SAMPLE QUESTION PAPER - 5
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. X and Y are partners with capitals of ₹ 39,000 and ₹ 27,000. They admit Z as partner with $\frac{1}{5}^{\text{th}}$ share in profit of the firm. Z brings ₹ 24,000 as capital. **[1]**
Z's Share for premium for goodwill:

a) 8,000 b) 12,000

c) 6,000 d) 7,000

2. **Assertion (A):** Partners are both **Agents and Principals.** **[1]**
Reason (R): As an agent, a partner represents other partners and binds them through his acts. As a principal, he is bound by the act of other 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. Y Ltd. forfeited 400 shares of ₹ 10 each, ₹ 7 called up, for non-payment of the first call of ₹ 2 per share. Out of these, 300 shares were reissued for ₹ 6 per share as ₹ 7 paid up. What is the amount to be transferred to Capital Reserve Account? **[1]**

a) ₹ 300
b) ₹ 2,100
c) ₹ 1,200
d) ₹ 1,700

OR

A Co.Ltd. issued ₹ 40,000; 12% Debentures at a discount of 10% redeemable at par. Pass Journal Entries

a) Bank A/c Dr. 40,000
To 12% Debentures A/c 36,000
To Discount on Issue of Debentures A/c 4,000

b) Bank A/c Dr. 36,000
Discount on Issue of Debentures A/c Dr. 4,000
To 12% Debentures A/c 40,000

c) 12% Debenture Application A/c Dr. 36,000
Discount on Issue of Debentures A/c Dr. 4,000
To 12% Debentures A/c 40,000

d) Bank A/c Dr. 36,000
To 12% Debenture Application A/c 36,000

4. Isha and Naman were partners in a firm sharing profits and losses in the ratio of 2 : 3. With effect from 1st April, 2022 they agreed to share profits and losses equally. Due to change in the profit sharing ratio, Isha's gain or sacrifice will be: **[1]**

a) Sacrifice $\frac{1}{10}$
b) Sacrifice $\frac{2}{5}$
c) Gain $\frac{1}{10}$
d) Gain $\frac{2}{5}$

OR

Which of the following is legally qualified to start a partnership business?

a) A person disqualified by Law
b) Lunatic person
c) Solvent person
d) Minor Partner

5. A and B were partners in a firm sharing profits and losses in the ratio of 3 : 2. On 1st April, 2021 the balances in their capital accounts were ₹ 1,50,000 and ₹ 2,00,000 respectively. The partnership deed provided that interest on partners capital will be allowed @ 10% per annum. During the year ended 31st March, 2022, the firm incurred a loss of ₹ 10,000. Interest on A's capital will be: **[1]**

a) ₹ 6,000
b) Nil
c) ₹ 15,000
d) ₹ 9,000

6. What type of debentures can be issued by an Indian company? **[1]**

a) Unsecured
b) Secured
c) Convertible
d) Redeemable

OR

Interest on Debentures issued as Collateral Security is

a) None of these
b) paid
c) may or may not be paid
d) not paid

7. **Assertion (A):** A company may forfeit the shares for non-payment of calls amount depend upon the Articles of Association of the company. **[1]**
Reason (R): Shares can be forfeited only if it is allowed by the Articles of Association of the 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. Gaining Ratio is applicable in the calculation of: **[1]**

a) For the distribution of Reserves and profits
b) For distribution of existing goodwill among partners
c) Retiring partner's share of goodwill only
d) For the Calculation of profit

OR

Z is a partner in a firm. He withdrew regularly ₹ 2,000 every month for the six months ending 31st March, 2023. If interest on drawings is charged @ 8% p.a. the interest charged will be:

a) ₹ 240
b) ₹ 280
c) ₹ 200
d) ₹ 480

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

A, B and C started a firm on 1st October, 2020 sharing profits equally. A drew regularly ₹ 4,000 in the beginning of every month for the six months ended 31st March, 2021. B drew regularly ₹ 4,000 at the end of every month for the six months ended 31st March,

2021. C drew regularly ₹ 4,000 in the middle of every month for the six months ended 31st March, 2021. IOD is charged at 5% p.a.

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

a) ₹ 96,000
b) ₹ 1,44,000
c) ₹ 24,000
d) ₹ 72,000

10. What is the interest on drawings of B?

a) ₹ 300
b) ₹ 250
c) ₹ 350
d) ₹ 200

11. In the absence of a partnership deed, partners, are not entitled to receive: **[1]**

a) Salaries
b) Commission
c) Interest on Capital
d) All of these

12. Neeraj Ltd. forfeited 1,000 shares of ₹ 10 each issued at 20% premium (₹ 8 Called up) on which application of each and allotment of ₹ 5 each (including premium) has been received. Out of these, 700 shares were reissued for ₹ 6 per share (₹ 8 paid up). What is the amount transferred to Capital Reserve? **[1]**

a) ₹ 3,500
b) ₹ 700
c) ₹ 1,400
d) ₹ 2,100

13. _________ can be used to write off Capital losses. **[1]**

a) Capital Reserve
b) Discount on issue of Sweat Equity Shares
c) Reserve Capital
d) Issued Capital

