

**CBSE**  
**Class XII Accountancy**  
**All India Board Paper Set 3 – 2018**

**Time: 3 Hours**

**Max. Marks: 80**

**General Instructions:**

- 1) This question paper contains two parts **A** and **B**
- 2) Part **A** is **compulsory** for all
- 3) Part **B** has two options- Analysis of Financial Statement and Computerised Accounting.
- 4) Attempt only one option of part **B**.
- 5) All parts of a question should be attempted at one place

**SECTION A**

1. Distinguish between 'Dissolution of partnership' and 'Dissolution of partnership firm' on the basis of settlement of assets and liabilities. **[1]**
2. Is 'Reserve Capital' a part of 'unsubscribed capital' or 'Uncalled Capital'? **[1]**
3. Ritesh and Hitesh are childhood friends. Ritesh is a consultant whereas Hitesh is an architect. They contributed equal amounts and purchased a building for ₹2 crores. After a year, they sold it for ₹3 crores and shared the profits equally. Are they doing the business in partnership? Give reason in support of your answer. **[1]**
4. Amit and Beena were partners in a firm sharing profits and losses in the ratio of 3 : 1. Chaman was admitted as a new partner for  $\frac{1}{6}$  th share in the profits. Chaman acquired  $\frac{2}{5}$  th of his share from Amit.  
How much share did Chaman acquire from Beena? **[1]**
5. Give the meaning of 'Debentures issued as Collateral Security'. **[1]**
6. Neetu, Meetu and Teetu were partners in a firm. On 1<sup>st</sup> January, 2018, Meetu retired. On Meetu's retirement the goodwill of the firm was valued at ₹4,20,000.  
Pass necessary journal entry for the treatment of goodwill on Meetu's retirement. **[1]**
7. NK Ltd., a truck manufacturing company, is registered with an authorised capital of ₹1,00,00,000 divided into equity shares of ₹100 each. The subscribed and paid up capital of the company is ₹50,00,000. The company decided to open technical schools in the Jhalawar district of Rajasthan to train the specially abled children of the area. It is planning to provide them employment in its various production units and industries in the neighbourhood area.  
To meet the capital expenditure requirements of the project, the company offered 20,000 shares to the public for subscription. The shares were fully subscribed and paid.  
Present the share capital in the Balance Sheet of the company as per the provisions of Schedule III of the Companies Act, 2013. Also identify any two values that the company wants to communicate. **[3]**
8. What is meant by a 'Share'? Give any two differences between 'Preference Shares' and 'Equity Shares'. **[3]**
9. Jayant, Kartik and Leena were partners in a firm sharing profits and losses in the ratio of 5 : 2 : 3. Kartik died and Jayant and Leena decided to continue the business. Their gaining ratio was 2 : 3.  
Calculate the new profit sharing ratio of Jayant and Leena. **[3]**



10. Complete the following journal entries left blank in the books of VK Ltd.:

[3]

**VK Ltd.**  
**Journal**

| Date          | Particulars   | L.F. | Dr.<br>₹ | Cr.<br>₹ |
|---------------|---|------|----------|----------|
| 2018<br>Feb 1 | _____ Dr.<br><br>(Purchased own 500, 9% debentures of ₹100 each at ₹97 each for immediate cancellation) |      | _____    | _____    |
| Feb 1         | _____ Dr.<br><br>(Cancelled own debentures)   |      | _____    | _____    |
| _____         | _____ Dr.<br><br>(_____)  |      | _____    | _____    |

11. Banwari, Girdhari and Murari are partners in a firm sharing profits and losses in the ratio of 4 : 5 : 6. On 31<sup>st</sup> March, 2014, Girdhari retired. On that date the capitals of Banwari, Girdhari and Murari before the necessary adjustments stood at ₹2,00,000, ₹1,00,000 and ₹50,000 respectively. On Girdhari's retirement, goodwill of the firm was valued at ₹1,14,000. Revaluation of assets and re-assessment of liabilities resulted in a profit of ₹6,000. General Reserve stood in the books of the firm at ₹30,000.

The amount payable to Girdhari was transferred to his loan account. Banwari and Murari agreed to pay Girdhari two yearly instalments of ₹75,000 each including interest @ 10% p.a. on the outstanding balance during the first two years and the balance including interest in the third year. The firm closes its books on 31<sup>st</sup> March every year.

Prepare Girdhari's loan account till it is finally paid showing the working notes clearly.

[4]

12. Asha and Aditi are partners in a firm sharing profits and losses in the ratio of 3 : 2. They admit Raghav as a partner for  $\frac{1}{4}$ th share in the profits of the firm. Raghav brings ₹6,00,000 as his capital and his share of goodwill in cash. Goodwill of the firm is to be valued at two years' purchase of average profits of the last four years.

The profits of the firm during the last four years are given below:

| Year    | Profit (₹) |
|---------|------------|
| 2013-14 | 3,50,000   |
| 2014-15 | 4,75,000   |
| 2015-16 | 6,70,000   |
| 2016-17 | 7,45,000   |

The following additional information is given:

(i) To cover management cost an annual charge of ₹56,250 should be made for the purpose of valuation of goodwill.

(ii) The closing stock for the year ended 31.3.2017 was overvalued by ₹15,000.

Pass necessary journal entries on Raghav's admission showing the working notes clearly.

[4]



13. Chander and Damini were partners in a firm sharing profits and losses equally. On 31<sup>st</sup> March, 2017 their Balance Sheet was as follows:

**Balance Sheet of Chander and Damini**  
as on 31.3.2017

| Liabilities      | Amount<br>₹     | Assets            | Amount<br>₹     |
|------------------|-----------------|-------------------|-----------------|
| Sundry Creditors | 1,04,000        | Cash at Bank      | 30,000          |
| Capitals:        |                 | Bills Receivable  | 45,000          |
| Chander          | 2,50,000        | Debtors           | 75,000          |
| Damini           | 2,16,000        | Furniture         | 1,10,000        |
|                  | 4,66,000        | Land and Building | 3,10,000        |
|                  | <b>5,70,000</b> |                   | <b>5,70,000</b> |

On 1.4.2017, they admitted Elina as a new partner for  $\frac{1}{3}$ rd share in the profits on the following conditions:

- (i) Elina will bring ₹3,00,000 as her capital and ₹50,000 as her share of goodwill premium, half of which will be withdrawn by Chander and Damini.
- (ii) Debtors to the extent of ₹5,000 were unrecorded.
- (iii) Furniture will be reduced by 10% and 5% provision for bad and doubtful debts will be created on bills receivables and debtors.
- (iv) Value of land and building will be appreciated by 20%.
- (v) There being a claim against the firm for damages, a liability to the extern of ₹8,000 will be created for the same.

Prepare Revaluation Account and Partners Capital Accounts.

**[6]**

14. On 1<sup>st</sup> April, 2014, KK Ltd. invited applications for issuing 5,000 10% debentures of ₹1,000 each at a discount of 6%. These debentures were repayable at the end of 3<sup>rd</sup> year at a premium of 10%. Applications for 6,000 debentures were received and the debentures were allotted on pro-rata basis to all the applicants. Excess money received with applications was refunded.

