CBSE

Class XII Accountancy

All India Board Paper Set 2 – 2012

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

General Instructions:

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

Section A

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

Section B

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

Section-A

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

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

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

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

5. What is meant by calls in advance?

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

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

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

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

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

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

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

i. Redeemed ₹1, 92,000, 12% Debenture by conversion into Equity Shares of ₹100 each. The Equity Shares were issued at a discount 4%

ii. Converted 2,400, 12% Debentures of ₹100 each into New 13% Debentures of ₹100 each. The new Debentures were issued at a premium 25%.

13. Sudha and Joshi were partners in a firm sharing profits in the ratio of 3:7 .On 31.3.2011, their Balance Sheet as follows:

Balance Sheet of Sudha and Joshi
as on 31.3.2011

Liabilities		Amount ₹	Assets	Amount ₹
Capital:			Land and Building	6,00,000
Sudha	3,00,000		Stock	40,000
Joshi	7,00,000	10,00,000	Debtors	2,00,000
Creditors		2,77,000	Bank	60,000
Profit and Loss Account		1,23,000	Machinery	5,00,000
		14,00,000		**14,00,000**

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

(i) Creditors accepted Debtors in full settlement of their claim

(ii) Land and Building was sold for Rs 7, 00,000 and Machinery was taken over by Joshi by paying cash less than 30% of its books value.

Pass necessary Journal entries for dissolution of the firm

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

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

Receipts	₹	Payments	₹
To Balance b/d	3,200	By Salary	1,800
		By rent (paid on 30.9.2010	
To Subscription	22,500	for 12 month)	2,300
To Entrance Fees(Including			
₹1,000 as capital income)	3,000	By Electricity	1,000
To Donations	750	By Taxes	2,200
To Rent of hall	1,750	By Printing and Stationery	400
To Accrued interest for the			
year 2009-2010)	2,000	By Sundry Expenses	900
		By Books	7,500
		By 9% Fixed Deposit(on	
		1.4.2010)	15,200
		By Balance c/d	1,900
	33,200		**33,200**

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

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

On Mehra's admission it was agreed that

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

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

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

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

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

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

OR

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

Liabilities	₹	Assets	₹
Capital:		Goodwill	3,00,000

khanna	3,00,000		Land and Building	5,00,000
Seth	2,00,000		Machinery	1,70,000
Mehta	5,00,000	10,00,000	Stock	30,000
General Reserve		1,00,000	Debtors	1,20,000
Loan from Reserve		50,000	Cash	45,000
Creditors		75,000	Profit and Loss Account	60,000
		12,25,000		**12,25,000**

On 14 March 2011, Seth died.

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

i. Balance in Capital Account;
ii. Share in profits upto the date of death on the basis of last year's profit;
iii. His share in profit/loss in revaluation of assets and re-assessment of liabilities which were as follows:
   a. Land and Building was to be appreciated by ₹1,20,000;
   b. Machinery was to be depreciated to ₹1,35,000 and stock to ₹25,000;
   c. A provision of $2\frac{1}{2}$% for bad and doubtful debts was to created on debtors;
iv. The net amount payable to Seth's executors was transferred to his loan account which was to be paid later.

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

16. R.K. Ltd. invited applications for issuing 70,000 Equity Shares of ₹10 each at a premium of ₹35 per share. The amount was payable as follows:
On Application ₹15 per share (including ₹2 Premium)
On Allotment ₹10 per share (including ₹8 Premium)
On First and Final Call — Balance
Applications for 65,000 shares were received and allotment was made to all the application. A shareholder, Ram who was allotted 2,000 shares were failed to pay the allotment money. His shares were forfeited immediately after allotment. Afterwards the first and final call was made. Sohan, who had 3000 shares failed to pay the first and final call. His shares were also forfeited. Out of the forfeited shares 4,000 shares were re-issued at ₹50 per share fully paid up. The re-issued shares included all the shares of Ram.
Pass necessary Journal Entries for the above transactions in the books of R.K. Ltd.