14. If a fixed amount is withdrawn by a partner at the end of each quarter, **interest on drawings** on the total amount withdrawn will be calculated for: **[1]**

a) 6 months
b) 3 months
c) 9 months
d) $4\frac{1}{2}$ months

15. Girish and Balwant share profits in the ratio of 2 : 1. Vinod is admitted with 1/5 share in profits. Vinod acquires 2/3 of his share from Girish and 1/3 of his share from Balwant. The new ratio will be: **[1]**

a) 8 : 4 : 3 b) 2 : 1 : 1

c) 13 : 23 : 12 d) 23 : 13 : 12

OR

A and B are partners sharing profits in the ratio of 7 : 3. They decided to admit Rishi as a new partner and new profit sharing ratio is 4 : 3 : 3. Rishi Paid ₹ 12,000 as his share of goodwill. Amount of goodwill transfer to the capital account of B:

a) 4800 b) 3600

c) 1200 d) Nil

16. Total creditors of the firm (already transferred to Realisation Account) were ₹30,000. Out of this, creditors waived their claim of ₹5,000 while the rest agreed to allow discount @ 10% of their respective claim. Journal Entry would be **[1]**

a)

Realisation A/c	Dr.	25,000	
To Bank A/c			25,000

b)

Bank A/c	Dr.	22,500	
To Realisation A/c			22,500

c)

Mohan's Capital A/c	Dr.	22,500	
To Realisation A/c			22,500

d)

Bank A/c	Dr.	25,000	
To Realisation A/c			25,000

17. The capital of the firm of Amit and Sonu is ₹ 10,00,000 and the market rate of interest is 15%. Annual salary to the partners is ₹ 60,000 each. The profit for the last three years were ₹ 2,80,000, ₹ 3,80,000 and ₹ 4,20,000. Goodwill of the firm is to be valued on the basis of two years purchase of last three years average super profits. Calculate the goodwill of the firm. **[3]**

18. Arun and Barun were partners sharing profits in the ratio of 3 : 2. Their capitals were ₹ 50,000 and ₹ 30,000 respectively. Partnership deed provided for interest on capital @ 6% p.a. to Arun and Barun and quarterly salary of ₹ 1,000 to Barun. Arun had given a loan of ₹ 1,00,000 on 1st October, 2021 to the firm without any agreement about interest. For the year 2021-22, the profits earned were ₹ 26,800. **[3]**

Prepare Profit and Loss Appropriation Account of the firm for the year ended 31st March, 2022.

OR

List any two items that may appear on the debit side of the Capital Account of a partner when the capitals are fluctuating.

19. X Ltd. purchased assets of Y Ltd. as under: **[3]**

Plant and Machinery	₹8,00,000
Land and Building	₹72,00,000

The purchase consideration was ₹80,00,000. ₹20,00,000 were paid through bank and the remaining by issue of 6% debentures of ₹100 each at a premium of 20%. Pass necessary journal entries in the books of X Ltd.

OR

State any three purposes other than 'issue of bonus shares' for which securities premium can be utilised.

20. Harshit and Himanshu are partners sharing profits equally. They admit Sunil into partnership for equal share. Goodwill was agreed to be valued at two years' purchase of average profit of last four years. Profits for the last four years were: **[3]**

Year Ended	**Normal Profit/(Loss) (₹)**
31st March, 2020	70,000;
31st March, 2021	1,00,000;
31st March, 2022	55,000 (Loss);
31st March, 2023	1,45,000.

The books of account of the firm revealed as follows:

i. Firm had abnormal gain of ₹ 10,000 during the year ended 31st March, 2020.

ii. Firm incurred abnormal loss of ₹ 20,000 during the year ended 31st March, 2021.

iii. Repairs to car amounting to ₹ 50,000 was wrongly debited to vehicles on 1st May, 2022. Depreciation was charged on vehicles @ 10% on Straight Line Method.

Calculate the value of Goodwill.

21. Eastern Company Limited issued 40,000 shares of ₹ 10 each to the public for the subscription out of its share capital, payable as ₹ 4 on application, ₹ 3 on the allotment, and the balance on 1st and final call. Applications were received for 40,000 shares. The company made the allotment to the applicants in full. All the amounts due on the allotment and first and final call were duly received. **[4]**
Give the journal entries in the books of the company.

22. Nisha, Kishor and Rohan were partners in a firm sharing profits and losses in the ratio of 5 : 3 : 2. The firm was dissolved on 31st March, 2023 by the order of the court. After transfer of assets (other than cash) and external liabilities to Realization Account, the following transactions took place: **[4]**

a. An unrecorded liability of the firm of ₹ 45,000 was paid by Nisha.

b. Creditors, to whom ₹ 67,000 were due to be paid, accepted furniture at ₹ 35,000 and the balance was paid to them in cash.

c. Kishor had given a loan of ₹ 18,000 to the firm which was paid to him.

d. Stock worth ₹ 85,000 was taken over by Rohan at ₹ 72,000.

e. Expenses on dissolution amounted to ₹ 6,000 and were paid by Kishor.

f. Loss on dissolution amounted to ₹ 40,000.

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

23. Instant Tools Ltd. invited applications for issuing 2,00,000 equity shares of ₹ 10 each at a premium of ₹ 2 per share. The amount was payable as follows: **[6]**

On Application	₹ 5 per share (including premium)
On Allotment	₹ 3 per share
On First and Final Call	Balance

Applications were received for 2,50,000 shares. Applications for 10,000 shares were rejected and pro rata allotment was made to the remaining applicants. Over payments received on application were adjusted towards sums due on allotment. All calls were made and duly received except allotment and first and final call from Neeraj who applied for 7,200 shares. His shares were forfeited. Half of the forfeited shares were reissued for ₹ 48,000 as fully paid.
Pass the necessary journal entries for the above transactions in the books of Instant Tools Ltd. Open calls-in-arrears account wherever required.

