

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

Time Allowed: 3 hours

Maximum Marks: 80

General Instructions:

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

Part A:- Accounting for Partnership Firms and Companies

1. Match the following: [1]

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

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

2. **Assertion (A):** Capital account of partners generally has a credit balance. [1]

Reason (R): Current account has either a debit or credit balance.

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

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



a) Subscribed Capital, Issued Capital, Authorised Capital

b) Authorised Capital, Subscribed Capital, Issued Capital

c) Authorised Capital, Issued Capital, Subscribed Capital

d) Issued Capital, Authorised Capital, Subscribed Capital

OR

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

a) Assets A/c

b) Debenture A/c

c) Vendor A/c

d) % Debentures Account

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

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

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

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

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

OR

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

a) 6% of profit

b) None of these

c) 4% of profit

d) 5% of profit

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

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

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

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

d) Settle the dispute among the partners.

6. When debentures of ₹ 1,00,000 are issued as Collateral Security against a loan of ₹ 1,50,000, the entry for issue of debentures will be: [1]

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

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



1,00,000

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

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

OR

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

a) Share capital

b) None of these

c) Non current liabilities

d) Current liabilities

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

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

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

c) A is true but R is false.

d) A is false but R is true.

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

a) 10% p.a.

b) 16% p.a.

c) 6% p.a.

d) 12% p.a.

OR

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

a) ₹ 16,600

b) ₹ 13,400

c) ₹ 13,000

d) ₹ 17,000

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

c) 90

d) 45

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

- i. Vinod and Ankit both will sacrifice equally to Govind.
- ii. Vinod's sacrificing ratio is more than that of Ankit.
- iii. The new profit sharing ratio of Vinod, Ankit and Govind will be 11 : 6 : 5.

a) Only (iii) is correct

b) All of these

c) Only (i) is correct

d) Only (ii) is correct

OR

Which of the following is not distributed among the partners?

a) Contingency reserve

b) Workers profit sharing fund

c) Retained earnings

d) General reserve

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

a) Capital ratio

b) Profit sharing ratio

c) Final claims ratio

d) Maximum loss ratio

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

18. Yogesh, Ram and Rohit are partners in a firm and they do not have a Partnership Deed. [3]
- i. Yogesh had invested more capital than other partners and asks for interest on capital at 10% p.a. But Ram and Rohit do not agree with him.
 - ii. Ram devotes more time in handling the business and demands a salary of ₹ 5,000 p.m. But Yogesh and Rohit do not agree with him.
 - iii. Rohit demands interest on the loan of ₹ 50,000 given by him @ 12% p.a.
 - iv. Yogesh withdrew ₹ 10,000 from the firm for his personal use. Ram and Rohit demand that interest on drawings be charged from him @ 10% p.a.
 - v. Profit for the year before the above claims was ₹ 50,000. Yogesh demands profits to be distributed in the capital ratio.
 - vi. Ram wants to introduce his son Inder as partner. Rohit objects to his proposal.
- How will be the above issues resolved?

OR

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

- i. Interest on P's Loan of Rs. 2,00,000 to the firm
 - ii. Interest on capital to be allowed @ 6% p.a.
 - iii. Interest on Drawings @ 8% p.a. Drawings were ; P Rs 80,000 and Q Rs. 50,000.
 - iv. Q is to be allowed a commission on sales @ 3%. Sales for the year was Rs. 10,00,000
 - v. 10% of the divisible profits is to be kept in a Reserve Account.
19. **Zakir Ltd.** issued ₹ 4,00,000, 9% Debentures of ₹ 100 each at a discount of 5% [3]
redeemable at a premium of 10%.
Pass necessary journal entries for the above transactions in the books of Zakir Ltd.

OR

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

20. The total capital of the firm of Seema, Muskan and Heena is ₹ 1,00,000 and the [3]
market rate of interest is 15%. The net profits for the last 3 years were ₹ 30,000; ₹ 36,000 and ₹ 42,000. Goodwill is to be valued at 2 year's purchase of the last 3 years' super-profits. Calculate the goodwill of the firm.
21. ATD Ltd. forfeited 150 Equity Shares of ₹ 10 each issued at a premium at ₹ 5 per [4]
share, for non-payment of allotment money of ₹ 8 per share (including premium of ₹ 5 per share), the first call of ₹ 2 per share and the final call of ₹ 3 per share. Out of



these, 100 Equity Shares were reissued at ₹ 14 per share. Give the Journal entries to record the forfeiture and reissue of shares.

