CBSE Class 12 Accountancy

Sample Paper 04 (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. From the following, what is important for a partnership?
    a. More than 10 Persons
    b. Registration
    c. Sharing of Profits
    d. Capital more than 15 Crore
2. Which of the following situation is not acceptable for the continuity of the partnership firm?
    a. Retirement and Admission on the same day
    b. Death and Admission
    c. Admission of two partners on the same day

d. All partners leave the firm together

3. Balance of forfeiture a/c after the shares have been re-issued is transferred to:
   a. securities premium reserve
   b. general reserve
   c. None of these
   d. Capital reserve
4. Non-profit organizations prepare all of the following accounts except the
   a. Receipt and payment account
   b. Income and expenditure account
   c. Balance sheet
   d. Income statement
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. When shares issued are 10,000 but applied shares are 8,000 then it is a case of:
   a. None of the above
   b. pro-rata
   c. under subscription
   d. Over-subscription
7. Goodwill given in the Balance Sheet will be shown in:
   a. Will not be shown in any account
   b. Debit side of Realisation A/c
   c. Credit side of Partners capital A/c
   d. Debit side of Partners capital A/c
8. A, B and C are sharing profits and losses in the ratio 10:6:4, with effect from 01/04/2013 they decide to share profit and losses equally. Which partner has to sacrifice?
   a. A
   b. C
   c. B
   d. All the partners
9. Fill in the blanks:

Diya, Riya and Tiya were partners sharing profits and losses in the ratio of 2 : 3 : 5. Tiya died on 28th November 2019. Her share of profit was taken equally by Diya and Riya. Diya's share of profit in the new firm will be _______.

10. Which account is prepared to transfer amount due to a deceased partner shown by his Capital Account?
    a. Continuing Partners Account
    b. Partner's Executor's Account
    c. Retired Partners Account
    d. Retired partners loan Account
11. If a partner may wish to withdraw from a firm for any reasons like old age, health ground, misunderstanding with other partners or time period passes of that partner infirm. Such a situation is called:
    a. Dissolution of partnership firm
    b. Retirement of a partner
    c. Resolution of a partner
    d. Admission of a partner
12. Buyer's advantage lies in the excess of the normal return on capital employed. The excess of actual/average profit over normal profit is known as
    a. Normal return
    b. Capital employed
    c. Super profit
    d. Average Method profit
13. Ram and Rohit started business on 1st April 2012 with capitals of Rs. 2,50,000 and Rs.1,50,000 respectively. On the 1st of October 2012, they decided that their capitals should be Rs.2,00,000 each. The necessary adjustments in the capitals were made by introducing or withdrawing cash. Interest on capital is allowed at 8% p.a. Calculate the interest on Rohit's Capital on March 31, 2013.
    a. ₹12,000
    b. ₹14,050
    c. ₹12,050
    d. ₹14,000
14. a. Show how the following information will appear in financial statements of Santkids Organisation for the year ended 31 March 2019:

Details	Amount (Rs.)
Match Expenses	17,000
Match Fund	9,000
Donation for Match Fund	5,000
Sale of Match tickets	7,000

b. What will be the effect, if match expenses go up by Rs. 7,000 other things remaining the same?

OR

From the following Receipt and Payment Account, prepare the Income and Expenditure Account of Sarvodaya Club for the year ended March 31, 2018.

Receipt and Payment Account
for the year ending March 31, 2018

Dr. Receipts	Amount (Rs.)	Payments		Amounts (Rs.) Cr.
To Balance b/d (Cash in hand)	3,200	By Salary		1,500
To Subscriptions	22,500	By Rent		800
To Entrance fees	1,250	By Electricity charges		3,500
To Donations	2,500	By Taxes		1,700
To Rent on hall	750	By Printing and Stationery		380
To Sale of investments	3,000	By Sundry expenses		920
		By Books purchased		7,500
		By Govt. bonds purchased		10,000
		By Fixed deposit with the bank (on 31.03.2017)		5,000
		By Balance c/d		
		Cash in hand	400	

		Cash at bank	1,500	1,900
	33,200			33,200

15. Aakriti and Bindu entered into a 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 a 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 the reason for your solution.

OR

Ajay, Binay and Chetan were partners sharing profits in the ratio of 3 : 3 : 2. The partnership deed provided for the following

i. Salary of Rs 2,000 per quarter to Ajay and Binay.
ii. Chetan was entitled to a commission of Rs 8,000.
iii. Binay was guaranteed a profit of Rs 50,000 per annum.

The profit of the firm for the year ended 31st March 2015 was Rs 1,50,000 which was distributed among Ajay, Binay and Chetan in the ratio 2: 2: 1, without taking into consideration the provisions of partnership deed. Pass necessary rectifying entry for the above adjustments in the books of the firm. Show your workings clearly.

