CBSE
Class XII Accountancy
Delhi Board Paper_Set1_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. What is meant by 'Reconstitution of a partnership firm'?

2. X, Y and Z are partners sharing profit in ratio of 1/2, 2/5, and 1/10. Find the new ratio of remaining partners if Z retires.

3. Distinguish between 'Dissolution of partnership' and Dissolution of partnership firm 'on the basis of closure of Books.

4. Why heirs of a retiring/deceased partner are entitled to a share of goodwill of the firm?

5. Give the meaning of 'Debenture'?

6. What is the maximum amount of discount at which forfeited share can be re-issued?

7. Give any one purpose for which the amount received as 'Securities Premium' may be utilised.

8. Saloni and Shrishti were partners in a firm sharing profits in the ratio of 7:3. Their capitals were ₹2,00,000 and ₹1,50,000 respectively. They admitted Aditi on 1st April, 2013 as a new partner for $1/6^{th}$ share in future profits. Aditi brought ₹1,00,000 as her capital. Calculate the value of goodwill of the firm and record necessary journal entries for the above transaction on Aditi's admission.

9. BG. Ltd. issued 2,000, 12% debentures of ₹100 each on 1st April 2012. The issue was fully subscribed. According to the terms of issue, interest on the debentures is payable half-yearly on 30th September and 31st March and the tax deducted at source is 10%. Pass necessary journal entries related to the debenture interest for the half-yearly ending 31st March, 2013 and transfer of interest on debentures of the year to the Statement of Profit & Loss.

10. 'Pass necessary journal entries in the following cases :

i. Z Ltd redeemed 1500, 12% debentures of ₹100 each issued at a discount of 6% by converting them into equity shares of ₹100 each issued at a premium of ₹25 per share.

ii. X Ltd. converted 1,000, 12% debentures of ₹100 each issued at a discount of ₹10 per debenture into equity shares of ₹100 each ₹90 paid up.

11. Satnam and Qureshi after doing their MBA decided to start a partnership firm to manufacture 151 marked electronic goods for economically weaker section of the society. Satnam also expressed his willingness to admit Juliee as partner without capital who is specially abled but a very creative and intelligent friend of him. Qureshi agreed to this. They formed a partnership on 1st April 2012 on the following terms :

i. Satnam will contribute ₹4,00,000 and Qureshi will contribute ₹2,00,000 as capitals.

ii. Satnam, Qureshi and Juliee will share profits in the ratio of 2:2:1.

iii. Interest on capital will be allowed @ 6% p.a. Due to shortage of capital Satnam contributed ₹50,000 on 30th September, 2012 and Qureshi contributed ₹20,000 on 1st January, 2013 as additional capitals. The profit of the firm for the year ended 31st March, 2013 was ₹3,37,800.

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

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

12. Virad, Vishad and Roma were partners sharing profits in the ratio of 5 : 3 :2 respectively. On march 31, 2013, their Balance Sheet as under.

Liabilities		**Amount ₹**	**Assets**	**Amount ₹**
Capital:			Building	2,00,000
Virad	3,00,000		Machinery	3,00,000
Vishad	2,50,000		Patents	1,10,000
Roma	1,50,000	7,00,000	Stock	1,00,000
Reserve Fund		60,000	Debtors	80,000
Creditors		1,10,000	cash	80,000
		8,70,000		**8,70,000**

Virad died on October 1, 2013. It was agreed between his executors and the remaining partner's that:

a. Goodwill of the firm be valued at 2 ½ years purchase of average profits for the last three years. The average profits were ₹1,50,000.

b. Interest on capital be provided at 10% p.a.

c. Profit for the year 2013-14 be taken as having accrued at the same rate as that of the previous year which was ₹1,50,000.

Prepare Virad's Capital Account to be presented to his Executors as on October 1, 2013.

13. On 1st April, 2012; Vivek Ltd. Was formed with an authorized capital of ₹1,00,00,000 divided into 2,00,000 equity shares of ₹50 each. The company issued prospectus inviting applications for 1,80,000 shares. The issue price was payable as under:

On Application: ₹15

On Allotment: ₹20

On Call: Balance amount

The issue was fully subscribed and the company allotted shares to all the applicants. The company did not make the call during the year.

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.

14. Pass necessary journal entries for the following transactions in the books of Rajan Ltd :

a. Rajan Ltd. purchased machinery of ₹7,20,000 from Kundan Ltd. The payment was made to Kundan Ltd. by issue of equity shares of ₹100 each at 10% discount.

b. Rajan Ltd purchased a running business from Vikas Ltd. for a sum of ₹2,50,000 payable as ₹2,20,000 in fully paid equity shares of ₹10 each and balance by a bank draft. The assets and liabilities consisted of the following:
Plant & Machinery ₹90,000; Building ₹90,000; Sundry Debtors ₹30,000; Stock ₹50,000; Cash ₹20,000; Sundry Creditors ₹20,000.