OR

Spencer Paints Ltd. was registered with an authorised capital of ₹ 50,00,000 divided in 5,00,000 equity shares of ₹ 10 each. Company issued 2,00,000 equity shares at a premium of ₹ 3 per share, payable as follows: ₹ 4 on Application; ₹ 5 on Allotment (including premium); ₹ 2 on First Call and ₹ 2 on Second and Final Call. All shares were subscribed and all the money was duly received. Share issue expenses amounted to ₹ 75,000 which were fully written off against Securities Premium. Prepare necessary Journal Entries and Bank Account.

24. The Balance Sheet of Sunder and Chand who share profits and losses in the ratio of 3 : 2 as at 31st March, 2007 as follows : **[6]**

BALANCE SHEET
as at 31.3.2007

Liabilities	(Rs)	Assets	(Rs)
Creditors	40,000	Bank	800
Profit and Loss A/c	5,000	Debtors	10,000
Sunder's Capital	50,000	Stock	57,200
Chand's Capital	75,000	Furniture	37,000
		Machinery	45,000
		Goodwill	20,000
	1,70,000		1,70,000

On 1.4.2007 Vishwash was admitted into partnership on the following terms :

a. The new profit sharing ratio shall be 1 : 2 : 2.
b. Vishwash is to bring his capital of Rs 50,000 and to pay Rs 20,000 as his share of goodwill in the firm.
c. Existing goodwill is to be written off.
d. The other assets be revalued as under :
   Machinery Rs 50,200; Furniture Rs 30,000; Stock Rs 62,000; Debtors Rs 12,000.

Prepare Revaluation Account, Partners' Capital Accounts, Bank Account and Balance Sheet of the new firm as at 1.4.2007.

OR

Lokesh, Mansoor and Nihal were partners in a firm sharing profits as 50%, 30% and 20% respectively. On 31st March, 2014, their balance sheet was as follows:

Liabilities	Amount (Rs)	Assets	Amount (Rs)
Creditors	34,000	Cash	68,000
Provident Fund	10,000	Stock	38,000
Investment Fluctuation Fund	20,000	Debtors 94,000	
Capital A/cs:		(-) Provision 6,000	88,000
Lokesh 1,40,000		Investments	80,000
Mansoor 80,000		Goodwill	40,000
Nihal 50,000	2,70,000	Profit and Loss	20,000
	3,34,000 =========		3,34,000 ========

On the above date, Mansoor retired and Lokesh and Nihal agreed to continue on the following terms:

i. Firm's goodwill was valued at Rs 1,02,000 and it was decided to adjust Mansoor's share of goodwill into the capital accounts of the continuing partners.
ii. There was a claim for workmen's compensation to the extent of Rs 12,000 and investments were brought down to Rs 30,000.
iii. Provision for bad debts was to be reduced by Rs 2,000.
iv. Mansoor was to be paid Rs 20,600 in cash and the balance will be transferred to his loan account which was paid in two equal instalments together with interest @ 10% per annum.
v. Lokesh's and Nihal's capitals were to be adjusted in their new profit sharing ratio by bringing in or paying off cash as the case may be.

Prepare revaluation account and partners' capital accounts.

25. X, Y, and Z were partners sharing profits in the ratio 3: 2: 1. On 31st March 2008, their Balance Sheet stood as under : **[6]**

Liabilities		Amt(Rs.)	Assets	Amt(Rs.)
Capitals:			Cash at Bank	70,000
X	75,000		Investments	50,000
Y	70,000		Patents	15,000
Z	50,000	1,95,000	Stock	25,000
Creditors		72,000	Debtors	20,000
General Reserve		24,000	Buildings	75,000
			Machinery	36,000
		2,91,000		2,91,000

Z died on May 31st, 2008. It was agreed that

a. Goodwill was valued at 3 years' purchase of the average profits of the last five years, which were 2003: Rs. 40,000; 2004: Rs. 40,000; 2005: Rs. 30,000; 2006: Rs. 40,000 and 2007: Rs. 50,000.
b. Machinery was valued at Rs. 70,000, Patents at Rs. 20,000 and Buildings at Rs. 66,000.
c. For the purpose of calculating Z's share of profits until the date of death, it was agreed that the same be calculated based on the average profits for the last 2 years.
d. The executor of the deceased partner is to be paid the entire amount due by means of a cheque.

Prepare Z's Capital Accounts to be rendered to the executor and also a journal entry for the settlement of the amount due to Z's executor.

26. Govind Ltd. issued 20,000, 11% Debentures of ₹ 100 each, payable as follows: **[6]**
₹ 25 on application; ₹ 35 on allotment and ₹ 40 on first and final call.
All the debentures were applied. A, the holder of 500 debentures paid the entire amount on his holding on allotment and B, the holder of 100 debentures failed to pay the allotment and final call. Pass entries.