16. Atlas Co. Ltd. Purchased a machine from HMT Co. for Rs 64,000. It was decided to pay Rs. 10,000 in cash and balance will be paid by the issue of shares of Rs. 10 each,
Pass journal entries shares
i. Issued at par
ii. Issued a premium of 20%

17. Ram and Shyam were partners in a firm sharing profits in the ratio of 2 : 3 respectively. They become old and no one was there to look after their business. Therefore, they decided to dissolve the business and donate the amount available to an NGO who are providing service for growing trees in urban areas to control pollution. On 31st January 2014, their balance sheet was as follows

Balance Sheet

as at 31st January 2014

Liabilities		Amt (Rs.)	Assets	Amt (Rs.)
Creditors		65,000	Land	1,20,000
Bills Payable		35,000	Machinery	65,000
Capital A/ cs			Goodwill	10,000
Ram	75,000		Stock	25,000
Shyam	75,000	1,50,000	Debtors	20,000
			Cash	10,000
		2,50,000		2,50,000

Ram paid the creditors at a discount of 15% and Shyam paid bills payable in full. Assets realised as follows: Land at 20% less; machinery at Rs. 35,000; stock at 25% less and debtors at Rs. 12,500. Expenses on realisation Rs. 1,750 were paid by Shyam.
Prepare realisation account, partner's capital accounts and bank account. Also, identify anyone value which the partners communicated to society.

18. Seema, Tanuja and Tripti were partners in a firm trading in garments. They were sharing profits in the ratio of 5 : 3 : 2. Their capitals on 1st April, 2012 were Rs 3,00,000, Rs 4,00,000 and Rs 8,00,000 respectively. After the flood in Uttarakhand, all partners decided to help the flood victims personally. For this, Seema withdrew Rs 20,000 from the firm on 15th September 2012. On the same date, Tanuja instead of withdrawing cash from the firm took garments amounting to Rs 24,000 from the firm and distributed those to the flood victims. On the other hand, Tripti withdrew Rs 2,00,000 from her capital on 1st January 2013 and provided a mobile medical van in the flood-affected area. The partnership deed provides for charging interest on drawings @ 6% per annum. After the final accounts were prepared, it was discovered that interest in drawings had not been charged. Give the necessary adjusting journal entry and show the working notes clearly. Also, state any two values which the partners wanted to communicate to society.

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 the 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. X Ltd . issued 12,000; 8% Debentures of ₹ 100 each at a discount of 5% payable as 25% on the application;20% on allotment and balance after three months. Pass Journal entries.

21. 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		1,30,000

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.

OR

R and S are partners in their capital ratio.

Balance Sheet of R and S

as at 31 March, 2021

Liabilities		Rs.	Assets	Rs.
Capital A/cs:			Building	20000
R	30000		Machinery	13500
S	25000	55000	Furniture	1750
Current A/cs:			Vehicles	1350
R	2000		Stock	14100
S	1800	3800	B/R	13060
Creditors		19000	Debtors	27500
B/P		16000	Bank	1590
			Cash	950
		93800		**93800**

On the above date, they admitted A into Partnership on the following terms:

a. A to bring in Rs. 20000 as capital and Rs. 6600 for goodwill for his 1/4th share.
b. Provision for doubtful debts created at 2%.
c. Stock to be written down by 5%.
d. Building are to be valued at Rs. 22400; Machinery Rs. 11800; Furniture Rs. 1540 and Vehicles Rs. 800.

Prepare necessary accounts and Balance Sheet of the new firm.

22. AB Ltd. invited applications for issuing 75,000 equity shares of Rs. 100 each at a premium of t 30 per share. The amount was payable as follows

On application and allotment — Rs. 85 per share

On first and final call — The balance amount.

Applications for 1,27,500 shares were received. Applications for 27,500 shares were rejected and shares were allotted on pro-rata basis to the remaining applicants. Excess money received on application and allotment was adjusted towards sums due on first and final call. The calls were made. A shareholder, who applied for 1,000 shares, failed to pay the first and final call money. His shares were forfeited. All the forfeited shares were reissued at Rs. 150 per share fully paid up.

Pass necessary journal entries for the above transactions in the books of AB Ltd.

OR

'Guru Ltd' invited applications for issuing 80,000 equity shares of Rs. 10 each at a premium of Rs. 10 per share. The amount was payable as follows

On application and allotment — Rs. 10 (including Rs. 5 premium)

On first and final call — Rs. 10 (including Rs. 5 premium)

Applications for 1,00,000 share were received. Applications for 10,000 shares were rejected and application money was refunded. Shares were allotted on pro-rata basis to the remaining applicants. Excess application money received from applicants to whom .shares were allotted on pro-rata basis was adjusted towards sums due on first and final call. All calls were made and were duly received except the first and final call money from Kumar who had applied for 1,800 shares. His shares were forfeited. The forfeited shares were reissued at Rs. 9 per share as fully

paid up.

Pass necessary journal entries for the above transactions m the books of 'Guru Ltd'.