15. Naveen, Seerat and Hina were partners in a firm manufacturing blanket. They were sharing profits in the ratio of 5:3:2. Their capitals on 1st April, 2012 were ₹2,00,000; ₹3,00,000 and ₹6,00,000 respectively. After the floods in Uttaranchal, all partners decided to help the flood victims personally.
For this Naveen withdrew ₹10,000 from the firm on 1st September; 2012. Seerat, instead of withdrawing cash from the firm took blankets amounting to ₹12,000 from the firm and distributed to the flood victims. On the other hand, Hina withdrew ₹2,00,000 from her capital on 1st January, 2013 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 that the partners wanted to communicate to the society.

16. Shanti and Satya 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 Shanti and Satya as on 31st March, 2013

Liabilities	Amount ₹	Assets	Amount ₹
Creditors	45,000	Bank	55,000
Workman Compention Fund	40,000	Debtors	60,000
Satya's Current Account	65,000	Stock	85,000
Capital's:		Furniture	1,00,000
Shanti	2,00,000	Machinery	1,30,000
Satya	1,00,000	Shanti's Current Account	20,000
	4,50,000		**4,50,000**

On the above date the firm was dissolved:

1. Shanti took over 40% of the stock at 10% less than its book value and the remaining stock was sold for ₹40,000. Furniture realized ₹80,000.
2. An unrecorded investment was sold for ₹20,000. Machinery was sold at a loss of ₹60,000.
3. Debtors realized ₹55,000.
4. There was an outstanding bill for repairs for which ₹19,000 were paid.

Prepare Realisation Account.

17. Mohan and Mahesh were partners in a firm sharing profit in the ratio 3:2. On 1st April, 2012 they admitted Nusrat as a partners in the firm. The Balance Sheet of Mohan and Mahesh on that date was as under:

Balance Sheet of Mohan and Mahesh as on 1st April, 2012

Liabilities		Amount ₹	Assets	Amount ₹
Creditors		2,10,000	Cash in hand	1,40,000
Workman's Compensation Fund		2,50,000	Debtors	1,60,000
General Reserve		1,60,000	Stock	1,20,000
Capital:			Machinery	1,00,000
Mohan	1,00,000		Building	2,80,000
Mahesh	80,000	1,80,000		
		8,00,000		**8,00,000**

It was agreed that:

i. The value of Building and Stock be appreciated to ₹3,80,000 and ₹1,60,000 respectively.

ii. The liabilities of workmen's compensation fund was determined at ₹2,30,000.

iii. Nusrat brought in her share of goodwill ₹1,00,000 in cash.

iv. Nusrat was to bring further cash as would make her capital equal to 20% of the combined capital of Mohan and Mahesh after above revaluation and adjustments are carried out.

v. The future profit sharing ratio will be Mohan 2/5th, Mahesh 2/5th, Nusrat 1/5th.

Prepare Revaluation Account, Partner's Capital Accounts and Balance Sheet of the new firm. Also show clearly the calculation of Capital brought by Nusrat.

OR

Kushal Kumar and Kavita were partners in a firm sharing profit in the ratio 3:1:1.

On 1st April ,2012 their Balance Sheet was as follows:

Balance Sheet of Kushal, Kumar and Kavita as on 1st April, 2012

Liabilities		Amount ₹	Assets		Amount ₹
Creditors		1,20,000	Cash		70,000
Bill payable		1,80,000	Debtors	2,00,000	
General Reserve		1,20,000	Less: Provision	10,000	1,90,000
Capital:			Stock		2,20,000
Kushi	3,00,000		Furniture		1,20,000
Kumar	2,80,000		Building		3,00,000
Kavita	3,00,000	8,80,000	Land		4,00,000
		13,00,000			**13,00,000**

On the above date Kavita retired and the following was agreed:

i. Goodwill of the firm was valued at ₹40,000.

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

iii. Value of furniture was to be reduced by ₹20,000.

iv. Bad debts reserve is to be increased to ₹15,000.

v. 10% of the amount payable to Kavita was paid in cash and the balance was transferred to her Loan Account.

vi. Capitals of Kushal and Kumar will be in proportion to their new profit sharing ratio. The surplus/deficit, if any in their Capital Accounts will be adjusted through Current Accounts.

Prepare Revaluation Account, Partners Capital Accounts and Balance Sheet of Kushal and Kumar after Kavita's retirement.

