

a) 300 shares; ₹ 240

b) 60 shares; ₹ 120

c) 340 shares; ₹ 160

d) 320 shares, ₹ 200

8. The following are the types of debentures except:

[1]

a) Perpetual Debentures

b) Equity Debentures

c) Convertible debentures

d) Redeemable debentures

OR

Why is a premium on the issue of debentures considered as a capital profit

a) It is not an income arising from the normal course of business operations.

b) It is an income arising from the normal course of business operations.

c) All of these

d) It is not a loss arising from the normal course of business operations.

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

2.0

R, K and S are sharing profits and losses in the ratio of 5:4:1. They decide to share future profits and losses in the ratio of 1:4:5 with effect from 1st April, 2019. On that date, they revalued their assets and reassessed their liabilities. They had an unrecorded asset.

9. Revaluation a/c is a:

a) Real a/c

b) None of these

c) Personal a/c

d) Nominal a/c

10. Revaluation of assets is necessary because their present value may be different from their _____.

a) Book value

b) None of these

c) Both book value and market value

d) Market value

11. Vinod Limited invited applications for 2,000, 11% Debentures @ 100 each. The company received an application only for 1900 debentures. What is this situation called?

[1]

a) Full Subscription

b) Over Subscription

c) Under Subscription

d) Pro-rata Allotment

12. If a new partner is unable to bring in his share of goodwill, How will you deal

[1]

a) New Partner's A/c ... Dr.
To Gainer Partner's Capital A/c

b) New Partner's A/c ... Dr.
To All Partner's Capital A/c

c) New Partner's A/c ... Dr.
To Old Partner's Capital A/c

d) New Partner's Capital A/C OR
Current A/C ... Dr.
To Sacrificing Partner's Capital
/ current A/c

13. Which of the following factors decreases the value of goodwill? [1]

- a) Continuously incurring losses b) Customer Satisfaction
c) Favourable Contracts d) Favourable Location

14. What time would be taken into consideration if an equal monthly amount is drawn as drawings at the beginning of each month? [1]

- a) 5 months b) 6.5 months
c) 7 months d) 6 months

15. When the old ratio is deducted from the new Ratio we get: [1]

- a) Sacrificing ratio b) New Ratio
c) Old Ratio d) Gaining Ratio

OR

A, B and C were partners in a firm sharing profits and losses in the ratio of 5 : 3 : 2. C retired and his capital balance after adjustments regarding reserves, accumulated profits/losses and his share of the gain on revaluation was ₹ 2,50,000. C was paid ₹ 3,22,000 including his share of goodwill. The amount credited to C's capital account, on his retirement, for goodwill will be:

- a) ₹ 72,000 b) ₹ 24,000
c) ₹ 36,000 d) ₹ 7,200

16. A and B are partners in a firm sharing profits and losses in the ratio 1:2. They admitted C into the partnership and decided to give him $\frac{1}{3}$ share of the future profits. Find the new ratio of the partners. [1]

- a) 4:2:3 b) 3:2:1
c) 2:4:3 d) 3:4:2

17. Vikas, Gagan and Momita were partners in firm sharing profits in the ratio of 2 : 2 : 1. The firm closes its books on 31st March every year. On 30th September, 2014 Momita died. According to the provisions of Partnership Deed the legal representatives of a deceased partner are entitled for the following in the event of his/her death: [3]

- i. Capital as per the last Balance Sheet.
ii. Interest on capital at 6% per annum till the date of her death.

iii. Her share of profit to the date of death calculated on the basis of average profit of last four years.

iv. Her share of goodwill to be determined on the basis of three years' purchase of the average profit of last four years. The profits of last four years were:

Year	2010-11	2011-12	2012-13	2013-14
Profit(₹)	30,000	50,000	40,000	60,000

The balance in Momita's Capital Account on 31st March, 2014 was ₹ 60,000 and she had withdrawn ₹ 10,000 till date of her death. Interest on her drawings was ₹ 300. Prepare Momita's Capital Account to be presented to her executors.

18. Sara, Tara and Zara are partners in firms sharing profits and losses in the ratio of 3 : 2 : 1. They decide to take Dara into partnership from 1st April, 2019 for 1/4th share in the profits. For this purpose, goodwill is to be valued at twice the average annual profit of the previous three or four years, whichever is higher. The annual profits for the purpose of goodwill for the past four years were: [3]

Year Ended	₹
31st March, 2019	48,000;
31st March, 2018	30,300;
31st March, 2017	31,200;
31st March, 2016	42,200.

Calculate value of goodwill.

19. Y Ltd., purchased plant and machinery for ₹2,00,000 from Z Ltd. 20% of the amount was paid by Y Ltd. by accepting a bill of exchange in favour of Z Ltd. and the balance was paid by issuing 6% debentures of ₹1,000 each at a premium of 25%. Journalise the above transactions. [3]
20. A, B and C are partners sharing profit and loss in the ratio of 2 : 5 : 5. From 1st January, 2019, they decided to share profit and loss in the ratio of 3 : 5 : 7. You are required to fill up the following journal entry: [3]

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Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2019 Jan. 1	A's Capital A/c	Dr.	-	
	C's Capital A/c	Dr.	90,000	
	To B's Capital A/c (Adjustment for goodwill due to change in profit sharing ratio)			-

21. Give journal entries to record the following transaction of forfeiture and reissue of shares and open share forfeiture account. [4]
- L Ltd forfeited 470 equity shares of ₹ 10 each issued at premium of ₹ 5 per share for non-payment of allotment money ₹ 8 per share (including share premium ₹ 5

per share) and the first and final call of ₹ 5 per share. Out of these, 60 equity shares were subsequently reissued @ ₹ 14 per shares.

