotment ₹2 per share

On First and Final Call - Balance

Applications for 1,50,000 shares were received. Applications for 25,000 shares were rejected and the application money of these applicants was refunded. Shares were allotted on pro-rata basis to the remaining applicants. Excess money received with applications was adjusted towards sums due on allotment. Suman who had applied for 1250 shares failed to pay allotment and first and final call money. Dev did not pay the first and final call on his 100 shares. All these share were forfeited and later on 1000 of these share were re-issued at ₹17 per shares fully paid up. The re-issued shares included all the shares of Suman.

Pass necessary Journal Entries for the above transactions in the books of Ashish Ltd.

Section- B

17. State the significance of analysis of financial statements to 'Top Management'.

18. What is the object of preparing a Cash Flow Statements?

19. While preparing Cash Flow Statements, What type of activity is 'Payments of cash to acquire shares of another company by a trading company'.

20. X Ltd has a Current Ratio of 3:1 and Quick Ratio of 2:1. If the excess of current Assets over Quick Assets as represented by Stock is ₹40,000, calculate Current Assets and Current Liabilities:

21. From the following information, calculate any two of the following ratios:

a. Debt-Equity Ratio
b. Working Capital Turnover Ratio and
c. Return on Investment

Information: Equity Share capital ₹10,00,000, General Reserve ₹1,00,000; Profit and Loss Account after tax and interest ₹3,00,000; 12% Debenture ₹4,00,000;Creditors ₹3,00,000; Land and Building ₹13,00,000; Furniture ₹3,00,000; Debtors ₹2,00,00 and Cash ₹1,10,000 and Preliminary expenses ₹1,00,000 Sales for the year ended 31-3-2011 was ₹30,00,000. Tax Paid 50%.

22. Following is the Income statements; prepare a Common Size Income Statements of Jayant Ltd. For the year ended 31-3-2011:

Income Statement of Jayant Ltd.
For the year ended 31.3.2011

Particulars	₹
Income:	
Sales	25,38,000
Other Income	38,000
Total Income	25,76,000
Expenses:	
Cost of goods sold	14,00,000
Operating expense	5,00,000
Total Expenses	19,00,000
Tax	3,38,000

Prepare a common size Income Statements of Ra Ltd. for the year ended 31-3-2011.

23. From the following Balance Sheets of Harsh Ltd as on 31-3-2010 and 31-3-2011. Prepare a Cash Flow Statements:

Balance Sheet of Harsh Ltd. as on 31.3.2010 and 31.3.2011

Liabilities	31.3.2010 (₹)	31.3.2011 (₹)	Assets	31.3.2010 (₹)	31.3.2011 (₹)
Equity share Capital	6,00,000	7,50,000	Patents	1,00,000	95,000
Profit and Loss account	2,05,000	3,57,000	Furniture	5,00,000	5,00,000
Bank loan	1,00,000	50,000	Investment	-	1,00,000
Proposed Dividend	50,000	20,000	Debtors	80,000	1,20,000
Provision for tax	30,000	50,000	Stock	1,50,000	1,30,000
Creditors	50,000	45,000	Bank	2,05,000	3,27,000
	10,35,000	**12,72,000**		**10,35,000**	**12,72,000**

Additional Information:
During the year Furniture costing ₹60,000 was purchased. Loss on sale of Furniture amounted to ₹3,000. ₹10,000 depreciation was charged on Furniture.

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SECTION A

1. **Answer:**
Depreciation on fixed assets is never shown in on the 'payment' side of Receipts and Payments Account, but it is shown as an expense on the expenditure side while preparing 'Income and Expenditure Account'.

2. **Answer:**
If partnership deed provides that interest on capital is to be treated as an appropriation out of profits, then no interest is allowed to the partners. However, if the deed states that interest on capital is to be treated as a charge against profit, then interest has to be provided at the specified rate, even if the firm has incurred losses during that particular year.

3. **Answer:**
Sacrificing ratio is computed at the time of admission of a new partner. Whereas, gaining ratio is computed at the time of retirement/death of a partner.

4. **Answer:**
Admission of a new partner is decided by the firm in the following two situations:
i. When it requires more fund.
ii. To manage the expanded business smoothly.

5. **Answer:**
When a company accepts the amount of shares before the call is due from its shareholder, it is known as calls-in-advance.

6. **Answer:**

Subscription Account

Dr. Cr.