18. XYZ Ltd. invited applications for 40,000 equity shares of ₹100 each at a discount of 6%. The amount was payable as follows:
On Application and Allotment - ₹90 per share
On First and Final call - the balance amount
Applications for 60,000 shares were received. Applications for 10,000 shares were rejected and shares were allotted on pro-rata basis to remaining applicants. Excess application 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 50 shares, failed to pay the first and final call money. His shares were forfeited. All the forfeited shares were re-issued at ₹97 per share fully paid up. Pass necessary journal entries for the above transactions in the books of XYZ Ltd.

OR

AB Ltd. invited applications for issuing 75,000 equity shares of ₹100 each at a premium of ₹30 per share. The amount way payable as follows:
On Application and Allotment - ₹85 per share (including premium)
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 to 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 ₹150 per share fully paid up.
Pass necessary journal entries for the above transactions in the books of AB Ltd.

Section B

19. What is meant by 'Cash Equivalent' while preparing Cash Flow Statement?

20. State the objective of preparing 'Cash Flow statement'.

21. State any one limitation of Analysis of Financial Statement'.

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

i. Accrued Incomes
ii. Loose Tools
iii. Provision for employees benefits
iv. Unpaid dividend
v. Short-term loans
vi. Long-term loans.

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

Particulars	**2012-13** ₹	**2011-12** ₹
Revenue from operation	20,00,000	15,00,000
Other expenses	10,00,000	4,00,000
Expenses	21,00,000	15,00,000

Rate of Income tax was 50%.

24. *(a)* From the Following information , compute Debt-Equity 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

(b) The current ratio of X. Ltd is 2:1. State with reason which of the following transaction would

i. Increase or
ii. decrease or
iii. not change the ratio

1. Included in the trade payables was a bills payable of ₹9,000 which was met on maturity.
2. Company issued 1,00,000 equity shares of ₹10 each to the Vendors of machinery purchased.

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

Particulars	Note No.	31-3-2013 ₹	31-3-2012 ₹
i. Equity and Liabilities			
1. Shareholders' Funds			
a. Equity Share Capital		2,10,000	1,80,000
b. Reserves and Surplus		1,32,000	24,000
2. Non-current Liabilities	1		
a. Long term-borrowing		1,50,000	1,50,000
3. Current liabilities			
a. Trade Payables		75,000	27,000
Total		**5,67,000**	**3,81,000**
ii. Assets			
1. Non- Current assets			
a. Fixed Assets			
i. Tangible Assets		2,94,000	2,52,000
b. Non –Current Investment		48,000	18,000
2. Current assets			
a. Current-Investment (marketable)		54,000	60,000
b. Inventory		1,07,000	24,000
c. Trade Receivable		40,000	17,500
d. Cash and Cash equivalents		24,000	9,500
Total		**5,67,000**	**3,81,000**

Notes to Account:
Note 1

Particulars	2013 ₹	2012 ₹
Reserve and Surplus Surplus (balance in statement of profit and loss)	1,32,000	24,000

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SECTION A

1. **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'.

2. **Answer** :
Profit sharing ratio given as 1/2, 2/5 and 1/10 i.e. 5:4:1 after simplification.
Now, as Z retires; by striking of Z's share the new profit sharing ratio between X and Y will be 5:4.

3. **Answer** :

Basis of Difference	Dissolution of Partnership	Dissolution of Partnership Firm
Closure of Books	Books of accounts are not closed forever, as there is only change in the existing agreement between the partners.	Books of accounts are closed. As the business is discontinued.

4. **Answer** :
The heirs of a retiring/deceased partner are entitled to a share of goodwill of the firm as it is the result of the combined efforts of all the partners.

5. **Answer** :
A debenture is a written debt instrument issued in the form of a certificate containing provisions regarding the repayment of the principal sum after a fixed period of time and payment of interest at regular intervals.

6. **Answer** :
The maximum amount of discount that can be allowed at the time of reissue depends upon the following two circumstances:
   1. In case of the forfeited shares were originally issued at par or at premium, then these shares can be reissued with the maximum discount = amount forfeited on the re-issued share.
   2. In case of the forfeited shares were originally issued at discount, then these forfeited shares can be reissued with the maximum discount equal = amount forfeited on the re-issued share + the discount allowed at the time of original issue.

7. **Answer** :
As per the Section 78 of the Companies Act of 1956, states the use of the amount received as 'Securities Premium' one of which is issue of bonus shares to the members of the company.