Section B

23. Income tax paid is concerned with ________.
    a. Operating Activities
    b. Financing Activities
    c. None of these
    d. Investing Activities
24. From the following information calculate interest coverage ratio:

.	Rs.
10,000 equity shares to Rs. 10 each	1,00,000
8% Preference Shares	70,000
10% Debentures	50,000
Long term Loans from Banks	50,000
Interest on longs term loans from a bank	5,000
Profit after tax	75,000
Tax	9,000

25. Who is interested in the analysis of financial statement?
    a. All of these
    b. Creditors
    c. Investors
    d. Government
26. Vinod Ltd. is carrying on a paper manufacturing business. In the current year, it purchased machinery for Rs.30,00,000; it paid salaries of Rs. 60,000 to its employees; it required funds for expansion and therefore, issued shares of Rs. 20,00,000. It earned a profit of Rs. 9,00,000 for the current year. Find out cash flows from operating activities.
    a. 9,00,000
    b. 8,00,000
    c. 20,00,000
    d. 8,60,000

27. **Income received in advance** appears in the Balance Sheet of a company under the sub-head ________.

28. Shareholders' Funds + Non-current Liabilities =?
    a. Share Capital
    b. Current Liabilities
    c. Capital Employed
    d. Total Debt
29. Average Inventory is used to calculate the ....
    a. Debt Equity Ratio
    b. Inventory Turnover Ratio
    c. Interest Coverage Ratio
    d. Current Ratio
30. What is meant by 'profitability ratios'?

OR

The current ratio of Y Ltd is 2 : 1. State with reason, which of the following transactions would (a) increase, (b) decrease (c) not change the ratio.

i. Trade receivables included debtors of ₹ 40,000 which were received earlier.

ii. The company purchased furniture of ₹ 45,000. The vendor was paid by the issue of equity shares of ₹ 10 each at par.

31. **Following is the statement of profit and loss of Raj Ltd for the year ended 31st March 2011.**

Particulars	**Amt (Rs.)**
Revenue from Operations	2,00,000
(+) Other Incomes	15,000
Total Incomes	2,15,000
Expenses	
Cost of Revenue from Operations	1,10,000
Operating Expenses	5,000
Total Expenses	1,15,000
Profit before Tax	1,00,000
(-) Income Tax	(40,000)
Profit after Tax	60 000

Prepare a common-size statement of profit and loss of Raj Ltd for the year ended 31st March. 2011.

OR

Prepare a Comparative Statement of Profit & Loss from the following:

	31st March 2016	**31st March 2017**
	₹	₹
Revenue from Operations	10,00,000	12,50,000
Cost of Materials Consumed	5,00,000	6,50,000
Other Expenses	50,000	60,000

Interest on investments @ ₹30,000 each year.

32. From the following prepare cash flow statement as per AS - 3

Liabilities	**2010**	**2011**	**Assets**	**2010**	**2011**
Share Capital	2,88,000	3,20,000	Fixed Assets	2,40,000	4,00,000
Reserves And Surpluses	64,000	80,000	Less: Accumulated Depreciation	64,000	1,20,000
Bank Loan	80,000	60,000		1,76,000	2,80,000
creditors	2,48,000	2,40,000	Goodwill	64,000	56,000
bills payable	------	4,000	Investment	72,000	88,000
Proposed Dividend	36,000	48,000	Stock	1,60,000	1,80,000
Income Tax Payable	20,000	24,000	Debtors	1,60,000	1,52,000
	.....	.....	Bank	1,04,000	20,000
	7,36,000	7,76,000		7,36,000	7,76,000

Additional information:

i. During the year a part of the machinery costing Rs. 40,000 was sold for Rs. 20,000.
ii. Depreciation provided during the year Rs. 80,000.
iii. Interim Dividend paid during the year Rs. 20,000.

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Solution

Section A

1. (c) Sharing of Profits
   Explanation: Sharing of profits is a must for a partnership business. Profits earned by a partnership firm should be divided among partners in the agreed profit sharing ratio. If profit sharing ratio is not mentioned in the partnership deed or partnership deed is silent on the distribution of profits, in such a case profits will be shared equally as per partnership Act, 1932.
2. (d) All partners leave the firm together
   Explanation: If All partners leave the partnership firm it means the partnership is dissolved. A partnership cannot be continued if all the partners leave the firm. For continuation of a partnership firm, at least 2 partners are required.
3. (d) Capital reserve
   Explanation: Capital reserve
4. (d) Income statement
   Explanation: NPO make only Receipt and Payment account, income and expenditure and Balance sheet but income statement is prepared by a profit-making entity, not by 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. (c) under subscription
   Explanation: under subscription
7. (b) Debit side of Realisation A/c
   Explanation: Goodwill existing in the balance sheet of the partnership firm will be

transferred to the realization account debit side as others assets and realized value (if any) will be shown in the credit side of realization account. If the realized value of goodwill is not given, it should be taken as nil.

