

**CBSE Class 12 Accountancy**  
**Sample Paper 07 (2020-21)**

**Maximum Marks: 80**

**Time Allowed: 3 hours**

**General Instructions:**

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

**Section A**

1. R, S and T are partners in a firm. They decided to share profits up to Rs. 10,000 in the ratio 30%, 50% and 20% respectively. Above this amount, profits are shared equally. If the profits of the firm for the year was Rs. 25,600. Distribute the profit.
  - a. R= ₹8,200, S= ₹10,200 and T= ₹7,200
  - b. R= ₹9,200, S= ₹7,200 and T= ₹8,200
  - c. R= ₹10,200, S= ₹9,200 and T= ₹7,200
  - d. R= ₹12,200, S= ₹8,200 and T= ₹7,200
2. A and B are partners in a firm sharing profits in the ratio of 4 : 3. They admit C as a new partner. New Ratio will be 2 : 3 : 1. Sacrificing ratio will be:
  - a. Only B is Sacrificing

- b. Only A is sacrificing  
 c. 4 : 3  
 d. 2 : 3
3. What is the formula to be used to calculate the number of shares to be issued to the Vendor?
- a.  $\frac{\text{Purchase Consideration}}{\text{Issue Price of a share}}$   
 b.  $\frac{\text{Purchase Consideration}}{\text{Called up capital}}$   
 c.  $\frac{\text{Purchase Consideration}}{\text{Face Value of share}}$   
 d.  $\frac{\text{Purchase Consideration}}{\text{Premium on share}}$
4. An advance receipt of subscription from a member of the non-profit organization is considered as a/an
- a. Equity  
 b. Expense  
 c. Liability  
 d. Asset
5. A and B share profits and losses in the ration of 5:2. They have decided to dissolve the firm. Assets and external liabilities have been transferred to Realisation A/c. An unrecorded Stock worth Rs 1,600 was taken over by B at Rs 1,200. What should be the journal entry?

a.

B's Capital A/c	Dr.	1,200	
To Realisation A/c			1,200

b.

B's Capital A/c	Dr.	200	
To Realisation A/c			200

c.

B's Capital A/c	Dr.	1,600	
To Realisation A/c			1,600

d.

B's Capital A/c	Dr.	400	

To Realisation A/c			400
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6. Share Forfeiture account is a \_\_\_\_\_.

- Nominal Account
- Fictitious Account
- Personal Account
- Real account

7. A and B share profits and losses in the ratio of 5:2. They have decided to dissolve the firm. Assets and external liabilities have been transferred to Realisation A/c. It is found that an unrecorded Computer was realized ₹7,000. How would you record it?

a.

Bank A/c	Dr.	7,000	
To Realisation A/c			7,000

b.

Computer A/c	Dr.	7,000	
To Realisation A/c			7,000

c.

Bank A/c	Dr.	7,000	
To Computer A/c			7,000

d.

Bank A/c	Dr.	700	
To Capital A/c			700

8. Ravi and Rakesh were partners in a firm sharing profits equally. With effect from 1st April 2020, they decided to share profit in the ratio of 2:1. Due to the change in profit sharing ratio, A's gain or sacrifice will be:

- Gain  $\frac{1}{3}$
- Sacrifice  $\frac{1}{6}$
- Sacrifice  $\frac{1}{3}$
- Gain  $\frac{1}{6}$

9. Fill in the blanks:

On the retirement of a partner, goodwill will be credited to the Capital Account of



- \_\_\_\_\_.
10. Which account is used to transfer the deceased partner's share of profit at the time of death of a partner in case of no change in profit sharing ratio:
    - a. Profit and Loss Suspense A/c
    - b. P/L Appropriation A/c
    - c. P/L Adjustment A/c
    - d. Partners capital account
  11. Which items are not shown in the credit side of the deceased partner's capital account during the death of a partner?
    - a. Share of accumulated reserves
    - b. Share of profit
    - c. Goodwill share of a deceased partner
    - d. Share of loss of firm
  12. Which of the following is not true in relation to goodwill?
    - a. All of these
    - b. It is a fictitious asset
    - c. It is an intangible asset
    - d. It has a realisable value
  13. A, B and C are partners. They admit D and guarantee that his share of profit will not be less than Rs. 20,000. Profits to be shared 4:3:3:2 respectively. Total profits were Rs. 96,000. It was agreed that deficiency amount (if any) payable to D over his share will be borne by A, B and C in the ratio of 3:2:1. Calculate the share of profit for each partner.
    - a. A= ₹33,000, B= ₹23,337, C= ₹23,333 and D= ₹40,000
    - b. A= ₹30,000, B= ₹23,667, C= ₹23,333 and D= ₹30,000
    - c. A= ₹30,000, B= ₹22,667, C= ₹23,333 and D= ₹10,000
    - d. A= ₹32,000, B= ₹22,667, C= ₹23,333 and D= ₹20,000
  14. How would the following items be treated while preparing the financial statements of a Silver sports club?

Particulars	Amount ₹
Prize Fund	44,000
Interest on Prize Fund Investments	6,000

Prizes Awarded	46,000
Match Expenses	64,000
Prize Fund Investments	44,000

OR

From the following information of a charitable dispensary, calculate the amount of medicines consumed during the year that would appear in the Income and Expenditure Account for the year ending 31st March 2019:

Particulars	Amount ₹
Stock of medicines on 1.4.2018	60,000
Creditors for medicines 1.4.2018	40,000
Stock of medicines 31.3.2019	10,000
Creditors for medicines 31.3.2019	25,000
Advances for medicines 31.3.2019	22,000
Credit purchases of medicines during the year	2,76,000
Cash purchases of medicines during the year	46,500

15. X and Y are partners in a firm. X gets a commission of 10% on the net profits before charging any commission and Y gets a commission of 10% on the net profits after charging all commission.

Compute the missing figures from the following Profit and Loss Appropriation Account for the year ended 31st March 2015.

