SAMPLE QUESTION PAPER - 1
SUBJECT- ACCOUNTANCY (055)
CLASS XII (2023-24)

Time Allowed: 3 hours **Maximum Marks: 80**

General Instructions:

1. This question paper contains 34 questions. All questions are compulsory.
2. This question paper is divided into two parts, Part A and B.
3. **Part - A is compulsory for all candidates**.
4. Part - B has two options i.e. **(i) Analysis of Financial Statements and (ii) Computerised Accounting**. Students must attempt only one of the given options.
5. Question 1 to 16 and 27 to 30 carries 1 mark each.
6. Questions 17 to 20, 31and 32 carries 3 marks each.
7. Questions from 21 ,22 and 33 carries 4 marks each
8. Questions from 23 to 26 and 34 carries 6 marks each
9. There is no overall choice. However, an internal choice has been provided in 7 questions of **one mark**, 2 questions of **three marks**, 1 question of **four marks** and 2 questions of **six marks**.

Part A:- Accounting for Partnership Firms and Companies

1. A and B are partners sharing profits in the ratio of 3 : 2. They decided to admit C as a new partner and profit sharing ratio become 3 : 2 : 3. C brought 45000 as his capital. Partners capitals are fixed, their capitals are : A 45000 and B 10000. **[1]**
C's share of goodwill will be:

a) 10,000 b) 28,125

c) 7,500 d) 20,000

2. **Assertion (A):** Personal assets of the partners can be used to meet the firm's liability, if firm's assets are insufficient to meet its liabilities. **[1]**
Reason (R): As per Law, a partnership firm is not a separate legal entity from its partners.

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

c) A is true but R is false. d) A is false but R is true.

3. A Building was purchased for ₹ 9,00,000 and payment was made in ₹ 100 shares at 20% premium. Securities Premium A/c will be _________. **[1]**

a) Credited by ₹ 1,80,000

b) Debited by ₹ 1,50,000

c) Credited by ₹ 1,50,000

d) Debited by ₹ 1,80,000

OR

LMN Limited acquired assets of Rs.18,00,000 and took over creditors of ₹2,00,000 from Vidhi Enterprises. LMN Limited issued 8% Debenture of Rs.100 each at par as purchase consideration. Find out how many debentures issued by the company?

a) 16,000

b) 2,000

c) 18,000

d) 16,00,000

4. A, B and C were partners sharing profits and losses in the ratio of 7 : 3 : 2 from 1st January 2023 they decided to share profits and losses in the ratio of 8 : 4 : 3. Goodwill is valued for ₹ 1,20,000. In Adjustment entry for goodwill: **[1]**

a) Cr. A by ₹ 6,000; Dr. B by ₹ 2,000; Dr. C by ₹ 4,000

b) Dr. A by ₹ 6,000; Cr. B by ₹ 4,000; Cr. C by ₹ 2,000

c) Cr. A by ₹ 6,000; Dr. B by ₹ 4,000; Dr. C by ₹ 2,000

d) Dr. A by ₹ 6,000; Cr. B by ₹ 2,000; Cr. C by ₹ 4000

OR

Which of the following will not be recorded in the Current Account?

a) Interest in capital

b) Interest on drawings

c) Partner's Commission

d) Additional capital brought by a partner

5. **Match the following:** **[1]**

(a) Loan given by partner to the firm	(i) Is an extension of Profit and Loss Account
(b) Loan given by the firm to a partner	(ii) Liability
(c) given by the firm to a partner	(iii) When there is no partnership deed
(d) Profit and Loss Appropriation Account	(iv) Asset

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

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

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

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

6. Debentures for a longer period which are secured by either fixed charge or floating charge on assets they are called _________. **[1]**

a) Secured Debentures

b) Unsecured Debentures

c) Un-registered Debentures

d) Bearer Debentures

OR

On 1st April 2021, Narmada Ltd. issued 5,000, 8% Debentures of ₹ 100 each at a premium of 10%. The total amount of interest on debentures for the year ending 31st March, 2022 will be:

a) ₹ 25,000

b) ₹ 40,000

c) ₹ 20,000

d) ₹ 50,000

7. **Assertion (A):** Shares cannot be allotted unless minimum subscription is received. **[1]**
Reason (R): SEBI has prescribed that a company issuing shares to public cannot allot shares unless it receives subscription of 90% of the shares issued.

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

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

c) A is true but R is false.

d) A is false but R is true.

8. Pappu, Ram and Harish were partners sharing profits equally. Pappu died on 31 st July, 2023. Journal entry passed for Pappu's share of loss for the intervening period will be: **[1]**

a)

Pappu's Capital A/c	Dr.
To Ram's Capital A/c	

b)

Pappu's Capital A/c	Dr.
To Profit and Loss A/c	

c)

Profit & Loss Suspense A/c	Dr.
To Pappu's Capital A/c	

d)

Pappu's Capital A/c	Dr.
To Profit & Loss Suspense A/c	

OR

Interest on capital is calculated on

a) Closing capital

b) Profit

c) Both Closing capital and Profit

d) Opening capital

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

Mohit, Dev and Sumit are equal partners with capitals of ₹ 5,00,000, ₹ 3,00,000 and ₹ 2,00,000 respectively. Mohit withdrew ₹ 60,000 in the beginning of each quarter for the year ended 31st March, 2020. Dev withdrew ₹ 60,000 at the end of each quarter for the year ended 31st March, 2020. Sumit withdrew ₹ 90,000 in the middle of each quarter for the year ended 31st March, 2020. Interest on drawings is charged @ 10% p.a.

9. What is the total amount of drawings of all the partners?

a) ₹ 9,00,000

b) ₹ 8,60,000

c) ₹ 9,20,000

d) ₹ 8,40,000

10. What is the average period of Dev's drawings?

a) 6 months

b) 12 months

c) 7.5 months

d) 4.5 months

11. Ramesh, piya and Mohit are partners sharing profits in the ratio of 2 : 2 : 1. Mohit is guaranteed that his share of profit will not be less than ₹ 50,000. Any deficiency will be borne by Ramesh and Piya equally. The profit of the firm for the year ending was ₹ 2,00,000. What will be the share of Piya? **[1]**

a) 70,000

b) 85,000

c) 75,000

d) 80,000

12. When will following entry takes place during the issue of shares: **[1]**
Bank A/c ... Dr.
To Share Application A/c

a) Allotment money is received

b) When application money is received

c) Application money is adjusted

d) Application money is refunded

13. Ankit Ltd. Forfeited 1000 equity share of ₹ 100 each issued at a premium of 20% for non payment of final call of ₹ 30 per share. **[1]**
State the maximum amount of discount which can be offered at the time of reissue:

a) 70,000

b) 1,30,000

c) 1,00,000

d) 30,000

14. A and B started a new partnership business on 1st October 2020. They have decided to share the profits& losses in the ratio of 1 : 2. They have contributed capital of ₹ 1,00,000 and ₹ 1,60,000 respectively. Calculate the amount of profit or loss to be distributed among the partner, if partnership deed provides interest on capital @ 10% p.a. and profit for the year ending 31st March 2021 is ₹ 52,000. **[1]**

a) B = 13000 A = 26000

b) B = 34667 A = 17333

c) B = 26000 A = 13000

d) B = 17333 A = 34667

15. In the absence of Partnership Deed, a new partner can be admitted only with the: **[1]**

a) New accounting period

b) Permission of court

c) Consent of all existing partners

d) Premium for goodwill

OR

In case of admission of a partner, the entry for unrecorded investments will be:

a) None of these

b) Debit Partners Capital A/cs and Credit Investments A/c

c) Debit Investment A/c and Credit Revaluation A/c

d) Debit Revaluation A/c and Credit Investment A/c

16. One Creditor worth ₹4,500 took over stock valued at Rs.5,200 in full satisfaction of his claim. **[1]**

a) No Entry is required

b)

