

Accountancy 2019 Delhi Set-1

General Instructions:

- (i) This question paper contains **two** parts **A** and **B**.
 - (ii) Part **A** is **compulsory** for all.
 - (iii) Part **B** has **two** options: *Analysis of Financial Statements and Computerized Accounting*.
 - (iv) Attempt only **one** option of Part **B**.
 - (v) All parts of a question should be attempted at one place.
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PART A ACCOUNTANCY

Question 1

Atul and Neera were partners in a firm sharing profits in the ratio of 3 : 2. They admitted Mitali as a new partner. Goodwill of the firm was valued at ₹ 2,00,000. Mitali brings her share of goodwill premium of ₹ 20,000 in cash, which is entirely credited to Atul's Capital Account. Calculate the new profit sharing ratio.

Solution

Revalued Goodwill of the firm on Mitali's admission = ₹ 2,00,000

Premium for Goodwill brought in cash by Mitali = ₹20,000

So, Mitali's share in future profit of the firm = $\frac{20,000}{2,00,000} = \frac{1}{10}$

Atul's Account has only been credited by the premium brought in by Mitali

So, Atul's Sacrificing Share = Profit Share of Mitali = $\frac{1}{10}$

New Profit Share of Atul = Old Profit Share - Sacrificing Share

New Profit Share of Atul = $\frac{3}{5} - \frac{1}{10} = \frac{5}{10}$

Hence,

	Atul	Neera	Mitali
New Profit Sharing Ratio	$\frac{5}{10}$	$\frac{2}{5}$	$\frac{1}{10}$
OR	$\frac{5}{10}$	$\frac{4}{10}$	$\frac{1}{10}$
OR	5	4	1

Question 2

What is meant by 'Issued Capital'?

OR

What is meant by 'Employees Stock Option Plan'?

SOLUTION:

As per Section 2(50) of Companies Act, 2013, "issued capital" means such capital as the company issues from time to time for subscription. It is that part of the Authorised Capital which is offered by a company to the general public for its subscription.

OR

Employee Stock Option is a plan where the company's whole-time directors, officers and employees get an opportunity of purchasing their own company's shares at a predetermined price in future. The price at which these shares are offered is usually lower than the market price.

Question 3

Differentiate between Dissolution of Partnership and Dissolution of a Partnership Firm on the basis of 'Court's Intervention.'



SOLUTION:

Basis of Differences	Dissolution of Partnership	Dissolution of a Partnership Firm
Court's Intervention	There is no Intervention of the Court.	Dissolution of a Partnership firm may be done with the consent of the court.

Question 4

What is meant by 'Gaining Ratio' on retirement of a partner?

OR

P, Q and R were partners in a firm. On 31st March, 2018 R retired. The amount payable to R ₹ 2,17,000 was transferred to his loan account. R agreed to receive interest on this amount as per the provisions of Partnership Act, 1932. State the rate at which interest will be paid to R.

SOLUTION:

The ratio in which the outgoing partner's profit share is gained or acquired by the remaining partners is known as Gaining ratio. This ratio is calculated by taking the difference between the new ratio and the old ratio of the partners.

Algebraically,

Gaining Ratio = New Profit Sharing Ratio – Old Profit Sharing Ratio

OR

The rate of interest payable to R would be 6% per annum as per the provisions of Partnership Act, 1932.

Question 5

Chhavi and Neha were partners in a firm sharing profits and losses equally. Chhavi withdrew a fixed amount at the beginning of each quarter. Interest on drawings is charged @ 6% p.a. At the end of the year, interest on Chhavi's drawings amounted to ₹ 900. Pass necessary journal entry for charging interest on drawings.

SOLUTION:

In the books of Chhavi and Neha Journal

Date	Particulars	L.F.	Debit Amount ₹	Credit Amount ₹
	Chhavi's Capital A/c To Interest on Drawings A/c (Being interest on drawings charged)	Dr.	900	900

Interest on Drawings A/c Dr. To Profit & Loss Appropriation A/c (Being interest on drawings transferred to profit & loss account)		900		900
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Question 6

How are specific donations treated while preparing final accounts of a 'Not-For-Profit Organisation'?

OR

State the basis of accounting of preparing 'Income and Expenditure Account' of a 'Not-For-Profit Organisation'.

SOLUTION:

Since specific donations are capital receipts, they are shown under liability side of the balance sheet.

OR

The 'Income and Expenditure Account' of a 'Not-for-Profit Organisation' is prepared on accrual basis.

Question 7

The capital of the firm of Anuj and Benu is ₹ 10,00,000 and the market rate of interest is 15%. Annual salary to the partners is ₹ 60,000 each. The profit for the last three years were ₹ 3,00,000, ₹ 3,60,000 and ₹ 4,20,000. Goodwill of the firm is to be valued on the basis of two years purchase of last three years average super profits. Calculate the goodwill of the firm.

SOLUTION:

Capital Employed in the firm = ₹ 10,00,000

Normal rate of return = 15%

Normal Profit = Capital Employed $\times \frac{\text{Normal Rate of return}}{100}$

$$= ₹ (10,00,000 \times \frac{15}{100}) = ₹ 1,50,000$$

Average Profit before remuneration = $\frac{3,00,000 + 3,60,000 + 4,20,000}{3} = ₹ 3,60,000$

Average Profit after remuneration = ₹ [3,60,000 - (60,000 \times 2)] = ₹ 2,40,000

Super Profit = Average Profit - Normal Profit

$$= ₹ (2,40,000 - 1,50,000) = ₹ 90,000$$

Goodwill of the firm = Super Profit \times Number of years of Purchase

$$= ₹ (2 \times 90,000) = ₹ 1,80,000$$

Question 8

How the following items for the year ended 31st March, 2018 will be presented in the financial statements of Aisko Club:

Particulars	Debit Amount (₹)	Credit Amount (₹)
Tournament Fund	-	1,50,000
Tournament Fund Investments	1,50,000	-
Income from Tournament Fund Investments	-	18,000
Tournament Expenses	12,000	-

Additional Information:

Interest Accrued on Tournament Fund Investments ₹ 6,000

SOLUTION:

In the books of Aisko Club Balance Sheet as at 31st March, 2018

Liabilities	Amount (₹)	Assets	Amount (₹)
Tournament	1,50,000	Tournament Fund	1,50,000
Add: Income from Tournament fund Investments	18,000	Investments	
Less: Tournament Expenses	12,000	Add: Accrued Interest on Investments	6,000
	1,56,000		1,56,000

Question 9

Garvit Ltd. invited applications for issuing 3,000, 11% Debentures of ₹ 100 each at a discount of 6%. The full amount was payable on application. Applications were received for 3,600 debentures. Applications for 600 debentures were rejected and the application money was refunded. Debentures were allotted to the remaining applicants. Pass the necessary journal entries for the above transactions in the books of Garvit Ltd.