OR

Ashish Ltd. Invited applications for issuing 75,000 Equity Shares of ₹10 each at a discount of 10%. The amount was payable as follows:
On Application ₹2 per share.
On Allotment ₹2 per share
On First and Final Call - Balance
Applications for 1,50,000 shares were received. Applications for 25,000 shares were rejected and the application money of these applicants was refunded. Shares were allotted on pro-rata basis to the remaining applicants. Excess money received with applications was adjusted towards sums due on allotment. Suman who had applied for 1250 shares failed to pay allotment and first and final call money. Dev did not pay the first and final call on his 100 shares. All these share were forfeited and later on 1000 of these share were re-issued at ₹17 per shares fully paid up. The re-issued shares included all the shares of Suman.
Pass necessary Journal Entries for the above transactions in the books of Ashish Ltd.

Section- B

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

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

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

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

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

a. Debt-Equity Ratio

b. Working Capital Turnover Ratio and

c. Return on Investment

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

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

Income Statement of Jayant Ltd.
For the year ended 31.3.2011

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

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

23. From the following Balance Sheets of L.M.R. Ltd as on 31-3-2010 and 31-3-2011.
Prepare a Cash Flow Statement:

Balance Sheet of L.M.R Ltd
as on 31.3.2010 and 31.3.2011

Liabilities	31-3-2010 ₹	31-3-2011 ₹	Assets	31-3-2010 ₹	31-3-2011 ₹
Equity Shares Capital	2,50,000	3,50,000	Patents	50,000	47,500
Profit and Loss Account	1,00,000	1,75,000	Equipment	2,50,000	2,50,000
Bank Loan	50,000	25,000	Investment	2,500	50,000
Proposed Dividend	25,000	35,000	Debtors	40,000	60,000
Provision for tax	15,000	25,000	Stock	25,000	65,000
Creditors	27,500	26,000	Bank	1,00,000	1,50,000
			Cash	-	13,500
	4,67,500	**6,36,000**		**4,67,500**	**6,36,000**

Additional Information: During the year Equipment Costing ₹50,000 was purchases. Loss on sale of Equipment amounted to ₹6,000, ₹9,000 depreciation charged on Equipment.

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All India Board Paper Set 2–2012- Solution

SECTION A

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

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

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

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

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

6. **Answer:**

Subscription Account

Dr. Cr.

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

7. Answer:

Journal

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

Working Note

calculation of numbers of Equity share to be issued

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

Issue price

= face value + premium

= 10 + 2.5

= 12.5

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

8. Answer:

Books of Nav Lakshmi Ltd.
Journal

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

9. Answer:

Profit and Loss Adjustment Account

Dr. **Cr.**

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

Working Note

WN 1: Calculation of Interest on Capital

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

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

WN 2 : Calculation of Interest on Drawings

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

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

10. Answer:

Journal

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

Gaining Ration = New Ratio - Old Ratio

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

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

$=\frac{6}{30}$

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

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

$=\frac{1}{30}$

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

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

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

New Goodwill = 6,00,000

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

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

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

= 20,000

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

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

Distribution of pofit earned after D's retirement

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

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

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

11. Answer :

Sarvottam Ltd.
Journal

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

12. Answer :

(i)

Books of Fortune Ltd
Journal Entries

Date	Particulars	L.F.	Debit ₹	Credit ₹
1	12% Debenture A/c Dr. To Debenture Holder A/c (Being debenture due for redemption)		1,92,000	 1,92,000
2	Debenture Holder A/c Dr. Discount an Issue of Debenture A/c Dr. To Equity share capital A/c (Being 200 equity shares issued at a discount of 4% to debenture holders)		1,92,000 8,000	 2,00,000

Working Note :

$$\text{No.of Equity Shares Issued} = \frac{\text{Amount due to Debentureholders}}{(\text{Face value - Discount}) \text{ per share}}$$

$$= \frac{1,92,000}{(100-4)} = 2,000 \text{ equity shares}$$

(ii)

Journal Entries

Date	Particulars	L.F.	Debit ₹	Credit ₹
1	12% Debenture A/c Dr. To Debenture Holder A/c (Being 2,400, 12% Debenture of ₹100 each due for redemption)		2,40,000	 2,40,000
2	Debenture Holder A/c Dr. To 13% Debenture A/c To Securities Premium A/c (Being 1,920 13% Debenture of ₹100 each issued at a premium of 25% to debentureholders)		2,40,000	 1,92,000 48,000

$$\text{No.of Debenture Issued} = \frac{\text{Amount due to Debentureholders}}{(\text{Face value + Premium}) \text{ per Debenture}}$$

$$= \frac{2,40,000}{(100+25)} = 1,920 \text{ Debentues}$$

13. Answer :

Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2011 April 1	Realisation A/c Dr. To Land and Building A/c To Machinery A/c To Stock A/c To Debtors A/c (Being assets transferred to Realisation Account)		13,40,000	 6,00,000 5,00,000 40,000 2,00,000
	Creditors A/c Dr. To Realisation A/c (Being creditors transferred to Realisation Account)		2,77,000	 2,77,000
	Bank A/c Dr. To Realisation A/c (Being Land and Building realized for ₹7,00,000)		7,00,000	 7,00,000

