CBSE Class 12 Accountancy
Sample Paper 01 (2020-21)

Maximum Marks: 80
Time Allowed: 3 hours

General Instructions:

i. This question paper comprises two Parts - A and B. There are 32 questions in the question paper. All questions are compulsory.
ii. Part A is compulsory for all candidates.
iii. Part B has two options i.e. (1) Analysis of Financial Statements and (2) Computerized Accounting. You have to attempt only one of the given options.
iv. Question nos. 1 to 13 and 23 to 29 are very short answer type questions carrying 1 mark each.
v. Question nos. 14 and 30 are short answer type–I questions carrying 3 marks each.
vi. Question nos. 15 to 18 and 31 are short answer type–II questions carrying 4 marks each.
vii. Question nos. 19, 20 and 32 are long answer type–I questions carrying 6 marks each.
viii. Question nos. 21 and 22 are long answer type–II questions carrying 8 marks each.
ix. There is no overall choice. However, an internal choice has been provided in 2 questions of three marks, 2 questions of four marks and 2 questions of eight marks.

Section A

1. In the absence of a Partnership deed profit sharing ratio will be:
   a. Equal ratio irrespective of partners capitals
   b. Senior partner will get more profit
   c. Profits will not be distributed
   d. Capital Ratio
2. If a new partner is admitted during the year the profits for the year should be divided between _______ period on an agreed basis.
   a. Equal
   b. Pre-admission and post-admission
   c. New year basis

d. Old profit sharing

3. Shareholders are members of the company. Company pay shareholders some amount. What is paid to the Shareholders?
   a. Dividend
   b. Interest
   c. Salary
   d. Debentures
4. Specific donation is shown in
   a. Trading account
   b. Receipt and payment account
   c. Income and expenditure account
   d. Balance sheet
5. Unrecorded liability will be shown in:
   a. Debit side of partners' capital A/c
   b. Debit side of Realisation A/c
   c. Credit side of Realisation A/c
   d. Debit side of cash A/c
6. At the time of forfeiture of shares, with what amount share capital account will be debited, if shares of Rs.20 on which Rs.16 called and Rs.12 is paid and is forfeited?
   a. 20
   b. 16
   c. 08
   d. 12
7. At the time of dissolution, a partner cannot take over ________.
   a. Capital of another partner
   b. Liability
   c. Unrecorded assets or liabilities
   d. Asset
8. When revaluation account is prepared the assets and liabilities appear in the balance sheet of the new firm at their ________ figure.
   a. Market
   b. Old
   c. Revised

d. Place

9. On the death of a partner, the amount due to him will be credited to his _______ Account.

10. Existing Goodwill shown in the balance sheet is debited to the partners at the time of retirement in which ratio.
   a. Old Ratio
   b. Equal Ratio
   c. Gain Ratio
   d. New Ratio

11. A partner which was retired is not liable for any debts incurred by the firm _______ his retirement.
   a. During
   b. Before
   c. After
   d. All after, during and before

12. _______ goodwill should not be recognized as an asset because it is not an identifiable resource controlled by an enterprise that can be measured reliably at cost.
   a. Both Purchased and Capitalised value of
   b. Purchased
   c. Capitalised value of
   d. Internally generated

13. From the following, identify a situation when fixed capitals of the partners may change?
   a. When drawings are made by the partners
   b. When current accounts are opened
   c. When there is a loss in the business
   d. When additional capital is introduced

14. Prepare Income and Expenditure Account and Balance Sheet for the year ended March 31, 2017, from the following Receipt and Payment Account and Balance Sheet of Solter club:

Receipt and Payment Account for the year ending March 31, 2017

Receipts	Amount (Rs)	Payments	Amount (Rs)

To Opening cash balance		12,000	By Furniture	4,000
To Subscription			By Telephone expenses	800
2015-16	2,000		By Salary	
2016-17	22,000	24,000	2015-16	1,000
To Entrance fees		2,800	2016-17	4,000
To Locker rent		1,000	By Newspapers	700
To Life membership fee		1,200	By Sundry expenses	1,000
To Government grant		11,000	By Defence bonds	18,000
			By Land	20,000
			By Closing cash balance	2,500
		52,000		52,000

Balance Sheet for the year ending March 31, 2016

Liabilities	Amount (Rs)	Assets	Amount (Rs)
Advance locker rent	200	Cash in hand	12,000
Subscription received in Advance	1,000	Outstanding subscription	3,000
Outstanding salary	2,000	Building	35,000
Loan	10,000		
Capital fund	36,800		
	50,000		50,000

OR

From the following information of a club, show the amounts of match expenses and match fund in the financial statements of the club for the year ended on 31st March 2016

	Amt (Rs.)
March expenses (paid during the year 2015-2016)	30,000
Match fund (as at 31st March 2015)	17,000
Donation for match fund (received during the year 2015-16)	9,000
Receipt from the sale of match tickets (received during the year 2015-2016)	3,000

15. The capital accounts of Molu and Golu showed balances of Rs 40,000 and Rs 20,000 as on April 01, 2016. They shared profits in the ratio of 3:2. They were allowed interest on capital @ 10% p.a. and interest on drawings @ 12%p.a. Golu advanced a loan of Rs 10,000 to the firm on August 01, 2016. During the year, Molu withdrew Rs 1,000 per month at the beginning of every month whereas Golu withdrew Rs 1,000 per month at the end of every month. Profit for the year, before the above-mentioned adjustments, was Rs 20,950. Calculate interest on drawings, show distribution of profits and prepare partner's capital accounts.

