Accountancy Delhi (Set 3)

General Instructions:

Read the following instructions very carefully and strictly follow them :
(i) This question paper comprises **two** · PARTS - **A** and **B**. There are 32 questions in the question paper. **All** questions are compulsory.
(ii) **Part - A** is compulsory for all candidates.
(iii) **Part - B** has **two options** i.e. (i) Analysis of Financial Statement and
(ii) Computerized Accounting. You have to attempt only **one** of the given OPTIONS.
(iv) Heading of the option opted must be written on the Answer-Book before attempting the questions of that particular OPTION.
(v) Question number **1** to **13** and **23** to **29** are very short answer type questions carrying **1** mark each.
(vi) Question number **14** and **30** are short answer type-I questions carrying **3** marks each.
(vii) Question number **15** to **18** and **31** are short answer type-II
questions carrying **4** marks each.
(viii) Question number **19** to **20** and **32** are also long answer type-I questions carrying 6 marks each.
(ix) Question number **21** and **22** are long answer type-II questions carrying 8 marks each.
(x) Answer should be brief and to the point. The answer of each part should be written at one place.
(xi) There is no overall choice. However, an internal choice has been provided
in **2** questions of three marks, **2** questions of four marks, **1** question of six marks
and **2** questions of eight marks. You have to **attempt only one of the choices** in such questions.
(xii) However, separate instructions are given with each section and question, wherever necessary.

Question 1

In case of retirement of a partner, profit or loss on revaluation of assets and re-assessment of liabilities is distributed among ________ partners in __________ ratio.

Solution:

In case of retirement of a partner, profit or loss on revaluation of assets and re-assessment of liabilities is distributed among all existing partners in old profit sharing ratio.

Question 2

Vanya Ltd. forfeited 20,000 equity shares of ₹ 100 each for non-payment of first and final call of ₹ 40 per share. The maximum amount of discount at which these shares can be re-issued will be :
(a) ₹ 8,00,000
(b) ₹ 12,00,000
(c) ₹ 20,00,000
(d) ₹ 20,000

Solution:

Amount standing in the Share forfeiture A/c is ₹12,00,000; 20,000 equity shares at ₹60 (₹100 - ₹40) which is the maximum permissible discount on re-issue of the forfeited equity shares. So, the maximum amount of discount at which these shares can be re-issued will be ₹12,00,000.
Hence, the correct answer is option (b).

Question 3

What is meant by 'Subscribed Capital'?

Solution:

As per Section 2(86) of Companies Act, 2013, "subscribed capital" means such part of the capital which is for the time being subscribed by the members of a company. It is that part of Issued Capital that is actually subscribed by the general public.

Question 4

Bishan and Sudha were partners in a firm sharing profits and losses in the ratio of 5 : 3. Alena was admitted as a new partner. It was decided that the new profit sharing ratio of Bishan, Sudha and Alena will be 10 : 6 : 5. The sacrificing ratio of Bishan and Sudha will be:
(a) 5 : 3
(b) 25 : 78
(c) 6 : 5
(d) 2 : 1

Solution:

The correct answer is option (a).

Working Notes:

Calculation of Sacrificing Ratio:

Particulars	Bishan	Sudha

Old Ratio	5/8	3/8
New Ratio	10/21	6/21
Sacrificing Ratio	(5/8 – 10/21) = 25/168	(3/8 – 6/21) = 15/168
Sacrificing Ratio will be= 25 : 15 or 5 : 3		

Question 5

Which of the following is not a capital receipt?
(a) Donations for tournament
(b) Donations for building fund
(c) Life membership fee
(d) Entrance fees

Solution:

Entrance fees is not a capital receipt. Hence, the correct answer is option (d).

Question 6

Mohit and Rohit were partners in a firm with capitals of ₹ 80,000 and ₹ 40,000 respectively. The firm earned a profit of ₹ 30,000 during the year. Mohit's share in the profit will be :
(a) ₹ 20,000
(b) ₹ 10,000
(c) ₹ 15,000
(d) ₹ 18,000

Solution:

In the absence of partnership deed, profits are to be shared equally among the partners. Therefore, Mohit's share of profit will be ₹15,000 (i.e. 30,000 × ½).
Hence, the correct answer is option (c).

Question 7

__________ means any offer of securities to a select group of persons by a company other than by way of public offer.

Solution:

Private Placement means any offer of securities to a select group of persons by a company other than by way of public offer.

Question 8

On forfeiture of 100 shares of ₹ 50 each, ₹ 2,500 were credited to share forfeited account. These shares were re-issued at ₹ 25 per share fully paid up. The amount credited to 'Capital Reserve Account' will be:

(a) ₹ 2,500
(b) ₹ 5,000
(c) No amount
(d) ₹ 3,000

Solution:

Since, the amount debited to Share Forfeiture Account at the time of reissue is ₹2,500 (i.e.₹25 × 100). Therefore, the entire amount has been utilized at the time of reissue and there will be no gain to be transferred to the Capital Reserve of the company.
Hence, the correct answer is option (a).

Question 9

Disha and Abha were partners in a firm. Farad was admitted as a new partner for 1/5th share in the profits of the firm. Farad brought proportionate capital. Capitals of Disha and Abha after all adjustments were ₹ 64,000 and ₹ 46,000 respectively. Capital brought by Farad was :
(a) ₹ 22,000
(b) ₹ 27,500
(c) ₹ 55,000
(d) ₹ 28,000

Solution:

The correct answer is Option (b).

Working Notes:

Farad's share of profit	= 1/5
Remaining Profits	= (1 – 1/5) = 4/5
Disha's New Share	= (4/5 × ½)= 2/5
Abha's New Share	= (4/5 × ½)= 2/5
New ratio	= 2 : 2 : 1
For 4/5 share partner's capital	= ₹(64,000 + 46,000)= ₹1,10,000
For 1 whole share of profit capital	= ₹(1,10,000 × 5/4)
For 1/5th share Farad's Capital	= ₹(1,10,000 × 5/4 × 1/5) = ₹27,500

Question 10

The business of a partnership firm may be carried on by all the partners or any one of them acting for all. One of the important implication of this statement is that every partner is entitled to participate in the conduct of the affairs of its business. State the second important implication of this statement.

Solution:

The other implication of this statement shall be that, any one partner can act on behalf of all other partners thus, making them liable for his actions. Similarly, all other partners acting on behalf of one partner would thus, make this one partner liable for their actions (i.e. mutual agency).

