**CBSE Class 12 Accountancy**
**Sample Paper 06 (2019-20)**

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**Maximum Marks: 80**
**Time Allowed: 3 hours**

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**General Instructions:**

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

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## Section A

1. Name any two financial statements required to be prepared by not-for-profit organisations at the end of the year.

2. If the gaining share is given, first calculate the share acquired by the each continuing partner and then should be added to continuing partners respective share to find out the which ratio of the remaining partner

   a. Gaining share

   b. Sacrificing share

   c. Old share

   d. New share

3. A and B are partners in a firm sharing profits in the ratio of 3 : 2. Mrs A has given a loan of Rs. 20,000 to the firm and the firm also obtained a loan of Rs. 10,000 from B. The firm was dissolved and its assets were realised for Rs. 25,000. State the order of payment of Mrs A's loan and B’s loan with reason, if there were no creditor of the firm.

4. Ram and Shyam are partners in a firm sharing profits in the ratio of 3:2. They admit Ghanshyam as a partner. Ram Surrendered 1/4th of his share and Shyam 1/3rd of his share in favor of Ghanshyam. Find out the new ratio.

    a. 27:16:17

    b. 27:17:15

    c. 3:2:1

    d. 25:20:15

5. Define Goodwill.

6. State the ratio in which the partners share the accumulated profits when there is a change in the profit sharing ratio amongst existing partners.

7. At the time of change in profit sharing ratio among existing partners, if there is an unrecorded liability, where will you record the same?

8. A, B & C are sharing profits and losses in the ratio 5:3:2. Calculate the new profit sharing ratio and sacrificing ratio if C acquires 1/10th share from B.

9. Amrit, Amit, and Abhay are partners in an enterprise sharing profits and losses in the ratio of 3: 2: 2. Abhay has desired to retire from the firm on 1st April 2012 and desires that his son Ankur be admitted as a partner in his place. The Partnership Deed is silent on the subject. Amrit and Amit agree to the change, sharing the profits and losses in the same ratio. Do you think the change will be as per law and why?

10. Fill in the blanks:

    Reserve appearing in the Balance Sheet at the time of admission of a partner, is distributed among partners in their ________ ratio.

11. At the time of the dissolution of the firm, how undistributed profits such as General Reserve, Credit Balance of P&L A/C are dealing with?

12. ABC Ltd issued 5000 10% Debentures of ₹100 each payable as ₹40 on application and

₹60 on allotment. Applications were received for 6000 debentures. Applicants for 500 debentures were sent letter of regret and money was returned. Allotment was made proportionately to the remaining applicants. Over subscription was applied to the amount due on allotment. All money was duly received. By what amount Debentures Allotment A/c be credited while passing entry for allotment money received

a. ₹250000

b. ₹300000

c. ₹270000

d. ₹280000

13. Fill in the blanks:

    Excess balance amount at share forfeiture account will be transferred to ________ account.

14. Explain the statement, 'receipts and payments account is a summarised version of cash book'.

**OR**

State the meaning of income and expenditure account.

15. Shirish, Harit and Asha were partners in a firm sharing profits in the ratio of 5: 4:1. Shirish died on 30$^{th}$ June 2018. On this date their Balance Sheet was as follows :

**Balance Sheet of Shirish, Harit, and Asha as at 31st March, 2018**

| **Liabilities** | | **Amount (Rs.)** | **Assets** | **Amount (Rs.)** |
|---|---|---|---|---|
| Capital : | | | Plant and Machinery | 5,60,000 |
| Shirish | 1,00,000 | | Stock | 90,000 |
| Harit | 2,00,000 | | Debtors | 10,000 |

| | | | | |
|---|---|---|---|---|
| Asha | 3,00,000 | 6,00,000 | Cash | 40,000 |
| Profits for the year 2017 -18 | | 80,000 | | |
| Bills Payable | | 20,000 | | |
| | | 7,00,000 | | 7,00,000 |

According to the partnership deed, in addition to deceased partner's capital, his executor is entitled to:

i. Share in profits in the year of death on the basis of average of last two years' profit. Profit for the year 2016 – 17 was Rs.60,000.
ii. Goodwill of the firm was to be valued at 2 years' purchase of average of last two years' profits.

Prepare Shirish's Capital Account to be presented to his executor.

16. Prem, Param and Priya were partners in a firm. Their fixed capitals were Prem Rs 2,00,000; Param Rs 3,00,000 and Priya Rs 5,00,000. They were sharing profits in the ratio of their capitals. The firm was engaged in the sale of ready-to-eat food packets at three different locations in the city, each being managed by Prem, Param and Priya. The outlet managed by Prem was doing more business than the outlets managed by Param and Priya.
Prem requested Param and Priya for a higher share in the profits of the firm which Param and Priya accepted. It was decided that the new profit sharing ratio will be 2:1:2 and its effect will be introduced retrospectively for the last four years. The profits of the last four years were Rs 2,00,000, Rs 3,50,000, Rs 4,75,000 and Rs 5,25,000 respectively.
Showing your calculations clearly, pass a necessary adjustment entry to give effect to the new agreement between Prem, Param and Priya.

**OR**

Aakriti and Bindu entered into partnership for making garment on April 01, 2016 without any Partnership agreement. They introduced Capitals of Rs 5,00,000 and Rs 3,00,000 respectively on October 01, 2016. Aakriti Advanced. Rs 20,000 by way of loan to the firm without any agreement as to interest. Profit and Loss account for the year ended March 2017 showed profit of Rs 43,000. Partners could not agree upon the question of interest and the basis of division of profit. You are required to divide the profits between them giving reason for your solution.

17. A company issued 15,000 fully paid up equity shares of Rs. 100 each for the purchases of the following assets and liabilities from Gupta Bros.
Plant – Rs. 3,50,000; Stock Rs. 4,50,000
Land and Building Rs. 6,00,000; Sundry Creditors Rs. 1,00,000
Pass necessary Journal entries.

18. A and B share profits and losses in the ration of 5:2. They have decided to dissolve the firm. Assets and external liabilities have been transferred to Realisation A/c. Pass the Journal Entries to affect the following:

    a. Bank Loan of Rs. 12,000 is paid off.
    b. A was to bear all expenses of Realisation for which he is given to commission of Rs. 400.
    c. Deferred Advertisement Expenditure A/c appeared in the book at Rs. 28,000.
    d. Stock worth Rs. 1,600 was taken over by B at Rs. 1,200.
    e. As unrecorded Computer realized Rs. 7,000.
    f. There was an outstanding bill for repairs for Rs. 2,000. Which was paid off.