OR

Pappu and Munna are partners in firm sharing profits in the ratio of 3: 2. The Partnership Deed provided that Pappu was to be paid salary of Rs 2,500 per month and Munna was to get a commission of Rs 10,000 per year. Interest on capital was to be allowed @ 5% p.a. and interest on drawings was to be charged @ 6% p.a. Interest on Pappu's drawings was? 1,250 and on Munna's drawings Rs 425. Capital of the partners was Rs 2,00,000 and Rs 1,50,000 respectively and was fixed. The firm earned a profit of Rs 90,575 for the year ended 31st March 2004. Prepare the Profit and Loss Appropriation Account of the firm.

16. Complete the missing figures in the following Extract of Balance Sheet:

Morning Stores Ltd.

Balance Sheet (Extract) as at...

Particulars	**Note No.**	**(Rs.)**
Equity And Liabilities		
1. Shareholders' Funds Share Capital	1	----

Notes to Accounts

Share Capital	
Authorised Capital	
4,00,000 Equity Shares of Rs. 10 each	----
10,000 Preference Shares of Rs. 100 each	----

Issued Capital	
3,00,000 Equity Shares of Rs. 10 each	
10,000; 10% Preference Shares of Rs. 100 each	---
Subscribed Capital	
Subscribed and fully paid-up. 2,50,000 Equity Shares of Rs. 10 each	---
Subscribed but not fully paid-up 10,000; 10% Preference Shares of Rs. 100 each; Rs. 80 called-up	---

17. Balance Sheet of a firm as at 31st March 2019, when it was decided to dissolve the same, was

Liabilities		**Rs.**	**Assets**	**Rs.**
Sundry Creditors		14,000	Cash at Bank	640
General		500	Stock	4,740
Capital Accounts X	4,000		Debtors	5,540
Y	3,000	7,000	Machinery	10,580
		21,500		21,500

Rs. 19,500 were realised from all assets except Cash at Bank. The cost of winding up came to Rs. 440, X and Y shared profits in the ratio of 2 : 1 respectively. Prepare Realisation A/c and Capital Accounts of partners.

18. 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.
19. Following is the Receipts and Payments Account of Women Club for the year ended March 31, 2015. Prepare the Income and Expenditure A/C for the year ended on March 31, 2015, and also the Balance Sheet as on the date:

Receipts	**Amount**	**Payments**	**Amount**
To Balance b/d	28,260	By Rent & Taxes	17220
To Entrance Fees	11,040	By Salaries	18,800
To Subscriptions	44,000	By Electricity Charges	840
To Donations	21,220	By General Expenses	2,500
To Interest	820	By Books	6,240
To Profit from Entertainment	1,640	By Office Expenses	9,000
		By Investments	28,000
		By Balance c/d	24,380
	1,06,980		1,06,980

Additional Information:

i. In the beginning of the year, the club had books worth Rs. 60,000 and Furniture worth

Rs. 11,600.

ii. Subscription in arrears on April 1, 2014, were Rs. 1,200 and on March 31, 2015 Rs. 1,400.

iii. Write off Rs. 1,000 as depreciation on Furniture and Rs. 6,000 on Books.

iv. On March 31, 2015 Salaries Rs. 3,000 and Electricity Charges Rs. 4,000 were outstanding.

20. Rose Ltd. issued 10,000, 10% Debentures of ₹100 each, payable as follows :

₹10 on the application, ₹20 on the allotment, ₹30 on the first call and ₹40 on second and final call.

Arun, who holds 500 debentures failed to pay the amount due on allotment. He, however, pays this amount with the first call money. Dinesh, who holds 800 debentures paid all the calls in advance on the allotment. Pass entries.

21. Pradip and Subal are partners sharing profits and losses in the ratio of 5 : 3 agreed to take Kuntal on Jan. 1, 1991. Their Balance Sheet on that date was as follows :

Liabilities		**(Rs)**	**Assets**		**(Rs)**
Capital Accounts:			Machinery		38,000
Pradip	60,000		Furniture		15,000
Subal	40,000	1,00,000	Investments		21,000
Profit and Loss A/c		20,000	Stock		19,000
Sundry Creditors		18,000	Sundry Creditors	27,000	
			Less: Provision	3,000	24,000
			Cash at Bank		21,000
		1,38,000			1,38,000

The following terms were agreed upon for the purpose of admission :

a. Kuntal introduced Rs 38,000 as his Capital and necessary amount of Premium for Goodwill in cash. Goodwill valued for the said purpose Rs 45,000.

b. 1/3rd of the Provision for Doubtful Debts is no longer required.

c. Machinery and Furniture were depreciated by 5% and 10% respectively.

d. Last year's showroom rent for 4 months @ Rs 1,000 p.m. not taken into account and as such it is to be considered now.

The profit sharing ratio of the partners in the new firm is 4 : 3 : 2.

Give the necessary Ledger accounts and the Balance Sheet of the new firm.

OR

The Balance Sheet of X and Y As on 31st March, 2021

Liabilities		**Rs.**	**Assets**	**Rs.**
Capitals:			Land	20000
X	60000		Furniture	6000
Y	30000	90000	Stock	12000
General Reserve		24000	Debtors	80000
Creditors		16000	Cash	12000
		130000		**130000**

X and Y share profit in the ratio of 2:1. They agree to admit P into the firm on the following terms:

i. P will bring in Rs. 21000 of which Rs. 9000 will be treated as his share of goodwill.

ii. P will be entitled to 1/4th share of profit in future.

iii. A provision is to be created @3% against Debtors.

iv. Furniture is to be depreciated by 5%.

v. Stock is to be revaluing at Rs. 10500

Prepare Revaluation Account, Partner's Capital Account and Balance Sheet of the new firm.