Question 11

Jaipur Club has a prize fund of ₹ 6,00,000. It incurs expenses on prizes amounting to ₹ 5,20,000. The expenses should be
(a) debited to income and expenditure account.
(b) presented on the asset side of the balance sheet.
(c) debited to income and expenditure account and presented on the asset side of the balance sheet.
(d) deducted from the prize fund on the liability side of the balance sheet.

Solution:

Since, the balance of the Prize Fund exceeds the expenses incurred so they shall be directly deducted from the Prize Fund on the liability side of the balance sheet.
Hence, the correct answer is option (d).

Question 12

No debenture redemption reserve is required for debentures issued by :
(a) manufacturing companies
(b) infrastructure companies
(c) banking companies
(d) trading companies

Solution:

No debenture redemption reserve is required for debentures issued by banking companies. So, the correct answer is option (c).

Question 13

For recording the issue of debentures as a collateral security by a journal entry ______ account is debited.

Solution:

For recording the issue of debentures as collateral security by a journal entry **Debenture Suspense** account is debited.

Question 14

Kabir and Farid are partners in a firm sharing profits in the ratio of 3:1 on 1-4-2019 they admitted Manik into partnership for $1/4^{th}$ share in the profits of the firm. Manik brought his share of goodwill premium in cash. Goodwill of the firm was valued on the basis of 2 years purchase of last three years average profits. The profits of last three years were:
2016-17 ₹ 90,000
2017-18 ₹ 1,30,000
2018-19 ₹ 86,000
During the year 2018-19 there was a loss of ₹ 20,000 due to fire which was not accounted for while calculating the profit.
Calculate the value of goodwill and pass the necessary journal entries to the treatment of goodwill.

OR

Raka, Seema and Mahesh were partners sharing profits and losses in the ratio of 5:3:2. With effect from 1^{st} April, 2019, they mutually agreed to share profits and losses in the ratio of 2:2:1.
On that date, there was a workmen's compensation fund of ₹ 90,000 in the books of the firm. It was agreed that:
(i) Goodwill of the firm be valued at ₹ 70,000.
(ii) Claim for workmen's compensation amounted to ₹ 40,000.
(iii) Profit on revaluation of assets and re-assessment of liabilities amounted to ₹ 40,000.
Pass necessary journal entries for the above transactions in the books of the firm.

Solution:

In the books of Kabir and Farid
Journal

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2019 Apr.01	Premium for Goodwill A/c Dr. To Kabir's Capital A/c To Farid's Capital A/c (Being share of goodwill credited to the existing partners in 3: 1)		51,000	 38,250 12,750

Working Notes:
Average Profit for the last three years = (90,000 + 1,30,000 + 86,000)/3
= ₹ 1,02,000

Goodwill of the firm	=	Average Profits of the last three years × Number of Years' Purchase
	=	₹(1,02,000 × 2) = ₹ 2,04,000
Manik's share of goodwill	=	₹ (2,04,000 × ¼) = ₹ 51,000
Sacrificing Ratio among the partners will be same as old ratio	=	3 : 1

Note: *Loss due to fire has not been accounted for thus; the profits for the year 2018-19 are normal profits only.*

OR

In the books of Raka, Seema and Mahesh

Journal

Date	Particulars		L.F.	Debit Amount (₹)	Credit Amount (₹)
2019 Apr. 01	Seema's Capital A/c (70,000 × 1/10) To Raka's Capital A/c (70,000 × 1/10) (Being goodwill adjusted among partners)	Dr.		7,000	 7,000
Apr. 01	Workmen Compensation Fund A/c To Claim on the Fund A/c To Raka's Capital A/c To Seema's Capital A/c To Mahesh's Capitals A/c (Being claim on workmen compensation provided and excess distributed)	Dr.		90,000	 40,000 25,000 15,000 10,000
Apr. 01	Revaluation A/c To Raka's Capital A/c To Seema's Capital A/c To Mahesh's Capitals A/c (Being revaluation profit distributed)	Dr.		40,000	 20,000 12,000 8,000

Working Notes:

1. Calculation of Gain/Sacrifice

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

Question 15

How will the following items be treated while preparing the financial statements of a not-for-profit-organization for the year ended 31st March, 2019.

	As at 31-3-18 (₹)	As at 31-3-19 (₹)
Creditors for stationery	78,000	50,000
Stock of stationery	62,000	41,000

During 2018-19, payment made to creditors was ₹ 1,80,000.

Solution:

In the books of ….
Income & Expenditure A/c
Dr. for the year ended 31st March, 2019 Cr.

Expenditure	Amount (₹)	Income	Amount (₹)
To Sports Material consumed (WN 1)	1,73,000		

Balance Sheet
as at 31st March, 2019

Liabilities	Amount (₹)	Assets	Amount (₹)
Creditors for Sports Material	50,000	Stock of Sports Material	41,000

Working Notes:

(1)

Creditors for Sports Material A/c
Dr. Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Bank A/c (Payment to creditors)	1,80,000	By balance b/d	78,000
		By Stock of Sports Material A/c	1,52,000

		(Purchases made) (Bal. Fig.)	
To balance c/d	50,000		
	2,30,000		**2,30,000**

Stock of Sports Material A/c

Dr. **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To balance b/d	62,000	By Income & Expenditure A/c (Bal. Fig.)	1,73,000
To Creditors for Sports material a/c	1,52,000	By balance c/d	41,000
	2,14,000		**2,14,000**

Question 16

From the given Receipts and Payments Account and additional information of Shine Club for the year ended 31st March, 2019, prepare Income and Expenditure Account for the year ended 31st March, 2019.

Receipts and Payments Account of Shine Club for the year ended 31st March, 2019

Receipts		Amount (₹)	Payments	Amount (₹)
To balance b/d		50,000	By Furniture & equipments	1,22,000
To donations		45,000	By Salaries	32,000
To subscriptions :			By balance c/d	13,400
2017-18	1,600			
2018-19	60,000			
2019-20	5,000	66,600		

To interest received	5,800		
	1,67,400		**1,67,400**

Additional Information :

(i) Furniture and equipments were purchased on 1-10-2018. Depreciation @ 10% p.a. was to be provided on furniture and equipments.

(ii) Subscriptions in arrears for the year 2018-19 were ₹ 2,000

(iii) Outstanding salary ₹ 6,000.

Solution:

In the books of Shine Club
Income & Expenditure A/c
Dr. for the year ended 31st March, 2019 Cr.