8. (a) A

   Explanation: Calculation of sacrifice or gain:

   Old Ratio 10:6:4

   New Ratio 1:1:1

   A's Sacrifice (old ratio - new ratio share) = $\frac{10}{20} - \frac{1}{3} = \frac{1}{2} - \frac{1}{3} =$

9. 9/20

10. (b) Partner's Executor's Account

    Explanation: Amount due to deceased partner i.e. his capital balance, the share of the reserve, the share of profit, revaluation profit or loss etc. will be adjusted in deceased partner's capital account, and same will be transferred to the executor of the deceased partner. Such an account can be settle immediately or afterwards along with interest.

11. (b) Retirement of a partner

    Explanation: A partner can get retirement in the following ways:

    i. With the consent of all the partners
    ii. Due to ill health
    iii. Misunderstanding between partner
    iv. Agreement/contract is over
    v. By giving prior notice

12. (c) Super profit

    Explanation: Super profit

13. (d) ₹14,000

    Explanation: Calculation of Interest on Rohit's Capital:

    $1,50,000 \times \frac{8}{100} \times \frac{6}{12}$ = Rs. 6,000
    $2,00,000 \times \frac{8}{100} \times \frac{6}{12}$ = Rs. 8,000
    Total Interest on Rohit's Capital = 6,000 + 8,000 = Rs.14,000

14. a. Extract of the **Balance sheet of Santkids organisation as at 31 March 2019**

Liabilities		Amount (Rs)	Assets	Amount (Rs)
Match fund	9,000			

Add: Donation (specific)	5,000			
Add: Sale of Match tickets	7,000			
	21,000			
Less: Match Expenses	17,000	4,000		
		4,000		

b. If match expenses go up by Rs. 7,000, the net balance of the match fund becomes negative i.e. Debit exceeds the Credit balance, and the resultant debit balance of Rs. 3,000 shall be charged to the Income and Expenditure Account of that year.

OR

Books of Sarvodaya Club
Income and Expenditure Account
for the year ending March 31, 2018

Dr.			Cr.
Expenditure	**Amount (Rs.)**	**Income**	**Amount (Rs.)**
To Salary	1,500	By Subscription	22,500
To Rent	800	By Entrance fees	1,250
To Electricity charges	3,500	By Donation	2,500
To Taxes	1,700	By Rent of hall	750
To Printing and stationery	380		
To Sundry expenses	920		
To Surplus (excess of income over expenditure) (b/f)	18,200		
	27,000		27,000

15. **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 the profit sharing ratio has not been given.

OR

Adjustment Entry

Date	Particulars	LF	Amt(Dr)	Amt(Cr)
	Binay's capital A/c		2,000	
	Ajay's Capital A/c		6,400	
	To Chetan's Capital A/c (Being the adjustment entry passed)			8,400

Table showing adjustments to be made

Particulars	Ajay(Rs)	Binay(Rs)	Chetan(Rs)	Total
I. Amount already Recorded Share of Profit to be debited i.e. Rs 1,50,000 in 2 : 2 : 1	60,000	60,000	30,000	1,50,000
II. Amount which should have been Recorded				
Commission			8,000	8,000
Salary to Ajay and Binay $(2000 \times 4 = 8,000)$	8,000	8,000		16,000
Guarantee to Binay	--------	50,000	----------	50,000
Share of Profit to be credited i.e., Rs 76,000 in 3: 2	45,600	----------	30,400	76,000
	53,600	58,000	38,400	1,50,000
Balance to be adjusted Net Effect [I - II]	6,400(Dr)	2,000(Dr)	8,400(Cr)	Nil

Working Notes:

Calculation of Adjusted Profits

Adjusted Profit = Given Profit - Salary - Commission - Guarantee to Binay

= 1,50,000 - 16,000 (8,000 + 8,000) - 8,000 - 50,000 = Rs 76,000

Distribution Of Profit

Ajay's share of profit = $76000 \times 3/5 = 45600$

Chetan's share of profit = $76,000 \times 2/5 = 30400$

16. **Journal**

Date	Particulars	Debit (Rs.)	Credit (Rs.)
	Machinery A/c Dr.	64,000	...
	To HMT Ltd.	...	54,000
	To Bank A/c	...	10,000
	(being the machine purchased from HMT Ltd. and Rs. 10,000 paid cash and balance to be paid by the issue of shares)	...	...
	(a) When Shares are issued at par:	...	...
	HMT Ltd. (Vendor) A/c Dr.	54,000	...
	To Share Capital A/c	...	54,000
	(Being 5,400 shares of Rs, 10 each at par to HMT Ltd.)	...	...
	(b) when Shares are issued at a premium:	...	...
	HMT Ltd. (vendor) A/c Dr.	54,000	...
	To Share Capital A/c	...	45,000
	To Securities Premium Reserve A/c	...	9,000
	(being 4,500 shares issued to the vendor at a premium of Rs. 2 per share 54,000/10 + 2 = 4500)	...	...

Working Note:

Calculation of Number of shares issued :

Number of shares = Purchase Consideration/Face Value of Share + Premium

= 54000/10+2

= 4500 Shares

17.