8. **Answer** :
Aditi is entered into partnership for $1/6^{th}$ share in future profits and contributed capital ₹1,00,000.
<u>Calculating the firm's capital</u>
Firm's Capital = New Partners' Capital x Reciprocal of her share i.e.. = 1,00,000 × 6 = ₹6,00,000
However, the total capital as at that date is ₹4,50,000 (i.e. 2,00,000 + 1,50,000 + 1,00,000)
Difference of 1,50,000 is hidden goodwill.
Aditi's share in goodwill = 1/6th of 1,50,000 = ₹ 25,000

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Cash A/c Dr. To Aditi's Capital A/c (Being capital brought on Aditi's admission)		1,00,000	 1,00,000
	Aditi's Capital A/c Dr. To Saloni's Capital A/c To Shrishti's Capital A/c (Being goodwill distributed in sacrificing ratio of 7:3)		25,000	 17,500 7,500

9. Answer :

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
2012 Sept.30	Debenture Interest A/c $\left(2,00,000\times\frac{12}{100}\times\frac{6}{12}\right)$ Dr. To Income Tax Payable A/c (12,000 ×10%) To Debenture holders' A/c (Being amount of interest due for 6 month and tax deducted at source)		12,000	 1,200 10,800
Sept. 30	Debenture holders' A/c Dr. To Bank A/c (Being interest paid to the debenture holders)		10,800	 10,800
Sept.30	Income Tax Payable A/c Dr. To Bank A/c (Being payment of tax on interest on denatures)		1,200	 1,200
2013 Mar.31	Debenture Interest A/c $\left(2,00,000\times\frac{12}{100}\times\frac{6}{12}\right)$ Dr. To Income Tax Payable A/c (12,000 ×10%) To Debenture holders' A/c (Being amount of interest due for 6 month and tax deducted at source)		12,000	 1,200 10,800
Mar.31	Debenture holders' A/c Dr. To Bank A/c (Being interest paid to the debenture holders)		10,800	 10,800
Mar.31	Income Tax Payable A/c Dr. To Bank A/c (Being payment of tax on interest on denatures)		1,200	 1,200
Mar.31	Statement of Profit and Loss A/c Dr. To interest on debentures A/c (Being interest or debentures transferred to statement of profit and loss)		24,000	 24,000

10. Answer

Z Ltd.
Journal

Date	Particulars		L.F.	Debit ₹	Credit ₹
	12% Debenture A/c	Dr.		1,50,000	
	To Debenture holder A/c				1,41,000
	To Discount on issue of debenture A/c				9,000
	(Being 1,500 12% debenture of ₹100 each issue at a discount of 6% due for redemption)				
	Debenture A/c	Dr		1,41,000	
	To Equity share capital A/c				1,12,800
	To Securities premium A/c				28,200
	(1,128 equity share of ₹100 each issued at premium of 25% debenture holders)				

Working Note:

$$\text{Number of share to be issued} = \frac{\text{Amount Payable}}{\text{Issue Price}} = \frac{1,41,000}{125} = 1,128 \text{ share}$$

X Ltd.
Journal

Date	Particulars		L.F.	Debit ₹	Credit ₹
	12% Debenture A/c	Dr.		1,00,000	
	To Debenture holder A/c				90,000
	To Discount on issue of debenture A/c				10,000
	(Being 1,000 12% debenture of ₹100 each issue at a discount of 6% due for redemption)				
	Debenture A/c	Dr		90,000	
	Discount on issue A/c	Dr.		10,000	
	To Equity share capital A/c				1,00,000
	(1,000 equity share of ₹100 each issued at premium of 10 debenture holders)				

$$\text{Number of share to be issued} = \frac{\text{Amount Payable}}{\text{Issue Price}} = \frac{90,000}{(100-10)} = \frac{90,000}{90} = 1,000 \text{ share}$$

11. Answer :

(a) Value involved in the above scenario:

i. Social Welfare

ii. Fulfilling Duties

(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	3,37,800
Satnam	25,500			
Qureshi	12,300	37,800		
To Profit transferred to:				
Satnam's capital A/c	1,20,000			
Qureshi's Capital A/c	1,20,000			
Juliee's Capital A/c	60,000	3,00,000		
		3,37,800		**3,37,800**

Working Note:

Calculation of Interest on Capital:

Total Interest on Satnam's capital =24,000+1,500= ₹25,500

Total Interest on Qureshi's Capital = 12,000+300 =₹12,300

12. Answer :

Virad's Capital Account

Dr. **Cr.**

Particulars	₹	Particulars	₹
		By Balance b/d	3,00,000
To Executor's A/c	5,70,000	By Vishad's Capital A/c	1,12,500
		By Roma Capital A/c	75,000
		By Profit and Loss Suspense A/c	37,500
		By Reserve Fund A/c	30,000
		By Interest on Capital A/c	15,000
	5,70,000		**5,70,000**