Expenditure		Amount (₹)	Income		Amount (₹)
To Depreciation on Furniture A/c (1,22,000 × 10/100 × 6/12)		6,100	By Donations		45,000
			By Subscriptions	60,000	
To Salaries	32,000		*Add:* Outstanding	2,000	62,000
Add: Outstanding Salary	6,000	38,000	By Interest Received		5,800
To Surplus transferred to Capital Fund		68,700			
		1,12,800			**1,12,800**

Question 17

Nikita, Mankrit and Pulkit were partners in a firm sharing profits and losses in the ratio 4 : 3 : 2. Their balance sheet as on 31st March, 2019 was as follows:

Balance Sheet of Nikita, Mankrit and Pulkit as on 31st March 2019

Liabilities	Amount (₹)	Assets	Amount (₹)
Capitals :		Plant and Machinery	6,40,000

Nikita	4,00,000		Stock	2,30,000
Mankrit	3,00,000		Sundry debtors	1,40,000
Pulkit	2,00,000	9,00,000	Cash at bank	40,000
General Reserve		90,000		
Creditors		60,000		
		10,50,000		**10,50,000**

Mankrit died on 31st July, 2019. According to the partnership deed, the executors of the deceased partner are entitled to:

(a) Balance of partner's capital account
(b) Salary @ ₹ 6,000 per quarter.
(c) Share of goodwill calculated on the basis of twice the average of past three years' profits and share of profits from the closure of the last accounting year till the date of death calculated on the basis of average of three completed years' profits before death. Profits for 2016-17, 2017-18 and 2018-19 were ₹ 80,000, ₹ 90,000 and ₹ 1,00,000 respectively.(d) Mankrit withdrew ₹ 6,000 on 15th May, 2019.
Prepare Mankrit's capital account to be rendered to her executors.

Solution:

Mankrit's Capital A/c

Dr. **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Drawings A/c	6,000	By balance b/d	3,00,000
		By Salary A/c (6,000 × 4)	24,000
To Mankrit's Executors A/c	4,18,000	By Nikita's Capital A/c (WN1)	40,000
		By Pulkit's Capital A/c (WN1)	20,000
		By Profit & Loss Suspense A/c (Share of Profit) (WN2)	10,000
		By General Reserve A/c	30,000
	4,24,000		**4,24,000**

Working Notes:

(1) Calculation of Mankrit's share of goodwill

Average Profit for the last three years	=	(80,000 + 90,000 + 1,00,000) / 3
	=	₹ 90,000
Goodwill of the firm	=	Average Profits of the last three years × Number of Years' Purchase
	=	₹ (90,000 × 2) = ₹1,80,000
Mankrit's share of goodwill	=	₹ (1,80,000 × 3/9) = ₹ 60,000
Gaining Ratio among the partners will be same as obtained by cancelling Mankrit's share.	=	2 : 1

(2) Calculation of Mankrit's Share of Profit

Average Profits of last three years	=	₹ 90,000
Profits till the date of death	=	₹ (90,000 × 4/12) = ₹ 30,000
Mankrit's Share of Profits	=	₹ (30,000 × 3/9) = ₹10,000

Question 18

Puneet and Akshara were partners in a firm sharing profits and losses in the ratio of 2:3. The following was the balance sheet of the firm as on 31st March, 2019.

Balance sheet of Puneet and Akshara as on 31st March, 2019.

Liabilities		Amount (₹)	Assets	Amount (₹)
Capitals:			Sundry Assets	2,00,000
Puneet	90,000			
Akshara	1,10,000	2,00,000		
		2,00,000		**2,00,000**

The profits 40,000 for the year ended 31st March, 2019 were divided between the partners without allowing interest on capital @ 5% p.a. and commission to Akshara @ ₹ 1,000 per quarter.

The drawings of the partners during the year were :
Puneet ₹ 2,500 per month.
Akshara ₹ 10,000 per quarter.

Showing your workings clearly, pass necessary adjustment entry in the books of the firm.

Solution:

In the books of Puneet and Akshara
Journal

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2019 Mar. 31	Puneet's Capital A/c (WN1) Dr.		1,000	
	To Akshara's Capital A/c			1,000
	(Being interest on capital and commission not provided earlier, now rectified)			

Working Notes:

1)

Statement showing Adjustment

Particulars	Puneet		Akshara		Firm	
	Dr. (₹)	Cr. (₹)	Dr. (₹)	Cr. (₹)	Dr. (₹)	Cr. (₹)
Profits wrongly distributed	16,000		24,000			40,000
Interest on capital to be provided (WN2)		5,200		6,300	11,500	
Comission to partner (1,000 × 4)				4,000	4,000	
Right distribution of profits		9,800		14,700	24,500	
Net Effect	**1,000 (Dr.)**		**1,000 (Cr.)**		**Nil**	

2) Calculation of Opening Capital and interest on capital of the partners:

Particulars	Puneet (₹)	Akshara (₹)
Capital of the partner as on 31st March, 2019	90,000	1,10,000
Add: Drawings made by the partners	(2,500 × 12) 30,000	(10,000 × 4) 40,000
Less: Profits distributed during the year	16,000	24,000
Opening Capital of the partners	1,04,000	1,26,000
Interest on Capital @5% per annum	5,200	6,300

Question 19

Muskaan, Priya and Rohan were partners in a firm sharing profits and losses in the ratio of 2 : 3 : 1. The firm was dissolved on 31-3-2019. After transfer of assets (other than cash) and external liabilities to realisation account, the following transactions took place:

(a) Furniture of ₹ 70,000 was sold for ₹ 74,000 by auction and auctioneer's commission amounted to ₹ 3,000.

(b) There was an unrecorded computer which was taken over by Priya for ₹ 7,000.

(c) Creditors were paid ₹ 44,000 in full settlement of their account of ₹ 49,000.

(d) Rohan's sister's loan ₹ 20,000 was paid off by Muskaan.

(e) Expenses on dissolution were ₹ 15,000 and paid by Rohan.

(f) Loss on dissolution amounted to ₹ 24,000.