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

- i. Realisation expenses paid by X on behalf of the firm.
- ii. Realisation expenses paid by the firm ₹ 1,000. However, the expenses were to be borne by partner X for which he was to be given a commission of 5% on net cash realised on dissolution. Cash realised from assets was ₹ 2,00,000 and cash paid for liabilities was ₹ 40,000.
- iii. General Reserve appearing in the balance sheet was ₹ 20,000.
- iv. Sundry Creditors amounted to ₹ 15,000. These were paid at a discount of 2%.

23. Minutes Ltd. invited applications for issuing 3,40,000 equity shares of ₹ 10 each at a premium of ₹ 5 per share. The amount was payable as follows: [6]

On application ₹ 4 per share (including ₹ 2 premium)

On allotment ₹ 5 per share (including ₹ 2 premium)

On First and Final call - Balance.

Applications for 6,00,000 shares were received. Application for 1,80,000 shares were rejected and application money was refunded. Shares were allotted on prorata basis to the remaining applicants. Excess money received with applications was adjusted towards sum due on allotment. Meena who had applied for 2,100 shares failed to pay allotment money and her shares were forfeited immediately. Varsha to whom 6,800 shares were allotted paid her entire share money due on allotment.

Afterwards First and Final call was made and was duly received. Out of the forfeited shares 850 shares were reissued to Vikash at ₹ 8 per share fully paid up. Pass necessary journal entries for the above transactions in the books of the company by opening calls-in-arrears and calls-in-advance accounts.

OR

Raghav Stationary Ltd. invited applications for issuing 3,00,000 shares of ₹ 10 each at a premium of ₹ 3 per share. The amounts were payable as follows:

On application and allotment – ₹ 7 per share.

On first and final call – balance (including premium of ₹ 3)

Applications were received for 4,00,000 shares and allotment was made as follows:

- i. To applicants for 80,000 shares – 80,000 shares.
- ii. To applicants for 40,000 shares – nil
- iii. Balance of the applicants were allotted shares on pro rata basis.

Excess money received with applications was adjusted towards sums due on first and final call.

Arun, who belonged to category (i) and was allotted 4,000 shares and Sara, who belonged to category (iii) and was allotted 4,400 shares failed to pay the first and final



call money. Their shares were forfeited. The forfeited shares were reissued at ₹ 7 per share fully paid-up.

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

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

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

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

- Employees Provident Fund liability is to be increased by ₹ 5,000.
- All Debtors are good.
- Stock includes ₹ 3,000 for obsolete items. Hence, are to be written off.
- Creditors are to be paid ₹ 1,000 more.
- Fixed Assets are to be revalued at ₹ 70,000.

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

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

OR

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

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

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



| | | | | |
|-------------------|----------|-----------------|----------------|-----------------|
| Capital Accounts: | | | Stock | 30,000 |
| Puneet | 60,000 | | Sundry Debtors | 80,000 |
| Pankaj | 1,00,000 | | Investments | 70,000 |
| Pammy | 40,000 | 2,00,000 | Furniture | 35,000 |
| Reserve | | 50,000 | Buildings | 1,15,000 |
| | | 3,50,000 | | 3,50,000 |

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

- The deceased partner will be entitled to his share of profit up to the date of death calculated on the basis of previous year's profit.
- He will be entitled to his share of goodwill of the firm calculated on the basis of 3 years' purchase of average of last 4 years' profit. The profits for the last four financial years are given below:
for 2015–16; ₹ 80,000; for 2016–17, ₹ 50,000; for 2017–18, ₹ 40,000; for 2018–19, ₹ 30,000.

The drawings of the deceased partner up to the date of death amounted to ₹ 10,000. Interest on capital is to be allowed at 12% per annum. Surviving partners agreed that ₹ 15,400 should be paid to the executors immediately and the balance in four equal yearly instalments with interest at 12% p.a. on the outstanding balance.

