Class XII Session 2025-26
Subject - Accountancy
Sample Question Paper - 3

Time Allowed: 3 hours **Maximum 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. On 1st January 2023, a partner advanced a loan of ₹ 1,00,000 to the firm. In the absence of agreement, interest on loan on 31st March, 2023 will be: **[1]**

a) ₹ 3,000 b) ₹ 6,000

c) Nil d) ₹ 1,500

OR

A and **B** were partners in a firm. They share their profits in the ratio of 2 : 1. **A** withdraws an amount of ₹ 2,000 on 1st July, 2017. Journalise it:

a)

A’s Capital A/c	Dr.	2,000	
To Profit and Loss A/c			2,000

b)

A’s Drawings A/c	Dr.	2,000	
To Cash/Bank A/c			2,000

c)

A's Capital A/c	Dr.	2,000	
To A’s Drawings A/c			2,000

d)

Profit and Loss Appropriation A/c	Dr.	2,000	
To A's Capital A/c			2,000

2. **Assertion (A):** Partners' current accounts maintained under **Fixed Capital Method** may show a debit or a credit balance. **[1]**

Reason (R): In the **Fixed Capital Method**, all items like share of profit or loss, interest on capital, drawings, interest on drawings etc. are recorded in the partners' capital accounts.

a) Assertion (A) and Reason (R) are correct, but Reason (R) is **not** the correct explanation of Assertion (A).

b) Both Assertion (A) and Reason (R) are correct and Reason (R) is the correct explanation of Assertion (A).

c) Assertion (A) is correct, but Reason (R) is not correct.

d) Both Assertion (A) and Reason (R) are not correct.

3. The Directors of Unim Ltd. forfeited 30,000 shares of ₹ 10 each, for non-payment of final call of ₹ 3 per share. Half of the forfeited shares were reissued as fully paid-up for ₹ 12 per share. The amount to be transferred to the Capital Reserve Account will be: **[1]**

a) ₹ 1,80,000

b) ₹ 2,70,000

c) ₹ 2,10,000

d) ₹ 1,05,000

OR

When will following entry takes place during the issue of shares:

Bank A/c ... Dr.

To Share Application A/c

a) When application money is received

b) Application money is refunded

c) Application money is adjusted

d) Allotment money is received

4. Hindustan Ltd. invited applications for issuing 50,000 equity shares of ₹ 100 each at a premium of ₹ 30 per share. The amount was payable as follows: **[1]**

On Application : ₹ 20 per share (including ₹ 5 premium)

On Allotment : ₹ 30 per share (including ₹ 8 premium)

On First Call : ₹ 40 per share (including premium)

On Second and Final Call : Balance Amount

Hari, a shareholder holding 500 shares did not pay the second and final call money and his shares were forfeited after second and final call.

Share Forfeiture Account will be Credited by:

a) ₹ 18,500

b) ₹ 35,000

c) ₹ 4,000

d) ₹ 45,000

OR

Pick the odd one out:

a) Issue of debentures ot public

b) Issue of debentures to promoter

c) Issue of debentures as collateral security

d) Issue of debentures to vendor

5. Match the followings: **[1]**

X and Y are partners sharing profit in the ratio of 7 : 3 with a capital of ₹ 2,00,000 each. They admitted Z as a new partner and new profit sharing ratio between X, Y and Z is 5 : 2 : 3. Z has paid ₹ 1,20,000 for his capital and ₹ 60,000 premium for goodwill.

Find out the capital balance of each partner:

(a) Workmen compensation reserve = 30,000; Workmen compensation claim is	(i) X = 2,40,000; Y =

estimated = 50,000 and accepted by the firm	2,20,000; Z = 1,20,000
(b) Investment fluctuation reserve = 10,000; Current investment 40,000 (Market value 25,000)	(ii) X = 2,26,000; Y = 2,14,000; Z = 1,20,000
(c) General reserve = 30,000 (Partners do not want to distribute)	(iii) X = 2,36,500; Y = 2,18,500; Z = 1,20,000
(d) Employee Provident Fund = 30,000	(iv) X = 2,46,000; Y = 2,23,000; Z = 1,11,000

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

6. Which of the following is/are method(s) of valuation of goodwill? **[1]**

a) Super Profit Method
b) All of these
c) Average Profit Method
d) Capitalisation Method

7. A and B started business in partnership on 01.07.2020. They contributed capital ₹ 5,00,000 and ₹ 3,00,000 respectively. Profits/losses will be shared in the ratio of 3:2. A was in need of funds and hence took a loan of ₹ 1,00,000 from the firm on 01.12.2020 at an agreed rate of interest being 12% p.a. Interest on capital (Charge) is to be allowed @ 10% p.a. Profit for the year ended 31st March, 2021 amounted to ₹ 1,50,000 before charging interest on loan to A. **[1]**

A's share of profit will be:

a) 44,400
b) 56,400
c) 51,600
d) 39,600

8. A, B and C were partners sharing profits and losses in the ratio of 2 : 2 : 1. Books are closed on 31st March every year. C dies on 5th November, 2023. Under the partnership deed, the executors of the deceased partner are entitled to his share of profit to the date of death, calculated on the basis of last year’s profit. Profit for the year ended 31st March, 2023 was ₹ 2,40,000. C’s share of profit will be: **[1]**

a) ₹ 48,000
b) ₹ 28,800
c) ₹ 32,000
d) ₹ 28,000

OR

R, S and T are partners sharing profit in the ratio of 7:5:4. T died on 30th June 2012. Profit for the year was ₹24000 for the year 2011-2012. How many shares in profits for the death period will be transferred to T’s account?

a) Credited Rs.6000
b) Debited Rs. 1500
c) Credited Rs.1500
d) Debited Rs.6000

9. On firm’s dissolution, a partner undertook firm’s creditors at ₹ 17,000. In this case the account will be credited: **[1]**

a) Creditors A/c
b) Partner's Capital A/c
c) Realsation A/c
d) Cash A/c

10. X, Y and Z who are sharing profits and losses in the ratio of 5 : 3 : 2, decide to share future profits and losses in the ratio of 2 : 3 : 5 w.e.f. 1st April, 2023, after admission of A. An extract of the Balance Sheet as at 31st March, 2023 is as follows: **[1]**

Liabilities	₹	Assets		₹
Creditors	2,00,000	Plant and Machinery	2,00,000	
		Less: Provision for Depreciation	10,000	1,90,000

If creditors of ₹ 10,000 were not recorded and are now to be recorded, the Journal entry will be:

a)

Creditors A/c	Dr.	₹ 2,10,000	
To Revaluation A/c			₹ 2,10,000

b)

Creditors A/c	Dr.	₹ 10,000	
To Revaluation A/c			₹ 10,000

c)

Revaluation A/c	Dr.	₹ 2,10,000	
To Creditors A/c			₹ 2,10,000

d)

Revaluation A/c	Dr.	₹ 10,000	
To Creditors			₹ 10,000

OR

Incoming partner may acquire his share from the old partners

A. In their old profit sharing ratio

B. In a particular ratio

C. In particular fraction from some of the partners

a) Only A

b) A and C

c) All of these

d) A and B

11. X and Y shared profits and losses in the ratio of 3 : 2. With effect from 1st April, 2023, they decided to share profits equally. The goodwill of the firm was valued at ₹ 60,000. The adjustment entry will be: **[1]**

a) Dr. X's Capital A/c and Cr. Y's Capital A/c by ₹ 600

b) Dr. Y's Capital A/c and Cr. X's Capital A/c by ₹ 600

c) Dr. X's Capital A/c and Cr. Y's Capital A/c by ₹ 6,000

d) Dr. Y's Capital A/c and Cr. X's Capital A/c by ₹ 6,000

12. When debentures of ₹ 1,00,000 are issued as Collateral Security against a loan of ₹ 1,50,000, the entry for issue of debentures will be: **[1]**

a) Credit Debentures ₹ 1,50,000 and debit bank A/c ₹ 1,50,000

b) Debit Debenture Suspense A/c ₹ 1,00,000 and Credit Bank A/c ₹ 1,00,000

c) Debit Cash A/c ₹ 1,50,000 and Credit Bank A/c ₹ 1,50,000

d) Debit Debenture Suspense A/c ₹ 1,00,000 and Credit Debentures A/c ₹ 1,00,000.