Part B :- Analysis of Financial Statements

27. For whom, analysis of financial statements is not significant? **[1]**

i. Share Market
ii. Taxing Officer
iii. Chief Military Officer
iv. Shareholder

a) Option (ii)
b) Option (i)
c) Option (iii)
d) Option (iv)

OR

Securities Premium Reserve is shown under:

a) Current Liabilities
b) Share Capital
c) Reserve and Surplus
d) Short term provisions

28. Revenue from Operations (Sales) ₹ 8,00,000; G.P. 25% on Cost; Office Exp. ₹ 25,000; Selling Exp. ₹ 15,000; Loss on Sale of Plant ₹ 10,000. Operating Ratio will be: **[1]**

a) 81.25%
b) 86.25%
c) 85%
d) 80%

29. As per Accounting Standard-3, Cash Flow is classified into **[1]**

a) Operating activities and financing activities
b) Investing activities and financing activities
c) Operating activities and investing activities
d) Operating activities, financing activities and investing activities

OR

Which of the following is not source of cash?

a) Dividend received
b) Issue of shares
c) Purchase of machinery
d) Sale of asset

30. Which of the following transactions are shown under financing activities while preparing cash flow statement: **[1]**

i. Issue of Equity Shares
ii. Cash Received from Debtors
iii. Redemption of Debentures
iv. Cash Paid Against Trade Payables

Choose the correct option:

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

31. Under which major heads and sub-heads the following items will be placed in the Balance Sheet of a company as per revised Schedule VI, Part I of the Companies Act, 1956 (Schedule III, Part I of the Companies Act, 2013)? **[3]**

i. Accrued Incomes
ii. Loose Tools
iii. Provision for Employees Benefits
iv. Unpaid Dividend
v. Short-term Loan
vi. Long-term Loans

32. Operating Cost ₹ 3,40,000; Gross Profit Ratio 20%; Operating Expenses ₹ 20,000. Calculate Operating Profit Ratio. **[3]**

33. From the following Statement of Profit and Loss of PP Ltd. prepare a **Common Size Statement of Profit and Loss** for the year ended 31.3.2021 and 31.3.2022: **[4]**

Particulars	**2021-2022 (₹)**	**2020-2021 (₹)**
Revenue from operations	20,00,000	10,00,000
Other Income	5,00,000	5,00,000
Expenses	10,00,000	7,00,000
Tax Rate 50%		

OR

Prepare a Common Size Balance Sheet of X Ltd. from the following information:

	31.3.2023	31.3.2022
Current Assets	28.80	22.80
Non-Current Investments	1.80	1.20
Property, Plant and Equipment and Intangible Assets	41.40	36.00
Share Capital	30.00	30.00
Reserves & Surplus	12.00	7.20
Non-Current Liabilities	12.60	12.00
Current Liabilities	17.40	10.80

34. From the following Balance Sheet of Ravi Ltd. and the additional information as on 31-3-2023, prepare a Cash Flow Statement: **[6]**

Ravi Ltd.				
Balance Sheet as at 31-3-2023				
	Particulars	**Note No.**	**31-3-23 (₹)**	**31-3-22 (₹)**
I.	**Equity and Liabilities**			
	(1) Shareholders Funds			
	(a) Share Capital		7,90,000	5,80,000
	(b) Reserves and Surplus	1	4,60,000	1,20,000
	(2) Non-Current Liabilities			
	Long term Borrowings	2	5,00,000	3,00,000
	(3) Current Liabilities			
	(a) Short term borrowings	3	1,15,000	42,000
	(b) Short term Provisions	4	1,18,000	46,000
	Total		**19,83,000**	**10,88,000**
II.	**Assets**			
	(1) Non-Current Assets			
	Property, Plant and Equipment and Intangible Assets:			
	(i) Property, Plant and Equipment	5	9,80,000	6,35,000
	(ii) Intangible Assets	6	2,68,000	1,70,000
	(2) Current Assets			
	(a) Current Investments		1,40,000	70,000

	(b) Trade Receivables		4,40,000	1,50,000
	(c) Cash and Cash Equivalents		1,55,000	63,000
	Total		**19,83,000**	**10,88,000**

Notes to Accounts

Note No.	Particulars	31-3-23 (₹)	31-3-22(₹)
1.	**Reserves and Surplus**		
	Surplus (Balance in Statement of Profit & Loss)	3,20,000	60,000
	General Reserve	1,40,000	60,000
		4,60,000	**1,20,000**
2.	**Long-term Borrowings**		
	12% Debentures	5,00,000	3,00,000
		5,00,000	**3,00,000**
3.	**Short-term Borrowings**		
	Bank Overdraft	1,15,000	42,000
		1,15,000	**42,000**
4.	**Short-terms Provisions**		
	Provision for Tax	1,18,000	46,000
		1,18,000	**46,000**
5.	**Tangible Assets**		
	Plant and Machinery	11,00,000	7,50,000
	Less: Accumulated Depreciation	(1,20,000)	(1,15,000)
		9,80,000	**6,35,000**
6.	**Intangible Assets**		
	Goodwill	2,68,000	1,70,000
		2,68,000	**1,70,000**

Additional Information:

12% debentures were issued on 1st September, 2022.

Solutions

Part A:- Accounting for Partnership Firms and Companies

1.