**Profit and Loss Appropriation Account  
for the year ended on 31st March 2015**

Dr.					Cr.
Particulars		(Rs)	Particulars		(Rs)
		1,65,000			—

To X's Commission			By profit and loss A/c(By Net profit)	--	
To Y's Commission A/c		--			
To Profit Transferred to					
X's Capital A/c	--				
Y's Capital A/c	--	--			

OR

A, S and K are partners in a firm, sharing profits and losses in the ratio of 5:3:2. K is guaranteed ₹ 10,000 as her share in the profits. Any deficiency arising on that account shall be met by S alone. Profits for the years ending March 31, 2017, and 2018 are ₹ 40,000 and 60,000 respectively. Prepare Profit and Loss Appropriation Account.

16. 50 shares of Rs. 10 each, issued at as premium of Rs. 5 per share, were forfeited by Sohan Ltd. for the nonpayment of allotment money of Rs.9 per share (including premium). The first and final call on these shares at Rs. 3 per share was not made. Forfeited shares were re-issued @ Rs. 12 per share, fully paid up. Journalise.
17. Balance Sheet of a firm disclosed as a footnote, contingent liability for Rs. 5,000 in respect of a bill discounted. The bill was received from Z. Later on, it was learned that Z became insolvent and a dividend at 60% was received from his estate. Give the journal entry to record, the above event when the firm was dissolved.
18. Harry and Garry are partners in a firm. They have not entered into Partnership Deed but had agreed on the following:
  - i. Salary will be paid to Harry @ ₹10,000 per month.
  - ii. Garry will get commission @ 10% of Net Profit.
  - iii. Interest will be allowed on capitals @ 10% p.a.
  - iv. Interest will be charged on drawings @ 10% p.a.
  - v. A partner cannot be admitted without the consent of both the partners.

How will be the following disputes resolved?

- a. Garry demands to be paid salary as Harry is being paid because his commission is lower.



b. Harry demands that his sherry be admitted as a partner for 25% share to be given out of his share of profits to which Garry disagrees.

19. Prepare Income and Expenditure Account of Recreation Club for the year ending March 31, 2018, and Balance Sheet as on that date from the following Receipt And Payment Account:

**Receipt and Payment Account For the year ending on March 31, 2018**

Receipts		Amount (Rs)	Payments	Amount (Rs)
To Balance b/d		24,000	By Rent and Rates	48,750
To Subscriptions			By Furniture purchased	40,000
2016-17	23,250		By Creditors for sports materials	61,000
2017-18	3,36,000		By Purchases for sports materials	10,000
2018-19	13,000	3,72,250	By Cost of prizes awarded	20,750
To Sale of sports materials		26,000	By Match expenses	35,150
To Entrance fees		40,000	By Miscellaneous expenses	1,50,000
To General donation		20,250	By Balance c/d	1,34,050
To Donation for prize fund		14,000		
To Interest on prize fund Investments		1,500		
To Miscellaneous receipts		1,700		
		4,99,700		4,99,700

**Additional Information:**

Details	Apr. 01, 2017	Mar. 31, 2018

Sports materials	20,000	25,000
Furniture	2,00,000	?
5% Prize fund investments	60,000	?
Creditors for sports materials	7,000	14,750
Subscription in arrears	23,750	?
Prize fund	60,000	?
Rent paid in advance	-	3,750
Outstanding rent	3,750	
Outstanding miscellaneous expenses	11,400	20,100
Miscellaneous expenses paid in advance	3,750	4,250
Book value of sports materials sold was Rs. 20000		
Depreciation on furniture is to be provided @ 10%		
Half of the entrance fee is to be capitalised.		
There are 1440 members, each paying an annual subscription @ Rs. 250		
Subscription received in advance on 1.4.2017 were Rs. 7,000		

20. Pass necessary Journal entries for the issue of Debentures in the following cases:
- ₹ 40,000; 15% Debentures of ₹ 100 each issued at a discount of 10% redeemable at par.
  - ₹ 80,000; 15% Debentures of ₹ 100 each issued at a premium of 10% redeemable at a premium of 10%.
21. A and B are partners in 3:2. On 1st April, 2021, they admitted C into partnership. He paid Rs. 50000 as his capital but no amount was brought towards goodwill which was valued at Rs. 40000 for the firm. He acquired 1/5th share in the firm, equally from both partners. It was also decided that:
- Land and Building be written off by Rs. 20000.
  - Stock is written down by Rs. 3200.
  - A Provision of Rs. 1000 are to be created for Doubtful Debts.
  - An amount of Rs. 1200 included in creditors, be written back.



### Balance Sheet of A and B

Liabilities		Rs.	Assets	Rs.
Capital A/cs:			Goodwill	10000
A	86000		Land and Building	60000
B	<u>64000</u>	150000	Machinery	70000
General Reserve		20000	Stock	36000
Creditors		31200	Debtors	20000
			Bank	4000
			Cash	1200
		<u>201200</u>		<u>201200</u>

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

OR

Following was the Balance Sheet of A and B who sharing profits in 2:1 as at 31st March, 2021

### Balance Sheet

Liabilities		Rs.	Assets	Rs.
Creditors		32,950	Cash	600
Capitals:			Debtors	4850
A	15,000		Stock	10,000
B	<u>10,000</u>	25,000	Machinery	17,500
			Building	25,000
		<u>57,950</u>		<u>57,950</u>

C admitted as a partner on the following terms:

- C was to bring in Rs.7,500 as capital and Rs. 3,000 as his 1/4th share of goodwill.

- b. Stock and Machinery were to be reduced by 5%.
- c. A provision was to be created in respect of Debtors Rs. 375.
- d. Building was to be appreciated by 10%.

Prepare Revaluation Account, Capital Account and Balance Sheet after admission.

22. SK Ltd invited applications for issuing 3,20,000 equity shares of Rs. 10 each at a premium of Rs. 5 per share. The amount was payable as follows

On application — Rs. 3 per share (including premium Rs. 1 per share)

On allotment — Rs. 5 per share (including premium Rs. 2 per share)

On first and final call — Balance.