<u>Calculation of Gaining Ratio of Vishad and Roma:</u>

Virad: Vishad: Roma

Old Ratio = 5 : 3 : 2

New Ratio = 3 : 2

Gaining Ratio= New Ratio − Old Ratio

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

$$\text{Roma'sGain}=\frac{2}{5}-\frac{2}{10}=\frac{2}{10}$$

Gaining Ratio= 3:2

WN1: Calculation of Virad's Share of Goodwill:

Goodwill of the firm = Average Profit × Number of year's purchese

$$\text{Goodwill of the firm} = 1,50,000 \times 2\frac{1}{2} = 3,75,000$$

$$\text{share of Goodwill of Virad's} = 3,75,000\times\frac{5}{10} = 1,87,500$$

$$\text{Vishad Will give} = 1,87,500\times\frac{3}{5} = 1,12,500$$

$$\text{Roma will give} = 1,87,500\times 25 = 75,000$$

WN2 : Calculation of Profit share of Virad :

Profit for the year =1,50,000

$$\text{Virad'share of Profit} = 1,50,000\times\frac{6}{12}\times\frac{5}{10}=37,500$$

WN3 : Calculation Of Interest on Virad's capital :

Virad's Capital =3,00,000

$$\text{Virad's CApital} =3,00,000\times\frac{6}{12}\times\frac{5}{10}=15,000$$

WN4 : Virad's share of Reserve fund :

$$\text{Share of Reserve Fund} =60,000\times\frac{5}{10}=30,000$$

13. Answer :

Journal

Date	Particulars		L.F.	Debit ₹	Credit ₹
	Bank A/c	Dr.		27,00,000	
	To Share Application A/c				27,00,000
	(Being application for 1,80,000 share received @ 15 per share)				
	Share Application A/c	Dr.		27,00,000	
	To share capital A/c				27,00,000
	(Being share application money transferred to share capital)				
	Share Allotment A/c				
	To Share Capital A/c	Dr.		36,00,000	
	(Being share allotment money due on 1,80,000 share @ ₹20 each)				36,00,000
	Bank A/c	Dr.		36,00,000	
	To Share Allotment A/c				36,00,000
	(Being share allotment money received)				

Balance Sheet

Particulars	Note No.	₹
I. Equity and Liabilities		
1. Shareholders' fund		
a. Share capital	1	63,00,000
		63,00,000

Note to Accounts

Note No.	Particulars	₹
1	Share Capital	
	2,00,000 share of ₹50 each	1,00,00,000
	Issued Capital	
	1,80,000 share of ₹50 each	90,00,000
	Subscribed Capital	
	1,80,000 share of ₹50 each	90,00,000
	Called and paid –up capital	
	1,80,000 share of ₹35 each	**63,00,000**

14. Answer :

(a)

Journal Entries

Date	Particulars		L.F.	Debit ₹	Credit ₹
	Machinery A/c	Dr.		7,20,000	
	To Kundan A/c				7,20,000
	(Being machinery is purchased from Kundan Ltd. For ₹7,20,000)				

	Kundan Ltd. A/c Dr. Discount on Issue of share A/c Dr. To Equity share capital A/c (Being issue of 8,000 share at ₹100 each at a discount of ₹10 per share)		7,20,000 80,000	 8,00,000

Working Note:

Calculation of Number of shares to be issued (at discount of Rs 10)

$$\text{No.of shares} = \frac{\text{Purchaes Price}}{\text{Issue Price}} = \frac{7,20,000}{90(100-10)} = 8,000 \text{ share}$$

(b)

Journal Entries

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Plant and Machinery A/c Dr. Building A/c Dr. Sundry Debtors A/c Dr. Stock A/c Dr. Cash A/c Dr. To Creditors A/c To Vikash Ltd. A/c To Capital Reserve A/c (balancing Figure) (Being purchase of business from vikash ltd.)		90,000 90,000 30,000 50,000 20,000	 20,000 2,50,000 10,000
	Vikas Ltd. A/c Dr. To Equity Share Capital A/c To Bank A/c (Being issue of 22,000 share of ₹10 each and remaining payment is made through bank draft)		2,50,000	 2,20,000 30,000

Working Note:

Capital Reserve = Net Assets – Purchase Consideration

= ₹2,60,000 – ₹2,50,000

= ₹10,000

15. Answer :

Journal Entries

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Seerat's Capital A/c Dr. To Naveen's Capital A/c To Hima's Capital A/c (Being Omission of interest on drawings, now adjusted)		189	 35 154

Adjusting Table:

Particular	Naveen	Seerat	Hina	Total
Interest on Drawings(Dr.)	(350)	(450)	-	770
Profit of ₹ 770 shared in Ratio 5:3:2(Cr.	385	231	154	770
Difference	35(Cr.)	189(Dr.)	154(Cr.)	Nil

Working Notes:

Calculation of Interest Drawings:

Interest on Naveen's Drawings = 10,000 × 6/100 × 7/12 = ₹350

Interest on Seeerat's Drawings = 12,000 × 6/100 × 7/12 = ₹450

Note: The amount withdrawn by Hina (₹2,00,000) is withdrawal of capital and not drawings.