22. RK Ltd invited applications for issuing 70,000 equity shares of Rs. 10 each at a premium of Rs. 35 per share. The amount was payable as follows

On application - Rs. 15 per share (including Rs. 12 premium)

On Allotment - Rs. 10 per share (including Rs. 8 premium)

On first and final call - Balance

Applications for 65,000 shares were received and allotment was made to all applicants. A shareholder Ram, who was allotted 2,000 shares, failed to pay the allotment money. His shares were forfeited immediately after allotment. Afterwards, the first and final call was made. Sohan, who had 3,000 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 @ Rs. 50 per share fully paid-up. The reissued shares included all the shares of Ram. Pass necessary journal entries for the above transactions in the books of RK Ltd.

OR

Prakash Engineering Company issued for public subscription 40,000 Equity shares of Rs 10 each at a premium of Rs 2 per share, payable as: on application Rs 2 per share
on allotment Rs 5 per share (including premium)
on first call Rs 2 per share
on final call Rs 3 per share
Applications were received for 75,000 Equity Shares. The shares were allotted on pro-rata basis to the applicants of 60,000 shares only, remaining applications being rejected. Money overpaid on an application was utilised towards the sum due on allotment. Ashok to whom 3,000 shares were allotted failed to pay the allotment money and the two calls. Baneet who applied for 3,000 shares paid the calls money along with allotment money. Pass journal entries to record the above transactions.

Section B

23. For purpose of preparing a cash flow statement, which of the following is not considered as a cash equivalent?
    a. An investment in Bonds
    b. Marketable securities
    c. Commercial paper
    d. Treasury Bills
24. State two Current Assets, which are not considered to be Liquid Assets.
25. Analysis of Financial statements suffers from the limitation of window dressing which means....
    a. All of these
    b. may overvalue closing stock to show higher profits
    c. hide some vital information
    d. show items at incorrect value to portray better profitability
26. A Ltd. engaged in the business retailing of Air-Conditioners, invested Rs. 25, 00,000 in the shares of a manufacturing company. Dividend received on this investment will be:
    a. Cash flow from investing activities

b. Cash flow from operating activities
c. Cash Equivalent
d. Cash flow from financing activities

27. Fill in the blanks:

A ________ asset arises when Accounting Income is less than Taxable income.

28. The Current Ratio of Vinod Limited is 2:1. The company purchased a Computer by paying cash for office use. What will be the effect on Ratio?
   a. Increase
   b. Decrease
   c. No change
   d. Nil
29. A high Debt to Equity Ratio means.......
   a. The firm has no debts at all
   b. The firm depends upon Equity only
   c. The firm is free from debts
   d. The firm depends upon borrowings/debts
30. From the following compare Current Ratio:

S.No.	Items	(Rs.)	S.No.	Items	(Rs.)
1.	Total Assets	1,00,000	3.	Non - Current Liabilities	20,000
2.	Shareholder's Funds	60,000	4.	Non - Current Assets	50,000

OR

On basis of the following information, calculate

i. Debt equity ratio
ii. Working capital turnover ratio

information	Amt (Rs.)
Revenue from operations	60,00,000
Cost of revenue operations	45,00,000
Other current assets	11,00,000

Current liabilities	4,00,000
Paid-up share capital	6,00,000
6% debentures	3,00,000
9% loan	1,00,000
Debenture redemption reserve	2,00,000
Closing inventory	1,00,000

31. Prepare Comparative and Common Size income statement from the following information for the year's ended March 31, 2008, and 2009.

Particulars	**2008 (Rs.)**	**2009 (Rs.)**
1.Net Sales	8,00,000	10,00,000
2.Cost of Goods Sold	60% of sales	60% of sales
3.Indirect Expenses	10% of Gross profit	10% of Gross Profit
4.Income Tax rate	50%	60%

OR

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

Particulars	**31st March 2013 (Rs.)**	**31st March 2012 (Rs.)**
Revenue from Operations	200% of Raw Materials Consumed	175% of Raw Materials Consumed
Expenses:		
Cost of Materials Consumed	5,00,000	3,00,000
Other Expenses	5% of Revenue from operations	5% of Revenue from Operations
The rate of Income-tax	50% of Net Profit before Tax	50% of Net Profit before Tax

32. Following is the balance sheet of Wisben Ltd as on 31st March 2012.

	Note		

Particulars	No.	2012 Amt (Rs.)	2011 Amt (Rs)
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(a) Share Capital		7,00,000	6,00,000
(b)Reserves and Surplus (Balance m statement of profit and loss)		2,00,000	1,10,000
2.Non-current Liabilities			
Long-term Borrowings		3,00,000	2,00,000
3.Current Liabilities			
Trade Payables		30,000	25,000
Total		12,30,000	9,35,000
II. ASSETS			
1.Non-current Assets			
Fixed Assets			
Tangible Assets		11,00,000	8,00,000
2.Current Assets			
(a) Inventories		70,000	60,000
(b) Trade Receivable		32,000	40,000
(c)Cash and Cash Equivalents		28,000	35,000
Total		12,30,000	9,35,000

Additional Information:

During the year, a piece of machinery of the book value of Rs. 80,000 was sold for Rs.65,000.

Depreciation provided on tangible assets during the year amounted to Rs. 2,00,000.

Prepare a cash flow statement.