	Bank A/c Dr. To Realisation A/c (Being machinery was sold to Joshi at 30% less than its book value)		3,50,000	3,50,000
	Sudha's Capital A/c Dr. Joshi's Capital A/c Dr. To Realisation A/c (Note 1) (Being loss on realization transferred to Partners' Accounts)		3,900 9,100	13,000
	Profit and Loss A/c Dr. To Sudha's Capital A/c To Joshi's Capital A/c (Being credit balance of Profit and Loss transferred to Partner's Capital)		1,23,000	36,900 86,100
	Sudha's Capital A/c Dr. Joshi's Capital A/c Dr. To Bank A/c (Note 2) (Being final payment made to partners)		3,33,000 7,77,000	11,10,000

WN 1

Realisation Account

Dr. **Cr.**

Particulars	₹	Particulars		₹
To Land and Building	6,00,000	Creditors		2,77,000
To Machinery	5,00,000	Bank (Land and Building)		7,00,000
To Stock	40,000	Bank (Machinery)		3,50,000
To Debtors	2,00,000	Loss transferred to :		
		Sudha's Capital	3,900	
		Joshi's Capital	9,100	13,000
	13,40,000			13,40,000

WN2

Partner's Capital Account

Dr. **Cr.**

Particulars	Sudha	Joshi	Particulars	Sudha	Joshi
To Realisation A/c (Loss)	3,900	9,100	By Balance b/d	3,00,000	7,00,000
To Bank A/c (Payment – Bal.Fig)	3,33,000	7,77,000	By Profit and Loss A/c	36,900	86,100
	3,36,900	7,86,100		3,36,900	7,86,100

14. Answer:

Income & Expenditure A/c

Dr. **Cr.**

Particulars	₹	Particulars	₹

To Salaries A/c		1,800	By Subscription A/c	22,500
To Rent A/c	2,300		By Entrance Fees A/c	2,000
Less: Advance A/c	1,150	1,150	By Donation A/c	750
To Electricity A/c		1,000	By Rent of Hall A/c	1,750
To Tax A/c		2,200	By Interest of Fixed Deposit A/c	1,368
To Painting and stationary A/c		400		
To sundry Expenses A/c		900		
To Expenditure A/c		20,918		
		28,368		**28,368**

15. Answer:

Revaluation Account

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

Partners' Capital Account

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

Balance Sheet

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

Working Note:

Calculation of New Ratio

(a) New Ratio = 5:3:2

Old Ratio (Atal and Madan) = 5:3

Sacrificing Ratio = Old Ratio – New Ratio

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

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

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

(b) Calculation of New Capitals of partners

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

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

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

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

Capital to be brought/ paid in by the partners

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

Cash Account

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

OR

Revaluation Account

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

Partners' Capital Account

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

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

Balance Sheet

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

E's Executors' Account

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

Working note :

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

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

$= 2{,}400$

Capital after adjustment

Khanna = 2,45,000

Mehat = 4,08,500

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

Propotnate Capital of Khanna and Mehta

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

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

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

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

$= 6{,}400$

16. Answer:

Books of R.K Ltd
Journal

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

Ram
Share forfeiture credit 3 per share
Share forfeiture debit NIL per share
Share forfeiture credit after time 3 per share

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

Sohan
Share forfeiture credit 5 per share
Share forfeiture Debit NIL per share
Share forfeiture credit after 5 per share re-issue