The directors decided to transfer the minimum amount to Debenture Redemption Reserve on 31.3.2016. On 1.4.2016, the company invested the necessary amount in 9% bank fixed deposit as per the provisions of the Companies Act 2013. Tax was deducted at source by bank on interest @10% p.a.

Pass the necessary journal entries for issue and redemption of debentures. Ignore entries relating to writing off loss on issue of debentures and interest paid on debentures.

**[6]**

15. Pranav, Karan and Rahim were partners in a firm sharing profits and losses in the ratio of 2: 2 : 1. On 31<sup>st</sup> March, 2017 their Balance Sheet was as follows:

**Balance Sheet of Pranav, Karan and Rahim**  
as on 31.3.2017

| Liabilities     | Amount<br>₹     | Assets       | Amount<br>₹     |
|-----------------|-----------------|--------------|-----------------|
| Creditors       | 3,00,000        | Fixed Assets | 4,50,000        |
| General Reserve | 1,50,000        | Stock        | 1,50,000        |
| Capitals        |                 | Debtors      | 2,00,000        |
| Pranav          | 2,00,000        | Bank         | 1,50,000        |
| Karan           | 2,00,000        |              |                 |
| Rahim           | 1,00,000        |              |                 |
|                 | 5,00,000        |              |                 |
|                 | <b>9,50,000</b> |              | <b>9,50,000</b> |

Karan died on 12.6.2017. According to the partnership deed, the legal representatives of the deceased partner were entitled to the following:

- (i) Balance in his Capital Account

- (ii) Interest on Capital @12% p.a.  
 (iii) Share of goodwill. Goodwill of the firm on Karan's death was valued at ₹60,000.  
 (iv) Share in the profits of the firm till the date of his death, calculated on the basis of last year's profit. The profit of the firm for the year ended 31.3.2017 was ₹5,00,000.  
 Prepare Karan's Capital Account to be presented to his representatives. **[6]**

16. Moli, Bhola and Raj were partners in a firm sharing profits and losses in the ratio of 3 : 3 : 4. Their partnership deed provided for the following:  
 (i) Interest on capital @ 5% p.a.  
 (ii) Interest on drawing @ 12% p.a.  
 (iii) Interest on partners' loan @ 6% p. a.  
 (iv) Moli was allowed an annual salary of ₹4,000; Bhola was allowed a commission of 10% of net profit as shown by Profit and Loss Account and Raj was guaranteed a profit of ₹1,50,000 after making all the adjustments as provided in the partnership agreement. Their fixed capitals were Moli : ₹5,00,000; Bhola : ₹8,00,000 and Raj : ₹4,00,000. On 1<sup>st</sup> April, 2016 Bhola extended a loan of ₹1,00,000 to the firm. The net profit of the firm for the year ended 31<sup>st</sup> March, 2017 before interest on Bhola's loan was ₹3,06,000. Prepare Profit and Loss Appropriation Account of Moli, Bhola and Raj for the year ended 31<sup>st</sup> March, 2017 and their Current Accounts assuming that Bhola withdrew ₹5,000 at the end of each month, Moli withdrew ₹10,000 at the end of each quarter and Raj withdrew ₹40,000 at the end of each half year. **[8]**

Or

- Srijan, Raman and Manan were partners in a firm sharing profits and losses in the ratio of 2 : 2 : 1. On 31<sup>st</sup> March, 2017 their Balance Sheet was as follows: **[8]**

**Balance Sheet of Chander and Damini**  
as on 31.3.2017

| Liabilities        | Amount<br>₹     | Assets            | Amount<br>₹     |
|--------------------|-----------------|-------------------|-----------------|
| Capitals:          |                 | Capital: Manan    | 10,000          |
| Srijan             | 2,00,000        | Plant             | 2,20,000        |
| Raman              | 1,50,000        | Investment        | 70,000          |
|                    | 3,50,000        | Stock             | 50,000          |
| Creditors          | 75,000          | Debtors           | 60,000          |
| Bills Payable      | 40,000          | Bank              | 10,000          |
| Outstanding Salary | 35,000          | Profit & Loss A/c | 80,000          |
|                    | <b>5,00,000</b> |                   | <b>5,00,000</b> |

On the above date they decided to dissolve the firm.

- (i) Srijan was appointed to realise the assets and discharge the liabilities. Srijan was to receive 5% commission on sale of assets (except cash) and was to bear all expenses of realisation.  
 (ii) Assets were realised as follows:  
 ₹  
 Plant 85,000  
 Stock 33,000  
 Debtors 47,000  
 (iii) Investments were realised at 95% of the book value.  
 (iv) The firm had to pay ₹7,500 for an outstanding repair bill not provided for earlier.  
 (v) A contingent liability in respect of bills receivable, discounted with the bank had also materialised and had to be discharged for ₹15,000.  
 (vi) Expenses of realisation amounting to ₹3,000 were paid Srijan.  
 Prepare Realisation Account Partners' Capital Accounts and Bank Account.

17. A Ltd. invited applications for issuing 1,00,000 shares of ₹10 each at a premium of ₹1 per share. The amount was payable as follows:

|                           |                                  |
|---------------------------|----------------------------------|
| On Application:           | ₹3 per share                     |
| On Allotment:             | ₹3 per share (including premium) |
| On First Call:            | ₹3 per share                     |
| On Second and Final Call: | Balance amount                   |

Applications for 1,60,000 shares were received. Allotment was made on the following basis:

|  |               |
|--|---------------|
| (i) To applicants for 90,000 shares:   | 40,000 shares |
| (ii) To applicants for 50,000 shares:  | 40,000 shares |
| (iii) To applicants for 20,000 shares: | full shares   |

Excess money paid on application is to be adjusted against the amount due on allotment and calls.

Rishabh, a shareholder, who applied for 1,500 shares and belonged to category (ii), did not pay allotment, first and second and final call money.

Another shareholder, Sudha, who applied for 1,800 shares and belonged to category (i), did not pay the first and second and final call money.

All the shares of Rishabh and Sudha were forfeited and were subsequently re-issued at ₹7 per share fully paid.

Pass the necessary journal entries in the books of A Ltd. Open Calls-in-Arrears Account and Calls-in-Advance Account wherever required. **[8]**

**Or**

X Ltd. invited applications for issuing 50,000 equity shares of ₹10 each. The amount was payable as follows:

|                           |                |
|---------------------------|----------------|
| On Application:           | ₹2 per share   |
| On Allotment:             | ₹2 per share   |
| On First Call:            | ₹3 per share   |
| On Second and Final Call: | Balance amount |

Applications for 70,000 shares were received. Applications for 10,000 shares were rejected and the application money was refunded. Shares were allotted to the remaining applicants on a pro-rata basis and excess money received with applications was transferred towards sums due on allotment and calls, if any.

Gopal, who applied for 600 shares, paid his entire share money with application. Ghosh, who had applied for 6,000 shares, failed to pay the allotment money and his shares were immediately forfeited. These forfeited shares were re-issued to Sultan for ₹20,000; ₹4 per share paid up. The first call money and the second and final call money was called and duly received.