Particulars	₹	Particulars	₹
To Outstanding Subscription A/c (Outstanding subscription in the beginning)	32,000	By Advantage Subscription A/c (Advance subscription in the beginning)	25,000
To Income and Expenditure A/c	3,00,000	By Bank A/c (subscription received during the year)	3,00,000
To Advance Subscription A/c (Advance subscription at the end)	36,800	Outstanding Subscription A/c (Outstanding Subscription at the end) (Balancing Figure)	43,800
	3,68,800		**3,68,800**

7. Answer:

Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
	Furniture A/c Dr. To Ravindram's A/c (Being furniture purchased)		3,00,000	 3,00,000
	Ravindram A/c Dr. To Bills Payable A/c (Being amount paid by drawing a promissory note)		1,00,000	 1,00,000
	Ravindram Ltd. A/c Dr. To Equity share capital A/c To Securities Premium A/c (Being issue of equity share of ₹10 each at a premium of 25%)		2,00,000	 1,60,000 40,000

Working Note

calculation of numbers of Equity share to be issued

No. of Equity shares = $\frac{\text{Purchase Considration}}{\text{issue price}}$

Issue price

= face value + premium

= 10 + 2.5

= 12.5

$\therefore$ No. of Equity shares = $\frac{2{,}00{,}000}{12.5} = 16{,}000$ shares

8. Answer:

Books of Nav Lakshmi Ltd.
Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
	Bank A/c Dr. To Debenture Application A/c (Being debenture application money received for 4,000 debenture)		6,00,000	 6,00,000
	Debenture Application A/c Dr. To 12% Debenture A/c To Securities Premium A/c (Being debenture application 3,000 debenture transferred to 12% debenture and securities premium)		4,50,000	 3,00,000 1,50,000
	Debenture Application A/c Dr. To Bank A/c (Being debenture application of 1,000 debenture refunded)		1,50,000	 1,50,000

9. Answer:

Profit and Loss Adjustment Account

Dr. **Cr.**

Particulars		₹	Particulars		₹
To Interest on capital:			By Profit and Loss A/c (Net profit)		30,000
Lalan A/c	12,000				
Balan A/c	24,00	36,000	By Interest on Drawings:		
			Lalan A/c	225	
			Balan A/c	375	600
			By Loss transferred to Current A/c:		
			Lalan A/c	3,240	
			Balan A/c	2,160	5,400
		36,000			**36,000**

Working Note

WN 1: Calculation of Interest on Capital

Interest on lahan's Capital = $1,00,000 \times \frac{12}{100} = 12,000$

Interest on Balan's Capital = $2,00,000 \times \frac{12}{100} = 24,000$

WN 2 : Calculation of Interest on Drawings

Interest on lahan's Capital = $300 \times \frac{15}{100} \times \frac{6}{12} = 225$

Interest on Balan's Capital = $5,000 \times \frac{15}{100} \times \frac{6}{12} = 375$

10. Answer:

Journal

Date	Particulars		L.F.	Dr. ₹	Cr. ₹
	A's Capital A/c	Dr.		1,35,000	
	B's Capital A/c	Dr.		1,35,000	
	C's Capital A/c	Dr.		90,000	
	D's Capital A/c	Dr.		90,000	4,50,000
	To Goodwill A/c				
	(Being goodwill written-off)				
	A's Capital A/c	Dr.		1,20,000	
	B's Capital A/c	Dr.		20,000	
	To C's Capital A/c				1,20,000
	To D's Capital A/c				20,000
	(Being new goodwill adjusted)				
	Profit and Loss Appropriation A/c	Dr.		12,00,000	
	To A's Capital A/c				6,00,000
	To B's Capital A/c				4,00,000
	To C's Capital A/c				2,00,000
	(Being profit earned after D's retirement distributed)				

Gaining Ration = New Ratio - Old Ratio

A = $\frac{3}{6}-\frac{3}{10}$

$=\frac{15-9}{30}$

$=\frac{6}{30}$

B = $\frac{2}{6}-\frac{3}{10}$

$=\frac{10-9}{30}$

$=\frac{1}{30}$

C = $\frac{1}{6}-\frac{2}{10}$

$=\frac{5-6}{30}$

= $-\frac{1}{30}$(sacrificing)