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Solution

Section A

1. (a) Equal ratio irrespective of partners capitals
   Explanation: When there is no Partnership deed or Partnership deed is prepared but it is silent on profit sharing ratio, in such case rules of Indian Partnership Act, 1932 will be applicable. According to which, profits or losses will be shared by the partners equally irrespective of their capitals. we can say Profit sharing ration will be Equal.
2. (b) Pre-admission and post-admission
   Explanation: When a new partner is admitted in a partnership firm during the year (in between) in such a case profit for that year should be divided into two parts i.e. Pre-admission and post-admission profit. Pre-admission profit belongs to the old partners in the old ratio only and post-admission profit will be shared by all the partners (including new partner) in the new profit sharing ratio.
3. (a) Dividend
   Explanation: The dividend is paid to the shareholders. The dividend is paid to the shareholder in return to their capital subscribed in the company.
   Interest is paid to the Debenture holders.
4. (d) Balance sheet
   Explanation: Donation received for any specific purpose is called specific donation which is to be shown in the liability side of a balance sheet of a non-profit organisation.
5. (b) Debit side of Realisation A/c
   Explanation: Any unrecorded liability (which is not given in the balance sheet or which was not recorded earlier) will be shown on the debit side of realization account. It will be paid by the firm at the time of dissolution or might be paid by a partner.
   Entry will be:
   Realisation A/c ... Dr.
   To Bank A/c
6. (b) 16
   Explanation: Share Capital account will be debited with ₹16

Since till now called up the price on Share is Rs 16.

Share capital account should be debited with the called up amount and not with the face value or paid-up amount.

Share forfeiture account is credited with the unpaid amount.

7. (a) Capital of another partner

   Explanation: At the time of dissolution of partnership firm, a partner may take asset, liability or unrecorded assets/liability at the agreed price but cannot take the capital of any other partner.

8. (c) Revised

   Explanation: The balance sheet is prepared with the new values of assets and liabilities. At the time of reconstitution of partnership firm, all assets and liabilities are shown at a revised value.

9. Executor's

10. (a) Old Ratio

    Explanation: At the time of retirement, goodwill given in the balance sheet (Fictitious) should be debited to the partners in their old profit sharing ratio (including the outgoing partner). Such distribution is called writing off the goodwill.

11. (c) After

    Explanation: Once a partner retires from a partnership firm, he will not be liable for any debt or liability of the firm due after his retirement as he is no longer a partner now in the firm. He is responsible for the debts and other liabilities up to the date of his retirement only and not after that.

12. (d) Internally generated

    Explanation: As per the Accounting Standard-26 issued by ICAI regarding intangible assets, goodwill should be recorded in the books of accounts only when some money or money's worth is paid for it. Internally generated goodwill should not be recorded in the books because nothing is paid for It.

13. (d) When additional capital is introduced

    Explanation: Fixed capitals of the partners will remain fixed but there are two situations when fixed capitals of the partners may change:

    i. When additional capital is introduced by the partners
    ii. When capital is withdrawn permanently under an agreement. (Amount Withdrawn out of Capital)

14. **Books of Solter Club**

Income and Expenditure Account

for the year ending on March 31, 2017

Dr.				**Cr.**
Expenditure	**Amount (Rs)**	**Income**		**Amount (Rs)**
To Telephone Expenses	800	By Subscription	22,000	
To Salary	4,000	Add: Advance Received in 2015	1,000	23,000
To Newspapers	700	By Entrance Fees		2,800
To Sundry Expenses	1,000	By Locker Rent	1,000	
To Surplus (Balancing figure)	31,500	Add: Advance Received in 2015	200	1,200
(excess of income over expenditure)		By Government Grants		11,000
	38,000			38,000

Balance Sheet of Solter Club

as of March 31, 2017

Liabilities		**Amount (Rs)**	**Assets**	**Amount (Rs)**
Capital Fund	36,800		Subscription Still Outstanding for 2015 (Rs 3,000 - Rs 2,000)	1,000
Add: Life Membership Fees	1,200		Furniture	4,000
Add: Surplus	31,500	69,500	Defense Bonds	18,000
Salary Still Outstanding				

for 2015	1,000	Land	20,000
Loan	10,000	Building	35,000
		Cash in Hand	2,500
	80,500		80,500

OR

Dr.		**Match Fund Account**			**Cr.**
Particulars	**J.F.**	**Amt. (Rs.)**	**Particulars**	**J.F.**	**Amt. (Rs.)**
To Match Expenses		30,000	By Balance b/d		17,000
			By Donation for Match Fund		9,000
			By Receipts from Sale of Match Tickets		3,000
			By Income and Expenditure A/c		1,000
		30,000			30,000

Expenses on account of a match exceed the balance in match fund by Rs.1000. This amount will be debited to income and expenditure account.

Profit and Loss Appropiation Account					
Dr.					**Cr.**
Particulars		**Amount (₹)**	**Particulars**		**Amount (₹)**
To Interest on Capital			By Profit and Loss Account (Net profit) (20950 - 400), Interest on Golu's loan		20,550

			{10,000 × (6/100) × (8/12)		
Molu	4,000		By Interest on Drawings		
Golu	2,000	6,000	Molu	780	
			Golu	660	1,440
To Profit transferred to					
Molu's Capital {15,990 × (3/5)}	9,594				
Golu's Capital {15,990 × (2/5)}	6,396	15,990			
		21,990			21,990

Partners' Capital Account

Dr.				.	Cr.
Particulars	**Molu (₹)**	**Goli (₹)**	**Particulars**	**Molu (₹)**	**Golu (₹)**
To Drawings	12,000	12,000	By Balance b/d	40,000	20,000
To Interest on Drawing	780	660	By Interest on Capital	4,000	2,000
To Balance c/d	40,814	15,736	By Profit and Loss Appropriation	9,544	6,396
	53,594	28,396		53,594	28,396

15. Working Note:

Interest on Molu's Drawing = Total Drawings × $\frac{\text{Rate}}{100} \times \frac{13}{2\times12}$

= $12,000 \times \frac{12}{100} \times \frac{13}{2\times12}$

= ₹ 780

Interest on Golu's Drawings = Total Drawing $\times \frac{\text{Rate}}{100} \times \frac{11}{2\times12}$

$= 12,000 \times \frac{12}{100} \times \frac{11}{2\times12}$

= ₹ 660

OR

The profit and loss appropriation account is an extension of the profit and loss account. The main intention of preparing a profit and loss appropriation account is to show the distribution of profits among the partners.

