SAMPLE QUESTION PAPER - 3
SUBJECT- ACCOUNTANCY (055)
CLASS XII (2023-24)

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, 31 and 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. Match the following: **[1]**

(a) New Profit Share =	(i) New Profit Share + Sacrifice
(b) Old Share =	(ii) Old Profit Share - New Profit Share
(c) Sacrifice =	(iii) New Profit Share - Old Profit Share
(d) Gain =	(iv) Old Profit Share - Sacrifice

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

2. **Assertion (A):** Capital account of partners generally has a credit balance. **[1]**
Reason (R): Current account has either a debit or credit balance.

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. What correct order of Capitals is followed, while preparing Notes to Account to find out the amount of Share capital to be shown in Balance Sheet? **[1]**

c) Authorised Capital, Issued Capital, Subscribed Capital

d) Issued Capital, Authorised Capital, Subscribed Capital

OR

If we are purchasing assets from the vendor and in payment we are issuing debentures then which account should be credited while purchasing an asset?

a) Assets A/c

b) Debenture A/c

c) Vendor A/c

d) % Debentures Account

4. A and B were partners in a firm sharing profits or losses in the ratio of 3 : 1. With effect from 1^{st} January, 2023, they agreed to share profits in the ratio of 2 : 1 . Due to change in profit sharing ratio, B's gain or sacrifice will be: **[1]**

a) Gain $\frac{2}{60}$

b) Sacrifice $\frac{1}{12}$

c) . Gain $\frac{1}{12}$

d) Sacrifice $\frac{3}{60}$

OR

A and B are partners in a partnership firm without any agreement. A devotes more time for the firm as compare to B. A will get the following commission in addition to profit in the firm's profit:

a) 6% of profit

b) None of these

c) 4% of profit

d) 5% of profit

5. Profit & Loss Appropriation Account is prepared to. **[1]**

a) Distribute the profit for the year among the partners.

b) Distribute profit and loss for the year among the partners.

c) Determine the profit remaining for the year after appropriation.

d) Settle the dispute among the partners.

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

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

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

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

OR

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

a) Share capital

b) None of these

c) Non current liabilities

d) Current liabilities

7. **Assertion (A):** A share is considered to be a movable property. **[1]**
Reason (R): A share can be purchased or sold in a stock exchange in case of a listed company.

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.

8. According to the Partnership Act, 1932, the interest payable to the deceased partner on the amount left by him will be: **[1]**

a) 10% p.a.

b) 16% p.a.

c) 6% p.a.

d) 12% p.a.

OR

According to profit and loss account, the net profit for the year is ₹ 15,000. The total interest on partner's capital is ₹ 1,800 and interest on partner's drawings is ₹ 200. The net profit as per profit and loss appropriation account will be:

a) ₹ 16,600

b) ₹ 13,400

c) ₹ 13,000

d) ₹ 17,000

Question No. 9 to 10 are based on the given text. Read the text carefully and answer the questions: **[2]**

agreed that interest @ 9% p.a. will be paid on loan. Books of account of the firm are closed on 31st March, every year. Interest on loan is yet to be paid as on 31st March, 2019.

9. How much interest the partner Ankit will get on his loan amount?

a) ₹ 3,000

b) ₹ 1,500

c) ₹ 4,500

d) ₹ 2,500

10. How much interest the partner Girish will get on his loan amount?

a) ₹ 5,500

b) ₹ 6,750

c) ₹ 6,000

d) ₹ 4,500

11. Guarantee of profit to a partner is given by: **[1]**

a) All of these

b) Only one partner of the firm

c) Only two partners of the firm

d) All the partners of the firm

12. Amount of securities premium can be utilised for: **[1]**

a) Issuing bonus shares to the shareholders of the company

b) Buy-back of its own shares

c) Writing off the preliminary expenses of the company

d) All of these

13. Ankit Ltd. issued 2,000 shares of ₹ 10 each, payable ₹ 7 on application & allotment; 2 on first call and balance on final call. 100 shares were forfeited on which first call and second call was not received. What is the maximum permissible discount can be offered on reissue of these shares? **[1]**

a) 3 per share

b) 9 per share

c) 2 per share

d) 7 per share

14. Calculate the interest on drawings of Mr. B @ 6% p.a. on 31st March 2021. if A & B has started a business on 1st July 2020 and During the year Mr. B withdrew an equal amount at the end of each quarter. First drawing was made on 30th September 2020 of ₹ 1,000. **[1]**

a) 67.5

b) 150

15. Vinod and Ankit were equal partners in a partnership. They admitted Govind for $\frac{1}{4}^{\text{th}}$ share. He acquired his share equally from Vinod and Ankit. Consider the statements below: [1]

i. Vinod and Ankit both will sacrifice equally to Govind.

ii. Vinod's sacrificing ratio is more than that of Ankit.

iii. The new profit sharing ratio of Vinod, Ankit and Govind will be 11 : 6 : 5.

a) Only (iii) is correct

b) All of these

c) Only (i) is correct

d) Only (ii) is correct

OR

Which of the following is not distributed among the partners?

a) Contingency reserve

b) Workers profit sharing fund

c) Retained earnings

d) General reserve

16. Under Garner Vs Murry Rule, the insolvency loss should be borne by solvent partners according to: [1]

a) Capital ratio

b) Profit sharing ratio

c) Final claims ratio

d) Maximum loss ratio

17. Give two circumstances in which sacrificing ratio may be applied. [3]

i. Yogesh had invested more capital than other partners and asks for interest on capital at 10% p.a. But Ram and Rohit do not agree with him.
ii. Ram devotes more time in handling the business and demands a salary of ₹ 5,000 p.m. But Yogesh and Rohit do not agree with him.
iii. Rohit demands interest on the loan of ₹ 50,000 given by him @ 12% p.a.
iv. Yogesh withdrew ₹ 10,000 from the firm for his personal use. Ram and Rohit demand that interest on drawings be charged from him @ 10% p.a.
v. Profit for the year before the above claims was ₹ 50,000. Yogesh demands profits to be distributed in the capital ratio.
vi. Ram wants to introduce his son Inder as partner. Rohit objects to his proposal.