Values involved in the above scenario are as follows:

1. Duty for Nation
2. Upliftment of Victims

16. Answer :

Realosation Account

Dr. **Cr.**

Particulars		₹	Particulars		₹
To Sundry Asset			By Creditors A/c		45,000
Debtors	60,000		By Shanti's Current A/c (stock)		30,600
Stock	85,000		By Cash A/c (Assets Realised)		
Furniture	1,00,000		Stock	40,000	
Machinery	1,30,000	3,75,000	Furniture	80,000	
			Unrecorded Investment	20,000	
To Cash A/c (Liabilities)			Machinery	70,000	
Creditors	45,000		Debtors	55,000	2,65,000
Outstanding Bill	19,000	64,000			
			By Realisation Loss:		
			Shanti's Current A/c	78,720	
			Satya's Current A/c	19,680	98,400
		4,39,000			**4,39,000**

17. Answer :

Revaluation Account

Particulars		₹	Particulars	₹
To Revaluation Profit			By Building A/c	1,00,000
Mohan's Capital A/c	84,000		By Stock A/c	40,000
Mahesh's Capital A/c	56,000	1,40,000		
		1,40,000		**1,40,000**

Partners' Capital Account

Particulars	Mohan	Mahesh	Nusrat	Particulars	Mohan	Mahesh	Nusrat
To Balance c/d	3,92,000	2,08,000	1,20,000	By Balance b/d	1,00,000	80,000	
				By Cash A/c			1,20,000
				By General Reserve A/c	96,000	64,000	
				By Workman Comp. Fund A/c	12,000	8,000	
				By Revaluation A/c	84,000	56,000	
				By Premium for Goodwill A/c	1,00,000		
	3,92,000	**2,08,000**	**1,20,000**		**3,92,000**	**2,08,000**	**1,20,000**

Balance Sheet
as on April 01,2012 after Nusat's admission

Liabilities		₹	Assets	₹
Creditors		2,10,000	Cash in Hand (1,40,000+1,20,000+1,00,000)	3,60,000
Capital A/c:			Debtors	1,60,000
Mohan	3,92,000		Stock	1,60,000
Mahesh	2,08,000		Machinery	1,00,000
Nusrat	1,20,000	7,20,000	Building	3,80,000
Liability for Workman Compensation		2,30,000		
		11,60,000		**11,60,000**

Working Note:

WN1: Calculation of Sacrificing Ratio

Sacrificing Ratio= Old Ratio –New Ratio

$\text{Mohan} = \frac{3}{5} - \frac{2}{5} = \frac{1}{5}$

$\text{Mahesh} = \frac{2}{5} - \frac{2}{5} = 0$

As in this case, the entire sacrifice has been made by Mohan, so the entire goodwill of its 1,00,000 is credited to his Capital A/c

WN2 Calculation of Nusrat's Capital

Adjusted Capital of A = 3,92,000

Adjusted Capital of B = 2,08,000

Total Adjusted Capital = 6,00,000 (3,92,000+2,08,000)

Nusrat brings 20% of the total adjusted capital i.e. its 1,20,000 (20% of 6,00,000)

OR

Revaluation Account

Particulars	₹	Particulars		₹
To Building A/c	1,00,000	By Land		1,20,000
To Furniture A/c	20,000	By Revaluation A/c		
To Provision for bad-debts	5,000	Kushal	3,000	
		Kumar	1,000	
		Kavita	1,000	5,000
	1,25,000			**1,25,000**

Partners' Capital Account

Particulars	Kushal	Kumar	Kavita	Particulars	Kushal	Kumar	Kavita
To Kavita's Capital A/c	6,000	2,000		Balance b/d	3,00,000	2,80,000	3,00,000
To Revaluation loss A/c	3,000	1,000	1,000	By General Reserve A/c	72,000	24,000	24,000
To Kumar Current A/c		1,35,000		By Kushal's Capital A/c			6,000
To Cash A/c			33,100	By Kumar's Capital A/c			2,000
To Kavita's Loan A/c			2,97,900	By Kushal's Capital A/c	1,35,000		
Balance c/d	4,98,000	1,66,000					
	5,07,000	**3,04,000**	**3,32,000**		**5,07,000**	**3,04,000**	**3,32,000**