Profit and Loss Appropriation Account
for the year ended 31st March 2004

Dr.					**Cr.**
Particulars		**(Rs)**	**Particulars**		**(Rs)**
To Pappu's Salary		30,000	By Net Profit as per Profit and Loss A/c		90,575
To Munna's Commission		10,000	By Interest on Drawings:		
To Interest on Capitals:			Pappu	1,250	
Pappu	10,000		Munna	425	1,675
Munna	7,500	17,500			
To Profit transferred to:					
Pappu's Current A/c	20,850				
Munna's Current A/c	13,900	34,750			
		92,250			92,250

16. **Morning Stores Ltd.**

Balance Sheet (Extract) as at...

Particulars	**Note No.**	**(Rs.)**
Equity And Liabilities		
1. Shareholders' Funds Share Capital	1	33,00,000
		33,00,000

Notes to Accounts

Share Capital	
Authorised Capital	
4,00,000 Equity Shares of Rs. 10 each	40,00,000
10,000 Preference Shares of Rs. 100 each	10,00,000
	50,00,000
Issued Capital	
3,00,000 Equity Shares of Rs. 10 each	30,00,000
10,000; 10% Preference Shares of Rs. 100 each	10,00,000
	40,00,000
Subscribed Capital	
Subscribed and fully paid-up. 2,50,000 Equity Shares of Rs. 10 each	25,00,000
Subscribed but not fully paid-up 10,000; 10% Preference Shares of Rs. 100 each; Rs. 80 called-up	8,00,000
	33,00,000

17. **Realisation Account**

Particulars		**Rs.**	**Particulars**	**Rs.**
To Sundry Assets			By Sundry Creditors	14,000

Machinery	10,580		By Bank A/c (Assets Realised)		19,500
Stock	4,740		By Loss Transferred:		
Debtors	5,540	20,860	X	1,200	
To Bank A/c	14,000		Y	600	1,800
Expenses	440	14,440			
		35,300			35,300

Partners Capital Accounts

Particulars	A (Rs.)	B (Rs.)	Particulars	A (Rs.)	B (Rs.)
To Realisation - Loss	1,200	600	By Balance b/d	4,000	3000
To Realisation A/c	3,133	2,567	By Reserve	333	167
	4,333	3,167		4,333	3,167

18. **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

19. **Balance Sheet**

as on 31st March, 2014

Liabilities	Amount	Assets	Amount
		Cash	28,260
		Subscriptions Outstanding	1,200
Capital Fund (Bal. Fig.)	1,01,060	Books	60,000
		Furniture	11,600
	1,01,060		1,01,060

Income & Expenditure A/C

For the year ended on March 31, 2015

Expenditure	...	Amount	Income		Amount
To Rent & Taxes	...	17,220	By Subscription	44,000	
To Salaries	18,800	...	Add: Outstanding (End)	1,400	
Add: Outstanding	3,000	21,800		45400	...
To Electricity Charges	840	...	Less: Outstanding (Beginning)	1,200	44,200
Add: Outstanding	400	1,240	By Entrance Fees	...	11,040
To General Expenses	...	2,500	By Donations	...	21,220
To Office Expenses	...	9,000	By Interest	...	820
To Depreciation on:	...	...	By Profit from Entertainment	...	1,640
Books	6,000	...		...	...
Furniture	1,000	7,000		...	...

To Surplus	...	20,160		...	...
	...	78,920		...	78,920

Balance Sheet

as on 31st March 2015

Liabilities		Amount	Assets		Amount
Capital Fund	1,01,060		Cash		24,380
Add: Surplus	20,160	1,21,220	Subscriptions o/s		1,400
Salaries outstanding		3,000	Furniture	11,600	
Electricity charges outstanding		400	Less Depreciation	1,000	10,600
			Book	60,000	
			Add Addition	6,240	
			Less Depreciation	6,000	60,240
			Investments		28,000
Total		1,24,620	Total		1,24,620

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Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
1.	Bank A/c	Dr.		1,00,000	
	To 10% Debentures Application A/c				1,00,000
	(Application money received on 10,000 debentures @ ₹10 per debenture)				
2.	10% Debenture Application A/c	Dr.		1,00,000	
	To 10% Debenture A/c				1,00,000

	(Application money transferred)				
3	10% Debenture Allotment A/c	Dr.		2,00,000	
	To 10% Debenture A/c				2,00,000
	(Allotment due)				
4	Bank A/c	Dr.		2,46,000	
	To 10% Debenture Allotment A/c				1,90,000
	To Calls in Advance A/c				56,000
	(Allotment money received on 9,500 debentures @20 per debenture; plus call received in advance on 800 debentures @ ₹70 per debenture)				
5	10% Debentures First Call A/c	Dr.		3,00,000	
	To 10% Debentures A/c				3,00,000
	(First call due on 10,000 debentures @ ₹30 each)				
6. (i)	Bank A/c	Dr.		2,76,000	
	Calls in Advance A/c			24,000	
	To 10% Debentures First Call A/c				3,00,000
	(First, call money received after adjusting the advance of first call @ ₹30 per debenture on 800 debenture of Dinesh)				
(ii)	Bank A/c	Dr.		10,000	
	To 10% Debentures Allotment A/c				10,000
	(Receipt of arrears of allotment in respect of 500 debentures)				
7.	10% Debenture Second & Final Call A/c	Dr.		4,00,000	
	To 10% Debentures A/c				4,00,000
	(Second and final call due on 10,000 debentures @				

	₹40 per debenture)				
8.	Bank A/c	Dr.		3,68,000	
	Call in Advance A/c	Dr.		32,000	
	To 10% Debentures Second & Final Call A/c				4,00,000
	(Second call money received after adjusting the advance of second call @ ₹40 per debenture on 800 debentures of Dinesh)				