How will be the above issues resolved?

OR

P and Q are partners with capitals of Rs.6,00,000 and Rs.4,00,000 respectively. The profit and Loss Account of the firm showed a net Profit of Rs.4,26,800 for the year.
Prepare Profit and Loss Appropriation account after taking the following into consideration:-

i. Interest on P's Loan of Rs. 2,00,000 to the firm
ii. Interest on capital to be allowed @ 6% p.a.
iii. Interest on Drawings @ 8% p.a. Drawings were ; P Rs 80,000 and Q Rs. 50,000.
iv. Q is to be allowed a commission on sales @ 3%. Sales for the year was Rs. 10,00,000
v. 10% of the divisible profits is to be kept in a Reserve Account.

19. **Zakir Ltd.** issued ₹ 4,00,000, 9% Debentures of ₹ 100 each at a discount of 5% redeemable at a premium of 10%. **[3]**
Pass necessary journal entries for the above transactions in the books of Zakir Ltd.

OR

Mega Movers Ltd. has a paid up share capital of ₹ 60,00,000 and a balance of ₹ 15,00,000 in the Securities Premium Account. The company management do not want to carry over the balance. State the purposes for which the balance can be utilised.

20. The total capital of the firm of Seema, Muskan and Heena is ₹ 1,00,000 and the market rate of interest is 15%. The net profits for the last 3 years were ₹ 30,000; ₹ 36,000 and ₹ 42,000. Goodwill is to be valued at 2 year's purchase of the last 3 years' super-profits. Calculate the goodwill of the firm. **[3]**

21. ATD Ltd. forfeited 150 Equity Shares of ₹ 10 each issued at a premium at ₹ 5 per share, for non-payment of allotment money of ₹ 8 per share (including premium of ₹ 5 per share), the first call of ₹ 2 per share and the final call of ₹ 3 per share. Out of **[4]**

22. Give journal entries in each of the following alternative cases on the dissolution of a firm: **[4]**

i. Realisation expenses paid by X on behalf of the firm.

ii. Realisation expenses paid by the firm ₹ 1,000. However, the expenses were to be borne by partner X for which he was to be given a commission of 5% on net cash realised on dissolution. Cash realised from assets was ₹ 2,00,000 and cash paid for liabilities was ₹ 40,000.

iii. General Reserve appearing in the balance sheet was ₹ 20,000.

iv. Sundry Creditors amounted to ₹ 15,000. These were paid at a discount of 2%.

23. Minutes Ltd. invited applications for issuing 3,40,000 equity shares of ₹ 10 each at a premium of ₹ 5 per share. The amount was payable as follows: **[6]**
On application ₹ 4 per share (including ₹ 2 premium)
On allotment ₹ 5 per share (including ₹ 2 premium)
On First and Final call - Balance.
Applications for 6,00,000 shares were received. Application for 1,80,000 shares were rejected and application money was refunded. Shares were allotted on prorata basis to the remaining applicants. Excess money received with applications was adjusted towards sum due on allotment. Meena who had applied for 2,100 shares failed to pay allotment money and her shares were forfeited immediately. Varsha to whom 6,800 shares were allotted paid her entire share money due on allotment. Afterwards First and Final call was made and was duly received. Out of the forfeited shares 850 shares were reissued to Vikash at ₹ 8 per share fully paid up. Pass necessary journal entries for the above transactions in the books of the company by opening calls-in-arrears and calls-in-advance accounts.

OR

Raghav Stationary Ltd. invited applications for issuing 3,00,000 shares of ₹ 10 each at a premium of ₹ 3 per share. The amounts were payable as follows:
On application and allotment – ₹ 7 per share.
On first and final call – balance (including premium of ₹ 3)
Applications were received for 4,00,000 shares and allotment was made as follows:

i. To applicants for 80,000 shares – 80,000 shares.

ii. To applicants for 40,000 shares – nil

iii. Balance of the applicants were allotted shares on pro rata basis.

Excess money received with applications was adjusted towards sums due on first and final call.
Arun, who belonged to category (i) and was allotted 4,000 shares and Sara, who belonged to category (iii) and was allotted 4,400 shares failed to pay the first and final

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

24. X and Y share profits in the ratio of 5 : 3. Their Balance Sheet as at 31st March, 2023 was: **[6]**

Liabilities		₹	Assets		₹
Creditors		15,000	Cash at Bank		5,000
Employees' Provident Fund		10,000	Sundry Debtors	20,000	
Workmen Compensation Reserve		5,800	*Less*: Provision for Doubtful Debts	(600)	19,400
Capital A/cs:			Stock		25,000
X	70,000		Fixed Assets		80,000
Y	31,000	1,01,000	Profit and Loss A/c		2,400
		1,31,800			**1,31,800**

They admit Z into partnership with $\frac{1}{8}$th share in profits on 1st April, 2023. Z brings ₹ 20,000 as his capital and ₹ 12,000 for goodwill in cash. Z acquires his share from X. Following revaluations are also made:

i. Employees Provident Fund liability is to be increased by ₹ 5,000.

ii. All Debtors are good.

iii. Stock includes ₹ 3,000 for obsolete items. Hence, are to be written off.

iv. Creditors are to be paid ₹ 1,000 more.

v. Fixed Assets are to be revalued at ₹ 70,000.

Prepare Journal entries, necessary accounts and new Balance Sheet. Also, calculate new profit-sharing ratio.

[**Hint:** Workmen Compensation Reserve will be distributed between the old partners.]

