CBSE
Class XII Accountancy
All India Board Paper_Set3_2014

Time: 3 Hrs **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 **18** questions.
(ii) All the question are compulsory.
(iii) Question Nos. **1** to **7** are very short – answer questions carrying **1** mark each.
(iv) Question Nos. **8** to **10** carry **3** marks each.
(v) Question Nos. **11** and **14** carry **4** marks each.
(vi) Question Nos. **15** to **16** carry **6** marks each.
(vii) Question Nos. **17** and **18** Carry **8** marks each.

Section B

(i) This section consists of **7** questions
(ii) All questions are compulsory
(iii) Question Nos.**19** and **21** are very short – answer carrying **1** mark each
(iv) Question Nos. **22** carry **3** marks
(v) Question Nos. **23** to **24** carry **4** marks
(vi) Question No.**25** carries **6** marks

Section-A

1. A Ltd. forfeited 100 equity shares of ₹10 each issued at a premium of 20% for the non-payment of final call of ₹ 5 including premium. State the maximum amount of discount at which these shares can be re-issued?

2. Give the meaning of 'Reconstitution of a partnership firm'?

3. What is meant by issue of debentures as collateral security?

4. X, Y and Z were partners sharing profits in the ratio of 1/2, 3/10 and 1/5 . X retired from the firm. Calculate the gaining ratio of the remaining partners.

5. State the rights acquired by a newly admitted partner.

6. Distinguish between 'Dissolution of partnership' and 'Dissolution of partnership firm' on the basis of Court's intervention?

7. D Ltd. invited applications for issuing 10,00,000 equity shares of ₹10 each. The public applied for 8,55,000 shares. Can the company proceed for the allotment of shares? Give reason in support of your answer.

8. Tata Ltd. issued 5,000, 10% Debentures of ₹100 each on 1st April, 2012. The issue was fully subscribed. According to the terms of issue, interest on debentures is payable half-yearly on 30th September and 31st March and tax deducted at source is 10%. Pass the necessary journal entries related to the debenture interest for the half-yearly ending on 31st March, 2013 and transfer of interest on debentures to Statement of Profit and Loss.

9. Pass necessary journal entries in the following cases :

i. Sunrise Ltd. converted 500, 9% debentures of ₹100 each issued at a discount of 10% into equity shares of ₹100 each issued at a premium of ₹25%.

ii. Britannia Ltd. redeemed 3,000, 12% debentures of ₹100 each which were issued at a discount of ₹10 per debenture by converting them into equity shares of ₹100 each ₹90 paid up.

10. Hemant and Nishant were partners in a firm sharing profits in the ratio of 3:2. Their capitals were ₹1,60,000 and ₹1,00,000 respectively. They admitted Somesh on 1st April, 2013 as a new partner for 1/5 share in the future profits. Somesh brought ₹1,20,000 as his capital. Calculate the value of goodwill of the firm and record necessary journal entries for the above transactions on Somesh's admission.

11. Monika,Sonika and Mansha were partners in a firm sharing profits in the ratio of 2 : 2 :1 respectively. On March 31, 2013, their Balance Sheet as under.

Balance Sheet As on march 31, 2013

Liabilities		₹	Assets	₹
Capital:			Fixed Asset	3,60,000
Monika	1,80,000		Stock	60,000
Sonika	1,50,000		Debtors	1,20,000
Mansha	90,000	4,20,000	Cash	2,70,000
Reserve Fund		1,50,000		
Creditors		2,40,000		
		8,10,000		**8,10,000**

Sonika died on 30th June, 2013. It was agreed between her executors and the remaining partners that:

a. Goodwill of the firm be valued at 3 years' purchase of average profits for the last four years. The average profits were ₹2,00,000.

b. Interest on capital be provided at 12% p.a.

c. Her share in the profits up to the date of death will be calculated on the basis of average profits for the last four years.

Prepare Sonika's Capital Account as on 30th June, 2013.

12. Pass necessary journal entries for the following transactions in the books of Gopal Ltd :

i. Purchased furniture for ₹2,50,000 from M/s Furniture Mart. The payment to M/s Furniture Mart was made by issuing equity shares of ₹10 each at a premium of 25%.

ii. Purchased a running business from Aman Ltd, for a sum of ₹15,00,000. The payment of ₹12,00,000 was made by issue of fully paid equity shares of ₹10 each and balance by a bank draft. The assets and liabilities consisted of the following:

Plant ₹3,50,000; Stock ₹4,50,000; Land and Building ₹6,00,000; Sundry Creditors ₹1,00,000.

13. Singh and Gupta decided to start a partnership firm to manufacture low cost jute bags as plastic bags were creating many environmental problems. They contributed capitals of ₹1,00,000 and ₹50,000 on 1st April, 2012 for this. Singh expressed his willingness to admit Shakti as a partner without capital, who is specially abled but a very creative and intelligent friend of his. Gupta agreed to this. The terms of partnership were as follows :

i. Singh, Gupta and Shakti will share profits in the ratio of 2:2:1.

ii. Interest on capital will be provided @ 6% p.a.

Due to shortage of capital, Singh contributed ₹25,000 on 30th September, 2012 and Gupta contributed ₹10,000 on 1st January, 2013 as additional capital. The profit of the firm for the year ended 31st March 2013 was ₹1,68,900.

a. Identify any two values which the firm wants to communicate to the society.

b. Prepare Profit and Loss Appropriation Account for the year ending 31st March, 2013.