22. The amount of sundry assets transferred to Realisation Account was Rs 80,000. 60% of them have been sold at a profit of Rs. 2,000. 20% of the remaining were sold at a discount of 30% and remaining were taken over by Ramlal (a partner) at book value. Journalise. [4]

23. XYZ Ltd. is registered with an authorised capital of ₹ 2,00,000 divided into 2,000 shares of ₹ 100 each of which, 1,000 shares were offered for public subscription at a premium of ₹ 5 per share, payable as: [6]

On application	-	₹ 10 per share,
On allotment	-	₹ 25 per share (including premium),
On first call	-	₹ 40 per share
On final call	-	₹ 30 per share

Applications were received for 1,800 shares, of which applications for 300 shares were rejected outright; the rest of the application were allotted 1,000 shares on pro rata basis. Excess application money was transferred to allotment.

All the money was duly received except from Sundar, holder of 100 shares, who failed to pay allotment and first call money. His shares were later forfeited and reissued to Shyam at ₹ 60 per share ₹ 70 paid-up. Final call has not been made. Pass necessary Journal entries and prepare Cash Book in the books of XYZ Limited.

24. Parth, Raman and Zaisha are partners in a firm manufacturing furniture. They have been sharing profits and losses in the ratio of 5 : 3 : 2. From 1st April, 2017 they decided to share future profits and losses in the ratio of 2 : 5 : 3. Their Balance Sheet showed a debit balance of ₹4,000 in Profit and Loss Account; balance of ₹36,000 in General Reserve and a balance of ₹12,000 in Workmen's Compensation Reserve. It was agreed that: [6]

- The goodwill of the firm be valued at ₹ 76,000.
 - The Stock (book value of ₹ 40,000) was to be depreciated by 8%.
 - Creditors amounting to ₹ 900 were not likely to be claimed.
 - Claim on account of Workmen's Compensation amounted to ₹ 20,000.
 - Investments (book value ₹ 38,000) were revalued at ₹ 40,000.
- Pass necessary Journal entries for the above.

25. X, Y and Z were partners in a firm sharing profits in the ratio of 5 : 3 : 2. On 31st March, 2019 their balance sheet was as follows [6]

Balance Sheet
as at 31st March, 2019

Liabilities		Amt (Rs)	Assets		Amt (Rs)
Creditors		21,000	Land and Building		62,000

Investment Fluctuation Fund		10,000	Motor Vans		20,000
Profit and Loss A/c		40,000	Investments		19,000
Capital A/cs			Machinery		12,000
X	50,000		Stock		15,000
Y	40,000		Debtors	40,000	
Z	20,000	1,10,000	(-) Provision for Doubtful Debts	(3,000)	37,000
			Cash		16,000
		1,81,000			1,81,000

On the above date Y retired and X and Z agreed to continue the business on the following terms

- Goodwill of the firm was valued at Rs 51,000.
- There was a claim of Rs 4,000 for workmen's compensation.
- Provision for bad debts was to be reduced by Rs 1,000.
- Y will be paid Rs 8,200 in cash and the balance will be transferred in his loan account which will be paid in four equal yearly instalments together with interest @ 10% per annum.
- The new profit sharing ratio between X and Z will be 3 : 2 and their capitals will be in their new profit sharing ratio. The capital adjustments will be done by opening current accounts.

Prepare revaluation account, partners' capital accounts and the balance sheet of the reconstituted firm.

26. On 1st June, 2017, R Energy Ltd. issued 10,000, 7% Debentures of ₹100 each at a discount of 10% redeemable at a premium of 10% at the end of five years. All the debentures were subscribed and allotment was made. Prepare the Balance Sheet (extract) as at 31st March, 2018. [6]

Part B :- Analysis of Financial Statements

27. Dividend paid by a finance company comes under _____. [1]

- Financing Activity
- Operating Activities
- Investing Activities
- Manufacturing Activity

OR

Which of the following is not a cash inflow?

- Sale of asset at loss
- Interest received on investment
- Goods purchased in cash
- Goods sold in cash

28. Interpretation of Financial Statements includes: [1]

Case 3: Closing Trade Payables ₹ 45,000; Net Purchases ₹ 3,60,000.

Case 4: Closing Trade Payables (including ₹ 25,000 due to a supplier of machinery) ₹ 55,000; Net Credit Purchases ₹ 3,60,000.

OR

Assuming that the Debt-Equity Ratio is 2 : 1, state, giving reasons, which of the following transactions would (i) Increase; (ii) Decrease; (iii) Not alter the Debt-Equity Ratio:

- i. Issue of new shares (Preference/Equity) for Cash.
- ii. Issue of new shares (Preference/Equity) against purchase of fixed asset.
- iii. Buy-back of its own shares by a Company.
- iv. Issue of Debentures for Cash.
- v. Issue of Debentures against purchase of fixed asset.
- vi. Repayment of Long term Borrowings.
- vii. Conversion of Debentures into Equity Shares/Preference Shares.
- viii. Sale of a fixed asset at par.
- ix. Sale of a fixed asset at profit.
- x. Sale of a fixed asset at loss.
- xi. Purchase of a fixed asset on a credit of 2 months.
- xii. Purchase of a fixed asset on long-term deferred payment basis.
- xiii. Issue of Bonus Shares.