Pass necessary journal entries for the above transactions in the books of X Ltd. Open Calls-in-Advance Account and Calls-in-Arrears Account wherever necessary. **[8]**

### **SECTION B**

18. State the primary objective of preparing a Cash Flow Statement. **[1]**

19. 'Interest received and paid' is considered as which type of activity by a finance company while preparing a Cash Flow Statement? **[1]**

20. From the following information obtained from the books of Kundan Ltd., calculate the inventory turnover ratio for the years 2015-16 and 2016-17 :

|                                     | 2015-16 (₹) | 2016-17(₹) |
|-------------------------------------|-------------|------------|
| Inventory on 31 <sup>st</sup> March | 7,00,000    | 17,00,000  |
| Revenue from operations             | 50,00,000   | 75,00,000  |

(Gross profit is 25% on cost of revenue from operations)

In the year 2015-16, inventory increased by ₹2,00,000. **[4]**

21. JW Ltd. was a company manufacturing geysers. As a part of its long term goal for expansion, the company



decided to identify the opportunity in rural areas. Initial plan was rolled out for Bhiwani village in Haryana. Since the village did not have regular supply of electricity, the company decided to manufacture solar geysers. The core team consisting of the Regional Manager, Accountant and the Marketing Manager was taken from the Head Office and the remaining employees were selected from the village and neighbourhood areas. At the time of preparation of financial statements, the accountant of the company fell sick and the company deputed a junior accountant temporarily from the village for two months. The Balance Sheet prepared by the junior accountant showed the following items against the Major Heads and Sub-heads mentioned which were not as per Schedule III of the Companies Act, 2013.

| Items               | Major Head/Sub-Head         |
|---------------------|-----------------------------|
| Loose Tools         | Trade Receivables           |
| Cheques in Hand     | Current Investments         |
| Term Loan from Bank | Other Long-term Liabilities |
| Computer Software   | Tangible Fixed Assets       |

Identify any two values that the company wants to communicate to the society. Also present the above items under the correct major heads and sub-heads as per Schedule III of the Companies Act, 2013. [4]

22. Prepare a common size Balance Sheet of KJ Ltd. from the following information: [4]

| Particular                       | Note No. | 31-3-2017<br>₹   | 31-3-2016<br>₹  |
|----------------------------------|----------|------------------|-----------------|
| <b>I. Equity and Liabilities</b> |          |                  |                 |
| 1. Shareholders' Funds           |          | 8,00,000         | 4,00,000        |
| 2. Non-current Liabilities       |          | 5,00,000         | 2,00,000        |
| 3. Current Liabilities           |          | 3,00,000         | 2,00,000        |
| <b>Total</b>                     |          | <b>16,00,000</b> | <b>8,00,000</b> |
| <b>II. Assets</b>                |          |                  |                 |
| 1. Non- Current Assets           |          | 10,00,000        | 5,00,000        |
| 2. Current Assets                |          | 6,00,000         | 3,00,000        |
| <b>Total</b>                     |          | <b>16,00,000</b> | <b>8,00,000</b> |

23. From the following Balance Sheet of JY Ltd. as at 31<sup>st</sup> March 2017, prepare a Cash Flow Statement : [6]

**Balance Sheet of JY Ltd.  
as at 31.3.2017**

| Particular                         | Note No. | 31-3-2017<br>₹   | 31-3-2016<br>₹  |
|------------------------------------|----------|------------------|-----------------|
| <b>I. Equity and Liabilities</b>   |          |                  |                 |
| <b>1. Shareholders' Funds:</b>     |          |                  |                 |
| (a) Share capital                  |          | 5,00,000         | 5,00,000        |
| (b) Reserves and surplus           | 1        | 1,00,000         | (25,000)        |
| <b>2. Non-current Liabilities:</b> |          |                  |                 |
| Long term-borrowing                | 2        | 2,50,000         | 1,50,000        |
| <b>3. Current Liabilities:</b>     |          |                  |                 |
| (a) Short-term borrowings          | 3        | 1,50,000         | 1,00,000        |
| (b) Short-term provisions          | 4        | 2,00,000         | 1,25,000        |
| <b>Total</b>                       |          | <b>12,00,000</b> | <b>8,50,000</b> |
| <b>II. Assets</b>                  |          |                  |                 |
| <b>1. Non- Current Assets:</b>     |          |                  |                 |
| <b>(a) Fixed Assets:</b>           |          |                  |                 |
| (i) Tangible                       | 5        | 6,00,000         | 4,50,000        |
| <b>2. Current Assets:</b>          |          |                  |                 |
| (a) Trade Receivable               |          | 2,75,000         | 2,25,000        |
| (b) Cash and Cash Equivalents      |          | 1,25,000         | 75,000          |
| (c) Short-term Loans and Advances  |          | 2,00,000         | 1,00,000        |
| <b>Total</b>                       |          | <b>12,00,000</b> | <b>8,50,000</b> |

**Notes to Accounts**

| <b>Note No</b> | <b>Particulars</b>  | <b>31-3-2017<br/>₹</b> | <b>31-3-2016<br/>₹</b> |
|----------------|---|------------------------|------------------------|
| 1.             | Reserve and Surplus<br>(Surplus i.e. Balance in Statement of Profit and Loss) | 1,00,000               | (25,000)               |
|                |   | <b>1,00,000</b>        | <b>(25,000)</b>        |
| 2.             | Long term borrowings :<br>10 % Debentures                                     | 2,50,000               | 1,50,000               |
|                |   | <b>2,50,000</b>        | <b>1,50,000</b>        |
| 3.             | Short - term borrowings :<br>Bank Overdraft                                   | 1,50,000               | 1,00,000               |
|                |   | <b>1,50,000</b>        | <b>1,00,000</b>        |
| 4.             | Short - term provisions:<br>(i) Proposed Dividend<br>(ii) Provision for Tax   | 75,000<br>1,25,000     | 50,000<br>75,000       |
|                |   | <b>2,00,000</b>        | <b>1,25,000</b>        |
| 5.             | Tangible Assets:<br>Machinery<br>Accumulated Depreciation                     | 7,37,500<br>(1,37,500) | 5,25,000<br>(75,000)   |
|                |   | <b>6,00,000</b>        | <b>4,50,000</b>        |

**Additional Information:**

₹1,00,000, 10% Debentures were issued on 31-3-2017.



**CBSE**  
**Class XII Accountancy**  
**All India Board Paper Set 3- 2018 Solution**

**SECTION A**

1. **Answer :**

| Basis                                 | Dissolution of partnership  | Dissolution of firm  |
|---------------------------------------|---|--|
| Settlements of Assets and Liabilities | Assets and Liabilities are revalued and the gain or loss is distributed to all partners in old ratio. | Assets of the firm are realised and liabilities are settled. Balance amount, if any is distributed among all partners. |

2. **Answer :**

Reserve Capital is a part of "Uncalled Capital".

3. **Answer :**

No, the relationship between Ritesh and Hitesh cannot be called as Partnership but would be they regarded as the co-owners. This is because, Partnership requires the partners to conduct the business on a regular basis and share the profits from the same whereas in this case this is a one-time activity.

4. **Answer :**

$$\text{Share of Chaman} = \frac{1}{6}$$

$$\text{Share acquired from Amit} = \frac{2}{5} \times \frac{1}{6} = \frac{2}{30}$$

Share acquired from Beena = Share of Chaman – Acquired from Amit

$$= \frac{1}{6} - \frac{2}{30} = \frac{3}{30} = \frac{1}{10}$$

5. **Answer :**

Loans taken are majorly secured by mortgage of the assets known as prime or principal security. Security given in addition to the prime or principal security is termed as Collateral Security. If the borrower is not able to pay the principal amount or interest on loan amount, then the lender has the right to recover the dues from the sale of primary security and in case if the primary security is not sufficient to recover the amount of debt, then the collateral security can be used to recover the due amount.