13. Debentures are considered as ________ equity. **[1]**

a) External

b) External and Internal

c) Only external

d) Internal

14. Debenture is a: **[1]**

a) cash certificate

b) credit certificate

c) Deposit certificate

d) loan certificate

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

a)

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

b)

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

c)

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

d)

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

16. Instead of altering old accounts, necessary adjustments can be made through: **[1]**

a) Profit and Loss Appropriation Account

b) Profit and Loss Adjustment Account

c) partners Capital account

d) Profit and Loss Account

17. X, Y and Z who are presently sharing profits and losses in the ratio of 5 : 3 : 2 decide to share future profits and losses in the ratio of 2 : 3 : 5. Give the Journal entry to distribute **Workmen Compensation Reserve** of ₹ 1,20,000 at the time of change in profit-sharing ratio, when there is a claim of ₹ 80,000 against it. **[3]**

OR

L, M and N were partners in a firm sharing profits and losses in the ratio of 5 : 3 : 2. On 1st April, 2018 they admitted S as a new partner in the firm for $\frac{1}{5}^{th}$ share in the profits. On. S' admission the goodwill of the firm was valued at 3 years purchase of last five years average profits. The profits during the last five years were:

Year ended 31st March	Profit (₹)
2014	4,00,000
2015	3,00,000
2016	2,00,000
2017	50,000
2018	(50,000)

Calculate the value of the goodwill of the firm. Pass necessary journal entry for the treatment of goodwill on S's admission.

18. Complete the missing figure in the following accounts: **[3]**

In the Books of Fox and Wolf

Realisation Account

Dr.					**Cr.**
Particulars		**Rs.**	**Particulars**		**Rs.**
To Sundry Assets(Transfer)			By Sundry Liabilities(Transfer):		
Stock A/c	18,000		Creditors A/c	88,500	
Debtors A/c	42,000		Bills Payable A/c	23,000	

Furniture A/c	12,000		Ms. Wolf's Loan A/c	40,000	1,51,500
Machinery A/c	1,06,500	1,78,500	By Bank A/c(Assets Realised):		
To Bank A/c(Liabilities Paid):			Stock	10,500	
Bills Payable	23,000		Debtors	--	
Creditors -			Machinery	88,500	--
Ms. Wolf's Loan	38,500		By Fox's Capital A/c(Furniture Taken Over)		7,500
Claim for Damages	2,000	--	By Bank A/c(Recovery of Bad Debts)		1,800
To Bank A/c(Expenses)		2,100	By Loss on Realisation:		
			Fox's Capital A/c	--	
			Wolf's Capital A/c	--	
		3,30,830			3,30,830

Partner's Capital Account

Dr.					**Cr.**
Particulars	**Fox(Rs)**	**Wolf(Rs)**	**Particulars**	**Fox(Rs)**	**Wolf(Rs)**
To Profit and Loss A/c	11,250	11,250	By Balance b/d	--	--
To Realisation A/c(Furniture Taken Over)	--		By Bank A/c	10,390	8,890
To Realisation A/c(Loss)	21,640	21,640			
	40,390	32,890		40,390	32,890

Bank Account

Dr.			**Cr.**
Particulars	**Rs**	**Particulars**	**Rs**
To Balance b/d	4,500	By Realisation A/c(Liabilities Paid)	1,50,230
To Realisation A/c(Assets Realised)	1,26,750	By Realisation A/c(Expenses)	--
Recovery of Bad Debts	1,800		
To Fox's Capital A/c(Cash Brought in)	--		
To Wolf's Capital A/c(Cash Brought in)	--		
	1,52,330		1,52,330

19. On 1st April, 2022, P Ltd. issued 6,000, 12% Debentures of ₹ 100 each at par redeemable at a premium of 7%. The debentures were to be redeemed at the end of third year. Prepare Loss on Issue of 12% Debentures Account. **[3]**

20. Is it necessary to revalue the assets and liabilities if there is a change in profit sharing ratio of the existing partners? Give reason. **[3]**

21. Shri Ganga Ltd. was registered with an authorised capital of ₹ 7,00,000 divided into equity shares of ₹ 10 each. **[4]**

It offered to the public for subscription 50,000 equity shares. The amount was payable as follows:

On application : ₹ 4 per share

On allotment : ₹ 4 per share

On first and final call : Balance

The issue was fully subscribed. All the amounts were duly received except the first and final call money on 4,000 equity shares.

Show the Share Capital in the Balance Sheet of the company as per Schedule III, Part I of the Companies Act, 2013. Also prepare **Notes to Accounts** for the same.

22. S, T, W and X are partners sharing profits in the ratio of 4 : 3 : 2 : 1. X is given a guarantee that his share of profits in any given year would not be less than ₹1,20,000. The profits for the year ended 31st March, 2023 amounted to ₹8,40,000. Pass necessary entries in the books of the firm. **[4]**

23. A company issued 10,000 shares of ₹ 10 each at a premium of ₹ 1 per share, payment to be made as follows: **[6]**

	₹
On Application	3
On Allotment	4 (including premium)
On First call	2
On Second and final call	2

Applications were received for 20,000 shares. Applications for 5,000 shares were rejected and allotment was made proportionately to the remaining applicants. The directors made both the calls and all the money were received, except the allotment, first call and final call on 400 shares, which were subsequently forfeited. Later, 300 of the forfeited shares were re-issued as fully paid @ ₹ 15 per share. Give journal entries to record the above.

24. A, B and C are in partnership sharing profits in the ratio of 3 : 2 : 1. On 28th February, 2023 C retires from the firm. Their Balance Sheet on this date was as follows: **[6]**

Liabilities		**₹**	**Assets**	**₹**
Sundry Creditors		1,20,000	Bank	25,000
Outstanding Expenses		10,000	Debtors	1,65,000
Profit & Loss Account		1,50,000	Stock	2,50,000
Capital Accounts:			Investments	3,00,000
A	5,00,000		Fixed Assets	5,40,000
B	3,00,000			
C	2,00,000	10,00,000		
		12,80,000		**12,80,000**

The following was agreed upon:

i. Goodwill of the firm is valued at ₹ 1,50,000. C sells his share of goodwill to A and B in the ratio of 4 : 1.

ii. Stock is revalued at ₹ 3,00,000 and debtors are revalued at ₹ 1,50,000.

iii. Outstanding expenses be brought down to ₹ 3,000.

iv. Investments are sold at a loss of 10%.

v. C is paid off in full.

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

25. A and B are partners sharing profits in the ratio of 3 : 2. On 1st April, 2022 they admit C as a new partner for $\frac{1}{4}$th share. C acquires $\frac{1}{5}$th of his share from A. **[6]**

Goodwill on C's admission is to be valued on the basis of capitalization of average profits of the last five years.