OR

Puneet, Pankaj and Pammy are partners in a business sharing profits and losses in the ratio of 2 : 2 : 1 respectively. Their balance sheet as on March 31, 2019 was as follows:

Books of Puneet, Pankaj and Pammy
Balance Sheet as on March 31, 2019

Liabilities		Amount ₹	Assets	Amount ₹
Sundry Creditors		1,00,000	Cash at Bank	20,000

Puneet	60,000		Sundry Debtors	80,000
Pankaj	1,00,000		Investments	70,000
Pammy	40,000	2,00,000	Furniture	35,000
Reserve		50,000	Buildings	1,15,000
		3,50,000		**3,50,000**

Mr. Pammy died on September 30, 2017. The partnership deed provided the following:

i. The deceased partner will be entitled to his share of profit up to the date of death calculated on the basis of previous year's profit.

ii. He will be entitled to his share of goodwill of the firm calculated on the basis of 3 years' purchase of average of last 4 years' profit. The profits for the last four financial years are given below:
for 2015–16; ₹ 80,000; for 2016–17, ₹ 50,000; for 2017–18, ₹ 40,000; for 2018–19, ₹ 30,000.
The drawings of the deceased partner up to the date of death amounted to ₹ 10,000. Interest on capital is to be allowed at 12% per annum. Surviving partners agreed that ₹ 15,400 should be paid to the executors immediately and the balance in four equal yearly instalments with interest at 12% p.a. on the outstanding balance.
Show Mr. Pammy's Capital account, his Executor's account till the settlement of the amount due.

25. X, Y and Z were in partnership sharing profits in the ratio of 3 : 2 : 1. On 1st April, 2020 the Balance Sheet of the firm stood as follows: **[6]**

Liabilities		₹	Assets	₹
Provision for Doubtful Debts		1,300	Cash at Bank	10,000
Sundry Creditors		15,000	Debtors	16,000
Capitals:			Stock	20,300
X	78,750		Machinery	60,000
Y	70,000		Land and Building	1,20,000
Z	61,250	2,10,000		
		2,26,300		**2,26,300**

Z retires on the above date and the new profit sharing ratio between X and Y will be 5 : 4. Following terms were agreed:

i. Land and Buildings be reduced by 10%.

ii. Out of the insurance premium paid during the year ₹ 5,000 be carried forward as unexpired.

v. X and Y decided that their capitals will be adjusted in their new profit sharing ratio, by bringing in or paying cash to the partners. Z's a/c will be transferred to his loan a/c.

a. Pass necessary journal entries; prepare the capital accounts and the new balance sheet.

b. Z is paid ₹ 9,300 on the date of retirement and the remaining amount in three equal instalments together with interest at the rate of 10% p.a. on the outstanding balance. Show Z's loan a/c for 3 years.

26. On 1st April, 2022, V.V.X. Ltd. issued 1,000, 9% Debentures of ₹100 each at a discount of 6%, redeemable at a premium of 10% after three years. Pass necessary Journal entries for the issue of debentures and debenture interest for the year ended 31st March, 2023, assuming that interest is payable on 30th September and 31st March. The company closes its books on 31st March every year. **[6]**

Part B :- Analysis of Financial Statements

27. Main objective of analysis of financial statements is: **[1]**

a) All of these
b) To know the efficiency of management
c) To know the financial strength
d) To make a comparative study with other firms

OR

Interest earned on bank deposits by a company engaged in manufacturing electronic appliances is shown in the statement of profit and loss as:

a) Other Incomes
b) Revenue from operations
c) None of these
d) Both Revenue from operations and Other Incomes

28. The primary concern of creditors when assessing the strength of a firm is the firm's ________. **[1]**

a) fixed assets
b) leverage
c) short-term liquidity
d) share price

29. GSC Ltd. purchased machinery of ₹ 10,00,000 issuing a cheque of ₹ 2,50,000 and 10% Debentures of ₹ 7,50,000. In the Cash Flow Statement, the transaction will be **[1]**

Receipt for Debentures ₹ 7,50,000.

ii. Outflow under Investing Activity ₹ 2,50,000.

iii. Inflow of ₹ 7,50,000 as Financing Activity.

iv. None of these.

a) only ii

b) i and ii

c) iv and i

d) iii and iv

OR

How will you deal increase in the balance of Securities Premium Reserve while preparing a Cash Flow Statement?

a) Cash flow from Investing activities

b) Cash Equivalent

c) Cash flow from Financing activities

d) Cash flow from operating activities

30. Dividend paid by a manufacturing company is classified under which kind of activity while preparing cash flow statement? **[1]**

a) Cash Flow from Operating Activities

b) Cash Flow from Investing Activities

c) Cash Flow from Financing Activities

d) No Cash Flow

31. Z Ltd. has the following balances on 1st April, 2018: **[3]**

	₹
General Reserve	2,50,000
Capital Reserve	1,50,000
Statement of Profit & Loss	2,00,000

During the year ended 31st March, 2019, it incurred a loss of ₹ 7,10,000. Show how these items will appear in the Balance Sheet and notes to accounts?

32. Calculate the current ratio from the following information: **[3]**

Total assets = ₹ 3,00,000

Non-current liabilities = ₹ 80,000

Shareholders' Funds = ₹ 2,00,000

Non-current Investments = ₹ 1,00,000

33. Prepare a **Common size statement of Profit and Loss** for the year ended 31st March, 2021 from the following informations: **[4]**

Particulars	**2020 - 21 (₹)**	**2019 - 20 (₹)**
Revenue from Operations	40,00,000	20,00,000
Purchase of Stock in trade	4,00,000	1,00,000
Other Expenses	6,00,000	3,00,000
Tax Rate 50%		

OR

From the following information, prepare a Comparative Statement of Profit and Loss of Y Ltd. for the year ended 31st March, 2022:

Particulars	**2021-22 (₹)**	**2020-21 (₹)**
Revenue from Operations	40,00,000	30,00,000
Other Income	10,00,000	10,00,000
Employees Benefit Expenses	5,00,000	5,00,000
Othere Expenses	35,00,000	20,00,000
Tax Rat @ 50%		

34. From the following information, calculate cash from operating activities: **[6]**

	₹
Profit and Loss Balance on 1st April, 2022	25,000
Profit and Loss Balance on 31st March, 2023	80,000
Depreciation on Plant & Machinery	12,500
Amortisation of Patents and Trade Marks	8,000
Loss on Sale of Machine	20,000
Provision for Taxation	15,000
Transfer to General Reserve	30,000
Decrease in Trade Receivables	22,800
Decrease in Trade Payables	4,700

Outstanding Expenses on 31st March, 2023	6,500
Prepaid Expenses on 1st April, 2022	2,000

Solutions

1.

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

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

2.

