CLASS-XII (2022-23)

SAMPLE QUESTION PAPER - 2

SUBJECT ACCOUNTANCY 055

TIME 3 HOURS **MAX. MARKS 80**

GENERAL INSTRUCTIONS:

1. This question paper contains 34 questions. All questions are compulsory.
2. This question paper is divided into two parts, Part A and B.
3. Part - **A is compulsory for all candidates.**
4. Part - B has two options i.e. **(i) Analysis of Financial Statements and (ii) Computerised Accounting.** Students must attempt **only one** of the given options.
5. Question 1 to 16 and 27 to 30 carries 1 mark each.
6. Questions 17 to 20, 31and 32 carries **3** marks each.
7. Questions from 21 ,22 and 33 carries **4** marks each
8. Questions from 23 to 26 and 34 carries **6** marks each
9. There is no overall choice. However, an internal choice has been provided in 7 questions of **one mark**, 2 questions of **three marks**, 1 question of **four marks** and 2 questions of **six marks.**

Part A:- Accounting for Partnership Firms and Companies

1. Vidit and Seema were partners in a firm sharing profits and losses in the ratio of 3 : 2. Their capitals were ₹1,20,000 and ₹2,40,000, respectively. They were entitled to interest on capitals @ 10% p.a. The firm earned a profit of ₹18,000 during the year. The interest on Vidit's capital will be: **[1]**

   a) ₹6,000 b) ₹10,800

   c) ₹7,200 d) ₹12,000

2. **Assertion (A):** If the amount of any liability is understated, then the revaluation account will be debited to restore the liability's amount to its actual value. **[1]**
   Reason (R): Increase in the amount of liability is a profit for the firm.

   a) Both A and R are true and R is the correct explanation of A. b) Both A and R are true but R is not the correct explanation of A.

   c) A is true but R is false. d) A is false but R is true.

3. The excess amount which the firm gets on selling its business over and above the net value is **[1]**

   a) Surplus b) Goodwill

   c) Super profits. d) Reserve

   OR

   Which of the following is not a method of valuing goodwill?

   a) Discounted Cash Flow Method b) Average Profit Method

c) Super Profit Method d) Capitalisation Method

4. WW Limited forfeited 200 shares of ₹20 each, ₹15 per share called upon which ₹10 per share had been paid. Directors reissued all the forfeited shares to B as ₹15 per share paid up for payment of ₹10 each. Find out capital reserve. [1]

a) Rs.2000 b) Rs.1000

c) Rs.2500 d) Rs.3500

OR

10,000 shares issued for public subscription having face value Rs. 10 at a premium of 10%. The full amount was payable on application. Applications were received for 15,000 shares and pro-rata allotment was made. Find the amount to be refunded?

a) 55,000 b) 50,000

c) 10,000 d) No need to refund the money

5. What is the Maximum discount limit on issue of debentures as per law? [1]

a) 6% b) 10%

c) Not Fixed d) 15%

6. What should be the journal entry when A takes over loan payable to Mrs. A ₹20,000 [1]

a)

Realisation A/c	Dr.	20,000	
To A's Capital A/c			20,000

b)

Bank A/c	Dr.	58,000	
To A's Capital A/c			58,000

c)

Realisation A/c	Dr.	58,000	
To Bank A/c			58,000

d)

Loan A/c	Dr.	58,000	
To A's Capital A/c			58,000

OR

Deferred Revenue expenditure given in the balance sheet will be:

a) Debit to Partners' capital/current A/c b) Debit to Realisation A/c

c) Credit to partners' capital A/c d) Credit to Realisation A/c

7. The directors of Axim Ltd. forfeited 20,000 equity shares of ₹10 each, ₹8 per share called up for non-payment of first call of ₹2 per share. Final call of ₹2 per [1]

share has not been yet called. Half of the forfeited shares were reissued as fully paid up for ₹15 per share. The amount transferred to Capital Reserve will be:

a) ₹60,000 b) ₹40,000

c) ₹1,20,000 d) ₹2,00,000

8. Under which head the amount of discount which is unamortized or cannot be written off, is shown in the balance sheet? [1]

a) Other Non-current Liabilities b) Other current liabilities

c) Other current assets d) Other Non-current Assets

OR

Debenture Application Account is a ________.

a) None of these b) Personal Account

c) Nominal Account d) Real Account

Question No. 9 to 10 are based on the given text. Read the text carefully and answer the questions: 2.0

Rana and Amit were partners sharing Profit and Losses in 3:2 with effect from 1st April 2021, they decided to share future profits equally. The goodwill was adjusted at the time of change in profit sharing ratio between partners.

9. State the need for treatment of goodwill on change in profit sharing ratio.

i. The gaining partner is required to compensate the sacrificing partner.
ii. The sacrificing partner is required to compensate the gaining partner.
iii. Both the gaining partner is required to compensate the sacrificing partner and the sacrificing partner is required to compensate the gaining partner.
iv. None of these.

a) Option (iii) b) Option (i)

c) Option (iv) d) Option (ii)

10. Which partner's capital account is debited at the time of adjusting goodwill through capital accounts?

a) All partner's capital account b) Sacrificing partner's capital account

c) None of these d) Gaining partner's capital account

11. While passing the entry for a refund of money if the applications are rejected. Which account should be credited: [1]

a) Debenture Application A/c b) Debenture Allotment A/c

c) Securities Premium A/c d) Bank A/c

12. Ashok and Ravi were partners in a firm sharing profits and losses in the ratio of 7:3. They admitted Chander as a new partner. The new profit ratio between Ashok, Ravi and Chander will be 2:2:1. Chander brought Rs.24,000 for his share of his goodwill. Calculate the amount Ravi compensate to the Ashok share in the above transaction **[1]**

a) 12,000 b) 24,000

c) 10,000 d) 36,000

13. ________ is the excess of actual profit over normal profit. **[1]**

a) Normal profit b) Super Profit

c) Super Loss d) Average Profit

14. Profit and Loss Appropriation Account is prepared to: **[1]**

a) Find out Net Profit b) Find out Divisible Profit

c) Create Reserve Fund d) None of these

15. A, B and C are the partners sharing profits in the ratio of their capital which was ₹30000, ₹20000 and ₹10000 respectively. C retired and new profit sharing ratio between A and B was 1:2. On C's retirement, the goodwill of the firm was valued at ₹30000. What amount of goodwill will be debited to B's Account? **[1]**