14. On 1st April, 2012, Micro-tech Ltd. was formed with an authorised capital of ₹50,00,000 divided into 5,00,000 equity shares of ₹10 each. The company issued prospectus inviting applications for 4,50,000 equity

shares. The company received applications for 4,20,000 equity shares.
During the first year, ₹8 per share were called. Ram holding 1,000 shares and Rajesh holding 2,000 shares did not pay the first call of ₹2 per share. Rajesh's shares were forfeited after the first call and later on 1,500 of the forfeited share were re-issued at ₹6 per share, ₹8 called up.
Show the following:

a. Share Capital in the Balance Sheet of the company as per revised Schedule VI Part I of the Companies Act, 1956.
b. Also prepare 'Notes to Accounts' for the same.

15. Rajeev, Sanjeev and Jatin were partners in a firm manufacturing blankets. They were sharing profits in the ratio of 5 : 3 : 2. Their capitals on 1st April, 2012 were ₹1,00,000, ₹2,00,000 and ₹4,00,000 respectively. After the flood in Uttarakhand, all partners decided to help the flood victims personally.
For this Rajeev withdrew ₹10,000 from the firm on 1st October, 2012. Sanjeev instead of withdrawing cash from the firm took blankets amounting to ₹14,000 from the firm and distributed those to the flood victims. On the other hand, Jatin withdrew ₹1,50,000 from his capital on 31st December, 2012 and set up a centre to provide medical facilities in the flood affected area.
The partnership deed provides for charging interest on drawings @ 6% p.a. After the final accounts were prepared it was discovered that interest on 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 the society.

16. Hanif and Jubed were partners in firm in a sharing profit in the ratio of 4:1. On 31st march ,2013 their Balance Sheet was as follows:

Balance Sheet of Hanif and Jubed as on 31st March ,2013

Liabilities		₹	Assets	₹
Creditors		1,50,000	Bank	2,00,000
Workman Companion Fund		3,00,000	Debtors	3,40,000
General Reserve		75,000	Stock	1,50,000
Hanif's Current Account		25,000		
Capital's:			Furniture	4,60,000
Hanif	10,00,000		Machinery	8,20,000
Jubed	5,00,000	15,00,000	Jubed's Current Account	80,000
		20,50,000		**20,50,000**

On the above date the firm was dissolved:

a. Debtors were realised at a discount of 5%, 50% of the stock was taken over by Hanif at 10% less than the book value. Remaining stock was sold for ₹65,000.
b. Furniture was taken over by Jubed for ₹1,35,000. Machinery was sold as scrap for ₹74,000.
c. Creditors were paid in full.
d. Expenses on realisation ₹8,000 were paid by Hanif. Prepare Realisation Account.

17. Shikhar and Rohit were partners in a firm Sharing profit in the ratio 7:3 On 1st April , 2013 they admitted Kavi as a new partners for ¼ share in profit of the firm. Kavi brought ₹4,,30,000 as his capital and ₹25,000 for his share of goodwill Premium. The Balance Sheet of Shikhar and Rohit as on 1st April, 2013 was as follows:

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

Liabilities		₹	Assets		₹
Capital:			Land and Building		3,50,000
Shikhar	8,00,000		Machinery		4,50,000
Rohit	3,50,000	11,50,000	Debtors	2,20,000	
General Reserve		1,00,000	Less: Provision	20,000	2,00,000
Workman's Compensation Fund		1,00,000	Stock		3,50,000
Creditors		1,50,000	Cash		1,50,000
		15,00,000			**15,00,000**

It was agreed that:

i. The value of Land and Building will be appreciated by 20%.

ii. The value of Machinery will be depreciated by 10%.

iii. The liabilities of Workmen's Compensation Fund was determined at ₹50,000.

iv. Capitals of Shikhar and Rohit will be adjusted on the basis of Kavi's capital and actual cash to be brought in or to be paid off as the case may be.

Prepare Revaluation Account, Partners' Capital Accounts and the Balance Sheet of the new firm.

OR

L,M and N were partners in a firm sharing profits in the ratio of 2 : 1 : 1. On 15' April, 2013 their Balance Sheet was follows:

Balance Sheet of L, M and N as on 1st April, 2013

Liabilities		₹	Assets		₹
Capital:			Land		8,00,000
L	6,00,000		Building		6,00,000
M	4,80,000		Furniture		2,40,000
N	4,80,000	15,60,000	Debtors	4,00,000	
General Reserve		4,40,000	Less: Provision	20,000	3,80,000
Workman's Compensation Fund		3,60,000	Stock		4,40,000
Creditors		2,40,000	Cash		1,40,000
		26,00,000			**26,00,000**

On the above date N retired.

The following were agreed:

i. Goodwill of the firm was valued at ₹6,00,000.

ii. Land was to be appreciated by 40% and Building was to be depreciated by ₹1,00,000. Furniture was to be depreciated by ₹30,000.

iii. The liabilities for Workmen's Compensation Fund was determined at ₹1,60,000.

iv. Amount payable to N was transferred to his loan account.

v. Capitals of L and M were to be adjusted in their new profit sharing ratio and for this purpose current accounts of the partners will be opened. Prepare Revaluation Account, Partners' Capital Accounts and the Balance Sheet of the new firm.

18. NY Ltd. invited applications for issuing 90,000 equity shares of ₹10 each at a premium of ₹5 per share. The amount was payable as follows:

On applications and allotment - ₹10 per share (including premium)

On first and final call - the balance amount

Applications for 2,70,000 shares were received. Applications for 90,000 shares were rejected and money refunded. Shares were allotted on pro-rata basis to the remaining applicants. The first and final call was made. The amount was duly received except on 1.800 shares applied by Govind. His shares were forfeited. The forfeited shares were re-issued at ₹ 8 per share fully paid-up.