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

Explanation: The capital account of partners generally has a credit balance after all adjustments.

3.

(c) Authorised Capital, Issued Capital, Subscribed Capital

Explanation: Authorised Capital, Issued Capital, Subscribed Capital

OR

(c) Vendor A/c

Explanation: When a company purchased assets form an outsider i.e. vendor and payment is not made in cash and it is settled by issue of debentures in such a case Vendor's Account is to be credited and the asset is debited.

4.

(c) . Gain $\frac{1}{12}$

Explanation: Sacrificing Ratio = Old Share - New Share

A = $\frac{3}{4}$ - $\frac{2}{3}$ = $\frac{9-8}{12}$ = $\frac{1}{12}$ Sacrifice

B = $\frac{1}{4}$ - $\frac{1}{3}$ = $\frac{3-4}{12}$ = $\left(\frac{1}{12}\right)$ Gain

OR

(b) None of these

Explanation: None of these

5.

(b) Distribute profit and loss for the year among the partners.

Explanation: Distribute profit and loss for the year among the partners.

6.

(c) 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.

OR

(c) Non current liabilities

Explanation: Non current liabilities

8.
(c) 6% p.a.
Explanation: The Partnership Act, 1936 states that the interest payable to the deceased partner needs to be 6% p.a

OR

(b) ₹ 13,400
Explanation: Net Profit as per Profit and Loss Appropriation Account
= (15,000 + 200 - 1,800)
= ₹ 13,400

9. **(c)** ₹ 4,500
Explanation: ₹ 4,500
10. **(b)** ₹ 6,750
Explanation: ₹ 6,750
11. **(a)** All of these
Explanation: Guarantee of profit to a partner is given by one or more partner to one or more partner or the firm. The guaranteed amount is even paid in case of loss.
12.
(d) All of these
Explanation: All of these
13.
(d) 7 per share
Explanation: 7 per share
14.
(d) 45
Explanation: 3,000 X 6/100 X 3/12 = 45
15.
(c) Only (i) is correct
Explanation: As Govind acquires his& $\frac{1}{4}^{\text{th}}$ share equally from Vinod and Ankit, the sacrificing ratio is equal for both, hence statement (i) is only true.

OR

(b) Workers profit sharing fund
Explanation: Workers profit sharing fund as it is for workers
16. **(a)** Capital ratio
Explanation: Capital ratio
17. Two Circumstances are:
   i. When the existing partners of a partnership firm mutually agree to change the profit-sharing ratio among themselves.

18. The partners do not have a Partnership Deed. Therefore, provisions of the Indian Partnership Act, 1932 will apply to resolve the matters:

i. Interest on capital is not to be allowed to the partners. Therefore, Yogesh will not be allowed interest on the capital.

ii. Remuneration is not payable to the partners. Therefore, Ram will not get salary.

iii. Interest on Loan by Partner is payable @ 6% p.a. Therefore, Rohit will get interest ₹ 3,000 (i.e., ₹ 50,000 $\times \frac{6}{100}$) and not @ 12% p.a.

iv. Interest on drawings by Yogesh will not be charged.

v. Profit after Interest on Loan by Rohit, i.e., ₹ 47,000 (₹ 50,000 - ₹ 3,000) will be distributed equally.

vi. A partner cannot be admitted without the consent of all the partners. Therefore, Inder cannot be admitted as partner because Rohit has objected to it.

OR

Profit and Loss Appropriation Account
for the year ended.

Particulars		**Amount**	**Particulars**		**Amount**
To Interest on Capital			By Profit and Loss A/c (Profit)	4,26,800	
P	36,000		**(-)** Interest on P's Loan	12,000	4,14,800
Q	24,000	60,000	By Interest on Drawings		
To Q's Commission		30,000	P	3,200	
To Reserve A/c		30,000	Q	2,000	5,200
To profit Transferred to capital a/cs:					
P	135,000				
Q	135,000	270,000			
		420,000			**420000**

19. **In the Books of Zakir Ltd.**

JOURNAL

Date	**Particulars**		**L.F.**	**Dr. (₹)**	**Cr. (₹)**
(i)	Bank A/c	Dr.		3,80,000	
	To Debentures Application and Allotment A/c				3,80,000

(ii)	Debentures Application and Allotment A/c	Dr.		3,80,000	
	Discount on Issue of Debentures A/c	Dr.		20,000	
	Loss on Issue of Debentures A/c	Dr.		40,000	
	To 9% Debentures A/c				4,00,000
	To Premium on Redemption of Debentures A/c				40,000
	(9% Debentures issued at 5% discount redeemable at 10% premium)				
	Alternative for entry (ii)				
	Debentures Application and Allotment A/c	Dr.		3,80,000	
	Loss on issue of debentures A/c	Dr.		60,000	
	To 9% Debentures A/c				4,00,000
	To Premium on Redemption of Debentures A/c				40,000
	(9% Debentures issued at 5% discount redeemable at 10% premium)				

OR

According to Section 52 (2) of the Companies Act, 2013, the amount of Securities Premium may be utilised for:

i. Buy-back of its own shares or other specified securities (under Section 68),
ii. Issue of fully paid bonus shares,
iii. Write off preliminary expenses of the company,
iv. Write off the expenses or the commission paid on issue of shares/debentures or discount allowed on the issue of debentures of the company, and
v. Provide for any premium payable on redemption of preference shares or debentures of the company.