Creditors A/c	Dr.	4,500	
To Bank A/c			4,500

c)

Creditors A/c	Dr.	4,500	
To Realisation A/c			4,500

d)

Creditor A/c	Dr.	5,400	
To Assets A/c			5,400

17. D, E and F are sharing profits and losses in the ratio of 5 : 3 : 2. They decide to share profits and losses in the ratio of 2 : 3 : 5 with effect from 1st April, 2019. They also decide to record the effect of the following without affecting their book values, by passing an adjustment entry: **[3]**

	Book Values (₹)
General Reserve	1,50,000
Contingency Reserve	25,000
Profit and Loss A/c (Cr.)	75,000
Advertisement Suspense A/c (Dr.)	1,00,000

18. Ram, Ravi and Raja are partners in a firm. Their profit-sharing ratio is 5 : 3 : 2. Raja is guaranteed a minimum profit of ₹ 10,000 every year. Any deficiency arising is to be met by Ravi. Profits for the two years ended 31st March, 2023 and 2024 were ₹ 40,000 and ₹ 60,000 respectively. **[3]**
Prepare Profit & Loss Appropriation Account for the two years.

OR

P, Q and R are partners sharing profits in the ratio of 2 : 1 : 1. Their capitals as on 1st April, 2022 were ₹ 50,000, ₹ 30,000 and ₹ 20.000 respectively. At the end of the year ending 31st March, 2023 it was found out that interest on capitals @ 12% p.a., salaries to P - ₹ 500 per month and R - ₹ 1,000 per month were not adjusted from the profits. Show adjusting entry to be made in the next year for the above adjustments.

19. X Ltd. purchased assets of ₹8,00,000 and liabilities of ₹1,00,000 from Y Ltd. on 1.4.2018. ₹2,00,000 were paid immediately and the balance was paid by issue of ₹4,75,000, 10% debentures in X Ltd. Give journal entries in the books of X Ltd. **[3]**

OR

S Ltd. forfeited 500 Equity Shares of ₹ 100 each for non-payment of first call of ₹ 30 per share. The final call of ₹ 10 per share was not yet made. Out of these, 60% shares were reissued for ₹ 39,000 fully paid. Journalise the forfeiture and reissue of shares.

20. M/s Aradhya having the assets of Rs 10,00,000 and Liabilities of Rs 4,20,000. The firm earns the annual profit of Rs. 90,000. The rate of interest expected from the capital having regard to the risk involved is 15%. Calculate the amount of Goodwill by Capitalisation of Super Profit method. **[3]**

21. Vikash Ltd. issued 50,000 shares of ₹ 10 each at a premium of ₹ 1 per share payable as follows: **[4]**
₹ 3 on Application
₹ 4 on Allotment (including premium)
₹ 2 on 1st Call
Balance when required
Applications were received for 46,000 shares and all of these were accepted.
Directors did not make the final call. A shareholder holding 800 shares did not pay

the amount due on first call. The shares were forfeited and re-issued at ₹ 7 per share, ₹ 8 per share paid up.
Pass Cash Book and Journal Entries.

22. Explain the accounting treatment at the time of dissolution of a partnership firm, of the assets and liabilities not already recorded in the books of the firm. **[4]**

23. Pass journal entries for the following transactions: **[6]**

i. AXN Ltd. forfeited 2,400 shares of ₹ 10 each for non-payment of final call of ₹ 3 per share. Out of the forfeited shares, 800 shares were reissued at ₹ 8 per share as fully paid-up.

ii. Vanya Ltd. purchased a running business from Hardik Ltd. for a sum of ₹ 18,00,000. The payment of ₹ 10,00,000 was made by issue of equity shares of ₹ 10 each and balance by a cheque. The assets and liabilities acquired from Hardik Ltd. consisted the following:

	₹
Machinery	9,00,000
Land and Building	13,50,000
Furniture	8,50,000
Sundry Creditors	3,00,000

OR

The Manish Ltd. has authorised capital of ₹ 5,00,000 divided into 50,000 shares of ₹ 10 each. The company issued a prospectus inviting applications for 30,000 shares of ₹ 10 each at a premium of ₹ 2 per share, payable as follows: On Application ₹ 3; On Allotment ₹ 5 (including premium); On First Call ₹ 2; On Second and Final Call ₹ 2.
The Company received applications for 45,000 shares and pro-rata allotment was made in respect of applications of 40,000 shares and the remaining applications were rejected. Money overpaid on applications was employed on account of sums due on allotment. All the calls were made.
B, to whom 300 shares were allotted failed to pay the two calls. The company decided to forfeit the shares allotted to B. These shares were subsequently re-issued to C as fully paid for ₹ 9 per share.
Pass the necessary journal entries in the books of the company.

24. X and Y are partners sharing profits in the ratio of 2 : 1. Their Balance Sheet as at 31st March, 2023 was: **[6]**

Liabilities	₹	Assets	₹
Sundry Creditors	25,000	Cash/Bank	5,000
General Reserve	18,000	Sundry Debtors	15,000

Capital A/cs:			Stock	10,000
X	75,000		Investments	8,000
Y	62,000	1,37,000	Printer	5,000
			Fixed Assets	1,37,000
		1,80,000		**1,80,000**

They admit Z into partnership on 1st April, 2023 on the following terms:

i. Z brings in ₹ 40,000 as his capital and he is given $\frac{1}{4}$th share in profits.

ii. Z brings in ₹ 15,000 for goodwill, half of which is withdrawn by old partners.

iii. Investments are valued at ₹ 10,000. X takes over Investments at this value.

iv. Printer is to be reduced (depreciated) by 20% and Fixed Assets by 10%.

v. An unrecorded stock on 31^{st} March, 2023 is ₹ 1,000.

vi. By bringing in or withdrawing cash, the Capitals of X and Y are to be made proportionate to that of Z on their profit-sharing basis.

Pass Journal entries, prepare Revaluation Account, Capital Accounts and new Balance Sheet of the firm.

OR

J, H and K were partners in a firm sharing profits in the ratio of 5 : 3 : 2. On 31st March, 2015 their balance sheet was as follows

Balance Sheet

as on 31st March, 2015

Liabilities		**Amount (Rs)**	**Assets**		**Amount (Rs)**
Creditors		42,000	Land and Building		1,24,000
Investment Fluctuation Fund		20,000	Motor Vans		40,000
Profit and Loss A/c		80,000	Investments		38,000
Capital A/cs			Machinery		24,000
J	1,00,000		Stock		30,000
H	80,000		Debtors	80,000	
K	40,000	2,20,000	(-) Provision for Doubtful Debts	(6,000)	74,000
			Cash		32,000
		3,62,000			**3,62,000**

		=======			========

On the above date, H retired and J and K agreed to continue the business on the following terms

i. Goodwill of the firm was valued at Rs 1,02,000.

ii. There was a claim of Rs 8,000 for workmen's compensation.

iii. Provision for bad debts was to be reduced by Rs 2,000.

iv. H will be paid Rs 14,000 in cash and the balance will be transferred in his loan account which will be paid in four equal yearly instalments together with interest @ 10% per annum.

v. The new profit sharing ratio between J and K will be 3 : 2 and their capitals will be in their new profit sharing ratio. The capital adjustments will be done by opening current accounts.