(c) 6,000

Explanation: Total capital of the firm after Z's admission = 24,000 x5/1 = 1,20,000
Total capital of all the partners = 39,000 + 27,000 + 24,000 = 90,000
Goodwill of the firm = 1,20,000 - 90,000
= 30,000
Z's share in goodwill = 30,000 X 1/5 = 6,000

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) ₹ 1,200

Explanation: amount of forfeiture received on 400 shares = 400 $\times$ ₹ 5 = ₹ 2,000
amount of forfeiture received on 300 shares = $\frac{2,000}{400} \times 300$ = ₹ 1,500
amount transferred to capital reserve account = 1,500 - (300 $\times$₹1) = ₹ 1,200

OR

(c) 12% Debenture Application A/c Dr. 36,000
Discount on Issue of Debentures A/c Dr. 4,000
To 12% Debentures A/c 40,000

Explanation: 12% Debenture Application A/c Dr. 36,000
Discount on Issue of Debentures A/c Dr. 4,000
To 12% Debentures A/c 40,000
Bank A/c Dr. 36,000
To 12% Debenture Application A/c 36,000

4.

(c) Gain $\frac{1}{10}$

Explanation: Gain $\frac{1}{10}$

Isha's gain or sacrifice = $\frac{2}{5} - \frac{1}{2} = \frac{4-5}{10} = \frac{(-1)}{10}$ Gain

OR

(c) Solvent person

Explanation: Solvent person

5.

(b) Nil

Explanation: Nil
NO interest on capital provided in case of Loss.

6.

(b) Secured

Explanation: Secured

OR

(d) not paid

Explanation: not paid

7. **(a)** Both A and R are true and R is the correct explanation of A.
   Explanation: articles of the company must authorise about the forfeiture of the shares
8.
   (c) Retiring partner's share of goodwill only
   Explanation: The main purpose of the calculation of gaining ratio at the time of retirement of a partner is to adjust his share of goodwill. After calculating his share of goodwill, gaining a partner's capital account will be debited in their gaining ratio and outgoing partner's capital account will be credited.

OR

   (a) ₹ 240
   Explanation: 12000x8%x3/12 = ₹ 240
9. **(d)** ₹ 72,000
   Explanation: ₹ 72,000
10. **(b)** ₹ 250
   Explanation: ₹ 250
11.
   (d) All of these
   Explanation: In the absence of a partnership deed, partners, are not entitled to receive interest on capital, salaries and commission.
12.
   (d) ₹ 2,100
   Explanation:

Forfeited amount is ₹ 2 on application and ₹ 3 on allotment	₹
Thus, forfeited amount on 700 share	3,500
Loss on reissue : 700 $\times$ 2	1,400
Amount transferred to Capital Reserve	2,100

13. **(a)** Capital Reserve
   Explanation: Capital Reserve
14.
   (d) $4\frac{1}{2}$ months
   Explanation: If a fixed amount is withdrawn by a partner at the end of each quarter, **interest on drawings** on the total amount withdrawn will be calculated for 4.5 months
15. **(a)** 8 : 4 : 3
   Explanation: Girish's New Share $= \frac{2}{3} \times \frac{4}{5} = \frac{8}{15}$
   Balwant's Share $= \frac{1}{3} \times \frac{4}{5} = \frac{4}{15}$
   Vinod's Share $= \frac{1}{5} = \frac{3}{15}$
   ∴ Girish : Balwant : Vinod = 8 : 4 : 3

OR

   (d) Nil
   Explanation: B is not sacrificing nor gaining on Rishu's admission.
16.
   (c)

Mohan's Capital A/c	Dr.	22,500	

To Realisation A/c			22,500

Explanation: Calculation of the amount paid to the creditors in full settlement:
Total amount due to the creditors = 30,000
Amount waived by the creditors = 5,000
Amount due after deducting the amount waived by creditors = 30,000 - 5,000 = 25,000
Final Payment made to creditors are = 25,000 - 2500 (25000 $\times$ 10% Discount) = 22,500

17. **Calculation of Actual Average Profit:-**
Actual Average Profit = Average Profit - Remuneration to Partners
Actual Average Profit = ₹ 3,60,000 - ₹ 1,20,000
Actual Average Profit = ₹ 2,40,000
Normal Profit = Capital Employed $\times \frac{normal\ rate\ of\ return}{100}$
Normal Profit = ₹ 10,00,000 $\times \frac{15}{100}$
Normal Profit = ₹ 1,50,000
Super Profit = Actual Average Profit - Normal Profit
Super Profit = ₹ 2,40,000 - ₹ 1,50,000
Super Profit = ₹ 90,000
Goodwill = Super Profit $\times$ Number of year Purchases
Goodwill = ₹ 90,000 $\times$ 2
Goodwill = ₹ 1,80,000

18. **Profit & Loss Appropriation A/c**
for the year ended on March 31, 2022

Dr				**Cr**
Particulars		**Amount (₹)**	**Particulars**	**Amount (₹)**
To Interest on Capital A/c			By P & L A/c (₹26,800 - ₹3,000)	23,800
Arun	3,000			
Barun	1,800	4,800		
To Barun Salary A/c (1,000 $\times 4$)		4,000		
To Profit transferred to Partners' Capital A/c:				
Arun	9,000			
Barun	6,000	15,000		
		23,800		**23,800**

OR

i. Drawings;
ii. Interest in drawings.

