CBSE
Class XII Accountancy
All India Board Paper_Set2_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 issue of debentures as collateral security?

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

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

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

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

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

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

8. Pass necessary journal entries in the following cases :

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

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

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

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

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

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

ii. Purchased a running business from Aman Ltd, for a sum of ₹15,00,000. The payment of ₹12,00,000 was made by issue of fully paid equity shares of ₹10 each and balance by a bank draft. The assets and liabilities consisted of the following: Plant ₹3,50,000; Stock ₹4,50,000; Land and Building ₹6,00,000; Sundry Creditors ₹1,00,000.

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

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

ii. Interest on capital will be provided @ 6% p.a. Due to shortage of capital, Singh contributed ₹25,000 on 30th September, 2012 and Gupta contributed ₹10,000 on 1st January, 2013 as additional capital. The profit of the firm for the year ended 31st March 2013 was ₹1,68,900.

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

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

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

Balance Sheet as on march 31, 2013

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

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

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

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

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

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

14. On 1st April, 2012, Blue Heaven Ltd. was formed with an authorised capital of ₹20,00,000 divided into 2,00,000 equity shares of ₹10 each. The company issued prospectus inviting applications for 1,80,000 equity shares. The company received applications for 1,70,000 equity shares. During the first year, ₹8 per share were called. Ram holding 2,000 shares and Varun holding 4,000 shares did not pay the first call of ₹2 per share. Varun's shares were forfeited after the first call and later on 3,000 of the forfeited share were re-issued at ₹6 per share, ₹8 called up.

Show the following:

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

15. Anju, Manju and Ruchi were partners in a firm trading in medicines. They were sharing profits in the ratio of 5 : 3 : 2. Their capitals on 1st April, 2012 were ₹3,00,000; ₹5,00,000 and ₹7,00,000 respectively. After the flood in Uttarakhand; all partners decided to help the flood victims personally.
For this Anju withdrew ₹30,000 from the firm of 1st August, 2012. Manju instead of withdrawing cash from the firm took medicines amounting to ₹25,000 from the firm and distributed those to the flood victims. On the other hand, Ruchi withdrew ₹1,50,000 from her capital on 1st December;2012 and provided the necessary items of daily use in the flood affected area.
The partnership deed provides for charging interest on drawings @ 6% p.a. After the final accounts were prepared it was discovered that interest on drawings had not been charged. Give the necessary adjusting journal entry and show the working notes clearly. Also state any two values which the partners wanted to communicate to the society.

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

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

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

On the above date the firm was dissolved:

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

Prepare Realisation Account.

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

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

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

It was agreed that:

i. The value of Land and Building will be appreciated by 20%.
ii. The value of Machinery will be depreciated by 10%.
iii. The liabilities of Workmen's Compensation Fund was determined at ₹50,000.
iv. Capitals of Shikhar and Rohit will be adjusted on the basis of Kavi's capital and actual cash to be brought in or to be paid off as the case may be.

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

OR

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

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

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

On the above date N retired.

The following were agreed:

i. Goodwill of the firm was valued at ₹6,00,000.
ii. Land was to be appreciated by 40% and Building was to be depreciated by ₹1,00,000. Furniture was to be depreciated by ₹30,000.
iii. The liabilities for Workmen's Compensation Fund was determined at ₹1,60,000.
iv. Amount payable to N was transferred to his loan account.
v. Capitals of L and M were to be adjusted in their new profit sharing ratio and for this purpose current accounts of the partners will be opened. Prepare Revaluation Account, Partners' Capital Accounts and the Balance Sheet of the new firm.

18. KY Ltd. invited applications for issuing 60,000 equity shares of ₹10 each at a premium of ₹4 per share. The amount was payable as follows:
On applications and allotment - ₹8 per share (including premium)
On first and final call - the balance amount
Applications for 2,00,000 shares were received. Applications for 80,000 shares were rejected and money refunded. Shares were allotted on pro-rata basis to the remaining applicants. The first and final call was made. The amount was duly received except on 600 shares applied by Ravi. His shares were forfeited. The forfeited shares were re-issued at a discount of ₹8 per share.
Pass necessary journal entries for the above transactions in the books of KY Ltd.