a) ₹10000 b) ₹5000

c) ₹15000 d) ₹12000

OR

Debts which were earlier write off as bad debts now recovered, it will be recorded in:

a) Cr. Side of partner's capital A/c b) Dr. Side of revaluation account

c) Cr. Side of revaluation account d) Added in cash/bank account

16. Ramesh and Suresh are partners sharing profits in the ratio of 2 : 1 respectively. Ramesh Capital is ₹1,02,000 and Suresh Capital is ₹73,000. They admit Mahesh and agree to give him 1/5th share in future profit. Mahesh brings ₹14,000 as his share of goodwill. He agrees to contribute capital in the new profit sharing ratio. How much capital will be brought by Mahesh? **[1]**

a) ₹47,250 b) ₹48,000

c) ₹45,000 d) ₹43,750

17. Deepa, Neeru and Shilpa were partners in firm sharing profits in the ratio of 5 : 3 : 2. Neeru retired and the new profit sharing ratio between Deepa and Shilpa was 2 : 3. On Neeru's retirement, the goodwill of the firm was valued at ₹ 1,20,000. Record necessary journal entry for the treatment of goodwill on Neeru's retirement. **[3]**

18. Amrit Daily Needs acquired the business of Shri Shivam for a purchase consideration of ₹ 5,00,000 payable by cheque. The assets acquired and liabilities taken over are: **[3]**

Assets	**₹**	**Liabilities**	**₹**
Furniture	10,000	Creditors	5,20,000
Investory	7,50,000	Salaries Payable	75,000
Debtors	1,50,000	Outstanding Expenses	15,000

Pass the necessary Journal entries.

19. Joy Ltd. company bought a Building for ₹9,00,000 and the consideration was paid by issuing 10% Debentures of the nominal (face) value of ₹100 each at a discount of 10%. Give Journal entries. **[3]**

20. Raka, Seema and Mahesh were partners sharing profits and losses in the ratio of 5:3:2. With effect from 1st April 2019, they mutually agreed to share profits and losses in the ratio of 2:2:1. **[3]**

On that date, there was a workmen's compensation fund of ₹ 90,000 in the books of the firm. It was agreed that:

i. Goodwill of the firm is valued at ₹ 70,000.

ii. Claim for workmen's compensation amounted to ₹ 40,000.

iii. Profit on revaluation of assets and re-assessment of liabilities amounted to ₹ 40,000.

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

21. Mohan Limited forfeited the following Equity Shares of Rs. 10 each issued at a premium of Rs. 2 per share: **[4]**

i. 700 shares issued to X for the non-payment of second and final call of Rs. 3 per share.

ii. 500 shares issued to Z for the non-payment of the first call of Rs. 2 per share and second and final call of Rs. 3 per share.

The forfeited shares were reissued to Y for Rs. 11 per share fully paid. Pass entries to record the forfeiture and reissue of shares.

22. A and B decided to dissolve their firm on 1st January 2019. From the information given below complete the Realisation A/c, Capital A/c and the Bank A/c: **[4]**

REALISATION ACCOUNT

Dr.					**Cr.**
Particulars		₹	**Particulars**		₹

To Sundry Assets:			By Sundry Liabilities:		
Stock A/c	6,000		By Creditors	38,00	
Debtors A/c	19,000		Mrs. A's Loan A/c	10,000	
Furniture A/c	4,000		Mrs. B's Loan A/c	15,000	63,000
Plant A/c	28,000		By A's Capital A/c (Investments taken over)		?
Investments A/c	10,000	67,000	By Bank (Assets realised)		
To A's Capital A/c (Mrs. A's loan taken over)		10,000	Stock	5,000	
To		?	Debtors	18,500	
To		?	Furniture	4,500	
			Plant	25,000	53,000
			By Loss on realisation transferred to:		
			A's Capital A/c 3/5	?	
			B's Capital A/c 2/5	?	?
		?			?

CAPITAL ACCOUNTS

Dr.					Cr.
Particulars	**A**	**B**	**Particulars**	**A**	**B**
	₹	₹		₹	₹
To Profit & Loss A/c	4,500	?	By	?	?
To Realisation A/c	8,000		By Reserve	3,000	?
To Realisation A/c (Loss)	?	?	By	?	
To	6,540	?			
	?	**10,000**		?	?

BANK ACCOUNTS

Dr.			Cr.
Particulars	₹	**Particulars**	₹
To	?	By Realisation A/c (Creditors and B's Loan)	52,000
To	?	By Realisation A/c (Expenses of realisation)	1,600
		By	?
		By	?

	?		?

23. Give journal entries for forfeiture and re-issue of shares: **[6]**

i. A Ltd. forfeited 1,000 shares of ₹ 10 each, ₹ 7 called up, issued at a premium of 20 % (to be paid at the time of allotment) for non-payment of a first call of ₹ 2 per share. Out of these, 600 shares were re-issued as ₹ 7 paid up for ₹ 4 per share.

ii. B Ltd. forfeited 1,000 shares of ₹ 10 each, ₹ 7 called up, issued at a premium of 20 % (to be paid at the time of allotment) for non-payment of allotment money of ₹ 4 per share (including premium) and first call of ₹ 2 per share. Out of these, 600 shares were re-issued as fully paid in such a way that ₹ 900 were transferred to capital reserve.

24. A, B and C are sharing profits and losses in the ratio of 5 : 3 : 2. They decided to share future profits and losses in the ratio of 2 : 3 : 5 with effect from 1st April, 2019. They also decide to record the effect of the following revaluations without affecting the book values of the assets and liabilities by passing an Adjustment Entry: **[6]**

	Book Values (₹)	Revised Values (₹)
Land and Building	5,00,000	5,50,000
Plant and Machinery	2,50,000	2,40,000
Sundry Creditors	60,000	55.000
Outstanding Expenses	60,000	75,000

Pass necessary Single Adjustment Entry.