New Goodwill = 6,00,000

D's share in New Goodwill = 6,00,000 $\times\frac{2}{10}$

$=1{,}20{,}000$

C's share of sacrificing Goodwill = 6,00,000$\times\frac{1}{30}$

= 20,000

A's gain in new Goodwill = 6,00,000 $\times\frac{6}{30}=1{,}20{,}000$

B's gain in new Goodwill = 6,00,000 $\times\frac{1}{30}=20{,}000$

Distribution of pofit earned after D's retirement

A = 12,00,000$\times\frac{3}{6}=6{,}00{,}000$

B= 12,00,000$\times\frac{2}{6}=4{,}00{,}000$

C = 12,00,000$\times\frac{1}{6}=2{,}00{,}000$

11. Answer :

Sarvottam Ltd.
Journal

Date	Particulars		L.F.	Dr ₹	Cr ₹
1	Own Debenture A/c To Bank A/c (Being 850 own debenture purchase at ₹ 96 each)	Dr.		81,600	81,600
2	12% Debenture A/c To Own Debenture A/c To Profit and cancellation of own Debenture A/c (Being 850 own debenture cancelled)	Dr.		85,000	81,000 3,400
3	12% Debenture A/c To Debenture holders A/c (Being 400 debenture due for redemption)	Dr.		40,000	40,000
4	Debenture holders A/c To Bank A/c (Being payment of due for debenture paid to debenture holder)	Dr.		4,00,000	4,00,000
5	Profit on cancellation of own Debenture A/c To Capital Reserve A/c (Being profit on cancellation of own debenture transferred to capital reserve)	Dr.		3,400	3,400

12. Answer :

Journal Entries in the Books of Cell Phone Ltd

Date	Particulars		L.F.	Debit ₹	Credit ₹
1	12% Debenture A/c To Debenture Holder A/c (Being debenture of due for redemption)	Dr.		3,85,000	3,85,000
2	Debenture Holder A/c To 13% Debenture A/c To Equity share capital A/c (Being 3,080, 13% debentures issued at a premium of 25%)	Dr.		3,85,000	3,08,000 77,000

Working Note :

Numberof13% debentures issued = $\frac{₹3,85,000}{₹125} = 3,080$ Debentures

13. Answer :

Journal

Date	Particulars		L.F.	Debit ₹	Credit ₹
2011 April 1	Realisation A/c To Land and Building A/c To Machinery A/c To Debtors A/c (Being assets transferred to Realisation Account)	Dr.		9,22,000	 4,00,000 3,00,000 2,22,000
	Creditors A/c Employees Provident Fund A/c To Realisation A/c (Being liabilities transferred to Realisation A/c)	Dr. Dr.		1,79,000 21,000	 2,00,000
	Bank A/c To Realisation A/c (Being assets realized)	Dr.		6,81,000	 6,81,000
	Bank A/c To Realisation A/c (Being machinery takenover by Vishal for cash)	Dr.		2,80,000	 2,80,000
	Realisation A/c To Bank A/c (Being creditors paid off ₹1,75,000)	Dr.		1,75,000	 1,75,000
	Realisation A/c To Bank A/c (Being employee provident fund paid off)	Dr.		21,000	 21,000
	Realisation A/c To Achal's Capital A/c To Vichal's Capital A/c (Being profit on realization transferred to capital A/c)	Dr.		43,000	 16,125 26,875
	Achal's Capital A/c Vichal's Capital A/c To Bank A/c (Being final payment made to partners)	Dr. Dr.		3,16,125 5,26,875	 8,43,000

14. Answer :

Income & Expenditure A/c

Dr. **Cr.**

Expenditure		**₹**	**Income**		**₹**
To Salaries A/c	900		By Subscription A/c		11,250
Add: Outstanding	300	1,200	By Entrance Fees A/c	500	
To Rent A/c		250	Less: Capitalised	(125)	375
To Electricity A/c		1,500	By Donation A/c		1,375
To Tax A/c		1,100	By Rent of Hall A/c		875
To Painting and Stationary A/c	200		By Sale of Investment		1,000
Less: $1/4^{th}$	(50)	150	By Interest on Fixed Deposit A/c		169
To Sundry Expenses A/c		450			
To Excess of Income over Expenditure		10,394			
		15,044			**15,044**