Profits were :

Year ended	
31st March, 2018	Profit ₹ 50,000
31st March, 2019	Profit ₹ 1,20,000 (including gain of ₹ 40,000 from sale of fixed assets)
31st March, 2020	Loss ₹ 60,000 (after charging Loss by Fire ₹ 50,000)
31st March, 2021	Loss ₹ 1,00,000 (after charging voluntary retirement compensation paid ₹ 1,50,000)
31st March, 2022	Profit ₹ 1,90,000

On 1st April, 2022, the firm had assets of ₹ 7,00,000 and external liabilities of ₹ 2,20,000

The normal rate of return on capital is 12%.

C brings in ₹ 1,25,000 for his capital but is unable to bring his share of goodwill in cash.

i. You are required to calculate C's share of goodwill,

ii. Pass necessary journal entries, and

iii. Calculate new profit-sharing ratios.

OR

X,Y and Z were partners in a firm sharing profits and losses in the ratio of 5:3:2. On 31st March, 2020, their balance sheet was as follows

Balance Sheet

as at 31st March,2020

Liabilities	**Amount (Rs)**	**Assets**	**Amount (Rs)**
Sundry Creditors	42,500	Building	50,000
Capital A/cs		Patents	15,000
X 75,000		Machinery	75,000
Y 62,500		Stock	37,500
Z 37,500	1,75,000	Debtors	20,000
		Cash at Bank	20,000
	2,17,500 =========		2,17,500 ========

Z died on 31st July, 2020. It was agreed that:

i. Goodwill be valued at 2.5 years' purchase of the average profit of the last four years, which were as follows:

Years	**Profit (Rs)**

2016-2017	32,500
2017-2018	30,000
2018-2019	40,000
2019-2020	37,500

ii. Machinery to be valued at Rs.70,000, patents at Rs. 20,000 and building at Rs.62,500.

iii. For the purpose of calculating Z's share of profit in the year of his death, the profits in 2020-2021 should be taken to have been accrued on the same scale as in 2019-2020.

iv. A sum of Rs.17,500 was paid immediately to the executors of Z and the balance was paid in four half yearly instalments together with interest at 12% per annum starting from 31st January, 2021.

Given necessary journal entries to record the above transactions and Z's executor's account till the payment due on 31st January, 2021.

26. **Read the text carefully and answer the questions:** **[6]**

Renu Ltd. was incorporated on 1st April, 2020 with a nominal capital of ₹ 3,00,000 divided into 6,000 equity shares of ₹ 50 each. It purchased assets worth ₹ 1,00,000 from M/s Elpis Ltd. In consultation with the vendors, it issued 2,000 shares as fully paid-up to vendors for purchase consideration.

Also, the company offered 2,000 shares for public subscription of a premium of ₹ 5 per share payable as ₹ 15 on application, ₹ 15 (including premium) on allotment, ₹ 10 on first call and ₹ 15 on final call. Applications were received for 1,950 shares which were duly allotted. Till date final call has not yet been made and all the shareholders have paid except Raja who did not pay his first call money on 200 shares. Shares of Raja were forfeited. These shares were reissued @ ₹ 35 share paid up.

(a) What amount of shares have been issued to the vendors of building are machinery?

a) ₹ 3,00,000 b) ₹ 2,00,000

c) ₹ 4,00,000 d) ₹ 1,00,000

(b) On forfeiture the amount debited to share capital account will be:

a) ₹ 7,000 b) ₹ 4,000

c) ₹ 5,000 d) ₹ 2,000

(c) On forfeiture profit on reissue is transferred to:

a) capital reserve b) Revenue reserve

c) general reserve d) reserve capital

(d) Amount transferred to capital reserve will be:

a) ₹ 2,000 b) ₹ 5,000

c) ₹ 3,000 d) ₹ 7,000

(e) Amount debited to share forfeiture account on reissue is-

a) Rs.7000 b) nil

c) Rs.3,000 d) Rs.3,500

OR

Read the text carefully and answer the questions: **[6]**

Sharma and Mishra were partners in a firm sharing profits and losses in the ratio of 7 : 3. They decided to dissolve firm on 31st March, 2016 on that date, their books showed the following ledger account balances:

	₹
Sundry Creditors	27,000
Profit & Loss A/c (Dr.)	8,000
Cash in hand	6,000
Bank Loan	20,000
Bills Payable	5,000
Sundry Assets	1,98,000
Capital A/cs:	
Sharma	1,12,000
Mishra	48,000

Additional information:

i. Bills payable falling due on 31st May, 2016 retired on the date of dissolution of the firm at a rebate of 6% per annum.

ii. The bankers accepted the furniture (included in sundry assets) having a book value of ₹ 18,000 in full settlement of the loan given by them.

iii. Remaining assets were sold for ₹ 1,50,000.

iv. Liability on account of outstanding salary not recorded in the books, amounting to ₹ 15,000 was met.

v. Mishra agreed to take over the responsibility of completing the dissolution work to bear all expenses of realization at an agreed remuneration of ₹ 2,000. The actual realization expenses were ₹ 1,500 which were paid by the firm on behalf of Mishra.

(a) The amount of Bills payable paid is:

a) ₹ 4,500 b) ₹ 5,150

c) ₹ 4,950 d) ₹ 5,000

(b) The loss on the realisation transferred to Mishra's Capital Account is:

a) ₹ 31,465 b) ₹ 13,485

c) ₹ 44,950 d) ₹ 15,000

(c) What will be the amount of past loss transferred to Sharma's Account?

a) ₹ 5,600 b) ₹ 2,500

c) ₹ 5,000 d) ₹ 2,400

(d) Consider the following Accounts:

i. Sharma's Capital Account

ii. Mishra's Capital Account

iii. Realisation Account

iv. Profit and Loss Account

Which account will be affected by the realisation expenses paid by Mishra?

a) (i) and (iii)
b) (ii) and (iii)
c) (i) only
d) (i), (ii) and (iii)

(e) The bankers accepted the furniture (included in sundry assets) having a book value of ₹ 18,000 in full settlement of the loan given by them. Treatment should be-

a) recorded in partner's capital account
b) no entry
c) recorded in realisation account
d) both b and c

Part B :- Analysis of Financial Statements

27. Format of profit and loss is prepared as specified in: **[1]**

a) Income Tax Act
b) Part II, Schedule III
c) Part I, Schedule III
d) SEBI Act

28. If Total Assets are ₹1,25,000, Total Debts, i.e., external debts are ₹1,00,000 and Current Liabilities are ₹50,000, Debt-Equity Ratio will be: **[1]**

a) 1 : 1
b) 1 : 2
c) 2 : 1
d) 1:3

OR

Purchases ₹ 7,20,000; Office Expenses ₹ 30,000; Selling Expenses ₹ 90,000; Opening Inventory ₹ 1,40,000; Closing Inventory ₹ 80,000; Revenue from Operations ₹ 12,00,000. Calculate Operating Ratio.

a) 60%
b) 70%
c) 75%
d) 65%

29. What will be effect of **Purchase of Marketable Securities for Cash** on Cash Flow Statement? **[1]**

a) Inflow from financing activities
b) Outflow from financing activities
c) No effect
d) Outflow from investing activities

OR

Which of the following is not a cash inflow?

a) Sale of asset at loss
b) Goods purchased in cash
c) Goods sold in cash
d) Interest received on investment

30. Interest of ₹ 3,000 received in cash on loans and advances will result in: **[1]**

a) cash inflow from financing activities.
b) No change in cash or cash equivalents.
c) cash inflow from operating activities.
d) cash inflow from investing activities.