25. 'G', 'E' and 'F' were partners in the firm sharing profits in the ratio of 7: 2: 1. The Balance Sheet of the firm as on 31st March, 2011 was as follows : **[6]**

Balance Sheet of 'G', 'E' and 'F' as at 31st March, 2011

Liabilities		Amt(Rs.)	Assets	Amt(Rs.)
Capitals:			Goodwill	40,000
G	70,000		Land and Buildings	60,000
E	20,000		Machinery	40,000
F	10,000	1,00,000	Stock	7,000
General Reserve		20,000	Debtors	12,000
Loan from 'E'		30,000	Cash	5,000
Creditors		14,000		
		1,64,000		1,64,000

'E' died on 24th August 2011. Partnership deed provides for the settlement of claims on the death of a partner in addition to his capital as under:

i. The share of profit of deceased partner to be computed up to the date of death on the basis of average profits of the past three years which were 180,000.

ii. His share in profit/loss on revaluation of assets and reassessment of liabilities which were as follows:
Land and Buildings were revalued at Rs. 94,000, Machinery at Rs. 38,000 and Stock at Rs. 5,000. A provision of $2\frac{1}{2}\%$ was to be created on debtors for bad and doubtful debts.

iii. The net amount payable to 'E's executor was transferred to his Loan Account, to be paid later on.

Prepare Revaluation Account, Partners' Capital Accounts, E's Executor A/c and Balance Sheet of 'G' and 'F who decided to continue the business keeping their capital balances in their new profit-sharing ratio. Any surplus or deficit to be transferred to current accounts of the partners.

26. i. On 15-2-2017 A Ltd. invited applications for issue of 1,00,000, 9% debentures of ₹100 each at a discount of 6%, redeemable at par after 3 years. The full amount was payable on application and the debentures were issued on 15-3-2017. Pass the journal entries for the above transactions. **[6]**

ii. R Ltd. issued 10,000, 12% Debentures of ₹100 each at a discount of 5%. Pass Journal entries.

Part B :- Analysis of Financial Statements

27. Which of the following item is not added or deducted while preparing a cash flow statement? **[1]**

a) Dividend Received
b) Bonus shares issued
c) Dividend Paid
d) Purchase of goodwill

OR

Which of the following is not considered with operating activities:

a) Loss on sale of assets
b) Issue of Equity shares
c) Income tax
d) General Reserve

28. ________ is conducted by the management. **[1]**

a) Auditors Report
b) Internal Analysis
c) External Analysis
d) Both External Analysis and Auditors Report

29. Buy Back of equity shares is concerned with ________ activities. **[1]**

a) Operating Activities
b) Investing Activities
c) Financing Activities
d) Both Investing Activities and Operating Activities

OR

Increase in Bank Overdraft balance ________.

a) Add in Financing Activities
b) Add in Operating Activities
c) Less in Financing Activities
d) Less in Operating Activities

30. Which of the following is not a limitation of financial statement analysis? **[1]**

a) Qualitative aspect is ignored
b) To assess the financial position and profitability
c) Historical analysis
d) Ignores price level changes

31. Under what headings will you show the following items in the Financial Statements of a Company: **[3]**

i. Balances with Banks
ii. Investments
iii. Outstanding Salary
iv. Authorised Capital
v. Acceptances (B/P)
vi. Trade Payables
vii. Preliminary Expenses
viii. Profit on Sale of Vehicle
ix. Sale of Scrap
x. Leave Encashment Exp.

32. A firm had current assets of 1,60,000. It then paid a current liability of ₹ 40,000. After this payment, the current ratio was 2 : 1. Determine: **[3]**

i. The size of Current Liabilities and Working Capital after the payment.
ii. Also, determine the size of these two items before the payment was made.

33. Gross Profit Ratio of a company is 25%. State giving reason, which of the following transactions will (a) increase or (b) decrease or (c) not alter the Gross Profit Ratio. **[4]**

i. Purchases of Stock-in-Trade ₹ 50,000.
ii. Purchases Return ₹ 15,000.
iii. Cash Sale of Stock-in-Trade ₹ 40,000.
iv. Stock-in-Trade costing ₹ 20,000 withdrawn for personal use.
v. Stock-in-Trade costing ₹ 15,000 distributed as free sample.

OR

Cash Revenue from Operations (Cash Sales) ₹ 2,00,000, Cost of Revenue from Operations or Cost of Goods Solds ₹ 3,50,000; Gross Profit ₹ 1,50,000; Trade Receivables Turnover Ratio 3 Times. Calculate Opening and Closing Trade Receivables in each of the following alternative cases;
Case 1: If Closing Trade Receivables were ₹ 1,00,000 in excess of Opening Trade Receivables.
Case 2: If trade Receivables at the end were 3 times than in the beginning.

Case 3: If Trade Receivables at the end were 3 times more than that of in the beginning.

34. From the following Balance Sheet Himmat Ltd., prepare Cash Flow statement. **[6]**

Particulars	**Note No.**	**31st March, 2020**	**31st March, 2019**
		₹	₹
1. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(a) Share Capital		15,00,000	10,00,000
(b) Reserves and Surplus (Surplus, i.e., Balance in Statement of Profit and Loss)		7,50,000	6,00,000
2. Non-Current Liabilities			
Long-term Borrowings	1	1,00,000	2,00,000
3. Current Liabilities			
(a) Trade Payables		1,00,000	1,10,000
(b) Short-term Borrowings	2	95,000	80,000
Total		**25,45,000**	**19,90,000**
II.ASSETS			
1. Non-Current Assets			
(a) Fixed Assets			
(i) Tangible Assets	3	10,10,000	12,00,000
(ii) Intangible Assets: Goodwill		1,80,000	2,00,000
(b) Non-Current Investments		6,00,000	-
2. Current Assets			
(a) Inventories		1,80,000	1,00,000
(b) Trade Receivables		2,00,000	1,50,000
(c) Cash and Cash Equivalents		3,75,000	3,40,000
Total		**25,45,000**	**19,90,000**

Notes to Accounts

Particulars	**31st March, 2020**	**31st March, 2019**
	₹	₹
1. Long-term Borrowings		
2,000, 10% Debentures of ₹ 100 each	-	2,00,000
Bank Loan	1,00,000	
	1,00,000	**2,00,000**

2. Short-term Provisions		
Provision for Tax	95,000	80,000
3. Tangible Assets		
Land and Building	6,50,000	8,00,000
Plant and Machinery	3,60,000	4,00,000
	10,10,000	12,00,000
4. Cash and Cash Equivalents		
Cash in Hand	70,000	50,000
Bank Balance	3,05,000	2,90,000
	3,75,000	**3,40,000**

Additional Information:

i.