20. Calculation Of Goodwill as per Super Profit Method

Normal Profits = Capital Employed $\times \frac{\text{Normal rate of Return}}{100}$

i.e., 1,00,000 $\times \frac{15}{100}$ = ₹ 15,000

Average Profits = $\frac{30{,}000 + 36{,}000 + 42{,}000}{3}$ = ₹ 36,000

Super Profits = Average Profits - Normal Profits

= ₹ 36,000 - ₹ 15,000 = ₹ 21,000

Goodwill = Super Profits $\times$ Number of year's purchase

= ₹ 21,000 $\times$ 2 = ₹ 42,000

21. **JOURNAL OF ATD LTD.**

	Share Capital A/c (150 × ₹ 10)	Dr.		1,500	
	Securities Premium A/c (150 × ₹ 5)	Dr.		750	
	To Forfeited Shares A/c (150 × ₹ 2)				300
	To Shares Allotment A/c (150 × ₹ 8)				1,200
	To Shares First Call A/c (150 × ₹ 2)				300
	To Shares Final Call A/c (150 × ₹ 3) (150 shares forfeited for non payment of allotment and both the calls)				450
	Bank A/c (100 × ₹ 14)	Dr.		1,400	
	To Share Capital A/c (100 × ₹ 10)				1,000
	To Securities Premium A/c (100 × ₹ 4) (Reissue of 100 of the forfeited shares @ ₹ 14 per share)				400
	Forfeited Shares A/c	Dr.		200	
	To Capital Reserve A/c (Gain on the reissue of 100 shares transferred to capital reserve)				200

22. **JOURNAL**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	Realisation A/c	Dr.	____	
	To X's Capital A/c (Realisation expenses paid by X on behalf of the firm)			____
(ii)	X's Capital A/c	Dr.	1,000	
	To Bank A/c (Payment of realisation expenses by the firm on behalf of the partner)			1,000
	Bank A/c	Dr.	2,00,000	
	To Realisation A/c (Assets realised)			2,00,000
	Realisation A/c	Dr.	40,000	

	Realisation A/c	Dr.	8,000	
	To X's Capital A/c (5% Commission payable to X on ₹ 1,60,000 i.e., on ₹ 2,00,000-₹ 40,000)			8,000
(iii)	General Reserve A/c	Dr.	20,000	
	To Partner's Capital A/cs (General reserve credited to partner's capital accounts in profit sharing ratio)			20,000
(iv)	Realisation A/c	Dr.	14,700	
	To Bank A/c (Payment of Creditors amounting to ₹ 15,000 at 2% discount)			14,700

23.

Minutes Ltd.

Journal

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	Dr.		24,00,000	
	To Equity Share Application A/c				24,00,000
	(Application money received on 6,00,000 shares)				
	Equity Share Application A/c	Dr.		24,00,000	
	To Equity Share Capital A/c				6,80,000
	To Securities Premium Reserve A/c				6,80,000
	To Equity Share Allotment A/c				3,20,000
	To Bank A/c				7,20,000
	(Application money adjusted towards capital, share allotment, premium and excess refunded)				
	Equity Share Allotment A/c	Dr.		17,00,000	
	To Equity Share Capital A/c				10,20,000
	To Securities Premium Reserve A/c				6,80,000
	(Allotment money due including premium)				

	To Equity Share Allotment A/c				13,80,000
	To Calls in Advance				40,800
	(Allotment money received except on 1,700 shares and advance received of first and final call)				
	or				
	Bank A/c	Dr.		14,13,900	
	Calls in arrears A/c	Dr.		6,900	
	To Equity Share Allotment A/c				13,80,000
	To Calls in Advance A/c				40,800
	(Allotment money received except on 1,700 shares)				
	Alternate entry:				
	Bank A/c	Dr.		13,73,100	
	Calls in arrears A/c	Dr.		6,900	
	To Equity Share Allotment A/c				13,80,000
	(Allotment money received)				
	Equity Share Capital A/c	Dr.		8,500	
	Securities Premium Reserve A/c	Dr.		3,400	
	To Share Forfeiture A/c				5,000
	To Equity Share Allotment A/c				6,900
	(Meena's shares forfeited for non payment of allotment money)				
	Alternatively:				
	Equity Share Capital A/c	Dr.		8,500	
	Securities Premium Reserve A/c	Dr.		3,400	
	To Share Forfeiture A/c				5,000
	To Calls in arrears A/c				6,900
	(Meena's shares forfeited for non payment of allotment money)				
	Equity Share First and Final call A/c (3,38,300 $\times$ 6)	Dr.		20,29,800	
	To Equity Share Capital A/c(3,38,300 $\times$ 5)				16,91,500

	(Share First and final call due)				
	Bank A/c	Dr.		19,89,000	
	Calls in advance A/c	Dr.		40,800	
	To Equity Share First and Final call A/c				20,29,800
	(First and final call money received except on 6,800 shares)				
	Alternate entry:				
	Bank A/c	Dr.		20,29,800	
	To Equity Share First and Final call A/c				20,29,800
	(First and final call money received except on 6,800 shares)				
	Bank A/c	Dr.		6,800	
	Share Forfeiture A/c	Dr.		1,700	
	To Equity Share Capital A/c				8,500
	(Shares reissued for ₹ 8 per share fully paid)				
	Share Forfeiture A/c	Dr.		800	
	To Capital Reserve A/c				800
	(Gain on reissue of forfeited shares transferred to capital reserve)				

OR

Books of Raghav Stationary Ltd.

JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	Dr.		28,00,000	
	To Share Application and Allotment A/c				28,00,000
	(Application and allotment money received on 4,00,000 shares)				
	Share Application and Allotment A/c	Dr.		28,00,000	
	To Share Capital A/c (3,00,000 × ₹ 7)				21,00,000
	To Calls in Advance A/c (60,000 × ₹ 7)				4,20,000

	(Application and allotment money transferred to share capital, Calls-in-Advance and the balance refunded)				
	Share First and Final Call A/c	Dr.		18,00,000	
	To Share Capital A/c (3,00,000 × ₹ 3)				9,00,000
	To Security Premium A/c (3,00,000 × ₹ 3)				9,00,000
	(First and final call due including premium)				
	Bank A/c	Dr.		13,38,000	
	Calls in Advance A/c	Dr.		4,20,000	
	Calls-in-Arrears A/c (18,000 + 24,000)	Dr.		42,000	
	To Share First and Final Call A/c				18,00,000
	(First and final call money received)				
	Or				
	Bank A/c	Dr.		13,38,000	
	Calls-in-Advance A/c	Dr.		4,20,000	
	To Shares First and Final Call A/c				17,58,000
	(First and final call money received)				
	Share Capital A/c	Dr.		40,000	
	Securities Premium A/c	Dr.		12,000	
	To Forfeited Shares A/c				28,000
	To Shares First and Final Call A/c				24,000
	(4,000 shares forfeited)				
	Or				
	Share Capital A/c	Dr.		40,000	
	Securities Premium A/c	Dr.		12,000	
	To Forfeited Shares A/c				28,000
	To Calls-in-Arrears A/c				24,000
	(4,000 shares forfeited)				
	Share Capital A/c	Dr.		44,000	