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

25. A, B and C were partners sharing profits in the ratio of 4 : 3 : 2. Their Balance Sheet as at 31st March, 2018 was as follows: **[6]**

Liabilities		**₹**	**Assets**		**₹**
Sundry Creditor		20,000	Cash		6,400
Expenses Owing		5,000	Debtors	20,000	
Reserve Fund		18,000	Less: Provision	400	19,600
Capitals:			Stock		30,000
A	60,000		Patents		8,000
B	50,000		Machinery		1,20,000
C	40,000	1,50,000	Goodwill		9,000
		1,93,000			**1,93,000**

B retired on the above date upon the following terms:

i. Goodwill of the firm be valued at ₹ 63,000.

ii. Machinery be written down by 10% and the patents written up by 25%.

iii. Provision for doubtful debts be brought upto 5% on debtors and a provision of $2\frac{1}{2}\%$ on creditors be made for discount.

iv. Expenses owing are to be brought down to ₹ 3,900.

v. B is to be paid ₹ 30,000 immediately, which is to be contributed by A and C in their new profit sharing ratio which is 3 : 2.

Give journal entries to record the above and the Balance Sheet of the firm after B's retirement.

26. Ram Ltd. purchased the following assets of E.X. Ltd.: Land and Building of ₹ 60,00,000 at ₹ 84,00,000; Plant and Machinery of ₹ 40,00,000 at ₹ 36,00,000. The purchase consideration was ₹ 1,10,00,000. The payment was made by accepting a Bill of Exchange in favour of E.X. Ltd. of ₹ 20,00,000 and remaining by the issue of 8 % debentures of ₹ 100 each at a premium of 20 %. **[6]**
Record the necessary journal entries for the above transactions in the books of Ram Ltd.

Part B :- Analysis of Financial Statements

27. The analysis of a financial statement by a shareholder is an example of: **[1]**

a) Internal Analysis
b) Vertical Analysis
c) External Analysis
d) Horizontal Analysis

OR

Where operating cycle cannot be identified it is assumed to be a period of

a) 6 months
b) 3 months
c) 12 months
d) 9 months

28. The net income of the company should ideally be ________ times of the fixed interest charges. **[1]**

a) 3 or 4
b) 6 or 7
c) 5 or 6
d) 4 or 5

29. An example of Cash Flows from Financing Activity is: **[1]**

a) Interest Received
b) Cash receipts from issue of share
c) Credit Revenue from Operations
d) Sale of Investments

OR

Which activity are the main revenue-generating activities of the enterprises?

a) Cash flow from investment activities
b) Cash flow from operating activities
c) Non Cash transactions
d) Cash flow from management activities

30. Increase of decrease in the Bank balance is ________. **[1]**

a) Operating Activity b) Investing Activity

c) Financing Activity d) Cash and Cash Equivalents

31. Under which major headings and sub-headings the following items will be presented in the Balance Sheet of a company as per Schedule III Part I of the Companies Act, 2013? **[3]**

i. Loans provided repayable on demand

ii. Goodwill

iii. Copyrights and Patents

iv. Cheques

v. General Reserve

vi. Goods acquired for trading, and

vii. 9% Debentures repayable after three years

32. Calculate Return on Investment and Debt to Equity Ratio from the following information: **[3]**

Net Profit after Interest and Tax	₹ 3,00,000
10% Debentures	₹ 5,00,000
Tax Rate	40%
Capital Employed	₹ 40,00,000

33. Following is the Balance Sheet of Shine Ltd. as at 31st March, 2023: **[4]**

Particulars	Note No.	31st March, 2023 (₹)	31st March, 2022 (₹)
I. Equity and Liabilities			
1. Shareholders' Funds			
(a) Share Capital		15,00,000	10,00,000
(b) Reserves and Surplus		10,00,000	10,00,000
2. Non-Current Liabilities: Long-term Borrowings		8,00,000	2,00,000
3. Current Liabilities Trade Payables		5,00,000	3,00,000
Total		**38,00,000**	**25,00,000**
II. **ASSETS**			
1. Non-Current Assets			

Particulars	Note No.	31st March, 2023 (₹)	31st March, 2022 (₹)
Property, Plant and Equipment and Intangible Assets:			
(i) Property, Plant and Equipment		25,00,000	15,00,000
(ii) Intangible Assets		5,00,000	5,00,000
2. Current Assets			
(a) Trade Receivables		6,00,000	3,50,000
(b) Cash and Cash Equivalents		2,00,000	1,50,000
Total		**38,00,000**	**25,00,000**

You are required to prepare Comparative Balance Sheet on the basis of the information given in the above Balance Sheet.

OR

From the following information, prepare Comparative Statement of Profit and Loss of X Ltd.:

Particulars	31-3-2023	31-3-2022
	₹	₹
Revenue from Operations	25,00,000	20,00,000
Cost of Materials Consumed	21,00,000	16,00,000
Other Expenses	25% of Gross Profit	20% of Gross Profit
Income Tax	50%	50%

34. i. From the following information of Nitro Ltd., calculate the cash flow from investing activities: **[6]**

Particulars	31.3.2023 (₹)	31.3.2022 (₹)
Machinery (At cost)	5,00,000	3,00,000
Accumulated Depreciation on machinery	1,00,000	80,000
Goodwill	1,50,000	1,00,000
Land	70,000	1,00,000

Additional Information:

During the year, a machine costing ₹ 50,000 on which the accumulated depreciation was ₹ 35,000, was sold for ₹ 12,000.

ii. The profit of Jeep Ltd. for the year ended 31st March, 2023 after appropriation was ₹ 2,50,000.

Additional Information:

S. No.	**Particulars**	**Amount (₹)**
(i)	Goodwill written off	9,000
(ii)	Loss on sale of Furniture	2,000
(iii)	Transfer to General Reserve	22,500

The following was the position of its Current Assets and Current Liabilities as at 31st March 2022 and 2023.

Particulars	**31.3.2022 (₹)**	**31.3.2023 (₹)**
Income Received in Advance	8,000	____
Inventory	12,000	8,000

Calculate the Cash flow from operating activities.

Solution

Part A:- Accounting for Partnership Firms and Companies

1.
   (c) 7,500
   Explanation: Total capital of the firm = 45,000 X 8/3= 1,20,000
   Existing capital = 45,000 + 10,000 + 45,000 = 1,00,000
   Goodwill = total capital - existing capital
   = 1,20,000 - 1,00,000
   = 20,000
   C's share = 20,000 X 3/8 = 7,500
2. **(a)** Both A and R are true and R is the correct explanation of A.
   Explanation: Both A and R are true and R is the correct explanation of A.
3.
   (c) Credited by ₹ 1,50,000
   Explanation: Credited by ₹ 1,50,000

OR

   (a) 16,000
   Explanation: LMN Limited has taken assets worth 1800000 and take creditors worth 200000
   So balance i.e. 1800000 - 200000 = 1600000 is the total value of debenture amount.
   So the company issued 16,000 Debentures of Rs 100 face value to the Vidhi Enterprises.
4. **(a)** Cr. A by ₹ 6,000; Dr. B by ₹ 2,000; Dr. C by ₹ 4,000
   Explanation: Cr. A by ₹ 6,000; Dr. B by ₹ 2,000; Dr. C by ₹ 4,000

OR

   (d) Additional capital brought by a partner
   Explanation: Additional capital brought by a partner is recorded in the Capital Account of the partner even if Current Account is maintained.
5.
   (b) (a) - (ii), (b) - (iv), (c) - (iii), (d) - (i)
   Explanation: (a) - (ii), (b) - (iv), (c) - (iii), (d) - (i)
6. **(a)** Secured Debentures
   Explanation: When a company issue some debentures with the charge of some assets they are called secured debentures. Such debentures are shown in the balance sheet under the heading of Long Term Borrowings. A charge on assets of the company is registered with Registrar of companies.