Balance Sheet
as on April 01,2012 after Kavita's retirement

Liabilities	₹	Assets	₹
Kushal's Capital	4,98,000	Land	5,20,000

Kumar's Capital	1,66,000	Building		2,00,000
Bill Payable	1,80,000	Furniture		1,00,000
Creditors	1,20,000	Stock		2,20,000
Kavita's Loan	2,97,900	Cash (70,000–33,100)		36,900
Kushal's Current	1,35,000	Debtors	2,00,000	
		Less :Provision	(15,000)	1,85,000
		Kumar's Current		1,35,000
	13,96,900			**13,96,900**

Working Notes:

Total Capital of Kushal = 3,72,000 – 3,000 = 3,69,000

Total Capital of Kumar = 3,04,000 – 1,000 =3,03,000

Total Capital of new firm = 3,69,000 + 3,03,000 = 6,72,000

The new capital has to be in the new profit sharing ratio = 3:1

$$\text{Therefore, Kushal's new capital} = 6{,}72{,}000 \times \frac{3}{4} = 5{,}04{,}000$$

$$\text{Kumar's new Capital} = 6{,}72{,}000 \times \frac{1}{4} = 1{,}68{,}000$$

18. Answer :

Journal Entries

Date	Particulars		L.F.	Debit ₹	Credit ₹
	Bank A/c	Dr.		54,00,000	
	To Equity Share Application and Allotment A/c				54,00,000
	(Being application money received on 60,000 share)				
	Share Application and Allotment A/c	Dr.		54,00,000	
	Discount on Issue of Share A/c	Dr.		2,40,000	
	To Equity share capital A/c				38,40,000
	To Equity share First and Final Call A/c				1,60,000
	To Bank A/c				16,40,000
	(Being application and allotment money is transferred adjusted and refund is done)				
	Equity Share First and Final Call A/c	Dr.		1,60,000	
	To Equity share capital A/c				1,60,000
	(Being first call due on 40,000 shares)				

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 50 shares and 40 shares are allotted to him $\left[\frac{40{,}000}{50{,}000} \times 50 = 40\right]$

Calculation of excess amount received from him

Amount received =50 × 90 = ₹4,500

Less: Amount that is to be received = 40 × 90 = ₹3,600

Excess money received = ₹900

Amount due on first and final call = 40x 4 = ₹160

Now, he has already paid amount of its 900 in excess at the time of application and allotment. Thus, forfeiture is not possible in this case.

Thus, this question has incomplete or wrong information, hence, cannot be solved fully.

Amount paid by 50,000 shares = ₹45,00,000

Less: Amount that is required to be paid	= (₹36,00,000)
Excess Application money received	= ₹9,00,000
Less: Amount due on first and final call	= (₹1,60,000)
Amount refunded through bank	=₹7,40,000
Add: Amount to be refunded	= ₹9,00,000
Total	= ₹16,40,000

OR

Journal Entries

Date	Particulars		L.F.	Debit ₹	Credit ₹
	Bank A/c	Dr.		1,08,37,500	
	To Share Application and Allotment A/c				1,08,37,500
	(Being share application and allotment received on 1,27,500 of ₹85 each including Premium of ₹30 each)				
	Share Application and Allotment A/c	Dr.		1,08,37,500	
	To Share Capital A/c				41,25,000
	To Securities Premium A/c				22,50,000
	To Bank A/c				23,37,500
	To Share First and Final Call A/c				21,25,000
	(Being share application of 75,000 share transferred to share capital, share application and allotment on 27,500 shares refunded and rest is adjusted on share first and final call)				
	Share First and Final Call A/c	Dr.		33,75,000	
	To Share Capital A/c				33,75,000
	(Being share first call due on 75,000 shares of ₹45 each)				
	Bank A/c	Dr.		12,37,500	
	To Share First and Final Call A/c				12,37,500
	(Being share first and final call received)				
	Share Capital A/c	Dr.		75,000	
	To Share Forfeiture A/c				62,500
	To Share First and Final Call A/c				12,500
	(Being 750 share, were forfeiture for non- payment of share first and final call of ₹45 each)				
	Bank A/c	Dr.		1,12,500	
	To Share Capital A/c				75,000
	To Securities Premium A/c				37,500
	(Being 750 forfeited share were re-issued at ₹150 eac fully paid up)				
	Share Forfeiture A/c	Dr.		62,500	
	To Capital Reserve A/c				62,500
	(Being share forfeiture transferred to capital reserve)				

Computation Table

Category	Share Applied	Share Allotted	Money received on App. and Allot. @ ₹85 each including premium of ₹30 each	Money transfers to share capital @ ₹ 85 each including premium of ₹ 30 each	Money transfer to securities premium @ ₹30 each	Excess Application and Allotment money	Share first and final call due @₹45 each	Amount receivable on share first and final call after adjustment	Money Refunded
I	27,500	Nil	23,37,500						23,37,500
II	1,00,000	75,000	85,00,000	41,25,000	22,50,000	21,25,000	33,75,000	12,50,000	-
	1,27,500	75,000	7,08,37,500	41,25,000	22,50,000	21,25,000	33,75,000	12,50,000	23,37,500

Those who applied for 1,00,000 share allotted =75,000 share.