	To Forfeited Shares A/c				39,200
	To Shares First and Final Call A/c				18,000
	Or				
	Share Capital A/c	Dr.		44,000	
	Securities Premium A/c	Dr.		13,200	
	To Forfeited Shares A/c				39,200
	To Calls-in-Arrears A/c				18,000
	(4,400 shares forfeited)				
	Alternatively, the forfeiture entries can be combined as follows:				
	Share Capital A/c (8,400 × ₹ 10)	Dr.		84,000	
	Security Premium A/c (8,400 × ₹ 3)	Dr.		25,200	
	To Calls-in-Arrears/Shares First and Final Call A/c				42,000
	To Forfeited Shares A/c				67,200
	(8,400 shares forfeited)				
	Bank A/c	Dr.		58,800	
	Forfeited Shares A/c	Dr.		25,200	
	To Share Capital A/c				84,000
	(8,400 shares reissued for ₹ 7 per share fully paid-up)				
	Share Forfeiture A/c	Dr.		42,000	
	To Capital Reserve A/c				42,000
	(Gain on reissue of shares transferred to capital reserve)				

Working Notes

1. Calculation of First and Final Call Money not paid by Sara:

   (i) Number of shares applied by Sara = 4,400 × $\frac{2,80,000}{2,20,000}$ = 5,600 Shares

(ii)	Excess application and allotment money adjusted on first and final call [(5,600 - 4,400) × ₹ 7	₹ 8,400
(iii)	Amount due on first and final call (4,400 × ₹ 6)	₹

	Less: Excess application and allotment money adjusted on first and final call (ii)	₹ 8,400
	Money not paid by Sara	₹ 18,000

2. Calculation of First and Final Call Money received:

Amount due on first and final call (3,00,000 Shares × ₹ 6)		₹ 18,00,000
Less: Excess application and allotment money (Calls-in-Advance) adjusted		₹ 4,20,000
		₹ 13,80,000
Less: Money not paid by Arun (4,000 × ₹ 6)	₹ 24,000	
Money not paid by Sara	₹ 18,000	₹ 42,000
First and Final Call Money Received		₹ 13,38,000

24. **Revaluation Account**

Particulars	₹	Particulars		₹
To Stock	3,000	By Provision		600
To Creditors	1,000	By Loss Transfer:		
To Machinery	10,000	X	11,500	
To Provident Fund	5,000	Y	6,900	18,400
	19,000			**19,000**

Partner's Capital Accounts

Particulars	X	Y	Z	Particulars	X	Y	Z
To Revaluation	11,500	6,900	____	By Balance b/d	70,000	31,000	____
To Profit and Loss	1,500	900	____	By Workmen Compensation Reserve	3,625	2,175	____
To Balance c/d	72,625	25,375	20,000	By Cash	____	____	20,000
				By Premium for goodwill	12,000	____	____
	85,625	**33,175**	**20,000**		**85,625**	**33,175**	**20,000**

Creditors		16,000	Cash (32,000+5,000)	37,000
Employee's Provident Fund		15,000	Debtors	20,000
Capital A/cs:			Stock (25,000-3,000)	22,000
X	72,625		Fixed assets	70,000
Y	25,375			
Z	20,000	1,18,000		
		1,49,000		**1,49,000**

OR

Pammy's Capital Account

Dr.			Cr.
Particulars	**Amount ₹**	**Particulars**	**Amount ₹**
To Drawings	10,000	By Balance b/d	40,000
To Pammy Executor's A/c	75,400	By Profit and Loss (Suspense)	3,000
		By Puneet's Capital A/c	15,000
		By Pankaj's Capital A/c	15,000
		By Interest on Capital	2,400
		By Reserve	10,000
	85,400		**85,400**

Pammy's Executor Account

Dr.							Cr.
Date	**Particulars**	**J.F.**	**Amount ₹**	**Date**	**Particulars**	**J.F.**	**Amount ₹**
2017-18				2017-18			
Sep. 30	To Bank		15,400	Sep. 30	By Pammy's Capital A/c		75,400
Mar. 31	To Balance c/d		63,600	Mar. 31	By Interest		3,600
			79,000				**79,000**
2018-19				2018-19			

	(15,000 + 3,600 + 3,600)			Sep. 30	By Interest		3,600
Mar. 31	To Balance c/d		47,700	Mar. 31	By Interest		2,700
			69,900				**69,900**
2019-20				2019-20			
Sep. 30	To Bank		20,400	April 01	By Balance b/d		47,700
Mar. 31	To Balance c/d		31,800	Sep. 30	By Interest		2,700
				Mar. 31	By Interest		1,800
			52,200				**52,200**
2020-21				2020-21			
Sep. 30	To Bank		18,600	April 01	By Balance b/d		31,800
	(15,000 + 1,800 + 1,800)			Sep. 30	By Interest		1,800
Mar. 31	To Balance c/d		15,900	Mar. 31	By Interest		900
			34,500				**34,500**
2021-22				2021-22			
Sep. 30	To Bank		16,800	April 01	By Balance b/d		15,900
	(15,000 + 900 + 900)			Sep. 30	By Interest		900
			16,800				**16,800**

Working Notes:

i. Pammy's Share of Profit

Previous Year's $\times$ Profit Proportionate $\times$ Period Share of Deceased Partner = 30,000

Goodwill of the firm = Average Profit ´ Numbers of Year's Purchase

Average Profit = $\frac{80{,}000+50{,}000+40{,}000+30{,}000}{4}$ = $\frac{2{,}00{,}000}{4}$ = 50,000

Goodwill of the firm = 50,000 $\times$ 3 = ₹ 1,50,000

Pammy's share = 1,50,000 $\times$ $\frac{1}{5}$ = 30,000

iii. Gaining Ratio = New Ratio – Old Ratio

Puneet's Share = $\frac{2}{4}$ - $\frac{2}{5}$ = $\frac{2}{20}$

Pankaj's Share = $\frac{2}{4}$ - $\frac{2}{5}$ = $\frac{2}{20}$

Gaining Ratio between Puneet and Pankaj = 2 : 2 or 1 : 1

iv. Interest on Capital for 6 months, i.e. from April 1, 2007 to September 30, 2007

Amount of Capital $\times$ Rate of Interest $\times$ Period = 40,000 $\times$ $\frac{12}{100}$ $\times$ $\frac{6}{12}$ = 2,400

v. Interest Amount

The firm closes its books every year on March 31, while instalments to Pammy's Executor are paid on September 30 every year.