34. From the following balance sheet of Sonam Ltd as on 31st March, 2010 and 2011, [6]
prepare a cash flow statement.

Particulars	Note No.	31st March, 2010 Amt (Rs)	31st March, 2011 Amt (Rs)
I.EQUITY AND LIABILITIES			
1.Shareholders' Funds			
(a)Equity Share Capital		1,00,000	1,50,000
(b)Reserves and Surplus (Surplus, i.e. balance in statement of Profit and loss)		25,000	50,000
2.Current Liabilities			
(a)Short-term Borrowings (Bank loan)		50,000	25,000
(b)Trade Payables (Creditors)		15,000	11,250
(c)Short-term Provisions	1	30,000	32,500
Total		2,20,000	2,68,750
II.ASSETS			
1.Non-current Assets			

Particulars	Note No.	31st March, 2010 Amt (Rs)	31st March, 2011 Amt (Rs)
(a) Fixed Assets	2	1,62,500	1,61,250
(b) Non-current Investments		-	18,750
2. Current Assets			
(a) Trade Receivables (Debtors)		50,000	63,750
(b) Inventories (Stock)		2,500	3,750
(c) Cash and Cash Equivalents (Cash)		5,000	21,250
Total		2,20,000	2,68,750

Notes to Accounts

Particulars	31st March 2010 (Rs)	31st March 2011 (Rs)
1. Short-term Provisions		
Provision for Tax	10,000	17,500
Proposed Dividend	20,000	15,000
	30,000	32,500
2. Fixed Assets		
Tangible (Building)	1,50,000	1,50,000
Intangible (Patents)	12,500	11,250
	1,62,500	1,61,250

Additional Information

During the year a building having book value Rs.50,000 was sold at a loss of Rs.2,000 and depreciation charged on building was Rs.4,000.

SOLUTION

Part A:- Accounting for Partnership Firms and Companies

1. (a) Rs.900

Explanation: When drawings are made at the end of each quarter for the same amount, use these two steps to find out the interest on drawings:

Step 1: Average Time Period = $\frac{\text{period after 1st installment} + \text{period after last installment}}{2} = \frac{9+0}{2} = \frac{9}{2} = 4.5 \text{ months}$

Step 2: Interest on Drawings Charged during the year = $24,000 \times \frac{10}{100} \times \frac{4.5}{12} = \text{Rs. } 900$

2. (a) Both A and R are true and R is the correct explanation of A.

Explanation: Both A and R are true and R is the correct explanation of A.

3. (c) Purchased Goodwill

Explanation: Purchased Goodwill

OR

- (b) 1.(c) , 2. (b), 3. (a)

Explanation:

1. Average Profit means normal business profits (average of previous years profits).
2. Purchased Goodwill is acquired by making extra payment on purchase of a running business.
3. Self Generated Goodwill is internally generated goodwill which is not shown in the books of accounts.

4. (a) called-up value of shares

Explanation: The company debits the Share Capital Account with the amount called-up up to the date of forfeiture on shares. It credits the Shares Allotment Amount or Shares Call Account with amount called-up on forfeited shares but due from the shareholders.

OR

- (c) Only D

Explanation: Nominal Share Capital:- The maximum amount of share capital that a company is authorised to issue.

5. (c) Debenture Suspense Account

Explanation: Collateral security means security provided to the lender over and above the prime or principal security. Collateral security is to be realized only when the principal security fails to pay the amount of the loan.

Debentures Suspense A/c Dr.

To Debentures A/c

6. (d) ₹20125

Explanation: Actual stock transferred to the debit side of realization account ₹35,000.

Stock taken over by partner 50% of 35,000 = 17,500 - 1750 (17500 × 10%) = 15,750

Remaining stock = 35,000 - 17,500 = 17,500

Realised value of stock = 17,500 + 2625 (17500 × 15%) = 20,125

OR

(d) Nominal Account

Explanation: Nature of realization account is of Nominal account. All incomes are credited and all losses are debited. And profit or loss on realisation transfer to partners capital / Current account.

7. (a) 300 shares; ₹ 240

Explanation: Application received = 14,000

No. of shares allotted = 10,000

No. of shares allotted to F = $420 \times \frac{10}{14} = 300$ shares

Application money received from F

F sent application money for 420 shares $\times 2 = ₹ 840$

Application money adjusted against 300 shares

Application (300 \times 2) 600

Excess money 240

₹ 240 is to be adjusted against allotment

8. (b) Equity Debentures

Explanation: There are different types of debentures except for Equity Debentures.

- i. Redeemable Debentures
- ii. Perpetual Debentures
- iii. Convertible Debentures
- iv. Coupon Rate Debentures
- v. Irredeemable debentures
- vi. Non-convertible debentures
- vii. Zero-coupon rate debentures

OR

(a) It is not an income arising from the normal course of business operations.

Explanation: The premium on issue of debentures is considered as capital profit because it is not earned by the normal course of business operations. Any profit or gain earned by the company which is not part of the normal operating business is termed as capital profit. Hence Premium on the issue of debenture is considered as capital receipt.