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

OR

GY Ltd. invited applications for issuing 85,000 equity shares of ₹10 each at a discount of 10%. The amount was payable as follows:

On applications and allotment - ₹4 per share

On first and final call - the balance amount

Application for 2,00,000 shares were received. Applications for 30,000 shares were rejected and money refunded. Shares were allotted on pro-rata basis to the remaining applicants. The first and final call was made. All money was received except on 1,700 shares applied by Hari. His shares were forfeited. The forfeited shares were re-issued at the maximum discount permissible under the law.

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

Section- B

19. Why is 'Cash Flow statement' prepared? State.

20. What is meant by 'Cash equivalents' while preparing Cash Flow Statement?

21. State any one objective of financial statements analysis.

22. Under which major sub-headings the following items be placed in the Balance Sheet of a company as per revised Schedule-VI, Part-I of the Companies Act, 1956:

i. Capital Reserve
ii. Bonds
iii. Loans repayable on demand
iv. Vehicles
v. Goodwill
vi. Loose tools

23. From the following Statement of profit and loss of Ajanta Ltd, year ended 31st March ,2013, prepare a comparative statement of Profit and Loss :

Particular	**2012-13** ₹	**2011-12** ₹
Revenue from operation	20,00,000	18,00,000
Other expenses	4,00,000	6,00,000
Expenses	19,00,000	17,00,000

Rate of Income tax was 50%.

24. ***(a)*** The quick ratio of a company is 1.5: 1. State with reason which of the following transactions would

i. increase:
ii. decrease or
iii. not change the ratio:

1. Paid rent ₹3,000 in advance.
2. Trade receivables included a debtor Shri Ashok who paid his entire amount due ₹9,700.

(b) From the following information compute 'Proprietary Ratio'

	₹
Long Term Borrowings'	2,00,000
Long Term Provision	1,00,000
Current Liabilities	50,000
Non-Current-Assets	3,60,000
Current -Assets	90,000

25. Prepare a Cash Flow Statement from the information given in the balance sheet of Simco Ltd. As at 31-3-2013and 31-3-2012:

Particulars	Note No.	31-3-2013 ₹	31-3-2012 ₹
I. Equity and Liabilities			
1. Shareholders' Funds			
a. Equity share capital		2,00,000	1,50,000
b. Reserves and surplus		90,000	75,000
2. Non-current Liabilities			
a. Long term-borrowing		87,500	87,500
3. Current liabilities			
a. Trade payables		10,000	76,000
Total		**3,87,500**	**3,88,500**
II. Assets			
1. Non- Current assets:			
a. Fixed assets			
i. Tangible assets		1,87,500	1,40,000
b. Non –Current Investment		1,05,000	1,02,500
2. Current assets			
a. Current-Investment (marketable)		12,500	33,500
b. Inventory		4,000	5,500
c. Trade receivable		9,500	23,000
d. Cash and Cash equivalents		68,500	84,000
Total		**3,87,500**	**3,88,500**

Notes to Account:
Note -1

Particulars	2013 ₹	2012 ₹
Reserve and Surplus		
Surplus(balance in statement of profit and loss)	90,000	75,000

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All India Board Paper_Set3–2014- Solution

SECTION A

1. Answer :
Maximum amount of discount that can be allowed at the time of reissue is the amount received (or paid by) the original shareholder i.e. ₹7. ₹5 is called at the time of final call which includes premium amount also. Thus, it means that ₹7 are received from the shareholder.

2. Answer :
When there is a change in the existing partnership agreement which causes the termination of the agreement and a new partnership agreement comes into form it is called as 'Reconstitution of a partnership firm'.

3. Answer :
The issue of debentures as an additional security against the loan in addition to the principal security is known as issue of debentures as collateral security.

4. Answer :
Calculation of Gaining Ratio:

$$\text{X : Y : Z}$$

$$\text{Old Ratio}= \frac{1}{2}:\frac{3}{10}:\frac{1}{5}$$

$$\frac{5:3:2}{10}$$

New Ratio = 3:2

Gaining Ratio= New Ratio -Old Ratio

$$\text{Y's Gain}= \frac{3}{5}-\frac{3}{10}=\frac{3}{10}$$

$$\text{Z's Gain}= \frac{2}{5}-\frac{2}{10}=\frac{2}{10}$$

Gaining Ratio= 3:2

5. Answer :
The new partner on admission acquires the two rights:

i. Right to share the future profits of the partnership firm.
ii. Right to share the assets of the partnership firm.

6. Answer:

Basis of Difference	Dissolution of Partnership	Dissolution of Partnership Firm
Court's Intervention	Court does not intervene.	Dissolution of partnership firm can be done with the intervention of the court.

7. Answer :
The subscribed shares are less than the minimum subscription required (90%). Thus, D Ltd. cannot proceed with allotment of shares.

8. Answer :

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
2012 Sept.30	Debenture Interest A/c $\left(5{,}00{,}000 \times \frac{10}{100} \times \frac{6}{12}\right)$ Dr.		25,000	
	To Income Tax Payable A/c (25,000 ×10%)			2,500
	To Debenture holders' A/c			22,500
	(Being amount of interest due for 6 month and tax deducted at source)			
Sept. 30	Debenture holders' A/c Dr.		22,500	
	To Bank A/c			22,500
	(Being interest paid to the debenture holders)			
Sept.30	Income Tax Payable A/c Dr.		2,500	
	To Bank A/c			2,500
	(Being payment of tax on interest on denatures)			
2013 Mar.31	Debenture Interest A/c $\left(5{,}00{,}000 \times \frac{10}{100} \times \frac{6}{12}\right)$ Dr.		25,000	
	To Income Tax Payable A/c (12,000 ×10%)			2,500
	To Debenture holders' A/c			22,500
	(Being amount of interest due for 6 month and tax deducted at source)			
Mar.31	Debenture holders' A/c Dr.		22,500	
	To Bank A/c			22,500
	(Being interest paid to the debenture holders)			
Mar.31	Income Tax Payable A/c Dr.		2,500	
	To Bank A/c			2,500
	(Being payment of tax on interest on denatures)			
Mar.31	Statement of Profit and Loss A/c Dr.		50,000	
	To interest on debentures A/c			50,000
	(Being interest or debentures transferred to statement of profit and loss)			