OR

JY Ltd. invited applications for issuing 70,000 equity shares of ₹10 each at a discount of 10%. The amount was payable as follows:
On applications and allotment - ₹4 per share
On first and final call - the balance amount
Application for 2,00,000 shares were received. Applications for 60,000 shares were rejected and money refunded. Shares were allotted on pro-rata basis to the remaining applicants. The first and final call was made. All money was received except on 1,400 shares applied by Naresh. His shares were forfeited. The forfeited shares were re-issued at the maximum discount permissible under the law.
Pass necessary journal entries for the above transactions in the books of JY Ltd.

Section- B

19. State the meaning of 'Cash Flow' while preparing Cash Flow Statement.

20. Why is specific disclosure of cash flow financing activities important while preparing Cash Flow Statement?

21. State any one objective of financial statements analysis.

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

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

Particular	Note No.	2012-13 ₹	2011-12 ₹
Revenue from operation		14,00,000	11,00,000
Other expenses		2,00,000	1,40,000
Expenses		8,00,000	9,00,000

Rate of Income tax was 40%.

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

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

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

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

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

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

Particulars	Note No.	31-3-2013 ₹	31-3-2012 ₹
I. Equity and Liabilities			
1. Shareholders' Funds			
a. Equity share Capital		2,00,000	1,50,000
b. Reserves and Surplus		90,000	75,000
2. Non-current Liabilities			
a. Long term-borrowing		87,500	87,500
3. Current liabilities			
a. Trade Payables		10,000	76,000
Total		**3,87,500**	**3,88,500**

II. Assets			
1. Non- Current assets			
a. Fixed assets			
i. Tangible assets		1,87,500	1,40,000
b. Non –Current Investment		1,05,000	1,02,500
2. Current assets			
a. Current-Investment (marketable)		12,500	33,500
b. Inventory		4,000	5,500
c. Trade receivable		9,500	23,000
d. Cash and Cash equivalents		68,500	84,000
Total		**3,87,500**	**3,88,500**

Notes to Account:
Note -1

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

CBSE
Class XII Accountancy
All India Board Paper_Set2–2014- Solution

SECTION A

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

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

3. Answer :

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

4. Answer :
Calculation of Gaining Ratio:

$$\begin{aligned} & \quad X : Y : Z \\ \text{Old Ratio} &= \frac{1}{2} : \frac{3}{10} : \frac{1}{5} \\ & \frac{5:3:2}{10} \end{aligned}$$

New Ratio = 3:2

Gaining Ratio= New Ratio -Old Ratio

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

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

Gaining Ratio= 3:2

5. Answer :
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'.

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

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

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

8. Answer :

Books of Sunrise Ltd.
Journal Entry

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

Working Note:

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

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

Books of Britannia Ltd.
Journal Entry

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

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

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

9. Answer :

Journal Entry

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Cash A/c Dr. To Somesh's Capital A/c (Being Somesh brought his share capital)		1,20,000	 1,20,000

	Somesh's Capital A/c Dr. To Hemant's Capital A/c To Naresh's Capital A/c (Being share of goodwill brought in by somesh, distributed among sacrificing partners in sacrificing ratio 3:2)		44,000	 26,400 17,600

Calculation of Profit sharing Ratio:

Hemant :Naresh

Old Ratio = $3:2$

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

Let the total share of the firm =1

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

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

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

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

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

Sacrificing Ratio = old Ratio - New Ratio

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

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

Sacrificing Ratio= $3:2$

Calculation of Somesh's share of Goodwill:

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

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

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

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

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

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

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

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

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

10. Answer :

Journal

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

11. Answer :

Journal Entries

Date	Particulars		L.F.	Debit ₹	Credit ₹
	Furniture A/c	Dr.		2,50,000	
	To M/s Furniture A/c				2,50,000
	(Being furniture is purchased from m/s Furniture mart for ₹7,20,000)				
	M/s Furniture Mart A/c	Dr.		2,50,000	
	To Equity share capital A/c				2,00,000
	To Securities Premium A/c				50,000
	(Being issue of 20,000 share at ₹10 each at a premium of 25%)				

