CBSE Class 12 Accountancy
Sample Paper 02 (2019-20)

Maximum Marks: 80
Time Allowed: 3 hours

General Instructions:

i. This question paper contains two parts – A and B.
ii. Part A is compulsory for all.
iii. Part B has two options – Analysis of Financial Statements and Computerised Accounting.
iv. Attempt only one option of Part B.
v. All parts of a question should be attempted at one place.

Section A

1. Give some examples of non profit organisation.

2. When balance is paid in installment to the executor and rate of interest is not given:

   a. Rate of Interest will be 6% p.a.

   b. Rate of Interest will be 12% p.a.

   c. Rate of Interest will be 10% p.a.

   d. Rate of Interest will be 5% p.a.

3. Identify a situation for compulsory dissolution of a partnership firm.

4. A, B and C are partners sharing profits in the ratio of 3:2:1. They admit D for 1/6 share. C would retain his old share. Calculate C’s sacrifice

   a. 1/12

   b. 1/15

c. NIL

d. 1/10

5. Ritesh and Hitesh are childhood friends. Ritesh is a consultant whereas Hitesh is an architect. They contributed equal amounts and purchased a building for Rs.2 crores. After a year, they sold it for Rs.3 crores and shared the profits equally. Are they doing the business in a partnership? Give reason in support of your answer.

6. State the ratio in which the partners share profits or losses on the revaluation of assets and liabilities when there is a change in profit sharing ratio amongst the existing partners.

7. Why are 'reserves and surplus' distributed at the time of reconstitution of the firm?

8. Give the meaning of 'reconstitution of a partnership firm'.

9. A, B and C are sharing profits in the ratio of 3 : 2 : 2. C retires on 1st April 2012 and C's son D is admitted to partnership in his place and the new profit-sharing ratio of A, B and D is 3 : 3 : 2. Do you think that in spite of the fact that C's son D is admitted in his place, still, goodwill will have to be valued and why?

10. Fill in the blanks:

    Revaluation account is a ________ account.

11. Varun and Arun are partners in a firm sharing profits and losses equally. On the date of dissolution of the partnership firm, Varun's wife's loan was Rs.45,000, whereas Arun's loan was Rs.65,000. Which loan will be paid first and why?

12. Debentures are shown in the Balance Sheet of a company under the head of

    a. Share capital

    b. None of these

    c. Non current liabilities

    d. Current liabilities

13. Fill in the blanks:

    Part of issued capital applied by public for subscription is known as ________ capital.

14. Calculate the amount of stationery to be posted to Income and Expenditure Account of Indian Cultural Society for the year ending 31st March, 2018 from the following information :

Particulars	**1.4.2017 (Rs.)**	**31.3.2018 (Rs.)**
Stock of stationery	21,000	18,000
Creditors for stationery	11,000	23,000

Stationery purchased during the year ended 31st March 2018 was Rs.75,000. Also, present the relevant items in the Balance Sheet of the society as at 31st March 2018.

OR

From the following information, calculate the amount of subscriptions outstanding as at 31st March, 2009.
A club has 250 members each paying an annual subscription of Rs. 1,000. The receipts and payments account for the year showed a sum of Rs. 2,65,000 received as subscriptions. The following additional information is provided

	Amt (Rs)
Subscriptions outstanding on 31st March, 2008	40,000
Subscriptions received in advance on 31st March, 2009	30,000
Subscriptions received in advance on 31st March,208	12,000

15. Ashok, Babu and Chetan were partners in a firm sharing profits in the ratio of 4 : 3 : 3. The firm closes its books on 31st March every year. On 31st December, 2016, Ashok died. The partnership deed provided that on the death of a partner, his executors will be entitled to the following

    i. Balance in his capital account. On 1st April, 2016, there was a balance of Rs 90,000 in Ashok's capital account.

ii. Interest on capital @ 12% per annum.

iii. His share in the profits of the firm in the year of his death will be calculated on the basis of rate of net profit on sales of the previous year, which was 25%. The sales of the firm till 30th December, 2016 were Rs 4,00,000.

iv. His share in the goodwill of the firm. The goodwill of the firm on Ashok's death was valued at Rs 4,50,000. The partnership deed also provided for the following deductions from the amount payable to the executor of the deceased partner.

v. His drawings in the year of his death. Ashok's drawings till 31st December, 2016 were Rs 15,000.

vi. Interest on drawing @ 12% per annum which was calculated as Rs 1,500.

The accountant of the firm prepared Ashok's capital account to be presented to the executor of Ashok but in a hurry he left it incomplete. Ashok's capital account as prepared by the firm's accountant is given below

Ashok's Capital Account

Dr					**Cr**
Date	**Particulars**	**Amt. (Rs.)**	**Date**	**Particulars**	**Amt. (Rs.)**
2016			2016		
Dec 31	....	15,000	Apr 1	....	90,000
Dec 31	....	....	Dec 31	....	8,100
Dec 31	....	....	Dec 31	....	40,000
			Dec 31	....	90,000
			Dec 31	....	90,000
		3,18,100			3,18,100

You are required to complete Ashok's capital account.

16. A firm earns Rs 10,000 as its annual profits, the rate of normal profit being 10%. The assets of the firm amounted to Rs 80,000. The value of Goodwill is Rs .45,000. Find the

value of outsiders' Liabilities.

OR

Vikas and Vivek were partners in a firm sharing profits in the ratio of 3 : 2. On 1st April, 2014, they admitted Vandana as a new partner for 1/8th share in the profits with a guaranteed profit of Rs 1,50,000. The new profit sharing ratio between Vivek and Vikas will remain the same but they decided to bear any deficiency on account of guarantee to Vandana in the ratio 2: 3. The profit of the firm for the year ended 31st March, 2015 was Rs 9,00,000.
Prepare profit and loss appropriation account of Vikas, Vivek and Vandana for the year ended 31st March, 2015.

17. A Company forfeited Rs 100 Equity Shares of 100 each issued at a premium of 50% (to be paid at the time of allotment) on which first call money of Rs. 30 per equity share was not received, final call of Rs. 20 is yet to be made. These equity shares were subsequently reissued at Rs. 70 per share at Rs. 80 paid-up.
Give the necessary Journal entries regarding forfeiture and reissue of shares.