31. Profit & Loss Statements for the years ended 31st March 2023 and 2022: **[3]**

Particulars	Note No.	31st March 2023	31st March 2022
		₹	₹
Revenue from Operations		48,00,000	50,00,00
Finance Costs		27,50,000	30,00,000
Employee benefit Expenses		5,00,000	4,00,000

Other Expenses		80,000	1,00,000
Income Tax		40%	35%

Calculate percentage changes from 2022 to 2023.

OR

Prepare a Comparative Statement of Profit & Loss from the information extracted from the Statement of Profit & Loss for the year ended 31st March, 2022 and 2023.

Particulars	**2022-23 (₹)**	**2021-22 (₹)**
Revenue from Operations	15,00,000	10,00,000
Other Income (% of Revenue from Operations)	60%	50%
Employee Benefit Expenses (% of total revenue)	40%	30%
Tax Rate	40%	40%

32. Show the following items in a Company's Balance Sheet as at 31st March, 2017: **[3]**

Particulars	**₹**
Deferred Tax Assets	2,00,000
Loose Tools	1,20,000
Goods in Transit	5,00,000
Prepaid Expenses	15,000
Interest Accrued on Investments	10,000

33. **[4]**

i. From the following information calculate Interest Coverage Ratio: Net profit after interest and tax ₹ 1,20,000; Rate of income tax 40%; 15% debentures ₹ 1,00,000; 12% Mortgage loan ₹ 1,00,000.

ii. A company had Current Assets ₹ 3,00,000 and Current Liabilities ₹ 1,40,000. Afterwards, it purchased goods worth ₹ 20,000 on credit. Calculate the Current Ratio after the purchase of goods.

OR

Calculate following ratios on the basis of the given information:

i. Current Ratio
ii. Acid Test Ratio
iii. Operating Ratio and
iv. Gross Profit Ratio

	₹
Current Assets	3,50,000
Current Liabilities	1,75,000
Inventory	1,50,000
Revenue from Operations (Sales)	6,00,000
Operating Expenses	2,00,000
Cost of Revenue from Operations	3,00,000

34. Prepare a cash flow statement on the basis of the information given in the balance sheet of Simco Ltd as at 31st March, 2013 and 2012. **[6]**

Particulars	**Note No.**	**31st March 2013 Amt (Rs)**	**31st March,2012 Amt (Rs)**
I.EQUITY AND LIABILITIES			
1.Shareholders' Funds			
(a) Share Capital		2,00,000	1,50,000
(b) Reserves and Surplus	1	90,000	75,000
2.Non-current Liabilities			
Long-term Borrowings		87,500	87,500
3.Current Liabilities			
Trade Payables		10,000	76,000
Total		3,87,500	3,88,500
II. ASSETS			
1.Non-current Assets			
(a) Non-current Assets			
(a) Fixed Assets			
Tangible Assets		1,87,500	1,40,000
(b) Non-current Investments		1,05,500	1,02,500
2.Current Assets			
(a) Current Investment (Marketable)		12,500	33,500
(b) Inventories		4,000	5,500
(c) Trade Receivables		9,500	23,000
(d) Cash and Cash Equivalents		68,500	84,000
Total		3,87,500	3,88,500

Notes to Accounts

Particulars	**2013 (Rs)**	**2012 (Rs)**
1.Reserve and Surplus		
Surplus i.e. Balance in Statement of profit and Loss	90,000	75,000

Solutions

Part A:- Accounting for Partnership Firms and Companies

1.

(d) ₹ 1,500

Explanation:

100000x6%x3/12 = ₹ 1,500

OR

(b)

A’s Drawings A/c	Dr.	2,000	
To Cash/Bank A/c			2,000

Explanation:

A’s Drawings A/c	Dr.	2,000	
To Cash/Bank A/c			2,000

2.

(c) Assertion (A) is correct, but Reason (R) is not correct.

Explanation:

Assertion (A) is correct, but Reason (R) is not correct.

3.

(d) ₹ 1,05,000

Explanation:

Amount of forfeiture = 30000 $\times$ 7

= 2,10,000

Amount transferred to capital Reserve

$= \frac{210000}{30000} \times 15000$

= ₹ 1,05,000

OR

(a) When application money is received

Explanation:

The bank account is debited because the money comes with the company and share application account is credited, it is a temporary account opened to know how many applications received. This entry is passed when application money is received.

4.

(b) ₹ 35,000

Explanation:

Share Forfeiture Account will be Credited from Capital portion received:

On application	₹ 15 per share
On allotment	₹ 22 per share
On first Call	₹ 33 per share
	₹ 70

500 Shares $\times$ ₹ 70 = ₹ 35,000

OR

(a) Issue of debentures ot public

Explanation:

Issue of debenture to public is the only debenture issued without any consideration.

5.

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

Explanation:

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

Sacrificing ratio between X and Y

X = 7/10 - 5/10 = 2/10

Y = 3/10 - 2/10 = 1/10

6.

(b) All of these

Explanation:

All of these

7.

(c) 51,600

Explanation:

1,50,000 - 37,500 - 22,500 - 4,000 = 86,000

Divide in 3:2

8.

(b) ₹ 28,800

Explanation:

C' share of profit = 2,40,000 $\times \frac{219}{365} \times \frac{1}{5}$

= ₹ 28,800

OR

(c) Credited Rs.1500

Explanation:

Share of profit of T will be calculated as follows:

Profit = Rs.24,000

Profit for 3 months (from the last balance sheet till the date of his death) = 24,000 $\times$ $\frac{3}{12}$ = Rs.6,000

T's share = $\frac{4}{16}$

T's share of profit for 3 months = 6,000 $\times$ $\frac{4}{16}$ = Rs. 1,500

Profit received by T as he died so credited in his account.

9.

(b) Partner's Capital A/c

Explanation:

Partner's Capital A/c

10.

(d)

Revaluation A/c	Dr.	₹ 10,000	

To Creditors		₹ 10,000

Explanation:

Revaluation A/c	Dr.	₹ 10,000	
To Creditors			₹ 10,000

OR

(c) All of these

Explanation:

A newly admitted partner may acquire his share of profit from one partner or two partners or from all partners in an agreed ratio. He may acquire his share in the old ratio of the existing partners or in an agreed sacrificing ratio.

11.

(d) Dr. Y's Capital A/c and Cr. X's Capital A/c by ₹ 6,000

Explanation:

Old ratio of (X and Y) = 3 : 2

New ratio of (X and Y) = 1 : 1

Gaining ratio = New ratio - Old ratio

X's gain = $(\frac{1}{2}) - (\frac{3}{5}) = -\frac{1}{10}$ (sacrifice)

Y's gain = $(\frac{1}{2}) - (\frac{2}{5}) = \frac{1}{10}$

Total goodwill of the firm = ₹ 60,000

Amount of goodwill will be compensated by gaining a partner to sacrificing partner in their gaining and sacrificing ratio.

Therefore, necessary single adjustment entry will be made for goodwill:

Y's Capital A/c	Dr.	6,000
To X's Capital A/c		6,000

12.

(d) Debit Debenture Suspense A/c ₹ 1,00,000 and Credit Debentures A/c ₹ 1,00,000.

Explanation:

Debit Debenture Suspense A/c ₹ 1,00,000 and Credit Debentures A/c ₹ 1,00,000.