Contingent Liabilitiy:	31st March, 2020	31st March, 2019
Proposed Dividend	20%	15%

ii. Income tax paid during the yaear includes ₹ 15,000 paid towards Dividend Distribution Tax.

iii. Land and Building of book value ₹ 1,50,000 was sold at a profit of 10%

iv. The rate of depreciation on Plant and Machinery is 10%.

SOLUTION

Part A:- Accounting for Partnership Firms and Companies

1. **(d)** ₹12,000
   Explanation: Interest on Capital = 120000 × 10/100 = 12,000
2. **(c)** A is true but R is false.
   Explanation: Increase in the amount of liability is a loss for the firm.
3. **(b)** Goodwill
   Explanation: Goodwill

   OR

   (a) Discounted Cash Flow Method
   Explanation: Discounted Cash Flow Method
4. **(b)** Rs.1000
   Explanation: The formula for calculating capital reserve = (amount of shares forfeited × no. of shares reissued) - the amount of discount on the reissue
   Amount to be transferred to capital reserve = 1,000
   i.e. 2,000 - 1,000 = 1,000

   OR

   (a) 55,000
   Explanation: Application money received = 10 + 10% = 11
   Oversubscribed shares = 5000
   So after the adjustment of application money and securities premium amount refunded is Rs. 55000 (11 × 5000 = 55000)
5. **(c)** Not Fixed
   Explanation: There is no limit fixed by the Companies Act, 2013 for the maximum discount. Discount can be levied at any rate as the company decides.
6. **(a)**

Realisation A/c	Dr.	20,000	
To A's Capital A/c			20,000

Explanation: When liability is taken over by a partner, in such a case do not use cash/bank account for the settlement of that liability. Entry will be:

Realisation A/c	Dr.	20,000	
To A's Capital A/c			20,000

OR

(a) Debit to Partners' capital/current A/c
Explanation: All accumulated profits and losses and fictitious assets (if any) given in the balance sheet, will be debited to the old partners in their old profit sharing ratio at the time of dissolution of the partnership firm.
Entry will be:
Partner's Capital / Current A/c ... Dr
To Deferred Revenue expenditure A/c

7. **(a)** ₹60,000

   Explanation: Amount Transfer to Capital Reserve A/c = ₹60,000 (10,000 share × Rs. 6)
8. **(d)** Other Non-current Assets

   Explanation: The amount of discount which is unamortized or not written off yet is shown in the balance sheet under the heading Non-current Assets and subheading other non-current assets. Such loss will not be write off after 12 months.

   OR

   (b) Personal Account

   Explanation: Debenture Application Account is a personal account. It is Representative Personal Account. There are three types of personal account (i) Natural Personal A/c (ii) Artificial Personal A/c (iii) Representative personal A/c.
9. **(b)** Option (i)

   Explanation: The gaining partner is required to compensate the sacrificing partner.
10. **(d)** Gaining partner's capital account

    Explanation: Gaining partner's capital account
11. **(d)** Bank A/c

    Explanation: When a company reject excess debenture applications received and paid back their money, in such a case bank account should be credited with the amount to be refunded to the applicants.

    Entry will be:

    Debenture App. & Allot. A/c ... Dr

    Discount of Issue of Debenture A/c ... Dr

    To % Debenture A/c

    To Security Premium A/c

    To Bank A/c (Refund of money)
12. **(a)** 12,000

    Explanation: Calculation of amount to be compensated:

    Old Ratio = 7:3

    New Ratio = 2:2:1

    Ashok's Sacrifice = $\frac{7}{10}$ - $\frac{2}{5}$ = $\frac{3}{10}$

    Ravi's Gain = $\frac{3}{10}$ - $\frac{2}{5}$ = $\frac{1}{10}$ Gain

    Total goodwill of the firm = 24,000 × $\frac{5}{1}$ = 1,20,000

    Ravi will compensate = 1,20,000 × $\frac{1}{10}$ = 12,000
13. **(b)** Super Profit

    Explanation: Super profit is the excess of actual profit over normal profit i.e. Super Profit = Actual/Average profit – Normal Profit. Super profit is multiplied by the number of years purchase to find out the goodwill.

    Note : When Super Profit shows negative figure, it should be assumed that there is no goodwill.
14. **(b)** Find out Divisible Profit

    Explanation: Profit and Loss Appropriation A/c is prepared to find out a divisible profit.
15. **(a)** ₹10000

    Explanation: Old Ratio = Capital ratio = 3:2:1

New Ratio of A and B after the retirement of C = 1:2

Gaining ratio = New ratio - old Ratio

A = $\frac{1}{3} - \frac{3}{6} = \frac{-1}{6}$

B = $\frac{2}{3} - \frac{2}{6} = \frac{2}{6}$

Only B is gaining

B will be debited with 30,000 × $\frac{2}{6}$ = 10,000.

B's A/c will be debited with Rs. 10,000.