18. X Ltd has Rs. 10,00,000, 9% debentures due to be redeemed out of profits on 1st October, 2009 at a premium of 5%. The company had a debenture redemption reserve of Rs. 4,14,000. Pass necessary journal entries at the time of redemption.

19. From the following Reciepts and Payments Accounts of Cricket Club and the additional information given, prepare the Income and Expenditure Account for the Year ending 31-12-2018 and Balance sheet as on that date:

RECEIPTS AND PAYMENTS ACCOUNT
for the year ending 31-12-2018

To bal. b/d	**Rs.**		**Rs.**
-Cash	3520	By Maintenance	6820
-Bank	27380	By Crockery Purchased	2650
-Fixed Deposit @ 6%	30000	By Match Expenses	13240

To Subscription (including Rs. 6000 for 2017)	40000	By Salaries	11000
TO Entrance fees	2750	By Conveyance	820
To Donation	5010	By Upkeep of Lawns	4240
To Interest on Fixed Deposits	900	By postage stamps	1050
To Tournament Fund	20000	By Purchase Of cricket goods	9720
To Sale of Crockery(book value Rs. 1200)	2000	By Sundry expenses	2000
		By Investments	5700
		By Tournament Expenses	18800
		By balance c/d:	
		-Cash	2200
		-Bank	23320
		Fixed Deposits	30000
	131560		**131560**

Additional Information:

i. Salary outstanding is Rs. 1000.
ii. Opening Balance of Stock of Postage and Stationery and Cricket gods is Rs. 750 and Rs. 3210 respectively. Closing stock of the same is Rs. 900 and Rs. 2800 respectively.
iii. Outstanding subscription for 2017 and 2018 is Rs. 6600 and Rs. 8000 respectively.

20. 'Ananya Ltd' had an authorised capital of Rs.10,00,00,000 divided into 10,00,000 equity shares of Rs.100 each. The company had already issued 2,00,000 shares. The dividend paid on share for the year ended 31st March, 2007 was Rs.18,000.
The management decided to export its products to African countries. To meet the requirements of additional funds, the finance manager put up the following three

alternate proposals before the Board of Directors.

a. Issue 47,500 equity shares at a premium of Rs.100 per share.
b. Obtain a long-term loan from bank which was available at 12% per annum.
c. Issue 9% debentures at a discount of 5%.

After evaluating these alternatives the company decided to issue 1,00,000, 9% debentures on 1st April, 2008. The face value of each debenture was Rs.100. These debentures were redeemable in four installments starting from the end of third year, which was as follows

Year	**Amt (Rs)**
III	10,00,000
IV	20,00,000
V	30,00,000
VI	40,00,000

Prepare 9% debentures account from 1st April, 2008 till all the debentures were redeemed.

OR

SSS Ltd. issued 25,000,10% debentures of 100 each. Give journal entries and the Balance Sheet in each of the following cases when :

i. The debentures were issued at a premium of 20%
ii. The debentures were issued as a collateral security to bank against a loan of Rs.20,00,000.
iii. The debentures were issued to a supplier of machinery costing Rs.28,00,000 as his full and final payment.

21. C and D are partners in a firm sharing profits in the ratio of 4: 1. On 31st March, 2016, their balance sheet was as follows

Balance Sheet

as at 31 st March, 2016

Liabilities		Amt (Rs)	Assets	Amt(Rs)
Sundry Creditors		40,000	Cash	24,000
Provision for Bad Debts		4,000	Debtors	36,000
Outstanding Salary		6,000	Stock	40,000
General Reserve		10,000	Furniture	80,000
Capital A/cs			Plant and Machinery	80,000
C	1,20,000			
D	80,000	2,00,000		
		2,60,000		2,60,000

On the above date, E was admitted for $\frac{1}{4}$ th share in the profits on the following terms

i. E will bring Rs1,00,000 as his capital and Rs 20,000 for his share of goodwill premium, half of which will be withdrawn by C and D.
ii. Debtors Rs 2,000 will be written off as bad debts and a provision of 4% will be created on debtors for bad and doubtful debts.
iii. Stock will be reduced by Rs 2,000, furniture will be depreciated by Rs 4,000 and 10%, depreciation will be charged on plant and machinery.
iv. Investments Rs 7,000 not shown in the balance sheet will be taken into account.
v. There was an outstanding repairs bill of ^ 2,300 which will be recorded in the books.

Pass necessary journal entries for the above transactions in the books of the firm on E's admission.

OR

A and B were partners in a firm sharing profits in the ratio as 11 : 4. C was admitted as a new partner for 1/5th share in the profits on 1.3.2010. The balance sheet of A and B on 1.3.2010 was as follows :

Liabilities		**(Rs)**	**Assets**		**(Rs)**
			Machinery		38,000

Capital Accounts:					
Pradip	60,000		Furniture		15,000
Subal	40,000	1,00,000	Investments		21,000
Profit and Loss A/c		20,000	Stock		19,000
Sundry Creditors		18,000	Sundry Creditors	27,000	
			Less: Provision	3,000	24,000
			Cash at Bank		21,000
		1,38,000			1,38,000

It was agreed that :

a. C to bring in capital to the extent of 1/5th of the total capital of the new firm and Rs 1,50,000 for his share of goodwill, half of which was withdrawn by A and B.
b. Building and plant were to be depreciated by 20%.
c. Provision for bad debt was to be increased by Rs 200.
d. Claim on account of workmen compensation is Rs 10,000.

Prepare revaluation account, partners' capital account and balance sheet of a new firm.

22. DF Ltd. invited applications for issuing 50,000 shares of Rs.10 each at a premium of Rs.2 per share. The amount was payable as follows:
On Application: Rs.3 per share (including premium Rs.1)
On Allotment: Rs.3 per share (including premium Rs.1)
On First call: Rs.3 per share
On Second and Final Call: Balance amount
Application for 70,000 shares were received. Allotment was made on the following basis.
Applications for 5,000 shares - Full
Applications for 50,000 shares - 90%
Balance of the applications were rejected. Rs.1,11,000 were received on account of allotment. The amount of allotment due from the shareholders to whom shares were

allotted on prorata basis was fully received. A few shareholders to whom shares were allotted in full, failed to pay the allotment money. Rs.1,20,000 were received on first call. Directors decided to forfeit those shares on which allotment and call money was due. Half of the forfeited shares were re-issued @ Rs.8 per share fully paid up. Final call was not made.