OR

On 1st April 2015, P Ltd. Issued 6,000 12% Debentures of ₹ 100 each at par redeemable at a premium of 7%. The Debentures were to be redeemed at the end of third year. Prepare Loss on issue of 12% Debentures Account.

Journal of Garvit Ltd.

Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)
	Bank A/c (94 × 3,600) Dr. To Debenture Application & Allotment A/c (Being application money received on 3,600 debentures at a discount of 6%)		3,38,400	3,38,400
	Debenture Application & Allotment A/c Dr. Discount on issue of Debentures A/c Dr. To 11% Debentures A/c To Bank A/c (94 × 600) (Being application money transferred to 11% Debentures and excess refunded)		3,38,400 18,000	3,00,000 56,400

OR

Loss on Issue of 12% Debentures Account

Dr			Cr		
Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
2015 April 01	To 12% Debentures A/c	42,000	2016 March 31	By Statement of Profit & Loss A/c	14,000
			March 31	By Balance c/d	28,000
		42,000			42,000
2016 April 01	To Balance b/d	28,000	2017 March 31	By Statement of Profit & Loss A/c	14,000



2017 April 01	To Balance b/d		March 31	By Balance c/d	14,000
		28,000			28,000
		14,000	2018 March 31	By Statement of Profit & Loss A/c	14,000
		14,000			14,000

Question 10

Unilink Ltd. had outstanding ₹ 12,00,000, 9% debentures on 1st April, 2014 redeemable at a premium of 8% in two equal annual instalments starting from 31st March, 2018. The company had a balance of ₹ 3,00,000 in Debenture Redemption Reserve on 31st March, 2017. Pass the necessary journal entries for redemption of debentures in the books of Unilink Ltd. for the year ended 31st March, 2018.

In the books of Unilink Ltd. Journal

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2017 April 1	Debenture Reserve Investment A/c Dr.		90,000	
	To Bank A/c (Being debenture reserve investments made @ 15% of the amount of redeemable debentures)			90,000
2018 March 31	Bank A/c Dr.		90,000	
	To Debenture Reserve Investment A/c (Being debenture reserve investment matured)			90,000
2018 March 31	9% Debentures A/c Dr.		6,00,000	
	Premium on Redemption A/c Dr.		48,000	
	To Debenture holders A/c (Being debentures due for redemption)			6,48,000
2018 March 31	Debenture holders A/c Dr.		6,48,000	
	To Bank A/c (Being debentures redeemed)			6,48,000
2018				



March 31	Debenture Redemption Reserve A/c To General Reserve A/c (Being amount transferred to the general reserve)	Dr.	1,50,000	1,50,000
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Note: As per the Rule 18(7) at least 15% of the nominal value of the debentures redeemed is to be invested as the debenture reserve investment. Also, since sufficient funds are in the DRR so no entry has been passed for the transfer of funds to DRR.

Question 11

Ankit, Bobby and Kartik were partners in a firm sharing profits in the ratio 4 : 3 : 3. The firm was dissolved on 31-3-2018. Pass the necessary Journal entries for the following transactions after various assets (other than cash and bank) and third party liabilities had been transferred to Realisation Account:

- The firm had stock of ₹ 80,000. Ankit took over 50% of the stock at a discount of 20% while the remaining stock was sold off at a profit of 30% on cost.
- A liability under a suit for damages included in creditors was settled at ₹ 32,000 as against only ₹ 13,000 provided in the books. Total creditors of the firm were ₹ 50,000.
- Bobby's sister's loan of ₹ 20,000 was paid off along with interest of ₹ 2,000.
- Kartik's Loan of ₹ 12,000 was settled at ₹ 12,500.

SOLUTION:

In the books of Ankit, Bobby and Kartik Journal

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
	Ankit's Capital A/c To Realisation A/c (Being 50% of the stock taken over by the partner)	Dr.	32,000	32,000
	Bank/Cash A/c To Realisation A/c (Being amount received against remaining stock)	Dr.	52,000	52,000
	Realisation A/c To Bank/Cash A/c (Being liability under a suit for damages settled)	Dr.	32,000	32,000
	Realisation A/c (50,000 – 13,000)	Dr.	37,000	



To Bank/Cash A/c (Being remaining creditors paid off)			37,000
Realisation A/c To Bank/Cash A/c (Being Bobby's sisters loan paid with interest)	Dr.	22,000	22,000
Interest on Kartik's Loan A/c To Kartik's Loan A/c (Being interest provided on partner's loan)	Dr.	500	500
Kartik's Loan A/c To Bank/Cash A/c (Being partner's loan settled)	Dr.	12,500	12,500

Working Notes:

$$\text{Value of Stock taken over by Ankit} = \frac{50}{100} \times 80,000 \times \left(100 - \frac{20}{100}\right) = ₹ 32,000$$

$$\text{Value of the remaining stock} = \left[\left(40,000 \times \frac{30}{100}\right) + 40,000\right] = ₹ 52,000$$

Question 12

Radhika, Bani and Chitra were partners in a firm sharing profits and losses in the ratio of 2 : 3 : 1. With effect from 1st April, 2018 they decided to share future profits and losses in the ratio of 3 : 2 : 1. On that date their Balance Sheet showed a debit balance of ₹ 24,000 in Profit and Loss Account and a balance of ₹ 1,44,000 in General Reserve. It was also agreed that:

- The goodwill of the firm be valued at ₹ 1,80,000.
- The Land (having book value of ₹ 3,00,000) will be valued at ₹ 4,80,000.