15. Answer:

Revaluation Account

Particulars	**₹**	**Particulars**		**₹**
To Provision for outstanding bill A/c	3,000	By Old provision for Bad Debts A/c	1,200	
To Claim for damages A/c	325	Less: New provision	1,175	25
		By Sundry Creditors A/c		2,500
		By Loss transferred to:		
		Atal A/c	500	
		Madan A/c	300	800
	3,325			**3,325**

Partners' Capital Account

Particulars	**Atal**	**Madan**	**Mehra**	**Particulars**	**Atal**	**Madan**	**Mehra**
To Profit and Loss A/c	12,500	7,500		By Balance b/d	1,50,000	90,000	
To Cash A/c	5,000	3,00		By Cash A/c			40,000
To Revaluation A/c (Loss)	500	300		By Premium for Goodwill A/c	10,000	6,000	
To Cash A/c (WN2)	62,000	37,200		By Workmen Compensation fund A/c	20,000	12,000	
To Balance c/d	1,00,000	60,000	40,000				
	1,80,000	**1,08,000**	**40,000**		**1,80,000**	**1,08,000**	**40,000**

Balance Sheet

Liabilities		**₹**	**Assets**		**₹**
Capital:			Land and building		1,50,000
Atal	1,00,000		machinery		40,000
Madan	60,000		patents		5,000
Mehra	40,000	2,00,000	Debtors	47,000	
			Less: Provision for Doubtful	1,175	
Bank overdraft		47,000	Debts		45,825
sundry Creditors (20,000-2,500)		17,500	Stock		27,000
Claim for damages A/c		325			
Provision for outstanding bill		3,000			
		2,67,825			**2,67,825**

Working Note:

Calculation of New Ratio

(a) New Ratio = 5:3:2

Old Ratio (Atal and Madan) = 5:3

Sacrificing Ratio = Old Ratio – New Ratio

$$\text{Atal Sacrificing} = \frac{5}{8} - \frac{5}{10} = \frac{10}{80}$$

$$\text{Madan's Sacrificing} = \frac{3}{8} - \frac{3}{10} = \frac{6}{80}$$

$\therefore$ Scarificing Ratio = 10:6 or 5:3

(b) Calculation of New Capitals of partners

Total Capital of the firm on the basis of Mehra's capital

$= 40{,}000 \times 5 = 2{,}00{,}000$

$$\text{Atal's New Capital} = 2{,}00{,}000 \times \frac{5}{10} = 1{,}00{,}000$$

$$\text{Madan's New Capital} = 2{,}00{,}000 \times \frac{3}{10} = 60{,}000$$

Capital to be brought/ paid in by the partners

Capital	Atal	madan
Old Capital (Credit- Debit)	1,62,000	97,200
New Capital	1,00,000	60,000
	62,000 (surplus)	37,200 (surplus)

Cash Account

Particulars	₹	Particulars	₹
To Balance b/d	4,200	By Atal's Capital A/c (62,000+5,000)	67,000
To Mehta's Capital A/c	40,000	By Madan's Capital A/c(37,200+3,000)	40,200
To Premium for Goodwill	16,000		
To Balance c/d (Bank overdraft)	47,000		
	1,07,200		**1,07,200**

OR

Revaluation Account

Particulars		₹	Particulars	₹
To Machinery A/c		35,000	By Land and Building A/c	1,20,000
To Stock A/c		5,000		
To Provision for Doubtful Debts A/c		3,000		
To Profit transferred to Capital A/c				
Khanna	23,100			
Seth	15,400			
Mehats	38,500	77,000		
		1,20,000		**1,20,000**

Partners' Capital Account

Particulars	Khanna	Seth	Mehta	Particulars	Khanna	Seth	Mehta
To Profit and Loss A/c	18,000	12,000	30,000	By Balance b/d	3,00,000	2,00,000	5,00,000
To Goodwill A/c	90,000	60,000	1,50,000	By General Reserve A/c	30,000	20,000	50,000
To Profit and		2,400		By Revaluation A/c	23,100	15,400	38,500

Loss surplus A/c							
To seth's Executors A/c		1,61,000					
To Balance c/d	2,45,100		4,08,500				
	3,53,100	**2,35,400**	**5,88,500**		**3,53,100**	**2,35,400**	**5,88,500**
To Balance c/d (adj.)	2,45,100		4,08,500	By Balance b/d	2,45,100		4,08,500
	2,45,100		**4,08,500**		**2,45,100**		**4,08,500**