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

Solution:

Journal

Date	Particulars		L.F.	Debit Amount (₹)	Credit Amount (₹)
2019 Mar. 31	Cash A/c (74,000 – 3,000)	Dr.		71,000	
	To Realisation A/c (74,000 – 3,000) (Being furniture sold and auctioneer's commission paid)				71,000
Mar. 31	Priya's Capital A/c	Dr.		7,000	
	To Realisation A/c (Being unrecorded computer taken over by Priya, a partner)				7,000
Mar. 31	Realisation A/c	Dr.		44,000	
	To Cash A/c (Being creditors paid in full settlement of their dues)				44,000
Mar. 31	Realisation A/c	Dr.		20,000	

	To Muskaan's Capital A/c (Being Rohan's sister loan paid by Muskaan)			20,000
Mar. 31	Realisation A/c	Dr.	15,000	
	To Rohan's Capital A/c (Being expenses on dissolution paid by partner)			15,000
Mar. 31	Muskaan's Capital A/c	Dr.	8,000	
	Priya's Capital A/c	Dr.	12,000	
	Rohan's Capital A/c	Dr.	4,000	
	To Realisation A/c (Being loss on dissolution charged to partners)			24,000

Note: *Expenses have been assumed to be borne by the firm.*

Question 20

(a) On 1st April, 2015, Mayfair Ltd. issued 4,000 9% debentures of ₹ 100 each at a discount of 5% redeemable at a premium of 8%. The debentures were redeemable on 31st March, 2019. The company created the necessary minimum amount of debenture redemption reserve and purchased the required amount of debenture redemption investments as per the provisions of Companies Act, 2013.
Pass the necessary journal entries for redemption of debentures.

(b) Hero Ltd. purchased plant and machinery for ₹ 18,00,000 from Pearl Machines Ltd. payable ₹ 3,00,000 by drawing a promissory note and the balance by issue of 9% debentures of ₹ 100 each at a premium of 20%.
Pass the necessary journal entries in the books of Hero Ltd. for the above transactions.

OR

(a) BGP Ltd. invited applications for issuing 15,000, 11% debentures of ₹ 100 each at a premium of ₹ 50 per debenture. The full amount was payable on application.
Applications were received for 25,000 debentures. Applications for 5,000 debentures were rejected and the application money was refunded. Debentures were allotted to the remaining applicants on pro-rata basis.
Pass the necessary journal entries for the above transactions in the books of BGP Ltd.

(b) Agam Ltd. issued 40,000 9% debentures of ₹ 100 each on April 1, 2018 at a discount of 10%, redeemable at a premium of 10%.
Assuming that the interest was paid half yearly on September 30 and March 31 and the

tax deducted at source was 10%, give journal entries relating to debenture interest for the half year ended March 31, 2019.

Solution:

(a)

In the books of Mayfair Ltd.
Journal

Date	Particulars		L.F.	Debit Amount (₹)	Credit Amount (₹)
2018 March 31	Surplus i.e. Balance as per Statement of Profit & Loss A/c	Dr.		1,00,000	
	To Debenture Redemption Reserve A/c				1,00,000
	(Being 25% of 4,000 debentures transferred to DRR)				
2018 April 30	Debenture Reserve Investment A/c	Dr.		60,000	
	To Bank A/c				60,000
	(Being Debenture Redemption Investment made at 15% for 4,000 debentures)				
2019 March 31	Bank A/c	Dr.		60,000	
	To Debenture Reserve Investment A/c				60,000
	(Being debenture reserve securities matured)				
2019 March 31	9% Debenture A/c	Dr.		4,00,000	
	Premium on Redemption A/c	Dr.		32,000	
	To Debenture holder's A/c				4,32,000
	(For amount due on debenture holders)				
2019 March 31	Debenture holders A/c	Dr.		4,32,000	
	To Bank A/c				4,32,000
	(For debentures paid)				

2019 March 31	Debenture Redemption Reserve A/c Dr. To General Reserve A/c (For DRR transferred to General reserve)		1,00,000	 1,00,000

(b)

In the books of Hero Ltd.
Journal

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
	Plant & Machinery A/c Dr. To Pearl Ltd. (Being Plant & Machinery purchased)		18,00,000	 18,00,000
	Pearl Ltd. A/c Dr. To Bills Payable A/c (Being consideration partly paid by issuing promissory note)		3,00,000	 3,00,000
	Pearl Ltd. A/c Dr. To 9% Debenture A/c To Security Premium Reserve A/c (Being 12,500 Debentures (15,00,000/120) of Rs 100 each issued to Hero Ltd. At premium of 20%)		15,00,000	 12,50,000 2,50,000

OR

(a)

Books of BGP Ltd.
Journal

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
	Bank A/c Dr. To Debenture Application & Allotment A/c (Being application money received for 25,000 shares)		37,50,000	 37,50,000
	Debenture Application & Allotment A/c Dr.		37,50,000	

	To 11% Debentures A/c (15,000 x 100) To Security premium reserve A/c (15,000 x 50) To Bank A/c (Being Debenture application money adjusted and balance refunded)			15,00,000 7,50,000 15,00,000

(b)

In the books of Agam Ltd.
Journal

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2018 Apr.01	Bank A/c Dr. To Debenture Application and Allotment A/c (Received application money on 8,000 Debenture)		36,00,000	 36,00,000
Apr.01	Debenture Application and Allotment A/c Dr. Discount on Issue of Debenture A/c Dr. Loss on Issue of Debenture A/c Dr. To 9% Debentures A/c To Premium on Redemption of Debentures A/c (Application money transferred to Debentures A/c)		36,00,000 4,00,000 4,00,000	 40,00,000 4,00,000
Sep.30	Debentures Interest A/c Dr. To Debenture holders' A/c To TDS Payable A/c (Interest due)		1,80,000	 1,62,000 18,000
Sep.30	Debenture holders' A/c Dr. TDS Payable A/c Dr. To Bank A/c (Interest paid)		1,62,000 18,000	 1,80,000

2019 Mar.31	Debenture Interest A/c To Debenture holders' A/c To TDS Payable A/c (Interest due)		1,80,000	 1,62,000 18,000
Mar.31	Debenture holders' A/c TDS Payable A/c To Bank A/c (Interest paid)	Dr. Dr.	1,62,000 18,000	 1,80,000
Mar.31	Statement of Profit & Loss A/c To Debentures Interest A/c (Interest transferred to P&L)	Dr.	3,60,000	 3,60,000

Question 21

Premier Tools Ltd. invited applications for issuing 2,00,000 equity shares of ₹ 10 each at a premium of ₹ 2 per share. The amount was payable as follows:
On application - ₹ 5 per share (including premium)
On allotment - ₹ 3 per share
On first & final call – Balance

Applications were received for 2,50,000 shares. Applications for 10,000 shares were rejected and pro-rata allotment was made to the remaining applicants. Over payments received on application were adjusted towards sums due on allotment.

All calls were made and duly received except allotment and first and final call from Naveen who applied for 7,200 shares. His shares were forfeited. Half of the forfeited shares were reissued for ₹ 48,000 as fully paid.

Pass the necessary journal entries for the above transactions in the books of Premier Tools Ltd. Open calls-in-arrears account wherever required.