Pass the necessary journal entries for the above transactions in the book of DF Ltd.

OR

Dogra Ltd. had an authorised capital of Rs. 10,00,000 divided into equity shares of Rs. 100 each. The company offered 84,000 shares to the public at premium. The amount was payable as follows:

On application — Rs. 30 per share

On allotment — Rs. 40 per share (including premium)

On first and final call — Rs. 50 per share

Applications were received for 80,000 shares. All sums were duly received except the following. Lakhan, a holder of 200 shares did not pay allotment and call money. Paras, a holder of 400 shares did not pay call money. The company forfeited the shares of Lakhan and Paras. Subsequently, the forfeited shares were reissued for Rs. 80 per share fully paid-up.

Show the entries for the above transaction in the cash book and journal of the company.

Section B

23. Which of the following is not part of shareholders' funds?

    a. Balance i.e. Surplus in Statement of P/L

    b. Share Capital

    c. Proposed Dividend

    d. General Reserve

24. The current ratio of a company is 3: 1. The state with reason whether the payment of the dividend would improve, reduce or not change the ratio.

25. Why liquid ratio is considered more dependable than the current ratio?

26. Give two areas of interest for bankers/lenders while analysing the Financial Statements.

27. Under which type of activity will you classify 'Cash Receipts from Debtors' while preparing Cash Flow Statement?

28. State true or false:

    Capital Reserve recorded under Share Capital (subhead) in Shareholders fund (major head).

29. Match the following:

(a) Cash budget is prepared for	(i) Marketable security
(b) cash flow statement is prepared for	(ii) cash payment of wages
(c) cash equivalents include	(iii) Future period
(d) cash flow from operating activity	(iv) Past period

30. A company has to transfer Rs. 50,000 to Debenture Redemption Reserve out of Surplus, i.e., Balance in Statement of Profit and Loss. Explain how it will be shown in the financial statements.

OR

Under what main heads and sub-heads, will the following items appear in the balance sheet of a company as per Schedule III, Part I of the Companies Act, 2013

i. Mining rights
ii. Encashment of employees earned leave payable on retirement
iii. Vehicles

31. From the following information provided, prepare a comparative statement for the period 2008 and 2009.

Particulars	**2008 Amt (Rs.)**	**2009 Amt (Rs.)**

Revenue from Operations	6,00,000	8,00,000
Gross Profit	40% on Revenue from Operations	50% on Revenue from Operations
Administrative Expenses	20% of Gross Profit	15% of Gross Profit
Income Tax	50%	50%

OR

From the following information extracted from the books of PQ Ltd., prepare a Balance Sheet of the company as at 31st March, 2012 as per Schedule-Ill of the Indian Companies Act, 2013:

Particulars	**(Rs.)**
Long-term Borrowings	500
Trade Payables	30
Share Capital	400
Reserve and Surplus	90
Fixed Assets(tangible)	800
Inventories	20
Trade receivables	80
Cash and Cash Equivalents	120

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

Particulars	**Note No.**	**31st March 2017**	**31st March 2016**
I EQUITY AND LIABILITY			
Share holders fund			

Share Capital	1	700000	500000
Reserves and surplus	2	250000	325000
Non Current Liabilities			
Long Term Borrowings	3	200000	250000
Current Liabilties			
Short Term Provisions	4	74000	49000
		1224000	1124000
Assets			
Non Current asset			
Fixed Asset			
MAchinery		500000	300000
Non current investments		200000	140000
Current asset			
Invesntories		150000	200000
Trade receivables		204000	174000
Cash		170000	310000
		1224000	1124000

Share capital		
Equity Share capital	600000	300000
12% preferance share capital	100000	200000
	700000	500000
Reserve and surplus		
General Reserve	135000	375000
Surplus	115000	-50000
Long Term Borrowings		

9% Debenturs	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 redeeemed 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 interim dividend on equity shares 40 per share out of generl reserve. It did not propose final dividend on equity shares.

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Solution
Section A

1.
    - Clubs
    - Public Hospitals
    - Public Educational Institutions
    - Temple etc.
2. (a) Rate of Interest will be 6% p.a.
   Explanation: When amount due to the retirement is paid in instalments instead of paying it in lump sum and rate of interest on partner's loan is not given in the question, in such a case interest will be paid at the rate of 6% p.a.

3. A firm is compulsorily dissolved on the insolvency of all the partners or all the partners except one partner.

4. (c) NIL
   Explanation:
   Calculation of C's Sacrifice:
   Old Share = 3:2:1
   New Share = 12 : 8 : 5 : 5
   C's Sacrifice = 1/6 – 5/30 = Nil

5. **No**, they are not doing the business in partnership. Business is a continue process of earning.

6. At the time of change in profit sharing ratio among the existing partners,Gain or loss on revaluation are distributed in existing partners in old profit sharing ratio,

7. New partner is not entitled to any share in Reserves and surplus at the time of reconstitution of the firm because they are earned/accrued by the old partners so undistributed profits or losses are always distributed among old partners in old Profit-sharing ratio.

8. Any change in the existing agreement of partnership is reconstitution of a partnership firm. As a result, the existing agreement comes to an end and the new agreement comes into existence. But, the firm continues its business as earlier and Reconstituion of a firm always leads to change in profit-sharing ratio amomg partners.

9. No doubt C's son D has been admitted in place of C, still, goodwill will have to be valued because the profit-sharing ratio has changed from 3 : 2 : 2 to 3 : 3 : 2. B stands to gain from the change and he will compensate both A and C as we know that if it is a change in profit & loss ratio than g/w will be distributed accordingly.

10. Nominal

11. **Varun's wife's loan** will be paid first as it's an **External liability**.