6. **Answer :**

Meetu's Share in Profits:  $\frac{1}{3}$  (as the profit sharing ratio is not given, it is assumed to be equal).

Goodwill of the firm = ₹4,20,000

$$\text{Meetu's share of Goodwill} = 4,20,000 \times \frac{1}{3} = ₹1,40,000$$

**Journal**

| Date          | Particulars  | L.F.       | Dr.<br>₹         | Cr.<br>₹ |
|---------------|--|------------|------------------|----------|
| 2018<br>Jan 1 | Neetu's Capital A/c<br>Teetu's Capital A/c<br>To Meetu's Capital A/c<br>(Being goodwill adjusted in 1:1) | Dr.<br>Dr. | 70,000<br>70,000 | 1,40,000 |





7. Answer :

**Balance Sheet (Extract)**

| Particular                       | Note No. | Current year<br>₹ | Previous year<br>₹ |
|----------------------------------|----------|-------------------|--------------------|
| <b>I. Equity and Liabilities</b> |          |                   |                    |
| <b>1. Shareholders' Funds</b>    |          |                   |                    |
| (a) Share capital                | 1        | 70,00,000         | 50,00,000          |
| <b>Total</b>                     |          | <b>70,00,000</b>  | <b>50,00,000</b>   |

**NOTES TO ACCOUNT**

| 1 | Particulars   | ₹                |
|---|---|------------------|
|   | <b>Share Capital</b>  |                  |
|   | Authorised Capital<br>1,00,000 Equity Shares of ₹100 each   | 1,00,00,000      |
|   | Issued share Capital<br>70,000 Equity Shares of ₹100 each<br>subscribed fully paid-up capital<br>70,000 Equity Shares of ₹100 each; Fully Called up | 70,00,000        |
|   |   | <b>70,00,000</b> |

**Values involved are:**

- (a) Generation of Employment
- (b) Social-upliftment by showing concerns for the differently-abled children.

8. Answer :

A company is an entity incorporated by a group of persons through the process of law and has a share capital divided into shares, the owners of which are referred to as members or shareholders. Share here refers to a unit into which the share capital of a company is divided. It includes the stock of the company and represents ownership claims on business.

| Basis of Difference | Preference Shares  | Equity Shares  |
|---------------------|--|--|
| Voting Rights       | Preference shareholders have voting rights only in special circumstances | Equity shareholders have voting rights in all the circumstances.                         |
| Rate of Dividend    | Fixed rate of dividend is received                                       | Rate of dividend is decided by the board every year and is approved by the shareholders. |

9. Answer :

$$\text{Jayant's Share (Old)} = \frac{5}{10}$$

$$\text{Jayant's Gain} = \frac{2}{5} \times \frac{2}{10} = \frac{4}{50}$$

Jayant's New Share = Jayant's Old Share + Jayant's Gain

$$= \frac{5}{10} + \frac{4}{50} = \frac{29}{50}$$

$$\text{Leena's Share (Old)} = \frac{3}{10}$$

$$\text{Leena's Gain} = \frac{3}{5} \times \frac{2}{10} = \frac{6}{50}$$

Leena's New Share = Leena's Old Share + Leena's Gain

$$= \frac{3}{10} + \frac{6}{50} = \frac{21}{50}$$

Thus, the New Profit Sharing Ratio of Jayant and Leena would be 29 : 21

10. Answer :

VK Ltd.  
Journal

| Date          | Particulars   | L.F. | Dr.<br>₹ | Cr.<br>₹        |
|---------------|---|------|----------|-----------------|
| 2018<br>Feb 1 | Own Debenture A/c<br>To cash and Bank A/c<br>(Purchased own 500, 9% debentures of ₹100 each at ₹97 each for immediate cancellation) | Dr.  | 48,500   | 48,500          |
| Feb 1         | 9% Debentures A/c<br>To Own Debenture A/c<br>To Gain on cancellation of Own Debenture A/c<br>(Cancelled own debentures)             | Dr.  | 50,000   | 48,500<br>1,500 |
| March 31      | Gain on cancellation of Own Debenture A/c<br>To Capital Reserve A/c<br>(Gain on cancellation transferred to capital Reserve)        | Dr.  | 1,500    | 1,500           |

11. Answer :

Capital of Girdhari = ₹1,00,000

Girdhari's Share of Goodwill =  $1,14,000 \times \frac{5}{15} = 38,000$

Girdhari's Share in Revaluation Profit =  $6,000 \times \frac{5}{15} = 2,000$

Girdhari's Share in General Reserve =  $30,000 \times \frac{5}{15} = 10,000$

Total Amount Payable to Girdhari = ₹1,00,000 + ₹ 38,000 + ₹ 2,000 + ₹ 10,000 = ₹1,50,000

In books of Banwari & Murari  
Girdhari's Loan Account

| Dr.      |                      |                 | Cr.      |                           |                 |
|----------|----------------------|-----------------|----------|---------------------------|-----------------|
| Date     | Particulars          | ₹               | Date     | Particulars               | ₹               |
| 2015     |                      |                 | 2014     |                           |                 |
| March 31 | To Cash and Bank A/c | 75,000          | April 1  | By Girdhari's Capital A/c | 1,50,000        |
| March 31 | To Balance c/d       | 90,000          | 2015     |                           |                 |
|          |                      | <b>1,65,000</b> | March 31 | By Interest A/c           | 15,000          |
|          |                      |                 |          |                           | <b>1,65,000</b> |
| 2016     |                      |                 | 2015     |                           |                 |
| March 31 | To Cash and Bank A/c | 75,000          | April 1  | By Balance b/d            | 90,000          |
| March 31 | To Balance c/d       | 24,000          | 2016     |                           |                 |
|          |                      | <b>99,000</b>   | March 31 | By Interest A/c           | 9,000           |
|          |                      |                 |          |                           | <b>99,000</b>   |
| 2016     |                      |                 | 2016     |                           |                 |
| March 31 | To Cash and Bank A/c | 26,400          | April 1  | By Balance b/d            | 24,000          |
|          |                      | <b>26,400</b>   | 2016     |                           |                 |
|          |                      |                 | March 31 | By Interest A/c           | 2,400           |
|          |                      |                 |          |                           | <b>26,400</b>   |

Working Notes:

1. Interest for Year 1 =  $1,50,000 \times \frac{10}{100} = 15,000$

$$2. \text{ Interest for Year 2} = 90,000 \times \frac{10}{100} = 9,000$$

$$3. \text{ Interest for Year 1} = 24,000 \times \frac{10}{100} = 2,400$$

**12. Answer :**

Computation of Adjusted Profit:

**Journal  
In the books of Z Ltd**

| Year    | Profit (₹) Adjustments                                 | Adjusted Profit (₹) |
|---------|--|---------------------|
| 2013-14 | ₹3,50,000 – ₹56,250 for Management Cost                | 2,93,750            |
| 2014-15 | ₹4,75,000 – ₹56,250 for Management Cost                | 4,18,750            |
| 2015-16 | ₹6,70,000 – ₹56,250 for Management Cost                | 6,13,750            |
|         | ₹7,45,000 – ₹56,250 for Management Cost      6,88,750  |                     |
| 2016-17 | – ₹15,000 overvaluation of closing Stock      (15,000) | 6,73,750            |
|         | <b>Total Profit</b>                                    | <b>20,00,000</b>    |

$$\text{Average Profit} = \frac{₹20,00,000}{4} = ₹5,00,000$$

$$\text{Goodwill} = \text{Average Profit} \times \text{No. of years purchase} = ₹5,00,000 \times 2 = ₹10,00,000$$

$$\text{Raghav's Share of Goodwill} = ₹10,00,000 \times \frac{1}{4} = ₹2,50,000$$

**In the books of Asha, Aditi & Raghav  
Journal**

| Date           | Particulars   | L.F. | Dr. ₹    | Cr. ₹                |
|----------------|---|------|----------|----------------------|
| 2017<br>Apr. 1 | Cash A/c<br>To Raghav's Capital A/c<br>To Premium for Goodwill A/c<br>(Being Raghav's Capital and share of goodwill brought in cash)                    | Dr.  | 8,50,000 | 6,00,000<br>2,50,000 |
| Apr. 1         | Premium for Goodwill A/c<br>To Asha's Capital A/c<br>To Aditi's Capital A/c<br>(Being Goodwill distributed among sacrificing partners in the ratio 3:2) | Dr.  | 2,50,000 | 1,50,000<br>1,00,000 |

**13. Answer :**

**In the books of Chander & Damini  
Revaluation Account**

| Dr.                                   |               | Cr                   |               |
|---------------------------------------|---------------|----------------------|---------------|
| Particulars                           | ₹             | Particulars          | ₹             |
| To Furniture                          | 11,000        | By Debtors           | 5,000         |
| To Provision for bad & Doubtful debts | 6,250         | By Land and Building | 62,000        |
| To Claim for Damages                  | 8,000         |                      |               |
| To Profit transferred to:             |               |                      |               |
| Chander's Capital                     | 20,875        |                      |               |
| Damini's Capital                      | 20,875        |                      |               |
|                                       | <b>67,000</b> |                      | <b>67,000</b> |

**In the books of Chander, Damini & Elina  
Partner's Capital Account**

| Dr.            |          |          |          | Cr.                         |          |          |          |
|----------------|----------|----------|----------|-----------------------------|----------|----------|----------|
| Particulars    | Chander  | Damini   | Elina    | Particulars                 | Chander  | Damini   | Elina    |
| To Bank A/c    | 12,500   | 12,500   |          | By Balance b/d              | 2,50,000 | 2,16,000 |          |
| To Balance c/d | 2,83,375 | 2,49,375 | 3,00,000 | By Bank A/c                 |          |          | 3,00,000 |
|                |          |          |          | By Premium for Goodwill A/c | 25,000   | 25,000   |          |
|                |          |          |          | By Revaluation A/c          | 20,875   | 20,875   |          |
|                | 2,95,875 | 2,61,875 | 3,00,000 |                             | 2,95,875 | 2,61,875 | 3,00,000 |

14. Answer :

**In the books of KK Ltd.  
Journal**

| Date           | Particulars  | L.F. | Dr.<br>₹              | Cr.<br>₹                          |
|----------------|--|------|-----------------------|-----------------------------------|
| 2014<br>Apr 1  | Bank A/c <span style="float: right;">Dr.</span><br>To Debenture Application & Allotment A/c<br>(Being debenture application money received @ ₹940 on 6,000 debentures)   |      | 56,40,000             | 56,40,000                         |
| Apr 1          | Debenture Application & Allotment A/c <span style="float: right;">Dr.</span><br>Loss on Issue of Debentures A/c (3,00,000 + 5,00,000) <span style="float: right;">Dr.</span><br>To 10% Debenture A/c<br>To Premium on Redemption of Debenture A/c<br>To Bank A/c (1000*940)<br>(Being debentures allotted at a discount of 6% to be redeemable at a 10% premium. Excess refunded.) |      | 56,40,000<br>8,00,000 | 50,00,000<br>5,00,000<br>9,40,000 |
| 2016<br>Mar 31 | Balance in Statement of Profit & Loss A/c <span style="float: right;">Dr.</span><br>To Debenture Redemption Reserve A/c<br>(Being DRR created at 25%)  |      | 12,50,000             | 12,50,000                         |
| Apr 1          | Debenture Redemption Investment A/c <span style="float: right;">Dr.</span><br>To Bank A/c<br>(Being DRI in 9% Fixed deposit @ 15% of Debenture Face Value)   |      | 7,50,000              | 7,50,000                          |
| 2017<br>Mar 31 | 10% Debenture A/c <span style="float: right;">Dr.</span><br>Premium on Redemption of Debentures A/c <span style="float: right;">Dr.</span><br>To Debentureholders A/c<br>(Being debenture and premium repayment due)   |      | 50,00,000<br>5,00,000 | 55,00,000                         |
| Mar 31         | Bank A/c <span style="float: right;">Dr.</span><br>Income Tax Paid A/c <span style="float: right;">Dr.</span><br>To Debenture Redemption Investment A/c<br>To Interest on Debenture Redemption Investment A/c<br>(Being DRI matured and 9% Interest received thereon. Tax Deducted at source being 10% of the interest)  |      | 8,10,750<br>6,750     | 7,50,000<br>67,500                |
| Mar 31         | Debentureholders A/c <span style="float: right;">Dr.</span><br>To Bank A/c   |      | 55,00,000             | 55,00,000                         |

|        |  |     |           |           |
|--------|--|-----|-----------|-----------|
|        | (Being amount paid to Debentureholders)  |     |           |           |
| Mar 31 | Debenture Redemption Reserve A/c<br>To General Reserve A/c<br>(Being DRR transferred to General Reserve) | Dr. | 12,50,000 | 12,50,000 |

15. Answer :

**In the books of Pranav, Karan & Rahim  
Karan's Capital Account**

| Dr.    |                       |                 | Cr.    |                                    |                 |
|--------|-----------------------|-----------------|--------|------------------------------------|-----------------|
| Date   | Particulars           | ₹               | Date   | Particulars                        | ₹               |
| 2017   |                       |                 | Jun 12 | Balance b/d                        | 2,00,000        |
| Jun 12 | Karan's Executors A/c | 3,28,800        | Jun 12 | Interest on Capital A/c (WN 1)     | 4,800           |
|        |                       |                 | Jun 12 | Pranav's Capital (Goodwill) (WN 2) | 16,000          |
|        |                       |                 | Jun 12 | Rahim's Capital (Goodwill) (WN 2)  | 8,000           |
|        |                       |                 | Jun 12 | Profit Loss Suspense A/c (WN3)     | 40,000          |
|        |                       |                 | Jun 12 | General Reserve A/c                | 60,000          |
|        |                       | <b>3,28,800</b> |        |                                    | <b>3,28,800</b> |

**Working Notes:**

- Interest on capital** =  $2,00,000 \times \frac{12}{100} \times \frac{73}{365} = 4,800$
- Karan's Goodwill** =  $60,000 \times \frac{2}{5} = 24,000$
- Profit till the date of death** =  $5,00,000 \times \frac{73}{365} \times \frac{2}{5} = 40,000$