19. From the following receipts and payments account of Jai Hind Club and from the information supplied, prepare the income and expenditure account for the year ended 31st December, 2012 and the balance sheet as at that date

**Receipts and Payments Account**

for the year ended 31st December, 2012

| **Receipts** | **Amount (Rs.)** | **Payments** | **Amount (Rs.)** |
|---|---|---|---|
| To Balance as at 1st January 2012 | 10,500 | By Salaries | 42,000 |

| | | | |
|---|---|---|---|
| To Subscriptions | | By General expenses | 9,000 |
| 2011 7,500 | | By Electricity charges | 6,000 |
| 2012 30,000 | | By Books | 15,000 |
| 2013 6,000 | 43,500 | By Newspapers | 12,000 |
| To Rent received from the use of the hall | 21,000 | By Balance (As at 31st December, 2012) | 6,000 |
| To Profit from entertainment | 12,000 | | |
| To Sale of old newspapers | 3,000 | | |
| | **90,000** ====== | | **90,000** ====== |

i. The club has 150 members, each paying an annual subscription of Rs. 250. Subscriptions outstanding on 31st December, 2011 were to the value of Rs. 9,000.
ii. On 31st December, 2012, salaries outstanding amounted to Rs. 3,000. Salaries paid in 2012 included Rs. 9,000 for the year, 2011.
iii. On 1st January, 2012 the club owned building valued at Rs. 3,00,000, furniture worth Rs. 30,000 and books Rs. 30,000.

20. On 1st January, 2007 a public limited company issued 15,000, 10% Debentures of Rs. 100 each at par which were repayable at a premium of 15% on 31st December, 2011. On the date of maturity, the company decided to redeem the above mentioned 10% Debentures as per the term of issue, out of profits. Surplus i.e. Balance in Statement of Profit and Loss shows a credit balance of Rs. 20,00,000 on this date. The offer was accepted by all the debentureholders' and all the debentures were redeemed. Pass the necessary journal entries in the books of the company only for the redemption of

debentures.

**OR**

'Ananya Ltd' had an authorised capital of Rs.10,00,00,000 divided into 10,00,000 equity shares of Rs.100 each. The company had already issued 2,00,000 shares. The dividend paid on share for the year ended 31st March, 2007 was Rs.18,000.
The management decided to export its products to African countries. To meet the requirements of additional funds, the finance manager put up the following three alternate proposals before the Board of Directors.

a. Issue 47,500 equity shares at a premium of Rs.100 per share.
b. Obtain a long-term loan from bank which was available at 12% per annum.
c. Issue 9% debentures at a discount of 5%.
   After evaluating these alternatives the company decided to issue 1,00,000, 9% debentures on 1st April, 2008. The face value of each debenture was Rs.100. These debentures were redeemable in four installments starting from the end of third year, which was as follows

| **Year** | **Amt (Rs)** |
|---|---|
| III | 10,00,000 |
| IV | 20,00,000 |
| V | 30,00,000 |
| VI | 40,00,000 |

   Prepare 9% debentures account from 1st April, 2008 till all the debentures were redeemed.

21. Sanjana and Alok were partners in a firm sharing profits and losses in the ratio 3: 2. On 31st March 2018 their Balance Sheet was as follows :

**Balance Sheet of Sanjana and Alok on 31-3-2018**

| **Liabilities** | **Amount (Rs.)** | **Assets** | **Amount (Rs.)** |
|---|---|---|---|
| Creditors | 60,000 | Cash | 1,66,000 |

| | | | |
|---|---|---|---|
| Workmen's Compensation | | Debtors 1,46,000 | |
| Fund | 60,000 | Less: Provision | |
| | | for doubtful debts 2,000 | 1,44,000 |
| Capitals : | | Stock | 1,50,000 |
| Sanjana 5,00,000 | | Investments | 2,60,000 |
| Alok 4,00,000 | 9,00,000 | Furniture | 3,00,000 |
| | **10,20,000** | | **10,20,000** |

On 1st April 2018, they admitted Nidhi as a new partner for 1/4th share in the profits on the following terms :

i. Goodwill of the firm was valued at Rs.4,00,000 and Nidhi brought the necessary amount in cash for her share of goodwill premium, half of which was withdrawn by the old partners.
ii. Stock was to be increased by 20% and furniture was to be reduced to 90%.
iii. Investments were to be valued at Rs.3,00,000. Alok took over investments at this value.
iv. Nidhi brought Rs.3,00,000 as her capital and the capitals of Sanjana and Alok were adjusted in the new profit sharing ratio.
Prepare Revaluation Account, Partners Capital Accounts and the Balance Sheet of the reconstituted firm on Nidhi’s admission.

**OR**

W and R are partners in a firm sharing profit& losses in the ratio of 3: 2. Their balance sheet as on 31st March, 2016 was as follows

**Balance Sheet**

as on 31 at March, 2016

| Liabilities | Amount (Rs) | Assets | Amount (Rs) |
|---|---|---|---|
| Sundry Creditors | 20,000 | Cash | 12,000 |

| | | | |
|---|---|---|---|
| Provision for Bad Debts | 2,000 | Debtors | 18,000 |
| Outstanding Salary | 3,000 | Stock | 20,000 |
| General Reserve | 5,000 | Furniture | 40,000 |
| Capital A/cs | | Plant and Machinery | 40,000 |
| W 60,000 | | | |
| R 40,000 | 1,00,000 | | |
| | 1,30,000<br>======== | | 1,30,000<br>======== |

On the above date, C was admitted for $\frac{1}{6}^{th}$ share in the profits on the following terms

i. C will bring Rs 30,000 as his capital and Rs 10,000 for his share of goodwill premium, half of which will be withdrawn by W and R.
ii. Debtors Rs 1,500 will be written off as bad debts and a provision of 5% will be created for bad and doubtful debts.
iii. Outstanding salary will be paid-off.
iv. Stock will be depreciated by 10%, furniture by Rs 500 and plant and machinery by 8%.
v. Investments Rs 2,500 not mentioned in the balance sheet were to be taken into account.
vi. A creditor of Rs 2,100 not recorded in the books was to be taken into account. Pass necessary journal entries for the above transactions in the books of the firm on C's admission.

22. Radha Mohan Ltd. invited applications for issuing 4,00,000 equity shares of Rs. 50 each. The amount was payable as follows
On application - Rs. 15 per share
On allotment - Rs. 25 per share
On first and final call - Rs. 10 per share
Applications for 6,00,000 shares were received and pro-rata allotment was made to all the applicants on following basis
Applicants for 4,00,000 shares were allotted 3,00,000 shares.

Applicants for 2,00,000 shares were allotted 1,00,000 shares.
It was decided that excess amount received on applications will be adjusted towards sums due on allotment and surplus if any, will be refunded. Vibhuti, who was alloted 6,000 shares out of the group applying for 4,00,000 shares did not pay the allotment money and his shares were forfeited immediately. Afterwards, these forfeited shares were reissued at Rs. 30 per share fully paid up. Later on, first and final call was made. Shahid, who had applied for 2,000 shares out of the group applying for 2,00,000 shares failed to pay first and final call and his shares were also forfeited. These shares were afterwards reissued at Rs. 60 per share fully paid up.
Pass necessary journal entries in the books of Radha Mohan Ltd for the above transactions.