12. (c) Non current liabilities
 Explanation: Non current liabilities

13. Subscribed

14. **Stationery Account**

Dr.			**Cr.**
Particulars	**Rs.**	**Particulars**	**Rs.**
To Balance b/d	21,000	By Income & Expenditure A/c	78,000
To Bank	75,000	(Balancing figure)	
		By Balance c/d	18,000
	96,000		**96,000**

Balance sheet
as on 31.03.2018

Liabilities	**Rs.**	**Assets**	**Rs.**
Creditors for stationery	23,000	Stationery's Stock	18,000

OR

Particulars	**Amt (Rs)**
Subscriptions earned to be shown in income and expenditure account (250 members $\times$ 1,000)	2,50,000
(-) Subscriptions received during the year 2008-2009	(2,65,000)
	(15,000)
(+) Outstanding on 31st March, 2008	40,000
	25,000
(-) Received in advance on 31st March, 2008	(12,000)
	13,000
(+) Received in advance on 31st March, 2009	30,000
= Outstanding as on 31st March,2009	**43,000**

15. **Ashok's Capital Account**

Dr.					**Cr.**
Date	**Particulars**	**Amt. (₹)**	**Date**	**Particulars**	**Amt. (₹)**
2016			2016		
Dec 31	To Drawing A/c	15,000	Apr 1	By Balance b/d	90,000
Dec 31	To interest on drawing A/c	1,500	Dec 31	By Interest on Capital A/c	8,100
Dec 31	To Ashok's Executor A/c	3,01,600	Dec 31	By Profit and Loss Suspense A/c	40,000
			Dec 31	By Babu's Capital A/c	90,000

			Dec 31	By Chetan's Capital A/c	90,000
		3,18,100			3,18,100

Working Notes:

1. **Calculation of Interest on Capital**
   = $90{,}000 \times \frac{12}{100} \times \frac{9}{12}$ =₹8,100
2. **Calculation of Profit**
   = $4{,}00{,}000 \times \frac{25}{100} \times \frac{4}{10}$ = ₹40,000
3. **Calculation of Ashok's Share of Goodwill**
   Ashok's share of goodwill = $4{,}50{,}000 \times \frac{4}{10}$ = ₹1,80,000. This amount will be contributed by Babu and Chetan in their gaining ratio i.e., 3 : 3 or 1 : 1.

Note: Share of profit from the date of the last Balance Sheet till the date of death is credited to Deceased Partner's Capital Account and debited to Profit and Loss Suspense Account.

16. The total amount of debts payable by a business to theoutsiders (other than the owners) are called external liabilities or outsider's Liabilities e.g., creditors, bills payable etc. and are calculated as follows:-

Calculation of Outsider's Liabilities

Total Capitalised value of the firm :

= $\frac{\text{Actual Profit}}{\text{Rate of Normal Profits}} \times 100$

= $\frac{10{,}000}{10} \times 100$

= Rs 1,00,000

Goodwill = Total Capitalised Value - Net Tangible

Assets Rs 45,000 = Rs 1,00,000 - Net Tangible Assets

Net Tangible Assets = Rs 55,000

Net Tangible Assets = Total Assets - Outsiders' Liabilities

? 55,000 = Rs 80,000 - Outsider's Liability

Outsiders' Liabilities = Rs 25,000

OR

Profit and Loss Appropriation Account

for the year ended 31st March, 2015

Particulars	Amt(Rs)		Particulars	Amt(Rs)
To Profit Transferred to Capital A/Cs			By Profit and Loss A/c (Net profit)	9,00,000
Vikas Capital A/c [(9,00,000 - 1,12,500) $\times$ 3/5]	4,72,500			
(-) Vandana(Deficiency)	(15,000)	4,57,500		
Vivek Capital A/c[(9,00,000 - 1,12,500) $\times$ 2/5]	3,15,000			
(-) Vandana(deficiency)	(22,500)	2,92,500		
Vandana Capital A/c (9,00,000 $\times$ 1/8)	1,12,500			
(+) From Vikas	15,000			
(+) From Vivek	22,500	1,50,000		
		9,00,000		9,00,000

Working Note

Minimum profit guaranteed to Vandana = Rs 1,50,000

Vandana's share in profit = 9,00,000 $\times \frac{1}{8}$ = Rs 1,12,500

Deficiency = 37,500 (1,50,000 -1,12,500) is to be borne by Vivek and Vikas in 2 : 3 ratio.

Deficiency to be borne by Vivek = 37,500 $\times \frac{3}{5}$ = Rs 22,500

Deficiency to be borne by Vikas = 37,500 $\times \frac{2}{5}$ = Rs 15,000

17. In this question first shares are forfieted and than reissued for that the accounting treatement has been done as shown.

    Forfieture of the share means the process where the company forfeits the shares of a member or shareholder who fails to pay the call on shares or instalments of the issue price of his shares within a certain period of time after they fall due.

Journal

Date	Particulars		L.F.	Dr. (Rs.)	Cr. (Rs.)
	Share Capital A/c (100 × Rs. 80)	Dr.		8,000	
	To Forfeited Shares A/c (100 ×Rs. 50)				5,000
	To Share First call A/c (100× Rs. 30) (Being the forfeiture of 100 equity shares on which first call money is not received)				3,000
	Bank A/c (100× Rs. 70)	Dr.		7,000	
	Forfeited Shares A/c (100×Rs.10)	Dr.		1,000	
	To Share capital A/c (100×Rs. 80) (Being the reissue of 100 equity shares @ 70 per share; 80 paid-up)				8,000
	Forfeited Shares A/c	Dr.		4,000	
	To Capital Reserve A/c (Being the gain in respect of 100 forfeited shares issued transferred to capital reserve)				4,000

18. **JOURNAL**

Date	Particulars		LF	Amt (Dr)	Amt (Cr)
2009 Mar 31	Surplus i.e. Balance in Statement of Profit and Loss	Dr		5,86,000	
	To Debenture Redemption Reserve A/c				5,86,000
	(Being the required amount transferred to DRR)				
Apr 30	Debenture Redemption Investment A/c	Dr		1,50,000	