Amount outstanding on 30 September = 75,400 – 15,400 = ₹ 60,000

Calculation of Interest:

Periods	Amount Oustanding	Yearly Interest	For 6 Months
2017-18	60,000	60,000 $\times$ $\frac{12}{100}$ = 7,200	7,200 $\times$ $\frac{6}{12}$ = 3,600
2018-19	45,000	45,000 $\times$ $\frac{12}{100}$ = 5,400	5,400 $\times$ $\frac{6}{12}$ = 2,700
2019-20	30,000	30,000 $\times$ $\frac{12}{100}$ = 3,600	3,600 $\times$ $\frac{6}{12}$ = 1,800
2020-21	15,000	15,000 $\times$ $\frac{12}{100}$ = 1,800	1,800 $\times$ $\frac{6}{12}$ = 900

25. a. **JOURNAL ENTRIES**

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2020	Prepaid Insurance A/c	Dr.		5,000	
April 1	Provision for Doubtful debts A/c	Dr.		1,300	
	To Revaluation A/c (Increase in the value of assets)				6,300
	Revaluation A/c	Dr.		12,000	
	To Land and Buildings A/c (Decrease in the value of assets)				12,000
	X's Capital A/c	Dr.		2,850	
	Y's Capital A/c	Dr.		1,900	

	To Revaluation A/c (Loss on revaluation transferred)				5,700
	X's Capital A/c	Dr.		3,000	
	Y's Capital A/c	Dr.		6,000	
	To Z's Capital A/c (Goodwill adjusted in the gaining ratio 1 : 2)				9,000
	Z's Capital A/c	Dr.		69,300	
	To Bank A/c				9,300
	To Z's Loan A/c				60,000
	(The balance of Z's Capital A/c transferred to his loan A/c)				
	Bank A/c[2]	Dr.		2,100	
	To X's Capital A/c (The amount brought in by X to raise his capital to profit sharing ratio)				2,100
	Y's Capital A/c[2]	Dr.		2,100	
	To Bank A/c (The amount withdrawn by Y to bring his capital to profit sharing ratio)				2,100

Dr.			CAPITAL ACCOUNTS				Cr.
Particulars	**X**	**Y**	**Z**	**Particulars**	**X**	**Y**	**Z**
	₹	₹	₹		₹	₹	₹
To Z's Capital A/c (Goodwill)	3,000	6,000	____	By Balance b/d	78,750	70,000	61,250
To Revaluation A/c	2,850	1,900	950	By X's Capital A/c (Goodwill)	____	____	3,000
To Bank A/c			9,300	By Y's Capital A/c (Goodwill)	____	____	6,000
To Z's Loan A/c			60,000				
To Balance c/d	72,900	62,100	____				

To Bank A/c	____	2,100	____	By Balance b/d	72,900	62,100	____
To Balance c/d	75,000	60,000	____	By Bank A/c	2,100	____	____
	75,000	**62,100**	____		**75,000**	**62,100**	____

NEW BALANCE SHEET

as at 1st April 2020

Liabilities		₹	Assets	₹
Sundry Creditors		15,000	Cash at Bank (₹ 10,000 + ₹ 2,100 - ₹ 2,100 - ₹ 9,300)	700
Z's Loan		60,000	Debtors	16,000
Capital:			Stock	20,300
X	75,000		Prepaid Insurance	5,000
Y	60,000	1,35,000	Machinery	60,000
			Land and Buildings	1,08,000
		2,10,000		**2,10,000**

Working Notes:

1. Calculation of Gaining Ratio = New Ratio - Old Ratio
   Gain to X = $\frac{5}{9} - \frac{3}{6}$ = $\frac{1}{18}$
   Gain to Y = $\frac{4}{9} - \frac{2}{6}$ = $\frac{2}{18}$
   Hence, Gaining Ratio = $\frac{1}{18}$: $\frac{2}{18}$ = 1 : 2
2. Adjustment of Capitals of X and Y according to new profit sharing ratio
   = Total Capital of X and Y after all the adjustments = ₹ 72,900 + ₹ 62,100 = ₹ 1,35,000
   This Capital should be in their profit sharing ratio, i.e., 5 : 4

	₹
Therefore, the Capital of X in the new firm should be $\frac{5}{9}$th of ₹ 1,35,000	75,000
But the existing Capital of X is	72,900
Hence, X will bring in	2,100
The Capital of Y in the new firm should be $\frac{4}{9}$th of ₹ 1,35,000	60,000
But the existing Capital of Y is	62,100
Hence, Y will withdraw	2,100

b. **Settlement of Loan Account:**

Dr.	**Z's LOAN ACCOUNT**	**Cr.**

2021 March 31	To Bank A/c (₹ 20,000 + ₹ 6,000)	26,000	2020 April 1	By Z's Capital A/c (transfer)	60,000
March 31	To Balance c/d	40,000	2021 March 31	By interest A/c (on ₹ 60,000 at 10%)	6,000
		66,000			**66,000**
2022 March 31	To Bank A/c (₹ 20,000 + ₹ 4,000)	24,000	2021 April 1	By Balance b/d	40,000
March 31	To Balance c/d	20,000	2022 March 31	By Interest A/c (on ₹ 40,000 at 10%)	4,000
		44,000			**44,000**
2023 March 31	To Bank A/c (₹ 20,000 + ₹ 2,000)	22,000	2022 April 1	By Balance b/d	20,000
			2023 March, 31	By Interest A/c (on ₹ 20,000 at 10%)	2,000
		22,000			**22,000**