Show Mr. Pammy's Capital account, his Executor's account till the settlement of the amount due.

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

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

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

- Land and Buildings be reduced by 10%.
- Out of the insurance premium paid during the year ₹ 5,000 be carried forward as unexpired.

- iii. There is no need of any provision for doubtful debts.
- iv. Goodwill of the firm be valued at ₹ 54,000.
- v. X and Y decided that their capitals will be adjusted in their new profit sharing ratio, by bringing in or paying cash to the partners. Z's a/c will be transferred to his loan a/c.
 - a. Pass necessary journal entries; prepare the capital accounts and the new balance sheet.
 - b. Z is paid ₹ 9,300 on the date of retirement and the remaining amount in three equal instalments together with interest at the rate of 10% p.a. on the outstanding balance. Show Z's loan a/c for 3 years.

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

Part B :- Analysis of Financial Statements

27. Main objective of analysis of financial statements is: [1]
- | | |
|-----------------------------------|---|
| a) All of these | b) To know the efficiency of management |
| c) To know the financial strength | d) To make a comparative study with other firms |

OR

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

- | | |
|------------------|---|
| a) Other Incomes | b) Revenue from operations |
| c) None of these | d) Both Revenue from operations and Other Incomes |
28. The primary concern of creditors when assessing the strength of a firm is the firm's _____. [1]
- | | |
|-------------------------|----------------|
| a) fixed assets | b) leverage |
| c) short-term liquidity | d) share price |
29. GSC Ltd. purchased machinery of ₹ 10,00,000 issuing a cheque of ₹ 2,50,000 and 10% Debentures of ₹ 7,50,000. In the Cash Flow Statement, the transaction will be [1]



shown as:

- i. Outflow under Investing Activity ₹ 10,00,000, inflow under Financing Activity as Receipt for Debentures ₹ 7,50,000.
- ii. Outflow under Investing Activity ₹ 2,50,000.
- iii. Inflow of ₹ 7,50,000 as Financing Activity.
- iv. None of these.

a) only ii

b) i and ii

c) iv and i

d) iii and iv

OR

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

a) Cash flow from Investing activities

b) Cash Equivalent

c) Cash flow from Financing activities

d) Cash flow from operating activities

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

a) Cash Flow from Operating Activities

b) Cash Flow from Investing Activities

c) Cash Flow from Financing Activities

d) No Cash Flow

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

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

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

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

Total assets = ₹ 3,00,000

Non-current liabilities = ₹ 80,000

Shareholders' Funds = ₹ 2,00,000



Non-Current Assets:

Fixed assets = ₹ 1,60,000

Non-current Investments = ₹ 1,00,000

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

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

OR

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

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

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

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

| | |
|--|-------|
| Outstanding Expenses on 1 st April, 2022 | 5,000 |
| Outstanding Expenses on 31 st March, 2023 | 6,500 |
| Prepaid Expenses on 1 st April, 2022 | 2,000 |

Solutions

Part A:- Accounting for Partnership Firms and Companies

1.

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

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

2.

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

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

3.

(c) Authorised Capital, Issued Capital, Subscribed Capital

Explanation: Authorised Capital, Issued Capital, Subscribed Capital
OR

(c) Vendor A/c

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

4.

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

Explanation: Sacrificing Ratio = Old Share - New Share

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

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

OR

(b) None of these

Explanation: None of these

5.

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

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

6.

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

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

OR

(c) Non current liabilities

Explanation: Non current liabilities

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.

(c) 6% p.a.

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

OR

(b) ₹ 13,400

Explanation: Net Profit as per Profit and Loss Appropriation Account

= (15,000 + 200 - 1,800)

= ₹ 13,400

9. (c) ₹ 4,500

Explanation: ₹ 4,500

10. (b) ₹ 6,750

Explanation: ₹ 6,750

11. (a) All of these

Explanation: Guarantee of profit to a partner is given by one or more partner to one or more partner or the firm. The guaranteed amount is even paid in case of loss.

12.

(d) All of these

Explanation: All of these

13.

(d) 7 per share

Explanation: 7 per share

14.