Balance Sheet

Liabilities		₹	Assets		₹
Capital:			Land and Building		6,20,000
Khanna	2,45,100		Machinery		1,35,000
Mehta	4,08,500	6,53,600	Stock		25,000
Seth's Executor's Loan		2,11,000	Debtors	1,20,000	
Creditors		75,000	Less: Provision for Bad Debts	3,000	1,17,000
Profit and Loss Suspense		2,400	Cash		45,000
		9,42,000			**9,42,000**

E's Executors' Account

Particulars	₹	Particulars	₹
To Balance c/d	2,11,000	By Seth's Capital A/c	1,61,000
		By Seth's Loan A/c	50,000
	2,11,000		**2,11,000**

Working note :

Share of Seth's Loss on The Basis of Last year

$= 60{,}000 \times \frac{2}{10} \times \frac{73}{365}$

$= 2{,}400$

Capital after adjustment

Khanna = 2,45,000

Mehat = 4,08,500

Combined Capital of Khanna and Mehta = 6,53,600

Propotnate Capital of Khanna and Mehta

Khanna $= 6{,}53{,}600 \times \frac{7}{8} = 2{,}45{,}100$

Mehta $= 6{,}53{,}600 \times \frac{5}{8} = 4{,}08{,}500$

Share of Profit till the date on the basis part three year Profit

$= 80{,}000 \frac{2}{10} \times \frac{146}{365}$

$= 6{,}400$

16. Answer:

Books of R.K Ltd
Journal

Date	Particulars		L.F.	Dr. ₹	Cr. ₹
	Bank A/c To Share Application A/c (Being share application received for 65,000 shares)	Dr.		9,75,000	 9,75,000
	Share Application A/c To Equity Share Capital A/c To Equity Securities Premium A/c (Being share Application of 65,000 shares transferred to equity share capital and securities premium)	Dr.		9,75,000	 1,95,000 7,80,000
	Equity Share Allotment A/c To Equity Share Capital A/c To Securities Premium A/c (Being allotment due)	Dr.		6,50,000	 5,20,000 1,30,000
	Bank A/c Calls-in-Arrears A/c To Equity Share Allotment A/c (Being amount received on share allotment)	Dr. Dr.		6,30,000 20,000	 6,50,000
	Equity Share Capital A/c Securities Premium A/c To Equity Share Forfeiture A/c To Calls-in-Arrears A/c (Being 2,000 shares forfeited for the non-payment of allotment)	Dr. Dr.		10,000 16,000	 6,000 20,000
	Share First and final Call A/c To Equity Share Capital A/c To Securities Premium A/c (Being share first and final call due on 3,000 shares)	Dr.		12,60,000	 3,15,000 9,45,000
	Bank A/c Calls-in-Arrears A/c To Equity Share First & Final Call A/c (Being share first and Final Call received on all shares except 3,000 shares)	Dr. Dr.		12,00,000 60,000	 12,60,000
	Equity Share Capital A/c Securities Premium A/c To Equity Share Forfeiture A/c To Calls-in-Arrears A/c (Being 3,000 Shares forfeited for the non-payment of First and Final Call)	Dr. Dr.		30,000 45,000	 15,000 60,000
	Bank A/c To Equity Share Capital A/c To Securities Premium A/c (Being 4,000 shares forfeited share were issued)	Dr.		2,00,000	 40,000 1,60,000
	Equity Share Forfeiture A/c To Capital Reserve A/c (Being share forfeiture of 1,000 shares transferred to Capital Reserve)	Dr.		16,000	 16,000

<u>Ram</u>
Share forfeiture credit 3 per share
Share forfeiture debit <u>NIL</u> per share
Share forfeiture credit after time 3 per share

Capital Reserve on reissue of Ram share
= share forfeiture credit after re-issue × No. of shares re-issued
= 3 × 2,000
= ₹ 6,000

<u>Sohan</u>
Share forfeiture credit 5 per share
Share forfeiture Debit <u>NIL</u> per share
Share forfeiture credit after 5 per share re-issue

Capital Reserve on re-issue of Sohan's 1,000 shares
= Share forfeiture after issue × No. of shares re-issued
= 5 × 2,000
= ₹ 10,000
Total capital Reserve
= 6,000 + 10,000
= ₹ 16,000