Those who applied for 1,000 share, alloted $= 75{,}000 \times \frac{1{,}000}{1{,}00{,}000} = 750$ shares

Share Application and Allotment received on 1,000 shares of ₹85 each (including premium of ₹30 each) = ₹85,000

Shares Allotted (750×85) =₹63,750

Excess Application and Allotment money received = ₹21,250

Share First and Final Call due on 750 shares of ₹ 45 each = ₹33,750

Excess Application and Allotment money received = ₹21,250

Share First and Final Call not received = ₹12,500 (33,750 – 21,250)

Therefore, Share First and final Call received = ₹12,37,500 (12,50,000 – 12,500)

SECTION B

19. 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.

20. Answer :

A cash flow statement is prepared to ascertain the gross inflows and outflows of cash and cash equivalents from various business activities.

21. Answer :

The financial statement analysis are prepared considering historical costs and ignores the price level changes.

22. Answer :

Items	Major Heads

i.	Accrued income	Other Current Assets
ii.	Loose Tools	Inventories
iii.	Provision for Employees benefit	Short-Term Provision
iv.	Unpaid Dividend	Other Current Liabilities
v.	Short-term Loans	Short-Term Borrowings
vi.	Long-term Loans	Long-Term Borrowings

23. Answer :

Statement of Profit and Loss

For the years ended 31st March 2015 & 2016

Particulars	**2012-13**	**2011-12**	**Absolute Change**	**% Change**
i. Revenue from operations	20,00,000	15,00,000	5,00,000	33.33
ii. Other Income	10,00,000	4,00,000	6,00,000	150
iii. Total Revenue	30,00,000	19,00,000	11,00,000	57.89
iv. Expense	21,00,000	15,00,000	6,00,000	40
Profit before Income Tax(III-IV)	9,00,000	4,00,000	5,00,000	125
Less: Income Tax	4,50,000	2,00,000	2,50,000	125
Profit After Income Tax	4,50,000	2,00,000	2,50,000	125

24. Answer :

(a)

$$\text{Debt} - \text{Equity Ratio} = \frac{\text{Long} - \text{Term Debt}}{\text{Shareholder's Funds}}$$

Total Assets = total Liabilities + Shareholder's Funds

Total Assets = Current Assets + Non-Current Assets

= 1,80,000 + 720,000

= ₹9,00,000

Total Liabilities = Long-Term Borrowings + Long-Term Provisions + Current Liabilities

= 4,00,000 + 2,00,000 + 1,00,000

= ₹7,00,000

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

= 9,00,000 – 7,00,000

= ₹2,00,000

Long-Term Debt = Long Term Borrowings + Long-term Provisions

= 4,00,000 + 2,00,000

= ₹6,00,000

$$\text{Therefore, Debt} - \text{equity ratio} = \frac{6{,}00{,}000}{2{,}00{,}000} = 3:1$$

(b)

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

1. A bill payable of ₹ 9,000 was met on maturity will affect:
   Trade Payables will reduce by ₹9,000.
   Cash will reduce by ₹9,000.
   Simultaneous decrease in current assets and current liabilities will improve current ratio.

2. Issue of shares of ₹10,00,000 to vendor of Machinery will affect the following:
   Increase in the balance of machinery
   Increase in the amount of share capital
   There is no affect to the current liabilities or current assets. Thus, current ratio will remain unchanged.

25. Answer :

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	1,08,000	
	Profit Before Taxation	1,08,000	
	Operating Profit before Working Capital adjustment		1,08,000
	Less: Increase in Current Assets		
	Trade Receivable	(22,500)	
	Inventories	(83,000)	
	Add: Increase in Current Liabilities		
	Trade Payable	48,000	(57,500)
	Net Cash Flow From Investing Activities		**50,500**
B	**Cash Flow Investing Activities**		
	Purchase Of Fixed Assets	(42,000)	
	Purchases Of Investment	(30,000)	
	Net Cash used in Investing Activities		**(72,000)**
C	**Cash Flow Financing Activities**		
	Proceeds from Issue Of Share Capital	30,000	
	Net Cash Flow from Financing Activities		**30,000**
D	Net Increases Or Decreases in Cash and Cash Equivalents		8,500
	Add: Cash and Cash Equivalents in the beginning of the period		69,500
	Cash and Cash Equivalents at the end of the period		**78,000**