Pass the necessary journal entries for the above changes.

SOLUTION:

**In the books of Radhika, Bani and Chitra
Journal**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
	Radhika's Capital A/c Bani's Capital A/c Chitra's Capital A/c To Profit & Loss A/c (Being debit balance of P&L distributed among the old partners in old ratio)	Dr. Dr. Dr.	8,000 12,000 4,000	24,000



General Reserve A/c To Radhika's Capital A/c To Bani's Capital A/c To Chitra's Capital A/c (Being general reserve distributed among the old partners in old ratio)	Dr.	1,44,000	48,000 72,000 24,000
Land A/c To Revaluation A/c (Being value of land appreciated)	Dr.	1,80,000	1,80,000
Revaluation A/c To Radhika's Capital A/c To Bani's Capital A/c To Chitra's Capital A/c (Being profit on revaluation transferred to partner's capital account in old ratio)	Dr.	1,80,000	60,000 90,000 30,000
Radhika's Capital A/c (1,80,000 × 1/6) To Bani's Capital A/c (1,80,000 × 1/6) (Being adjustment for goodwill)	Dr.	30,000	30,000

Working Notes:

Calculation of Gain/Sacrifice

	Radhika	Bani	Chitra
Old Ratio	2/6	3/6	1/6
New Ratio	3/6	2/6	1/6
Gain/Sacrifice	1/6 (Gain)	1/6(Sacrifice)	No gain/sacrifice

Question 13

From the following Receipts and Payment Account and additional information, prepare Income and Expenditure Account and Balance Sheet of Sears Club, Noida as on March 31, 2018.

Receipts and Payment Account of Sears Club for the year ended 31-3-2018

Receipts	Amount (₹)	Payments	Amount (₹)
To Balance b/d	20,000	By Stationery	23,400
To Subscriptions		By 12% Investments	8,000
2016-17	40,000	By Electricity expenses	10,600
2017-18	94,000	By Expenses on lectures	30,000
2018-19	7,200	By Sports equipment	59,000
	1,41,200	By Books	40,000



To Donations for building	40,000	By Balance c/d	50,000
To Interest on Investments	800		
To Government Grant	17,400		
To Sale of old furniture (Book value ₹ 4,000)	1,600		
	2,21,000		2,21,000

Additional Information:

- (i) The club has 200 members each paying an annual subscription of ₹ 1,000. ₹ 60,000 were in arrears for last year and 25 members paid in advance in the last year for the current year.
- (ii) Stock of stationery on 1-4-2017 was ₹ 3,000 and on 31-3-2018 was ₹ 4,000.

SOLUTION:

Income and Expenditure Account

Particulars	Amount (₹)	Particulars	Amount (₹)
To Loss on Sale of Old Furniture (4,000 – 1,600)	2,400	By Subscriptions (200 × 1,000)	2,00,000
To Stationery Consumed:		By Interest on Investments	800
<i>Add:</i> Purchases	23,400	By Government Aid	17,400
Opening Stock	3,000		
	26,400		
<i>Less:</i> Closing Stock	(4,000)		
	22,400		
To Electricity Expenses	10,600		
To Expenses on lectures	30,000		
To Excess of Income over Expenditure (i.e. Surplus)	1,52,800		
	2,18,200		2,18,200

Balance Sheet as on 31st March 2018

Liabilities	Amount (₹)	Assets	Amount (₹)
Subscriptions in Advance	7,200	Cash in hand	50,000
Donations for Building	40,000	Stationery	4,000
Capital Fund	62,000	Sports Equipment	59,000
<i>Add:</i> Surplus for the year	1,52,800	Books	40,000
	2,14,800	12% Investments	8,000



		Subscriptions in the Arrears (WN)	1,01,000
	2,62,000		2,62,000

**Balance Sheet
as on 1st April 2017**

Liabilities	Amount (₹)	Assets	Amount (₹)
Subscriptions in Advance (25 × 1,000)	25,000	Cash in hand	20,000
Capital Fund (Balancing Figure)	62,000	Subscriptions in Arrear	60,000
		Stationery	3,000
		Furniture	4,000
	87,000		87,000

Working Note:

Computation of subscriptions in arrears at the end of year

Particulars	Amount (₹)
Subscriptions due for the year (200 × 1,000)	2,00,000
Less: Subscriptions received during the year	(94,000)
Less: Subscriptions received during the last year	(25,000)
Subscription in arrears for 2017-18	81,000
Add: Subscriptions still in arrears for 2016-17(60,000 – 40,000)	20,000
	1,01,000

Question 14

Girija, Yatin and Zubin were partners sharing profits in the ratio 5 : 3 : 2. Zubin died on 1st August, 2015. Amount due to Zubin's executor after all adjustments was ₹ 90,300. The executor was paid ₹ 10,300 in cash immediately and the balance in two equal annual instalments with interest @ 6% p.a. starting from 31st March, 2017. Accounts are closed on 31st March each year.

Prepare Zubin's Executors Account till he is finally paid.

SOLUTION:

Zubin's Executors A/c

Dr.			Cr.		
Date	Particulars	(₹)	Date	Particulars	(₹)
2015 August 01	To Cash/Bank A/c	10,300	2015 August 01	By Zubin's Capital A/c	90,300

August 01	To Zubin Executor's Loan A/c	80,000		
		90,300		90,300

Zubin's Executor Loan A/c

Dr.			Cr.		
Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
2016 March 31	To Balance c/d	83,200	2015 August 01	By Zubin's Executor A/c	80,000
			2016 March 31	By Interest on Executor's Loan A/c (80,000 × 6/100 × 8/12)	3,200
		83,200			83,200
2017 March 31	To Cash/Bank A/c (40,000 + 3,200 + 4,992)	48,192	2016 April 01	By Balance b/d	83,200
2017 March 31	To Balance c/d	40,000	2017 March 31	By Interest on Loan A/c (83,200 × 6/100)	4,992
		88,192			88,192
2018 March 31	To Cash/Bank A/c	42,400	2017 April 01	To Balance b/d	40,000
			2018 March 31	By Interest on Executor's Loan (40,000 × 6/100)	2,400
		42,400			42,400

Question 15

Sonu and Rajat started a partnership firm on April 1, 2017. They contributed ₹ 8,00,000 and ₹ 6,00,000 respectively as their capitals and decided to share profits and losses in the ratio of 3 : 2.