Applications for 4,00,000 shares were received. Applications for 40,000 shares were rejected and application money refunded. Shares were allotted on a pro-rata basis to the rest. Excess money received with applications was adjusted towards sums due on allotment. Jeevan holding 800 shares failed to pay the allotment money and his shares were immediately forfeited. Afterwards, final call was made, Ganesh, who had applied for 2,700 shares failed to pay the final call. His shares were also forfeited. Out of the forfeited shares 1,500 shares were reissued at Rs. 8 per share fully paid up. The re-issued shares included all the forfeited shares of Jeevan. Pass necessary journal entries for the above transactions in the books of the company.

OR

Dinesh Ltd invited applications for issuing 10,000 equity shares of Rs. 10 each. The amount was payable as follows

On application — Rs. 1

On allotment — Rs. 2

On first call — Rs. 3

On second and final call — Balance

The issue was fully subscribed. Ram, to whom 100 shares were allotted, failed to pay the allotment money and his shares were forfeited immediately after allotment. Shyam to whom 150 shares were allotted, failed to pay the first call. His shares were also forfeited after the first call. Afterwards, the second and final call was made. Mohan to whom 50 shares were allotted failed to pay the second and final call. His shares were also forfeited. All the forfeited shares were reissued @ Rs. 9 per share fully paid-up. The re-issued shares included all the shares of Ram. Pass necessary journal entries in the books of

Dinesh Ltd.

**Section B**

23. Which of the following is not considered as Cash Equivalents?
- Investment
  - Commercial papers
  - Short term deposits in the bank
  - Treasury bills
24. What does 'Return on Investment' indicate?
25. It helps in ascertaining change in the items of the income statement and Position Statement of different years in terms of figures and percentage.
- Ratio Analysis
  - Common Size statements
  - Trend Analysis
  - Comparative statements
26. The decrease in the Preference Share Capital means \_\_\_\_\_.
- No change in Preference share capital
  - Issue of Preference Shares
  - Redemption of Preference Shares
  - Proceeds from Preference shares
27. Dividend is paid on \_\_\_\_\_.
28. When the concept of the ratio is defined in respected to the items shown in the financial statements, it is termed as
- None of these
  - Accounting ratio
  - Financial ratio
  - Costing ratio
29. The following are the Profitability ratio except
- Net profit ratio
  - Operating profit ratio
  - Working capital turnover ratio
  - Gross profit ratio
30. Wye Ltd. has furnished the following information regarding its Current Assets and



Current Liabilities:

Particulars	(Rs.)	Particulars	(Rs.)
Cash	5,000	Sundry Creditors	30,000
Debtors	29,000	Bills Payable	16,000
Bills Receivable	5,000	Outstanding Expenses	8,000
Marketable Securities	15,000		
Stock	52,000		
Prepaid Expenses	2,000		

Calculate the Current Ratio and Liquid Ratio and comment on the liquidity of the company.

OR

Working Capital is ₹7,20,000; Trade Payables ₹40,000; Other Current Liabilities ₹2,00,000; calculate Current Ratio.

31. From the following Balance Sheet of Star Ltd. as at 31st March 2019, prepare Common-size Balance Sheet:

BALANCE SHEET as at 31st March 2019

Particulars	Note No.	31 st March, 2019 (₹)	31st March, 2018 (₹)
<b>I. EQUITY AND LIABILITIES</b>			
<b>1. Shareholders' Funds</b>			
(a) Share Capital		10,00,000	5,00,000
(b) Reserves and Surplus		2,00,000	3,00,000
<b>2. Non-Current Liabilities</b>			
Long-term Borrowings		8,00,000	5,00,000
<b>3. Current Liabilities</b>			

Trade Payables		4,00,000	2,00,000
<b>Total</b>		24,00,000	15,00,000
<b>II. ASSETS</b>			
<b>1. Non-Current Assets</b>			
Fixed Assets-Tangible Assets		15,00,000	10,00,000
<b>2. Current Assets</b>			
Cash and Cash Equivalents		9,00,000	5,00,000
<b>Total</b>		24,00,000	15,00,000

OR

From the following 'statement of profit and loss' for the year ended 31st March 2013, prepare a 'comparative statement of profit and loss of Good Services Ltd.

Particulars	Note No	2012-2013 Amt. (Rs.)	2011-2012 Amt. (Rs.)
Revenue from Operations		20,00,000	15,00,000
Other Incomes		10,00,000	4,00,000
Expenses		21,00,000	15,00,00

Rate of income tax was 50%.

32. From the following Balance Sheet of Vehalna Steel Ltd. as at 31st March 2017 and 31st March 2016. Prepare a Cash Flow Statement:

Particulars	Note No.	31st March 2017	31st March 2016
<b>I EQUITY AND LIABILITY</b>			
Shareholders fund			
Share Capital	1	700000	500000
Reserves and surplus	2	250000	325000
Non-Current Liabilities			

Long Term Borrowings	3	200000	250000
Current Liabilities			
Short Term Provisions	4	74000	49000
		1224000	1124000
Assets			
Non Current asset			
Fixed Asset			
MAchinery		500000	300000
Non-current investments		200000	140000
Current asset			
Inventories		150000	200000
Trade receivables		204000	174000
Cash		170000	310000
		1224000	1124000
<b>Share capital</b>			
Equity Share capital		600000	300000
12% preference share capital		100000	200000
		700000	500000
Reserve and surplus			
General Reserve		135000	375000
Surplus		115000	-50000
Long Term Borrowings			
9% Debentures		200000	250000
Short Term Provisions			
Proposed Dividend		24000	24000



Provision for Tax	50000	25000
	74000	49000

#### Additional Information

- i. Machinery Costing 100000 on which Depreciation charged was 70000 was sold at a profit of 20% on book value. dep charged during the year amounted to 70000.
- ii. Preference shares redeemed at par on 31st March 2017
- iii. Debentures were redeemed on Jan 1, 2017, and equity shares were issued on April 1, 2016
- iv. Income tax 45000 was provided
- v. Non-current investments costing 60000 were sold at a profit of 20%
- vi. The company declares and paid an interim dividend on equity shares 40 per share out of general reserve. It did not propose a final dividend on equity shares.