Dr.	**Realisation Account**		**Cr.**
	Amt		**Amt**

Particulars		(Rs.)	Particulars		(Rs.)
To Sundry Assets A/c			By Sundry Liabilities A/c		
Land	1,20,000		Creditors	65,000	
Machinery	65,000		Bills Payable	35,000	1,00,000
Goodwill	10,000		By Cash A/c		
Stock	25,000		Land (1,20,000-20% of 1,20,000)	96,000	
Debtors	20,000	2,40,000	Machinery	35,000	
To Ram's Capital (Creditors) (65 ,000 -15% of 65,000)		55,250	Stock (25,000-25% of 25,000)	18,750	
To Shyam's Capital A/c (Bills payable)		35,000	Debtors	12,500	1,62,250
To Shyam's Capital A/c (Expenses on realisation)		1,750	By Loss on Realisation Transferred to		
			Ram's Capital A/c	27,900	
			Shyam's Capital A/c	41,850	69,750
		3,32,000			3,32,000

Dr.	Partners' Capital Account				Cr
Particulars	**Ram (Rs.)**	**Shyam (Rs.)**	**Particulars**	**Ram (Rs.)**	**Shyam (Rs.)**
To Realisation A/c (Loss on realisation)	27,900	41,850	By Balance b/d	75,000	75,000
To Cash/Bank A/c (Final Payment)	1,02,350	69,900	By Realisation A/c (Liabilities discharged)	55,250	35,000

			By Realisation A/c (Expenses paid)	---	1,750
	1,30,250	1,11,750		1,30,250	1,11,750

Dr	Cash/Bank Account		Cr
Particulars	**Amt (Rs.)**	**Particulars**	**Amt (Rs.)**
To Balance b/d	10,000	By Ram's Capital A/c (Final Payment)	1,02,350
To Realisation A/c (Assets Realised) (96000+35000+18750+12500)	1,62,250	By Shyam's Capital A/c (Final Payment)	69,900
	1,72,250		1,72,250

Note: Question do not specify who will bear realisation expenses or agreement of partner to settle liability, then if expenses or liability is paid by the partner then they should be reimbursed.

Goodwill appearing in the Balance Sheet, treated as like any other asset and transferred to Realisation Account at Book Value. Question is silent about the realisation of Goodwill, it is assumed that Goodwill has not realised any amount.

18. **Adjusting Journal Entry**

Date	Particulars	L/F	Amount (Rs)	Amount (Rs)
	Tanuja's Capital A/c Dr		351	
	To Seema's Capital A/c			65
	To Tripti's Capital A/c (Being the adjustment entry passed)			286

Adjustment Table

	Seema	Tanuja	Tripti	Total

Particulars	(Rs)	(Rs)	(Rs)	(Rs)
I. Amount to be debited				
Interest on Drawings	650	780	------	1,430
II. Amount to be credited				
Profits i.e., Rs 1,430 in 2 : 1 : 1	715	429	286	1,430
Net Effect (I - II)	65 (Cr)	351 (Cr)	286 (Cr)	Nil

Working Note

Calculation of Interest on Drawings

Seema = $20{,}000 \times \frac{6}{100} \times \frac{6.5}{12}$ = Rs 650

Tanuja = $24{,}000 \times \frac{6}{100} \times \frac{6.5}{12}$ = Rs 780

Cash or Goods withdrawn by a proprietor from the business for their personal use is labelled as drawings. Interest may be charged by the business at a fixed rate when a business owner draws funds or assets. Journal entry for interest on drawings includes two accounts; Drawings A/C & Interest on Drawings A/C. Interest on drawings is provided as per the provisions of partnership deed. If nothing is mentioned therein interest on drawings cannot be provided. The values which partners wanted to communicate to the society are:

i. Concern and Care towards Flood Victims By donating garments and providing medical facilities to the flood victims partners have shown care and concern towards them.
ii. Doing your Best and Compassion Partners have done their best and have shown compassionate behaviour by helping the flood victims.

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		**73,500**

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. Face Value of Debenture = ₹ 100

Discount (Rs 100 × 5%) = ₹ 5

∴ Issue Price = ₹ 95

Amount Payable as:

On Application (25%)	Rs 25 per debenture
On Allotment (20%)	Rs 20 (25 - 5) per debenture
On First and Final Call (50%)	Rs 50 per debenture

Journal

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	Dr.		3,00,000	
	To 8% Debenture Application A/c				3,00,000
	(Application money received for 12,000 8% Debentures at (₹) 25 each)				
	8% Debenture Application A/c	Dr.		3,00,000	
	To 8% Debentures A/c				3,00,000
	(Debenture application money transferred to 8%				

	Debentures account)				
	8% Debentures Allotment A/c	Dr.		2,40,000	
	Discount on Issue of Debentures A/c	Dr.		60,000	
	To 8% Debentures A/c				3,00,000
	(Allotment money due on 12,000 8% Debentures at (₹) 20 each at discount of (₹) 5)				
	Bank A/c	Dr.		2,40,000	
	To 8% Debenture Allotment A/c				2,40,000
	(Allotment money received)				
	8% Debenture First and Final Call A/c	Dr.		6,00,000	
	To 8% Debentures A/c				6,00,000
	(First and final call money due on 12,000 8% Debentures at (₹) 50 each)				
	Bank A/c	Dr.		6,00,000	
	To 8% Debentures First and Final Call A/c				6,00,000
	(First and Final call money received)				

21. 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.