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

OR

Books of Ashish Ltd
Journal

Date	Particulars		L.F.	Dr. ₹	Cr. ₹
	Bank A/c To Share Application A/c (Being application money received for 1,50,000 Shares at ₹ 2 per share)	Dr.		3,00,000	 3,00,000
	Share Application A/c To Share Capital A/c To Share Allotment A/c To Bank A/c (Being share application money adjusted)	Dr.		3,00,000	 1,50,000 1,00,000 50,000
	Equity Share Allotment A/c Discount on Share A/c To Share Capital A/c (Being allotment due)	Dr. Dr.		2,25,000 75,000	 3,00,000
	Bank A/c To Share Allotment A/c (Being allotment money received i.e. 2,25,000 – 1,00,000 – 1,250)	Dr.		1,23,750	 1,23,750
	Share First and Final Call A/c To Share Capital A/c (Being amount due on Share First and Final Call)	Dr.		3,00,000	 3,00,000
	Bank A/c	Dr.		2,93,000	

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

Working Notes:

(1)

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

(2)

Total shares applied by Suman = 1,250 shares

$\therefore$ No.of shares allotted to suman = $\frac{75,000}{12,500} \times 125$ = 750 shares

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

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

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

SECTION- B

17. Answer :

Top Management analysis the financial statement to:

i. Evaluate the solvency position of the company;

ii. Analyse the efficiency with which the financial resources are allocated and utilised.

18. Answer :

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

i. It helps to determine the gross inflows and outflows of cash and cash equivalents from various activities like operating, investing and financing activities.

ii. Secondly, Cash Flow Statement helps in investigating various reasons responsible for change in the cash balances during an accounting year..

19. Answer :

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

20. Answer :

Current Ratio = 3: 1

Quick Ratio = 2: 1

Stock = ₹40, 000

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

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

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

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

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

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

From equation (1)

2 Current Liabilities = 3 Current Liabilities — 40,000

Or, Current Liabilities = ₹40,000

Current Assets = 3 current liabilities

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

21. Answer :

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

Debt = 12% Debentures = ₹4,00,000

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

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

= ₹13,00,000

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

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

Net sales = ₹30,00,000
Working Capital = Current Assets - Current Liabilities
Current Assets
= Debtors + Cash
= 2,90,000 + 1,10,000
= 4,00,000

Current Liabilities = Creditors = 3,00,000

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

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

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

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

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

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

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

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

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

$$x = 6,00,000$$

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

22. Answer :

Common Size Income Statement of Jayant Ltd.

As on March 31, 2011

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

23. Answer :

Cash Flow Statement

For the year ended 31st March 2011

	Particulars	Amount ₹	Amount ₹
A	**Cash Flow from Operating Activities**		
	Profit as per Profit and Loss Account	75,000	
	Proposed Dividend	35,000	
	Profit for Taxation	25,000	
	Net Profit Before Taxation	1,35,000	
	Items to be added:		
	Add : Non-Cash and Non-Operating Expenses		
	Depreciation on Equipments	9,000	
	Patents written of	2,500	
	Loss on sale of equipment	6,000	
	Profit before working capital charges	1,52,500	
	Less : Increase in Current Assets and Decrease in Current Liabilities		
	Increase in Debtors	(20,000)	
	Increase in Stock	(40,000)	
	Decrease in creditors	(1,500)	
	Cash Generated from Operation	91,000	
	Less: Tax paid	(15,000)	
	Net Cash from Operations		76,000
B	**Cash Flow from Investing Activities**		
	Proceeds from sale of Equipment	35,000	
	Purchases of Equipment	(50,000)	
	Purchases of Investment	(47,500)	
	Net Cash used in Investing Activities		(62,500)
C	**Cash Flow from Financing Activities**		
	Proceed from issue of share	1,00,000	
	Repayment of Bank Loan	(25,000)	
	Dividend paid	(25,000)	
	Cash From Financing Activities		50,000
D	**Net Increase in Cash and Cash Equivalents (A – B + C)**		63,500
	Add: Opening Balance Cash and Cash Equivalents		1,00,000
E	**Closing Balance of Cash and Cash Equivalents**		**1,63,500**

Working Note :

Calculation of Purchase of Equipment

Equipments Account

Particulars	Amount ₹	Particulars	Amount ₹
To Balance b/d	2,50,000	By Bank A/c (Bal.Fig.Sale)	35,000
To Bank A/c (Purchase)	50,000	By Depreciation A/c	9,000
		By Profit and Loss A/c (Loss on sale)	6,000
		By Balance c/d	2,50,000
	3,00,000		**3,00,000**