	(10,00,000 $\times$ 15%)				
	To Bank A/c				1,50,000
	(Being the investment equal to 15% of the value of debentures to be redeemed invested)				
Oct 1	Bank A/c	Dr		15,00,00	
	To Debenture Redemption Investment A/c				1,50,000
	(Being the debenture redemption investment encashed)				
	9% Debentures A/c	Dr		10,00,000	
	Premium on Redemption of Debentures A/c	Dr		50,000	
	To Debentureholders/ A/c				10,50,000
	(Being debentures due for redemption)				
	Debentureholders/ A/c	Dr		10,50,000	
	To Bank A/c				10,50,000
	(Being amount paid to debentureholders)				
	Debenture Redemption Reserve A/c	Dr		10,00,000!	
	To General Reserve A/c				10,00,000
	(Being debenture redemption reserve transferred to general reserve account)				

Amount Transferred to Debenture Redemption Reserve (DRR): Section 71 (4) of the Companies Act 2013 requires that an amount equal to at least 25% of the value of debentures should be kept as Debenture Redemption Reserve (DRR) before making payment of Debentures but in the present question Debenture Redemption Reserve (DRR) balance is already more than 25% of the value of debentures i.e. Rs. 4,14,000. In other words, the company wants to make redemption of debentures fully out of profit. So,

Required DRR (100%of 10,00,000)	= 10,00,000
(-) Existing Balance	= (4,14,000)
more amount that needs to be transferred to DRR	Rs. 5,86,000

Further Rule 18 (7) requires every company that is required to create Debenture Redemption Reserve (DRR) to invest an amount at least equal to 15% of the amount of debentures due for redemption before 30 April in the year of redemption in the specified securities. Such Debenture Redemption Investment (DRI) can be sold at the time of redemption. So an amount of Rs. 1,50,000 i.e.15% of the amount of debentures Rs. 10,00,000 has been invested on April 30 in the year of redemption. And these Debenture Redemption Investments (DRI) have been sold at the time of redemption i.e. on October 1.

After the debentures are redeemed, the amount standing to the credit of Debenture Redemption Reserve is transferred to General Reserve.

19. **Cricket Club Income and Expenditure account for the year ended 31-12-2018**

Expenditure		Rs.	Income		Rs.
To Maintenance		6820	By Subscription	40000	
To Conveyance		820	Less: Rec. for last year	6000	
To Upkeep of Lawns		4240	Add: outstanding for current year	8000	42000
To Match Expenses		13240	By Entrance Fees		2750
To Salaries	11000		By Donations		5010
Add: Outstanding	1000	12000	By Interest on Fixed Deposits	900	
To postage Stamps:			Add:Outstanding	900	1800
opening balance	750		By Profit on Sale of Crockery (2000-1200)		800

Add: Purchases	1050			
Less: Closing Stock	(900)	900		
To Cricket Goods:				
opening balance	3210			
Add: Purchases	9720			
Less: Closing Stock	(2800)	10130		
To sundry Expenses		2000		
To Excess of Income over Expenditure (balance fig.)		2210		
		52360		**52360**

Balance sheet

as on 31-12-2018

Liabilities		Rs.	Assets		Rs.
Tournament Fund	20000		Cash		2200
Less:Tournament Expenses	18800	1200	Bank		23320
Salary Outstanding		1000	Fixed Deposit		30000
Capital (Balancing Fig.)	72660		Investment		5700
Add: surplus	2210	74870	Crockery		2650
			Accrued Interest on Fixed Deposit		900
			Subscription Due:		
			2017 (6600-6000)	600	
			2018	8000	8600
			Stock of Postage and stationery		900

		Stock of Cricket goods	2800
	77070		**77070**

20.

Dr	9% Debentures Account				Cr
Date	**Particulars**	**Amt (Rs)**	**Date**	**Particulars**	**Amt (Rs)**
2009			2008		
Mar 31	To Balance c/d	1,00,00,000	Apr 1	By Debenture Application And Allotment A/c	95,00,000
			Apr 1	Debentures A/c (1,00,00,000 $\times$5%)	5,00,000
		1,00,00,000			**1,00,00,000**
2010			2009		
Mar 31	To Balance c/d	1,00,00,000	Apr 1	By Balance b/d	1,00,00,000
		1,00,00,000			**1,00,00,000**
2011			2010		
Mar 31	To Bank A/c	10,00,000	Apr 1	By Balance b/d	1,00,00,000
Mar 31	To Balance c/d	90,00,000			
		1,00,00,000			**1,00,00,000**
2012			2011		
Mar 31	To Bank A/c	20,00,000	Apr 1	By Balance b/d	90,00,000
Mar 31	To Balance c/d	70,00,000			
		90,00,000			**90,00,000**

2013			2012		
Mar 31	To Bank A/c	30,00,000	Apr 1	By Balance b/d	70,00,000
Mar 31	To Balance c/d	40,00,000			
		70,00,000			**70,00,000**
2014			2013		
Mar 31	To Bank A/c	40,00,000	Apr 1	By Balance b/d	40,00,000
		40,00,000			**40,00,000**

Note :

- It is assumed that legal requirement with respect to Debenture Redemption Reserve and Investment have been accomplished before commencing redemption of debentures.
- The amount invested or deposited shall not be used for any purpose other than for redemption of debentures.
- Premium payable on redemption is a Capital Loss.
- Redemption of Debentures out of capital means that the company redeems debentures without transferring any amount to D.R.R. out of the profits.
- D.R.R. is not required to be created on fully convertible debentures.
- Debentures may be redeemed by a company : 1. out of Capital ; 2. out of Profits.
- Interest is ignored.
- Method adopted by the company to redeem debenture is known as Redemption of Debentures in Installments by Draw of Lots.
- When on issue of debenture all amount is received in a single installment then Debenture Application and Allotment account is credited.
- Debentures Issued at Discount means Debentures issued at price that is less than its nominal (face) value.
- Discount on issue of Debentures is a Capital Loss . It is written off either from

Securities Premium Reserve or from Statement of Profit or Loss.

OR

JOURNAL

Date	Particulars		L.F.	Amt (Dr)	Amt (Cr)
	Bank A/c (25,000*120)	Dr		30,00,000	
	To Debenture Application and Allotment A/c (Being application money received)				30,00,000
	Debenture Application and Allotment A/c	Dr		30,00,000	
	To 10% Debentures A/c (25,000*100)				25,00,000
	To Securities Premium Reserve A/c (25,000*20) (Being application money transferred to 10% debentures account)				5,00,000

Balance Sheet
as at..........