9. Answer :

Books of Sunrise Ltd.
Journal Entry

Date	Particulars	L.F.	Debit ₹	Credit ₹
	9% Debenture A/c Dr.		50,000	
	To Debenture holder A/c			45,000
	To Discount on issue of debenture A/c			5,000
	(Being 500 12% debenture of ₹100 each issue at a discount of 10% due for redemption)			
	Debenture A/c Dr.		45,000	
	To Equity share capital A/c			36,000
	To Securities premium A/c			9,000
	(Being payment made to debenture holder by issuing 360 equity share of ₹100 each at premium of ₹25%)			

Working Note:

$$\text{Number of Equity share issued} = \frac{\text{Amount Payable to Debentureholder}}{\text{Price of a Share}}$$

$$\text{Number of Equity share issued} = \frac{45,000}{125(100+25)} = 360 \text{ Equity share}$$

Books of Britannia Ltd.
Journal Entry

Date	Particulars	L.F.	Debit ₹	Credit ₹
	12% Debenture A/c Dr. To Debenture holder A/c To Discount on issue of Debentures A/c (Being 3,000 12% debenture of ₹100 each(issued at discount of 10%) due for redemption)		3,00,000	 2,70,000 30,000
	Debenture A/c Dr. Discount A/c Dr. To Equity share capital A/c (Being payment made to debenture holder by issuing 3,000 equity share of ₹100 each issued at discount of ₹10)		2,70,000 30,000	 3,00,000

Working Note:

$$\text{Number of Equity share issued} = \frac{\text{Amount Payable to Debentureholder}}{\text{Price of a Share}}$$

$$\text{Number of Equity share issued} = \frac{2,70,000}{90} = 3,000 \text{ Equity share}$$

10. Answer:

Journal Entry

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Cash A/c Dr. To Somesh's Capital A/c (Being somesh brought his share capital)		1,20,000	 1,20,000
	Somesh's Capital A/c Dr. To Hemant's Capital A/c To Naresh's Capital A/c (Being share of goodwill brought in by somesh, distributed among sacrificing partners in sacrificing ratio 3:2)		44,000	 26,400 17,600

Calculation of Profit sharing Ratio:

Hemant :Naresh

Old Ratio = $3:2$

Somesh Share = $\frac{1}{5}$

Let the total share of the firm =1

Remaining share of the firm =$1-\frac{1}{5}=\frac{4}{5}$

$\text{Hemant's New Share} = \frac{3}{5}\times\frac{4}{5}=\frac{12}{25}$

$\text{Naresh's New Share} = \frac{2}{5}\times\frac{4}{5}=\frac{8}{25}$

New profit Sharing Ratio =$\frac{12}{25}:\frac{8}{25}:\frac{1}{5}$

$\frac{12:8:5}{25}$

Sacrificing Ratio = old Ratio - New Ratio

$\text{Hemant's Sacrifice} = \frac{3}{5}-\frac{12}{25}=\frac{3}{25}$

$\text{Naresh's Sacrifice} = \frac{2}{5}-\frac{8}{25}=\frac{2}{25}$

Sacrificing Ratio= $3:2$

Calculation of Somesh's share of Goodwill:

Total Capitalised Value of Firm = Capital brought in by Somesh x Reciprocal of his share

$\text{Total Capitalised Value of Firm} = 1{,}20{,}000\times\frac{5}{1}= 6{,}00{,}000$

Net Worth = Capital of Hemant +Capital of Naresh + Capital of Somesh

Net Worth = 1,60,000 +1,00,000+1,20,000 = ₹3,80,000

Goodwill of the Firm = Total Capitalised Value of the Firm —Net Worth

Goodwill of the Finn = 6,00,000 - 3,80,000 =₹2,20,000

$\text{Somesh's share of Goodwill} = 2{,}20{,}000\times\frac{1}{5}= 44{,}000$

Hemant will get = $44{,}000 \times\frac{3}{5}=26{,}400$

Naresh will get = $44{,}000\times\frac{2}{5}=17{,}600$

11. Answer :

Sonika's Capital Account

Dr. **Cr.**

Particulars	₹	Particulars	₹
		By Balance b/d	1,50,000
To Executor's A/c	4,74,500	By Monika's Capital A/c	1,60,000
		By Mansha's capital A/c	80,000
		By Profit and Loss suspense A/c	20,000
		By Reserve Fund A/c	60,000
		By Interest on capital A/c	4,500
	4,74,500		**4,74,500**

Calculation of Gaining Ratio of Monika and Mansha:

Monika : Sonika : Mansha

Old Ratio = 2 : 2 : 1

New Ratio of Monika and Mansha = 2 : 1

Gaining Ratio= New Ratio - old Ratio

Monika's Gain= $\frac{2}{3}-\frac{2}{5}=\frac{4}{15}$

$\text{Mansha'sGain} = \frac{1}{3}-\frac{1}{5}=\frac{2}{15}$

Gaining Ratio= 4:2 or 2:1

WN1: Calculation of Sonika's Share of Goodwill:

Goodwill of the firm = Average Profit $\times$Number of year's purchese

Goodwill of the firm = 2,00,000 $\times 3 = 6,00,000$

share of Goodwill of Sonika's = $6,00,000\times\frac{2}{5}=$ 2,40,000

Monika Will give = $2,40,000\times\frac{2}{3}=$ 1,60,000

Mansha will give = $2,40,000\times\frac{1}{3}=80,000$

WN2 : Calculation of Profit share of Sonika :

Profit for the year =2,00,000

Sonika'share of Profit = $2,00,000\times\frac{3}{2}\times\frac{2}{5}=20,000$

WN3 : Calculation Of Interest on Sonika's capital :

Sonika's Capital =1,50,000

Interest on Capital =$1,50,000\times\frac{3}{12}\times\frac{12}{100}=4,500$

WN4 : Sonika's share of Reserve fund :

Share of Reserve Fund =$1,50,000\times\frac{2}{5}=60,000$

12. Answer :

Journal Entries

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Furniture A/c Dr.		2,50,000	
	To M/s Furniture Mart A/c			2,50,000
	(Being furniture is purchased from m/s Furniture mart for ₹2,50,000)			
	M/s Furniture Mart A/c Dr.		2,50,000	
	To Equity share capital A/c			2,00,000
	To Securities Premium A/c			50,000
	(Being issue of 20,000 share at ₹10 each at a premium of 25%)			

Working Note:

Calculation of Number of shares to be issued (at Premium of 25%)

$$\text{No.of shares} = \frac{\text{purchaes price}}{\text{Issue Price}} = \frac{2,50,000}{12.5(10+2.5)} = 20,000 \text{ share}$$

(b)

Journal Entries

Date	Particulars		L.F.	Debit ₹	Credit ₹
	Plant A/c	Dr.		3,50,000	
	Land and Building A/c	Dr.		6,00,000	
	Stock A/c	Dr.		4,50,000	
	Goodwill A/c (Balancing Figure)	Dr.		2,00,000	
	To Sundry Creditors A/c				1,00,000
	To Aman Ltd. A/c				15,00,000
	(Being purchase of business from Aman ltd.)				
	Aman Ltd. A/c	Dr.		15,00,000	
	To Equity share capital A/c				12,00,000
	To Bank A/c				3,00,000
	(Being issue of 1,20,000 share of ₹10 each and remaining payment is made through bank draft)				

13. Answer :

(a) Value involved in the above scenario:

i. Environmental Conservation

ii. Encouraging Talent

(b)

Profit and Loss Appropriation Account
For the year ended April 01,2012

Dr. **Cr.**

Particulars		₹	Particulars	₹
To Interest on capital A/c:			By Profit and Loss A/c	1,68,900
Singh	6,750			
Gupta	3,150	9,900		
To Profit transferred to:				
Singh's capital A/c	63,600			
Gupta's Capital A/c	63,600			
Shakti's Capital A/c	31,800	1,59,000		
		1,68,900		**1,68,900**

Working Capital:

Calculation of Interest on Capital:

Interest on Singh's Capital:

On 1,00,000 for whole year:

$$1,00,000 \times \frac{6}{100} = 6,000$$

On 25,000 for 6 month (from Sept.30 to Mar. 31)

$$25,000 \times \frac{6}{100} \times \frac{6}{12} = 750$$

Total Interest on Singh's Capital = 6,000+ 750 = 6,750

Interest on Gupta's Capital:

On 50,000 for whole year:

$$50{,}000 \times \frac{6}{100} = 3{,}000$$

On 10,000 for 3 month (from Jan.01 to Mar. 31)

$$10{,}000 \times \frac{6}{100} \times \frac{3}{12} = 150$$

Total Interest on Singh's Capital = 3,000+ 150 = 3,150

14. Answer :

Balance Sheet
As at April 01,2012

Particulars	Note No.	₹
I. Equity and Liabilities		
1. Shareholders' fund		
a. Share capital		33,57,000
b. Reserve and Surplus		6,000
2. Non-Current Liabilities		
3. Current Liabilities		
Total		**33,63,000**
II. Assets		
1. Non-Current Assets		
2. Current Assets		
Cash and Cash Equivalents		33,63,000
Total		**33,63,000**

Note to Account

Note No.	Particulars		₹
1	**Share capital**		
	Authorised Capital		
	5,00,000 share of ₹10 each		50,00,000
	Issued capital		
	4,50,000 equity share of ₹10 each		45,00,000
	Subscribed Called up and paid up Capital		
	4,19,500 equity share of ₹8 each	33,56,000	
	Less: Calls-in- arrears (on 1,000 equity share @ ₹2 per Share)	(2,000)	
	Add: Share forfeiture(on 500 equity share)	3,000	**33,57,000**
2	**Reserve and Surplus**		
	Capital Reserve		**6,000**
8	**Cash and Cash Equivalents**		
	Cash at Bank		**33,63,000**

15. Answer :

Journal Entries

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Jatin's Capital A/c Dr.		1,656	
	To Rajeev's Capital A/c			1,185
	To Sanjeev's Capital A/c			471

	(Being interest on drawings has been changed, now adjusted)				

Adjusting Table:

Particular	Rajeev	Sanjeev	Jatin	Total
Interest on Drawings	300	420	2,250	2,970
Profit of ₹2,970 shared in Ratio 5:3:2(Cr.	1,485	891	594	2,970
Difference	**1,185 (Cr.)**	**471 (Cr.)**	**1,656 (Dr.)**	**Nil**