The partnership deed provided that Sonu was to be paid a salary of ₹ 20,000 per month and Rajat a commission of 5% on turnover. It also provided that interest on capital be allowed @ 8% p.a. Sonu withdrew ₹ 20,000 on 1st December, 2017 and Rajat withdrew ₹ 5,000 at the end of each month. Interest on drawings was charged @ 6% p.a. The net profit as per Profit and Loss Account for the year ended 31st March, 2018 was ₹ 4,89,950. The turnover of the firm for the year ended 31st March, 2018



amounted to ₹ 20,00,000. Pass necessary journal entries for the above transactions in the books of Sonu and Rajat.

OR

Jay, Vijay and Karan were partners of an architect firm sharing profits in the ratio of 2 : 2 : 1. Their partnership deed provided the following:

(i) A monthly salary of ₹ 15,000 each to Jay and Vijay.

(ii) Karan was guaranteed a profit of ₹ 5,00,000 and Jay guaranteed that he will earn an annual fee of ₹ 2,00,000. Any deficiency arising because of guarantee to Karan will be borne by Jay and Vijay in the ratio of 3 : 2.

During the year ended 31st March, 2018 Jay earned fee of ₹ 1,75,000 and the profits of the firm amounted to ₹ 15,00,000.

Showing your workings clearly prepare Profit and Loss Appropriation Account and the Capital Account of Jay, Vijay and Karan for the year ended 31st March, 2018.

Journal of Sonu and Rajat

Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)
2018 March 31	Profit & Loss Appropriation A/c To Sonu's Capital A/c (Being salary for the year payable to Sonu)	Dr.	2,40,000	2,40,000
March 31	Profit & Loss Appropriation A/c To Rajat's Capital A/c (Being commission on turnover @ 5% payable to Rajat)	Dr.	1,00,000	1,00,000
March 31	Profit & Loss Appropriation A/c To Sonu's Capital A/c To Rajat's Capital A/c (Being interest on capital @ 8% p.a.)	Dr.	1,12,000	64,000 48,000
March 31	Sonu's Capital A/c Rajat's Capital A/c To Profit & Loss Appropriation A/c (Being interest on drawings of partners charged @ 6% p.a.)	Dr. Dr.	400 1,650	2,050
March 31	Profit & Loss Appropriation A/c To Sonu's Capital A/c To Rajat's Capital A/c	Dr.	40,000	24,000 16,000



(Being divisible profit in 3:2 distributed)

Working Notes:

(1) Computation of interest on drawings of partners

Drawings of Sonu = 20,000

Drawings of Rajat = $12 \times 5,000 = 60,000$

Interest on Sonu's drawings = $20,000 \times \frac{6}{100} \times \frac{4}{12} = 400$

Interest on Rajat's drawings = $60,000 \times \frac{6}{100} \times \frac{5.5}{12} = 1,650$

(2) Computation of divisible profit and its distribution between partners

Profit as per the Profit and Loss Account = 4,89,950

Divisible Profit = Net profit + Interest on Drawings - Interest on Capital - Salary to Sonu - Commission to Rajat

Divisible Profit = $4,89,950 + 2,050 - 1,12,000 - 2,40,000 - 1,00,000 = 40,000$

Sonu's share in divisible profit = $40,000 \times \frac{3}{5} = 24,000$

Rajat's share in divisible profit = $40,000 \times \frac{2}{5} = 16,000$

OR

Profit and loss Appropriation Account

For the year ended 31st march 2018

Dr.		Cr.	
Particulars	Amount (₹)	Particulars	Amount (₹)
To Salary to be credited to Capital Accounts of :		By Profit for the year	15,00,000
Jay 1,80,000		By Jay's Capital A/c (2,00,000 - 1,75,000)	25,000
Vijay 1,80,000	3,60,000		
To divisible profit to be credited to Capital Accounts of : (WN 1)			
Jay 3,05,800			

Vijay	3,59,200		
Karan	5,00,000	11,65,000	
		15,25,000	15,25,000

Computation of divisible profit and its distribution between partners

Divisible Profit = 11,65,000

Jay's share in divisible profit = $11,65,000 \times \frac{2}{5} = 4,66,000$

Vijay's share in divisible profit = $11,65,000 \times \frac{2}{5} = 4,66,000$

Karan's share in divisible profit = $11,65,000 \times \frac{1}{5} = 2,33,000$

Profit share guaranteed to Karan = 5,00,000

Deficiency to Karan's share in profit = $5,00,000 - 2,33,000 = 2,67,000$

Deficiency to be borne by Jay = $2,67,000 \times \frac{3}{5} = 1,60,200$

Deficiency to be borne by Vijay = $2,67,000 \times \frac{2}{5} = 1,06,800$

Final Share in Divisible Profit for:

Jay = $4,66,000 - 1,60,200 = 3,05,800$

Vijay = $4,66,000 - 1,06,800 = 3,59,200$

Karan = $2,33,000 + 1,60,200 + 1,06,800 = 5,00,000$

Dr.					Partner's Capital A/c					Cr.
Date	Particulars	Jay (₹)	Vijay (₹)	Karan (₹)	Date	Particulars	Jay (₹)	Vijay (₹)	Karan (₹)	
2018 Mar.31	To Profit & Loss Appropriation A/c	25,000			2018 Mar.31	By Profit & Loss Appropriation A/c (Salary)	1,80,000	1,80,000		
2018 Mar.31	To balance c/d	4,60,800	5,39,200	5,00,000	2018 Mar.31	By Profit & Loss Appropriation A/c (Divisible profits)	3,05,800	3,59,200	5,00,000	
		4,85,800	5,39,200	5,00,000			4,85,800	5,39,200	5,00,000	

Question 16

DF Ltd. invited applications for issuing 50,000 shares of ₹ 10 each at a premium of ₹ 2 per share. The amount was payable as follows:

On Application : ₹ 3 per share (including premium ₹ 1)

On Allotment : ₹ 3 per share (including premium ₹ 1)

On First call : ₹ 3 per share

On Second and Final Call : Balance amount

Application for 70,000 shares were received. Allotment was made on the following basis.