**OR**

Sargam Ltd invited applications for issuing 80,000 equity shares of Rs. 100 each at a premium. The amount was payable as follows
On application — Rs. 20 per share
On allotment — Rs. 60 (including premium) per share
On first and final call — Rs. 40 per share
Applications for 1,20,000 shares were received. Allotment was made on pro-rata basis to all the applicants. Excess money received on applications was adjusted on sums due to allotment. Sitaram, who had applied for 6,000 shares failed to pay the allotment money and Harnam did not pay first and final call on 800 shares allotted to him. The shares of Sitaram and Harnam were forfeited. 4,200 of these shares were reissued for ^ 100 per share as fully paid up. The reissued shares included all the forfeited shares of Harnam.
Pass necessary journal entries for the above transactions in the books of Sargam Ltd.

## Section B

23. Debt to Equity Ratio of Vinod Limited is 2:1. Company redeemed its 10,000, 11% Debentures by a lump sum payment. What will be the effect on ratio?

    a. Increase

    b. No change

c. Decrease

d. Only debts are increasing

24. What is Debtors Turnover Ratio?

25. What is meant by accounting ratios?

26. Give one limitation of the Balance Sheet.

27. Mutual Fund Company receives a dividend of Rs.25 lakhs on a investments in another company's shares. Why is its cash in flow from operating activities for this company?

28. State true or false:

    Fixed Assets is the only Subhead which has sub parts.

29. Match the following:

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

30. One of the objectives of 'financial statement analysis' is to identify the reasons for change in the financial position of the enterprise. State two more objectives of this analysis.

**OR**

Mention any two items of Contingent Liability of a company.

31. From the following 'statement of profit and loss' of Suntrack Ltd, for the years ended 31st March 2011 and 2012, prepare a 'comparative statement of profit and loss'.

| **Particulars** | **Note No.** | **2011-12 Amt (Rs.)** | **2010-11 Amt (Rs.)** |
|---|---|---|---|
| Revenue from Operations | | 20,00,000 | 12,00,000 |

| | | | |
|---|---|---|---|
| Other Income | | 12,00,000 | 9,00,000 |
| Expenses | | 13,00,000 | 10,00,000 |

**OR**

From the following Statement of Profit and Loss, prepare Common-size Statement of Profit and Loss of Jayant Ltd. for the year ended 31st March 2012:

**Statement of Profit And Loss of Jayant Ltd.**
for the year ended 31st March 2012

| **Particulars** | **(Rs.)** |
|---|---|
| **Income** | |
| Revenue from Operations | 25,28,000 |
| Other Income | 38,000 |
| Total Revenue | 25,66,000 |
| **Expenses** | |
| Cost of Materials Consumed | 14,00,000 |
| Other Expenses | 5,00,000 |
| Total Expenses | 19,00,000 |
| Tax | 3,38,000 |

32. From the following Balance Sheet of Kiero Ltd. and the additional information as on 31-3-2018, prepare a Cash Flow Statement :

| **Kiero Ltd.** | | | | |
|---|---|---|---|---|
| **Balance Sheet as at 31-3-2018** | | | | |
| | **Particulars** | **Note No.** | **31-3-18 (Rs.)** | **31-3-17 (Rs.)** |
| **I.** | **Equity and Liabilities** | | | |

| | | | | |
|---|---|---|---|---|
| | **(1)Shareholders Funds** | | | |
| | (a) Share Capital | | 7,90,000 | 5,80,000 |
| | (b) Reserves and Surplus | 1 | 4,60,000 | 1,20,000 |
| | **(2) Non-Current Liabilities** | | | |
| | Long term Borrowings | 2 | 5,00,000 | 3,00,000 |
| | **(3) Current Liabilities** | | | |
| | (a) Short term borrowings | 3 | 1,15,000 | 42,000 |
| | (b) Short term Provisions | 4 | 1,18,000 | 46,000 |
| | **Total** | | **19,83,000** | **10,88,000** |
| **II.** | **Assets** | | | |
| | **(1) Non-Current Assets** | | | |
| | Fixed Assets | | | |
| | (i) Tangible Assets | 5 | 9,80,000 | 6,35,000 |
| | (ii) Intangible Assets | 6 | 2,68,000 | 1,70,000 |
| | **(2) Current Assets** | | | |
| | (a) Current Investments | | 1,40,000 | 70,000 |
| | (b) Trade Receivables | | 4,40,000 | 1,50,000 |
| | (c) Cash and Cash Equivalents | | 1,55,000 | 63,000 |
| | **Total** | | **19,83,000** | **10,88,000** |

**Notes to Accounts**

| **Note No.** | **Particulars** | **31-3-18 (Rs.)** | **31-3-17(Rs.)** |
|---|---|---|---|
| 1. | **Reserves and Surplus** | | |
| | Surplus (Balance in Statement of Profit & Loss) | 3,20,000 | 60,000 |

| | | | |
|---|---|---|---|
| | General Reserve | 1,40,000 | 60,000 |
| | | **4,60,000** | **1,20,000** |
| 2. | **Long-term Borrowings** | | |
| | 12% Debentures | 5,00,000 | 3,00,000 |
| | | **5,00,000** | **3,00,000** |
| 3. | **Short-term Borrowings** | | |
| | Bank Overdraft | 1,15,000 | 42,000 |
| | | **1,15,000** | **42,000** |
| 4. | **Short-terms Provisions** | | |
| | Provision for Tax | 1,18,000 | 46,000 |
| | | **1,18,000** | **46,000** |
| 5. | **Tangible Assets** | | |
| | Plant and Machinery | 11,00,000 | 7,50,000 |
| | Less : Accumulated Depreciation | (1,20,000) | (1,15,000) |
| | | **9,80,000** | **6,35,000** |
| 6. | **Intangible Assets** | | |
| | Goodwill | 2,68,000 | 1,70,000 |
| | | **2,68,000** | **1,70,000** |

**Additional Information :**

12% debentures were issued on 1st September, 2017.

## CBSE Class 12 Accountancy
## Sample Paper 06 (2019-20)

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## Solution
## Section A

1. Two financial statements required to be prepared by a Not for Profit Organization at the end of the year are:

    i. Income and expenditure account
    ii. Balance sheet.
2. (d) New share
   **Explanation:** When gain share of partners is given in the question, in such a case to find out the new share of continuing partners, share acquired by them should be added to their old share. we can say, New ratio = Old ratio + Gaining ratio

3. According to Section 48 of The Indian Partnership Act, 1932, first of all the payment of Rs. 20,000 will be made for Mrs A's loan as she is an outsider, then remaining Rs. 5,000 will be paid to B against his loan of Rs. 10,000.

   The order of payment in case of dissolution of partnership firm stands as follows:

   1. First external liabilities are paid

   2. Secondly partners' loans are paid

   3. Thirdly partners' capitals are returned.

4. (a) 27:16:17
   **Explanation:** Calculation of new ratio:
   Ram’s old Share 3/5 and Shyam’s old share 2/5
   Share surrendered by Ram = 1/4th of 3/5 = 3/20
   Ram’s new share = 3/5 -3/20 = 9/20
   Share Surrender by Shyam = 1/3 of 2/5 = 2/15
   Shyam’s new share = 2/5 – 2/15 = 4/15
   New Ratio : 27:16:17

5. Goodwill is the excess amount paid for purchasing a running business as a whole, over the book values or over the computed value of all tangible assets purchased from that business. Normally, goodwill thus acquired is only of one type ( i.e. purchased), appearing in books of account and in financial statements.