**CBSE Class 12 Accountancy**  
**Sample Paper 07 (2020-21)**

**Solution**

**Section A**

1. (a) R= ₹8,200, S= ₹10,200 and T= ₹7,200

**Explanation:** Distribution of Profits:

First Rs.10,000 of profit will be distributed in 30%, 50% and 20% i.e. 3,000; 5,000 and 2,000

Next 15,600 (25,600 - 10,000) in equal ratio i.e. 5,200 each ( $15,600 \times 1/3$ ).

R's Share of Profit = 3,000 + 5,200 = 8,200

S's Share of Profit = 5,000 + 5,200 = 10,200

T's Share of Profit = 2,000 + 5,200 = 7,200

2. (b) Only A is sacrificing

**Explanation:** Calculation of sacrificing ratio of partners:

Old Ratio = 4:3

New Ratio = 2:3:1

Sacrificing ratio = Old ratio - New ratio

Sacrificing ratio of A =  $\frac{4}{7} - \frac{2}{6} = \frac{10}{42}$

Sacrificing ratio of B =  $\frac{3}{7} - \frac{3}{6} = \frac{3}{42}$  (Gain)

3. (a)  $\frac{\text{Purchase Consideration}}{\text{Issue Price of a share}}$

**Explanation:** When a company buy fixed assets or a running business and make payment through shares in such a case number of shares to be issued to the vendor should be calculated as follows:

$\frac{\text{Purchase Consideration}}{\text{Issue Price of a share}}$

This is the case of issue of shares in consideration other than cash.

4. (c) Liability

**Explanation:** Income which received in advance is a liability on the part of an entity which receives. Hence, Subscription received in advance is treated as liability and shown in the Balance sheet.

5. (a)

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B's Capital A/c	Dr.	1,200	
To Realisation A/c			1,200

**Explanation:** If any unrecorded asset is taken over by the partner (any partner), it should be not be recorded at its actual value, instead, it should be recorded at the price at which asset is taken over. In this case, B's Capital Account should be debited and the realization account should be credited by ₹1,200 and not by ₹1,600.

Entry will be:

B's Capital A/c	Dr.	1,200	
To Realisation A/c			1,200

6. (a) Nominal Account

**Explanation:** All accounts which are prepared for the calculation of profit or loss are nominal accounts. Rule related to the nominal account is Debit all expenses and losses and credit all gains.

7. (a)

Bank A/c	Dr.	7,000	
To Realisation A/c			7,000

**Explanation:** Unrecorded assets are directly realised i.e. sold off so it is recorded on the credit side of realisation account

Entry will be:

Bank A/c ... Dr ... 7000

To Realisation A/c ... 7000

8. (d) Gain  $\frac{1}{6}$

**Explanation:** Gaining ratio = New ratio - Old ratio

$$A's \text{ Gain} = \frac{2}{3} - \frac{1}{2} = \frac{4-3}{6} = \frac{1}{6}$$

9. Retiring Partner

10. (a) Profit and Loss Suspense A/c

**Explanation:** At the time of death of a partner, a temporary account is opened, which is known as Profit and loss suspense account. The main purpose of this account is to calculate and transfer the share of a deceased partner to his account (up to the date of his death) in case of no change in profit sharing ratio.



11. (d) Share of loss of firm

**Explanation:** Share of loss is not shown in the credit side it is shown in the debit side of the deceased partner's capital account. Following items are shown in the credit side of his account:

- Share of profit and goodwill
- Revaluation profit
- Share of reserve and profits

12. (b) It is a fictitious asset

**Explanation:** It is a fictitious asset

13. (d) A= ₹32,000, B= ₹22,667, C= ₹23,333 and D= ₹20,000

**Explanation:** Distribution of profit in 4:3:3:2 Ratio:

$$\text{A's share of profit} = 96,000 \times \frac{4}{12} = 32,000 - 2,000 = \text{Rs. } 30,000$$

$$\text{B's share of profit} = 96,000 \times \frac{3}{12} = 24,000 - 1,333 = \text{Rs. } 22,667$$

$$\text{C's share of profit} = 96,000 \times \frac{3}{12} = 24,000 - 667 = \text{Rs. } 23,333$$

$$\text{D's share of profit} = 96,000 \times \frac{2}{12} = 16,000 + 4,000 = \text{Rs. } 20,000$$

D's Guaranteed amount is Rs.20,000 but he is getting Rs.16,000 (remaining 20000 -16000 = Rs. 4,000 will be paid by A, B and C in 3:2:1 Ratio)

$$\text{A's share in deficiency} = 4000 \times \frac{3}{6} = 2000$$

$$\text{B's share in deficiency} = 4000 \times \frac{2}{6} = 1333$$

$$\text{c's share in deficiency} = 4000 \times \frac{1}{6} = 667$$

14.

<p style="text-align: center;"><b>In the books of Silver Sports Club</b> <b>Balance Sheet as at .....</b></p>			
<b>Liabilities</b>		<b>Assets</b>	<b>Amount (₹)</b>
Prize Fund 44,000		Prize Fund Investments	44,000
Add: Interest on Prize Fund Investments 6,000			
Less: Prizes Awarded 46,000	4,000		

<b>Income &amp; Expenditure A/c of Silver Sports Club</b> <b>for the year ended .....</b>			
<b>Dr.</b>			<b>Cr.</b>
<b>Expenditure</b>	<b>Amount (₹)</b>	<b>Income</b>	<b>Amount (₹)</b>
To Match Expenses	64,000		

**Note:** Prize Fund is set up primarily to provide prizes for various events organized by the Sports Club.

OR

<b>Dr.</b>	<b>Stock of Medicines A/c</b>		<b>Cr.</b>
<b>Particulars</b>	<b>Amount (Rs.)</b>	<b>Particulars</b>	<b>Amount (Rs.)</b>
To balance b/d	60,000	By Income & Expenditure A/c (medicines consumed)	3,72,500
To Cash purchase A/c	46,500		
To Creditors A/c (credit purchase)	2,76,000	By balance c/d (b/f)	10,000
	<b>3,82,500</b>		<b>3,82,500</b>

**Alternatively:**

Calculation of Amount of Medicines Consumed = Opening Stock of Medicines + Purchases (Cash + Credit) - Closing Stock of Medicines

$$= ₹60,000 + (₹2,76,000 + ₹46,500) - ₹10,000$$

$$= ₹3,72,500$$

**Note:** When purchases are given in the question then no creditors will be taken into account while calculating stock consumed.