OR

(b) ₹ 40,000

Explanation: ₹ 40,000 (500000x8%)

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

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

8. **(d)**

Pappu's Capital A/c	Dr.
To Profit & Loss Suspense A/c	

Explanation:

Pappu's Capital A/c	Dr.
To Profit & Loss Suspense A/c	

OR

(d) Opening capital

Explanation: Calculation of interest on capital should be always done on the opening capital first and after that on additional capital introduced (if any) by the partner during the year. Interest on opening capital and additional capital should be shown in a combined manner as total interest on capital during the year.

Interest on capital calculation = Amount of capital at the beginning $\times \frac{Rate\ of\ interest}{100}$ + amount of additional capital introduced $\times \frac{Rate\ of\ interest}{100} \times \frac{period}{12}$

9. **(d)** ₹ 8,40,000

   Explanation: ₹ 8,40,000

10. **(d)** 4.5 months

    Explanation: 4.5 months

11. **(c)** 75,000

    Explanation: Ramesh, Piya and Mohit sharing profits in 2:2:1.

    Mohit is given minimum guarantee of Rs. 50,000.

    Share of Profit:

    Ramesh = 2,00,000 X 2/5 = 80,000

    Piya = 2,00,000 X 2/5 = 80,000

    Mohit = 2,00,000 X 1/5 = 40,000

    Rs. 10,000 deficiency will be shared by Ramesh and Piya equally.

    Piya's share = 80,000 - 5,000

    = 75,000

12. **(b)** When application money is received

Explanation: The bank account is debited because the money comes with the company and share application account is credited, it is a temporary account opened to know how many applications received. This entry is passed when application money is received.

13. **(a)** 70,000

Explanation: maximum discount on re-issue = amount forfeited on the re-issued share

= 1000 shares $\times$ 70

= 70000

14.

(c) B = 26000 A = 13000

Explanation: B = 26000 A = 13000

Profit = 52,000 - IOC 13,000

Profit = 39,000

15.

(c) Consent of all existing partners

Explanation: Consent of all existing partners as section 31 says this

OR

(c) Debit Investment A/c and Credit Revaluation A/c

Explanation: Debit Investment A/c and Credit Revaluation A/c

16. **(a)** No Entry is required

Explanation: If an asset is taken over by the external liabilities for the full settlement of their due amount, in such a case no need to record any journal entry. Because Assets and Liabilities both are transferred already in Realisation A/c. Now no Entry will be passed.

17. Calculation of Net Effect of Accumulated Profits, Losses and Reserves:

Particulars	₹
General Reserve	1,50,000
Contingency Reserve	25,000
Profit and Loss A/c (Cr.)	75,000
	2,50,000
Less: Advertisement Suspense A/c (Dr.)	1,00,000
	1,50,000

Calculation of Sacrificing/Gaining Ratio due to change in Profit-Sharing Ratio

Calculation of Sacrifice (Gain):	**D**	**E**	**F**
(i) Their Old Share	5/10	3/10	2/10
(ii) Their New Share	2/10	3/10	5/10

(iii) Sacrifice/(Gain) (i) - (ii)	3/10 (Sacrifice)	...	-3/10 (Gain)

Calculation of Share of sacrificing and gaining partner in the net accumulated profits, losses and reserve: For D = ₹1,50,000 × 3/10 = ₹45,000; For F = ₹1,50,000 × 3/10 = ₹45,000

ADJUSTMENT ENTRY

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2019					
April 1	F's Capital A/c	Dr.		45,000	
	To D's Capital A/c				45,000
	(Being the adjustment made for net accumulated profits, losses and reserves)				

IMPORTANT NOTE:

When Reserves, accumulated profits and losses are adjusted through Partners' Capital Accounts, Reserves, accumulated profits and losses will appear in the Balance Sheet of the new firm at the old values.

18. **PROFIT & LOSS APPROPRIATION ACCOUNT**

for the year ended 31^{st} March, 2022

Dr.				**Cr.**
Particulars		**₹**	**Particulars**	**₹**
To Profit transferred to:			By Profit & Loss A/c (Net Profit)	40,000
Ram's Capital A/c ($\frac{5}{10}$)		20,000		
Ravi's Capital A/c ($\frac{3}{10}$)	12,000			
Less: Deficiency in Raja's Share	2,000	10,000		
Raja's Capital A/c ($\frac{2}{10}$)	8,000			
Add: Deficiency met by Ravi	2,000	10,000		
		40,000		40,000

PROFIT & LOSS APPROPRIATION ACCOUNT

for the year ended 31^{st} March, 2023

Dr.			**Cr.**
Particulars	**₹**	**Particulars**	**₹**

To Profit transferred to:		By Profit & Loss A/c	60,000
Ram's Capital A/c ($\frac{5}{10}$)	30,000	(Net Profit)	
Ravi's Capital A/c ($\frac{3}{10}$)	18,000		
Raja's Capital A/c ($\frac{2}{10}$)	12,000		
	60,000		60,000

Note: Raja's share in profits is more than the minimum guaranteed amount, so there is no need for any adjustment.

OR

TABLE SHOWING ADJUSTMENTS

		P ₹	Q ₹	R ₹	Total ₹
Interest on Capitals @ 12% p.a.		6,000	3,600	2,400	12,000
Salary to Partners		6,000	-	12,000	18,000
Total Amount Payable	Cr.	12,000	3,600	14,400	30,000
Division of firm's loss of ₹30,000 in 2 : 1 : 1	Dr.	15,000	7,500	7,500	30,000
Net Effect		**(Dr.)** 3,000	**(Dr.)** 3,900	6,900 **(Cr.)**	Nil

IN THE BOOKS OF FIRM

JOURNAL ENTRY

Date	Particulars		L.F.	Dr. ₹	Cr. ₹
2023 April 1	P's Capital A/c	Dr.		3,000	
	Q's Capital A/c	Dr.		3,900	
	To R's Capital A/c (Adjustment for the omission of interest on capital and salary provided for)				6,900

19. **JOURNAL OF X LTD.**

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2018 April 1	Sundry Assets A/c	Dr.		8,00,000	
	To Sundry Liabilities A/c				1,00,000
	To Y Ltd. (Assets and liabilities purchased from Y Ltd.				7,00,000

April 1	Y Ltd.	Dr.		2,00,000	
	To Bank A/c (Part payment made in Cash)				2,00,000
April 1	Y Ltd.	Dr.		5,00,000	
	To 10% Debentures A/c				4,75,000
	To Securities Premium Reserve A/c (Balance amount of ₹5,00,000 settled by the issue of ₹4,75,000 debentures)				25,000

OR

JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Equity Share Capital A/c (500 × 90)	Dr.		45,000	
	To Equity Share 1st Call A/c (500 × 30)				15,000
	To Share Forfeited A/c (500 × 60) (500 equity shares forfeited for non-payment of final call)				30,000
	Bank A/c (300 × 130)	Dr.		39,000	
	To Equity Share Capital A/c (300 × 100)				30,000
	To Security Premium Reserve A/c (300 × 30) (300 shares are reissued @ 130 per share)				9,000
	Share Forfeited A/c	Dr.		18,000	
	To Capital Reserve A/c (Profit on reissue of 300 shares transferred to Capital Reserve)				18,000

Working Note:-

Amount transferred to Capital Reserve

Shares Re-issued = 300

Shares Forfeited = 500

Amount forfeited in respect of 300 shares = Amount Forfeited $\times \frac{\text{Shares Re-issued}}{\text{Shares Forfeited}}$

= $30{,}000 \times \frac{300}{500}$ = 18,000.