6. Accumulated profits are distributed in **old profit sharing ratio**.

7. Unrecorded liability will be debited to Revaluation Account.

8. A's share = $\frac{5}{10}$

   B's share = $\frac{3}{10} - \frac{1}{10} = \frac{2}{10}$

   C's share = $\frac{2}{10} + \frac{1}{10} = \frac{3}{10}$

   **New Ratio** of A, B and C = **5:2:3**
   **Only B sacrifice** = $\frac{1}{10}$

9. The law provides that if the Partnership Deed is silent on the admission of a partner but all the remaining partners agree for the admission, a new partner can be admitted. In the present case, Amrit and Amit have agreed to the admission of Ankur, the change will be as per law  as there is no cahnge in their profit & loss ratio, but if they are not agree then no new partner get admitted in any firm.

10. Old

11. Undistributed profits are distributed among all partners in their profit-sharing ratio in the Cr side of respective partner's capital account.

12. (d) ₹280000
    **Explanation:** Allotment will be credited with ₹3,00,000 i.e.
    Allotment due ₹3,00,000
    Already adjusted excess = 20,000
    Allotment Received = 3,00,000 – 20,000 = 2,80,000

13. Capital Reserve

14. The receipts and payments accounts account is generally prepared by N. P. O. It

records all the cash and bank transactions, both of capital and revenue nature, which may relate not only to the current period but also to the previous or next accounting period. All cash payments are recorded on the payments side (i.e, credit side) and all cash receipts are recorded on the receipts side {i.e, debit side) of receipts and payments account It begins with the opening balance of cash and bank and ends with the closing balances of cash and bank (balancing figure) at the end of the accounting period. This account helps an N.P.O. in ascertaining closing cash balance. It is referred to as summarised version of cash book.

**OR**

The Income and Expenditure Account is a summary of all items of incomes and expenses which relate to the ongoing accounting year. It is prepared with the objective of finding out the surplus or deficit arising out of current incomes over current expenses. It is quite similar to the Trading and Profit and Loss Account of a trading concern and is prepared in an exact manner.

15. **Shirish's Capital Account**

| **Particulars** | **Rs.** | **Particulars** | **Rs.** |
|---|---|---|---|
| To Shirish's Executors A/c | 2,18,750 | By Balance b/d | 1,00,000 |
| | | By profit and loss A/c | 40,000 |
| | | By Harish's Capital A/c | 56,000 |
| | | By Asha's Capital A/c | 14,000 |
| | | By profit and loss suspense A/c | 8,750 |
| | **2,18,750** | | **2,18,750** |

16. **Journal**

| Particulars | LF | Dr. | Cr. |
|---|---|---|---|
| Param's Capital A/c......Dr. | | 155000 | |
| Priya's Capital A/c......Dr. | | 155000 | |
| | | | |

| | | | |
|---|---|---|---|
| To Prem's Capital A/c | | | 310000 |
| (Being Profit adjusted from old to new ratio.) | | | |

Statement showing the distribution of profit

| | Ratio | Prem | Param | Priya | Total |
|---|---|---|---|---|---|
| Previous Ratio | 2:3:5 | 310000 Dr. | 465000 Dr. | 775000 Dr. | 1550000 Cr. |
| New Ratio | 2:1:2 | 620000 Cr. | 310000 Cr. | 620000 Cr. | 1550000 Dr. |
| | | 310000 Cr. | 155000 Dr. | 155000 Dr. | --- |

Total Profit = 200000 + 350000 + 475000 + 525000 = 1550000

OR

**Profit and Loss Appropriation A/c**

| **Particulars** | **Amount Rs** | **Particulars** | **Amount Rs.** |
|---|---|---|---|
| Interest on Partner's Loan | 600 | Profit and Loss | 43,000 |
| Aakriti 20,000 × (6/100) × (6/12) | | | |
| Profit transferred to | | | |
| Aakriti's Capital 21,200 | | | |
| Bindu's Capital 21,200 | 42,400 | | |
| | 43,000 | | 43,000 |

A partnership deed, also known as a partnership agreement, is a document that outlines in detail the rights and responsibilities of all parties to a business operation. It has the force of law and is designed to guide the partners in the conduct of the business. It is helpful in preventing disputes and disagreements over the role of each partner in the business and the benefits which are due to them.The partnership deed normally carries the name of the business, the address of its principal place of business and a short summary of the business the partners intend to operate. A business in this context might include the purchase of residential or commercial real estate with the intention of renting it out and making income from it. The deed gives important financial details of the partnership, such as the amount of capital to be invested by each partner, the ownership shares that each partner is entitled to through this investment, the salaries to be paid to each partner and the method of distributing the business income.

**Reason**

a. Interest on partners loan shall be allowed at 6% p.a. because there is no partnership agreement.
b. Interest on capital shall not be allowed because there is no agreement on interest on capital.
c. Profit shall be distributed equally because profit sharing ratio has not been given.

17. **Journal**

| Date | Particulars | L.F | Debit (Rs.) | Credit(Rs.) |
|---|---|---|---|---|
| | Plant A/c Dr. | | 3,50,000 | ... |
| | Land and Building A/c Dr. | | 6,00,000 | ... |
| | Stock Account Dr. | | 4,50,000 | ... |
| | Good will Account (b/f) Dr. | | 2,00,000 | ... |
| | To Sundry Creditors A/c | | ... | 1,00,000 |
| | To Gupta Bros. | | ... | 15,00,000 |
| | (Being the purchase of Business from Gupta Bros) | | | |
| | Gupta Bros. Dr. | | 15,00,000 | ... |
| | To Equity Shares Capital Account | | ... | 15,00,000 |
| | (Being issue of 15,000 shares of Rs. 100 each as | | | |

| | | | | |
|---|---|---|---|---|
| | payment of business price) | | | |

**Working Note :**

**Calculation of Goodwill : When Purchase Consideration is more than the total value of Assets and Liabilities taken of the business purchased, then excess amount paid is considered as paid for the value of Goodwill.**

Goodwill = Purchases consideration + Liabilities - assets

= Rs. 15,00,000 + Rs. 1,00,000 - Rs, 14,00,000

=Rs. 2,00,000.