OR

Concept 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 & final call – balance (including premium of ₹ 3)

Applications were received for 4,00,000 shares & 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.

Amit, who belonged to category (i) and was allotted 4,000 shares and Veni, who belonged to category (iii) and was allotted 4,400 shares failed to pay the first and final call money. Their shares were forfeited. The forfeited shares were re-issued at ₹ 7 per share fully paid-up.

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

Solution:

In the Books of Premier Tools Ltd.
Journal

Date	Particulars		L.F.	Debit Amount (`)	Credit Amount (`)
	Bank A/c	Dr.		12,50,000	
	To Share Application A/c				12,50,000
	(Received application money on 2,50,000 shares)				
	Share Application A/c	Dr.		12,50,000	
	To Share Capital A/c				6,00,000
	To Security Premium Reserve A/c				4,00,000
	To Share Allotment A/c				2,00,000
	To Bank A/c				50,000
	(Transfer of application money to Share Capital)				
	Share Allotment A/c			6,00,000	
	To Share Capital A/c				6,00,000
	(Allotment due on 2,00,000 shares)				
	Bank A/c	Dr.		3,88,000	
	Calls in arrears A/c	Dr.		12,000	
	To Share Allotment A/c				4,00,000
	(Allotment money received)				

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Share First and Final Call A/c To Share Capital A/c (Call money due on 2,00,000 shares)	Dr.		8,00,000	 8,00,000
	Bank A/c Calls-in-Arrears A/c (6000 x 4) To Share First and Final Call A/c (Received call money)	Dr.		7,76,000 24,000	 8,00,000
	Share Capital A/c (6000 x 10) To Calls in Arrears A/c (12,000 + 24,000) To Share Forfeiture A/c (Forfeiture of 6000 shares for non-payment of allotment and call money)	Dr.		60,000	 36,000 24,000
	Bank A/c To Share Capital A/c To Security Premium Reserve A/c (Reissue of 3,000 shares at ₹16 per share)	Dr.		48,000	 30,000 18,000
	Share Forfeiture A/c To Capital Reserve A/c (Profit on re-issue transferred to Capital Reserve Account)	Dr.		12,000	 12,000

Working Notes:

(1) Computation Table

Categories	Shares Applied	Shares Allotted	Money received on Application @ ₹5 each	Money transferred to Share Capital @ ₹3 each	Money transferred to SPR @ ₹2 each	Excess Application money	Amount due on Allotment	Amount adjusted on allotment	Money refunded
I	2,40,000	2,00,000	12,00,000	6,00,000	4,00,000	2,00,000	6,00,000	2,00,000	
II	10,000	–	50,000						50,000

Total	2,50,000	2,00,000	12,50,000	6,00,000	4,00,000				50,000

(2) Calculation of Shares allotted to Naveen:

Shares allotted to Naveen = 6000 shares = $\frac{2,00,000}{2,40,000} \times 7200$

Amount unpaid by Naveen	
Amount received on application (7200 x 5)	36,000
Less: actual transferred to share capital (6000 × 5)	30,000
Excess	6,000
Amount due on allotment (6000 x 3)	18,000
Less: excess adjusted	(6000)
Calls in arrears	12,000

(3) Share forfeiture amount transferred to capital reserve = $\frac{24,000}{6,000} \times 3,000$ = ₹ 12,000

OR

OR

In the books of Concept Stationary Ltd.
Journal

Date	Particulars		L.F.	Debit Amount (₹)	Credit Amount (₹)
	Bank A/c	Dr.		28,00,000	
	To Share Application & Allotment A/c				28,00,000
	(Received application money & allotment on 4,00,000 shares)				
	Share Application & Allotment A/c	Dr.		28,00,000	
	To Share Capital A/c				21,00,000
	To Share First Call A/c				4,20,000
	To Bank A/c				2,80,000
	(Transfer of application & allotment money to Share Capital)				
	Share First and Final Call A/c	Dr.		18,00,000	
	To Share Capital A/c				9,00,000
	To Security Premium Reserve A/c				9,00,000
	(Call money due on 3,00,000 shares)				

	Bank A/c Calls-in-Arrears A/c (18,000 + 24,000) To Share First and Final Call A/c (Received call money)	Dr. Dr.		13,38,000 42,000	 13,80,000
	Share Capital A/c (8,400 x 10) Security Premium Reserve A/c (8,400 x 3) To Calls in Arrears A/c (18,000 + 24,000) To Share Forfeiture A/c (Forfeiture of 8400 shares for non-payment of call money)	Dr. Dr.		84,000 25,200	 42,000 67,200
	Bank A/c (8,400 x 7) Share Forfeiture A/c To Share Capital A/c (Reissue of 8,400 shares at ₹7 per share)	Dr. Dr.		58,800 25,200	 84,000
	Share Forfeiture A/c To Capital Reserve A/c (Profit on re-issue transferred to Capital Reserve Account)	Dr.		42,000	 42,000

Working Notes:

(1) Computation Table

Categories	**Shares Applied**	**Shares Allotted**	**Money received on Application &Allotment @ ₹7 each**	**Money transferred to Share Capital @ ₹7 each**	**Excess Application &Allotment money**	**Amount adjusted on First call**	**Amount to be refunded**
I	80,000	80,000	5,60,000	5,60,000			
II	40,000	Nil	2,80,000				2,80,000
III	2,80,000	2,20,000	19,60,000	15,40,000	4,20,000	4,20,000	
	4,00,000	3,00,000	28,00,000	21,00,000	4,20,000	4,20,000	2,80,000

(2) Calculation of Shares applied to Amit:4000 shares

Calls in arrears = 4,000 × ₹ 6 = ₹ 24,000

(3) Calculation of Shares applied to Veni:

$$\text{Shares applied by Veni} = \frac{2{,}80{,}000}{2{,}20{,}000} \times 4400 = 5600 \text{ shares}$$

Amount unpaid by Veni	
Amount received on application (5600 × 7)	39,200
Less: actual transferred to share capital (4400 × 7)	30,800
Excess	8,400
Amount due on first call (4400 x 6)	26,400
Less: excess adjusted	(8,400)
Calls in arrears	18,000

Question 22

Achla and Bobby were partners in a firm sharing profits and losses in the ratio of 3:1. On 31st March, 2019, their balance sheet was as follows:

Balance Sheet of Achla and Bobby as on 31st March, 2019

Liabilities		Amount (₹)	Assets	Amount (₹)
Creditors		1,10,000	Cash at bank	60,000
General Reserve		40,000	Debtors	40,000
Workmen's compensation reserve		50,000	Stock	45,000
Capitals :			Furniture	1,55,000
Achla	4,00,000		Land & Building	5,00,000
Bobby	2,00,000	6,00,000		
		8,00,000		**8,00,000**

On 1st April, 2019, they admitted Vihaan as a new partner for 1/5th share in the profits of the firm on the following terms:

(a) Vihaan brought ₹ 1,00,000 as his capital and the capitals of Achla and Bobby were to be adjusted on the basis of Vihaan's capital ; any surplus or deficiency was to be adjusted by opening current accounts.