16. Answer :

**In the books of Moli, Bhola & Raj  
Profit & Loss Account  
for the year ended 31<sup>st</sup> march 2017**

| Dr.                               |                 | Cr.           |                 |
|-----------------------------------|-----------------|---------------|-----------------|
| Particulars                       | ₹               | Particulars   | ₹               |
| To Interest on Bhola's Loan       | 6,000           | By Net Profit | 3,06,000        |
| To Net Profit (P/L Appropriation) | 3,00,000        |               |                 |
|                                   | <b>3,06,000</b> |               | <b>3,06,000</b> |

**In the books of Moli, Bhola & Raj  
Profit & Loss Appropriation Account  
for the year ended 31<sup>st</sup> march 2017**

| Dr.                                      |                 |                         | Cr.   |                 |  |
|--|-----------------|-------------------------|-------|-----------------|--|
| Particulars                              | ₹               | Particulars             | ₹     | ₹               |  |
| To Interest on Capital:                  |                 | By Net Profit (P/L A/c) |       | 3,00,000        |  |
| Moli's Current                           | 25,000          | By Interest on Drawing  |       |                 |  |
| Bhola's Current                          | 40,000          | Moli's Current          | 1,800 |                 |  |
| Raj's Current                            | 20,000          | Bhola's Current         | 3,300 |                 |  |
| Moli's Salary                            |                 | Raj Current             | 2,400 | 7,500           |  |
| Bhola's Commission                       |                 |                         |       |                 |  |
| Profit transferred to:                   |                 |                         |       |                 |  |
| Moli's Current (56,550 - 37,300)         | 19,250          |                         |       |                 |  |
| Bhola's Current (56,550 - 37,300)        | 19,250          |                         |       |                 |  |
| Raj's Current (75,400 + 37,300 + 37,300) | 1,50,000        |                         |       |                 |  |
|  | <b>1,88,500</b> |                         |       |                 |  |
|  | <b>3,07,500</b> |                         |       | <b>3,07,500</b> |  |

**Partner's Capital Account**

| Dr.                  |        |        |          | Cr.                                     |        |        |          |
|----------------------|--------|--------|----------|---|--------|--------|----------|
| Particulars          | Moli   | Bhola  | Raj      | Particulars                             | Moli   | Bhola  | Raj      |
| To Drawings          | 60,000 | 40,000 | 80,000   | By P/L Appropriation (IOC)              | 25,000 | 40,000 | 20,000   |
| To P/L Appropriation | 1,800  | 3,300  | 2,400    | By P/L Appropriation (Salary)           | 4,000  |        |          |
| To Balance c/d       |        | 45,950 | 87,600   | By P/L Appropriation (Commission)       |        | 30,000 |          |
|                      |        |        |          | By P/L Appropriation (Divisible profit) | 19,250 | 19,250 | 1,50,000 |
|                      |        |        |          | By Balance c/d                          | 13,550 |        |          |
|                      | 61,800 | 89,250 | 1,70,000 |   | 61,800 | 89,250 | 1,70,000 |

**Or  
Realisation Account**

| Dr.   |          |                         | Cr.    |          |          |
|---|----------|-------------------------|--------|----------|----------|
| Particulars   | ₹        | Particulars             | ₹      |          |          |
| To Plant A/c  | 2,20,000 | By Creditors            | 75,000 |          |          |
| To Investment A/c                                     | 70,000   | By Bills Payable        | 40,000 |          |          |
| To Stock A/c  | 50,000   | By Outstanding Salary   | 35,000 |          |          |
| To Debtors A/c  | 60,000   | By Bank A/c             |        |          |          |
| To Bank A/c   |          | Plant                   | 85,000 |          |          |
| Creditors   | 75,000   | Stock                   | 33,000 |          |          |
| Bills Payable   | 40,000   | Debtors                 | 47,000 |          |          |
| Outstanding Salary                                    | 35,000   | Investment              | 66,500 | 2,31,500 |          |
| To Bank A/c   |          | By Partners Capital A/c |        |          |          |
| Outstanding Bill for Repair                           | 7,500    | Srijan                  | 81,030 |          |          |
| Dishonour of Discount Bill                            | 15,000   | Raman                   | 81,030 |          |          |
| To Srijan's Capital A/c Commission<br>(2,31,500×0.05) |          | Manan                   | 40,515 | 2,02,575 |          |
|   |          |                         |        |          |          |
|   | 5,84,075 |                         |        |          | 5,84,075 |

**Partner's Capital Account**

| Dr.                       |          |          |        | Cr.                             |          |          |        |
|---------------------------|----------|----------|--------|---------------------------------|----------|----------|--------|
| Particulars               | Srijan   | Raman    | Manan  | Particulars                     | Srijan   | Raman    | Manan  |
| To Balance b/d            |          |          | 10,000 | By Balance b/d                  | 2,00,000 | 1,50,000 |        |
| To P/L A/c                | 32,000   | 32,000   | 16,000 | By Realisation A/c (Commission) | 11,575   |          |        |
| To Realisation A/c (Loss) | 81,030   | 81,030   | 40,515 | By Bank A/c                     |          |          | 66,515 |
| To Bank A/c               | 98,545   | 36,970   |        |                                 |          |          |        |
|                           | 2,11,575 | 1,50,000 | 66,515 |                                 | 2,11,575 | 1,50,000 | 66,515 |

**Bank Account**

| Dr.                                 |          | Cr.                     |          |
|-------------------------------------|----------|-------------------------|----------|
| Particulars                         | ₹        | Particulars             | ₹        |
| To Balance b/d                      | 10,000   | By Realisation A/c      | 1,50,000 |
| To Realisation A/c (Asset realised) | 2,31,500 | By Realisation A/c      | 22,500   |
| To Manan's Capital A/c              | 66,515   | By Srijan's Capital A/c | 98,545   |
|                                     |          | By Raman's Capital A/c  | 36,970   |
|                                     | 3,08,015 |                         | 3,08,015 |