18. **Journal**

| Date | Particulars | L.F. | (Rs.) | (Rs.) |
|---|---|---|---|---|
| (a) | Realisation A/c | Dr. | 12,000 | ...... |
| | To Bank A/c<br>(Being bank loan discharged) | | ...... | 12,000 |
| (b) | Realisation A/c | Dr. | 400 | .... |
| | To A’s Capital A/c<br>(Being commission to A credited to A's Capital Account) | | .... | 400 |
| (c) | A’s Capital<br>A/c | Dr. | 20,000 | ... |
| | B’s Capital A/c | Dr. | 8,000 | .... |
| | To Deferred Advertisement Expenditure A/c<br>(Being the deleted advertisement expenditure written off by debiting Partner's Capital Account in Ratio 5:2, i.e. Profit Sharing Ratio) | | .... | 28,000 |
| (d) | B’s Capital A/c | Dr. | 1,200 | ... |
| | To Realisation A/c | | | |

| | | | | |
|---|---|---|---|---|
| | (Being Stock taken over by B at Rs. 1,200 at agreed value) | | .... | 1,200 |
| (e) | Bank A/c | Dr. | 7,000 | .... |
| | To Realisation A/c<br>(Being unrecorded computer sold for Rs. 7,000) | | .... | 7,000 |
| (f) | Realisation A/c | Dr. | 2,000 | .... |
| | To Bank A/c<br>(Being outstanding bill paid for repairs) | | .... | 2,000 |

19. **Income & Expenditure A/c**

| **Expenditure** | | **Amount (Rs)** | **Income** | **Amount (Rs)** |
|---|---|---|---|---|
| To Salaries | 42,000 | | By Subscription A/c (150*250) | 37,500 |
| Add O/s current year | 3,000 | | By Sale of old newspaper | 3,000 |
| Less O/s previous year | 9,000 | 36,000 | By Rent received | 21,000 |
| To General Expense | | 9,000 | By Profit on Entertainment | 12,000 |
| To Electricity Charges | | 6,000 | | |
| To Newspaper | | 12,000 | | |
| To Surplus | | 10,500 | | |
| | | **73,500**<br>====== | | **73,500**<br>====== |

**Balance Sheet**

**(As on Dec 31,2012)**

| **Liabilities** | | **Amount (Rs)** | **Assets** | | **Amount (Rs)** |
|---|---|---|---|---|---|
| Capital Fund | 3,70,500 | | Cash | | 6,000 |
| Add Surplus | 10,500 | 3,81,000 | Subscription O/s 2011 | 1,500 | |
| Advance Subscription | | 6,000 | 2012 | 7,500 | 9,000 |
| O/s Salary | | 3,000 | Furniture | | 30,000 |
| | | | Books | 30,000 | |
| | | | Add Addition | 15,000 | 45,000 |
| | | | Building | | 3,00,000 |
| | | **3,90,000** ======== | | | **3,90,000** ======= |

**Balance Sheet**

**(As on Dec 31,2011)**

| **Liabilities** | **Amount** | **Assets** | **Amount** |
|---|---|---|---|
| O/S Salary | 9,000 | Cash | 10,500 |
| Capital Fund (?) | 3,70,500 | Subscription o/s | 9,000 |
| | | Building | 3,00,000 |
| | | Furniture | 30,000 |
| | | Books | 30,000 |
| | **3,79,500** ====== | | **3,79,500** ======== |

The income and expenditure account is an account prepared by non-trading concerns to ascertain surplus or deficit of income over expenditures for a particular period. It is prepared as a part of final accounts of non-trading concerns and is equivalent to profit and loss account prepared by for-profit business enterprises. The accrual concept of accounting is strictly followed while preparing income and expenditure account of non-trading entities.

20. **JOURNAL**

| Date | Particulars | | LF | Amt (Dr) | Amt (Cr) |
|---|---|---|---|---|---|
| 2011, March 31 | Surplus i.e. Balance in Statement of Profit and Loss | Dr | | 15,00,000 | |
| | To Debenture Redemption Reserve A/c (15,00,000 × 100%) | | | | 15,00,000 |
| | (Being sufficient reserve created out of profit) | | | | |
| Apr 30 | Debenture Redemption Investment A/c (15,00,000 × 15%) | Dr | | 2,25,000 | |
| | To Bank A/c | | | | 2,25,000 |
| | (Being amount equal to 15% of the value of debentures to be redeemed invested) | | | | |
| Dec 31 | Bank A/c | Dr | | 2,25,000 | |
| | To Debenture Redemption Investment A/c | | | | 2,25,000 |
| | (Being the investment encashed) | | | | |
| | 10% Debentures A/c (15,000 × 100) | Dr | | 15,00,000 | |
| | Premium on Redemption of Debentures A/c | Dr | | 2,25,000 | |

| | | | | | |
|---|---|---|---|---|---|
| | (15,000 × 15) | | | | |
| | To Debentureholders' A/c | | | | 17,25,000 |
| | (Being debentures due for redemption at 15% premium) | | | | |
| | Debentureholders' A/c | Dr | | 17,25,000 | |
| | To Bank A/c | | | | 17,25,000 |
| | (Being amount paid to debentureholders') | | | | |
| | Debenture Redemption Reserve A/c | Dr | | 15,00,000 | |
| | To General Reserve A/c | | | | 15,00,000 |
| | (Being debenture redemption reserve transferred to general account) | | | | |

**NOTE** :

- Debentures are redeemed out of profits, therefore, D.R.R. is created for the full face value of debentures.
- The Company shall invest an amount at least equal to 15% of the nominal value of debenture that shall be redeemed by the company by 31st March of next year and the amount should be invested on or before 30th April of the current year.
- D.R.R. is not required to be created on fully convertible debentures.

**OR**

| **Dr** | **9% Debentures Account** | | | | **Cr** |
|---|---|---|---|---|---|
| **Date** | **Particulars** | **Amt (Rs)** | **Date** | **Particulars** | **Amt (Rs)** |
| 2009 | | | 2008 | | |
| Mar 31 | To Balance c/d | 1,00,00,000 | Apr 1 | By Debenture Application And Allotment A/c | 95,00,000 |
| | | | | Debentures A/c (1,00,00,000 | |

| | | | | | |
|---|---|---|---|---|---|
| | | | Apr 1 | $\times$5%) | 5,00,000 |
| | | **1,00,00,000** | | | **1,00,00,000** |
| 2010 | | | 2009 | | |
| Mar 31 | To Balance c/d | 1,00,00,000 | Apr 1 | By Balance b/d | 1,00,00,000 |
| | | **1,00,00,000** | | | **1,00,00,000** |
| 2011 | | | 2010 | | |
| Mar 31 | To Bank A/c | 10,00,000 | Apr 1 | By Balance b/d | 1,00,00,000 |
| Mar 31 | To Balance c/d | 90,00,000 | | | |
| | | **1,00,00,000** | | | **1,00,00,000** |
| 2012 | | | 2011 | | |
| Mar 31 | To Bank A/c | 20,00,000 | Apr 1 | By Balance b/d | 90,00,000 |
| Mar 31 | To Balance c/d | 70,00,000 | | | |
| | | **90,00,000** | | | **90,00,000** |
| 2013 | | | 2012 | | |
| Mar 31 | To Bank A/c | 30,00,000 | Apr 1 | By Balance b/d | 70,00,000 |
| Mar 31 | To Balance c/d | 40,00,000 | | | |
| | | **70,00,000** | | | **70,00,000** |
| 2014 | | | 2013 | | |
| Mar 31 | To Bank A/c | 40,00,000 | Apr 1 | By Balance b/d | 40,00,000 |

| | | | | | |
|---|---|---|---|---|---|
| | | | | | |
| | | **40,00,000** | | | **40,00,000** |

**Note** :

- It is assumed that legal requirement with respect to Debenture Redemption Reserve and Investment have been accomplished before commencing redemption of debentures.
- The amount invested or deposited shall not be used for any purpose other than for redemption of debentures.
- Premium payable on redemption is a Capital Loss.
- Redemption of Debentures out of capital means that the company redeems debentures without transferring any amount to D.R.R. out of the profits.
- D.R.R. is not required to be created on fully convertible debentures.
- Debentures may be redeemed by a company : 1. out of Capital ; 2. out of Profits.
- Interest is ignored.
- Method adopted by the company to redeem debenture is known as Redemption of Debentures in Installments by Draw of Lots.
- When on issue of debenture all amount is received in a single installment then Debenture Application and Allotment account is credited.
- Debentures Issued at Discount means Debentures issued at price that is less than its nominal (face) value.
- Discount on issue of Debentures is a Capital Loss . It is written off either from Securities Premium Reserve or from Statement of Profit or Loss.