OR

Books of Ashish Ltd
Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
	Bank A/c Dr. To Share Application A/c (Being application money received for 1,50,000 Shares at ₹ 2 per share)		3,00,000	 3,00,000
	Share Application A/c Dr. To Share Capital A/c To Share Allotment A/c To Bank A/c (Being share application money adjusted)		3,00,000	 1,50,000 1,00,000 50,000
	Equity Share Allotment A/c Dr. Discount on Share A/c Dr. To Share Capital A/c (Being allotment due)		2,25,000 75,000	 3,00,000
	Bank A/c Dr. To Share Allotment A/c (Being allotment money received i.e. 2,25,000 – 1,00,000 – 1,250)		1,23,750	 1,23,750
	Share First and Final Call A/c Dr. To Share Capital A/c (Being amount due on Share First and Final Call)		3,00,000	 3,00,000

	Bank A/c To Equity Share First & Final Call A/c (Being amount due on Share First and Final Call)	Dr.		2,93,000	 2,93,000
	Share Capital A/c (1,750 × 10) To Discount on Shares A/c To Share forfeiture A/c To Share Allotment A/c To Share First and Final Call A/c (Being Share forfeited)	Dr.		17,500	 1,750 7,500 1,250 7,000
	Bank A/c (1,000 × 17) To Equity Share Capital A/c To Securities Capital A/c (Being forfeited share were reissued for `9 as fully paid up)	Dr.		17,000	 10,000 7,000
	Equity Share Forfeiture A/c To Capital Reserve A/c (Being share forfeiture of 1,000 shares transferred to Capital Reserve)	Dr.		3,750	 3,750

Working Notes:

(1)

Total application money received (1,50,000 × 2)	=	3,00,000
Amount actually utilized in application (75,000 × 2)	=	1,50,000
		1,50,000
(-) Money returned (25,000 × 2)	=	(50,000)
Utilized in allotment		1,00,000

(2)

Total shares applied by Suman = 1,250 shares

$\therefore$ No.of shares allotted to suman = $\frac{75,000}{12,500} \times 125$

= 750 shares

Amount received on application from Suman (1,250 × 2)	=	2,500
(-) Actually utilized (750 × 2)	=	(1,500)
Excess money on application		1,000

Allotment due on 750 shares (750 × 3)	=	2,250
Less : Excess money on application	=	(1,000)
Amount unpaid on allotment		1,250

Calculation of Amount of Capital Reserve	
Amount forfeited on 750 shares of Suman	2,500
Amount forfeited on 1,000 shares of 5,000 Dev $\therefore$ Amount forfeited on 250 shares of Dev $\left(\frac{5,000}{1,000} \times 250\right)$	1,250
	3,750
Less : Amount forfeited on re-issue	Nil
Amount to be transferred to Capital Reserve	3,750

SECTION- B

17. Answer :

Top Management analysis the financial statement to:

i. Evaluate the solvency position of the company;
ii. Analyse the efficiency with which the financial resources are allocated and utilised.

18. Answer :

The main objectives for preparing Cash Flow Statement are as follows:

i. It helps to determine the gross inflows and outflows of cash and cash equivalents from various activities like operating, investing and financing activities.
ii. Secondly, Cash Flow Statement helps in investigating various reasons responsible for change in the cash balances during an accounting year.

19. Answer :

It is an Investing Activity because purchasing and selling of shares and other financial instrument is not a main business of the enterprise.

20. Answer :

Current Ratio = 3: 1

Quick Ratio = 2: 1

Stock = ₹40, 000

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

$$\therefore 3 = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Or, Current Assets = 3 current liabilities ....(1)

$$\text{Quick Ratio} = \frac{\text{Quick Assets}(\text{Current Assets } - \text{Stock})}{\text{Current Liabilities}}$$

$$2 = \frac{\text{Current assets - 40,000}}{\text{Current Liabilities}}$$

Or, 2 Current Liabilities = Current Assets - 40,000

From equation (1)

2 Current Liabilities = 3 Current Liabilities — 40,000

Or, Current Liabilities = ₹40,000

Current Assets = 3 current liabilities

Current Assets = 3 × 40,000 = ₹1,20,000

21. Answer :

(a) $\text{Debt Equity Ratio} = \frac{\text{Debt}}{\text{Equity}}$

Debt = 12% Debentures = ₹4,00,000

Equity = Equity Share Capital + General Reserve + Profit and Loss - Prepaid Expenses