(b) Goodwill of the firm was valued at ₹ 4,00,000. Vihaan brought the necessary amount

in cash for his share of goodwill premium, half of which was withdrawn by the old partners.
(c) Liability on account of workmen's compensation amounted to ₹ 80,000.
(d) Achla took over stock at ₹ 35,000.
(e) Land and building was to be appreciated by 20%.

Prepare Revaluation Account, Partner's Capital Accounts and the Balance Sheet of the reconstituted firm on Vihaan's admission.

OR

Gita, Radha and Garv were partners in a firm sharing profits and losses in the ratio of 3:5:2. On 31st March, 2019, their balance sheet was as follows:

Balance Sheet of Gita, Radha & Garv as on 31st March, 2019

Liabilities		Amount (₹)	Assets	Amount (₹)
Sundry Creditors		60,000	Cash	50,000
General Reserve		40,000	Stock	80,000
Capitals :			Debtors	40,000
Gita	3,00,000		Investments	30,000
Radha	2,00,000		Buildings	5,00,000
Garv	1,00,000	6,00,000		
		7,00,000		**7,00,000**

Radha retired on the above date and it was agreed that:

(a) Goodwill of the firm be valued at ₹ 3,00,000 and Radha's share be adjusted through the capital accounts of Gita and Gary.
(b) Stock was to be appreciated by 20%.
(c) Buildings were found undervalued by ₹ 1,00,000.
(d) Investments were sold for ₹ 34,000.
(e) Capital of the new firm was fixed at ₹ 5,00,000 which will be in the new profit sharing ratio of the partners; the necessary adjustments for this purpose were to be made by opening current accounts of the partners.

Prepare Revaluation Account, Partner's Capital Accounts and the Balance Sheet of the reconstituted firm on Radha's retirement.

Solution:

In the books of Achla, Bobby and Vihaan

Dr. Revaluation A/c Cr.

Particulars	Amount	Particulars	Amount

	(₹)		(₹)
To Liability on workmen compensation	30,000	By Land & Building	1,00,000
To Stock A/c	10,000		
To Profit on revaluation trsnf. to: Achla's Capital A/c 45,000 Bobby's Capital A/c 15,000	60,000		
	1,00,000		**1,00,000**

Dr. Partner's Capital A/c Cr.

Particulars	Achla (₹)	Bobby (₹)	Vihaan (₹)	Particulars	Achla (₹)	Bobby (₹)	Vihaan (₹)
To Bank A/c (withdrawn)	30,000	10,000		By balance b/d	4,00,000	2,00,000	
To Stock A/c	35,000			By Bank A/c			1,00,000
To Current A/c	1,70,000	1,35,000		By Premium for Goodwill A/c	60,000	20,000	
To balance c/d	3,00,000	1,00,000	1,00,000	By General Reserve A/c	30,000	10,000	
				By Revaluation A/c	45,000	15,000	
	5,35,000	**2,45,000**	**1,00,000**		**5,35,000**	**2,45,000**	**1,00,000**

Working Notes:

1) Calculation of New Profit-Sharing Ratio

Old Profit-sharing ratio = 3 : 1

Vihaan's Share = 1/5

Remaining Profits of the firm = (1 – 1/5) = 4/5

Achla's New Share = (4/5 × 3/4) = 3/5

Bobby's New share = (4/5 × ¼) = 1/5

New Profit-sharing ratio = 3 : 1 : 1
Sacrificing ratio is same as old ratio = 3 : 1

2) Calculation of Vihan's Share of Goodwill
Vihaan's Share of Goodwill = ₹(4,00,000 × 1/5) = ₹80,000

3) Adjustment of Capital:
= ₹1,00,000
Vihaan's Capital for 1/5th share
For 1 whole share, capital of the firm = ₹(1,00,000 × 5) = ₹5,00,000
= ₹ (5,00,000 × 3/5) = ₹3,00,000
New Capital of Achla
New Capital of Bobby = ₹ (5,00,000 × 1/5) = ₹1,00,000

Existing Capital of Achla and Bobby is ₹4,70,000 and ₹2,35,000
Amount to be credited to Achla's Current A/c = Old Capital – New Capital
= ₹ (4,70,000 – 3,00,000)= ₹1,70,000
= Old Capital – New Capital
Amount to be credited to Bobby's Current A/c
= ₹ (2,35,000 – 1,00,000)= ₹1,35,000

Balance Sheet
as at 31st March, 2019

Liabilities		Amount (₹)	Assets	Amount (₹)
Creditors		1,10,000	Land and Building	6,00,000
Liability for workmen compensation		80,000	Debtors	40,000
Capitals:			Furniture	1,55,000
Achla	3,00,000		Cash at Bank (60,000 + 1,00,000 + 80,000 – 40,000)	2,00,000
Bobby	1,00,000			
Vihaan	1,00,000	5,00,000		
Current A/cs:				
Achla	1,70,000			
Bobby	1,35,000	3,05,000		
		9,95,000		**9,95,000**

OR

In the books of Gita and Garv

Dr.		Revaluation A/c	Cr.
Particulars	**Amount (₹)**	**Particulars**	**Amount (₹)**
To Profit on revaluation transf. to: Gita's Capital A/c 36,000 Radha's Capital A/c 60,000 Garv's Capital A/c 24,000	1,20,000	By Stock A/c By Building A/c By Investments A/c	16,000 1,00,000 4,000
	1,20,000		1,20,000

Dr. Partner's Capital A/c Cr.