21. **Revaluation Account**

| **Particulars** | | **Rs.** | **Particulars** | **Rs.** |
|---|---|---|---|---|
| To Furniture | | 30,000 | By Investments | 40,000 |
| To Profit transferred: | | | By Stock | 30,000 |
| Sanjana | 24,000 | | | |
| Alok | 16,000 | 40,000 | | |
| | | | | |

| | | | |
|---|---|---|---|
| | **70,000** | | **70,000** |

**Partners' Capital A/c**

| Particulars | Sanjana | Alok | Nidhi | Particular | Sanjana | Alok | Nidhi |
|---|---|---|---|---|---|---|---|
| | Rs. | Rs. | Rs. | | Rs. | Rs. | Rs. |
| To Cash | 30,000 | 20,000 | .... | By Balance b/d | 5,00,000 | 4,00,000 | .... |
| To Investment | .... | 3,00,000 | .... | By Cash | .... | .... | 3,00,000 |
| To Cash | 50,000 | .... | .... | By Premium for goodwill | 60,60,000 | 40,000 | .... |
| To Balance c/d | 5,40,000 | 3,60,000 | 3,00,000 | By Workmen Compensation Reserve | 36,000 | 24,000 | .... |
| | | | | By Revaluation | 24,000 | 16,000 | .... |
| | | | | By cash | .... | 2,00,000 | .... |
| | **6,20,000** | **6,80,000** | **3,00,000** | | **6,20,000** | **6,80,000** | **3,00,000** |

**Balance Sheet**
**as at 31.03.2018**

| Liabilities | | Rs. | Assets | | Rs. |
|---|---|---|---|---|---|
| Creditors | | 60,000 | Cash at bank | | 6,66,000 |
| Capital Accounts: | | | Debtors | 1,46,000 | |
| Sanjana | 5,40,000 | | Less Provision for doubtful debts | 2,000 | 1,44,000 |
| Alok | 3,60,000 | | Furniture | | 2,70,000 |
| Nidhi | 3,00,000 | 12,60,000 | Stock | | 1,80,000 |
| | | **12,60,000** | | | **12,60,000** |

**OR**

An existing partnership firm may take up expansion/diversification of the business. In that case it may need managerial help or additional capital. An option before the partnership firm is to admit partner/partners, when a partner is admitted to the existing partnership firm, it is called admission of a partner On the admission of a new partner, the following adjustments become necessary: (i) Adjustment in profit sharing ratio; (ii) Adjustment of Goodwill; (iii) Adjustment for revaluation of assets and reassessment of liabilities; (iv) Distribution of accumulated profits and reserves; and (v) Adjustment of partners' capitals.

**JOURNAL**

| Date | particulars | | L/F | Amount (Dr) | Amount (Cr) |
|---|---|---|---|---|---|
| **2016** | | | | | |
| March 31 | Cash A/c | Dr | | 40,000 | |
| | To C's Capital A/c | | | | 30,000 |
| | To Premium for Goodwill A/c | | | | 10,000 |
| | (Being cash and premium for goodwill brought in by C) | | | | |
| | Premium for Goodwill A/c | Dr | | 10,000 | |
| | To W's Capital A/c | | | | 6,000 |
| | To R's Capital A/c | | | | 4,000 |
| | (Being premium for goodwill shared by old partners in sacrificing ratio) | | | | |
| | W's Capital A/c | Dr | | 3,000 | |
| | R's Capital A/c | Dr | | 2,000 | |
| | To Cash A/c | | | | 5,000 |
| | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| | (Being half goodwill withdrawn by W and R in old ratio) | | | | |
| | General Reserve A/c | Dr | | 5,000 | |
| | To W's Capital A/c | | | | 3,000 |
| | To R's Capital A/c | | | | 2,000 |
| | (Being general reserve distributed among old partners in old ratio) | | | | |
| | Outstanding Salary A/c | Dr | | 3,000 | |
| | To Cash A/c | | | | 3,000 |
| | (Being outstanding salary paid) | | | | |
| | Revaluation A/c | Dr | | 8,125 | |
| | To Provision for Doubtful Debts A/c | | | | 325 |
| | To Stock A/c | | | | 2,000 |
| | To Furniture A/c | | | | 500 |
| | To Plant and Machinery A/c | | | | 3,200 |
| | To Creditors A/c | | | | 2,100 |
| | (Being the decrease in the value of assets and increase in value of liabilities and unrecorded liability recorded) | | | | |
| | Investment A/c | Dr | | 2,500 | |
| | To Revaluation A/c | | | | 2,500 |
| | (Being increase in the value of asset recorded) | | | | |
| | W's Capital A/c $(5,625 \times 3/5)$ | Dr | | 3,375 | |
| | R's Capital A/c$(5,625 \times 2/5)$ | | | 2,250 | |
| | To Revaluation A/c | | | | 5,625 |
| | Being loss on revaluation transferred to | | | | |

| | | | | | |
|---|---|---|---|---|---|
| | partners' capital accounts | | | | |

**Working Notes**

i. Distribution of Goodwill in Sacrificing Ratio
W's share $= 10,000 \times \frac{3}{5} = Rs6,000$
R's share = $= 10,000 \times \frac{2}{5} = Rs4,000$
**NOTE** It has been assumed that W and R sacrifice in ratio 3 .2 [equal to old profit sharing ratio].

ii. **Provision for Bad and Doubtful Debts**

| **Particulars** | **Amount (Rs)** |
|---|---|
| Debtors | 18,000 |
| (-) Bad debts, to be adjusted against provision for bad debts | (1,500) |
| | 16,500 |
| Provision for doubtful debts @ 5% on 16,500 | 825 |
| (-) Existing provision after adjusting bad debts (2,000 -1,500) | (500) |
| Amount to be debited to revaluation account | 325 |

iii. **Loss on revaluation**
Loss on revaluation can be ascertained by preparing revaluation account in the following manner

**Revaluation A/c**

Dr.