Working Notes:
Calculation of Interest Drawings:

$$\text{Interest on Rajeev's Drawings} = 10{,}000 \times \frac{6}{100} \times \frac{6}{12} = 300$$

$$\text{Interest on Sanjeev's Drawings} = 14{,}000 \times \frac{6}{100} \times \frac{6}{12} = 420$$

$$\text{Interest on Jatin's Drawings} = 1{,}50{,}000 \times \frac{6}{100} \times \frac{3}{12} = 2{,}250$$

Values Based in the above scenario are as follows:

i. Duty for Nation
ii. Upliftment of Victims

16. Answer :

Realisation Account

Dr. **Cr.**

Particulars		₹	Particulars		₹
To Sundry Asset A/c			By Sundry Liabilities A/c		
Debtors	3,40,000		Creditors		1,50,000
Stock	1,50,000				
Furniture	4,60,000		By Bank A/c:		
Machinery	8,20,000	17,70,000	Debtors	3,23,000	
			Stock	65,000	
To Bank A/c (Creditors paid off)		1,50,000	Machinery	74,000	4,62,000
To Hanif's Current A/c (Realisation Expenses)		8,000	By Hanif's Current A/c (stock)		67,500
			By Jubed's Current A/c (Furniture)		1,35,000
			By Loss transferred to:		
			Hanif's Current A/c	7,42,333	
			Jubed's Current A/c	3,71,167	11,13,500
		19,28,000			**19,28,000**

17. Answer:

Revaluation Account

Particulars		₹	Particulars	₹
To Machinery A/c		45,000	By Land and Building A/c	70,000
To Profit transferred to:				
Shikhar's Capital A/c	17,500			
Rohit's Capital A/c	7,500	25,000		
		70,000		**70,000**

Partners' Capital Account

Particulars	Shikhar	Rohit	Kavi	Particulars	Shikhar	Rohit	Kavi
To Balance c/d	9,40,000	4,10,000	4,30,000	Balance b/d	8,00,000	3,50,000	
				By General Reserve A/c	70,000	30,000	
				By Workman Compensation Fund A/c	35,000	15,000	
				By Cash A/c			4,30,000
				By Premium for Goodwill A/c	17,500	7,500	
				By Revaluation A/c (profit)	17,500	7,500	
	9,40,000	**4,10,000**	**4,30,000**		**9,40,000**	**4,10,000**	**4,30,000**
To Cash A/c	37,000	23,000		Balance b/d	9,40,000	4,10,000	4,30,000
To Balance c/d	9,03,000	3,87,000	4,30,000				
	9,40,000	**4,10,000**	**4,30,000**		**9,40,000**	**4,10,000**	**4,30,000**

Balance Sheet
As on April 01,2013 after Kavi's admission

Liabilities		₹	Assets		₹
Liabilities for Workmen's Compensation		50,000	Land and Building		4,20,000
Creditors			Machinery	4,50,000	
Capital:			Less: Depreciation @10%	(45,000)	4,05,000
Shikhar	9,03,000		Debtors	2,20,000	
Rohit	3,87,000		Less: Provision	(20,000)	2,00,000
Kavi	4,30,000	17,20,000	Stock		3,50,000
			Cash		5,45,000
		19,20,000			**19,20,000**

Working Note:

Calculation of Profit of shareing Ratio

Shikhar : Rohit

Old Ratio = 3 : 2

Kavi's Share $=\frac{1}{4}$

Let the total share of the firm =1

Remaining share of the firm $=1-\frac{1}{4}=\frac{3}{4}$

Shikhar's New Share = $\frac{7}{10}\times\frac{3}{4}=\frac{21}{40}$

Rohit's New Share = $\frac{3}{10}\times\frac{3}{4}=\frac{9}{40}$

New Profit Shareing ratio = $\frac{21}{40}:\frac{9}{40}:\frac{1}{4}$

$\frac{21:9:10}{40}$

Scarificing Ratio = Old Ratio - New Ratio

Shikhar's Sacrifice $=\frac{7}{10}-\frac{21}{40}=\frac{7}{40}$

Rohit's Sacrifice $=\frac{3}{10}-\frac{9}{40}=\frac{3}{40}$

Sacrificing Ratio = 7: 3

WN1 : Distribution of Goodwill brought in by Kavi :

Shikhar will get = $25{,}000\times\frac{7}{10}=17{,}500$

Rohit will get = $25{,}000\times\frac{3}{10}=7{,}500$

WN2 : Distribution of Workmen's Compensation Fund

Shikhar will get = $50{,}000\times\frac{7}{10}=35{,}000$

Rohit will get = $50{,}000\times\frac{3}{10}=15{,}000$

WN3 : Distribution of General Reserve :

Shikhar will get = $1{,}00{,}000\times\frac{7}{10}=70{,}000$

Rohit will get = $1{,}00{,}000\times\frac{3}{10}=30{,}000$

WN4 : Adjustment of Capital

Total Capital of the firm = Capital brought in by Kavi $\times$Reciprocal of her share

Capital Brought in by Kavi = 4,30,000

Total Capital of the Firm = $4{,}30{,}000\times\frac{4}{1}=17{,}20{,}000$

Shikahr's New Capital = $17{,}20{,}000\times\frac{21}{40}=9{,}03{,}000$

Rohit's New Capital = $17{,}20{,}000\times\frac{9}{40}=3{,}87{,}000$

OR

Revaluation Account

Particulars		₹	Particulars	₹
To Building A/c		1,00,000	By Land A/c	3,20,000
To Furniture A/c		30,000		
To Revaluation Profit				
L's Capital A/c	95,000			
M's Capital A/c	47,500			
N's Capital A/c	47,500	1,90,000		
		3,20,000		**3,20,000**