Applications for 5,000 shares – Full

Applications for 50,000 shares – 90%

Balance of the applications were rejected. ₹ 1,11,000 were received on account of allotment. The amount of allotment due from the shareholders to whom shares were allotted on prorata basis was fully received. A few shareholders to whom shares were allotted in full, failed to pay the allotment money. ₹ 1,20,000 were received on first call. Directors decided to forfeit those shares on which allotment and call money was due. Half of the forfeited shares were re-issued @ ₹ 8 per share fully paid up. Final call was not made.

Pass the necessary journal entries for the above transactions in the book of DF Ltd.

OR

EF Ltd. invited applications for issuing 80,000 equity shares of ₹ 50 each at a premium of 20%. The amount was payable as follows:

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

On Allotment: ₹ 15 per share (including premium ₹ 5)

On First Call: ₹ 15 per share

On Second and Final call: Balance amount

Applications for 1,20,000 shares were received. Applications for 20,000 shares were rejected and pro-rata allotment was made to the remaining applicants.

Seema, holding 4,000 shares failed to pay the allotment money. Afterwards the first call was made. Seema paid allotment money along with the first call. Sahaj who had applied



for 2,500 shares failed to pay the first call money. Sahaj's shares were forfeited and subsequently reissued to Geeta for ₹ 60 per share, ₹ 50 per share paid up. Final call was not made.

Pass necessary journal entries for the above transactions in the books of EF Ltd. by opening calls-in-arrears account.

SOLUTION:

Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)
	Bank A/c (3 × 70,000) Dr. To Share Application A/c (Being application money received on 70,000 shares)		2,10,000	2,10,000
	Share Application A/c Dr. To Share Capital A/c (2 × 50,000) To Securities Premium Reserve A/c (1 × 50,000) To Share Allotment A/c (3 × 5,000) To Bank A/c (3 × 15,000) (Being application money transferred to share capital and adjusted)		2,10,000	1,00,000 50,000 15,000 45,000
	Share Allotment A/c (3 × 50,000) Dr. To Share Capital A/c (2 × 50,000) To Securities Premium Reserve A/c (1 × 50,000) (Being allotment due on 50,000 shares)		1,50,000	1,00,000 50,000
	Bank A/c Dr. Calls in Arrears A/c (3 × 8,000) Dr. To Share Allotment A/c (Being allotment money received with the exception of 8,000 shares)		1,11,000 24,000	1,35,000
	Share First Call A/c (3 × 50,000) Dr. To Share Capital A/c (3 × 50,000) (Being first call due on 50,000 shares)		1,50,000	1,50,000
	Bank A/c Dr. Calls in Arrears A/c (3 × 10,000) Dr. To Share First Call A/c (Being allotment money received with the exception of 8,000 shares)		1,20,000 30,000	1,50,000
	Share Capital A/c (7 × 8,000) Dr. Securities Premium Reserve A/c (1 × 8,000) Dr. To Forfeited Shares A/c (2 × 8,000) To Calls in Arrears A/c (24,000 + 24,000)		56,000 8,000	16,000 48,000



(Being 8,000 shares for non-payment of allotment and first call and 2,000 shares for non-payment of first call forfeited)			
Bank A/c (8 × 4,000)	Dr.	32,000	
Forfeited Shares A/c (2 × 4,000)	Dr.	8,000	
To Share Capital A/c (Being 50% of forfeited shares reissued as fully paid-up)			40,000

Note: There is a misprinting error in the question regarding share allotment money was due only from 5,000 shareholders who were allotted shares in full because it was unpaid on 8,000 shares.

Pro-Rate Computation Table

Categories	Shares Applied	Shares Alloted	Application Money Received @ ₹ 3 (₹)	Application Money transferred to Share Capital & SPR @ ₹ 3 (₹)	Excess on Application (₹)	Allotment @ ₹ 3 Against		First Call @ @ ₹ 3	Refund (₹)
						Face Vaue@ ₹ 2	SPR @ ₹ 1		
A	5,000	5,000	15,000	15,000	Nil	---	---	---	---
B	50,000	45,000	1,50,000	1,35,000	15,000	15,000	---	---	---
C	15,000	Nil	45,000	Nil	---	---	---	---	45,000
	70,000	50,000	2,10,000	1,50,000	15,000	15,000	---	---	45,000

OR

Journal

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
	Bank A/c To Share Application A/c (Being Application money received on 1,20,000 shares)	Dr.	24,00,000	24,00,000
	Share Application A/c To Share Capital A/c (80,000 × 15) To Securities Premium A/c (80,000 × 5) To Share Allotment A/c To Bank A/c (Being application money adjusted and excess money on 20,000 shares refunded)	Dr.	24,00,000	12,00,000 4,00,000 4,00,000 4,00,000

Share Allotment A/c To Share Capital A/c To Securities Premium A/c (Being allotment due on 80,000 shares)	Dr.	12,00,000	8,00,000 4,00,000
Bank A/c Calls-in-Arrears A/c (4000 × 15 – 20,000) To Share Allotment A/c (Being Allotment money received and excess money on application adjusted)	Dr. Dr.	7,60,000 40,000	8,00,000
Share First Call A/c To Share Capital A/c (Being call money due)	Dr.	12,00,000	12,00,000
Bank A/c Calls-in-Arrears A/c (2000 × 15) To Share First Call A/c (Being first call money received)	Dr. Dr.	11,70,000 30,000	12,00,000
Bank A/c To Call-in-Arrears A/c (Being allotment money received on 4,000 shares)	Dr.	40,000	40,000
Share Capital A/c (2,000 × 40) To Share Forfeiture A/c (2000 × 25) To Calls-in-Arrears A/c (Being Sahaj's share forfeited)	Dr.	80,000	50,000 30,000
Bank A/c To Share Capital A/c To Securities Premium A/c (Being Sahaj's shares reissued for ₹ 60 per share and (₹) 50 paid up)	Dr.	1,20,000	1,00,000 20,000
Share Forfeiture A/c To Capital Reserve A/c (Being amount transferred on shares reissued)	Dr.	50,000	50,000