20. **Step 1;**

Average Profit = Rs.90,000

Step 2;

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

Here,

Capital Employed = Total Assets – Outside's Liabilities
= 10,00,000 – 4,20,000= Rs.5,80,000
Therefore,
Normal Profit = 5,80,000 x $\frac{15}{100}$ = Rs.87,000

Step 3;
Super Profit = Average Profits – Normal Profits
Super Profits = 90,000 – 87,000 = Rs.3,000

Step 4;
Goodwill = Super Profits $\times \frac{100}{\text{Normal Rate of Return}}$
= 3,000 x $\frac{100}{15}$ = Rs.20,000

21. **CASH BOOK**

Dr.					Cr.
Particulars	**L.F.**	**₹**	**Particulars**	**L.F.**	**₹**
To Share Application A/c		1,38,000	By Balance c/d		4,18,000
To Share Allotment A/c		1,84,000			
To Share First Call A/c		90,400			
To Share Capital A/c		5,600			
		4,18,000			**4,18,000**

JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Share Application A/c	Dr.		1,38,000	
	To Share Capital A/c (Money transferred to Share Capital A/c)				1,38,000
	Share Allotment A/c	Dr.		1,84,000	
	To Share Capital A/c				1,38,000
	To Securities Premium Reserve A/c (Money due on Share Allotment)				46,000
	Share First Call A/c	Dr.		92,000	
	To Share Capital A/c (Money due on First Call)				92,000
	Share Capital A/c (800 $\times$ ₹ 8)	Dr.		6,400	
	To Share First Call A/c				1,600

	To Share Forfeiture A/c (800 Shares Forfeited)				4,800
	Share Forfeited A/c	Dr.		800	
	To Share Capital A/c (800 $\times$ ₹ 1) (800 Shares re-issued at ₹ 7 per Share, ₹ 8 per share paid)				800
	Share Forfeiture A/c	Dr.		4,000	
	To Capital Reserve A/c (Profit relating to 800 Shares transferred to Capital Reserve A/c)				4,000

22. **(i) For Unrecorded Assets**

An unrecorded asset is such an asset whose value is written off from books of accounts, but it is in usable form. It is shown as:

1. If sold by cash
Cash/Bank A/c Dr.
To Realisation A/c
(Unrecorded asset sold off for cash)
2. If taken over by any partner
Partner's Capital A/c Dr.
To Realisation A/c
(Partner takes over unrecorded asset)
3. If an asset is given away to a Creditor in part or full payment of his dues, the agreed amount of the asset is deducted from the claim of the creditor and the balance is paid to him. No entry is passed for the transfer of assets to the creditor.

ii) For unrecorded liabilities

Liabilities that are not recorded in books of firm are called unrecorded liabilities. It can be shown in records as

1. When unrecorded liability is paid off
Realisation A/c Dr.
To Cash/Bank A/c
(Paid in cash the price of unrecorded liability)
2. When undertaken by a partner
Realisation A/c Dr.
To Partner's Capital A/c
(Liability that is unrecorded is taken over by partner)

23. i. **Journal Entry**

Particulars		**L.F**	**Dr.**	**Cr.**
Share Capital A/c (2400×10)	Dr.		24,000	

To Share Forfeiture				16,800
To Share Final Call (2400×3) (Share Forfeited for Non Payment of Final Call)				7,200
Bank A/c (800×8)	Dr.		6,400	
Share Forfeiture A/c	Dr.		1,600	
To Share Capital A/c (800×10) (Forfeited Share Reissued)				8,000
Share Forfeiture A/c	Dr.		4,000	
To Capital Reserve (Amount of Forfeiture Transferred)				4,000

Amount of Forfeiture on 800 Shares

$= \frac{16{,}800}{2{,}400} \times 800$

= ₹ 5,600

Amount Transferred = ₹ 5,600 - ₹ 1,600 = ₹ 4,000

ii. **Journal Entry**

Particulars		L.F	Dr.	Cr.
Machinery A/c	Dr.		9,00,000	
Land & Building A/c	Dr.		13,50,000	
Furniture A/c	Dr.		8,50,000	
To Capital Reserve				10,00,000
To Sundry Creditor A/c				3,00,000
To Hardik Ltd. (Business Purchased from Hardik Ltd.)				18,00,000
Hardik Ltd. A/c	Dr.		18,00,000	
To Equity Share Capital				10,00,000
To Bank A/c (Share Issued to Hardik Ltd.)				8,00,000

OR

JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	Dr.		1,35,000	
	To Share Application A/c				1,35,000

	(Amount received on 45,000 shares @ ₹ 3 per share)				
	Share Application A/c	Dr.		1,35,000	
	To Share Capital A/c (30,000 × ₹ 3)				90,000
	To Share Allotment A/c (10,000 × ₹ 3)				30,000
	To Bank A/c (5,000 × ₹ 3)				15,000
	(Application money transferred to Share Capital A/c for 30,000 shares; to Allotment A/c for 10,000 shares and amount returned on 5,000 shares @ ₹ 3 per share)				
	Share Allotment A/c (30,000 × ₹ 5)	Dr.		1,50,000	
	To Share Capital A/c (30,000 × ₹ 3)				90,000
	To Securities Premium Reserve A/c (30,000 × ₹ 2)				60,000
	(Allotment due on 30,000 shares @ ₹ 5 per share)				
	Bank A/c	Dr.		1,20,000	
	To Share Allotment A/c				1,20,000
	(Allotment money received; excess received along with application adjusted)				
	Share First Call A/c	Dr.		60,000	
	To Share Capital A/c				60,000
	(First Call due on 30,000 shares @ ₹ 2 per share)				
	Bank A/c	Dr.		59,400	
	To Share First Call A/c				59,400
	(First Call received on 29,700 shares @ ₹ 2 per share)				
	Share Second and Final Call A/c	Dr.		60,000	
	To Share Capital A/c				60,000
	(Final Call due on 30,000 shares @ ₹ 2 per share)				
	Bank A/c	Dr.		59,400	
	To Share Second and Final Call A/c				59,400