Partners' Capital Account

Particulars	L	M	N	Particulars	L	M	N
To N's Capital A/c	1,00,000	50,000		By Balance b/d	6,00,000	4,80,000	4,80,000
To M Current A/c		1,20,000		By General Reserve A/c	2,20,000	1,10,000	1,10,000
To M Current A/c		1,20,000		By Revaluation Profit A/c	95,000	47,500	47,500
To N's Loan A/c			8,37,500	By Workmen Compensation fund	1,00,000	50,000	50,000
				By L's Capital A/c			1,00,000
To Balance c/d	10,35,000	5,17,500		By M's Capital A/c			50,000
				By L's Current A/c	1,20,00		
	11,35,000	**6,40,000**	**8,37,500**		**11,35,000**	**6,40,000**	**8,37,500**

Balance Sheet
As on April 01,2012 after N's retirement

Liabilities	₹	Assets		₹
L's Capital	10,35,000	Land		11,20,000
M's Capital	5,17,500	Building		5,00,000
Workmen Compensation Liability	1,60,000	Furniture		2,10,000
Creditors	2,40,000	Stock		4,40,000
N's Loan	8,37,500	Cash		1,40,000
L's Current	1,20,000	Debtors	4,00,000	
		Less :Provision	(20,000)	3,80,000
		M's Current		1,20,000
	29,10,000			**29,10,000**

Working Notes:

Total Capital of L =10,15,000 – 1,00,000 = ₹9,15,000

Total Capital of M = 6,87,500 -50,000 = ₹6,37,500

Total Capital of new firm = 9,15,000 +6,37,500 = ₹15,52,500

The new Capital has to be in the new profit sharing ratio = 2:1

$$\text{Therefore, L's new capital} = 15{,}52{,}500 \times \frac{2}{3} = 10{,}35{,}000$$

$$\text{M's new Capital} = 15{,}52{,}000 \times \frac{1}{3} = 5{,}17{,}500$$

18. Answer**:**

Journal Entries
In the books of NY Ltd.

Date	Particulars		L.F.	Debit ₹	Credit ₹
	Bank A/c	Dr.		27,00,000	

	To share application and allotment A/c (Being share application and allotment received on 2,70,000 of ₹10 each including discount of ₹5 each)			27,00,000
	Share application and allotment A/c Dr. To Share capital A/c To Securities Premium A/c To Bank A/c To Share First and Final Call A/c (Being share application of 90,000 share transferred to share capital, share application and allotment on 90,000 shares refunded and rest is adjusted on share first and final call)		27,00,000	 4,50,000 4,50,000 9,00,000 9,00,000
	Share First and Final Call A/c Dr. To Share capital A/c (Being share first and final call due on 90,000 shares of ₹5 each)		4,50,000	 4,50,000

Computation Table								
Category	**Share Applied**	**Share Allotted**	**Money received on Application and Allotment @ ₹10 each including discount of ₹5 each**	**Money transfers to share capital @₹ 5 each**	**Money transfer to securities premium@ ₹5 each**	**Excess Application and Allotment money**	**Share first and final call due @₹5 each**	**Money Refunded**
I	90,000	Nil	9,00,000					9,00,000
II	1,80,000	90,000	18,00,000	4,50,000	4,50,000	9,00,000	4,50,000	
	2,70,000	90,000	27,00,000	4,50,000	4,50,000	9,00,000	4,50,000	9,00,000

Important Note: This question can't be solved further because the shareholder has already paid excess amount than required on first and final call as he has applied for 1,800 shares and 900 shares are allotted to him.

Working Note:

Those who applied for 1,80,000 shares, allotted = 90,000 Shares

$$\text{Those who applied for 600 shares, allotted} = 90{,}000 \times \frac{1{,}800}{1{,}80{,}000} = 900 \text{ share}$$

Share Application and Allotment received on 1,800 shares of ₹10 each (including discount of ₹5 each) = ₹18,000

Shares Allotted (900 $\times$10) =₹9,000

Excess Application and Allotment money received =₹9,000

Share First and Final Call due on 900 shares of its ₹5 each = ₹4,500

Excess Application and Allotment money received = ₹9,000

Now, he has already paid amount of Its ₹9,000 in excess at the time of application and allotment which is more than the amount due from him at the time of share final call. Thus, forfeiture is not possible in this case. Thus, this question has incomplete or wrong information, hence, cannot be solved fully.

OR

Journal Entries

Date	Particulars		L.F.	Debit ₹	Credit ₹
	Bank A/c	Dr.		8,00,000	
	To share application and allotment A/c				8,00,000
	(Being share application and allotment received on 2,00,000 of ₹4 each including discount of 10%)				
	Share application and allotment A/c	Dr.		8,00,000	
	Discount on issue A/c	Dr.		85,000	
	To share capital A/c				4,25,000
	To Bank A/c				1,20,000
	To share First and Final Call A/c				3,40,000
	(Being share application and allotment on 30,000 share refunded and excess application money adjusted on share first and final call)				
	Share First and Final Call A/c	Dr.		4,25,000	
	To share capital A/c				4,25,000
	(Being share first and final Call due on 85,000 shares of ₹5 each)				
	Bank A/c	Dr.		84,150	
	To Share First and Final Call A/c				84,150
	(Being share first and final call received)				
	Share Capital A/c	Dr.		8,500	
	To Share Forfeiture A/c				6,800
	To Share First and Final Call A/c				850
	To Discount issue of Share A/c				850
	(Being 850 share were forfeited for non-payment of share first and final of ₹5 each)				
	Bank A/c	Dr.		850	
	Discount on issue A/c	Dr.		850	
	Share forfeited A/c	Dr.		6,800	
	To share capital A/c				8,500
	(Being 850 forfeited share were re-issued as the maximum permissible amount of discount by law)				