Computation Table

Categories	Shares Applied	Shares Allotted	Money received on Application @ (₹) 20	Money Transferred to Share Capital @ (₹)15	Money Transferred to Securities Premium @ (₹) 5	Allotment due @ (₹)15	Excess on Application	Refund
I	20,000	NIL	4,00,000	–	–	–	–	4,00,000
II	1,00,000	80,000	20,00,000	12,00,000	4,00,000	12,00,000	4,00,000	–
	1,20,000	80,000	24,00,000	12,00,000	4,00,000	12,00,000	4,00,000	4,00,000

	Shares Allotted	Shares Applied	Excess on Application



Seema's Shares (Category II)	4,000	5,000 (4,000 × 1,00,000/80,000)	20,000
Sahaj's Shares (Category II)	2,000 (2,500 × 80,000/1,00,000)	2,500	—

Question 17

Akul, Bakul and Chandan were partners in a firm sharing profits in the ratio of 2 : 2 : 1. On 31st March, 2018 their Balance Sheet was as follows:

Balance Sheet of Akul, Bakul and Chandan as on 31.3.2018

Liabilities	Amount (₹)	Assets	Amount (₹)
Sundry Creditors	45,000	Cash at Bank	42,000
Employees Provident Fund	13,000	Debtors	60,000
General Reserve	20,000	Less: Provision for doubtful debts	2,000
Capitals:			
Akul	1,60,000	Stock	80,000
Bakul	1,20,000	Furniture	90,000
Chandan	92,000	Plant and Machinery	1,80,000
	3,72,000		
	4,50,000		4,50,000

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

- (i) Plant and Machinery was undervalued by 10%.
- (ii) Provision for doubtful debts was to be increased to 15% on debtors.
- (iii) Furniture was to be decreased to ₹ 87,000.
- (iv) Goodwill of the firm was valued at ₹ 3,00,000 and Bakul's share was to be adjusted through the capital accounts of Akul and Chandan.
- (v) Capital of the new firm was to be in the new profit sharing ratio of the continuing partners.

Prepare Revaluation account, Partners' Capital accounts and the Balance Sheet of the reconstituted firm.

OR

Sanjana and Alok were partners in a firm sharing profits and losses in the ratio 3 : 2. On 31st March, 2018 their Balance Sheet was as follows:

Balance Sheet of Sanjana and Alok as on 31.3.2018

Liabilities	Amount (₹)	Assets	Amount (₹)
-------------	---------------	--------	---------------

Creditors		60,000	Cash		1,66,000
Work men's Compensation Fund		60,000	Debtors	1,46,000	
			Less: Provision for doubtful debts	2,000	1,44,000
Capitals:			Stock		1,50,000
Sanjana	5,00,000		Investments		2,60,000
Alok	4,00,000	9,00,000	Furniture		3,00,000
		10,20,000			10,20,000

On 1st April, 2018, they admitted Nidhi as a new partner for 1/4th share in the profits on the following terms:

- Goodwill of the firm was valued at ₹ 4,00,000 and Nidhi brought the necessary amount in cash for her share of goodwill premium, half of which was withdrawn by the old partners.
- Stock was to be increased by 20% and furniture was to be reduced to 90%.
- Investments were to be valued at ₹ 3,00,000. Alok took over investments at this value.
- Nidhi brought ₹ 3,00,000 as her capital and the capitals of Sanjana and Alok were adjusted in the new profit sharing ratio.

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

SOLUTION:

Dr.		Revaluation A/c		Cr.	
Particulars	Amount (₹)	Particulars	Amount (₹)		
To Provision for Doubtful debts (9,000 – 2,000)	7,000	By Plant & Machinery (1,80,000 × 100/90 – 1,80,000)	20,000		
To Furniture (90,000 – 87,000)	3,000				
To Profit transferred to partners Capital A/cs	10,000				
Akul	4,000				
Bakul	4,000				
Chandan	2,000				
	20,000		20,000		

Partners' Capital Accounts



Dr.

Cr.

Particulars	L.F.	Akul (₹)	Bakul (₹)	Chandan (₹)	Particulars	L.F.	Akul (₹)	Bakul (₹)	Chandan (₹)
To Bakul's Capital A/c		80,000		40,000	By Balance b/d		1,60,000	1,20,000	92,000
To Cash A/c				8,000	By General Reserve		8,000	8,000	4,000
To Bakul's Loan A/c			2,52,000		By Akul's Capital A/c			80,000	
To Balance c/d		1,00,000		50,000	By Chandan's Capital A/c			40,000	
		1,80,000	2,52,000	98,000	By Revaluation A/c		4,000	4,000	2,000
					By Cash A/c		8,000		
							1,80,000	2,52,000	98,000

Balance Sheet
as on 31st March 2018

Liabilities	Amount (₹)	Assets	Amount (₹)
Sundry Creditors	45,000	Cash at Bank (42,000 + 8,000 – 8,000)	42,000
Employees Provident Fund	13,000	Debtors	60,000
Bakul's Loan	2,52,000	Less: Provision	(9,000)
Partners' Capital Accounts		Stock	80,000
Akul	1,00,000	Furniture	87,000
Chandan	50,000	Plant & Machinery	2,00,000
	4,60,000		4,60,000

Working Notes:

1) Computation of amount of goodwill to be credited to Bakul's Capital

Revalued Goodwill of the firm = ₹ 3,00,000

Bakul's Share in Goodwill = $3,00,000 \times \frac{2}{5} = 1,20,000$

Bakul's share to be compensated by Akul = $1,20,000 \times \frac{2}{3} = 80,000$

Bakul's share to be compensated by Chandan = $1,20,000 \times \frac{1}{3} = 40,000$

2) Computation of New Capital of remaining partners after Bakul's Retirement

Adjusted Capital of Akul = 92,000

Adjusted Capital of Chandan = 58,000

Total Adjusted Capital of Partners = (92,000 + 58,000) = 1,50,000

New Capital Share of Akul = $1,50,000 \times \frac{2}{3} = ₹ 1,00,000$

New Capital Share of Chandan = $1,50,000 \times \frac{1}{3} = ₹ 50,000$

Disclaimer: It has been assumed that excess/shortage in partner's capital was adjusted through bringing in/paying out cash to/by the partner(s).