	(Second and Final Call received except on 29,700 shares @ ₹ 2 per share)				
	Share Capital A/c (300 × ₹ 10)	Dr.		3,000	
	To Share First Call A/c				600
	To Share Second and Final Call A/c				600
	To Share Forfeiture A/c				1,800
	(300 shares forfeited for non-payment of First Call and Second and Final Call)				
	Bank A/c (300 × ₹ 9)	Dr.		2,700	
	Share Forfeiture A/c (300 × ₹ 1)	Dr.		300	
	To Share Capital A/c (300 × ₹ 10)				3,000
	(300 shares reissued at ₹ 9 fully paid)				
	Share Forfeiture A/c	Dr.		1,500	
	To Capital Reserve A/c				1,500
	(Profit on 300 reissued shares transferred to Capital Reserve)				

BALANCE SHEET OF THE MANISH LTD.
as at ________

Particulars	Note No.	Current Year	Previous Year
I. EQUITY AND LIABILITIES:		₹	₹
Shareholder's Funds			
(a) Share Capital	1	3,00,000	
(b) Reserve and Surplus	2	61,500	
		3,61,500	
II. ASSETS			
Current Assets:			
Cash and Cash Equivalents	3	3,61,500	

Notes to Accounts:

	₹
(1) Share Capital:	
Authorised Capital:	

Issued, Subscribed and Fully Paid Capital:	
30,000 Equity Shares of ₹ 10 each	3,00,000
(2) Reserves and Surplus:	
Capital Reserve	1,500
Securities Premium Reserve A/c	60,000
	61,500
(3) Cash and Cash Equivalents:	
Cash at Bank	3,61,500

24. **In the books of the firm**

Journal Entries

Date	Particulars		L.F.	Debit (₹)	Credit (₹)
2023 Apr-01	Revaluation A/c	Dr.		14,700	
	To Typewriter A/c				1,000
	To Fixed Assets A/c (Decrease in value of typewriter and fixed assets transferred to Revaluation Account)				13,700
Apr-01	Unrecorded stock A/c	Dr.		1,000	
	Investment A/c	Dr.		2,000	
	To Revaluation A/c (Increase in Unrecorded stock and investment transferred to Revaluation Account)				3,000
Apr-01	X's Capital A/c	Dr.		7,800	
	Y's Capital A/c	Dr.		3,900	
	To Revaluation A/c (Revaluation loss transferred to old partners X and Y's Capital Account in their old profit sharing ratio)				11,700
Apr-01	Reserve Fund A/c	Dr.		18,000	
	To X's Capital A/c				12,000
	To Y's Capital A/c (Reserve Fund distributed among old partners in old profit sharing ratio)				6,000

Apr-01	Cash A/c	Dr.		55,000	
	To Z's Capital A/c				40,000
	To Premium for Goodwill A/c (Z brought capital and share of goodwill)				15,000
Apr-01	Premium for Goodwill A/c	Dr.		15,000	
	To X's Capital A/c				10,000
	To Y's Capital A/c (Premium for Goodwill distributed between X and Y in their sacrificing ratio i.e 2 : 1)				5,000
Apr-01	X's Capital A/c	Dr.		5,000	
	Y's Capital A/c	Dr.		2,500	
	To Cash (Half of the Premium for Goodwill withdrawn by X and Y)				7,500
Apr-01	X's Capital A/c	Dr.		10,000	
	To Investments A/c (X took over the Investment)				10,000
Apr-01	Cash A/c	Dr.		5,800	
	To X's Capital A/c (X' brought cash to make up deficiency in capital)				5,800
Apr-01	Y's Capital A/c	Dr.		26,600	
	To Cash A/c (Y withdrew excess capital after all adjustments)				26,600

Cash/Bank Account

Dr.			**Cr.**
Particulars	**(₹)**	**Particulars**	**(₹)**
To Balance b/d	5,000	By X's Capital A/c	5,000
To Z's Capital A/c	40,000	By Y's Capital A/c	2,500
To Premium for Goodwill A/c	15,000	By Y's Capital A/c	26,600
To X's Capital A/c	5,800	By Balance c/d	31,700
	65,800		**65,800**

Revaluation Account

Dr.			Cr.
Particulars	**(₹)**	**Particulars**	**(₹)**
To Printer A/c (5,000 × 20%)	1,000	By Investment A/c	2,000
To Fixed Assets A/c (1,37,000 × 10%)	13,700	By Unrecorded stock A/c	1,000
		By Revaluation Loss transferred to:	
		X Capital A/c	7,800
		Y Capital A/c	3,900
	14,700		**14,700**

Partners' Capital Accounts

Dr.							Cr.
Particulars	**X**	**Y**	**Z**	**Particulars**	**X**	**Y**	**Z**
To Revaluation A/c	7,800	3,900		By Balance b/d	75,000	62,000	
To Investment A/c	10,000			By Reserve Fund A/c	12,000	6,000	
To Cash A/c	5,000	2,500		By Cash A/c			40,000
To Balance c/d	74,200	66,600	40,000	By Premium for Goodwill A/c	10,000	5,000	
	97,000	**73,000**	**40,000**		**97,000**	**73,000**	**40,000**
To Cash A/c		26,600		By Balance b/d	74,200	66,600	40,000
To Balance c/d	80,000	40,000	40,000	By Cash A/c	5,800		
	80,000	**66,600**	**40,000**		**80,000**	**66,600**	**40,000**

Balance Sheet
as on March 31, 2023 after Z's admission

Liabilities	**(₹)**	**Assets**	**(₹)**
Sundry Creditors	25,000	Cash (5,000+40,000+15,000+5,800-26,600 -5,000-2,500)	31,700
Capital Account balances:		Sundry Debtors	15,000

X	80,000		Stock (10,000+1,000)	11,000
Y	40,000		Printer (₹ 5,000 – ₹ 1,000)	4,000
Z	40,000	1,60,000	Fixed Assets (₹ 1,37,000 - ₹ 13,700)	1,23,300
		1,85,000		**1,85,000**

Working Notes: 1 Sacrificing Ratio

Old ratio X : Y = 2 : 1

Sacrificing Ratio = 2 : 1

Working Notes: 2 Distribution of Revaluation Loss

Revaluation loss transferred to X's Capital = 11,700 $\times \frac{2}{3}$ = ₹ 7,800

Revaluation loss transferred to Y's Capital = 11,700 $\times \frac{1}{3}$ = ₹ 3,900

Working Notes: 3 Distribution of Premium for Goodwill

X will get = 15,000 $\times \frac{2}{3}$ = ₹ 10,000

Y will get = 15,000 $\times \frac{1}{3}$ = ₹ 5,000

Working Notes: 4

Total Capital of the firm on the basis of Z's share = 40,000 $\times \frac{4}{1}$ = ₹ 1,60,000

Total Capital of the firm	1,60,000
Less: Z's Capital	40,000
Combined Capital of X and Y	1,20,000

X's share of Capital = 1,20,000 $\times \frac{2}{3}$ = ₹ 80,000

Y's share of Capital = 1,20,000 $\times \frac{1}{3}$ = ₹ 40,000

OR

Revaluation Account

Particulars	**Amount (Rs)**	**Particulars**		**Amount (Rs)**
To Claim for Workmen Compensation Fund A/c	8,000	By Provision for Doubtful Debts A/c		2,000
		By Loss Transferred to Capital A/c:		
		J	3,000	
		H	1,800	
		K	1,200	6,000
	8,000 ======			8,000 ======