19. **BOOKS OF X LTD.**
JOURNAL

Date	**Particulars**		**L.F.**	**Dr. (₹)**	**Cr. (₹)**
	Plant and Machinery A/c	Dr.		8,00,000	

	Land and Building A/c	Dr.		72,00,000	
	To Y Ltd. (Purchase of assets of Y Ltd.)				80,00,000
	Y Ltd.	Dr.		20,00,000	
	To Bank A/c (Part payment made through Bank)				20,00,000
	Y Ltd.	Dr.		60,00,000	
	To 6% Debentures A/c				50,00,000
	To Securities Premium Reserve A/c (Issue of 50,000 Debentures of ₹100 each at 20% premium calculated as $\frac{60,00,000}{120}$ = 50,000)				10,00,000

OR

According to Section 52 (2) of the Companies Act, 2013, the securities premium reserve may be applied for the following purposes

i. To write off preliminary expenses of the company.
ii. To write off the expenses of or the commission paid or discount allowed on any issue of shares or debentures of the company.
iii. To provide for the premium payable on the redemption oi any redeemable preference shares or of any debentures of the company.
iv. The company can use it to buy back its own shares.

Note that securities premium reserve is a capital nature receipt therefore it cannot be used to pay dividends.

20. **CALCULATION OF NORMAL PROFIT**

Year Ended	Profit/(Loss) (₹)	Adjustments* (₹)	Normal Profit (₹)
31 st March, 2020	70,000	(10,000)	60,000
31 st March, 2021	1,00,000	20,000	1,20,000
31st March, 2022	(55,000)	(45,000)	(1,00,000)
31st March, 2023	1,45,000	5,000	1,50,000
			2,30,000

Average Profit $= \frac{\text{Total Normal Profit}}{\text{Number of Years}} = \frac{₹2,30,000}{4}$ = ₹ 57,500

Value of Goodwill = Average Profit $\times$ Number of Years' Purchase

= ₹ 57,500 $\times$ 2 = ₹ 1,15,000

*Adjustments:

1. Repairs expenses that should have been debited to Profit and Loss Account as expense but accounted as capital expenditure. Loss to increase by ₹ 50,000	₹ (50,000)
2. Depreciation wrongly debited to Profit and Loss Account for the Year ended 31st March, 2022	5,000
Adjustment to be made in profit for the year ended 31st March, 2022	(45,000)

21. **Books of Eastern Company Limited**

Journal

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)

	Bank A/c	Dr.		1,60,000	
	To Share Application A/c				1,60,000
	(Application money on 40,000 shares @ ₹ 4 per share received)				
	Share Application A/c	Dr.		1,60,000	
	To Share Capital A/c				1,60,000
	(Application money transferred to share capital)				
	Share Allotment A/c	Dr.		1,20,000	
	To Share Capital A/c				1,20,000
	(Money due on allotment of 40,000 shares @ ₹ 3 per share)				
	Bank A/c	Dr.		1,20,000	
	To Share allotment A/c				1,20,000
	(Money received on 40,000 shares @ ₹ 3 per share on allotment)				
	Share First and Final Call A/c	Dr.		1,20,000	
	To Share Capital A/c				1,20,000
	(Money due on 40,000 shares @ ₹ 3 per share on First and final call)				
	Bank A/c	Dr.		1,20,000	
	To Share First and Final Call A/c				1,20,000
	(First and final call money received)				

22. **JOURNAL**

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2023					
Mar. 31	Realisation A/c	Dr.		45,000	
	To Nisha's Capital A/c				45,000
	(unrecorded liability paid by the partner)				
Mar. 31	Realisation A/c	Dr.		32,000	
	To Cash A/c				32,000
	(creditors accepted the furniture and balance amount paid in cash)				
Mar. 31	Kishor's Loan A/c	Dr.		18,000	
	To Cash A/c				18,000
	(Kishor's loan paid by firm)				
Mar. 31	Rohan's Capital A/c	Dr.		72,000	
	To Realisation A/c				72,000
	(stock taken by Rohan)				

Mar. 31	Realisation A/c	Dr.		6,000	
	To Kishor's Capital A/c				6,000
	(dissolution expenses paid by Kishor on firm's behalf)				
Mar. 31	Nisha's Capital A/c	Dr.		20,000	
	Kishor's Capital A/c	Dr.		12,000	
	Rohan's Capital A/c	Dr.		8,000	
	To Realisation A/c				40,000
	(loss on dissolution charged from partners in the old ratio)				

23. **In the Books of Instant Tools Ltd.**

Journal

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	Dr.		12,50,000	
	To Share Application A/c				12,50,000
	(Received application money received on 2,50,000 shares)				
	Share Application A/c	Dr,		12,50,000	
	To Share Capital A/c				6,00,000
	To Security Premium Reserve A/c				4,00,000
	To Share Allotment A/c				2,00,000
	To Bank A/c				50,000
	(Application money adjusted and surplus refunded)				
	Share Allotment A/c	Dr.		6,00,000	
	To Share Capital A/c				6,00,000
	(Allotment due on 2,00,000 shares)				
	Bank A/c	Dr.		3,88,000	
	Calls in arrears A/c (WN)	Dr.		12,000	
	To Share Allotment A/c				4,00,000
	(Allotment money received)				
	Share First and Final Call A/c	Dr.		8,00,000	
	To Share Capital A/c				8,00,000
	(First and final call money due)				
	Bank A/c	Dr.		7,76,000	
	Calls-in-Arrears A/c (6000 × 4)			24,000	
	To Share First and Final Call A/c				8,00,000
	(First and final call money received)				

	Share Capital A/c (6000 × 10)	Dr.		60,000	
	To Calls in Arrears A/c (12,000 + 24,000)				36,000
	To Share Forfeiture A/c				24,000
	(Forfeiture of 6000 shares for non-payment of allotment and call money)				
	Bank A/c	Dr.		48,000	
	To Share Capital A/c				30,000
	To Security Premium A/c				18,000
	(3,000 shares reissued)				
	Share Forfeiture A/c	Dr.		12,000	
	To Capital Reserve A/c				12,000
	(Gain on reissue of shares transferred to capital reserve)				

Working Notes:

Calculation of calls-in-Arrears (Allotment money not paid by Neeraj:

i. Number of shares allotted to Neeraj = 7,200 × $\frac{2,00,000}{2,40,000}$ = 6,000 shares.

ii. Excess application money adjusted on allotment [(7,200 - 6,000) × ₹ 5] = ₹ 6,000

iii.