13. **(a)** External

Explanation:

As the debenture holders do not become the owners of the company when they purchase debentures, they are considered to be external equity.

14.

(d) loan certificate

Explanation:

Debenture is a loan certificate because debenture is a source of fund where the company takes loan from public

15.

(b)

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

16.

(b) Profit and Loss Adjustment Account

Explanation:

Instead of changing the prepared accounts, a rectified entry or adjustment entry should be done for these types of adjustments. Profit and Loss adjustment are always prepared to make such adjustments. For example, Profit and Loss-Adjustment account are prepared in case of a change in existing profit sharing ratio, admission of a new partner, retirement/death etc., It is also known as Revaluation Account. But In P&L Adjustment A/c all adjustment including the revaluation of assets and reassessment of liability are made and in Revaluation only revaluation of assets and reassessment of liability.

17. **In the books of Firm**

Journal

Date	Particulars		L.F.	Debit Amount (₹)	Credit Amount (₹)
	Workmen Compensation Reserve A/c	Dr.		1,20,000	
	To Workmen Compensation Liability A/c				80,000
	To X's Capital A/c				20,000
	To Y's Capital A/c				12,000
	To Z's Capital A/c				8,000
	(Being balanced in the Workmen Compensation Reserve transferred in old ratio to partner's Capital A/c's)				

OR

Average profits = ₹1,80,000

Goodwill = Average profits $\times$ Number of years purchase

= 1,80,000 $\times$ 3

= ₹ 5,40,000

S’s share of Goodwill = $\frac{5,40,000}{5}$

= ₹ 1,08,000

Journal

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	S’s Current Capital A/c	Dr.		1,08,000	
	To L’s Capital A/c				54,000
	To M’s Capital A/c				32,400
	To N’s Capital A/c				21,600
	(Being adjustment entry made for goodwill)				

18. **In the Books of Fox and Wolf**

Realisation Account

Dr.					Cr.
Particulars		**Rs**	**Particulars**		**Rs**
To Sundry Assets(Transfer)			By Sundry Liabilities(Transfer):		
Stock A/c	18,000		Creditors A/c	88,500	

Debtors A/c	42,000		Bills Payable A/c	23,000	
Furniture A/c	12,000		Ms. Wolf's Loan A/c	40,000	1,51,500
Machinery A/c	1,06,500	1,78,500	By Bank A/c(Assets Realised):		
To Bank A/c(Liabilities Paid):			Stock	10,500	
Bills Payable	23,000		Debtors(working note no 2)	27,750	
Creditors(working note 1)	86,730		Machinery	88,500	1,26,750
Ms. Wolf's Loan	38,500		By Fox's Capital A/c(Furniture Taken Over)		7,500
Claim for Damages	2,000	1,50,230	By Bank A/c(Recovery of Bad Debts)		1,800
To Bank A/c(Expenses)		2,100	By Loss on Realisation:		
			Fox's Capital A/c(given in capital a/c dr side)	21,640	
			Wolf's Capital A/c(given in capital a/c dr side)	21,640	43,280
		3,30,830			3,30,830

Partner's Capital Account

Dr.					Cr.
Particulars	**Fox(Rs)**	**Wolf(Rs)**	**Particulars**	**Fox(Rs)**	**Wolf(Rs)**
To Profit and Loss A/c	11,250	11,250	By Balance b/d(subtracting 40,390 - 10,390 & 32,890- 8,890)	30,000	24,000
To Realisation A/c(Furniture Taken Over given in realistion)	7,500		By Bank A/c	10,390	8,890
To Realisation A/c(Loss)	21,640	21,640			
	40,390	32,890		40,390	32,890

Bank Account

Dr.			Cr.
Particulars	**Rs**	**Particulars**	**Rs**
To Balance b/d	4,500	By Realisation A/c(Liabilities Paid)	1,50,230
To Realisation A/c(Assets Realised)	1,26,750	By Realisation A/c(Expenses)	2,100
Recovery of Bad Debts	1,800		
	1,28,550		
To Fox's Capital A/c(Cash Brought in balancing figure of capital a/c)	10,390		
To Wolf's Capital A/c(Cash Brought in balancing figure of capital a/c)	8,890		
	1,52,330		1,52,330

Working notes:

1. Total liabilities paid in the bank a/c = 1,50,230 - (23,000+38,500+2000) = 86,730(amonut of creditors in reliastion)
2. Total assets sold in the bank a/c = 1,26,750 - (10,500+88,500) = 27,750(amonut of debtor in reliastion)

19. **LOSS ON ISSUE OF DEBENTURES ACCOUNT**

Dr.					Cr.
Date	**Particulars**	**₹**	**Date**	**Particular**	**₹**
2022 April 1	To Premium on Redemption A/c	42,000	2023 March 31	By Statement of Profit and Loss*	42,000
		42,000			**42,000**

*Discount or Loss on Issue of Debentures is written off in the year debentures are allotted.

20. Yes, It is necessary to revalue the assets and liabilities if there is a change in profit sharing ratio of the existing partners. The reason for revaluation of assets and reassessment of liabilities is that any increase or decrease in the value of assets and liabilities up to the date of change in profit-sharing ratio is for the period before the change in profit-sharing ratio. Therefore, it is shared by the partners in their old profit-sharing ratio.

21. **Shri Ganga Ltd.**

BALANCE SHEET as at …….. (Extract)

Particulars	Note No.	Amount (₹)
I EQUITY AND LIABILITIES		
1. Shareholders' Funds		
a. Share Capital	1	4,92,000

Notes to Accounts:

Particulars		Amount (₹)
1. Share Capital		
Authorized Capital		
70,000 Equity Shares of ₹ 10 each		7,00,000
Issued Capital		
50,000 Equity Shares of ₹ 10 each		5,00,000
Subscribed Capital		
Subscribed and Fully Paid Up		
46,000 Equity Shares of ₹ 10 each		4,60,000
Subscribed but Not Fully Paid Up		
4,000 Equity Shares of ₹ 10 each	40,000	
Less Calls in Arrears (4,000 $\times$ 2)	(8,000)	32,000
		4,92,000

22. **JOURNAL**

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2023 March 31	Profit & Loss A/c	Dr.		8,40,000	
	To Profit & Loss Appropriation A/c (Transfer of profits)				8,40,000
March 31	Profit & Loss Appropriation A/c	Dr.		8,40,000	
	To S's Capital A/c				3,20,000
	To T's Capital A/c				2,40,000
	To W's Capital A/c				1,60,000
	To X's Capital A/c				1,20,000
	(Being Profit distributed Between Partners In their Profit Sharing ratio as per working note)(Refer Working Note)				

Working Note:

Share of Profit:

S :₹ 8,40,000$\times \frac{4}{10}$ =₹3,36,000

T:₹ 8,40,000$\times \frac{3}{10}$ =₹2,52,000

W:₹ 8,40,000$\times\frac{2}{10}$=₹1,68,000

X:₹ 8,40,000$\times\frac{1}{10}$=₹84,000

X's share in profits amounts to ₹84,000 whereas the minimum guarantee amount is ₹1,20,000. Hence, the deficiency of ₹36,000 will be met by S, T, W in 4:3:2 (i.e.16,000; 12,000; 8,000). As such,