	Particulars	Note No.	Amt (Rs)
I.	**EQUITY AND LIABILITIES**		
1	Shareholders' Funds		
	Reserve and Surplus	1	5,00,000
2	Non-current Liabilities		

	Long-term Borrowings	2	25,00,000
	Total		30,00,000
II.	**ASSETS**		
1	Current Assets		
	Cash and Cash Equivalents	3	30,00,000
	Total		30,00,000

Notes to Accounts

	Particulars	**Amt (Rs)**
1	Reserves and Surplus	
	Securities Premium Reserve	5,00,000
2	Non-current Liabilities	
	10% Debentures	25,00,000
3	Cash and Cash Equivalents	
	Cash at Bank	30,00,000

JOURNAL

Date	**Particulars**		**L.F.**	**Amt (Dr)**	**Amt (Cr)**
(i)	Bank A/c	Dr		20,00,000	
	To Bank loan A/c (Being bank loan taken)				20,00,000
(ii)	Debenture Suspense A/c	Dr		25,00,000	
	To 10% Debentures A/c (Being 25,000, 10% debentures of Rs.100 each issued as Collateral				25,00,000

	security)				

Balance Sheet

As at ....

	Particulars	Amt (Rs)
1	**EQUITY AND LIABILITIES**	
	Non-current Liabilities	
	Long-term Borrowings	20,00,000

Notes to Accounts

	Particulars		Amt (Rs)
1	**Long-term Borrowings**		
	Loan from Bank		20,00,000
	25,000, 10% Debentures of Par Value of Rs.100 each Issued as Collateral Security	25,00,000	
	(-)Debenture Suspense	(25,00,000)	
			20,00,000

JOURNAL

Date	Particulars		L.F.	Amt (Dr)	Amt (Cr)
	Machinery A/c	Dr		28,00,000	
	To Vendor's A/c (Being machinery purchased)				28,00,000
	Vendor's A/c	Dr		28,00,000	
	To 10% Debentures A/c (25,000*100)				25,00,000

	To Securities Premium Reserve A/c (Being 25,000, 10% debentures issued to the supplier of machinery at premium)				3,00,000

Balance Sheet

As at..............................

	Particulars	Note No.	Amt (Rs)
I.	**EQUITY AND LIABILITIES**		
1	**Shareholders' Funds**		
	Reserves and Surplus	1	3,00,000
2	**Non-current Liabilities**		
	Long-term Borrowings	2	25,00,000
	Total		28,00,00
II.	**ASSETS**		
1.	**Non-current Assets**		
	Fixed Assets		
	Tangible Assets	3	28,00,000
	Total		28,00,000

Notes to Accounts

	Particulars	Amt (Rs)
1	**Reserves and Surplus**	
	Securities Premium Reserve	3,00,000
2	**Long-term Borrowings**	
		25,00,000

	10% Debentures (25,000 debentures @ Rs.100)	
3	**Tangible Fixed Assets**	
	Machinery	28,00,000

NOTES :

- Debentures issued as collateral security being for the loan of the company, debentures issued as collateral security are shown in the Note to Accounts in which loan is secured by debentures is shown.
- If the company fails to pay the loan along with interest with the time, the lender may recover the dues from the sale of primary security or by seeking redemption of collateral security.

21. **JOURNAL**

Date	Particulars		LF	Amt (Dr)	Amt (Cr)
2016					
March 31	Cash A/c	Dr		1,20,000	
	To E's Capital A/c				1,00,000
	To Premium for Goodwill A/c				20,000
	(Being cash and premium for goodwill brought in by E)				
	premium for Goodwill A/c	Dr		20,000	
	To C's Capital A/c				16,000
	To D's Capital A/c				4,000
	(Being premium for goodwill shared by old partners in sacrificing ratio, i.e., 4: 1)				
	C's Capital A/c	Dr		8,000	

	D's Capital A/c	Dr		2,000	
	To Cash A/c				10,000
	(Being half the goodwill withdrawn by C and D)				
	General Reserve A/c	Dr		10,000	
	To C's Capital A/c				8,000
	To D's Capital A/c				2,000
	(Being general reserve distributed among old partners in old ratio)				
	Revaluation A/c	Dr		16,300	
	To Outstanding Repair Bill A/c				2,300
	To Stock A/c				2,000
	To Furniture A/c				4,000
	To Plant and Machinery A/c (80,000 $\times$ 10%)				8,000
	(Being the decrease in the value of assets and increase in the value of liabilities recorded)				
	Bad Debts A/c	Dr		2,000	
	To Debtors A/c				2,000
	(Being bad debts charged)				
	Provision for Doubtful Debts A/c	Dr		2,000	
	To Bad debts A/c				2,000
	(Being Bad debts written-off)				
	Investment A/c	Dr		7,000	
	Provision for Doubtful Debts A/c (WN)	Dr		640	
	To Revaluation A/c				7,640
	(Being decrease in the value of liabilities and increase in the value of assets recorded)				

	C's Capital A/c	Dr		6,928	
	D's Capital A/c	Dr		1,732	
	To Revaluation A/c				8,660
	(Being loss on revaluation transferred to old partners in old ratio)				

Working Notes

i. **Distribution of Goodwill in Sacrificing Ratio**
C's share =$20,000 \times \frac{4}{5} = Rs16,000$
D's Share = $20,000 \times \frac{1}{5} = Rs4,000$
NOTE It has been assumed that the C and D sacrifice ratio is 4:1 as equal to old profit sharing ratio.

ii. Loss of Revaluation
It can be ascertained by preparing revaluation account in the following manner

Dr	Revaluation Account			Cr
Particulars	**Amt (Rs)**	**Particulars**		**Amt (Rs)**
To Outstanding Repair Bill A/c	2,300	By Investment A/c		7,000
To Stock A/c	2,000	By Provision for Doubtful Debts A/c		640
To Furniture A/c	4,000	By Loss on Revaluation Transferred to		
To Plant and Machinery A/c	8,000	C's Capital A/c	6,928	
		D's Capital A/c	1,732	8,660
	16,300			16,300

iii. **Provision for Bad Debts** Debtors = 36,000

iv. (-) Bad debts = (2,000), which will be adjusted against the provision for bad debts Rs 34,000

New provision for doubtful debts @ 4% = 34,000$\times \frac{4}{100} = Rs 1,360$

Existing provision after adjusting bad debts (4,000 - 2,000) = 2,000

(-) New provision = (1,360)

Excess Provision = Rs 640

OR

In this question there is a need to make Revaluation Account which means An increase in an asset's value in order to reflect the current market value of the asset.