Allotment money due (6,000 × ₹ 3)	₹ 18,000
Less: Excess application money adjusted on allotment (ii)	₹ 6,000
Amount not Received from Neeraj on Allotment	₹ 12,000

OR

JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	Dr.		8,00,000	
	To Equity Share Application A/c (Money received on application)				8,00,000
	Equity Share Application A/c	Dr.		8,00,000	
	To Equity Share Capital A/c (Application money transferred to Share Capital A/c)				8,00,000
	Equity Share Allotment A/c	Dr.		10,00,000	
	To Equity Share Capital A/c				4,00,000
	To Securities Premium Reserve A/c (Allotment, including premium due)				6,00,000
	Bank A/c	Dr.		10,00,000	
	To Equity Share Allotment A/c (Allotment money received including premium)				10,00,000
	Equity Share First Call A/c	Dr.		4,00,000	
	To Equity Share Capital A/c				4,00,000

	(Money due on first call)				
	Bank A/c	Dr.		4,00,000	
	To Equity Share First Call A/c (Money received on first call)				4,00,000
	Equity Share Second & Final Call A/c	Dr.		4,00,000	
	To Equity Share Capital A/c (Money due on second & final call)				4,00,000
	Bank A/c	Dr.		4,00,000	
	To Equity Share Second & Final Call A/c (Money received on second & final call)				4,00,000
	Share Issue Expenses A/c	Dr.		75,000	
	To Bank A/c (Expenses incurred on issue of shares)				75,000
	Securities Premium Reserve A/c	Dr.		75,000	
	To Share Issue Expenses A/c (Share issue expenses written off against Securities Premium Reserve A/c				75,000

BANK ACCOUNT

Particulars	₹	Particulars	₹
To Equity Share Application A/c	8,00,000	By Share Issue Expenses A/c	75,000
To Equity Share Allotment A/c	10,00,000	By Balance c/d	25,25,000
To Equity Share First Call A/c	4,00,000		
To Equity Share Second & Final Call A/c	4,00,000		
	26,00,000		**26,00,000**

BALANCE SHEET OF SPENCER PAINTS LTD.
as at ...

Particulars	Note No.	Current year	Previous year
I. EQUITY AND LIABILITIES :		₹	₹
Shareholder's Funds:			
(a) Share Capital	1	20,00,000	
(b) Reserve and Surplus	2	5,25,000	
		25,25,000	
II. ASSETS:			
Current Assets:			
Cash and Cash Equivalents	3	25,25,000	

Notes to Accounts:

(1) **Share Capital**	₹	₹
Authorised:		

5,00,000 Equity Shares of ₹ 10 each	50,00,000	
Issued, Subscribed & Fully Paid Capital		
(2) **Reserve and Surplus**	20,00,000	
Securities Premium Reserve	5,25,000	
(3) **Cash and Cash Equivalents:**		
Cash at Bank	25,25,000	

24. **Books of Sunder, Chand and Vishwash**

Revaluation Account

Dr.				**Cr.**
Particulars		**(Rs)**	**Particulars**	**(Rs)**
To Furniture A/c		7,000	By Machinery A/c	5,200
To Profit transferred to Capital A/cs of:			By Stock A/c	4,800
			By Debtor's A/c	2,000
Sunder (5,000 x 3/5)	3,000			
Chand (5,000 x 2/5)	2,000	5,000		
		12,000		12,000

Partner's Capital Account

Dr.							**Cr.**
Particulars	**Sunder(Rs)**	**Chand(Rs)**	**Vishwash(Rs)**	**Particulars**	**Sunder(Rs)**	**Chand(Rs)**	**Vishwash(Rs)**
To Goodwill c/d	12,000	8,000	---	By Balance b/d	50,000	75,000	---
To Balance c/d	64,000	71,000	50,000	By Revaluation A/c (Profit)	3,000	2,000	
				By Bank A/c	---	---	50,000
				By Premium A/c(Goodwill)	20,000	---	--
				By Profit and Loss A/c	3,000	2,000	--
	76,000	79,000	50,000		76,000	79,000	50,000
				By Balance c/d	64,000	71,000	50,000

Bank Account

Dr.			**Cr.**
Particulars	**(Rs)**	**Particulars**	**(Rs)**
To Balance b/d	800	By Balance c/d	70,800
To Vishwash's Capital A/c	50,000		

Dr.			Cr.
To Premium A/c(Goodwill A/c)	20,000		
	70,800		70,800
To Balance b/d	70,800		

Balance Sheet

as at 1st April 2007

Liabilities	(Rs)	Assets	(Rs)
Creditors	40,000	Bank (800 + 50,000 = 20,000)	70,800
Sunder's capital	64,000	Debtors (10,000 +2,000)	12,000
Chand's Capital	71,000	Stock (57,200 + 4,800)	62,000
Vishwash's Capital	50,000	Furniture (37,000 - 7,000)	30,000
		Machinery(45,000+5,200)	50,200
	2,25,000		2,25,000

Working Notes:

i. **Calculation of Sacrificing Ratio**

Sunder = $\frac{3}{5} - \frac{1}{5} = \frac{2}{5}$

Chand = $\frac{2}{5} - \frac{2}{5}$ = Nil. That means only Sunder surrendered his share towards Vishwas on his admission and Chand's profit sharing ratio remain the same.