21. **Books of Pradip, Subal and Kuntal**

Revaluation Account

Dr.				**Cr.**
Particulars	**(Rs)**	**Particulars**		**(Rs)**
To Machinery	1,900	By Provision for Doubtful Debts		1,000
To Furniture	1,500	By Loss on Revaluation:		
To Outstanding Rent	4,000	Pradip (6,400 x 5/8)	4,000	
		Subal (6,400 x 3/8)	2,400	6,400
	7,400			7,400

Capital Accounts

Dr.							Cr.
Particulars	**Pradip (Rs)**	**Subal (Rs)**	**Kuntal (Rs)**	**Particulars**	**Pradip (Rs)**	**Subal (Rs)**	**Kuntal (Rs)**
To Loss on Revaluation (5:3)	4,000	2,400	---	By Balance b/d	60,000	40,000	---
				By Profit and loss (5:3)	12,500	7,500	---
				By Bank	---	---	48,000

To Balance c/d	76,625	46,975	48,000	By Goodwill A/c (13 : 3)	8,125	1,875	--
	80,625	49,375	48,000		80,625	49,375	48,000

Balance Sheet
as at 1st Jan, 1990

Liabilities		(Rs)	Assets		(Rs)
Capital Accounts:			Machinery (38,000 - 1,900)		36,100
Pradip	76,625		Furniture (15,000 -1,500)		13,500
Subal	46,975		Investments		21,000
Kuntal	48,000	1,61,000	Stock		19,000
Sundry Creditors		18,000	Sundry debtors	27,000	
Outstanding Rent		4,000	Less: Provision for Doubtful Debts	2,000	25,000
			Cash at Bank (21,000 + 48,000 + 10,000)		79,000
		1,93,600			1,93,600

Working Notes:
Calculation of Sacrificing Ratio of Pradip and Subal :

Sacrificing ratio = Old profit sharing Ratio - New profit Sharing Ratio
Pradip's sacrificing Ratio = 5/8 - 4/9 = 45/72 - 32/72 = 13/72.
Subal's sacrificing Ratio = 3/8 - 3/9 = 27/72 - 24/72 = 3/72
Therefore, sacrificing ratio = 13 : 3.

Kuntal's share of Premium for Goodwill :
Kuntal's share of profit is 2/9 Hence, his share of Premium for Goodwill = Rs 45,000 × 2/9 = Rs 10,000.

Pradip's share in goodwill = 10,000 x 13/16 = 8,125.

Subal's share in goodwill = 10,000 x 3,16 = 1,875.

OR

Revaluation Account

Particulars	**Rs.**	**Particulars**		**Rs.**
To Provision	1700	By Loss Transfer:		
To Furniture	2100	X	2800	
To Stock	1500	Y	1400	4200
	4200			**4200**

Partner's Capital Accounts

Particulars	**X**	**Y**	**P**	**Particulars**	**X**	**Y**	**P**
To Revaluation	2800	1400	-	By Balance b/d	60000	30000	-
To Balance c/d	79200	39600	12000	By Cash	-	-	12000
				By Premium for goodwill	6000	3000	-
				By General Reserve	16000	8000	-
	82000	**41000**	**12000**		**82000**	**41000**	**12000**

Balance Sheet

Liabilities		**Rs.**	**Assets**		**Rs.**
Capitals:			Land		20000
X	79200		Furniture		5700
Y	39600		Stock		10200
P	12000	130800	Debtors	80000	
Creditors	16000		Less: Provision	2400	77600

			Cash		33000
		146800			**146800**

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Date	Particular	L.F.	Amt. (Dr)	Amt. (Cr)
	Bank A/c (65,000 × 15) Dr.		9,75,000	
	To Equity Share Application A/c			9,75,000
	(Being application money received.)			
	Equity Share Application A/c Dr.		9,75,000	
	To Equity Share Capital A/c (65,000 × 3)			1,95,000
	To Securities Premium Reserve A/c (65,000 × 12)			7,80,000
	(Being application money transferred.)			
	Equity Share Allotment A/c Dr.		6,50,000	
	To Equity Share Capital A/c (65,000 × 2)			1,30,000
	To Securities Premium Reserve A/c (65,000 × 8)			5,20,000
	(Being share allotment money due.)			
	Bank A/c Dr.		6,30,000	
	To Equity Share Allotment A/c			6,30,000
	(Being allotment money received.)			
	Equity Share Capital A/c (2,000 × 5) Dr.		10,000	
	Securities Premium Reserve A/c (2,000 × 8) Dr.		16,000	
	To Equity Share Allotment A/c (2,000 × 10)			20,000
	To Share Forfeiture A/c (2,000 × 3)			6,000
	(Being shares forfeited.)			

	Equity Share First and Final Call A/c (63,000 × 20) Dr.		12,60,000	
	To Equity Share Capital A/c (63,000 × 5)			3,15,000
	To Securities Premium Reserve A/c (63,000 × 15)			9,45,000
	(Being first and final call due.)			
	Bank A/c Dr.		12,00,000	
	To Equity Share First and Final Call A/c (60,000 × 20)			12,00,000
	(Being first and final call received.)			
	Equity Share Capital A/c (3,000 × 10) Dr.		30,000	
	Securities Premium Reserve A/c (3,000 × 15) Dr.		45,000	
	To Equity Share First and Final Call A/c (3,000 × 20)			60,000
	To Share Forfeiture A/c (3,000 × 5)			15,000
	Being shares forfeited.)			
	Bank A/c (4,000 × 50) Dr.		2,00,000	
	To Equity Share Capital A/c (4,000 × 10)			40,000
	To Securities Premium Reserve A/c (4,000 × 40)			1,60,000
	(Being 4000 share reissued.)			
	Share Forfeiture A/c Dr.		16,000	
	To Capital Reserve A/c (W.N.)			16,000
	(Being share forfeiture transferred to capital reserve.)			