9. (d) Nominal a/c

Explanation: Nominal a/c

10. (a) Book value

Explanation: Book value

11. (c) Under Subscription

Explanation: When a company receives less applications for the debentures than the actual debentures offered for the subscription, it is known as under subscription. In this, all Debentures are issued to all debenture holders.

12. (d) New Partner's Capital A/C OR Current A/C ... Dr.

To Sacrificing Partner's Capital / current A/c

Explanation: New partner's Capital A/c should be debited or (the current account should be debited in case of fixed capital method) if he is unable to bring his share of the premium for goodwill in cash. and Credited to sacrificing partners Capital or current A/c (in case of fixed capital A/c)

13. (a) Continuously incurring losses

Explanation: Continuously incurring losses

14. (b) 6.5 months

Explanation: If a fixed amount is withdrawn as drawings in the beginning of every month, the interest on the total amount of drawings will be calculated for 6.5 months.

Average period will be calculated as:

$$= \frac{\text{Months left after first drawing} + \text{months left after last drawing}}{2}$$

$$= \frac{12+1}{2} = 6.5 \text{ months}$$

15. (d) Gaining Ratio

Explanation: Gaining ratio is calculated by deducting the old ratio from the new ratio of remaining partners. The following formula is used to calculate the gaining ratio.

Gaining ratio = New ratio - old ratio

OR

(a) ₹ 72,000

Explanation: Amount for share of Goodwill = 3,22,000 - 250,000 = ₹ 72,000

16. (c) 2:4:3

Explanation: Calculation of the new profit sharing ratio:

Old Ratio = 1:2

C's share = $\frac{1}{3}$ or $\frac{3}{9}$

Let Share be 1

Remaining profit = $1 - \frac{1}{3} = \frac{2}{3}$

A's new share = $\frac{1}{3} \times \frac{2}{3} = \frac{2}{9}$

B's new share = $\frac{2}{3} \times \frac{2}{3} = \frac{4}{9}$

New Ratio will be 2 : 4 : 3

17.

Momita's Capital Account

Dr.		Cr.	
Particulars	₹	Particulars	₹
To Drawings A/c	10,000	By Balance b/d	60,000
To Interest on Drawing A/c	300	By Interest on Capital A/c	1,800
To Momita's Executor's A/c	83,000	By Profit and Loss Suspense A/c	4,500
		By Vika's Capital A/c	13,500
		By Gagan's Capital A/c	13,500
	93,300		93,300

W.N.:

i. Calculation of Interest on Momita's Capital

$$\text{Interest on Capital (6 Months)} = 60,000 \times \frac{6}{100} \times \frac{6}{12} = ₹ 1,800$$

ii. Calculation of Momita's share in Profits

$$\text{Average Profit} = \frac{30,000+50,000+60,000+40,000}{4} = \frac{1,80,000}{4} = ₹ 45,000$$

$$\text{Momita's profit} = 45,000 \times \frac{1}{5} \times \frac{6}{12} = ₹ 4,500$$

iii. Adjustment of Goodwill

Average Profit = 45,000

Goodwill = Average Profit × Number of year's purchase

$$\text{Goodwill} = 45,000 \times 3 = ₹ 1,35,000$$

$$\text{Momta's Goodwill} = 1,35,000 \times \frac{1}{5} = ₹ 27,000$$

Momta's share of goodwill is to be distributed between Vikas and Gagan in their = 1 : 1

$$\text{Vikas's} = 27,000 \times \frac{1}{2} = ₹ 13,500$$

$$\text{Gagan} = 27,000 \times \frac{1}{2} = ₹ 13,500$$

18. **CALCULATION OF AVERAGE PROFIT**

Based on Past three years' Profits	₹	Based on Past four years' Profits	₹
Year ended 31 st March, 2019	48,000	Year ended 31 st March, 2019	48,000
Year ended 31 st March, 2018	30,300	Year ended 31 st March, 2018	30,300
Year ended 31st March, 2017	31,200	Year ended 31 st March, 2017	31,200
		Year ended 31 st March, 2016	42,200
Total Profit (A)	1,09,500	Total Profit (A)	1,51,700
Number of Years (B)	3	Number of Years (B)	4
Average Profit (A ÷ B)	36,500	Average Profit (A ÷ B)	37,925

Four years' average profit is higher than three years' average profit. So the average profit is taken Rs.37,925.

Therefore, Value of Goodwill will be two times ₹ 37,925, i.e., ₹ 37,925 × 2 = ₹ 75,850.