(d) 45

Explanation: $3,000 \times \frac{6}{100} \times \frac{3}{12} = 45$

15.

(c) Only (i) is correct

Explanation: As Govind acquires his $\frac{1}{4}^{\text{th}}$ share equally from Vinod and Ankit, the sacrificing ratio is equal for both, hence statement (i) is only true.

OR

(b) Workers profit sharing fund

Explanation: Workers profit sharing fund as it is for workers

16. (a) Capital ratio

Explanation: Capital ratio

17. Two Circumstances are:

- i. When the existing partners of a partnership firm mutually agree to change the profit-sharing ratio among themselves.

ii. When a new partner is admitted and the goodwill brought in by him is distributed among the old partners in their sacrificing ratio.

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

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

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

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

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

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

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

OR

**Profit and Loss Appropriation Account
for the year ended.**

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

19. In the Books of Zakir Ltd.

JOURNAL

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



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

OR

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

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

20. Calculation Of Goodwill as per Super Profit Method

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

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

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

$$\text{Super Profits} = \text{Average Profits} - \text{Normal Profits}$$

$$= ₹ 36,000 - ₹ 15,000 = ₹ 21,000$$

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

$$= ₹ 21,000 \times 2 = ₹ 42,000$$

21.

JOURNAL OF ATD LTD.



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

22.

JOURNAL

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



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

23.

**Minutes Ltd.
Journal**

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



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



| | | | | |
|--|--|-----|-----------|-----------|
| | To Securities Premium Reserve A/c(3,38,500×1) | | | 3,38,300 |
| | (Share First and final call due) | | | |
| | Bank A/c | Dr. | 19,89,000 | |
| | Calls in advance A/c | Dr. | 40,800 | |
| | To Equity Share First and Final call A/c | | | 20,29,800 |
| | (First and final call money received except on 6,800 shares) | | | |
| | Alternate entry: | | | |
| | Bank A/c | Dr. | 20,29,800 | |
| | To Equity Share First and Final call A/c | | | 20,29,800 |
| | (First and final call money received except on 6,800 shares) | | | |
| | Bank A/c | Dr. | 6,800 | |
| | Share Forfeiture A/c | Dr. | 1,700 | |
| | To Equity Share Capital A/c | | | 8,500 |
| | (Shares reissued for ₹ 8 per share fully paid) | | | |
| | Share Forfeiture A/c | Dr. | 800 | |
| | To Capital Reserve A/c | | | 800 |
| | (Gain on reissue of forfeited shares transferred to capital reserve) | | | |

OR

Books of Raghav Stationary Ltd.

JOURNAL

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



| | | | | |
|---|-----|--|-----------|-----------|
| To Bank A/c (40,000 × ₹ 7) | | | | 2,80,000 |
| (Application and allotment money transferred to share capital, Calls-in-Advance and the balance refunded) | | | | |
| Share First and Final Call A/c | Dr. | | 18,00,000 | |
| To Share Capital A/c (3,00,000 × ₹ 3) | | | | 9,00,000 |
| To Security Premium A/c (3,00,000 × ₹ 3) | | | | 9,00,000 |
| (First and final call due including premium) | | | | |
| Bank A/c | Dr. | | 13,38,000 | |
| Calls in Advance A/c | Dr. | | 4,20,000 | |
| Calls-in-Arrears A/c (18,000 + 24,000) | Dr. | | 42,000 | |
| To Share First and Final Call A/c | | | | 18,00,000 |
| (First and final call money received) | | | | |
| Or | | | | |
| Bank A/c | Dr. | | 13,38,000 | |
| Calls-in-Advance A/c | Dr. | | 4,20,000 | |
| To Shares First and Final Call A/c | | | | 17,58,000 |
| (First and final call money received) | | | | |
| Share Capital A/c | Dr. | | 40,000 | |
| Securities Premium A/c | Dr. | | 12,000 | |
| To Forfeited Shares A/c | | | | 28,000 |
| To Shares First and Final Call A/c | | | | 24,000 |
| (4,000 shares forfeited) | | | | |
| Or | | | | |
| Share Capital A/c | Dr. | | 40,000 | |
| Securities Premium A/c | Dr. | | 12,000 | |
| To Forfeited Shares A/c | | | | 28,000 |
| To Calls-in-Arrears A/c | | | | 24,000 |
| (4,000 shares forfeited) | | | | |
| Share Capital A/c | Dr. | | 44,000 | |

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

Working Notes

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

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

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



| | | |
|--|--|-------------|
| | | 26,400 |
| | Less: Excess application and allotment money adjusted on first and final call (ii) | ₹ 8,400 |
| | Money not paid by Sara | ₹ 18,000 |

2. Calculation of First and Final Call Money received:

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

24.