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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

OR

Revaluation Account

Particulars	Rs.	Particulars		Rs.
To Provision for Doubtful Debts	550	By Building		2400
To Stock	750	By Loss transfer to Current A/cs:		
To Machinery	1700	R	717	
To Furniture	210	S	598	1315
To vehicles	550			
	3715			**3715**

Partner's Capital Accounts

Particulars	R	S	A	Particulars	R	S	A
To Balance c/d	30000	25000	20000	By Balance b/d	30000	25000	-
				By Cash	-	-	20000
	30000	**25000**	**20000**		**30000**	**25000**	**20000**

Partner's Current Accounts

Particulars	R	S	A	Particulars	R	S	A
To Revaluation	717	598	-	By Balance b/d	2000	1800	-
To Balance c/d	4883	4202	-	By Premium for Goodwill	3600	3000	-
	5600	**4800**	-		**5600**	**4800**	-

Balance Sheet

Liabilities		Rs.	Assets		Rs.
Creditors		19000	Building		22400
B/P		16000	Machinery		11800

Capital A/cs:			Furniture		1540
R	30000		Vehicles		800
S	25000		Stock		13395
A	<u>20000</u>	75000	B/R		13060
Current A/cs:			Debtors	27500	
R	4883		Less: Provision	<u>550</u>	26950
S	<u>4202</u>	9085	Bank		1590
			Cash(950+20000+6000)		27550
		<u>119085</u>			**<u>119085</u>**

22. **Working Note 1.**

Category	No of Shares Applied	No of shares Allotted	The excess amount received on Application	Amount to be received On First & Final Call	Amount to be adjusted on First & Final Call	Amount Refunded
I	1,00,000	75,000	25,000 Shares $\times$85 =21,25,000	75,000 shares $\times$45 =33,75,,000	21,25,000	-
II	27,500	Nil	-	-	-	27500 Share $\times$Rs. 85 = 23,3,7500
Total	1,27,500	75,000			21,25,000	23,37,500

Working Note 2.

No of shares Applied = 1000 shares

No of shares Allotted = 1000 shares $\times$ 75,000 share /1,00,000 share = 750 shares

Excess amount on share application received = (1000 - 750) 150 shares $\times$ Rs.85 =

Rs.21250

Amount to be received on Allotment = 750 shares × Rs.45 = Rs.33750

Outstanding on allotment = Rs.33750 – Rs.21250 = Rs.12500

Working Note 3.

Amount transfer to Capital Reserve = 62500 - 0 = Rs.62500

Journal

Date	**Particulars**		**L.F.**	**Debit(Rs.)**	**Credit(Rs.)**
1.	Bank A/c	Dr.		1,08,37,500	
	To Equity Share Application A/c				1,08,37,500
	(Being Amount Received on the application of share @2 per share on 1,50,00 shares)				
2.	Equity Share Application A/c	Dr.		1,08,37,500	
	To Equity Share Capital A/c				41,25,000
	To Security Premium Reserve A/c				22,50,000
	To Equity shares First & Final A/c				21,25,000
	To Bank A/c				23,37,500
	(Being amount transfer to capital a/c and adjustment of pro-rata made.)				
3.	Equity Share First & Final call A/c	Dr.		33,75,000	
	To Equity share Capital A/c				33,75,000
	(Being amount Due on 1st & Final Call Recorded)				
4.	Bank A/c	Dr.		12,50,000	

	To Equity Share First & Final call A/c (**33,75,000 – 21,25,000)**				12,50,000
	(Being Amount received on First and Final calls)				
7.	Equity Share Capital A/c	Dr.		75,000	
	To Equity Share Forfeited A/c				62,500
	To Equity Share First & Final Call A/c				12,500
	(Being shares forfeited on which amount of call not received)				
8.	Bank A/c	Dr.		1,12,500	
	To Equity Share Capital A/c				75,000
	To Security Premium Reserve A/c				37500
	(Being shares Forfeited on which amount of call not received)				
10.	Equity Share Forfeited A/c	Dr.		62500	
	To Capital Reserve A/c				62500
	(Being amount of share forfeited transfer to Capital Reserve transfer A/c)				