OR

(c) Cr. Side of revaluation account

Explanation: Bad debts recovered will be shown in the credit side of revaluation account and same will be added to cash or bank in the balance sheet.entry would be:

Bad debts recovered A/c ... Dr

To revaluation A/c

16. **(d)** ₹43,750

Explanation: Calculation of Mahesh share of capital

Mahesh's Capital = (Ramesh's Capital + Suresh's Capital) × Reciprocal of their Combined New Share × Profit Share of Mahesh

Ramesh's Capital + Suresh's Capital = 1,02,000 + 73,000 = ₹1,75,000

Combined Share of Ramesh & Suresh = 1 - $\frac{1}{5} = \frac{4}{5}$

Reciprocal of Combined Share = $\frac{5}{4}$

Mahesh's Profit Share = $\frac{1}{5}$

Mahesh's Capital = 1,75,000 × $\frac{5}{4}$ × $\frac{1}{5}$ = ₹43,750

17. **Journal**

Date	Particulars		L.F.	Debit Amount ₹	Credit Amount ₹
	Shilpa's Capital A/c	Dr.		48,000	
	To Neeru's Capital A/c				36,000
	To Deepa's Capital A/c				12,000
	(Shilpa compensated Neeru for her share of goodwill and to Deepa for the sacrifice made by her on Neeru's retirement)				

Working Note:

i. Calculation of Gaining Ratio

Gaining Share = New Share – Old Share

Deepa's Gaining Share = $\frac{2}{5} - \frac{5}{10} = -\frac{1}{10} = \frac{1}{10}$ i.e., sacrifice

Deepa's Gaining Share = $\frac{3}{5} - \frac{2}{10} = \frac{4}{10}$ i.e., Gain

ii. Hence, Shilpa will compensate both Neeru (retiring partner) and Deepa (the continuing partner who has sacrificed) to the extent of their sacrifice worked out as follows:

Deepa's Sacrifice = Goodwill of the firm × Sacrificing Share

= 1,20,000 × $\frac{1}{10}$ = 12,000

Neeru's (Retiring Partner's Sacrifice) = 1,20,000 × $\frac{3}{10}$ = 36,000

18. **In the books of Amit Daily Needs**
JOURNAL ENTRIES

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Furniture A/c	Dr.		10,000	
	Inventory A/c	Dr.		7,50,000	
	Debtors A/c	Dr.		1,50,000	
	Goodwill A/c (B/F)	Dr.		2,00,000	
	To Creditors A/c				5,20,000
	To Salaries Payable A/c				75,000
	To Outstanding Expenses A/c				15,000
	To Shivam A/c				5,00,000
	(Being the business of Shivam acquired for a net consideration of ₹ 5,00,000; ₹ 2,00,000 being towards goodwill)				
	Shivam A/c	Dr.		5,00,000	
	To Bank A/c				5,00,000
	(Being the cheque issued to Shivam in consideration)				

19. **Books of Joy limited**
Journal Entries

Date	Particulars		L.F.	Debit Amount (₹)	Credit Amount (₹)
	Building A/c	Dr.		9,00,000	
	To Vendor A/c				9,00,000
	(Being building purchased)				
	Vendor A/c	Dr.		9,00,000	
	Discount on Issue of Debentures A/c	Dr.		1,00,000	
	To 10% Debentures A/c				10,00,000
	(Being ₹10,00,000 debentures issued to vendors at a discount of 10% in satisfaction of building purchased)				

Point of Knowledge:-
Amount of Face Value of Debentures to be issued = ₹9,00,000 $\times \frac{100}{90}$ = ₹10,00,000

20. **In the books of Raka, Seema and Mahesh**
Journal

Date	Particulars	L.F.	Dr (₹)	Cr. (₹)

2019				
Apr. 01	Seema's Capital A/c **Dr.** (70,000 × 1/10)		7,000	
	To Raka's Capital A/c (70,000 × 1/10)			7,000
	(Being goodwill adjusted among partners)			
Apr. 01	Workmen Compensation Fund A/c **Dr.**		90,000	
	To Claim on Workmen Compensation Fund A/c			40,000
	To Raka's Capital A/c			25,000
	To Seema's Capital A/c			15,000
	To Mahesh's Capitals A/c			10,000
	(Being claim on workmen compensation provided and excess distributed among partners in old profit sharing ratio)			
Apr. 01	Revaluation A/c **Dr.**		40,000	
	To Raka's Capital A/c			20,000
	To Seema's Capital A/c			12,000
	To Mahesh's Capitals A/c			8,000
	(Being revaluation profit distributed in old profit sharing ratio)			

Working Notes:

1. Calculation of Gain/Sacrifice

Particulars	**Raka**	**Seema**	**Mahesh**
Old Ratio	5/10	3/10	2/10
New Ratio	2/5	2/5	1/5
Gain/Sacrifice	(5/10 - 2/5) = 1/10	(3/10 - 2/5) = −1/10 (Gain)	(2/10 - 1/5) = Nil

21. **Journal**

Date	**Particulars**		**L.F.**	**Dr. (Rs.)**	**Cr. (Rs.)**
	Share Capital A/c (1,200 × 10)	Dr.		12,000	
	To Forfeited Shares A/c (700 × Rs. 7) + (500 × Rs. 5)]				7,400
	To Share First Call A/c (500 × Rs. 2)				1,000
	To Share Second and Final Call A/c (1,200 × Rs. 3) (Being 700 shares of X forfeited for non-payment of second and final call and 500 shares of Z for non-payment of first and second and final call)				3,600
	Bank A/c (1,200 × Rs. 11)	Dr.		13,200	
	To Share Capital A/c				12,000

Date	Particulars		L.F.	Dr. (Rs.)	Cr. (Rs.)
	To Securities Premium Reserve A/c (Being 1,200 forfeited shares were reissued to Y for Rs. 11 per share)				1,200
	Forfeited Shares A/c	Dr.		7,400	
	To Capital Reserve A/c (Being the transfer of gain (profit) on reissue)				7,400

Note :
Securities Premium Reserve has been received in full. Therefore, at the time of forfeiture, Securities Premium Reserve Account will not be debited.
Entire amount of forfeited shares will be transferred to capital reserve because there is no loss on reissue.