19. **JOURNAL OF Y LTD.**

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Plant and Machinery A/c	Dr.		2,00,000	
	To Z Ltd. (Purchase of plant and machinery)				2,00,000
	Z Ltd.	Dr.		40,000	
	To Bills Payable A/c (Part payment made by accepting bill of exchange)				40,000
	Z Ltd.	Dr.		1,60,000	
	To 6% Debentures A/c (128 × 1,000)				1,28,000
	To Securities Premium Reserve A/c (128 × ₹250) (Issue of 128 debentures of ₹1,000 each at 25% premium calculated as $\frac{1,60,000}{1,250} = 128$ debentures)				32,000

20. Old Ratio of A, B and C = $\frac{2}{12} : \frac{5}{12} : \frac{5}{12}$

New Ratio of A, B and C = $\frac{3}{15} : \frac{5}{15} : \frac{7}{15}$

Sacrifice or Gain:

$$A = \frac{2}{12} - \frac{3}{15} = \frac{10-12}{60} = \frac{2}{60} \text{ (Gain)}$$

$$B = \frac{5}{12} - \frac{5}{15} = \frac{25-20}{60} = \frac{5}{60} \text{ (Sacrifice)}$$

$$C = \frac{5}{12} - \frac{7}{15} = \frac{25-28}{60} = \frac{3}{60} \text{ (Gain)}$$

In the books of _____
JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2019					
Jan. 1	A's Capital A/c	Dr.		60,000	
	C's Capital A/c	Dr.		90,000	
	To B's Capital A/c (Adjustment for goodwill due to change in profit sharing ratio)(Refer Working Note)				1,50,000

Working Note:

C's Capital A/c is credited with ₹ 90,000 and he has gained $\frac{3}{60}$ share.

Hence, the total value of goodwill must be: ₹ 90,000 $\times \frac{60}{3}$ = ₹ 18,00,000

A's share $\frac{3}{60}$ of ₹ 18,00,000 = ₹ 60,000

B's share $\frac{5}{60}$ of ₹ 18,00,000 = ₹ 1,50,000

21.

JOURNAL

Date	Particulars		L F	Amt (Dr.)	Amt (Cr.)
	Equity Share Capital A/c (470 × 10)	Dr.		4,700	
	Securities Premium Reserve A/c (470 × 5)	Dr.		2,350	
	To Share Forfeiture A/c (470 × 2)				940
	To Equity Share Allotment A/c (470 × 8)				3,760
	To Equity Share First and Final Call A/c (470 × 5)				2,350
	(Being 470 shares forfeited for the non-payment of allotment and first and final call)				
	Bank A/c (60 × 14)	Dr.		840	
	To Equity Share Capital A/c (60 × 10)				600
	To Securities Premium Reserve A/c (60 × 4)				240
	(Being reissue of 60 shares @ ₹ 14 per share as fully paid-up)				
	Share Forfeiture A/c	Dr.		120	
	To Capital Reserve A/c				120
	(Being balance of forfeited share account transferred to capital reserve)				

SHARE FORFEITURE ACCOUNT

Particulars	Amt (₹)	Particulars	Amt (₹)
To Capital Reserve A/c	120	By Share Capital A/c	940
To Balance c/d (Balancing figure)	820		
	940		940

Working Notes :

1. Calculation of Capital Reserve :

Forfeiture Amount of 60 forfeited shares = $940 \times \frac{60}{470} = \text{Rs. } 120$

When reissue is done at premium, full amount is transferred to Capital Reserve Account. So, here full amount of ₹ 120 will be transferred to Capital Reserve Account.

2. Since amount of Premium has not been received on forfeited shares, Securities Premium Account has been debited.

22.

JOURNAL

Date	Particulars		L.F.	Amount Rs.	Amount Rs.
	Bank A/c	Dr.		54,480	
	To Realisation A/c (Being assets having the book value of Rs. 48,000 were sold for Rs. 50,000 and assets having the book value of Rs. 6,400 were sold for Rs. 4,480)				54,480
	Ramlal's Capital A/c	Dr.		25,600	
	To Realisation A/c (Being assets having the book value of Rs. 24,000 were taken over by Ramlal at this value)				25,600
	or				
	Bank A/c	Dr.		54,480	
	Ramlal's Capital A/c	Dr.		25,600	
	To Realisation A/c				80,400
	(Being assets having the book value of Rs. 48,000 were sold for Rs. 50,000 and assets having the book value of Rs. 6,400 were sold for Rs. 4,480 & assets having the book value of Rs. 24,000 were taken over by Ramlal at this value)				

Working Notes :

i. Calculation of amount realised from assets

a.	60% of Rs. 80,000	48,000
	Add: Profit on Sale	2,000

	50,000
b. 30% of the remaining (i.e., (20/100 (Rs. 80,000 - Rs. 48,000))	6,400
Less: 30% Discount	1,920
	4,480

Total amount realised from assets Rs. 50,000 + Rs. 4,480 = Rs. 54,480

ii. Calculation of value of assets taken off by Ramlal

The total Book value of assets	80,000
Less: Book Values of assets sold	54,400
	25,600

23. Authorised capital 2,000 shares of ₹ 100 each.

Issued 1,000 shares of ₹ 100 each at premium of ₹ 5

Applied 1,800 shares

Allotment made as:		Amount payable per shares as:		
Applied	Allotted	Application	₹ 10	
1,500	1,000	Allotment	₹ 25	(20 + 5)
300	NIL	First Call	₹ 40	
			₹ 75	Called-up
		Final Call	₹ 30	
1,800	1,000		₹ 105	

Books of XYZ Limited Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Application A/c Dr.		15,000	
	To Share Capital A/c			10,000
	To Share Allotment A/c			5,000
	(Share application of 1,000 shares transferred to Share Capital, ₹ 5,000 adjusted on allotment)			
	Share Allotment A/c Dr.		25,000	
	To Share Capital A/c			20,000
	To Securities Premium A/c			5,000
	(Share allotment due on 1,000 shares at ₹ 25 each including ₹ 5 premium)			
	Share First Call A/c Dr.		40,000	
	To Share Capital A/c			40,000
	(First call due on 1,000 shares at ₹ 40 each)			