Computation Table

Category	Share Applied	Share Allotted	Money received on Applicatio n and	Money transfers to share capital@ ₹5 each	Money transfer to securities Discount	Excess Applicati on and Allotmen t money	Share first and final call due @₹45	Amount receivabl e on share first and final call	Money Refunded

			Allotment @ ₹4 each	including Discount of 10%	@ ₹1 each		each	after adjustment	
I	30,000	Nil	1,20,000						1,20,000
II	1,70,000	85,000	6,80,000	4,25,000	85,000	3,40,000	4,25,000	85,000	
	2,00,000	85,000	8,00,000	4,25,000	85,000	3,40,000	4,25,000	85,000	1,20,000

Working Note:

Those who applied for 1,70,000 shares, allotted = 85,000 Shares

$$\text{Those who applied for 1,700 shares, allotted} = 85{,}000 \times \frac{1{,}700}{1{,}70{,}000} = 850 \text{ share}$$

Share Application and Allotment received on 1,700 glares of ₹4 each = ₹6,800

Shares Allotted (850 × 4) =₹3,400

Excess Application and Allotment money received = ₹3,400

Share First and Final Call due on 850 shares of ₹5 each = ₹4,250

Excess Application and Allotment money received = ₹3,400

Share First and Final Call not received = ₹850 (4,250- 3,400)

Therefore, Share First and final Call received = ₹84,150 (85,000 - 850)

SECTION- B

19. Answer :

Cash Flow Statement is prepared to ascertain gross inflows and outflows of cash and cash equivalents from business activities of operating, investing and financing.

20. Answer :

Cash Equivalents are short-term highly liquid investments that can be readily convertible into cash and are subject to an insignificant risk of change in value. They are held for the purpose of meeting short-term cash commitments. A few of the examples of cash equivalents are treasury bills, commercial bills, call money etc.

21. Answer :

Analysis of Financial Statements helps to know profitability of the business with respect to sales and investments.

22. Answer :

	Items	Major Heads
i.	Capital Reserves	Reserves and Surplus
ii.	Bonds	Non-current Investment
iii.	Loans repayable on demand	Short-Term Borrowings
iv.	Vehicles	Fixed Assets
v.	Goodwill	Fixed Assets
vi.	Loose Tools	Inventories

23. Answer :

Comparative Income Statement

For the years ended 31st March 2012 & 2013

Particulars	2012-13	2011-12	Absolute Change	% Change
i. Revenue from operations	20,00,000	18,00,000	2,00,000	11.11
ii. Other Income	4,00,000	6,00,000	(2,00,000)	(33.34)
iii. Total Revenue (I+II)	24,00,000	24,00,000	Nil	Nil
iv. Expense	19,00,000	17,00,000	2,00,000	11.76
Profit before Income Tax(III-IV)	5,00,000	7,00,000	(2,00,000)	28.57
Less: Income Tax	2,50,000	3,50,000	(1,00,000)	(28.57)
Profit after Income Tax	**2,50,000**	**3,50,000**	**(1,00,000)**	**28.57**

24. Answer :

(a)

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

1. Rent of ₹3,000 paid in advance will affect the current assets in two ways:
   Cash will reduce by ₹3,000.
   Pre-paid expenses will increase by Its 3,000.
   Quick Assets does not include pre-paid expenses. therefore, quick assets will reduce by ₹3,000 and subsequently, Quick ratio will also decrease.
2. A debtor of Its 9,700 paid his due amount will affect the quick assets in two ways:
   Increase in Cash by ₹9,700.
   Decrease in Debtors by ₹9,700.
   This simultaneous increase and decrease will not affect the value of quick assets and thus. There will be no change in the ratio

(b)

$$\text{Proprietary Ratio} = \frac{\text{Shareholder's Fund}}{\text{Total Assets}}$$

Total Assets = Total Liabilities + Shareholder's Funds

Total Assets = Current Assets + Non-Current Assets

= 90,000 + 3,60,000 = ₹4,50,000

Total Liabilities = Long-Term Borrowings + Long-Term Provisions – Current Li abilities

= 2,00,000 + 1,00,000 + 50,000 = ₹3,50,000

Therefore, Shareholder's funds = Total Assets –Total Liabilities

= 4,50,000 – 3,50,000 = ₹1,00,000.

$$\text{Therefore, Proprietary Ratio} = \frac{1,00,000}{4,50,000} = 0.22:1$$

25.

Cash Flow Statement
For the year ended March 31,2013

	Particulars	₹	₹
A	**Cash Flow from Operating Activities**		
	Profit as per statement of Profit and Loss	15,000	
	Profit Before Taxation	15,000	
	Operating Profit before Working Capital adjustment		**15,000**
	Add: Decrease in Current Assets		

	Trade Receivable	13,500	
	Inventories	1,500	15,000
	Less: Decrease in Current Liabilities		
	Trade Payable		(66,000)
	Net Cash Flow From Operating Activities		**36,000**
B	**Cash Flow Investing Activities**		
	Purchase Of Fixed Assets	(47,500)	
	Purchases Of Investment	(3,000)	
	Net Cash Flow From Operating Activities		**(50,500)**
C	**Cash Flow Financing Activities**		
	Proceeds from Issue Of Share Capital	50,000	
	Net Cash Flow from Financing Activities		**50,000**
D	Net Increases Or Decreases in Cash and Cash Equivalents		36,500
	Add: Cash and Cash Equivalents in the beginning of the period		1,17,500
	Cash and Cash Equivalents at the end of the period		**81,000**