Cr.

| **Particulars** | **Amount (Rs)** | **Particulars** | | **Amount (Rs)** |
|---|---|---|---|---|
| To Provision for Doubtful Debts A/c | 325 | By Investment A/c | | 2,500 |

| | | | | |
|---|---|---|---|---|
| To Stock A/c | 2,000 | By Loss on Revaluation Transferred to | | |
| To Furniture A/c | 500 | W | 3,375 | |
| To Plant and Machinery A/c | 3,200 | R | 2,250 | 5,625 |
| To Creditors A/c | 2,100 | | | |
| | 8,125 ======= | | | 8,125 ====== |

22. **JOURNAL**

| Date | Particulars | L.F | Amt (Dr) | Amt (Cr) |
|---|---|---|---|---|
| i | Bank A/c (6,00,000 × 15) Dr | . | 90,00,000 | . |
| . | To Equity Share Application A/c | . | . | 90,00,000 |
| . | (Being application money received on 6,00,000 equity shares @ Rs. 15 each) | . | . | . |
| ii | Equity Share Application A/c (6,00,000 × 15) Dr. | . | 90,00,000 | . |
| . | To Equity Share Capital A/c (4,00,000 × 15) | . | . | 60,00,000 |
| . | To Equity Share Allotment A/c (2,00,000 × 15) | . | . | 30,00,000 |
| . | (Being application money transferred to share capital account) | . | . | . |
| iii | Equity Share Allotment A/c (4,00,000 × 25) Dr | . | 1,00,00,000 | . |
| . | To Equity Share Capital A/c | . | . | 1,00,00,000 |
| . | (Being share allotment made due) | . | . | . |
| iv | Bank A/c (4,00,000 × 25) - (30,00,000) - (1,20,000) Dr | . | 68,80,000 | . |
| . | To Equity Share Allotment A/c | . | . | 68,80,000 |

| | | | | |
|---|---|---|---|---|
| . | (Being allotment money received on 3,94,000 shares) | . | . | . |
| v | Equity Share Capital A/c (6,000 × 40) Dr | . | 2,40,000 | . |
| . | To Share Forfeiture A/c | . | . | 1,20,000 |
| . | To Equity Share Allotment A/c | . | . | 1,20,000 |
| . | (Being 6,000 shares forfeited for non payment of allotment money) | . | . | . |
| vi | Bank A/c (6,000 × 30) Dr | . | 1,80,000 | . |
| . | Share Forfeiture A/c Dr | . | 1,20,000 | . |
| . | To Equity Share Capital A/c | . | . | 3,00,000 |
| . | (Being forfeited shares reissued @ 130 each as fully paid up) | . | . | . |
| vii | Equity Share First and Final Call A/c (3,94,000 × 10) Dr | . | 39,40,000 | . |
| . | To Equity Share Capital A/c | . | . | 39,40,000 |
| . | (Being first and final call money due) | . | . | . |
| viii | Bank A/c (3,93,000 × 10) Dr | . | 39,30,000 | . |
| . | To Equity Share First and Final Call A/c Dr. | . | . | 39,30,000 |
| . | (Being first and final call money received on 3,93,000 shares) | . | . | . |
| ix | Equity Share Capital A/c (1,000 × 50) Dr. | . | 50,000 | . |
| . | To Share Forfeiture A/c (1,000 × 40) | . | . | 40,000 |
| . | To Equity Share First and Final Call A/c (1,000 × 10) | . | . | 10,000 |
| . | (Being 1,000 shares forfeiture for non-payment of first and f call) | . | . | . |
| x | Bank A/c (1,000 × 60) Dr. | . | 60,000 | . |

| | | | | |
|---|---|---|---|---|
| . | To Equity Share Capital A/c (1,000 $\times$ 50) | . | . | 50,000 |
| . | To Securities Premium Reserve A/c (1,000 $\times$ 10 ) | . | . | 10,000 |
| . | (Being forfeited shares reissued @ Rs. 60 each as fully paid up) | . | . | . |
| xi | Shares Forfeited A/c Dr. | . | 40,000 | . |
| . | To Capital Reserve A/c | . | . | 40,000 |
| . | (Being gain on reissue transferred to capital reserve) | . | . | . |
| . | . | . | . | . |

**<u>Working Note</u>:-**

**Capital Reserve:-**

Number of shares applied by Vibhuti $= 6,000 \times \frac{4,00,000}{3,00,000} = 8,000$ shares

| | |
|---|---|
| Money paid by Vibhuti on application (8,000 $\times$ 15) | 1,20,000 |
| (-) Amount adjusted with application (6,000 $\times$ 15) | (90,000) |
| Excess application money adjusted on allotment | 30,000 |
| Money due on allotment (6,000 $\times$ 25) | 1,50,000 |
| (-) Excess application money adjusted | (30,000) |
| Money not paid by Vibhuti on allotment | 1,20,000 |

**Money Received on Allotment:-**

| | |
|---|---|
| Amount due on allotment (4,00,000 $\times$ 25) | 1,00,00,000 |
| (-) Excess application money adjusted | (30,00,000) |
| .... | 70,00,000 |
| (-) Money not received from Vibhuti on allotment | (1,20,000) |

| | |
|---|---|
| | 68,80,000 |

Number of shares alloted to Shahid $= 2,000 \times \frac{1,00,000}{2,00,000} = 1,000$ Shares

**OR**

**JOURNAL**

| Date | Particulars | L.F. | Amt (Dr.) | Amt (Cr.) |
|---|---|---|---|---|
| i | Bank A/c (1,20,000 × 20) Dr. | . | 24,00,000 | . |
| . | To Equity Share Application A/c | . | . | 24,00,000 |
| . | (Being application money received.) | . | . | . |
| ii | Equity Share Application A/c (1,20,000 × 20) Dr. | | 24,00,000 | . |
| . | To Equity Share Capital A/c (80,000 × 20) | . | . | 16,00,000 |
| | To Equity Share Allotment A/c (40,000 × 20) | | . | 8,00,000 |
| . | (Being application money transferred.) | . | . | . |
| iii | Equity Share Allotment A/c (80,000 × 60) Dr. | | 48,00,000 | . |
| . | To Equity Share Capital A/c (80,000 × 40) | . | . | 32,00,000 |
| . | To Securities Premium Reserve A/c (80,000 × 20) | . | . | 16,00,000 |
| . | (Being allotment money due.) | . | . | . |
| iv | Bank A/c (48,00,000 - 8,00,000 - 2,00,000) Dr. | | 38,00,000 | . |
| . | To Equity Share Allotment A/c | . | . | 38,00,000 |
| . | (Being allotment money received.) | . | . | . |
| v | Equity Share First and Final Call A/c Dr. | | 32,00,000 | . |
| . | To Equity Share Capital A/c (80,000 × 40) | . | . | 32,00,000 |
| . | (Being first and final call money due.) | . | . | . |

| | | | | |
|---|---|---|---|---|
| vi | Bank A/c [80,000-4,000-800) $\times$ 40] Dr. | | 30,08,000 | . |
| . | To Equity Share First and Final Call A/c | . | . | 30,08,000 |
| . | (Being first and final call money received.) | . | . | . |
| vii | Equity Share Capital A/c (4,800 $\times$ 100) Dr. | . | 4,80,000 | . |
| . | Securities Premium Reserve A/c (4,000 $\times$ 20) Dr. | . | 80,000 | . |
| . | To Share Forfeiture A/c (6,000 $\times$ 20) + (800 $\times$ 60) | . | . | 1,68,000 |
| . | To Equity Share Allotment A/c | . | . | 2.00.000 |
| . | To Equity Share First and Final Call A/c (4,800 $\times$ 40) | . | . | 1.92.000 |
| . | (Being shares forfeited for non-payment.) | . | . | . |
| viii | Bank A/c (4,200 $\times$ 100) Dr. | . | 4,20,000 | . |
| . | To Equity Share Capital A/c | . | . | 4,20,000 |
| | (Being shares reissued @ Rs. 100 per shares.) | . | . | . |
| ix | Share Forfeiture A/c | . | 1,50,000 | . |
| . | To Capital Reserve A/c | . | . | 1,50,000 |
| . | (Being share forfeiture to capital reserve account.) | | . | . |