Particulars		Rs.	Particulars	Rs.
To X's Commission		1,65,000	By Net profit (WN. 1)	<b>16,50,000</b>
To Y's Commission (WN. 2)		<b>1,35,000</b>		
To Profit Transferred to:				
X's Capital A/c	<b>6,75,000</b>			
Y's Capital A/c	<b><u>6,75,000</u></b>	<b>13,50,000</b>		
		<b>16,50,000</b>		<b>16,50,000</b>

**Working Notes:**

1. If X's Commission 10% on the net profit before charging any commission = Rs. 1,65,000

Net profit before charging any commission =  $1,65,000 \times 100/10 = \text{Rs. } 16,50,000$ .

2. Calculation of Y's Commission :

Y's Commission =  $(\text{Rs. } 16,50,000 - 1,65,000) \times 10/110$

Y's Commission =  $\text{Rs. } 14,85,000 \times 10/110 = \text{Rs. } 1,35,000$

OR

**Profit and Loss Appropriation Account as on March 31, 2017**

Dr.			Cr.	
Particulars		Amount ₹	Particulars	Amount ₹
To Profit transferred to			By Profit and Loss A/C	40,000
A's Capital	20,000			
S's Capital	12,000			
Less: Gurantee to K's	(2,000)	10,000		
K's Capital	8,000			
Add: Deficiency received from				



S	2,000	10,000		
		40,000		40,000

**Profit and Loss Appropriation Account as on March 31, 2018**

Dr.		Cr.	
Particulars	Amount ₹	Particulars	Amount ₹
To Profit transferred to		By Profit and Loss A/C	60,000
A's Capital	30,000		
S's Capital	18,000		
K's Capital	12,000		
	60,000		60,000

16.

**JOURNAL**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c dr.		350	...
	Securities Premium A/c dr.		250	...
	To share forfeiture A/c		...	150
	To share allotment A/c		...	450
	(Being 50 shares forfeited for non-payment of allotment money as per board's resolution dated..)			
	Bank A/c dr.		600	...
	To Share capital A/c		...	500
	To securities Premium A/c		...	100
	(Being 50 shares reissued @ Rs. 12 per share, fully paid)			
	Shares Forfeiture A/c Dr.		150	...

	To capital reserve A/c		...	150
	(Being the balance of Forfeited shares transferred to capital reserve.)			

Note: Since forfeited shares are reissued at Premium, the full amount of share forfeiture account has been transferred to Capital Reserve account.

17. Contingent liability has no balance and hence, it is not to be transferred to the Realisation Account because in realisation a/c we can only transfer the liability which is external. In this case, two journal entries are required:

- i. For payment of Rs. 5,000 to the bank from whom the bill was discounted because, on the dishonour of the bill, the bank will call on the firm for payment of dues:

Realisation A/c	Dr.	Rs. 5,000	
To Bank A/c			Rs. 5,000
(For payment of Rs. 5,000 to the bank from whom the bill was discounted)			

- ii. For recovery of 60% of the bill from the official receiver of Z:

Bank A/c	Dr.	Rs. 3,000	
To Realisation A/c			Rs. 3,000
(For recovery of 60% of the bill from the official receiver of Z)			

18. Partnership agreement may be written or oral. Therefore, the terms agreed orally between Harry and Garry is a valid agreement.
- The demand for Garry to be paid salary as is paid to Harry is not valid in view of agreement of payment of a commission.
  - Harry's demand to admit Sherry into a partnership is also not valid as both the partners had agreed to admit a new partner with the consent of both the partners.

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

Expenditure		Amount (Rs)	Income		Amount (Rs)
To Rent	48,750		By Subscriptions	3,36,000	
Less: Opening Outstanding	3,750		Add: Received in advance 01.04.2017	7,000	
	45,000		Add: Outstanding (2016 - 2017) (Rs.3,60,000 - Rs.3,43,000)	17,000	3,60,000
Less: Closing rent paid in advance	3,750	41,250	By General donations		20,250
			By Entrance fees		20,000
To Opening stock	20,000		By profit on sale of Sports materials) (i.e. 26,000 - 20,000)		6,000
Add: Payments to creditor	61,000		By Miscellaneous receipts		1,700
	81,000				
Add: Closing creditor	14,750				
	95,750				
Add: Cash purchase	10,000				
	1,05,750				
Less: Opening creditor	7,000				
	98,750				



Less: Sports material Sold	20,000			
	78,750			
Less: Closing stock	25,000	53,750		
To Match expenses		35,150		
To Depreciation on furniture		24,000		
To Miscellaneous expenses:				
Paid	1,50,000			
Less: Outstanding (Opening)	11,400			
	1,38,600			
less:Paid in advance (Closing)	4,250			
	1,34,350			
Add: Outstanding (Closing)	20,100			
	1,54,450			
Add:Paid in advance (opening)	3,750	1,58,200		
To Surplus (Excess of income over expenditure)		95,600		
		4,07,950		4,07,950

**Balance Sheet of Recreation Club as on March 31, 2017**

<b>Liabilities</b>	<b>Amount (Rs)</b>	<b>Assets</b>	<b>Amount (Rs)</b>
Capital Fund (Balancing			

figure)		2,42,350	Furniture	2,00,000
Prize fund		60,000	5% Prize Fund Investments	60,000
Creditors for Sports Materials		7,000	Subscription Receivable (i.e. outstanding)	23,750
Subscription Received in Advance		7,000	Stock of Sports Materials	20,000
Outstanding Expenses:			Miscellaneous Expenses Paid in Advance	3,750
Rent	3,750		Cash in hand	24,000
Miscellaneous Expenses	11,400	15,150		
		3,31,500		3,31,500