It is debited with the decrease in the value of assets and the increase in the value of liabilities. The balance of this account shows a gain or loss on revaluation which is transferred to the Existing partners' capital account in existing profit sharing ratio. Revaluation of fixed assets is an action that may be required to accurately describe the true value of the capital goods a business owns. ... The purpose of a revaluation is to bring into the books the fair market value of fixed assets.

Books of Pradip, Subal and Kuntal

Revaluation Account

Dr.				**Cr.**
Particulars	**Amt(Rs)**	**Particulars**		**Amt(Rs)**
To Building	2,80,000	By Loss transferred to:		
To Plant	60,000	A's Capital A/c	2,49,480	
To Provision for Bad Debts	200	B's Capital A/c	90,720	3,40,200
	3,40,200			3,40,200

Partner's Capital Accounts

Dr.							**Cr.**
Particulars	**A**	**B**	**C**	**Particulars**	**A**	**B**	**C**

To Bank	55,000	20,000	---	By Balance b/d	20,00,000	5,50,000	---
To Revaluation Loss	2,49,480	90,720	--	By Premium	1,10,000	40,000	---
To Balance c/d	19,15,520	5,19,280	6,08,700	By Workmen Compensation Fund	1,10,000	40,000	--
				By Bank			6,08,700
	22,20,000	6,30,000	6,08,700		22,20,000	6,30,000	6,08,700

Balance Sheet

as at 31st March, 2009

Liabilities		**(Rs)**	**Assets**		**(Rs)**
Capitals:			Building(14,00,000 - 2,80,000)		11,20,000
A	19,15,520		Plant		2,40,000
B	5,19,280		Debtors	30,000	
C	6,08,700	30,43,500	(-) Provision for Bad Debts	(1,200)	28,800
Workmen Compensation Fund		10,000	Stock		29,000
Creditors		15,000	Land		10,00,000
Bills Payable		30,000	Bank		7,00,700
Employees Provident Fund		20,000			
		31,18,500			31,18,500

Working Note:

Bank Account

Dr.			Cr.
Particulars	**Amt(Rs)**	**Particulars**	**Amt(Rs)**
To Balance b/d	17,000	By A's Capital A/c	55,000
To Premium	1,50,000	By B's Capital A/c	20,000
To C's Capital A/c	6,08,700	By Balance c/d	7,00,700
	7,75,700		7,75,700

Calculation for Adjustment of Capital

A’s Capital after adjustment = 19,15,520

B’s Capital after adjustment = 5,19,280

(+) = 24,34,800

C’s share = $\frac{1}{5}$ th

Remaining share to be shared by A and B = $1-\frac{1}{5}=\frac{4}{5}th$

$\frac{4}{5}$ th share capital = Rs 24,34,800

Total capital = Rs 24,34,800 $\times\frac{5}{4}$ = Rs 30,43,500

C’s share of capital = Rs 30,43,500 $\times\frac{1}{5}$ = Rs 6,08,700

22. **Journal Entries**

Date	Particular		Dr. (Rs.)	Cr. (Rs.)
	Bank A/c	Dr.	2,10,000	
	To Equity Share Application A/c			2,10,000
	(Being share application money received.)			
	Equity Share Application A/c	Dr.	2,10,000	
	To Equity Share Capital A/c			1,00,000
	To Securities premium reserve A/c			50,000
	To Equity Share Allotment A/c			15,000
	To Bank A/c			45,000

	(Being share application money transferred.)			
	Equity Share Allotment A/c	Dr.	1,50,000	
	To Equity Share Capital A/c			1,00,000
	To Securities Premium Reserve A/c			50,000
	(Being share Allotment money due.)			
	Bank A/c	Dr.		
	To Equity Share Allotment A/c			
	(Being share allotment money received)			
	Equity Share First call A/c	Dr.	1,50,000	
	To Equity Share Capital A/c			1,50,000
	(Being share First call money due.)			
	Bank A/c	Dr.	1,20,000	
	To Equity Share First Call A/c			1,20,000
	(Being share First call money received)			

OR

JOURNAL

Date	Particulars	L.F.	Amt. (Dr.)	Amt. (Cr.)
1.	Bank A/c (80,000 $\times$ 30) Dr.		24,00,000	.
	To Equity Share Application A/c		.	24,00,000
	(Being share application money received.)			.
2.	Equity Share Application A/c Dr.		24,00,000	.
	To Share Capital A/c		.	24,00,000
	(Being share application money transferred.)		.	.

3.	Equity Share Allotment A/c (80,000 × 40) Dr.		32,00,000	.
	To Share Capital A/c (80,000 × 20)		.	16,00,000
	To Securities Premium Reserve A/c (80,000 × 20)		.	16,00,000
	(Being share allotment money due.)		.	.
4.	Bank A/c (79,800 × 40) Dr.		31,92,000	.
	To Equity Share Allotment A/c		.	31,92,000
	(Being share allotment money received, except on 200 shares.)		.	.
5.	Equity Share First and Final Call A/c (80,000 × 50) Dr.		40,00,000	.
	To Share Capital A/c		.	40,00,000
	(Being share first and final call money due.)		.	.
6.	Bank A/c (79,400 × 50) Dr.		39,70,000	.
	To Equity Share First and Final Call A/c		.	39,70,000
	(Being share first and final call money received except on 600 shares.)		.	.
7.	Equity Share Capital A/c (600 × 100) Dr.		60,000	.
	Securities Premium Reserve A/c (200 × 20) Dr.		4,000	.
	To Equity Share Allotment A/c (200 × 40)		.	8,000
	To Equity Share First and Final Call A/c (200 × 50) + (400 × 50)		.	30,000
	To Share Forfeiture A/c (200 × 30) + (400 × 50)		.	26,000
	(Being 600 shares forfeited.)		.	.
8.	Bank A/c (600 × 80) Dr.		48,000	.
	Share Forfeiture A/c (200 × 20) + (400 × 20) Dr.		12,000	.
	To Equity Share Capital A/c (600 × 100)		.	60,000

	(Being all forfeited shares reissued @ Rs. 80 fully paid-up.)		.	.
9.	Share Forfeiture A/c Dr.		14,000	.
	To Capital Reserve A/c		.	14,000
	(Being share forfeiture transferred to capital reserve account.)		.	.