Working Note:

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

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

(b)

Journal Entries

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

12. Answer :

(a) Value involved in the above scenario:

i. Environmental Conservation

ii. Encouraging Talent

(b)

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

Dr. **Cr.**

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

Working Capital:

Calculation of Interest on Capital:

Interest on Singh's Capital:

On 1,00,000 for whole year:

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

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

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

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

Interest on Gupta's Capital:

On 50,000 for whole year:

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

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

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

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

13. Answer :

Sonika's Capital Account

Dr. **Cr.**

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

Calculation of Gaining Ratio of Monika and Mansha:

Monika : Sonika : Mansha

Old Ratio = 2 : 2 : 1

New Ratio of Monika and Mansha = 2 : 1

Gaining Ratio= New Ratio - old Ratio

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

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

Gaining Ratio= 4:2 or 2:1

WN1: Calculation of Sonika's Share of Goodwill

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

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

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

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

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

WN 2 : Calculation of Profit share of Sonika :

Profit for the year =2,00,000

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

WN3 : Calculation Of Interest on Sonika's capital :

Sonika's Capital =1,50,000

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

WN4 : Sonika's share of Reserve fund :

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

14. Answer :

Balance Sheet
As at April 01,2012

Particulars	Note No.	₹
I. Equity and Liabilities		
1. Shareholders' fund		
a. Share capital		13,54,000
b. Reserve and Surplus		12,000
2. Non-Current Liabilities		
3. Current Liabilities		
Total		**13,66,000**
II. Assets		
1. Non-Current Assets		
2. Current Assets		
Cash and Cash Equivalents		13,66,000
Total		**13,66,000**

Note to Account

Note No.	Particulars		₹
1	**Share capital**		
	2,00,000 share of ₹10 each		20,00,000
	Issued capital		
	1,80,000 equity share of ₹10 each		18,00,000
	Subscribed Called up and paid up Capital		
	1,69,000 equity share of ₹8 each	13,52,000	
	Less: Calls-in- arrears (on 2,000 equity share @ ₹2 per Share)	4,000	
	Add: Share forfeiture(on 500 equity share)	6,000	**13,54,000**
2	**Reserve and Surplus**		
	Capital Reserve		**12,000**
8	**Cash and Cash Equivalents**		
	Cash at Bank		**13,66,000**

15. Answer :

Journal Entries

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Ruchi's Capital A/c Dr.		1,960	
	To Anju's Capital A/c			1,400
	To Manju's Capital A/c			560
	(Being interest on drawings has been changed, now adjusted)			

Adjusting Table:

Particular	Anju	manju	Ruchi	Total
Interest on Drawings	1,200	1,000	3,000	5,200
Profit of ₹770 shared in Ratio 5:3:2(Cr.	2,600	1,560	1,040	5,200
Difference	**1,400 (Cr.)**	**560 (Cr.)**	**1,960 (Dr.)**	**Nil**

Working Notes:
Calculation of Interest Drawings:

$$\text{Interest on Anju's Drawings} = 30{,}000 \times \frac{6}{100} \times \frac{8}{12} = 1{,}200$$

$$\text{Interest on manju's Drawings} = 25{,}000 \times \frac{6}{100} \times \frac{8}{12} = 1{,}000$$

$$\text{Interest on Ruchi's Drawings} = 1{,}50{,}000 \times \frac{6}{100} \times \frac{4}{12} = 3{,}000$$

Values Based in the above scenario are as follows:

i. Duty for Nation
ii. Helping the needy

16. Answer :

Realisation Account

Dr. **Cr.**

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

17. Answer:

Revaluation Account

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

Partners' Capital Account

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

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

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

Working Note:

Calculation of Profit of shareing Ratio

Shikhar : Rohit

Old Ratio = 3 : 2

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

Let the total share of the firm =1

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

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

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

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

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

Scarificing Ratio = Old Ratio - New Ratio

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

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

Sacrificing Ratio = 7: 3

WN1: Distribution of Goodwill brought in by Kavi:

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

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

WN2: Distribution of Workmen's Compensation Fund

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

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

WN3: Distribution of General Reserve:

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

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

WN4: Adjustment of Capital

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

Capital Brought in by Kavi = 4,30,000

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

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

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

OR

Revaluation Account

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

Partners' Capital Account

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

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

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

Working Notes:

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

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

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

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

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

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

18.