= 10, 00,000 + 1,00,000 + 3,00,000 - 1,00,000

= ₹13,00,000

$$\text{Debt Equity Ratio} = \frac{4,00,000}{13,00,000} = 0.31:1$$

(b) $\text{Working Capital Turnover Ratio} = \frac{\text{Net Sales}}{\text{Working Capital}}$

Net sales = ₹30,00,000
Working Capital = Current Assets - Current Liabilities

Current Assets
= Debtors + Cash
= 2,90,000 + 1,10,000
= 4,00,000

Current Liabilities = Creditors = 3,00,000

Working Capital
= 4,00,000 - 3,00,000
= ₹1,00,000

$$\text{Working Capital Turnover Ratio} = \frac{30,00,000}{1,00,000} = 30 \text{ times}$$

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

Profit before interest and tax
= Profit after tax + tax + Interest
= 3,00,000 + 3,00,000 + 48,000
= ₹6,48,000

Capital Employed
= Debt + Equity
= 4,00,000 + 13,00,000
= ₹17,00,000

$$\text{Return on Investment} = \frac{6,48,000}{17,00,000} \times 100 = 38.12\%$$

Working Note:
Calculation of Tax
Let tax be 50% of Profit before Tax.
Let Profit before tax be x.
Profit before tax = Profit after the tax + tax

$$x = 3,00,000 + \frac{50x}{100}$$

$$\frac{x - 50}{100} x = 3,00,000$$

$$x = 6,00,000$$

Profit before Interest and Tax
= Profit before tax + Interest
= 6,00,000 + 48,000
= ₹6,48,000

22. Answer :

Common Size Income Statement of Jayant Ltd.
As on March 31, 2011

Particular	₹	%
Sales	25,38,000	100
Less: Cash of Goods Sold	(14,00,000)	(55.16)
Gross Profit	11,38,000	44.84
Less: Operating Expenses	(5,00,000)	(19.70)
Operating Profit	6,38,000	25.14
Add: Other Income	38,000	1.50
Profit Before Tax	6,76,000	26.64
Less: Tax	(3,38,000)	(13.32)
Profit After Tax	3,38,000	13.32

23. Answer :

Cash Flow Statement (AS-3)
for the year ended 31st March, 2011

	Particulars	₹	₹
A	**Cash Flow from Operating Activities**		
	Net Profit before Tax (WN 1)	2,22,000	
	Add : Non Cash and Non –operating Expenses		
	Depreciation on Furniture	10,000	
	Patents Written off	5,000	
	Loss on Sale of Furniture	3,000	
	Operating Profit before Working Capital Charges	2,40,000	
	Adjustment for Current Assets and Current Liablities		
	Increase in Debtors	(40,000)	
	Decrease in Stock	20,000	
	Decrease in Creditors	(5,000)	
	Net Cash Inflow from Operating Activities before Tax	2,15,000	
	Less : Tax paid	(30,000)	
	Net Cash Inflow from Operating Activities		1,85,000
B	**Cash Flow from Investing Activities**		
	Sale of Furniture	47,000	
	Furniture Purchased	(60,000)	
	Investment purchased	(1,00,000)	
	Net Cash Flow from Activities		(1,13,000)
C	Cash Flow from financing Activities		
	Cash Proceeds from Equity Shares	1,50,000	
	Repayment of bank Loan	(50,000)	
	Dividend Paid	(50,000)	
	Net Cash Flow from Financing Activities		50,000
D	**Net Increase in Cash and Cash Equivalents (A+B+C)**		1,22,000
E	Add : Opening balance of Cash and Cash Equivalents		2,05,000
F	**Closing Balance of Cash and Cash Equivalents**		3,27,000

Working Note:

1. Calculation of Profit before Tax :

	₹
Balance as per Statement of Profit and Los	1,52,000
Add : Provision for Tax (Current year)	50,000
Provision Dividend (Current year)	20,000
Net Profit before tax	2,22,000

2. Calculation of Furniture Sold :

Furniture Account

Particulars	₹	Particulars	₹
To Balance b/d	5,00,000	By Depreciation A/c	10,000
To Bank (Purchase)	60,000	By Bank A/c (Sale) (Balance Figure)	47,000
		By Statement of Profit & Loss (Loss)	3,000
		By Balance c/d	5,00,000
	5,60,000		**5,60,000**