S's share= 3,36,000 - 16,000 = ₹3,20,000

T's share = 2,52,000 - 12,000 = ₹2,40,000

W's share = 1,68,000 - 8,000 = ₹1,60,000

X's share = 84,000 + 36,000 = ₹ 1,20,000

23. **JOURNAL**

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	Dr.		60,000	
	To Share Application A/c (Share Application money received on 20,000 shares @ ₹ 3 per share)				60,000
	Share Application A/c (20,000 × ₹ 3)	Dr.		60,000	
	To Share Capital A/c (10,000 × ₹ 3)				30,000
	To Share Allotment A/c (5,000 × ₹ 3)				15,000
	To Bank A/c (5,000 × ₹ 3) (Application money transferred to Share Capital A/c; excess money adjusted on Allotment A/c and refunded)				15,000
	Share Allotment A/c	Dr.		40,000	
	To Share Capital A/c				30,000
	To Securities Premium Reserve A/c (Amount due on Allotment including Premium)				10,000
	Bank A/c	Dr.		24,000(4)	
	To Share Allotment A/c (Amount received on 9,600 shares)				24,000
	Share First Call A/c	Dr.		20,000	
	To Share Capital A/c (First Call due on 10,000 shares)				20,000
	Bank A/c	Dr.		19,200	
	To Share First Call A/c (Amount received on 9,600 shares)				19,200
	Share Second and Final Call A/c	Dr.		20,000	
	To Share Capital A/c (Second and Final Call due on 10,000 shares)				20,000
	Bank A/c	Dr.		19,200	
	To Share Second and Final Call A/c (Amount received on 9,600 shares)				19,200
	Share Capital A/c (400 × ₹ 10)	Dr.		4,000	
	Securities Premium Reserve A/c	Dr.		400	

	To Share Allotment A/c				1,000
	To Share First Call A/c (400 × ₹ 2)				800
	To Share Second and Final Call A/c (400 × ₹ 2)				800
	To Share Forfeiture A/c (400 shares forfeited for non-payment of allotment, first call and second call)				1,800
	Bank A/c	Dr.		4,500	
	To Share Capital A/c (300 × ₹ 10)				3,000
	To Securities Premium Reserve A/c (300 forfeited shares reissued as fully paid @ ₹15 per share)				1,500
	Share Forfeiture A/c	Dr.		1,350(5)	
	To Capital Reserve A/c (Profit on re-issue of 300 shares transferred to Capital Reserve A/c)				1,350

BALANCE SHEET OF ________

as at ________

Particulars	Note No.	Current Year	Previous Year
I. EQUITY AND LIABILITIES:		**₹**	**₹**
Shareholder's Funds			
(a) Share Capital	1	99,450	
(b) Reserves and Surplus	2	12,450	
		1,11,900	
II. ASSETS:			
Current Assets:			
Cash and Cash Equivalents	3	1,11,900	

Notes to Accounts:

		₹
(1) Share Capital:		
Issued Share Capital:		
10,000 Shares of ₹10 each		1,00,000
Subscribed & Fully Paid Capital:		
9,900 Shares of ₹ 10 each	99,000	
Add: Share Forfeiture A/c	450(6)	99,450
(2) Reserve and Surplus:		
Securities Premium Reserve A/c		11,100
Capital Reserve A/c		1,350
		12,450
(3) Cash and Cash Equivalents:		
Cash at Bank		1,11,900

(4) (A) Excess amount received on application:

If shares allotted are 10,000 shares applied for = 15,000

$\therefore$ If shares allotted are 400, shares applied for = $\frac{15,000}{10,000} \times 400 = 600$ shares

Excess application money received:

600 Shares - 400 Shares = 200 Shares × ₹ 3 = 600

(B) Amount due on allotment of these shares = 400 Shares × ₹ 4 = 1,600

Less: Excess received on application = 600

Net amount due on allotment, which has not been received = 1,000

(C) Total amount due on Allotment 10,000 Shares × ₹ 4 = 40,000

Less: Excess amount received on applications = 15,000

Balance Due = 25,000

Less: Amount not received on allotment = 1,000

Net amount received on allotment in Cash = 24,000

(5) Amount transferred to Capital Reserve:

Profit on 400 forfeited shares = 1,800

Hence, Profit on 300 re-issued shares = $\frac{1,800}{400} \times 300 = 1,350$

(6) Balance in Share Forfeiture Account = $\frac{1,800}{400} \times 100 = 450$

24. **REVALUATION ACCOUNT**

Dr.				**Cr.**
Particulars		**₹**	**Particulars**	**₹**
To Provision for doubtful debts A/c		15,000	By stock A/c	50,000
To Investments A/c		30,000	By Outstanding Expenses A/c	7,000
To Revaluation Profit transferred to:				
A's Capital A/c	6,000			
B's Capital A/c	4,000			
C's Capital A/c	2,000	12,000		
		57,000		**57,000**

PARTNER'S CAPITAL ACCOUNTS

Dr.							**Cr.**
Particulars	**A (₹)**	**B (₹)**	**C (₹)**	**Particulars**	**A (₹)**	**B (₹)**	**C (₹)**
To C's Capital A/c	20,000	5,000		By Balance b/d	5,00,000	3,00,000	2,00,000
To Bank A/c			2,52,000	By Profit & Loss A/c	75,000	50,000	25,000
To Balance c/d	5,61,000	3,49,000		By Revaluation A/c	6,000	4,000	2,000
				By A's Capital A/c			20,000
				By B's Capital A/c			5,000
	5,81,000	**3,54,000**	**2,52,000**		**5,81,000**	**3,54,000**	**2,52,000**

BALANCE SHEET OF THE FIRM

as at 1st March, 2023

Liabilities		**₹**	**Assets**		**₹**
Sundry Creditors		1,20,000	Bank		43,000
Outstanding Expenses		3,000	Debtors	1,65,000	
Capital Account balances:			Less: Provision for doubtful debts	(15,000)	1,50,000
A	5,61,000		Stock		3,00,000
B	3,49,000	9,10,000	Fixed Assets		5,40,000
		10,33,000			**10,33,000**

W.N.

BANK ACCOUNT

Dr.			Cr.
Particulars	**₹**	**Particulars**	**₹**
To Balance b/d	25,000	By C's Capital A/c	2,52,000
To Investments	2,70,000	By Balance c/d	43,000
	2,95,000		**2,95,000**

25. i. Calculation of C's Share of Goodwill:

Years		**Amount**
31 March, 2018		50,000
31 March, 2019	(₹ 1,20,000 - ₹ 40,000)	80,000
31 March, 2020	(₹ 60,000 - ₹ 50,000)	(10,000)
31 March, 2021	(₹ 1,00,000 - ₹ 1,50,000)	50,000
31 March, 2022		1,90,000
	Total Profit	**3,60,000**

Average Normal Profit = $\frac{\text{Total Profit}}{\text{number of Year}}$

Average Normal Profit = $\frac{3,60,000}{5}$

Average Normal Profit = ₹ 72,000

Capitalised Value of Average Profits = $\frac{\text{Average Normal Profit}}{\text{Normal Rate of Return}}$

Capitalised Value of Average Profits = $\frac{72,000}{12} \times 100$ = ₹ 6,00,000

Capitalised Value of Average Profits = ₹ 6,00,000

Capital Employed = Total Assets - External Liabilities

Capital Employed = ₹ 7,00,000 - ₹ 2,20,000

Capital Employed = ₹ 4,80,000

Goodwill = Capitalised Value of Average Profit - New Assets

Goodwill = ₹ 6,00,000 - ₹ 4,80,000

Goodwill = ₹ 1,20,000

C's Share of Goodwill = ₹ 1,20,000 $\times \frac{1}{4}$ = ₹ 30,000

Date	**Particulars**		**L.F.**	**Amount Dr.**	**Amount Cr.**
	Bank A/c	Dr.		1,25,000	
	To C's Capital A/c				1,25,000
	(Being goodwill and Capital brought by Raj)				
	C's Current A/c	Dr.		30,000	
	To A's Capital A/c				6,000
	To B's Capital A/c				24,000
	(Being goodwill premium credited to old partners in their sacrificing ratio of 1 : 4)				