**Balance Sheet of Recreation Club  
as at March 31, 2018**

Liabilities		Amount (Rs)	Assets		Amount (Rs)
Capital fund	2,42,350		Furniture:		
Add: Surplus	95,600		Opening balance	2,00,000	
Add: Entrance fees	20,000	3,57,950	Additions	40,000	
				2,40,000	
Prize fund	60,000		Less: Depreciation	24,000	2,16,000
Add: Donations	14,000		5% Prize fund investments		60,000
Interest received	1,500		Subscription receivable (i.e. Outstanding):		

Interest accrued*	1,500		(2016-2017)	500	
	77,000		(2017-2018)	17,000	17,500
Less: Prizes awarded	20,750	56,250	Stock of sports materials		25,000
Creditors for sports materials		14,750	Miscellaneous expenses Paid in advance		4,250
Subscription received in advance		13,000	Prepaid rent		3,750
Outstanding miscellaneous expenses		20,100	Accrued interest on Prize fund investments		1,500
			Cash in hand		1,34,050
		4,62,050			4,62,050

Note: \*Interest on Prize Fund Investments @ 5% amounts to Rs. 3,000 whereas only Rs. 1,500 have been received; so the balance is treated as Accrued interest.

20. a.

### Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	Dr.	36,000	
	To Debenture Application A/c			36,000
	(400 debentures issued at ₹ 100 at discount of 10%)			
	Debenture Application A/c	Dr.	36,000	
	Discount on Issue of Debentures A/c	Dr.	4,000	
	To 15% Debenture A/c			40,000
	(400 debentures issued at a discount and redeemable at a par )			



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b. **Journal**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	Dr.	88,000	
	To Debenture Application A/c			88,000
	(800 debentures issued at ₹ 100 at a premium of 10%)			
	Debenture Application A/c	Dr.	88,000	
	Loss on Issue of Debentures A/c	Dr.	8,000	
	To 15% Debenture A/c			80,000
	To Premium on Redemption A/c			8,000
	To Securities Premium A/c			8,000
	(800 debentures issued at a premium of 10% and redeemable at a premium of 10%)			

21. **Revaluation Account**

Particulars	Rs.	Particulars	Rs.
To Land and Building	20000	By Creditors	1200
To Stock	3200	By Loss Transfer:	
To Provision for Doubtful Debts	1000	A	13800
		B	<u>9200</u>
	<u>24200</u>		<u>24200</u>

**Partner's Capital Accounts**

Particulars	A	B	C	Particulars	A	B	C
-------------	---	---	---	-------------	---	---	---

To A's Capital	-	-	4000	By Balance b/d	86000	64000	-
To B's Capital	-	-	4000	By General Reserve	12000	8000	-
To Revaluation	13800	9200	-	By Cash	-	-	50000
To Goodwill	6000	4000	-	By C's capital	4000	4000	-
To Balance c/d	82200	62800	42000				
	<u>102000</u>	<u>76000</u>	<u>50000</u>		<u>102000</u>	<u>76000</u>	<u>50000</u>

### Balance Sheet

Liabilities		Rs.	Assets		Rs.
Capital A/cs:			Land and building		40000
A	82200		Machinery		70000
B	62800		Debtors	20000	
C	<u>42000</u>	187000	Less: Provision for Doubtful debts	<u>1000</u>	19000
Creditors		30000	Stock		32800
			Bank		4000
			Cash		51200
		<u>217000</u>			<u>217000</u>

Working Notes: Calculation of C's share of goodwill:-

Firm's Goodwill = 40000

C's Share of Goodwill =  $40000 \times \frac{1}{5} = \text{Rs. } 8000$

A will get =  $8000 \times \frac{1}{2} = \text{Rs. } 4000$

B will get =  $8000 \times \frac{1}{2} = \text{Rs. } 4000.$

OR

### Revaluation Account

Particulars	Rs.	Particulars	Rs.

To Stock		500	By Building	2500
To Machinery		875		
To Provision		375		
To Profit Transfer:				
A	500			
B	<u>250</u>	750		
		<u>2500</u>		<u>2500</u>

### Partner's Capital Accounts

Particulars	A	B	C	Particulars	A	B	C
To Balance c/d	17500	11250	7500	By Balance b/d	15000	10000	-
				By Cash	-	-	7500
				By Premium for Goodwill	2000	1000	-
				By Revaluation	500	250	-
	<u>17500</u>	<u>11250</u>	<u>7500</u>		<u>17500</u>	<u>11250</u>	<u>7500</u>

### Balance Sheet of new firm

Liabilities		Rs.	Assets		Rs.
Creditors		32950	Building		27500
Capital:			Machinery		16625
A	17500		Stock		9500
B	11250		Debtors	4850	
C	<u>7500</u>	36250	Less: Provision	<u>375</u>	4475
			Cash		11100
		<u>69200</u>			<u>69200</u>



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Date	Particulars	L.F.	Amt. (Dr.)	Amt. (Cr.)
	Bank A/c (4,00,000 × 3) Dr.		12,00,000	
	To Equity Share Application A/c			12,00,000
	(Being share application money received.)			
	Equity Share Application A/c Dr.		12,00,000	
	To Equity Share Capital A/c (3,20,000 × 2)			6,40,000
	To Securities Premium Reserve A/c (3,20,000 × 1)			3,20,000
	To Equity Share Allotment A/c			1,20,000
	To Bank A/c (40,000 × 3)			1,20,000
	(Being share application money transferred.)			
	Equity Share Allotment A/c (3,20,000 × 5) Dr.		16,00,000	
	To Equity Share Capital A/c (3,20,000 × 3)			9,60,000
	To Securities Premium Reserve A/c (3,20,000 × 2)			6,40,000
	(Being share allotment due.)			
	Bank A/c (16,00,000 - 1,20,000 - 3,700) Dr.		14,76,300	
	To Equity Share Allotment A/c			14,76,300
	(Being share allotment received.)			
	Equity Share Capital A/c (800 × 5) Dr.		4,000	
	Securities Premium Reserve A/c (800 × 2) Dr.		1,600	
	To Share Forfeiture A/c			1,900
	To Share Allotment A/c			3,700
	(Being 800 shares of Jeevan forfeited.)			
	Equity Share First and Final Call A/c (3,19,200 × 7) Dr.		22,34,400	