**Working Note**

**Calculation of allotment money not paid by Sitaram**

Number of shares allotted to Sitaram $= \frac{80,000}{1,20,000} \times 6,000 = 4,000$ shares

| Money not paid on allotment | Amt (Rs.) |
|---|---|
| Money paid on application (6,000 $\times$ 20) | 1,20,000 |
| (-) Amount adjusted on allotment (4,000 $\times$ 20) | (80,000) |
| Excess application money adjusted on allotment | 40,000 |
| Money due on allotment (4,000 $\times$ 60) | 2,40,000 |

| | |
|---|---|
| (-) Excess application money adjusted | (40,000) |
| Money not paid on allotment by Sitaram | 2,00,000 |

**Money received on allotment**

| | |
|---|---|
| Total amount due on allotment (80,000 $\times$ 60) | 48,00,000 |
| (-) Excess application money adjusted | (8,00,000) |
| . | 40,00,000 |
| (-) Money not received from Sitaram on allotment | (2,00,000) |
| . | 38,00,000 |
| Amount forfeited on Sitaram 3,400 shares $= 1,20,000 \times \frac{3,400}{4,000}$ | 1,02,000 |
| Amount forfeited on Hamam's 800 shares | 48,000 |
| . | 1,50,000 |

**Section B**

23. (c) Decrease

    **Explanation:** Debt Equity Ratio will decrease because there is decrease in debts after the redemption of debentures but there is no change in equity.

24. Debtors or Trade Receivables Turnover Ratio = $\frac{\text{Net Credit Sales}}{\text{Average Trade Receivables}}$

    This ratio shows that the period within which the average receivables or debtors are collected.

25. A financial ratio or an accounting ratio is a mathematical expression of the relationship between two items or group of items taken from an enterprise's financial statements.Often, there are many standard ratios used to try to evaluate the overall financial condition of a corporation or other organization.

26. The balance sheet is **historical** in **nature** because it is prepared with historical value instead of current market value.

27. Operating activities are the functions of a business directly related to providing its

goods and/or services to the market. These are the company's core business activities, such as manufacturing, distributing, marketing, and selling a product or service. A mutual fund company is a financial enterprise and so the dividend of Rs. 25 lakhs received by this company from its investment in units will be cash in flow from operating activities.

28. True

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

30. Financial statement analysis is the process of reviewing and analysing a company's financial statements to make better economic decisions.The two more objectives of this analysis are:

    i. To compare the intra-firm position, inter-firm position and pattern position within the industry.
    ii. To measure the operating efficiency and profitability of the enterprise

**OR**

    i. Claims against company which are not accepted by the company.
    ii. Arrears of fixed cumulative dividends (on Preference Shares).

31. **Comparative Income Statement**

| **S.no** | **Particular** | **2010-11** | **2011-12** | **Absolute Change** | **% Change** |
|---|---|---|---|---|---|
| | | **( A )** | **( B )** | **( C= B-A )** | **( D= C/A *100 )** |
| | | Rs. | Rs. | Rs. | % |
| **I** | Revenue From Operations | 1200000 | 2000000 | 800000 | 66.66 |
| II | Other Income | 900000 | 1200000 | 300000 | 33.33 |
| III | Total Revenue (I) | **2100000** | **3200000** | 1100000 | 52.38 |

| | | | | | |
|---|---|---|---|---|---|
| IV | Expenses (II) | **1000000** | **1300000** | 300000 | 30 |
| V | Profit Before Tax ( I – II ) | **1100000** | **1900000** | 800000 | 72.72 |

**OR**

**In the books of Jayand Ltd.**

**COMMON-SIZE STATEMENT OF PROFIT AND LOSS**

for the year ended 31st March 2012

| | Particulars | Absolute Amount (Rs.) | (%) of Revenue from Operations |
|---|---|---|---|
| I. | Revenue from Operations | 25,28,000 | 100.00 |
| II. | Other Income | 38,000 | 1.50 |
| III. | **Total Revenue** | **25,66,000** | **101.50** |
| IV. | Expenses | | |
| | (a) Costs of Materials Consumed | 14,00,000 | 55.37 |
| | (b) Other Expenses | 5,00,000 | 19.78 |
| V. | **Total Expenses** | **19,00,000** | **75.16** |
| VI. | **Net Profit before tax (III-V)** | **6,66,000** | **26.34** |
| VII. | Less: Tax paid | 3,38,000 | 13.37 |
| VIII. | **Net Profit after tax (VI-VII)** | **3,28,000** | **12.97** |

A common size income statement is an income statement in which each account is expressed as a percentage of the value of sales. It is used for vertical analysis, in which each line item in a financial statement is listed as a percentage of a base figure within the statement, to make comparisons easier.

32. **Working Notes:**

**Calculation of Net Profit before Tax:**

| | |
|---|---|
| Net Profit after Tax | 2,60,000 |
| Add: Amount transferred to Reserve | 80,000 |
| Add: Provision for Tax | 1,18,000 |
| Net Profit before Tax | **4,58,000** |

**Cash Flow Statement**

| Particulars | (Rs.) | Amount (Rs.) |
|---|---|---|
| **I. CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Net Profit before Tax | 4,58,000 | |
| Add: depreciation on Plant and Machinery | 5,000 | |
| Interest on 12% Debentures | 50,000 | |
| Operating profit before Working Capital changes | 5,13,000 | |
| Less: Increase in Trade Receivables | (2,90,000) | |
| Cash generated from operations | 2,23,000 | |
| Less: Tax paid | (46,000) | **1,77,000** |
| **II. CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchase of Plant and Machinery | (3,50,000) | |
| Purchase of Goodwill | (98,000) | **(4,48,000)** |
| **III. CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Issue of Shares | 2,10,000 | |
| Issue of 12% Debentures | 2,00,000 | |
| Bank overdraft raised | 73,000 | |
| Interest paid on 12 % Debentures | (50,000) | **4,33,000** |
| **Net increase in Cash and Cash Equivalents** | | ***1,62,000*** |
| | | |

| | | |
|---|---|---|
| Add: Opening Cash and Cash equivalents: | | |
| Current Investments | 70,000 | |
| Cash and Cash equivalents | 63,000 | 1,33,000 |
| Closing Cash and Cash equivalents: | | |
| Current Investments | 1,40,000 | |
| Cash and Cash equivalents | 1,55,000 | 2,95,000 |