22. **REALISATION ACCOUNT**

Dr.					**Cr.**
Particulars		₹	**Particulars**		₹
To Sundry Assets:			By Sundry Liabilities:		
Stock A/c	6,000		By Creditors	38,00	
Debtors A/c	19,000		Mrs. A's Loan A/c	10,000	
Furniture A/c	4,000		Mrs. B's Loan A/c	15,000	63,000
Plant A/c	28,000		By A’s Capital A/c (Investments taken over)(3)		8,000
Investments A/c	10,000	67,000	By Bank (Assets realised)		
To A's Capital A/c (Mrs. A's loan taken over)		10,000	Stock	5,000	
To Bank A/c (Creditors and B's Loan paid off) (1)		52,000	Debtors	18,500	
To Bank A/c (Expenses of realisation)(2)		1,600	Furniture	4,500	
			Plant	25,000	53,000
			By Loss on realisation transferred to:		
			A's Capital A/c 3/5	3,960	
			B's Capital A/c 2/5	2,640	6,600

		1,30,600			**1,30,600**

CAPITAL ACCOUNTS

Dr.					Cr.
Particulars	**A**	**B**	**Particulars**	**A**	**B**
	₹	₹		₹	₹
To Profit & Loss A/c(10)	4,500	3,000	By Balance b/d(12)	10,000	8,000
To Realisation A/c (Investment)(3)	8,000		By Reserve(8)	3,000	2,000
To Realisation A/c (Loss)(7)	3,960	2,640	By Realisation A/c (Mrs. A's Loan)(9)	10,000	
To Bank A/c (Final Payment)(11)	6,540	4,360			
	23,000	**10,000**		**23,000**	**10,000**

BANK ACCOUNTS

Dr.			Cr.
Particulars	₹	**Particulars**	₹
To Balance b/d(11)	11,500	By Realisation A/c (Creditors and B's Loan)	52,000
To Realisation A/c (Assets realised)	53,000	By Realisation A/c (Expenses of realisation)	1,600
		By A's Capital A/c	6,540
		By B's Capital A/c	4,360
	64,500		**64,500**

Working Notes:

i. Profit-sharing ratio given in Realisation A/c is $\frac{3}{5} : \frac{2}{5}$. Hence, if A's share in Reserve is ₹ 3,000, then B's share will be ₹ 2,000

ii. A's share in Profit & Loss A/c is ₹ 4,500, hence B's share will be $4{,}500 \times \frac{5}{3} \times \frac{2}{5} =$ ₹ 3,000

iii. Dr. side of A's Capital A/c will be totaled first and the balancing figure will be 'By Balance b/d' ₹ 10,000.

iv. Balancing figure on Dr. side of B's Capital A/c will be 'To Bank A/c' ₹ 4,360.

v. Balancing figure on Cr. side of B's Capital A/c will be 'By Balance b\d' ₹ 8,000.

vi. Balancing Figure in Bank A/c will be 'To Balance b/d' ₹ 11,500.

23. i.

Date	**Particulars**		**L.F.**	**Dr. (₹)**	**Cr. (₹)**
	Share Capital A/c	Dr		7,000	

	To Share First Call A/c				2,000
	To Share Forfeiture A/c				5,000
	Bank A/c	Dr.		2,400	
	To Share Forfeiture A/c	Dr.		1,800	
	To Share Capital A/c (Re-issue of 600 shares @ ₹ 4 each)				4,200
	Share Forfeiture A/c[1]	Dr.		1,200	
	To Capital Reserve A/c (Profit on 600 re-issued shares transferred to Capital Reserve)				1,200

Note(1)

As Profit on 1,000 shares	₹ 5,000	₹
Therefore, profit on 600 shares =	₹ $\frac{5,000}{1,000} \times 600$	3,000
Less : Loss on re-issue = 1,800		1,800
Transferred to Capital Reserve		1,200

ii.

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c	Dr		7,000	
	Securities Premium Reserve A/c	Dr.		2,000	
	To Share Allotment A/c				4,000
	To Share First Call A/c				2,000
	To Share Forfeiture A/c (Forfeiture of 1,000 shares)				3,000
	Bank A/c[2]	Dr.		5,100	
	Share Forfeiture A/c	Dr.		900	
	To Share Capital A/c (Re-issue of 600 shares @ ₹8.50 each)				6,000
	Share Forfeiture A/c	Dr.		900	
	To Capital Reserve A/c (Profit on 600 re-issued shares transferred to Capital Reserve)				900

Note(2)

As Profit on 1,000 shares	₹ 3,000	₹
Therefore, profit on 600 shares	₹ $\frac{3,000}{1,000} \times 600$	1,800
Less : Transferred to Capital reserve		900

Loss on Re-issue		900
Per Share loss on re-issue =	$\frac{₹900}{600}$ = 1.50 Per share	

24. **Step 1. Calculation of Net Effect of Revaluation:**

Particulars	**Amount (₹)**
(i) Increase in value of Land and Building	50,000
(ii) Decrease in the amount of Sundry Creditors	5,000
(iii) Decrease in value of Plant and Machinery	(10,000)
(iv) Increase in the amount of Outstanding Expenses	(15,000)
Gain (Profit) on Revaluation	30,000

Step 2. Calculation of Sacrifice (Gain) of Share:

	A	**B**	**C**
(i) Old Share	5/10	3/10	2/10
(ii) New Share	2/10	3/10	5/10
(iii) Sacrifice/(Gain) (i - ii)	3/10	...	-3/10
Net Effect	Sacrifice		(Gain)

Step 3. Calculation of Proportionate Amount of Share of Gain (Profit) on Revaluation:
A's Sacrificed Share = 3/10 × ₹30,000 = ₹9,000;
C's Gained Share = 3/10 × ₹30,000 = ₹9,000.
Step 4.