OR

Revaluation Account

Dr.		Cr.	
Particulars	Amount (₹)	Particulars	Amount (₹)
To Furniture (10% of 3,00,000)	30,000	By Stock	30,000
To Profit on revaluation transferred to Old Partners' Capital Accounts		By Investments	40,000
Sanjana	24,000		
Alok	16,000		
	70,000		70,000

Partners' Capital Accounts

Dr.					Cr.				
Particulars	L.F.	Sanjana (₹)	Alok (₹)	Nidhi (₹)	Particulars	L.F.	Sanjana (₹)	Alok (₹)	Nidhi (₹)
To Cash A/c		30,000	20,000		By Balance b/d		5,00,000	4,00,000	
To Investments A/c			3,00,000		By Cash A/c				3,00,000



To Cash A/c	1,40,000	----		By WCF	36,000	24,000	
				By Premium for Goodwill A/c	60,000	40,000	
To Balance c/d	4,50,000	3,00,000	3,00,000	By Revaluation A/c Profit	24,000	16,000	
				By Cash A/c	----	1,40,000	
	6,20,000	6,20,000	3,00,000		6,20,000	6,20,000	3,00,000

Balance Sheet
as on 31st March 2018

Liabilities	Amount (₹)	Assets	Amount (₹)
Creditors	60,000	Cash at Bank (1,66,000 + 3,00,000 + 1,00,000 – 50,000 + 1,40,000 – 1,40,000)	5,16,000
Partners' Capital Accounts		Debtors	1,46,000
Sanjana	4,50,000	Less: Provision	(2,000)
Alok	3,00,000	Stock (1,50,000 + 30,000)	1,80,000
Nidhi	3,00,000	Furniture (90% of 3,00,000)	2,70,000
	11,10,000		11,10,000

Working Note:

Computation of amount of goodwill to be brought in by Nidhi and adjusted to sacrificing partners

Revalued Goodwill of the firm = ₹4,00,000

$$\text{Nidhi's Share in Goodwill} = 4,00,000 \times \frac{1}{4} = 1,00,000$$

Sacrificing Ratio of old partners = Old Profit Sharing Ratio of old partners

$$\text{Sanjan's share in premium for goodwill} = 1,00,000 \times \frac{3}{5} = 60,000$$

$$\text{Alok's share premium for goodwill} = 1,00,000 \times \frac{2}{5} = 40,000$$

2) Computation of Partners' adjusted Capital after Nidhi' admission in the New Profit Sharing Ratio

New Profit Sharing Ratio of Sanjana = Remaining Profit Share after Nidhi's Admission \times Old Profit Sharing Ratio

$$\text{New Profit Sharing Ratio of Sanjana} = \left(1 - \frac{1}{4}\right) \times \frac{3}{5} = \frac{3}{4} \times \frac{3}{5} = \frac{9}{20};$$

$$\text{New Profit Sharing Ratio of Alok} = \left(1 - \frac{1}{4}\right) \times \frac{2}{5} = \frac{3}{4} \times \frac{2}{5} = \frac{6}{20};$$

$$\text{Profit Sharing Ratio of Nidhi} = \frac{1}{4} = \frac{5}{20}$$

So, New Profit Sharing Ratio among Sanjana, Alok and Nidhi = 9 : 6 : 5

Total Adjusted Capital of Sanjana and Alok = 5,90,000 + 1,60,000 = 7,50,000

$$\text{New Capital of Sanjana} = 7,50,000 \times \frac{9}{15} = 4,50,000;$$

$$\text{New Capital of Alok} = 7,50,000 \times \frac{6}{15} = 3,00,000.$$

PART B

ACCOUNTANCY

Question 18

Mevo Ltd., a financial enterprise had advanced a loan of ₹ 3,00,000, invested ₹ 6,00,000 in shares of the other companies and purchased machinery for ₹ 9,00,000. It received dividend of ₹ 70,000 on investment in shares. The company sold an old machine of the book value of ₹ 79,000 at a loss of ₹ 10,000.

Compute Cash flows from Investing Activities.

SOLUTION:

An extract of Mevo Ltd.'s Cash Flow Statement for the year ended

Particulars	Amount (₹)
-------------	---------------



Computation of Cash flow from Investing Activities	
Purchase of Machinery	(9,00,000)
Investment in Shares of other companies	(6,00,000)
Sale of Machine	69,000
Cash outflow as per investing activities	14,31,000

Question 19

Give the meaning of 'Cash Equivalents' for the purpose of preparing Cash Flow Statement.

SOLUTION:

These are short-term highly liquid investments which are easily convertible into cash without a significant risk of loss in the value of the investments due to change.

Question 20

Explain briefly any four objectives of 'Analysis of Financial Statements'.

OR

State under which major headings and sub-headings will the following items be presented in the Balance Sheet of a company as per Schedule-III, Part-I of the Companies Act, 2013.

- (i) Prepaid Insurance
- (ii) Investments in Debentures
- (iii) Calls-in-arrears
- (iv) Unpaid dividend
- (v) Capital Reserve
- (vi) Loose Tools
- (vii) Capital work-in-progress
- (viii) Patents being developed by the company.

SOLUTION:

The following are the objectives of the Financial analysis.

1. It enables the conduct of meaningful comparisons of financial data. It provides better and easy understanding of the changes in the financial data over time.
2. It helps in designing effective plans and better execution of plans by enabling control and checks over the use of the financial resources.
3. Analysis of Financial Statements helps to know the earning capacity and profitability of a business firm. It also measures the efficiency of the business operations.
4. It also helps in assessing the solvency position of the firm. This implies that by studying the analysis of financial statements the ability of a firm to discharge its short-term as well as long-term obligations (debts).



OR

Item	Heading	Sub-heading
Prepaid Insurance	Current Assets	Other Current Assets
Investments in Debentures	Non-Current assets	Non-Current Investments
Calls-in-arrears	Shareholder's Funds	Share Capital: Notes to Accounts
Unpaid Dividend	Current liabilities	Other Current Liabilities
Capital Reserve	Shareholder's Funds	Reserves and Surplus
Loose Tools	Current assets	Inventories
Capital work-in-progress	Non-Current Assets	Fixed Assets
Patents being developed by the company	Non-Current Assets	Intangible Assets under development

Question 21

(a) Calculate Revenue from operations of BN Ltd. From the following information:

Current assets	₹ 8,00,000.
Quick ratio is	1.5 : 1
Current ratio is	2 : 1.
Inventory turnover ratio is	6 times.