Securities Premium A/c	Dr.	500	
Share Capital A/c	Dr.	7,000	
To Share Forfeiture A/c			1,500
To Share Allotment A/c			2,000
To Share First Call A/c			4,000
(100 shares of ₹ 100 each ₹ 70 called-up, forfeited for the non-payment of allotment and first call)			
Share Forfeiture A/c	Dr.	1,000	
To Share Capital A/c			1,000
(100 shares of ₹ 100 each re-issued at ₹ 60 per share, ₹ 70 paid-up)			
Share Forfeiture A/c	Dr.	500	
To Capital Reserve A/c			500
(Balance in Share Forfeiture after re-issue transferred to Capital Reserve)			

Cash Book

Dr.			Cr.		
Date	Particulars	Bank (₹)	Date	Particulars	Bank (₹)
	Share Application	18,000		Share Application	3,000
	Share Allotment	18,000			
	Share First Call	36,000			
	Share Capital	6,000		Balance c/d	75,000
		78,000			78,000

Working Notes:

Number of share applied by Sunder = $\frac{1,500}{1,000} \times 100 = 150$ shares

Sunder

Money received on application $150 \times ₹ 10$	= 1,500
Money transferred to Share Capital $100 \times ₹ 10$	= 1,000
Excess Money on application	500
Share allotment due $100 \times ₹ 25$	= 2,500
Less: Excess money on application	= 500
Calls-in-Arrears on Allotment	2,000

Allotment

Allotment due on all shares $1,000 \times ₹ 25$	= 25,000
Less: Adjustment of excess money on application	= 5,000

	20,000
Less: Calls-in-Arrears by Sunder	= 2,000
Money received on allotment	= 18,000

Capital Reserve

Share Forfeiture	Cr.	1,500
Less: Share Forfeiture	Dr.	1,000
Balance in Share Forfeiture after reissue		500

Capital Reserve = Balance in Share Forfeiture after re-issue = ₹ 500

24.

In the books of Firm

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2017				
April 1	Parth's Capital A/c	Dr.	2,000	
	Raman's Capital A/c	Dr.	1,200	
	Zaisha's Capital A/c	Dr.	800	
	To Profit and Loss A/c			4,000
	(Being the balance of Profit and Loss Account distributed in old ratio)			
	General Reserve A/c	Dr.	36,000	
	To Parth's Capital A/c			18,000
	To Raman's Capital A/c			10,800
	To Zaisha's Capital A/c			7,200
	(Being the General Reserve distributed in old ratio)			
	Workmen Compensation Reserve A/c	Dr.	12,000	
	Revaluation A/c	Dr.	8,000	
	To Workmen Compensation Claim A/c			20,000
	(Being the liability of Workmen compensation created out of Workmen Compensation Reserve and Revaluation Account)(See Revaluation Account)			
	Revaluation A/c	Dr.	3,200	
	To Stock A/c			3,200
	(Being the decrease in value of stock recorded through Revaluation Account)			
	Investments A/c	Dr.	2,000	
	Creditors A/c	Dr.	900	

To Revaluation A/c				2,900
(Being the increase in value of investments recorded and amount not likely to be claimed by creditors written off)(See working Note)				
Parth's Capital A/c	Dr.		4,150	
Raman's Capital A/c	Dr.		2,490	
Zaisha's Capital A/c	Dr.		1,660	
To Revaluation A/c				8,300
(Being the loss on revaluation of assets and reassessment of liabilities transferred to Partners' Capital Accounts in their old ratio) (WN 1)				
Raman's Capital A/c	Dr.		15,200	
Zaisha's Capital A/c	Dr.		7,600	
To Parth's Capital A/c ($76,000 \times 3/10$)				22,800
(Being the adjustment made for goodwill due to change in profit-sharing ratio by debiting gaining partners and crediting sacrificing partner) (WN 2 and 3)				

Working Notes:

i.

REVALUATION ACCOUNT

Dr.		Cr.		
Particulars	Amount(₹)	Particulars		Amount(₹)
To Stock A/c	3,200	By Creditors A/c		900
To Workmen Compensation Claim A/c	8,000	By Investments A/c		2,000
		By Loss on Revaluation transferred to:(5:3:2)		
		Parth's Capital A/c	4,150	
		Raman's Capital A/c	2,490	
		Zaisha's Capital A/c	1,660	8,300
	11,200			11,200

ii. Calculation of Gain/(Sacrifice) of Partners due to change in Profit sharing Ratio:

Particulars	Parth	Raman	Zaisha
(i) New Share	2/10	5/10	3/10
(ii) Old Share	5/10	3/10	2/10
(iii) Gain/(Sacrifice) (i - ii)	-3/10	2/10	1/10

	Sacrificing Partner	Gaining Partner	Gaining Partner
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iii. Adjustment of Goodwill:

Parth alone sacrifices whereas Raman and Zaisha gain. Hence, Raman and Zaisha will compensate Parth for his sacrificed Share of Goodwill ₹ 22,800 (i.e., ₹ 76,000 × 3/10) in their gaining ratio, i.e., 2/10:1/10 or 2 : 1. Thus,

Compensation payable by Raman to Parth = ₹ 22,800 × 2/3 = ₹15,200;

Compensation payable by Zaisha to Parth = ₹ 22,800 × 1/3 = ₹7,600.