Revaluation Account

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

Partner's Capital Accounts

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



Balance Sheet

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

OR

Pammy's Capital Account

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

Pammy's Executor Account

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



| | | | | | | | |
|---------|--------------------------|--|---------------|----------|----------------|--|---------------|
| Sep. 30 | To Bank | | 22,200 | April 01 | By Balance b/d | | 63,600 |
| | (15,000 + 3,600 + 3,600) | | | Sep. 30 | By Interest | | 3,600 |
| Mar. 31 | To Balance c/d | | 47,700 | Mar. 31 | By Interest | | 2,700 |
| | | | 69,900 | | | | 69,900 |
| 2019-20 | | | | 2019-20 | | | |
| Sep. 30 | To Bank | | 20,400 | April 01 | By Balance b/d | | 47,700 |
| Mar. 31 | To Balance c/d | | 31,800 | Sep. 30 | By Interest | | 2,700 |
| | | | | Mar. 31 | By Interest | | 1,800 |
| | | | 52,200 | | | | 52,200 |
| 2020-21 | | | | 2020-21 | | | |
| Sep. 30 | To Bank | | 18,600 | April 01 | By Balance b/d | | 31,800 |
| | (15,000 + 1,800 + 1,800) | | | Sep. 30 | By Interest | | 1,800 |
| Mar. 31 | To Balance c/d | | 15,900 | Mar. 31 | By Interest | | 900 |
| | | | 34,500 | | | | 34,500 |
| 2021-22 | | | | 2021-22 | | | |
| Sep. 30 | To Bank | | 16,800 | April 01 | By Balance b/d | | 15,900 |
| | (15,000 + 900 + 900) | | | Sep. 30 | By Interest | | 900 |
| | | | 16,800 | | | | 16,800 |

Working Notes:

i. Pammy's Share of Profit

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



$$\times \frac{6}{12} \times \frac{1}{5} = 3,000$$

ii. Pammy's Share of Goodwill

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

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

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

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

iii. Gaining Ratio = New Ratio – Old Ratio

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

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

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

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

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

v. Interest Amount

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

$$\text{Amount outstanding on 30 September} = 75,400 - 15,400 = ₹ 60,000$$

Calculation of Interest:

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

25. a.

JOURNAL ENTRIES

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



| | | | |
|---|-----|--------|--------|
| Z's Capital A/c | Dr. | 950 | |
| To Revaluation A/c (Loss on revaluation transferred) | | | 5,700 |
| X's Capital A/c | Dr. | 3,000 | |
| Y's Capital A/c | Dr. | 6,000 | |
| To Z's Capital A/c (Goodwill adjusted in the gaining ratio 1 : 2) | | | 9,000 |
| Z's Capital A/c | Dr. | 69,300 | |
| To Bank A/c | | | 9,300 |
| To Z's Loan A/c | | | 60,000 |
| (The balance of Z's Capital A/c transferred to his loan A/c) | | | |
| Bank A/c ⁽²⁾ | Dr. | 2,100 | |
| To X's Capital A/c (The amount brought in by X to raise his capital to profit sharing ratio) | | | 2,100 |
| Y's Capital A/c ⁽²⁾ | Dr. | 2,100 | |
| To Bank A/c (The amount withdrawn by Y to bring his capital to profit sharing ratio) | | | 2,100 |

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

| | | | | | | | |
|----------------|--------|--------|--------|----------------|--------|--------|--------|
| | 78,750 | 70,000 | 70,250 | | 78,750 | 70,000 | 70,250 |
| To Bank A/c | _____ | 2,100 | _____ | By Balance b/d | 72,900 | 62,100 | _____ |
| To Balance c/d | 75,000 | 60,000 | _____ | By Bank A/c | 2,100 | _____ | _____ |
| | 75,000 | 62,100 | _____ | | 75,000 | 62,100 | _____ |