In the books of Firm
JOURNAL

Date	**Particulars**		**L.F.**	**Dr. (₹)**	**Cr. (₹)**
2019-2020					
April 1	C's Capital A/c	Dr.		9,000	
	To A's Capital A/c				9,000
	(Being the proportionate amount of gain **(profit)** on revaluation adjusted through a single entry)				

25. **Revaluation Account**

Dr.				**Cr.**
Particulars		**Amt(Rs.)**	**Particulars**	**Amt(Rs.)**
To Machinery A/c		2,000	By Land and Building	34,000
To Stock A/c		2,000		

Dr.				Cr.
To Provision for Bad and Doubtful Debts A/c	300			
To Profit transferred to Partners'				
Capital A/Cs.				
G (29,700 x 7/10)	20,790			
E(29,700 x 2/10)	5,940			
F(29,700 x 1/10)	2,970	29,700		
		34,000		34,000

Partner's Capital Accounts

Dr.							Cr.
Particulars	**G(Rs.)**	**E(Rs.)**	**F(Rs.)**	**Particulars**	**G(Rs.)**	**E(Rs.)**	**F(Rs.)**
To Goodwill A/c	28,000	8,000	4,000	By Balance b/d	70,000	20,000	10,000
To E's Executor's Loan A/c	--	36,340	--	By General Reserve A/c	14,000	4,000	2,000
To Balance c/d	76,790	--	10,970	By Revaluation A/c	20,790	5,940	2,970
				By P and L suspense A/c (working notes)	--	14,400	--
	1,04,790	44,340	14,970		1,04,790	44,340	14,970
To Balance c/d	76,790		10,970	By balance c/d	76,790		10,970
To C/A a/c	....		....	By C/A a/c	....		....
	76,790		10,970		76,790		10,970

Balance Sheet of G and F

as of 24th August 2011

Liabilities		**(Rs.)**	**Assets**		**(Rs.)**
Capitals A/cs:			Land and Buildings	64,000	
G	76,790		+ appreciation	30,000	94,000
F	10,970	87,760	Machinery	40,000	
E's Executor's Loan A/c		66,340	- dep	2,000	38,000
Creditors		14,000	Stock	7,000	
			- dep	2,000	5,000
			Debtors	12,000	

Liabilities		(Rs.)	Assets		(Rs.)
			Less: Provision	300	11,700
			Cash		5,000
			P and L Suspense A/c		14,400
		1,68,100			**1,68,100**

E's Executor's Loan Account

Dr.			Cr.
Particulars	**Amt(Rs.)**	**Particulars**	**Amt(Rs.)**
To Balance c/d	66,340	By E's Capital A/c(transfer from above)	36,340
		By E's Loan A/c(given in balance sheet)	30,000
	66,340		66,340

Working Note:

- Adjustment of Capital :
- Total Capital of G and F = Rs. 76,790 + Rs. 10,970 = Rs. 87,760
- New Ratio = 7:1 than new capital will be
- Capital of G should be = $87,760 \times \frac{7}{8}$ = Rs. 76,790
- Capital of F should be = $87,760 \times \frac{1}{8}$ = Rs. 10,970
- Profit and loss suspense = 180,000.x 146 / 365 = 72,000 x 2/10 = 14,400

26. i.

A Ltd.

Journal

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
15-02-17	Bank A/c	Dr.		94,00,000	
	To 9% Debenture Application & Allotment A/c				94,00,000
	(Application money received for 1,00,000 debentures @ ₹94 each)				
15-03-17	9% Debenture Application & Allotment A/c	Dr.		94,00,000	
	Discount on Issue of Debenture A/c	Dr.		6,00,000	
	To 9% Debentures A/c				1,00,00,000
	(Application money transferred to Debentures A/c consequent upon allotment issued at 6% discount)				

ii.

R Ltd.

Journal

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	Dr.		9,50,000	

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	To 12% Debenture Application & Allotment A/c				9,50,000
	(Application money received for 10,000 debentures @ ₹95 each)				
	12% Debenture Application & Allotment A/c	Dr.		9,50,000	
	Discount on Issue of Debentures A/c	Dr.		50,000	
	To 12% Debenture A/c				10,00,000
	(Application money transferred to Debentures A/c consequent upon allotment, issued at 5% discount)				

Part B :- Analysis of Financial Statements

27. **(b)** Bonus shares issued
Explanation: Issue of bonus shares will not affect the preparation of cash flow statement as in this transaction no cash involved. There is no cash inflow or outflow of cash.

OR

(b) Issue of Equity shares
Explanation: Issue of Equity shares is not concerned with operating activities. It is part of financing activities.

28. **(b)** Internal Analysis
Explanation: Internal Analysis is conducted by the management of a company and External analysis is conducted by the creditors, bankers and government agencies.

29. **(c)** Financing Activities
Explanation: Buyback of shares is concerned with financing activities. This is the situation where one company is buying its own shares from the open market as a change in financial position. This will be shown in the financing activity.

OR

(a) Add in Financing Activities
Explanation: Increase in Bank overdraft is treated as a source of funds and it is added in financing activities while preparing a cash flow statement as its increase in cash. Increase in Bank overdraft is cash inflow hence it is added.

30. **(b)** To assess the financial position and profitability
Explanation: Statement of profit and loss shows whether the enterprise is earning adequate profits and whether the profits have increased or decreased as compared to previous years whereas balance sheet shows the position of the business as regards to the payment of its short term as well as long term liabilities. Different ratios are also calculated. Hence, to assess the profitability and solvency is one of the objective of the financial statement analysis.
Other options i.e. historical analysis, ignores price level changes, ignores qualitative aspect are the limitations of financial statement analysis.

31.

S.No.	Items of balance sheet	Heads of balance sheet	Sub-heads of balance sheet

i.	Balances with Banks	Current Assets	Cash and Cash Equivalents
ii.	Investments	Non-Current Assets	Non-Current Investments
iii.	Outstanding Salary	Current Liabilities	Other Current Liabilities
iv.	Authorised Capital	Shareholder's Funds	Share Capital
v.	Acceptances (B/P.	Current Liabilities	Trade Payables
vi.	Trade Payables	Current Liabilities	—
vii.	Preliminary Expenses	Not shown in Balance Sheet since as per AS 26 these expenses are to be written off in the year in which they are incurred.	—
viii.	Profit on Sale of Vehicle	Other Income	—
ix.	Sale of Scrap	Revenue from Operations	—
x.	Leave Encashment Exp.	Employee Benefit Exp.	—

32. Current Ratio $= \frac{\text{Current Assets}}{\text{Current Liabilities}}$
Current Assets = ₹ 2,00,000
Current Assets after the payment is ₹ 2,00,000 - ₹ 40,000 = ₹ 1,60,000
current ratio is 2 : 1, therefore,
Current Liabilities $= \frac{₹1,60,000}{2}$ = ₹ 80,000
Working Capital = Current Assets - Current Liabilities
= ₹ 1,60,000 - ₹ 80,000 = ₹ 80,000
Current liabilities before the payment of ₹ 40,000 must be ₹ 80,000 + ₹ 40,000 = ₹ 1,20,000
Working capital before the payment of ₹ 40,000 must be ₹ 2,00,000 - ₹ 1,20,000 = ₹ 80,000

33.