OR

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			Amt	Amt

Date	Particulars	L.F	(Dr.)	(Cr.)
1.	Bank A/c (1,00,000 × 10) Dr.		10,00,000	....
	To Equity Share Application and Allotment A/c		....	10,00,000
	(Being application money received on 1,00,000 snares)		....	....
2.	Equity Share Application and Allotment A/c Dr.		10,00,000	....
	To Equity Share Capital A/c (80,000 × 5)		....	4,00,000
	To Securities Premium Reserve A/c (80,000 × 5)		....	4,00,000
	To Equity Share First and Final Call A/c		....	1,00,000
	To Bank A/c (10,000 × 10)		....	1,00,000
	(Being application money transferred to share capital account and excess money is adjusted in final call account)		....	....
3.	Equity Share First and Final Call A/c Dr.		8,00,000	....
	To Equity Share Capital A/c (80,000 × 5)		....	4,00,000
	To Securities Premium Reserve A/c (80,000 × 5)		....	4,00,000
	(Being amount due on first and final call)		....	....
4.	Bank A/c Dr.		6,86,000	....
	To Equity Share First and Final Call A/c		....	6,86,000
	(Being amount received on first and final call)		....	....
5.	Equity Share Capital A/c (1,600 × 10) Dr.		16,000	....
	Securities Premium Reserve A/c (1,600 × 5) Dr.		8,000	....
	To Equity Share Forfeiture A/c		....	10,000
	To Equity Share First and Final Call A/c (Being Kumar's share forfeited)		....	14,000
6.	Bank A/c (1,600 × 9) Dr.		14,400	....
	Equity Share Forfeiture A/c Dr.		1,600	

	Equity Share Forfeiture A/c Dr.		1,600	....
	To Equity Share Capital A/c (1,600 × 10)		....	16,000
	(Being forfeited shares reissued for Rs. 9 as fully paid up)		....	....
7.	Equity Share Forfeiture A/c Dr.		8,400	....
	To Capital Reserve A/c		....	8,400
	(Being excess amount on forfeiture transferred to capital reserve)		....	....

Working Notes:-

1. Computation Table

Categories	Shares Applied	Shares Allotted	Money Received on Application @ Rs. 10 each	Money Transferred to Share Capital @ Rs. 5 each	Money Transferred to Securities / Premium Reserve	Excess Application Money
I	10,000	-	1,00,000	1,00	-	-
II	90,000	80,000		9,00,000	4,00,000	1,00,000
	1,00,000	80,000	10,00,000	10,00,000	4,00,000	1,00,000

2. Calculation of Amount not Received on First and Final Call:-

Shares allotted to Kumar $= \frac{80,000}{90,000} \times 1,800 = 1,600$ Shares

Amount received on 1,800 shares @ Rs. 10 each	18,000
Amount transferred to share capital account (1,600×5)	8,000
Amount transferred to securities premium account (1,600 × 5)	8,000
Excess money received on the application	2,000

Amount due on first and final call for 1,600 shares of Kumar @ Rs. 10 each	16,000
Amount not received on securities premium	8,000
Amount not received on first and final call	6,000

3. **Calculation of Amount Credited in Share Forfeiture Account:-**

Amount received on application and allotment	18,000
(-) Amount received for securities premium	8,000
Amount to be credited in the share forfeiture account	10,000

Section B

23. (a) Operating Activities

    Explanation: Income tax is concerned with only operating activities. Tax paid is deducted at the end while calculating Cash flow from operating activities in the Cash Flow statement. Tax is related to the operating activity.

24. Interest on debentures = $\frac{Rs.50{,}000 \times 10}{100}$ = Rs. 5000

    Profit before Interest & Tax = Profit after tax + Tax + Interest on debentures + Interest on Long term Loans

    = Rs. 75,000 + 9,000 + 5000 + 5000 = Rs. 94,000

    Interest Coverage Ratio = $\frac{\text{Net Profit before Interest and Tax}}{\text{Fixed Interest Charges}}$

    = $\frac{94{,}000}{10{,}000}$ = 9.4 Times

    It indicates 9.4 times the interest charges are covered by the profits available to pay interest.

25. (a) All of these: Creditors, Government and Investors

    Explanation: Following parties are interested in the Financial statement analysis:

    Creditors(to know if they will get their payment)
    Government(to levy taxes)
    Investors(to know how return on their investment)

26. (a) 9,00,000

    Explanation: Cash flow from operating activities is Rs.9,00,000 after all adjustments (salary). Operating activity is concerned with the operation of the company.

27. Other Current Liabilities

28. (c) Capital Employed

Explanation: It is the value of all the assets employed in a business and can be calculated by adding fixed assets to working capital or subtracting current liabilities from total assets.

29. (b) Inventory Turnover Ratio

Explanation: Average inventory is the mean value of an inventory throughout a certain time period. In inventory turnover ratio is calculated by dividing the cost of goods sold for a period by the average inventory for that period.

30. Profitability ratios measure the overall efficiency of the business. These ratios are calculated to analyse the earning capacity of the business which is the outcome of utilisation of resources employed in the business. Various profitability ratios commonly used are gross profit ratio, net profit ratio, operating ratio, return on investment(return on capital employed)ratio, operating profit ratio.