	To Equity Share Capital A/c ( $3,19,200 \times 5$ )			15,96,000
	To Securities Premium Reserve A/c ( $3,19,200 \times 2$ )			6,38,400
	(Being share first and final call due on 3,19,200 shares)			
	Bank A/c ( $22,34,400 - 16,800$ ) Dr.		22,17,600	
	To Equity Share First and Final Call A/c			22,17,600
	(Being share first and final call received.)			
	Equity Share Capital A/c ( $2,400 \times 10$ ) Dr.		24,000	
	Securities Premium Reserve A/c ( $2,400 \times 2$ ) Dr		4,800	
	To Equity Share Forfeiture A/c			12,000
	To Equity Share First and Final Call A/c ( $2,400 \times 7$ )			16,800
	(Being 2,400 shares forfeited.)			
	Bank A/c ( $1,500 \times 8$ )		12,000	
	Share Forfeiture A/c ( $1,500 \times 2$ )		3,000	
	To Equity Share Capital A/c ( $1,500 \times 10$ )			15,000
	(Being 1,500 forfeited shares reissued @ Rs. 8 per share fully paid up.)			
	Equity Share Forfeiture A/c		2,400	
	To Capital Reserve A/c			2,400
	(Being share forfeiture transferred to capital reserve.)			

Categories	Shares Applied	Shares Allotted	Money Received on Application @ Rs. 3	Money Transferred to Share Capital @ Rs. 2	Money Transferred to Securities Premium @ 11 each	Excess Application Money	Amount Adjusted on Allotment	Money Refunded
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			each	each				
I	40,000	—	1,20,000	—	—	1,20,000	—	1,20,000
II	3,60,000	3,20,000	10,80,000	6,40,000	3,20,000	1,20,000	1,20,000	—
	4,00,000	3,20,000	12,00,000	6,40,000	3,20,000	2,40,000	1,20,000	1,20,000

### Calculation of Amount Unpaid on Allotment

Shares applied by Jeevan =  $\frac{360,000}{3,20,000} \times 800 = 900$  shares

Excess money received from Jeevan	300 (100 × 3)
Amount due on allotment	2,400 (800 × 3)
(-) Excess application money	(300)
Amount unpaid on the allotment	2,100
(+) Amount unpaid on securities premium reserve	1,600 (800 × 2)
The total amount unpaid on the allotment	<b>3,700</b>

### Calculation of Amount Received from Jeevan

Amount received on application = 1,600 (800 × 2) excluding premium

(+) Excess application money = 300

= Rs. 1,900

### Unpaid Amount of First and Final Call

Shares allotted to Ganesh =  $\frac{3,20,000}{3,60,000} \times 2700 = 2400$  Shares

Unpaid amount on first and final call = Rs. 16,800 (2,400 × 7)

### Calculation of Amount Received from Gupta

Amount received on application = 4,800 (2,400 × 2) excluding premium

{+} Amount received on allotment = 7,200 (2,400 × 3)

= Rs. 12,000

### Calculation of Capital Reserve

(i) 800 shares of Jeevan	



Share forfeiture (Cr)	1,900
(-) Share forfeiture (Dr)	(1,600) (800 × 2)
Capital reserve	300
(ii) 200 shares of Ganesh	
Share forfeiture (Cr)	3,500 $\left(\frac{12000}{2400} \times 700\right)$
(-) Share forfeiture (Dr)	(1,400) (700 × 2)
Capital reserve	2,100
Total capital reserve	Rs. 2,400 (2,100 + 300)

OR

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Date	Particulars	L.F.	Amt. (Dr.)	Amt (Cr.)
1	Bank A/c (10,000 × 1) Dr.		10,000	....
	To Equity Share Application A/c		....	10,000
	(Being share application money received.)		....	....
2	Equity Share Application A/c Dr.		10,000	....
	To Equity Share Capital A/c		....	10,000
	(Being application money transferred.)		....	....
3	Equity Share Allotment A/c (10,000 × 2) Dr.		20,000	....
	To Equity Share Capital A/c		....	20,000
	(Being share allotment money due.)		....	....
4	Bank A/c (9,900 × 2) Dr.		19,800	....
	To Equity Share Capital A/c		....	19,800

	(Being allotment money received.)		....	....
5	Equity Share Capital A/c ( $100 \times 3$ ) Dr.		300	....
	To Equity Share Allotment A/c ( $100 \times 2$ )		....	200
	To Share Forfeiture A/c ( $100 \times 1$ )		....	100
	(Being shares forfeited.)		....	....
6	Equity Share First Call A/c ( $9,900 \times 3$ ) Dr.		29,700	....
	To Equity Share Capital A/c		....	29,700
	(Being share first call money due.)		....	....
7	Bank A/c ( $9,750 \times 3$ ) Dr.		29,250	....
	To Equity Share First Call A/c		....	29,250
	(Being first call money received.)		....	....
	Equity Share Capital A/c ( $150 \times 6$ ) Dr.		900	....
	To Equity Share First Call A/c ( $150 \times 3$ )		....	450
	To Share Forfeiture A/c ( $150 \times 3$ )		....	450
	(Being equity shares forfeited.)		....	....
8	Equity Share Second and Final Call A/c ( $9,750 \times 4$ ) Dr.		39,000	....
	To Equity Share Capital A/c		....	39,000
	(Being second and final call due.)		....	....
9	Bank A/c ( $9,700 \times 4$ ) Dr.		38,800	....
	To Equity Share Second and Final Call A/c		....	38,800
	(Being second and final call money received.)		....	....
10	Equity Share Capital A/c ( $50 \times 10$ ) Dr.		500	....
	To Equity Share Second and Final Call A/c ( $50 \times 4$ )		....	200
	To Share Forfeiture A/c ( $50 \times 6$ )		....	300
	(Being 50 equity shares forfeited for the non-payment of		....	....

	second and final call of Rs. 4 per share)			
11	Bank A/c (300 × 9) Dr.		2,700	....
	Share Forfeiture A/c (300 × 1)		300	....
	To Equity Share Capital A/c (300 × 10)		....	3,000
	(Being reissue of 300 forfeited shares @ Rs. 9 per share as fully paid-up)		....	....
12	Share Forfeiture A/c Dr.		550	....
	To Capital Reserve A/c		....	550
	(Being balance of forfeited shares account transferred to capital reserve)		....	....