17. Answer :

**In the books of A Ltd.  
Journal**

| Date   | Particulars   | L.F. | Dr.<br>₹                    | Cr.<br>₹                       |
|--------|---|------|-----------------------------|--------------------------------|
| (i)    | Bank A/c Dr.<br>To Equity Share Application A/c<br>(Being application money received on 1,60,000 shares)  |      | 4,80,000                    | 4,80,000                       |
| (ii)   | Equity Share Application A/c Dr.<br>To Equity Share Capital A/c<br>To Equity Share Allotment A/c<br>To Calls in Advance A/c<br>(Being application money received transferred to Share Capital, to be adjusted on allotment and calls)                               |      | 4,80,000                    | 3,00,000<br>1,50,000<br>30,000 |
| (iii)  | Equity Share Allotment A/c (3×1,00,000) Dr.<br>To Equity Share Capital A/c (2×1,00,000)<br>To Securities Premium Reserve A/c (1×1,00,000)<br>(Being allotment made due on 1,00,000 shares)  |      | 3,00,000                    | 2,00,000<br>1,00,000           |
| (iv)   | Bank A/c Dr.<br>Calls in Arrears A/c (WN1) Dr.<br>To Equity Share Allotment A/c (3×50,000)<br>(Being allotment money received except 1,200 shares of Rishabh)   |      | 1,47,300<br>2,700           | 1,50,000                       |
| (v)    | Equity Share First Call A/c (3×1,00,000) Dr.<br>To Equity Share Capital A/c (3×1,00,000)<br>(Being share first call money due on 1,00,000 shares)   |      | 3,00,000                    | 3,00,000                       |
| (vi)   | Bank A/c Dr.<br>Calls in Advance A/c Dr.<br>Calls in Arrears A/c (WN) Dr.<br>To Equity Share First Call A/c<br>(Being first call money received)  |      | 2,64,600<br>30,000<br>5,400 | 3,00,000                       |
| (vii)  | Equity Share Second and Final Call A/c (2×1,00,000) Dr.<br>To Equity Share Capital A/c<br>(Being share second and final call money due on 1,00,000 shares)  |      | 2,00,000                    | 2,00,000                       |
| (viii) | Bank A/c Dr.<br>Calls in Arrears A/c(2×2,000) Dr.<br>To Equity Share Second and Final Call A/c<br>(Being share second and final Call money received)  |      | 1,96,000<br>4,000           | 2,00,000                       |
| (ix)   | Share Capital A/c (2,000×10) Dr.<br>Securities Premium Reserve A/c (1×1,200) Dr.<br>To Calls in Arrears A/c (2,700 + 5,400 + 4,000)<br>To Share Forfeiture A/c<br>(Being 2000 shares of Rishabh and Sudha forfeited due to non-payment of allotment and call money) |      | 20,000<br>1,200             | 12,100<br>9,100                |
| (x)    | Bank A/c (7×2,000) Dr.<br>Share Forfeiture A/c Dr.<br>To Share Capital A/c (10×2000)  |      | 14,000<br>6,000             | 12,000                         |



|      |   |     |       |       |
|------|---|-----|-------|-------|
|      | (Being 2000 forfeited shares of Rishabh and Sudha reissued as fully paid-up)  |     |       |       |
| (xi) | Share Forfeiture A/c (9,100 – 6,000)<br>To Capital Reserve A/c<br>(Being amount forfeited transferred to Capital Reserve) | Dr. | 3,100 | 3,100 |

**Working Note:**

| Note No. | Particulars  | Amount (₹)   |
|----------|--|--------------|
| 1        | <b>Amount not paid by Rishabh (Calls in Arrears)</b>   |              |
|          | Allotment Due on Rishabh's Shares (3×1,200)  | 3,600        |
|          | Less: Excess on Application 3×(1500-1200)  | 900          |
|          |  | <b>2,700</b> |
|          | #No. of Shares allotted to Rishabh = $1,500 \times 40,000 / 50,000 = 1,200$                  |              |
| 2        | <b>Amount not paid in respect of First Call (Calls in Arrears)</b>                           |              |
|          | First call Due (3×2000)-i.e. on 800 and 1,200 shares   | 6,000        |
|          | Less: Excess on Application on Sudha's Shares 3×(1800- 800)-2,400 i.e. adjusted on allotment | 600          |
|          |  | <b>5,400</b> |

**Pro Rata Table**

| Shares Applied for (₹3) |          | Shares Allotted (₹3) |          | Allotment (₹3) | First Call (₹3) | Second & Final Call (₹2) | Refund |
|-------------------------|----------|----------------------|----------|----------------|-----------------|--------------------------|--------|
| Units                   | ₹        | Units                | ₹        | ₹              | ₹               | ₹                        | ₹      |
| 90,000                  | 2,70,000 | 40,000               | 1,20,000 | 1,20,000       | 30,000          | -                        | Nil    |
| 50,000                  | 1,50,000 | 40,000               | 1,20,000 | 30,000         | -               | -                        | Nil    |
| 20,000                  | 60,000   | 20,000               | 60,000   | -              | -               | -                        | Nil    |
| 1,60,000                | 4,80,000 | 1,00,000             | 3,00,000 | 1,50,000       | 30,000          |                          |        |

Or

**Journal**

| Date | Particulars  | L.F.       | Dr. ₹           | Cr. ₹                                 |
|------|--|------------|-----------------|---------------------------------------|
|      | Bank A/c<br>To Equity Share Application A/c<br>(Being equity Share Application money received)   | Dr.        | 1,44,800        | 1,44,800                              |
|      | Equity Share Application A/c<br>To Equity Share Capital A/c<br>To Equity Share Allotment A/c<br>To Calls in Advance A/c<br>To Bank A/c<br>(Being pro-rata Allotment made, excess adjusted towards allotment, calls and refunded) | Dr.        | 1,44,800        | 1,00,000<br>20,800<br>3,000<br>21,000 |
|      | Equity Share Allotment A/c<br>To Equity Share Capital A/c<br>(Being allotment made due)  | Dr.        | 1,00,000        | 1,00,000                              |
|      | Bank A/c<br>Calls in Arrears A/c<br>To Equity Share Allotment A/c<br>(Being allotment money received except from Ghosh)  | Dr.<br>Dr. | 71,200<br>8,000 | 79,200                                |



|   |            |  |                   |                 |
|---|------------|--|-------------------|-----------------|
| Equity Share Capital A/c<br>To Calls in Arrears A/c<br>To Share Forfeiture A/c<br>(Being share forfeiture )                         | Dr.        |  | 20,000            | 8,000<br>12,000 |
| Bank A/c<br>To Equity Share Capital A/c<br>(Being shares reissued to Sultan)  | Dr.        |  | 20,000            | 20,000          |
| Share Forfeiture A/c<br>To Capital Reserve A/c<br>(Being amount forfeited transferred to Capital Reserve)                           | Dr.        |  | 12,000            | 12,000          |
| Equity Share First Call A/c<br>To Equity Share Capital A/c<br>(Being share first call money made due)                               | Dr.        |  | 1,50,000          | 1,50,000        |
| Bank A/c<br>Calls in Advance A/c<br>To Equity Share First Call A/c<br>(Being first call money received)                             | Dr.<br>Dr. |  | 1,48,500<br>1,500 | 1,50,000        |
| Equity Share Second and Final Call A/c<br>To Equity Share Capital A/c<br>(Being share second and final call money made due)         | Dr.        |  | 1,50,000          | 1,50,000        |
| Bank A/c<br>Calls in Advance A/c<br>To Equity Share Second and Final Call A/c<br>(Being share second and final Call money received) | Dr.<br>Dr. |  | 1,48,500<br>1,500 | 1,50,000        |

**Computation Table**

| Categories | Shares Applied | Shares Allotted | Money received on Application @ ₹2 each | Money transferred to Share Capital @ ₹2 each | Surplus       | Allotment due @ ₹2 each | Call in Advance @ ₹6 each | Refund        |
|------------|----------------|-----------------|---|--|---------------|-------------------------|---------------------------|---------------|
| I          | 10,000         | NIL             | 20,000                                  | NIL  | 20,000        | NIL                     | NIL                       | 20,000        |
| II         | 59,400         | 49,500          | 1,18,800                                | 99,000                                       | 19,800        | 19,800                  | NIL                       | NIL           |
| III        | 600            | 500             | 6,000                                   | 1,000  | 5,000         | 1,000                   | 3,000                     | 1,000         |
|            | <b>70,000</b>  | <b>50,000</b>   | <b>1,44,800</b>                         | <b>1,00,000</b>                              | <b>44,800</b> | <b>20,800</b>           | <b>3,000</b>              | <b>21,000</b> |

**Calculation of Amount Due towards Ghosh:**

Shares Applied: 6,000

Shares Allotted: 5,000

Application due towards Ghosh: ₹10,000

Application money received from Ghosh: ₹12,000

Excess application money received (to be adjusted against allotment): ₹2,000

Allotment money not received (Arrears): ₹8000 (10,000 – 2,000)



## SECTION B

**18. Answer:**

The objective of preparing Cash Flow Statement is to determine the sources (receipts) and the application (payments) of cash and cash equivalents under different activities i.e., operating/investing/financing activity.