NEW BALANCE SHEET

as at 1st April 2020

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

Working Notes:

1. Calculation of Gaining Ratio = New Ratio - Old Ratio

$$\text{Gain to X} = \frac{5}{9} - \frac{3}{6} = \frac{1}{18}$$

$$\text{Gain to Y} = \frac{4}{9} - \frac{2}{6} = \frac{2}{18}$$

$$\text{Hence, Gaining Ratio} = \frac{1}{18} : \frac{2}{18} = 1 : 2$$

2. Adjustment of Capitals of X and Y according to new profit sharing ratio

$$= \text{Total Capital of X and Y after all the adjustments} = ₹ 72,900 + ₹ 62,100 = ₹ 1,35,000$$

This Capital should be in their profit sharing ratio, i.e., 5 : 4

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

b. Settlement of Loan Account:

| | | |
|-----|------------------|-----|
| Dr. | Z's LOAN ACCOUNT | Cr. |
|-----|------------------|-----|



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

26.

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

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



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

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

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

Part B :- Analysis of Financial Statements

27. (a) All of these

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

OR

(a) Other Incomes

Explanation: Other Incomes as it is not their main income

28.

(c) short-term liquidity

Explanation: short-term liquidity

29. (a) only ii

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

OR

(c) Cash flow from Financing activities

Explanation: Cash flow from Financing activities

30.

(c) Cash Flow from Financing Activities

Explanation: Cash Flow from Financing Activities

31.

**IN THE BOOKS OF Z LTD.
EXTRACT OF BALANCE SHEET**



AS AT 31 MARCH 2019

| Particulars | Note No. | Current year ₹ | Previous year ₹ |
|-------------------------------|----------|-------------------|--------------------|
| EQUITY AND LIABILITIES | | | |
| Reserve and Surplus | | 1,10,000 | |

Notes to Accounts:

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

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

$$₹ 3,00,000 = ₹ 2,60,000 + \text{Current assets}$$

$$\text{Current assets} = ₹ 3,00,000 - ₹ 2,60,000 = ₹ 40,000$$

Total assets = Equity and Liabilities

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

$$₹ 3,00,000 = ₹ 2,00,000 + ₹ 80,000 + \text{Current Liabilities}$$

$$\text{Current liabilities} = ₹ 3,00,000 - ₹ 2,80,000$$

$$= ₹ 20,000$$

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

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

33.

Common size Statement of Profit & Loss

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



| | | | | | |
|------------------------------------|--|-----------------|------------------|-----------|-------------|
| (b) Other Expenses | | 3,00,000 | 6,00,000 | 15 | 15 |
| Total Expenses | | 4,00,000 | 10,00,000 | 20 | 25 |
| III. Profit before tax (I - II) | | 16,00,000 | 30,00,000 | 80 | 75 |
| IV. Income tax (50%) | | 8,00,000 | 15,00,000 | 40 | 37.5 |
| V. Profit after tax (III - IV) | | 8,00,000 | 15,00,000 | 40 | 37.5 |

OR

Comparative Statement of Profit & Loss

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

34.

CALCULATION OF CASH FROM OPERATING ACTIVITIES

for the year ended 31st March, 2023

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



| | | |
|--|---------------|-----------------|
| Amortisation of Patents and Trade Marks | 8,000 | |
| Loss on Sale of Machine | <u>20,000</u> | <u>40,500</u> |
| Operating profit before working capital changes: | | 1,40,500 |
| Add: Decrease in Current Assets: | | |
| Decrease in Trade Receivables | 22,800 | |
| Decrease in Prepaid Expenses | 2,000 | |
| Add: Increase in Current Liabilities: | | |
| Increase in Outstanding Expenses | <u>1,500</u> | <u>26,300</u> |
| | | 1,66,800 |
| Less: Decrease in Current Liabilities: | | |
| Decrease in Trade Payables | | <u>4,700</u> |
| Cash generated from operating activities before payment of tax | | 1,62,100 |

Notes:

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