Partner's Capital Account

Particulars	J Amount (Rs)	H Amount (Rs)	L Amount (Rs)	Particulars	J Amount (Rs)	H Amount (Rs)	L Amount (Rs)
To Revaluation A/c (Loss)	3,000	1,800	1,200	By Balance b/d	1,00,000	80,000	40,000
To H's Capital A/c (Goodwill)	10,200		20,400	By Investment Fluctuation Fund A/c	10,000	6,000	4,000
To H's Loan A/c		1,24,800		By Profit and Loss A/c	40,000	24,000	16,000
To Cash A/c		14,000		By J's Capital A/c		10,200	
To Current A/c (?)	31,680			By K's Capital A/c		20,400	
To Balance c/d	1,05,120		70,080	By Current A/c (Balancing figure)			31,680
	1,50,000 =======	1,40,600 ========	91,680 ========		1,50,000 =======	1,40,600 ========	91,680 =======

Balance Sheet

Liabilities		Amount (Rs)	Assets		Amount (Rs)
Creditors		42,000	Land and Building		1,24,000
J's Current A/c		31,680	Motor Van		40,000
Claim for Workmen Compensation Fund		8,000	Investments		38,000
H's Loan A/c		1,24,800	Machinery		24,000
Capital A/cs			Stock		30,000
J	1,05,120		Debtors	80,000	
K	70,080	1,75,200	(-) Provision for Doubtful Debts	(4,000)	76,000

			Cash (32,000-14,000)		18,000
			K's Current A/c		31,680
		3,81,680 ======			3,81,680 ======

Working Note

1. **Calculation of Gaining Ratio**

   Gaining Ratio = New Share - Old Share

   J = $\frac{3}{5} - \frac{5}{10} = \frac{6-5}{10} = \frac{1}{10}$

   K = $\frac{2}{5} - \frac{2}{10} = \frac{4-2}{10} = \frac{2}{10}$

   Gaining ratio = 1 : 2

2. Adjustment for Goodwill Firm's goodwill = Rs 1,02,000

   H's share of goodwill = 1,02,000$\times \frac{3}{10}$= Rs 30,600 will be debited to gaining partners i.e. J and K in gaining ratio i.e 1: 2.

   J's share = 30,600 $\times \frac{1}{3}$= Rs 10,200

   K's share = 30,600 $\times \frac{2}{3}$ = Rs 20,400

3. Adjustment of Capital J's capital after adjustment = 1,36,800

   K's capital after adjustment = 38,400

   Total capital of new firm = Rs 1,75,200

   J's adjusted capital = 1,75,200$\times \frac{3}{5}$ = Rs 1,05,120

   K's adjusted capital = 1,75,200 $\times \frac{2}{5}$ = Rs 70,080

4. Debit balance in current account is to be shown on the asset side of the balance sheet and credit balance in current account is to be shown on the liability side of the balance sheet. Cash paid to the retiring partner is deducted from the cash balance.

25.

IN THE BOOKS OF THE FIRM

JOURNAL ENTRIES

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2018 March 31	Reserve Fund A/c	Dr.		18,000	
	To A's Capital A/c				8,000
	To B's Capital A/c				6,000
	To C's Capital A/c				4,000
	(Transfer of Reserve Fund among old partners capital account)				
	Revaluation A/c	Dr.		12,600	
	To Machinery A/c				12,000

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	To Provision for Doubtful Debts A/c				600
	(Decrease in the value of Assets recorded through revaluation account)				
	Patents A/c	Dr.		2,000	
	Provision for Discount on Creditors A/c	Dr.		500	
	Expenses Owing A/c	Dr.		1,100	
	To Revaluation A/c				3,600
	(Increase in the value of patents and decrease in liabilities recorded through revaluation)				
	A's Capital A/c	Dr.		4,000	
	B's Capital A/c	Dr.		3,000	
	C's Capital A/c	Dr.		2,000	
	To Revaluation A/c				9,000
	(Transfer of loss on revaluation among old partners capital account in old profit sharing ratio)				
	A's Capital A/c	Dr.		4,000	
	B's Capital Ac	Dr.		3,000	
	C's Capital A/c	Dr.		2,000	
	To Goodwill A/c				9,000
	(Goodwill existing in the books written off in old ratio among old partners capital)				
	A's Capital A/c	Dr.		9,800	
	C's Capital A/c	Dr.		11,200	
	To B's Capital A/c				21,000
	(B's share of goodwill debited to the Capital Accounts of A and C their gaining ratio of 7:8)				
	Cash A/c	Dr.		30,000	
	To A's Capital A/c				18,000
	To C's Capital A/c				12,000
	(Cash brought in among partners)				
	B's Capital A/c	Dr.		71,000	

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	To Cash A/c				30,000
	To B's Loan A/c				41,000
	(Cash paid to B and the balance transferred to his Loan Account)				

PARTNER'S CAPITAL ACCOUNTS

Dr.							Cr.
Particulars	**A (₹)**	**B (₹)**	**C (₹)**	**Particulars**	**A (₹)**	**B (₹)**	**C (₹)**
To Revaluation A/c	4,000	3,000	2,000	By Balance b/d	60,000	50,000	40,000
To Goodwill A/c	4,000	3,000	2,000	By Reserve Fund A/c	8,000	6,000	4,000
To B's Capital A/c	9,800		11,200	By A's Capital A/c		9,800	
To Cash A/c		30,000		By C's Capital A/c		11,200	
To B's Loan A/c		41,000		By Cash A/c	18,000		12,000
To Balance c/d	68,200		40,800				
	86,000	**77,000**	**56,000**		**86,000**	**77,000**	**56,000**

NEW BALANCE SHEET
as at 31st March, 2018

Liabilities		₹	Assets		₹
Sundry Creditors	20,000		Cash		6,400
Less: Provision for Discount	500	19,500	Debtors	20,000	
Expense Owing		3,900	Less: Provision for doubtful debts	1,000	19,000
B's Loan		41,000	Stock		30,000
Capital Account Balances:			Patents		10,000
A	68,200		Machinery		1,08,000
C	40,800	1,09,000			
		1,73,400			**1,73,400**

W.N.:

A Gains $= \frac{3}{5} - \frac{4}{9} = \frac{7}{45}$

C Gains $= \frac{2}{5} - \frac{2}{9} = \frac{8}{45}$

$\therefore$ Gaining Ratio = 7:8

26.

Ram Ltd.
Journal

Date	Particulars		L.F.	Debit Amount (₹)	Credit Amount (₹)
	Land & Building A/c	Dr.		84,00,000	
	Plant & Machinery A/c	Dr.		36,00,000	
	To EX Ltd. A/c				1,10,00,000
	To Capital Reserve A/c (Bal. Fig.)				10,00,000
	(Being assets of EX Ltd. purchased)				
	EX Ltd. A/c	Dr.		1,10,00,000	
	To Bills Payable A/c				20,00,000
	To 8% Debentures A/c (75,000 × ₹ 100)				75,00,000
	To Securities Premium Reserve A/c (75,000 × ₹ 20)				15,00,000
	(Being purchase consideration paid by accepting a bill and issuing 75,000 8% debentures of `100 each at 20% premium)				

Working Notes: Number of Debentures issued = $(\frac{90,00,000}{120})$ = 75,000 debentures

Part B :- Analysis of Financial Statements

27.

(c) External Analysis

Explanation: The analysis of a financial statement by a shareholder is an external analysis.

OR

(c) 12 months

Explanation: Operating cycle is the number of days a company takes in realizing its inventories in cash. It equals the time taken in selling inventories plus the time taken in recovering cash from trade receivables. It is called operating cycle because this process of producing/purchasing inventories, selling them, recovering cash from customers, using that cash to purchase/produce inventories and so on is repeated as long as the company is in operations. Operating cycle period is assumed normally 12 months.