Working Note:-

(1) C's Share = $\frac{1}{5}$

A's Sacrificed = $\frac{1}{4} \times \frac{1}{5} = \frac{1}{20}$

B's Sacrificed = $\frac{1}{4} \times \frac{4}{5} = \frac{4}{20}$

Sacrificing Ratio of A and B = 1 : 4

(2) Calculation of New Profit Sharing Ratio:-

A's New Ratio = $\frac{3}{5} - \frac{1}{20} = \frac{12-1}{20} = \frac{11}{20}$
B's New Ratio = $\frac{2}{5} - \frac{4}{20} = \frac{8-4}{20} = \frac{4}{20}$
C's New Ratio = $\frac{1}{4}$
New Profit Sharing Ratio = $\frac{11}{20} : \frac{4}{20} : \frac{1}{4}$
New Profit Sharing Ratio = $\frac{11:4:5}{20}$
New Profit Sharing Ratio = 11 : 4 : 5

OR

Working Notes:

i. Revaluation A/c

Particulars		**Amount**	**Particulars**	**Amount**
To Machinery		5,000	By Patents	5,000
To Profit Transferred			By building	12,500
X's Capital	6,750			
Y's Capital	3,750			
Z's Capital	2,500	12,500		
		17,500		17,500

ii. Z's Share In Profits From 1st April 2010 To 31st July 2020
37,500 $\times$ 4/12 $\times$ 2/10 = 2,500

iii. Treatment Of Goodwill
Average Profit $\times$ No. Of Year Purchase
32,500 + 30,000 + 40,000 + 37,500 = 1,40,000/4 = 35,000
Goodwill = 35,000 $\times$ 2.5 = 87,500
Z's Share = 87,500 $\times$2/10 = 17,500
This Will Be Contributed By X and Y In their Gaining Ratio i.e. 5:3.

iv. Z's Capital A/c

Particulars	**Amount**	**Particulars**	**Amount**
To Z's Executor A/c	60,000	By Bal B/d	37,500
		By Revaluation A/c	2,500
		By X's Capital A/c	10,938
		By Y's Capital A/c	6,562
		By Profit And Loss Suspense A/c	2,500
	60,000		60,000

JOURNAL

Date	**Particulars**		**L.F.**	**Debit (Rs.)**	**Credit (Rs.)**
31.7.2020	Revaluation A/c	Dr.		5,000	
	To Machinery A/c				5,000
	(Being Value Of Machinery Decreased)				
	Patents A/c	Dr.		5,000	
	Building A/c	Dr.		12,500	
	To Revaluation A/c				17,500
	(Being the Value Of Assets Increased)				
	Revaluation A/c	Dr.		12,500	

	To X's Capital A/c				6,750
	To Y's Capital A/c				3,750
	To Z's Capital A/c **(WN1)**				2,500
	(Being Profit Of Revaluation Distributed Among Partners In Old Ratio)				
	Profit And loss Suspense A/c	Dr.		2,500	
	To Z's Capital A/c **(WN2)**				2,500
	(Being Share Of Profit Given To Z)				
	X's Capital A/c	Dr.		10,938	
	Y's Capital A/c			6,562	
	To Z's Capital A/c **(WN3)**				17,500
	(Being Adjustment Of Goodwill Made)				
	Z's Capital A/c	Dr.		60,000	
	To Z's Executor A/c				60,000
	(Being Amount Due To Z Transferred To His Executor A/c)				
	Z's Executor	Dr.		17,500	
	To Cash A/c				17,500
	(Being Payment Made To Z's Executor)				

Z's Executor A/c

Date	Particulars	Amount	Date	Particulars	Amount
31.7.2020	To Cash	17,500	31.7.2020	By Z's Capital A/c	60,000
31.1.2021	To Balalance c/d	45,050	31.1.2021	By Interest	2,550
				(42,500 * 12/100 * 6/12)	
		62,550			62,550

26. **Read the text carefully and answer the questions:**

Renu Ltd. was incorporated on 1st April, 2020 with a nominal capital of ₹ 3,00,000 divided into 6,000 equity shares of ₹ 50 each. It purchased assets worth ₹ 1,00,000 from M/s Elpis Ltd. In consultation with the vendors, it issued 2,000 shares as fully paid-up to vendors for purchase consideration.

Also, the company offered 2,000 shares for public subscription of a premium of ₹ 5 per share payable as ₹ 15 on application, ₹ 15 (including premium) on allotment, ₹ 10 on first call and ₹ 15 on final call. Applications were received for 1,950 shares which were duly allotted. Till date final call has not yet been made and all the shareholders have paid except Raja who did not pay his first call money on 200 shares. Shares of Raja were forfeited. These shares were reissued @ ₹ 35 share paid up.

(i) **(d)** ₹ 1,00,000

Explanation:

₹ 1,00,000

(ii) **(a)** ₹ 7,000

Explanation:

Amount debited to share capital account will be ₹ 7,000 (200 $\times$ 35)

(iii) **(a)** capital reserve

Explanation:

capital reserve

(iv) **(b)** ₹ 5,000

Explanation:

	(₹)
Amount Forteited on Raja's Share (200 × 25)	5,000
(-) Discount on Reissue	-
Capital on Reissue t/f to Capital Reserve	5,000

(v) **(b)** nil

Explanation:

nil

OR

Read the text carefully and answer the questions:

Sharma and Mishra were partners in a firm sharing profits and losses in the ratio of 7 : 3. They decided to dissolve firm on 31st March, 2016 on that date, their books showed the following ledger account balances:

	₹
Sundry Creditors	27,000
Profit & Loss A/c (Dr.)	8,000
Cash in hand	6,000
Bank Loan	20,000
Bills Payable	5,000
Sundry Assets	1,98,000
Capital A/cs:	
Sharma	1,12,000
Mishra	48,000

Additional information:

i. Bills payable falling due on 31st May, 2016 retired on the date of dissolution of the firm at a rebate of 6% per annum.
ii. The bankers accepted the furniture (included in sundry assets) having a book value of ₹ 18,000 in full settlement of the loan given by them.
iii. Remaining assets were sold for ₹ 1,50,000.
iv. Liability on account of outstanding salary not recorded in the books, amounting to ₹ 15,000 was met.
v. Mishra agreed to take over the responsibility of completing the dissolution work to bear all expenses of realization at an agreed remuneration of ₹ 2,000. The actual realization expenses were ₹ 1,500 which were paid by the firm on behalf of Mishra.

(i) **(c)** ₹ 4,950

Explanation:

₹ 5,000 $\times \frac{6}{100} \times \frac{2}{12}$ = ₹ 4,950

(ii) **(b)** ₹ 13,485

Explanation:

Realisation Account

Dr.			Cr.
Particulars	**Amount (₹)**	**Particulars**	**Amount (₹)**
To Sundry Assets A/c	1,98,000	By Sundry Creditors	27,000
To Bank A/c (Bills Payable)	4,950	By Bills Payable	5,000
To Bank A/c (Outstanding salary)	15,000	By Bank Loan A/c	20,000
To Bank A/c (Creditors)	27,000	By Bank A/c (Assets Realised)	1,50,000
To Mishra's Capital A/c (Expenses)	2,000	By Loss on Realisation transferred to:	

		Sharma's Capital A/c	31,465
		Mshra's Capital A/c	13,485
	2,46,950		2,46,950

(iii) **(a)** ₹ 5,600

Explanation:

$\frac{7}{10} \times$ 8,000 = ₹ 5,600

(iv) **(b)** (ii) and (iii)

Explanation:

Realisation A/c	Dr.	5,600	
To Mishra's Capital A/c			5,600

(v) **(b)** no entry

Explanation:

no entry in case of liability settle by taking asset.