Adjustment Entry:

Gaining Partner's Capital A/c ... Dr

To Sacrificing Partner's Capital A/c

25. **Working Notes 1:**

Gaining Ratio = New Ratio - Old Ratio

X = 3/5 - 5/10 = 1/10

Y = 2/5 - 2/10 = 2/10

Gaining Ratio = 1:2

Working Note 2 :

Y's share in goodwill = 51,000 × 3/10 = 15,300

Journal Entries

X's Capital A/c	Dr.	5,100	
Z's Capital A/c	Dr.	10,200	
To Y's Capital A/c			15,300
(Being share of goodwill given to y)			

Revaluation Account

Particular	Amount (Rs.)	Particular	Amount (Rs.)
To Workmen compensation reserve A/c	4,000	By Provision For Doubtful Debt A/c	1,000
		By Loss Transfer:	3,000
		X	1500
		Y	900
		Z	600
	4,000		4,000

Partner's Capital Account

Particulars	X	Y	Z	Particulars	X	Y	Z
To Y's capital A/c	5,100	-	10,200	By Balance b/d	50,000	40,000	20,000
To Revaluation A/c	1,500	900	600	By Profit & Loss A/c	20,000	12,000	8,000
To Cash A/c	-	8,200	-	By X's capital A/c	-	5,100	-
To Y's Loan A/c	-	61,200	-	By Z's capital A/c	-	10,200	-

To Current A/c (Bal. Fig.)	15,840	-	-	By Investment Fluctuation Fund A/c	5,000	3,000	2,000
To Balance c/d	52,560	-	35,040	By Current A/c (Bal. Fig.)	-	-	15,840
	75,000	70,300	51,240		75,000	70,300	51,240

Balance Sheet
As at 31st March, 2019

Liabilities		Amount	Assets		Amount
Capital A/c-			Debtor's	40,000	
X	52560		Less: Provision for Doubtful debt	(2000)	38000
Z	35040	87600	Land & Building		62,000
			Motor Vans		20,000
Y's Loan A/c		61200	Investment		19,000
Creditor's A/c		21,000	Machinery		12,000
X's Current A/c		15,840	Stock		15,000
Claim for workmen compensation		4,000	Z's Current A		15,840
			Cash (16000 - 8200)		7,800
		1,89,640			1,89,640

26.

In the books of R Energy Ltd.
An Extract of Balance Sheet
As at 31st March, 2018

Particulars	Note No.	Amount (₹)
I. EQUITIES AND LIABILITIES		
1. Shareholders' Funds		
Reserves and Surplus	3	(2,00,000)
2. Non-Current Liabilities		
a. Long-term Borrowings	1	10,00,000
b. Other long-term Liabilities	2	1,00,000
Total		9,00,000
II. Assets		
Current Assets		
Cash and Cash Equivalents	4	9,00,000
Total		9,00,000

Notes to Accounts of balance sheet:

Note No.	Particulars	Amount (₹)
1.	Long-term Borrowings	
	10,000, 7% Debentures of ₹100 each 10,000 × 100	10,00,000
2.	Other long-term Liabilities	
	Premium on Redemption of Debentures	1,00,000
3.	Reserves and Surplus	
	Statement of Profit & Loss	
	Less: Loss on Issue of Debentures written off	(2,00,000)
4.	Cash and Cash Equivalents	
	Cash at bank On 7% debentures @ ₹ 90 each (10,000 × 90)	9,00,000

Part B :- Analysis of Financial Statements**27. (a) Financing Activity**

Explanation: Dividend paid by a finance company comes under Financing activity. As Dividend is a operating activity for a finance company.

OR

(c) 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.

28. (a) All of these

Explanation: All the options are correct.

29. (b) Net Increase/Decrease in cash and cash equivalents

Explanation: After calculating cash flows from different three activities (Operating, Investing and Financing), they are added to know the net increase or decrease in cash and cash equivalents.

OR

(a) Expense, Outflow

Explanation: Interest paid on long term borrowings is an outflow of cash. It is shown as a deduction in financing activities while preparing cash flow statement as long term borrowings is a financial item. it is deducted from financing activity.

30. (c) They want to judge the present and future earning capacity of the business.

Explanation: Shareholders are interested in the analysis of financial statement because they want to judge the present and future earning capacity of the business. They want to know whether their investment would yield how many returns.

31. The following items are arranged as per schedule 3 of the company's act,2013 under the given major headings.

Sl. No	Items	Major Headings
(i)	Long-term Borrowings	Non-current Liabilities(long term borrowings)

Sl. No	Items	Major Headings
(ii)	Trade Payables	Current Liabilities (current liabilities)
(iii)	Provision for Tax	Current Liabilities (other current liabilities)
(iv)	Securities Premium Reserve	Shareholder's Funds (share capital)
(v)	Patents	Non-current Assets (intangible assets)
(vi)	Accrued Incomes	Current Assets.(other current assets)
(vii)	Current Investment	Current Assets(investments)

32. Net Profit Ratio = $\frac{\text{Net Profit}}{\text{Net Sales}} \times 100 = \frac{4,80,000}{20,00,000} \times 100 = 24\%$

Working Note:

1. Total Sales = Cash Sales + Credit Sales

Credit Sales = 90% of total Sales

Hence, cash sales = 10% of the total sales.