Journal Entries
In the books of JY Ltd.

Date	Particulars		L.F.	Debit ₹	Credit ₹
	Bank A/c	Dr.		16,00,000	
	To share application and allotment A/c				16,00,000
	(Being share application and allotment received on 2,00,000 of ₹8 each including discount of ₹4 each)				
	Share application and allotment A/c	Dr.		16,00,000	
	To Share capital A/c				2,40,000
	To Securities Premium A/c				2,40,000
	To Bank A/c				6,40,000
	To Share First and Final Call A/c				4,80,000
	(Being share application of 60,000 share transferred to share capital, share application and allotment on 80,000 shares refunded and rest is adjusted on share first and final call)				
	Share First and Final Call A/c	Dr.		3,60,000	
	To Share capital A/c				3,60,000
	(Being share first and final call due on 60,000 shares of ₹6 each)				

Computation Table									
Category	**Share Applied**	**Share Allotted**	**Money received on Application and Allotment @ ₹8 each including discount of ₹4 each**	**Money transfers to share capital @₹ 4 each**	**Money transfer to securities premium@ ₹4 each**	**Excess Application and Allotment money**	**Share first and final call due @₹6 each**	**Money Refunded**
I	80,000	Nil	6,40,000					6,40,000
II	1,20,000	60,000	9,60,000	2,40,000	2,40,000	4,80,000	3,60,000	
	2,00,000	60,000	16,00,000	2,40,000	2,40,000	4,80,000	3,60,000	6,40,000

Important Note: This question can't be solved further because the shareholder has already paid excess amount than required on first and final call as he has applied for 1,600 shares and 800 shares are allotted to him

Working Note:

Those who applied for 1,20,000 shares, allotted = 60,000 Shares

$$\text{Those who applied for 600 shares, allotted} = 60{,}000 \times \frac{600}{1{,}20{,}000} = 300 \text{ share}$$

Share Application and Allotment received on 600 shares of ₹8 each (including discount of ₹4 each) = ₹4,800

Shares Allotted (300 ×8) =₹2,400

Excess Application and Allotment money received =₹2,400

Share First and Final Call due on 300 shares of its ₹6 each = ₹1,800

Excess Application and Allotment money received = ₹2,400

Now, he has already paid amount of Its 2,400 in excess at the time of application and allotment which is more than the amount due from him at the time of share final call. Thus, forfeiture is not possible in this case.

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

OR

Journal Entries

Date	**Particulars**		**L.F.**	**Debit ₹**	**Credit ₹**
	Bank A/c	Dr.		8,00,000	
	To share application and allotment A/c				8,00,000
	(Being share application and allotment received on 2,00,000 of ₹4 each including premium of ₹1 each)				
	Share application and allotment A/c	Dr.		8,00,000	
	Discount on issue A/c	Dr.		70,000	
	To share capital A/c				3,50,000
	To Bank A/c				2,40,000
	To share First and Final Call A/c				2,80,000
	(Being share application of 70,000 shares transferred to share capital , share application and allotment on 60,000 share refunded and rest is adjusted on share first and final call)				
	Share First and Final Call A/c	Dr.		3,50,000	
	To share capital A/c				3,50,000
	(Being share first and final Call due on 70,000 shares of ₹5 each)				