Particulars	Gita (₹)	Radha (₹)	Garv (₹)	Particulars	Gita (₹)	Radha (₹)	Garv (₹)
To Radha's Capital A/c	90,000		60,000	By balance b/d	3,00,000	2,00,000	1,00,000
				By Gita's Capital A/c		90,000	
To Radha's Loan A/c		4,30,000		By Garv's Capital A/c		60,000	
To balance c/d	3,00,000		2,00,000	By General Reserve A/c	12,000	20,000	8,000
				By Revaluation A/c	36,000	60,000	24,000
				By Current A/c	42,000		1,28,000
	3,48,000	**4,30,000**	**2,60,000**		**3,48,000**	**4,30,000**	**2,60,000**

Working Notes:

1) Calculation of Radha's Share of Goodwill

Goodwill of the firm = ₹3,00,000

Radha's Share of Goodwill = ₹(3,00,000 × 5/10) = ₹1,50,000

Gaining ratio will be same as the new profit-sharing ratio i.e. 3: 2

2) Adjustment of Capital:

Total Capital of the firm = ₹5,00,000

Gita's New Capital = ₹(5,00,000 × 3/5) = ₹3,00,000

Garv's New Capital = ₹(5,00,000 × 2/5) = ₹2,00,000

Existing Capitals of Gita and Garv are ₹2,58,000 and ₹72,000

Amount to be debited to Gita's Current A/c = New Capital – Old Capital
= ₹ (3,00,000 – 2,58,000) = ₹42,000

Amount to be debited to Garv's Current A/c = New Capital – Old Capital
= ₹ (2,00,000 – 72,000) = ₹1,28,000

Balance Sheet
as at 31st March, 2019

Liabilities		Amount (₹)	Assets		Amount (₹)
Sundry Creditors		60,000	Stock		96,000
Radha's Loan A/c		4,30,000	Building		6,00,000
Capital A/cs			Debtors		40,000
Gita	3,00,000		Current A/c:		
Garv	2,00,000	5,00,000	Gita	42,000	
			Garv	1,28,000	1,70,000
			Cash (50,000 + 34,000)		84,000
		9,90,000			**9,90,000**

Question 23

Short term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value are called __________.

Solution:

Short-term highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value are called **cash equivalents**.

Question 24

What is meant by 'Cash Flow'?

Solution:

The amount of cash and cash equivalents coming in and out of the business of a company is termed as Cash Flow.

Question 25

Which of the following is a limitation of financial analysis?
(a) It is just a study of reports of the company.
(b) It judges the ability of the firm to repay its debts.
(c) It identifies the reasons for change in financial position.
(d) It ascertains the relative importance of different components of the financial position of the firm.

Solution:

The limitation of financial analysis is that it is just a study of reports of the company. Hence, the correct answer is option (a).

Question 26

State giving reason, whether issue of shares for consideration other than cash will result into inflow, outflow or no flow of cash.

Solution:

Issue of shares for consideration other than cash will result in **no flow of cash** as it involves settling business transactions by paying through issue of shares to the vendor.

Question 27

Which of the following is not a tool of financial analysis ?
(a) Comparative income statement
(b) Comparative position statement
(c) Statement of profit and loss
(d) Cash flow statement

Solution:

Statement of profit and loss is not a tool of financial analysis. Hence, the correct answer is option (c).

Question 28

As per Schedule III, Part I of the Companies Act, 2013 'Unpaid divided' will be presented under which of the following head/sub-head, in the Balance Sheet of a company:
(a) Reserves and Surplus
(b) Current Liabilities

(c) Contingent Liabilities
(d) Shareholders Funds

Solution:

'Unpaid Dividend' will be presented under the head 'Current Liabilities' of the balance sheet since, it is the dividend to be paid out eventually to the shareholders in the coming year.
Hence, the correct answer is option (b).

Question 29

'Interest accrued on investments' will be presented in the Balance Sheet of a company under the sub-head _______.

Solution:

'Interest accrued on investments' will be presented in the Balance Sheet of the Company under the sub-head **<u>other current assets</u>**.

Question 30

The fixed assets of a company were ₹ 35,00,000. Its current assets were ₹ 4,30,000 and current liabilities were ₹ 3,30,000. During the year ended 31-03-2019 the company earned net profit before tax ₹ 18,00,000. The tax rate was 30%. Calculate return on investment.

OR

Inventory in the beginning	₹ 30,000
Inventory at the end	₹ 50,000
Net Purchases	₹ 5,00,000
Wages	₹ 25,000
Salaries	₹ 40,000
Revenue from operations	₹ 8,00,000
Carriage Inwards	₹ 5,000
Returns Outwards	₹ 30,000

Calculate Inventory Turnover Ratio.

Solution:

Return on Investment	=	(Net Profit before Interest & Tax/ Capital Employed) × 100
Net Profit before Interest and Tax	=	₹18,00,000
Current Assets	=	₹4,30,000
Fixed Assets	=	₹35,00,000
Current Liabilities	=	₹3,30,000

Capital Employed of the firm	=	Fixed Assets + Working Capital
	=	₹ [35,00,000 + (4,30,000 – 3,30,000) = ₹ 36,00,000
Return on Investment	=	(Net Profit before Interest & Tax / Capital Employed) × 100
	=	(18,00,000 / 36,00,000) × 100
	=	**50%**

OR

Inventory Turnover Ratio	=	Cost of Goods Sold/Average Stock
Opening Inventory	=	₹ 30,000
Closing Inventory	=	₹ 50,000
Average Inventory	=	(Opening Inventory + Closing Inventory) / 2
	=	(30,000 + 50,000) / 2 = ₹ 40,000
Cost of Goods Sold	=	Opening Stock + Net Purchase + Direct Expenses – Closing Stock
	=	₹ (30,000 + 5,00,000 + 25,000 + 5,000 – 50,000)
	=	₹ 5,10,000
Inventory Turnover Ratio	=	Cost of Goods Sold/Average Stock
	=	5,10,000/40,000 = **12.75 times**

Question 31

Prepare common size statement of profit and loss from the following information:

Particulars	Note No.	2017-18	2016-17
Revenue from operations		₹ 16,00,000	₹ 8,00,000
Cost of material consumed (% of revenue from operations)		60%	50%
Operating expenses		₹ 80,000	₹ 40,000
Income tax rate		40%	30%

OR

From the following Balance Sheets of Vinayak Ltd. as at 31st March, 2019, prepare a comparative Balance Sheet.