### Working Note

Dr.	Share Forfeiture Account		Cr.
Particulars	Amt. (Rs.)	Particulars	Amt. (Rs.)
To Equity Share Capital A/c	300	By Equity Share Capital A/c	100
To Capital Reserve A/c	550	By Equity Share Capital A/c	450
(Balancing figure)	.	By Equity Share Capital A/c	300
.	850	.	850

**NOTE** Entry for forfeiture of shares will be passed as and when the shares are forfeited.

### Section B

23. (a) Investment

**Explanation:** Investment

24. This ratio explains the overall utilization of funds by a business firm. It also indicates the relationship of profit with capital employed. Capital employed means long term funds employed in a business. This ratio reflects the overall profitability of the business. This ratio is usually in percentage.

25. (d) Comparative statements



**Explanation:** A comparative statement is a document that compares a particular financial statement with prior period statements or with the same financial report generated by another company. Analyst and business managers use the income statement, balance sheet and cash flow statement for comparative purposes.

26. (c) Redemption of Preference Shares

**Explanation:** The decrease in the Preference Share Capital means the redemption of preference shares capital. It is an outflow of cash and hence shown in financing activity.

27. Subscribed Capital

28. (b) Accounting ratio

**Explanation:** Accounting ratio

29. (c) Working capital turnover ratio

**Explanation:** working capital turnover ratio is also referred to as net sales to working capital. It shows the company's effectiveness in using its working capital.

$$30. \text{ Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}} = \frac{1,08,000}{54,000} = 2 : 1$$

$$\text{Liquid Ratio} = \frac{\text{Liquid Assets}}{\text{Current Liabilities}} = \frac{54,000}{54,000} = 1 : 1$$

Current Ratio is 2 : 1 and Liquid Ratio is 1 : 1 which are considered satisfactory and are ideal ratios. The liquidity position of Wye Ltd. is satisfactory.

OR

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}} = \frac{9,60,000}{2,40,000} = 4 : 1$$

Current Liabilities = Trade Payables + Other Current Liabilities

$$= ₹ 40,000 + ₹ 2,00,000 = ₹ 2,40,000.$$

Working Capital = Current Assets - Current Liabilities

Current Assets = Working Capital + Current Liabilities

$$= ₹ 7,20,000 + ₹ 2,40,000 = ₹ 9,60,000$$

31. COMMON-SIZE BALANCE SHEET OF STAR LTD. as at 31st March, 2078 and 2019

Particulars	Note No.	Absolute Amounts		Percentage of Balance Sheet Total	
		31st	31st	31st March,	31st March,

		<b>March, 2018 (₹)</b>	<b>March, 2019 (₹)</b>	<b>2018 (%)</b>	<b>2018 (%)</b>
<b>I.EQUITY AND LIABILITIES</b>					
<b>1. Shareholders' Funds</b>					
(a) Share Capital		5,00,000	10,00,000	33.33	41.67
(b) Reserves and Surplus		3,00,000	2,00,000	20.00	8.33
<b>2. Non-Current Liabilities</b>					
Long-term Borrowings		5,00,000	8,00,000	33.34	33.33
<b>3. Current Liabilities</b>					
Trade Payables		2,00,000	4,00,000	13.33	16.67
<b>Total</b>		15,00,000	24,00,000	100.00	100.00
<b>II. ASSETS</b>					
<b>1. Non-Current Assets</b>					
Fixed Assets-Tangible Assets		10,00,000	15,00,000	66.67	62.50
<b>2. Current Assets</b>					
Cash and Cash Equivalents		5,00,000	9,00,000	33.33	37.50
<b>Total</b>		15,00,000	24,00,000	100.00	100.00

**Note:** % is calculated on the basis of the total of equity and liabilities/total assets.

$$\% \text{ of Share Capital (31st March 2018)} = \frac{5,00,000}{15,00,000} \times 100 = 33.33\%$$

In the same manner, other percentages may be calculated.

OR

### Comparative Income Statement

Particulars	2011-12	2012-13	Absolute Change	% change
	( A )	( B )	( C= B-A )	( D= $\frac{C}{A} \times 100$ )
	Rs.	Rs.	Rs.	%
Revenue From Operation	1500000	2000000	500000	33.33
Other Income	400000	1000000	600000	150
Total Revenue (1)	<u>1900000</u>	<u>3000000</u>	<u>1100000</u>	57.89
Expenses ( 2 )	<u>1500000</u>	<u>2100000</u>	<u>600000</u>	40
Profit Before Tax ( 1- 2)	400000	900000	500000	125
Less : Tax @ 50 %	200000	450000	250000	125
Profit after Tax	<u>200000</u>	<u>450000</u>	<u>250000</u>	125

32.

### Cash Flow Statement

<b>I. <u>Cash flow from operating activities :</u></b>	Rs.	Rs.
<b>Net Profit before Tax</b>	234000	
+ Depreciation	70000	
- Profit on sale of machinery	-6000	
+ Interest on debenture	<u>21375</u>	
<b>Operating profit before Working capital changes</b>	307375	
+ Inventories	50000	
- Trade Receivables	<u>-30000</u>	
<b>Cash Generated from operating activity</b>	327375	
- Tax Paid	<u>20000</u>	<b>307375</b>
<b>II. <u>Cash Flow from Investing activities :</u></b>		

Purchase of machinery	-300000	
Purchase of non-current investment	-120000	
Sale of machinery	36000	
Sale of non-current investment	<u>72000</u>	<b>-312000</b>
<b>III. <u>Cash Flow from Financing Activities :</u></b>		
Issue of shares	300000	
Redemption of preference shares	-100000	
Redemption of debentures	-50000	
Preference dividend	-24000	
Equity dividend	-240000	
Interest	<u>-21375</u>	<b><u>-135375</u></b>
<b>Net Cash Flow</b>		<b>-140000</b>
+ Opening		<u>310000</u>
Closing		<u>170000</u>