Dr.	**Cash Books**		**Cr.**
Particulars	**Amt. (Rs.)**	**Particulars**	**Amt. (Rs.)**
To Equity Share Application A/c	24,00,000	By Balance c/d	96,10,000
To Equity Share Allotment A/c	31,92,000		
To Equity Share First and Final Call A/c	39,70,000		
To Equity Share Capital A/c	48,000		
	96,10,000		96,10,000

Section B

23. (c) Proposed Dividend

    Explanation: Proposed dividend is an important source of financing temporary working capital, and not the part of shareholders funds.

24. Payment of dividend will reduce the total of current assets and also the current liabilities by the same amount. Therefore, the current ratio will improve. The current ratio is the difference between current assets and current liabilities.

25. It is so because liquid ratio includes only those assets which can be vary easily converted into cash. Inventories and Prepaid Expenses are not included in liquid assets because it may take a lot of time before to converted into cash.

26. i. To assets the liquidity, solvency, profitability, and efficiency of the business.
    ii. To assess whether the company will be able to repay the amount of loan/credit or not as well as to assess whether the interest on the loan will be received periodically.

27. Cash received from debtors will be shown under 'Operating Activities' because selling goods on credit to the customers and receiving cash is operating activity of a business. Decrease in debtors or receivables means inflow of cash while increase in debtors or receivables means outflow of cash.

28. False

29. (a) - (iii), (b) - (iv), (c) - (i), (d) - (ii)

30. Net profit for the current year will be transferred and added to the existing balance of Surplus under Reserves and Surplus.

    Rs.50,000 transferred to D.R.R. will be shown as appropriation out of Surplus which will be added to existing balances (if any) under DRR.

    Balance under Surplus and D.R.R. will be added and shown against Reserves and Surplus.

OR

Sl.no	**Items**	**Major Headings**	**Sub-headings**
(i)	Mining Rights	Non-current Assets	Fixed Assets (Intangible assets)
(ii)	Encashment of Employees Earned Leave Payable on Retirement	Non-current Liabilities	Long-term Provisions
(iii)	Vehicles	Non-current Assets	Fixed Assets (Tangible assets)

This classification of assets is given as per revised schedule 3 of the company's act,2013 in order to bring uniformity in classification and to ensure international standards. This classification is given in part 1 of the schedule.

31. **Comparative Statement of Profit and Loss**

for the year ended 31st March, 2009

Particulars	31st March, 2008 (Rs.)	31st March, 2009 (Rs.)	Absolute Change (Increase or Decrease) (Rs.)	Percentage Change (Increase or Decrease) (%)
I. Revenue from Operations (Sales)	6 ,00,000	8,00,000	2,00,000	33.33
II.Total Revenue	6,00,000	8,00,000	2,00,000	33.33
III. Expenses:				
(a) Cost of Revenue from Operations	3,60,000	4,00,000	40,000	11.11
(b) Administrative Expenses	48,000	60,000	12,000	25.00
IV. Total Expenses (a+b)	4,08,000	4,60,000	52,000	12.74
V. Profit before Tax (I I - IV)	1,92,000	3,40,000	1,48,000	77.08
VI. Income Tax @ 50%	(96,000)	(1,70,000)	(74,000)	(77 08)
VII. Profit after Tax (V- VI)	96,000	1,70,000	74,000	77.08

Working Note

	2008	2009
Revenue from operations	6,00,000	8,00,000
(-) Gross profit	(2,40,000)	(4,00,000)
Cost of revenue from		

operations	3,60,000	4,00,000
Administrative expenses	20% on Gross profit i e 48,000	15% on Gross profit i e. 60,000

Comparative statement of P&L A/c is prepared as per Schedule 3, Part 1 of the Companies Act,2013. 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. Analysts and business managers use the income statement, balance sheet and cash flow statement for comparative purposes. The process reveals trends in the financials and compares one company's performance with another business.

OR

Balance Sheet of PQ Ltd.
as at 31st March 2012 (Extract)

	Particulars	**Note No.**	**31st March 2012 Amount (Rs.)**	**31st March 2011 Amount (Rs.)**
I.	**EQUITY AND LIABILITIES**			
	(1) **Shareholders' Funds**			
	(a) Share Capital		400	
	(b) Reserves and Surpluses		90	
	(2) **Non-Current Liabilities**			
	(a) Long Term Borrowings		500	
	(3) **Current Liabilities**			
	(a) Trade Payables		30	

	(d) Trade Payables		30	
			1,020	
II.	**ASSETS**			
	(1) **Non-current Assets**			
	(a) Fixed Assets			
	Tangible Assets		800	
	(2) **Current Assets**			
	(a) Inventories		20	
	(b) Trade Receivables		80	
	(c) Cash and Cash Equivalents		120	
			1,020	

There is a legal requirement as per Companies Act 2013 that every company should prepare Profit and Loss account and Balance Sheet as per the format given in Schedule 3. This requirement is only for companies and not for Partnership or Proprietorship.

32. **Cash Flow Statement**

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

- Tax Paid	20000	***307375***
II. Cash Flow from Investing activities :		
Purchase of machinery	-300000	
Purchase of non current investment	-120000	
Sale of machinery	36000	
Sale of non current investment	72000	***-312000***
III. Cash Flow from Financing activities :		
Issue of shares	300000	
Redemption of preference shares	-100000	
Redemption of debentures	-50000	
Preference dividend	-24000	
Equity dividend	-240000	
Interest	-21375	***-135375***
Net Cash Flow		***-140000***
+ Opening		310000
Closing		170000