	Bank A/c Dr.		69,300	
	To Share First and Final Call A/c			69,300
	(Being share first and final call received)			
	Share Capital A/c Dr.		7,000	
	To Share Forfeiture A/c			5,600
	To Discount on issue A/c			700
	To Share First and Final Call A/c			700
	(Being 700 share were forfeited for non-payment of share first and final of ₹5 each)			
	Bank A/c Dr.		700	
	Discount on issue A/c Dr.		700	
	Share forfeited A/c Dr.		5,600	
	To share capital A/c			7,000
	(Being 700 forfeited share were re-issued at a discount of ₹8 per Share)			
	Share Forfeiture A/c Dr.		Nil	
	To capital Reserve A/c			Nil
	(Being share forfeiture transferred to capital reserve)			

Computation Table									
Category	**Share Applied**	**Share Allotted**	**Money received on Application and Allotment @ ₹4 each including premium of ₹1 each**	**Money transfers to share capital@ ₹5 each**	**Money transfer to securities premium @ ₹1 each**	**Excess Application and Allotment money**	**Share first and final call due @₹5 each**	**Amount receivable on share first and final call after adjustment**	**Money Refunded**
I	60,000	Nil	2,40,000						2,40,000
II	1,40,000	70,000	5,60,000	3,50,000	70,000	2,80,000	3,50,000	69,300	
	2,00,000	70,000	8,00,000	3,50,000	70,000	2,80,000	3,50,000	69,300	2,40,000

Working Note:

Those who applied for 1,40,000 shares, allotted = 70,000 Shares

$$\text{Those who applied for 1,400 shares, allotted} = 70,000 \times \frac{1,400}{1,40,000} = 700 \text{ share}$$

Share Application and Allotment received on 1,400 glares of ₹4 each = ₹5,600

Shares Allotted (700 × 4) =₹2,800

Excess Application and Allotment money received = ₹2,800

Share First and Final Call due on 700 shares of ₹5 each = ₹3,500

Excess Application and Allotment money received = ₹2,800

Share First and Final Call not received = ₹700 (3,500-2,800)

Therefore, Share First and final Call received = ₹69,300 (70,000 - 700)

SECTION- B

19. Answer :

The movement of cash in and out of the business is referred as cash flow in a business. Cash flows can be either inflows or outflows of cash and cash equivalents.

20. Answer :

The disclosure of cash flow from financing activities is important while because these are the activities which shows changes in the composition and size of the capital structure and borrowings of an organisation.

21. Answer :

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

22. Answer :

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

23. Answer :

Comparative Income Statement

For the years ended 31st March 2012 & 2013

Particulars	2012-13 ₹	2011-12 ₹	Absolute Change ₹	Percentage Change %
i. Revenue from operations	14,00,000	11,00,000	3,00,000	27.27
ii. Other Income	2,00,000	1,40,000	60,000	42.85
iii. Total Revenue (I+II)	16,00,000	12,40,000	3,60,000	29.03
iv. Expense	8,00,000	9,00,000	(1,00,000)	(11.11)
Profit before Income Tax(III-IV)	8,00,000	3,40,000	4,60,000	135.29
Less: Income Tax	3,20,000	1,36,000	1,84,000	135.29
Profit after Income Tax	**4,80,000**	**2,04,000**	**2,76,000**	**135.29**

24. Answer :

(a)

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

1. Rent of ₹3,000 paid in advance will affect the current assets in two ways:
   Cash will reduce by ₹3,000.
   Pre-paid expenses will increase by Its 3,000.
   Quick Assets does not include pre-paid expenses. therefore, quick assets will reduce by ₹3,000 and subsequently, Quick ratio will also decrease.
2. A debtor of Its 9,700 paid his due amount will affect the quick assets in two ways:
   Increase in Cash by ₹9,700.
   Decrease in Debtors by ₹9,700.

This simultaneous increase and decrease will not affect the value of quick assets and thus. There will be no change in the ratio

(b)

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

Total Assets = Total Liabilities + Shareholder's Funds

Total Assets = Current Assets + Non-Current Assets

= 90,000 + 3,60,000 =₹4,50,000

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

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

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

= 4,50,000 —3,50,000 =₹1,00,000.

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

25.

Cash Flow Statement
For the year ended March 31,2013

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