Transactions	Effect (Increase/decrease/no effect) on Gross Profit Ratio	Reasons of effect on gross profit ratio due to various transaction.
(i) Purchase of Stock-in-Trade Rs 50,000	No Change	Both purchases and closing inventory will increase by Rs 50,000; therefore, cost of revenue from operations will not be affected. So, Gross Profit Ratio will remain same.

(ii) Purchase Return Rs 15,000	No Change	Both purchases and closing inventory will decrease by Rs 15,000; therefore, cost of revenue from operations will not be affected. So, Gross Profit Ratio will remain same.
(iii) Cash Sale of Stock-in-Trade Rs 40,000	No Change	Revenue from operations will increase by Rs 40,000 and Gross Profit will increase by 10,000 (40,000 × 25%), Therefore, both revenue from operations and gross profit will increase by 25%. So, Gross Profit Ratio will remain same.
(iv) Stock-in-trade costing Rs 20,000 withdrawn for personal use	No Change	Both purchases and closing inventory will decrease by Rs 20,000; therefore, cost of revenue from operations will not be affected. So, Gross Profit Ratio will remain same.
(v) Stock-in-Trade costing Rs 15,000 distributed as free sample	No Change	Both purchases and closing inventory will decrease by Rs 15,000; therefore, cost of revenue from operations will not be affected. So, Gross Profit Ratio will remain same.

OR

Total Sales = Cost of Goods Sold + Gross Profit
= 3,50,000 + 1,50,000 = 5,00,000
Credit Sales = Total Sales - Cash Sales
= 5,00,000 - 2,00,000 = 3,00,000
Trade Receivables Turnover Ratio $= \frac{\text{Credit Sales}}{\text{Average Trade Receivables}}$

$3 = \frac{3,00,000}{\text{Average Trade Receivables}}$

Average Trade Receivables =3,00,000/3 = ₹ 1,00,000

Case 1:

Let Opening Trade Receivables = x
Closing Trade Receivables = x + 1,00,000
Average Trade Receivables $= \frac{\text{Opening Trade Receivables + Closing Trade Receivables}}{2}$

$1,00,000 = \frac{x+x+1,00,000}{2}$

or, 2x = 1,00,000
or, x = 50,000
Opening Trade Receivables = x = ₹ 50,000
Closing Trade Receivables = x + 1,00,000 = 50,000 + 1,00,000 = ₹ 1,50,000

Case 2:

Let Opening Trade Receivables = x

Closing Trade Receivables = 3x

Average Trade Receivables $= \frac{\text{Opening Trade Receivables} + \text{Closing Trade Receivables}}{2}$

$1,00,000 = \frac{x+3x}{2}$

or, x = 50,000

Opening Trade Receivables = x = ₹ 50,000

Closing Trade Receivables = 3x = 3 × 50,000 = ₹ 1,50,000

Case 3:

Let Opening Trade Receivables = x

Closing Trade Receivables = x + 3 x = 4x

Average Trade Receivables $= \frac{\text{Opening Trade Receivables} + \text{Closing Trade Receivables}}{2}$

$1,00,000 = \frac{x+4x}{2}$

or, x = 40,000

Opening Trade Receivables = x = ₹ 40,000

Closing Trade Receivables = 4x = 4 × 40,000 = ₹ 1,60,000

34. **In The Books Of Himmat Ltd.**

CASH FLOW STATEMENT

for the year ended 31st March, 2020

Particulars		₹	₹
I. Cash Flow from Operating Activities			
Closing Balance of Surplus, i.e., Balance in Statement of Profit and Loss		7,50,000	
Less: Opening Balance of Surplus, i.e., Balance in Statement of Profit and Loss		6,00,000	
		1,50,000	
Add: Provision for Tax		95,000	
Dividend Paid		1,50,000	
Net Profit before Tax and Extraordinary Activities			
Add: Non-cash/Non-operating Expenses:			
Depreciation	40,000		
Goodwill Amortised	20,000	60,000	
		4,55,000	
Less: Non-operating Income:			
Gain on Sale of Land and Building		15,000	
Operating Profit before Working Capital Changes		4,40,000	
Less: Decrease in Current Liabilities and Increase in Current Assets:			
Trade Payables	10,000		

Trade Receivables	50,000		
Inventories	80,000	1,40,000	
Cash Generated from Operating Activities		3,00,000	
Less: Income Tax Paid (₹ 80,000 - ₹ 15,000)		65,000	
Cash Flow from Operating Activities			2,35,000
II. Cash Flow from Investing Activities			
Proceeds from Sale of Land and Building		1,65,000	
Purchase of Non-current Investments		(6,00,000)	
Cosh Used in Investing Activities			(4,35,000)
III. Cash Flow from Financing Activities			
Proceeds from Issue of Shares		5,00,000	
Payment for Redemption of 10% Debentures		(2,00,000)	
Proceeds from Bank Loan		1,00,000	
Payment of Dividend		(1,50,000)	
Payment of Dividend Distribution Tax		(15,000)	
Cash Used in Financing Activities			2,35,000
IV. Net Increase in Cash and Cash Equivalents (I + II + III)			35,000
Add: Opening Cash and Cash Equivalents			3,40,000
V. Closing Cash and Cash Equivalents			3,75,000

W.N.:

i. It is assumed that 10% Debentures have been redeemed in the beginning of the year, therefore, interest is not provided.

ii. **LAND AND BUILDING ACCOUNT**

Dr.			**Cr.**
Particulars	**₹**	**Particulars**	**₹**
To Balance c/d	8,00,000	By Bank A/c (₹ 1,50,000 + ₹ 15,000)	1,65,000
To profit and loss A/c	15,000	By Balance c/d	6,50,000
	8,15,000		**8,15,000**