Working Note:

Calculation of amount to be transferred to capital reserve:-

Amount of Ram's 2,000 forfeited shares = 6,000

Amount of Sohan's 2,000 forfeited share $\left(15,000 \times \frac{2,000}{3,000}\right) = 10,000$

Amount to be transferred to capital reserve = Rs. 16,000

OR

Issue of Shares is the process in which companies allot new shares to shareholders. Shareholders can be either individuals or corporates. The company follows the rules prescribed by the Companies Act 2013 while issuing the shares. Issue of Prospectus, Receiving Applications, Allotment of Shares are three basic steps of the procedure of issuing the shares. The process of creating new shares is known as Allocation or allotment.

There are mainly two types of Shares which are discussed in short as follows:-

A preference share is one which carries two exclusive preferential rights over the other type of shares, i.e. equity shares.

Equity share is a share that is simply not a preference share. So shares that do not enjoy any preferential rights are thus equity shares. They only enjoy equity, i.e. ownership in the company.

The journal entries for the issue of shares is as follows:-

In the books of Prakash Engineering Company

Journal

Date	Particulars		L.F.	Dr.(Rs)	Cr.(Rs)
	Bank A/c	Dr.		1,50,000	
	To Equity Share Application A/c (Being the application money received on 75,000 Equity Shares @ Rs. 2 per share)				1,50,000
	Equity Share Application A/c	Dr.		1,50,000	
	To Equity Share Capital A/c (40,000 × Rs. 2)				80,000
	To Equity Share Allotment A/c (20,000 × Rs. 2)				40,000
	To Bank A/c (15,000 × Rs. 2) (Being the application money adjusted)				30,000
	Equity Share Allotment A/c	Dr.		2,00,000	

	To Equity Share Capital A/c				1,20,000
	To Securities Premium Reserve A/c (Being the allotment money due on 40,000 shares)				80,000
	Bank A/c	Dr.		1,58,000	
	To Equity Share Allotment A/c (WN 1, 2 and 3)				1,48,000
	To Calls-in-Advance A/c (2,000 shares × Rs 5)(WN 4) (Being the allotment money received except for 3,000 shares allotted to Ashok and calls-in-advance is received on 2,000 shares of Baneet)				10,000
	Equity Share First Call A/c	Dr.		80,000	
	To Equity Share Capital A/c (Being the first call money due on 40,000 shares)				80,000
	Bank A/c	Dr.		70,000	
	Calls-in-Advance A/c			4,000	
	To Equity Share First Call A/c [Being the first call money received except on 3,000 shares (Rs. 80,000 - Rs. 6,000 - Rs. 4,000 (Calls-in-Advance)]				74,000
	Equity Share Final Call A/c	Dr.		1,20,000	
	To Equity Share Capital A/c (Being the final call money due on 40,000 shares)				1,20,000
	Bank A/c	Dr.		1,05,000	
	Calls-in-Advance A/c	Dr.		6,000	
	To Equity Share Final Call A/c (Being the final call money received except on 3,000 shares held by Ashok)				1,11,000

Working Notes:

1. 40,000 shares were allotted to the applicants for 60,000 shares

   Number of shares applied by Ashok = 60,000/40,000 × 3,000 = 4,500 Shares

   Therefore, application money paid by Ashok = 4,500 × Rs. 2 = (Rs.) 9,000

2.

Money due from Ashok on allotment:	**(Rs)**
Money paid on an application (WN 1)	9,000
Less: Amount adjusted on an application (3,000 × Rs. 2)	6,000
Excess application money	3,000
Money due on the allotment (3000 × Rs. 5)	15,000
Less: Excess application money adjusted	(3,000)
Money not paid by Ashok	12,000

3.

Money received on allotment:	
Total amount due on allotment	2,00,000
Less: Excess application money adjusted	(40.000)
	1,60,000
Less: Money not paid by Ashok (WN 2)	(12,000)
	1,48,000

Section B

23. (a) An investment in Bonds

    Explanation: An investment in the bond is part of investing activities as it is a long term investment and not linked with cash equivalents. It is a non-current asset.

24. Inventories (Stock) and Prepaid expenses.

25. (a) All of these

    Explanation: Window dressing is the limitation of accounting which is directly concerned with:

    i. hide some vital information

    ii. show items at incorrect value to portray better profitability

iii. may overvalue closing stock to show higher profits

26. (a) Cash flow from investing activities

    Explanation: Cash flow from investing activities

27. Deferred tax

28. (b) Decrease

    Explanation: Cash is paying so current assets will decrease as a result current ratio is also decrease.

29. (d) Firm depends upon borrowings/debts

    Explanation: A high Debt to Equity Ratio means a business has been aggressive in financing its growth with debt. Aggressive leveraging practices are often associated with high levels of risk

30. **Current Ratio**

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

$= \frac{50{,}000}{20.000}$

= **2.5 : 1**

Working Note;

Current Liabilities = Total Assets - Shareholders' Funds - Non-current Liabilities

= 1,00,000 - 60,000 - 20,000

= Rs. 20,000

Current Assets = Total Assets - Non-current Assets

= 1,00,000 - 50,000

= Rs. 50,000

OR

i. Debt Equity Ratio: is computed to assess long term financial soundness of the enterprise. The ratio expresses the relationship between external equities i.e., external debts and internal equities i.e. shareholder's funds of the enterprise.

$$= \frac{\text{Debt}}{\text{Equity}} = \frac{\text{Long-term Debts or Loans } *}{\text{Shareholders" Funds } **}$$

$$= \frac{4{,}00{,}000}{8{,}00{,}000} = 1:2$$

*Long-term Debt = 6% Debentures + 9% Loan

= 3,00,000 + 1,00,000 = Rs. 4,00,000

**Shareholders' Funds = Paid-up Share Capital + Debenture Redemption Reserve

= 6,00,000 + 2,00,000 = Rs. 8,00,000

ii. Working Capital Turnover Ratio: shows the relationship between working capital and revenue from operations or net sales. The objective of computing the ratio is to ascertain whether or not working capital has been effectively used in making sales.