OR

i. **Not change the ratio** Simultaneous increase and decrease by the same amount in current assets will not affect the value of current assets or current liabilities therefore, there is no effect on the current ratio. Because first debtors are reduced from Rs40000 and by the same amount cash will be increased.

ii. **Not Change the ratio** Issue of shares for furniture purchased do not affect either current assets or current liabilities. Because Shares are a part of Share Capital which is classified under Shareholder's Fund & furniture is a Fixed asset. Therefore, the current ratio will not change.

31. **Books of Raj Ltd.**

Common Size Income Statement

as at 31st March 2011

Particulars	**(A)**	**(%)**
I. Revenue From Operations	200000	100
II. Other Income	15000	7.5
III. Total Revenue	**215000**	107.5

IV. Expenses:		
Cost of revenue from operation	110000	55
Operating Expenses	5000	2.5
Total Expenses	**115000**	57.5
V. Profit Before Tax (III-IV)	**100000**	50

OR

COMPARATIVE STATEMENT OF PROFIT & LOSS
for the years ended 31st March 2016 and 2017

Particulars		Note No.	2015-16	2016-17	Absolute Change (Increase or Decrease)	Percentage Change (Increase or Decrease)
	1		2	3	4	5
			A	B	(B-A = C)	C/A × 100 = D
			₹	₹	₹	%
I.	Revenue from Operations		10,00,000	12,50,000	2,50,000	25.00
II.	Add: Other Incomes		30,000	30,000	_	_
III.	Total Revenue I + II		10,30,000	12,80,000	2,50,000	24.27
IV.	Less: Expenses Cost of Materials Consumed		5,00,000	6,50,000	1,50,000	30.00
	Other Expenses		50,000	60,000	10,000	20.00
	Total Expenses		5,50,000	7,10,000	1,60,000	29.09
V.	Profit before tax (III - IV)		4,80,000	5,70,000	90,000	18.75

32. **Cash Flow Statement for the year ended 2011**

A: Cash flow from operating activities:

Profit before Tax and Extraordinary items	1,08,000	.
Adjustments for Non-Operating and Non Cash Items:- Add: Depreciation	80,000	.
Goodwill Written off	8,000	.
Less: Profit on sale of Machinery	(4,000)	.
operating profit before working capital changes	1,92,000	.
Add: Decrease in current assets: Debtors	8,000	.
Add: increase in current liability: Bills Payable	4,000	.
	2,04,000	.
Less: an increase in current assets Stock	(20,000)	.
less: Decrease in Current Liabilities Creditors	(8,000)	.
Cash flow from operating activities	1,76,000	.
Less: Tax paid (Previous year)	(20,000)	.
Net cash flow from operating activities	.	1,56,000

B: Cash flow from investing activities

Sale of machinery	20,000	...
Purchase of fixed assets	(2,00,000)	...
Purchase of investment	(16,000)	...
Cash flow in investing activities	...	1,96,000

C: Cash flows from operating activities:

Issue of Share capital	...	32,000	...
Repayment of bank loan	...	(20,000)	...
payment of dividend	...	...	...
Regular (Previous Year Amount)	(36,000)	...	...
Interim	(20,000)	(56,000)	...
Cash used in financing activities	...	...	(44,000)
Total of all three Activities: A + B + C =	...	...	(84,000)
Add: Cash and Cash equivalents at the beginning of the year (Previous Year Balance)	...	...	1,04,000
Cash and Cash equivalents at the end of the year (Current Year Balance)	...	...	20,000

Working Notes

(i) Calculation of Profit before tax and extraordinary items:

Particulars	Amount (Rs.)
Net profit during the year	16,000
Proposed dividend	48,000
Income tax provision (Current Year)	24,000
Interim Dividend	20,000
Profit before tax and extraordinary items	1,08,000

Fixed Assets Account

Dr.			Cr.
Particulars	**Amount (Rs.)**	**Particulars**	**Amount (Rs.)**
To balance b/d	2,400,000	By Machinery Disposal account	40,000

To Cash a/c (Balancing Figure) (purchase)	2,00,000	By Balance c/d	4,00,000
	4,40,000		4,40,000

Machinery Disposal Account

Particulars	**Amount (Rs.)**	**Particulars**	**Amount (Rs.)**
To Fixed Assets a/c	40,000	By cash a/c	20,000
To Profit and loss a/c	4,000	By accumulated Depreciation	24,000
(Balancing Figure)			
	44,000		44,000

Accumulated Depreciation Account

Particulars	**Amount (Rs.)**	**Particulars**	**Amount (Rs.)**
To assets disposal a/c (Balancing figure)	24,000	By balance b/d	64,000
To balance c/d	1,20,000	By Profit & Loss a/c	80,000
	1,44,000		1,44,000

Income Tax Payable Account

Particulars	**Amount (Rs.)**	**Particulars**	**Amount (Rs.)**
To Cash a/c	20,000	By Balance b/d	20,000
To Balance c/d	24,000	By Profit & Loss a/c	24,000
	44,000		44,000