Part B :- Analysis of Financial Statements

27.

(b) Part II, Schedule III

Explanation:

Part II, Schedule III of companies act 2013

28.

(c) 2 : 1

Explanation:

Total Debts = 1,00,000

Current Liabilities = 50,000

Equity = Total Assets - Total Liabilites

= 1,25,000 - 1,00,000 = 25,000

Long-term Debts = Total Debts - Current Liabilities

= 1,00,000 - 50,000 = 50,000

Debt-Equity Ratio = $\frac{\text{Long-term Debts}}{\text{Equity}} = \frac{50,000}{25,000}$ = 2 : 1

OR

(c) 75%

Explanation:

Operating ratio = $\frac{operating\ cost}{Revenue\ from\ operation} \times 100$

Operating ratio = $\frac{9,00,000}{12,00,000} \times 100$ = 75%

Cost of good sold = 7,20,000 + 1,40,000 - 80,000 = 7,80,000

Operating cost = 7,80,000 + 30,000 + 90,000 = 9,00,000

29.

(c) No effect

Explanation:

No effect

OR

(b) Goods purchased in cash

Explanation:
Goods purchase in cash is not a cash inflow as in this transaction cash is going out. Hence it is not cash inflow.

30.
(d) cash inflow from investing activities.
Explanation:
cash inflow from investing activities.

31. **Comparative Statement of Profit and Loss of Freehand Ltd.**
As on 31st March 2022 and 2023

Particulars	Note No.	2021-22	2022-23	Absolute Change	Percentage Change (%)
		₹	₹	₹	
Revenue from Operations		50,00,000	48,00,000	(2,00,000)	(4.00)
Less: Expenses:					
(a) Employee Benefit Expenses		4,00,000	5,00,000	1,00,000	25.00
(b) Change in Inventories		30,00,000	27,50,000	(2,50,000)	(8.33)
(c) Other Expenses		1,00,000	80,000	(20,000)	(20.00)
Total Expenses		35,00,000	33,30,000	(1,70,000)	(4.86)
Profit before Tax (Revenue-Expenses)		15,00,000	14,70,000	(30,000)	(2.00)
Less: Tax		5,25,000	5,88,000	63,000	12.00
Profit after tax		**9,75,000**	**8,82,000**	**(93,000)**	**(9.54)**

OR

Comparative Statement of Profit & Loss

For the year ended 31st March 2022 and 2023

Particulars	Note No.	31st March 2022	31st March 2023	Absolute change	Percentage Change
		A	B	(C = B - A)	(D = $\frac{C}{A} \times 100$)
I. Revenue from operation		10,00,000	15,00,000	5,00,000	50
II. Other Income		5,00,000	9,00,000	4,00,000	80
III. Total Revenue (I + II)		15,00,000	24,00,000	9,00,000	60
IV. Expense					
(a) Employee benefit expense		4,50,000	9,60,000	5,10,000	113.33
V. Total Expense		4,50,000	9,60,000	5,10,000	113.33
VI. Profit before tax (III - V)		10,50,000	14,40,000	3,90,000	37.14
VII. Tax @ 40%		4,20,000	5,76,000	1,56,000	37.14
Profit after tax (VI - VII)		6,30,000	8,64,000	2,34,000	37.14

32. **EXTRACT OF COMPANY'S BALANCE SHEET**
AS AT 31 MARCH 2017

Particulars	Note No.	Current Year ₹	Previous Year ₹
Assets			
Non-Current Assets			
Deferred Tax Assets		2,00,000	

Current Assets			
Inventories (Loose Tools + Goods in Transit)		60,20,000	
Other Current Assets (Prepaid Exp. + Interest Accrued on Investment)		25,000	

33. i. Interest Coverage Ratio = $\frac{\text{Net Profits before Interest Tax}}{\text{Interest on long term debts}}$

Interest Coverage Ratio = $= \frac{2,27,000}{27,000}$ = 8.4 times

Working Note:

Profits before Interest & Tax

= Net profits after Interest and Tax + Tax + Interest

= 120000 + (120000 x 40/60) + 27000

= **₹ 2,27,000**

ii. After Purchase of goods on credit:

Current Assets = ₹ 3,00,000 + ₹ 20,000 = ₹ 3,20,000

Current Liabilities = ₹ 1,40,000 + ₹ 20,000 = ₹ 1,60,000

Current Ratio = $\frac{\text{Current Assets}}{\text{Current Labilities}} = \frac{3,20,000}{1,60,000} = 2:1$

OR

i. Current assets = 3,50,000

Current Liability = 1,75,000

Current Ratio = $\frac{\text{current asset}}{\text{current liability}} = \frac{3,50,000}{1,75,000}$

= 2 : 1

ii. Liquid Assets = 3,50,000 - 1,50,000 = 200,000

Liquid Ratio = $\frac{\text{Liquid asset}}{\text{current liability}} = \frac{2,00,000}{1,75,000}$

= 1.14 : 1

iii. Net Sales = 6,00,000

Operating cost = Operating expense + Cost of good sold

Operating Cost = 2,00,000 + 3,00,000 = 5,00,000

Operating Ratio = $\frac{\text{Operating cost}}{\text{Net sales}} \times 100$

$\frac{5,00,000}{6,00,000} \times 100$

= 83.33%

iv. Gross Profit = 6,00,000 - 3,00,000 = 3,00,000

Gross Profit Ratio = $\frac{\text{Gross profit}}{\text{Net sales}} \times 100$

$= \frac{3,00,000}{6,00,000} \times 100$

= 50%

34. **Simco Ltd.**
Cash Flow Statement
(for the year ended 31st March,2013)

Particulars		**Amt (Rs)**
1.Cash Flow from Operating Activities		
Net profit before Tax and Extraordinary Items (90,000-75,000)		15,000
(+)Decrease in Current Asset and Increase in Current Liabilities		
Trade Receivables	13,500	
Inventories	1,500	
(-)Decrease in Current Liabilities and Increase in Current Assets		
Trade Payable	(66,000)	(51,000)
Net Cash Used in Operating Activities		(36,000)

II.Cash Flow from Investing Activities		
Purchase of Tangible Assets	(47,500)	
Purchase of Non-current Investment	(3,000)	
Net Cash used in Investing Activities		(50,500)
III. Cash Flow from Financing Activities		
Issue of Share Capital	50,000	
Net Cash Flow from Financing Activities		50,000
Net Decrease in Cash and Cash Equivalents (I+II+III)		(**36,500)**
(+)Cash and Cash Equivalents in the Beginning (Cash 84,000+ Current Investment 33,500)		1,17,500
Cash and Cash Equivalents at the End (Cash 68,500+Current Investment 12,500)		**81,000**

Note :

1. Cash and cash Equivalents include cash, Bank, current investment and marketable securities.
2. Current Investments unless specified otherwise are treated as Cash & cash Equivalents.
3. Cash Flow Statement is prepared as per Accounting Standard -3 (Revised).