$= \frac{\text{Revenue from Operations}}{\text{Working Capital}^{*}}$

$= \frac{60,00,000}{8,00,000}$ = 7.5 times

*Working Capital = Current Assets** - Current Liabilities

= 12,00,000 - 4,00,000 = Rs. 8,00,000

**Current Assets = Other Current Assets + Closing Inventory

= 11,00,000 + 1,00,000 = Rs. 12,00,000

31. **Comparative Income statement**

Particular	**2008 Amount (Rs)**	**2009 Amount (Rs)**	**Change in Amount (Rs)**	**Change in Percentage (%)**
Net Sales	8,00,000	10,00,000	2,00,000	25%
Less: Cost of Goods Sold	4,80,000	6,00,000	1,20,000	25%
Gross Profit	3,20,000	4,00,000	80,000	25%
Less: Indirect Expenses	32,000	40,000	8,000	25%
Operating Profit (Profit Before Tax)	2,88,000	3,60,000	72,000	25%
Less: tax	1,44,000	2,16,000	72,000	50%
Profit after tax	1,44,.000	1,44,000	----------	------------

Common Size Income Statement

	2008	**2009**	**Percentage of Net**	**Percentage of Net**

Particulars	Amount (Rs)	Amount (Rs)	sales in P.Y. (%)	sales in C.Y. (%)
Net Sales	8,00,000	10,00,000	100%	100%
Less: Cost of Goods Sold	4,80,000	6,00,000	60%	60%
Gross Profit	3,20,000	4,00,000	40%	40%
Less: Indirect Expenses	32,000	40,000	4%	4%
Operating Profit (Profit Before Tax)	2,88,000	3,60,000	36%	36%
Less: tax	1,44,000	2,16,000	18%	21.6%
Profit after tax	1,44,.000	1,44,000	18%	14.4%

OR

Comparative Statement of Profit and Loss

for the years ended 31st March 2012 and 2013

Particulars	Note No.	31st March 2012 Amount (Rs.)	31st March 2013 Amount (Rs.)	Absolute Change (Increase/ Decrease) Amount (Rs.)	Percentage Change (Increase/ Decrease) (%)
		(A)	(B)	(C = B - A)	$(D = \frac{C}{A} \times 100)$
I. Revenue from Operations(Total Revenue)		**5,25,000**	**10,00,000**	**4,75,000**	**90.47**
II. Expenses:					
(a) Cost of Materials		3,00,000	5,00,000	2,00,000	66.67

Consumed					
(b) Other Expenses		26,250	50,000	23,750	90.47
III.Total Expenses:		**3,26,250**	**5,50,000**	**2,23,750**	**68.58**
IV. Net Profit before Tax(I - III)		**1,98,750**	**4,50,000**	**2,51,250**	**126.41**
Less:Income Tax		99,375	2,25,000	1,25,625	126.41
V. **Net Profit after Tax**		**99,375**	**2,25,000**	**1,25,625**	**126.41**

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

32.

Wisben Ltd. **Cash Flow Statement** **(for the year ended 31st March 2012)**		
Particulars		**Amt (Rs)**
I.Cash Flow from Operating Activities		
Net Profit before tax and Extraordinary Items(2,00,000 - 1,10,000)		90,000
Adjustments for Non-Cash And Non-Operating Items		
(+) Loss on sale of Machinery	15,000	
(+) Depreciation	2,00,000	2,15,000
Operating Profit before Working Capital Changes		3,05,000
(+) Decrease in Current Assets and Increase in Current Liabilities		

Trade Receivables	8,000	
Trade Payable	5,000	
(-) Increase in Current Assets and Decrease in Current Liabilities		
Inventories	(10,000)	3,000
Net Cash Flow from Operating Activities		3,08,000
II.Cash Flow from Investing Activities		
Proceeds from Sale of Machinery	65,000	
Payment for Purchases of Tangible Assets (W.N.)	(5,80,000)	
Net Cash Used in Investing Activities		(5,15,000)
III.Cash Flow from Financing Activities		
Proceeds from Issue of Share Capital	1,00,000	
Proceeds from Long-term Borrowings	1,00,000	
Net Cash Flow from Financing Activities		2,00,000
Net Decrease in Cash and Cash Equivalents [I+II+III]		**(7,000)**
(+)Cash and Cash Equivalents in the Beginning of the year		35,000
Cash and Cash Equivalents art the End of the Year		**28,000**

Working Note:

Fixed Asset Account			
Particulars	**Amt (Rs)**	**Particulars**	**Amt (Rs)**
To Balance b/d	8,00,000	By Bank A/c (Sale)	65,000
To Bank A/c (Purchases)	5,80,000	By Depreciation A/c	2,00,000
(Balancing figure)		By Statement of Profit and Loss (80,000-65,000)	15,000

		(Loss on sale)	
		By Balance c/d	11,00,000
	13,80,000		**13,80,000**

Note:

- Above Cash Flow Statement is prepared as per Accounting standard - 3 (Revised) by Indirect Method.
- Non-Operating Expenses and losses are those expenses and losses which are debited to Statement of Profit and loss but are not incurred on operating activities of the enterprise. Example: Interest on long term borrowings, goodwill, patents amortised, loss on the sale of fixed asset and investment etc.