26. **Journal Entries in the books of V.V.X. LTD.**

Date	Particulars		L.F.	Debit Amount (₹)	Credit Amount (₹)
2022 April 01	Bank A/c	Dr.		94,000	
	To Debenture Application and Allotment A/c (Money received on the issue of debentures)				94,000
	Debenture Application and Allotment A/c	Dr.		94,000	
	Loss on Issue of Debentures A/c	Dr.		16,000	
	To 9% Debentures A/c				1,00,000
	To Premium on Redemption of Debentures A/c (Debenture application and allotment money transferred to Debentures A/c)				10,000
Sept 30	Debenture Interest A/c	Dr.		4,500	

	(Interest due)				
	Debenture holders' A/c	Dr.		4,500	
	To Bank A/c (Payment of interest)				4,500
2023 March 31	Debenture Interest A/c	Dr.		4,500	
	To Debenture holders' A/c				4,500
	(Interest due)				
	Debenture holders' A/c	Dr.		4,500	
	To Bank A/c (Payment of interest)				4,500

Note: Amount received as Debentures Application and Allotment A/c = 1,000 $\times$ ₹94 = ₹94,000.

Interest on 1,000 Debentures of ₹100 each for 6 months = ₹1,00,000 $\times \frac{9}{100} \times \frac{6}{12}$ = ₹4,500.

Part B :- Analysis of Financial Statements

27. **(a)** All of these

Explanation: All the options are correct because all are the main objectives of an analysis of financial statements.

OR

(a) Other Incomes

Explanation: Other Incomes as it is not their main income

28.

(c) short-term liquidity

Explanation: short-term liquidity

29. **(a)** only ii

Explanation: debentures issued against purchase of machinery is non cash transaction

OR

(c) Cash flow from Financing activities

Explanation: Cash flow from Financing activities

30.

(c) Cash Flow from Financing Activities

Explanation: Cash Flow from Financing Activities

31. **IN THE BOOKS OF Z LTD.**

EXTRACT OF BALANCE SHEET

Particulars	Note No.	₹	₹
EQUITY AND LIABILITIES			
Reserve and Surplus		1,10,000	

Notes to Accounts:

Particulars		₹
(1) Reserve and Surplus:		
(a) General Reserve		2,50,000
(b) Capital Reserve		1,50,000
Surplus		
Balance in Statement of Profit & Loss	2,00,000	
Surplus for the year (Loss)	(7,10,000)	(5,10,000)
		1,10,000

32. Total assets = Non - current assets + Current assets

₹ 3,00,000 = ₹ 2,60,000 + Current assets

Current assets = ₹ 3,00,000 - ₹ 2,60,000 = ₹ 40,000

Total assets = Equity and Liabilities

= Shareholders' Funds + Non-current liabilities + Current liabilities

₹ 3,00,000 ₹ 2,00,000 + ₹ 80,000 + Current Liabilities

Current liabilities = ₹ 3,00,000 - ₹ 2,80,000

= ₹ 20,000

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

Current Ratio $\frac{₹40{,}000}{₹20{,}000}$ = 2 : 1

33. **Common size Statement of Profit & Loss**

Particulars	Note No.	Absolute Amount		Percentage of Revenue from operation	
		31st March, 2020	**31st March, 2021**	**31st March, 2020 (%)**	**31st March, 2021 (%)**
I. Revenue from Operations		**20,00,000**	**40,00,000**	**100**	**100**
II. Expenses					
(a) Purchase of stock-in-trade		1,00,000	4,00,000	5	10

Total Expenses		**4,00,000**	**10,00,000**	**20**	**25**
III. Profit before tax (I - II)		16,00,000	30,00,000	80	75
IV. Income tax (50%)		8,00,000	15,00,000	40	37.5
V. Profit after tax (III - IV)		**8,00,000**	**15,00,000**	**40**	**37.5**

OR

Comparative Statement of Profit & Loss

Particulars	**Note No.**	**31st March, 2021**	**31st March, 2022**	**Absolute Change**	**Percentage Change**
		(A)	**(B)**	**(C = B - A)**	**(D = $\frac{C}{A} \times 100$)**
I. Revenue from Operations		30,00,000	40,00,000	10,00,000	33.33
II. Other Income		10,00,000	10,00,000	-	-
III. Total Revenue		**40,00,000**	**50,00,000**	**10,00,000**	**25**
IV. Expenses					
(a) Employee Benefit Expense		5,00,000	5,00,000	-	-
(b) Other Expense		20,00,000	35,00,000	15,00,000	75
Total Expenses		**25,00,000**	**40,00,000**	**15,00,000**	**60**
V. Profit before tax (III - IV)		15,00,000	10,00,000	(5,00,000)	(33.33)
VI. Tax (50%)		7,50,000	5,00,000	(2,50,000)	(33.33)
VII. Profit after tax (V - VI)		**7,50,000**	**5,00,000**	**(2,50,000)**	**(33.33)**

34. **CALCULATION OF CASH FROM OPERATING ACTIVITIES**

for the year ended 31st March, 2023

	₹	**₹**
Net Profit before tax (Note 1)		1,00,000
Adjustments for non-cash and non-operating items:		
Add: Depreciation on Plant and Machinery	12,500	

Loss on Sale of Machine	20,000	40,500
Operating profit before working capital changes:		1,40,500
Add: Decrease in Current Assets:		
Decrease in Trade Receivables	22,800	
Decrease in Prepaid Expenses	2,000	
Add: Increase in Current Liabilities:		
Increase in Outstanding Expenses	1,500	26,300
		1,66,800
Less: Decrease in Current Liabilities:		
Decrease in Trade Payables		4,700
Cash generated from operating activities before payment of tax		**1,62,100**

Notes:

(1) Calculation of Net Profit before tax:	**₹**
Profit and Loss Balance on 31^{st} March, 2023	80,000
Less: Profit and Loss Balance on 31^{st} March, 2022	25,000
	55,000
Add: Transfer to General Reserve	30,000
Provision for tax made during the Current year	15,000
Net Profit before Tax	**1,00,000**