28.

(b) 6 or 7

Explanation: 6 or 7

29.

(b) Cash receipts from issue of share

Explanation: Cash receipts from issue of share

OR

(b) Cash flow from operating activities

Explanation: Operating activities are the main revenue-generating activities of an enterprise. As, such, they include cash flow from those transactions and events which are entered into the ascertainment of net profit or loss of the enterprise during an accounting year.

30. **(a)** Operating Activity

Explanation: Cash from operating activities usually refers to the net cash inflow reported in the first section of the statement of cash flows. Cash from operating activities focuses on the cash inflows and outflows from a company's main business activities of buying and selling merchandise, providing services, etc.

31.

S. No.	Items of balance sheet	Major Heads of balance sheet	Sub-heads of balance sheet
i.	Loans provided repayable on demand	Current Liabilities	Short-term Borrowings
ii.	Goodwill	Non-Current Assets	Fixed Assets - Intangible Assets
iii.	Copyrights and Patents	Non-Current Assets	Fixed Assets - Intangible Assets
iv.	Cheques	Current Assets	Cash and Cash Equivalents
v.	General Reserve	Shareholder's Funds	Reserves and Surplus
vi.	Goods acquired for trading, and	Current Assets	Inventories
vii.	Goods acquired for trading, and	Non-Current Liabilities	Long-term Borrowings

32. i. Return on Investment $= \frac{\text{Net Profit before Interest and Tax}}{\text{Capital Employed}} \times 100$

$= \frac{₹5{,}50{,}000(\text{ Note })}{₹40{,}00{,}000} \times 100$ = 13.75%

Note: Calculation of Net Profit before Interest and Tax:	₹
Net Profit after Interest and Tax	3,00,000
Add: Interest on 10% Debentures (5,00,000x10%)	50,000

Net Profit before Interest	3,50,000
Add: Tax $\left(\frac{₹3,00,000 \times 40}{60}\right)$	2,00,000
Net Profit before Interest and Tax	5,50,000

ii. Debt to Equity Ratio $= \frac{\text{Debt}}{\text{Equity}} = \frac{₹5,00,000}{₹35,00,000}$ = 1 : 7 or 0.143 : 1.

Note: Debt = 10% Debentures = ₹ 5,00,000

Equity = Capital Employed - Debt

= ₹ 40,00,000 - ₹ 5,00,000 = ₹ 35,00,000.

33. **In the books of Shine Ltd.**

Comparative Balance Sheet as at March 31, 2022 and 2023

Particulars	2022 (₹)	2023 (₹)	Absolute Change (₹)	Percentage Change (%)
I. Equity and Liabilities				
1. Shareholders' Funds				
a. Equity Share Capital	10,00,000	15,00,000	5,00,000	50
b. Reserve and Surplus	10,00,000	10,00,000	____	____
Shareholders' Fund	**20,00,000**	**25,00,000**	**5,00,000**	**25**
2. Non-Current Liabilities				
a. Long-term Borrowings	2,00,000	8,00,000	6,00,000	300
3. Current Liabilities Trade Payable	3,00,000	5,00,000	2,00,000	66.67
Total	**25,00,000**	**38,00,000**	**13,00,000**	**52**
II. Assets				
1. Non-Current Assets				
a. Property, Plant and Equipment Tangible Assets	15,00,000	25,00,000	10,00,000	66.67
b. Intangible Assets	5,00,000	5,00,000	-	-
	20,00,000	**30,00,000**	**10,00,000**	**50**
2. Current Assets				
a. Trade Receivables	3,50,000	6,00,000	2,50,000	71.43
b. Cash and Cash Equivalents	1,50,000	2,00,000	50,000	33.33
	5,00,000	**8,00,000**	**3,00,000**	**60**

Total	25,00,000	38,00,000	13,00,000	52

OR

COMPARATIVE STATEMENT OF PROFIT AND LOSS OF X LTD.
for the years ended 31st March 2022 and 2023.

S.No.	Particulars	Note No.	31-3-2022	31-3-2023	Absolute Change (Increase or Decrease)	Percentage Change (Increase or Decrease)
	1		2	3	4	5
			A	B	(B - A = C)	$\frac{C}{A} \times 100$ = D
			₹	₹	₹	%
I.	Revenue from Operations		20,00,000	25,00,000	5,00,000	25.00
II.	Less: Expenses :					
	(a) Cost of Materials Consumed		16,00,000	21,00,000	5,00,000	31.25
	(b) Other Expenses (Note 1)		80,000	1,00,000	20,000	25.00
	Total Expenses		16,80,000	22,00,000	5,20,000	30.95
III.	Profit before Tax (I - II)		3,20,000	3,00,000	(20,000)	(6.25)
IV.	Less: Tax 50%		1,60,000	1,50,000	(10,000)	(6.25)
V.	Profit after Tax (III - IV)		1,60,000	1,50,000	(10,000)	(6.25)

Working Note:-

i. Gross Profit = Revenue from Operations - Cost of Materials Consumed
Gross Profit for 2022 = ₹ 20,00,000 - ₹ 16,00,000 = ₹ 4,00,000
Gross Profit for 2023 = ₹ 25,00,000 - ₹ 21,00,000 = ₹ 4,00,000
Other Expenses for 2022 = 20% of 4,00,000 = ₹ 80,000
Other Expenses for 2023 = 25% of 4,00,000 = ₹ 1,00,000

34. i. **CALCULATION OF CASH FLOW FROM INVESTING ACTIVITIES**

Particulars	Amount (₹)

Purchase of Machinery	(2,50,000)
Sale of Machinery	12,000
Purchase of Goodwill	(50,000)
Sale of Land	30,000
Cash used in Investing Activities	**(2,58,000)**

Working Notes:

MACHINERY ACCOUNT

Dr.			**Cr.**
Particulars	**Amount (₹)**	**Particulars**	**Amount (₹)**
To balance b/d	3,00,000	By Bank A/c (Sale)	12,000
To Bank A/c (Purchase) (Balancing Fig.)	2,50,000	By Accumulated Depreciation A/c	35,000
		By Statement of Profit & Loss (Loss on Sale)	3,000
		By balance c/d	5,00,000
	5,50,000		**5,50,000**

ACCUMULATED DEPRECIATION ACCOUNT

Dr.			**Cr.**
Particulars	**Amount (₹)**	**Particulars**	**Amount (₹)**
To Machinery A/c (On Machinery Sold)	35,000	By balance b/d	80,000
To balance c/d	1,00,000	By Depreciation A/c (For the Year) (Bal. Fig,)	55,000
	1,35,000		**1,35,000**

ii. **CALCULATION OF CASH FLOW FROM OPERATING ACTIVITIES**

Particulars		**Amount (₹)**
Net Profit before Tax and Extraordinary Items:		
Net Profit (Given)	2,50,000	
Add: Transfer to General Reserve	22,500	2,72,500
Adjustment for Non-cash and Non-operating Items:		
Add: Depreciation		55,000

Goodwill written off		9,000
Loss on Sale of Furniture		2,000
Operating Profit before Working Capital Changes		3,38,500
Add: Decrease in Inventory	4,000	
Less: Decrease in Advance Income	(8,000)	(4,000)
Cash Flow From Operating Activities		**3,34,500**