Vinayak Ltd.
Balance Sheet as at 31st March, 2019

	Particulars	Note No.	31-03-19 (₹)	31-03-18 (₹)

	Equity and Liabilities			
(1)	Share holders Funds			
	(a) Share capital		21,00,000	20,00,000
	(b) Reserves and Surplus		2,30,000	2,00,000
(2)	Non-current liabilities			
	Long term borrowing		5,60,000	2,00,000
(3)	Current liabilities			
	Trade payables		2,80,000	1,00,000
	Total		**31,70,000**	**25,00,000**
	Assets			
(1)	Non-current Assets			
	Fixed Assets			
	(i) Tangible assets		21,00,000	20,00,000
	(ii) Intangible assets		3,00,000	2,00,000
(2)	Current Assets			
	(a) Inventories		5,60,000	2,00,000
	(b) cash and cash equivalents		2,10,000	1,00,000
	Total		**31,70,000**	**25,00,000**

Solution:

Common Size Income Statement

for the year ended March 31, 2017 and 2018

Particulars	**Absolute Amount (₹)**		**Percentage of Revenue (%)**	
	2016-17	**2017-18**	**2016-17**	**2017-18**
I. Revenue from Operations	8,00,000	16,00,000	100	100
II. Other Incomes	–	–		
Total Revenues (I + II)	8,00,000	16,00,000	100	100
IV. *Expenses*				
a. Cost of material consumed	4,00,000	9,60,000	50	60
b. Other Expenses				
Operating expenses	40,000	80,000	5	5
Profit before Income Tax	3,60,000	5,60,000	45	35
Less: Income Tax	1,08,000	2,24,000	13.5	14
Profit after Income Tax	**2,52,000**	**3,36,000**	**31.5**	**21**

OR

In the books of Vinayak Ltd.

Comparative Balance Sheet
as at 31st March 2018 and 31st March 2019

Particulars	2018 (₹) (A)	2019 (₹) (B)	Absolute Change (C=B-A)	Percentage Change (D=CA×100)D=CA×100
I. Equity and Liabilities				
1. **Shareholders' Funds**				
a. Equity Share Capital	20,00,000	21,00,000	1,00,000	5
b. Reserve and Surplus	2,00,000	2,30,000	30,000	15
Shareholders' Fund				
2. **Non-Current Liabilities**				
a. Long-term Borrowings	2,00,000	5,60,000	3,60,000	180
3. **Current Liabilities**				
Trade Payables	1,00,000	2,80,000	1,80,000	180
Total	**25,00,000**	**31,70,000**	**6,70,000**	**26.8**
II. Assets				
1. **Non-Current Assets**				
Fixed Asset				
a. Tangible	20,00,000	21,00,000	1,00,000	5
b. Intangible	2,00,000	3,00,000	1,00,000	50
2. **Current Assets**				
Inventories	2,00,000	5,60,000	3,60,000	180
b. Cash and Cash Equivalents	1,00,000	2,10,000	1,10,000	110
Total	**25,00,000**	**31,70,000**	**6,70,000**	**26.8**

Question 32

Cash flow from operating activities of Starline Ltd. for the year ended 31.03.2019 was ₹ 18,000. The Balance Sheet along with notes to accounts of Starline Ltd. as at 31-03-19 is given below :

Starline limited
Balance Sheet as at 31st March, 2019

Particulars	Note No.	31-03-19 (₹)	31-03-18 (₹)
I. Equity and Liabilities:			
1. Shareholders Funds			
(a) Share Capital		18,00,000	10,00,000
(b) Reserves and Surplus	1	50,000	40,000
2. Non-Current Liabilities			
Long term Borrowings	2	1,00,000	4,00,000
3. Current Liabilities			
Short term Provisions	3	2,50,000	3,60,000
Total		**22,00,000**	**18,00,000**
II. Assets			
1. Non-Current Assets			
Fixed Assets			
(i) Tangible Assets	5	9,80,000	6,35,000
(ii) Intangible Assets	6	2,68,000	1,70,000
2. Current Assets			
(a) Current Investments		1,40,000	70,000
(b) Trade Receivables		4,40,000	1,50,000
(c) Cash and Cash Equivalents		1,55,000	63,000
Total		**22,00,000**	**18,00,000**

Notes to Accounts

	Particulars	31-03-19 (₹)	31-03-18 (₹)
1.	**Reserves and Surplus**	50,000	40,000
	Surplus (Balance in Statement of Profit and Loss)	**50,000**	**40,000**
2.	**Long-term Borrowings**		
	8% Debentures	1,00,000	4,00,000
		1,00,000	**4,00,000**

3.	**Short term provisions**		
	Provision for tax	2,50,000	3,60,000
		2,50,000	**3,60,000**
4.	**Tangible Assets**		
	Plant and Machinery	15,20,000	10,90,000
	Less :Accumulated Depreciation	(1,20,000)	(90,000)
		14,00,000	**10,00,000**
5.	**Intangible Assets**		
	Goodwill	1,80,000	70,000
		1,80,000	**70,000**

You are given the following additional information :

(a) A machinery of the book value of ₹ 40,000 (depreciation provided thereon ₹ 12,000) was sold at a loss of ₹ 6,000.

(b) 8% debentures were redeemed on 1st July 2018.
Prepare Cash Flow Statement.

Solution:

Cash Flow Statement

for the years ended 31st March 2018 and 31st March, 2019

Particulars	Details	Amount (₹)
A. Cash Used in Operating Activities		(18,000)*
B. Cash Flow from Investing Activities		
Purchase of Plant & Machinery	(4,70,000)	
Sale of Plant & Machinery	22,000	
Purchase of Goodwill	(1,10,000)	
Cash used in Investing Activities		(5,58,000)
C. Cash flow from Financing Activities		
Proceeds from issue of shares	8,00,000	
Redemption of debentures	(3,00,000)	
Interest Paid on debentures (8,000 + 6,000)	(14,000)	
Cash Flow from Financing Activities		4,86,000
Net Increase in Cash and Cash Equivalents (A – B + C)		**(90,000)**
Add: Opening Balance of Cash and cash equivalents	2,30,000	
Opening Balance of Current Investments	1,90,000	
Cash and Cash equivalents at the end of the period		**3,30,000**
Closing Balance of Cash and cash equivalents	3,00,000	

Closing Balance of Current Investments	30,000	**3,30,000**

**There is a printing mistake in the question paper. ₹18,000 given as Cash flow from operating activities is actually 'Cash Outflow'*

Working Notes:

Dr. Plant & Machinery A/c Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To balance b/d	10,90,000	By Accumulated depreciation A/c	12,000
To Bank A/c (Purchase) (Balancing Fig.)	4,70,000	By Statement of Profit & Loss	6,000
		By Bank A/c (Sale)	22,000
		By balance c/d	15,20,000
	15,60,000		**15,60,000**

Dr. Accumulated Depreciation A/c Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Plant & Machinery A/c (Dep. on asset sold)	12,000	By balance b/d	90,000
To balance c/d	1,20,000	By statement of Profit & Loss (Dep. Charged during the year)	42,000
	1,32,000		**1,32,000**