**19. Answer :**

For a finance company, Interest Paid & Received is treated as Cash Flow from Operating Activities. Interest received is cash inflow whereas interest paid is cash outflow.

**20. Answer :**

**Computation of Inventory Turnover Ratio**

**2016 -17**

COGS = Revenue from Operations – Gross Profit

$$= 75,00,000 - \left( 75,00,000 \times \frac{25}{125} \right) = 75,00,000 - 15,00,000 = ₹60,00,000$$

$$\text{Average Inventory} = \frac{\text{Opening Inventory} + \text{Closing Inventory}}{2}$$

$$= \frac{7,00,000 + 17,00,000}{2} = ₹12,00,000$$

$$\text{Inventory Turnover Ratio} = \frac{\text{Cost of Goods Sold (COGS)}}{\text{Average Inventory}} = \frac{60,00,000}{12,00,000} = 5 \text{ times}$$

**2015 -16**

Cost of Goods Sold (COGS) = Revenue from Operations – Gross Profit

$$= 50,00,000 - \left( 50,00,000 \times \frac{25}{125} \right)$$

$$= 50,00,000 - 10,00,000 = ₹40,00,000$$

$$\text{Average Inventory} = \frac{\text{Opening Inventory} + \text{Closing Inventory}}{2}$$

$$= \frac{5,00,000 + 7,00,000}{2} = ₹6,00,000$$

$$\text{Inventory Turnover Ratio} = \frac{\text{Cost of Goods Sold (COGS)}}{\text{Average Inventory}} = \frac{40,00,000}{6,00,000} = 6.67 \text{ times}$$

**21. Answer :**

The values being communicated are:

1. Sustainable use of Energy & Environment Protection
2. Rural Development & Employment Generation

| Item                | Major Heads              | Sub Head                       |
|---------------------|--------------------------|--------------------------------|
| Loose tools         | Current Assets           | Inventories                    |
| Cheques in hand     | Current Assets           | Cash & Cash Equivalents        |
| Term Loan from Bank | Non- Current Liabilities | Long-Term Borrowing            |
| Computer Software   | Non- Current Assets      | Fixed Assets-Intangible Assets |

22. Answer :

Common Size Balance sheet of KJ Ltd.

| Particular                       | Note No. | Absolute Amount |                  | % of Balance sheet Total |                |
|----------------------------------|----------|-----------------|------------------|--------------------------|----------------|
|                                  |          | 31-3-2016<br>₹  | 31-3-2017<br>₹   | 31-3-2016<br>₹           | 31-3-2017<br>₹ |
| <b>I. Equity and Liabilities</b> |          |                 |                  |                          |                |
| 1. Shareholders' Funds           |          | 4,00,000        | 8,00,000         | 50.00                    | 50.00          |
| 2. Non-current Liabilities       |          | 2,00,000        | 5,00,000         | 25.00                    | 31.25          |
| 3. Current Liabilities           |          | 2,00,000        | 3,00,000         | 25.00                    | 18.75          |
| <b>Total</b>                     |          | <b>8,00,000</b> | <b>16,00,000</b> | <b>100.00</b>            | <b>100.00</b>  |
| <b>II. Assets</b>                |          |                 |                  |                          |                |
| 1. Non- Current Assets           |          | 5,00,000        | 10,00,000        | 62.50                    | 62.50          |
| 2. Current Assets                |          | 3,00,000        | 6,00,000         | 37.50                    | 37.50          |
| <b>Total</b>                     |          | <b>8,00,000</b> | <b>16,00,000</b> | <b>100.00</b>            | <b>100.00</b>  |

23. Answer:

|          | Particulars  | ₹          | ₹                 |
|----------|--|------------|-------------------|
| <b>A</b> | <b>Cash Flow from Operating Activities</b>   |            |                   |
|          | Profit as per statement of Profit and Loss on 31 <sup>st</sup> March 2017              | 1,00,000   |                   |
|          | Less: Profit as per statement of Profit and Loss on 31 <sup>st</sup> March 2016 (Loss) | (25,000)   |                   |
|          |  | 1,25,000   |                   |
|          | Add: Proposed Dividend   | 75,000     |                   |
|          | Provision for Tax  | 1,25,000   | 3,25,000          |
|          | <b>Net Profit Before Taxation and Extra-ordinary items</b>                             |            |                   |
|          | <b>Items to be Added:</b>  |            |                   |
|          | Depreciation Expenses (1,37,500 – 75,000)  | 62,500     |                   |
|          | Interest on Debentures (1,50,000 × 10%)  | 15,000     | 77,500            |
|          | <b>Operating Profit Before Working Capital Changes</b>                                 |            | 4,02,500          |
|          | Less : Decreases in Current Liabilities and Increases in Current Assets                |            |                   |
|          | Increases in Trade Receivables (2,75,000 – 2,25,000)                                   | 50,000     |                   |
|          | Increases in Short term Loans & Advance (2,00,000 – 1,00,000)                          | 1,00,000   | 1,50,000          |
|          | <b>Cash Generated from Operations</b>  |            | 2,52,500          |
|          | Less : Tax Paid during the year  |            | 75,000            |
|          | <b>Net Cash Flows from Operating Activities</b>  |            | <b>1,77,500</b>   |
| <b>B</b> | <b>Cash Flow from Investing Activities</b>   |            |                   |
|          | Purchase of Machinery (7,37,500 – 5,25,000)  | (2,12,500) | 2,12,500          |
|          | Cash Used in Investing Activities  |            | <b>(2,12,500)</b> |
| <b>C</b> | <b>Cash Flow from Financing Activities</b>   |            |                   |
|          | Proceeds from Issue of 10% Debentures (2,50,000 – 1,50,000)                            | 1,00,000   |                   |
|          | Increase in Bank Overdraft (1,50,000 – 1,00,000)                                       | 50,000     |                   |
|          | Dividend Paid i.e. Opening Proposed Dividend   | (50,000)   |                   |
|          | Interest on Debentures (1,50,000 × 10%)  | (15,000)   |                   |
|          | <b>Net Cash Flow from Financing Activities</b>   |            | <b>85,000</b>     |
| <b>D</b> | <b>Net Increase or Decrease in Cash and Cash Equivalents (A+B +C)</b>                  |            | 50,000            |
|          | Add : Cash and Cash Equivalents in the beginning of the period                         |            | 75,000            |
|          | <b>Cash and Cash Equivalents at the end of the period</b>                              |            | <b>1,25,000</b>   |