Total Sales = Cash Sales $\times \frac{100}{10} = \frac{2,00,000 \times 100}{10} = ₹ 20,00,000$

2. Gross Profit = $20,00,000 \times \frac{25}{100} = ₹ 5,00,000$

3. Net Profit = Gross Profit - Indirect Expenses
= $5,00,000 - 20,000 = ₹ 4,80,000$

33. Case 1

Net Credit Purchases = Net Purchases - Cash Purchases

= $3,60,000 - 90,000 = 2,70,000$

Trade Payables Turnover Ratio = $\frac{\text{Net Credit Purchases}}{\text{Closing Trade Payables}} = \frac{2,70,000}{45,000} = 6 \text{ times}$

Case 2

Net Purchases = 3,60,000

Average Trade Payables = $\frac{\text{Opening Trade Payables} + \text{Closing Trade Payables}}{2}$
= $\frac{15,000 + 45,000}{2} = 30,000$

Trade Payables Turnover Ratio = $\frac{\text{Net Credit Purchases}}{\text{Average Trade Payables}} = \frac{3,60,000}{30,000} = 12 \text{ times}$

Case 3

Trade Payable Turnover Ratio = $\frac{\text{Net Credit Purchases}}{\text{Closing Trade Payables}} = \frac{3,60,000}{45,000} = 8 \text{ times}$

Case 4

Net Credit Payables for Goods = Trade Payables - Creditors for Machinery
= $55,000 - 25,000 = 30,000$

Trade Payables Turnover Ratio = $\frac{\text{Net Credit Purchases}}{\text{Average Trade Payables}} = \frac{3,60,000}{30,000} = 12 \text{ times}$

Note: Case 4: A creditor for machinery has been excluded since he does not arise from the purchase of goods in which the firm deals in.

OR

Statement showing the effect of various transactions on Debt-Equity Ratio:

Tr. No.	Debi-Equity Ratio Will	Reasons
(i)	Decrease	Long term debts remain unchanged but equity (shareholder's fund) is increased by the amount of cash received on issue of shares
(ii)	Decrease	Long term debts remain unchanged but equity (shareholder's fund) is increased by the amount of share capital issued.
(iii)	Increase	Long term debts remain unchanged but equity (shareholder's fund) is decreased.
(iv)	Increase	Long term debts are increased but equity (shareholder's fund) remain unchanged.
(v)	Increase	Long term debts are increased but equity (shareholder's fund) remain unchanged.
(vi)	Decrease	Long term debts are decreased but equity (shareholder's fund) remain unchanged.
(vii)	Decrease	Long term debts are decreased and equity (shareholder's fund) is increased by the same amount.
(viii)	Not Alter	Neither the Long-term debts nor equity (shareholder's fund) is affected.
(ix)	Decrease	Long term debts remain unchanged but equity (shareholder's fund) is increased by the amount of profit.
(x)	Increase	Long term debts remain unchanged but equity (shareholder's fund) is decreased by the amount of loss.
(xi)	Not Alter	Neither the Long term debts nor the equity (shareholder's fund) is affected.
(xii)	Increase	Long term debts are increased but equity (shareholder's fund) remain unchanged by the amount of purchase.
(xiii)	Not Alter (See Note i)	Neither the Long term debts nor the equity (Shareholder's Funds) is affected.

34. Calculation Of Net profit Before tax and extraordinary items

Closing Balance of surplus	50000
Less: - Opening Balance of surplus	<u>25000</u>
	25000
Add:- Provision for tax	17500
Add:- Proposed Dividend	15000

Net profit before tax and extra ordinary items	57500
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CASH FLOW STATEMENT

Particulars	Details	RS.
<u>Cash Flow From Operating Activities:</u>		
Net Profit Before Tax And Extraordinary Items (W.N.1)	57500	
(+) Goodwill written Off	1250	
(+) Depreciation Charged On Building Sold	4000	
(+) Loss on sale of the building	2000	
Cash operating Profit before Working Capital Change	64750	
(+) Decrease In Current Assets And Increase in Current Liabilities	Nil	
(-) Increase in Current Assets and Decrease in Current Liabilities		
Trade payable	3750	
Trade Receivable	13750	
Inventories	1250	
Cash Operating Profit before tax and extraordinary items	46000	
Less:- Tax Paid	10000	
Cash Flow from Operating Activity (A)		36000
<u>Cash Flow From Investing Activities:</u>		
Sale of Building	48000	
Purchase of building	(54000)	
Purchase of non - current Investment	(18750)	
Cash Flow from Investing Activity (B)		(24750)
<u>Cash Flow from Financing Activity:</u>		
Issue of equity share capital	50000	
Repayment of Bank loan	(25000)	
Dividend paid	(20000)	
Cash Flow from Financing Activities (C)		5000
Net Increase in cash and cash equivalents (A+ B+ C)		16250
Add: Opening cash and cash equivalent		5000
Closing cash and cash equivalent		21250

Working Note:

Building Account

Particulars	Amount	Particulars	Amount
To Balance b/d	150000	By Bank A/c	48000

To Bank A/c (Bal. Fig.)	54000	BY Profit & Loss A/c	2000
		BY Depreciation A/c	4000
		By Balance c/d	150000
	<u>204000</u>		<u>204000</u>