Goods were sold at a profit of 25% on cost.

(b) The Operating ratio of a company is 60%. State whether 'Purchase of goods costing ₹ 20,000' will increase, decrease or not change the operating ratio.

OR

(a) Calculate 'Total Assets to Debt ratio' from the following information:

	₹
Equity Share Capital	4,00,000
Long Term Borrowings	1,80,000
Surplus i.e. Balance in statement of Profit and Loss	1,00,000
General Reserve	70,000
Current Liabilities	30,000
Long Term Provisions	1,20,000

(b) The Debt Equity ratio of a company is 1 : 2. State whether 'Issue of bonus shares' will increase, decrease or not change the Debt Equity Ratio.

Question 22

From the following information extracted from the Statement of Profit and Loss for the years ended 31st March, 2017 and 2018, prepare a Comparative Statement of Profit &

Loss.

Particulars	2017-18	2016-17
Revenue from operations	₹ 6,00,000	₹ 5,00,000
Other incomes (% of revenue from operations)	20%	20%
Employee benefit expenses (% of Total Revenue)	40%	30%
Tax rate	50%	50%

SOLUTION:

**Comparative Statement of Profit & Loss
For the year ended 31st March, 2017 and 2018**

Particulars	2016-17 (₹)	2017-18 (₹)	Absolute Change (₹)	Percentage Change
I. Revenue from Operations	5,00,000	6,00,000	1,00,000	20%
II. Other Income	1,00,000	1,20,000	20,000	20%
Total Revenue (I + II)	6,00,000	7,20,000	1,20,000	20%
Less: Employee Benefit Expenses	1,80,000	2,88,000	1,08,000	60%
Profit before Interest and Tax	4,20,000	4,32,000	12,000	2.86%
Less: Tax	2,10,000	2,16,000	6,000	2.86%
Profit After Interest and Tax	2,10,000	2,16,000	6,000	2.86%

Question 23

From the following Balance Sheet of Kiero Ltd. and the additional information as on 31-3-2018, prepare a Cash Flow Statement:

**Kiero Ltd.
Balance Sheet as at 31-03-2018**

Particulars	NoteNo.	31-03-18 (₹)	31-03-17 (₹)
I. Equity and Liabilities			
1. Shareholders Funds			
(a) Share Capital		7,90,000	5,80,000
(b) Reserves and Surplus	1	4,60,000	1,20,000
2. Non-Current Liabilities			
Long term Borrowings	2	5,00,000	3,00,000
3. Current Liabilities			
(a) Short term borrowings	3	1,15,000	42,000
(b) Short term Provisions	4	1,18,000	46,000
Total		19,83,000	10,88,000

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		19,83,000	10,88,000

Notes to Accounts

NoteNo.	Particulars	31-03-18(₹)	31-03-17(₹)
1.	Reserves and Surplus		
	Surplus (Balance in Statement of Profit and Loss)	3,20,000	60,000
	General Reserve	1,40,000	60,000
		4,60,000	1,20,000
2.	Long-term Borrowings		
	12% Debentures	5,00,000	3,00,000
		5,00,000	3,00,000
3.	Short-term Borrowings		
	Bank Overdraft	1,15,000	42,000
		1,15,000	42,000
4.	Short-term Provisions		
	Provision for Tax	1,18,000	46,000
		1,18,000	46,000
5.	Tangible Assets		
	Plant and Machinery	11,00,000	7,50,000
	Less :Accumulated Depreciation	(1,20,000)	(1,15,000)
		9,80,000	6,35,000
6.	Intangible Assets		
	Goodwill	2,68,000	1,70,000
		2,68,000	1,70,000

Additional Information:

12% debentures were issued on 1st September, 2017.

SOLUTION:

Cash Flow Statement



Particulars	Details	Amount (₹)
A. Cash Flow From Operating Activities		
Surplus as on 31 st March 2018	3,20,000	
Less: Surplus as on 31 st March 2017	(60,000)	
	2,60,000	
Add: Transfer to General Reserve (1,40,000 – 60,000)	80,000	
Provision for tax created during the year	1,18,000	
<i>Profit before tax and extraordinary items</i>		4,58,000
Add: Interest on 12% Debentures (3,00,000 × 12% + 2,00,000 × 12% × 7 months)	50,000	
Depreciation for the year (1,20,000 – 1,15,000)	5,000	55,000
<i>Operating Profit Before Working Capital Changes</i>		5,13,000
Less: Increase in the value of Trade Receivables (4,40,000 – 1,50,000)		(2,90,000)
Cash Generated from Operations		2,23,000
Less: Tax paid (i.e. Provision for tax created during the last year)		(46,000)
<i>Cash Flow From Operating Activities</i>		1,77,000
B. Cash Flow From Investing Activities		
Purchase of Plant and Machinery (11,00,000 – 7,50,000)	(3,50,000)	
Purchase of Goodwill (2,68,000 – 1,70,000)	(98,000)	(4,48,000)
<i>Cash Used in Investing Activities</i>		4,48,000
C. Cash Flow From Financing Activities		
Increase in Bank Overdraft (1,15,000 – 42,000)	73,000	
Proceeds from issue of 12% Debentures (5,00,000 – 3,00,000)	2,00,000	
Proceeds from issue Shares (7,90,000 – 5,80,000)	2,10,000	
Interest on 12% Debentures (3,00,000 × 12% + 2,00,000 × 12% × 7 months)	(50,000)	
<i>Cash Flow From Financing Activities</i>		4,33,000
D. Net Increase/Decrease in Cash & Cash Equivalents (A – B + C)		
		1,62,000
Add: Cash and Cash Equivalents as on 31 st March 2017		
Cash & Bank Balance	70,000	
Current Investments	63,000	1,33,000
E. Cash and Cash Equivalents as on 31st March 2018		
Cash & Bank Balance	1,55,000	



Current Investments	1,40,000	2,95,000