OR

Revaluation Account

Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Workmen's Compensation Claim A/c	12,000	By Provision for Bad Debts A/c	2,000
To Investment A/c	30,000	By Loss Transferred to Capital A/cs	
		Lokesh 20,000	
		Mansoor 12,000	
		Nihal 8,000	40,000
	42,000 =====		42,000 ======

Partners' Capital Account

Particulars	Lokesh Amount (Rs)	Mansoor Amount (Rs)	Nihal Amount (Rs)	Particulars	Lokesh Amount (Rs)	Mansoor Amount (Rs)	Nihal Amount (Rs)
To Profit and Loss A/c	10,000	6,000	4,000	By Balance b/d	1,40,000	80,000	50,000
To Goodwill A/c	20,000	12,000	8,000	By Lokesh's Capital A/c		21,857	
To Revaluation A/c (Loss)	20,000	12,000	8,000	By Nihal's Capital A/c		8,743	

To Mansoor's Capital A/c	21,857		8,743	By Cash A/c(Balancing Figure)			4,286
To Cash A/c		20,600					
To Mansoor's Loan A/c		60,000					
To Cash A/c(Balancing Figure)	4,286						
To Balance c/d	63,857		25,543				
	1,40,000 =======	1,10,600 ======	54,286 =====		1,40,000 ======	1,10,600 =======	54,286 ======

Working Note: Whenever a partner exits a partnership, the books of accounts of such a firm have to be settled. The outgoing partner or his legal representatives have to be paid their dues. This means a revaluation of assets and liabilities must be done. Share of goodwill is to be calculated, and the adjusted capital after retirement is to be calculated.

Calculation of Share of Goodwill

Mansoor's share of goodwill = 1,02,000 $\times \frac{3}{10}$= Rs 30,600, to be contributed by Lokesh and Nihal in gaining ratio i.e., 5 : 2

Lokesh will pay = 30,600 $\times \frac{5}{7}$ = Rs 21,857; Nihal will pay = 30,600 $\times \frac{2}{7}$= Rs 8,743

Calculation of Capital of New Firm after Mansoor's Retirement

Lokesh's capital after adjustment = 68,143

Nihal's capital after adjustment = 21,257

Total Capital = 89,400

Lokesh's new capital = 89,400 $\times \frac{5}{7}$= Rs 63,857

Nihal's new capital = 89,400 $\times \frac{2}{7}$ = Rs 25,543

25. **Z's Capital Account**

Dr.			**Cr.**
Particulars	**Amt(Rs)**	**Particulars**	**Amt(Rs)**
To Z's Executor's A/c	80,250	By Balance b/d	50,000
		By General reserve(24,000 x 1/6)	4,000
		By Revaluation A/c(30,000 x 1/6 working notes)	5,000
		By X's Capital A/c (20,000 x 3/5)	12,000
		By Y's Capital A/c (20,000 x 2/5)	8,000
		By P and L Suspense A/c (working notes X)	1,250
	80,250		80,250

Journal

Date	**Particulars**		**L.F.**	**Dr.(Rs)**	**Cr.(Rs)**
2008 March 31	Z's Capital A/c	Dr.		80,250	

Date	Particulars		L.F.	Dr.(Rs)	Cr.(Rs)
	To Z's Executor's A/c (Being the amount due to Z transferred to Z’s Executor’s A/c on Z’s death)				80,250
	Z's Executor A/c	Dr.		80,250	
	To Bank A/c (Being executor's A/c Settled)				80,250

Working Notes:

i. **Revaluation Account**

Dr.				Cr.
Particulars		**Amt(Rs)**	**Particulars**	**Amt(Rs)**
To Building A/c		9,000	By Machinery A/c	34,000
To Profit transferred to Capital A/cs:			By Patents A/c	3,300
X (30,000 x 3/6)	15,000			
Y (30,000 x 2/6)	10,000			
Z (30,000 x 1/6)	5,000	30,000		
		39,000		39,000

ii. Goodwill = 3 x average profit

iii. Average Profit = Total profit / number of years

iv. Total profit = $40,000 + 40,000 + 30,000 + 40,000 + Rs. 50,000 = 2,00,000.$

v. Number of years = 5

vi. So Average Profit = 2,00,000 / 5 = 40,000

vii. Goodwill = 2 x average profit i.e 40000 X 3 = Rs. 1,20,000

Z’s share of Goodwill = 1,20,000 $\times \frac{1}{6}$ = Rs. 20,000

viii. Z’s share in profit = Average profit $\times \frac{1}{6} \times \frac{2}{12}$

ix. Average profit = 50,000 + 40000 / 2 = 45,000

x. Z’s share in profit = Rs. 45,000 $\times \frac{1}{6} \times \frac{2}{12}$ = Rs. 1,250

26. **Journal of Govind Ltd.**

Date	Particular		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	Dr.		5,00,000	
	To 11% Debentures Application A/c (Application money received on 20,000 debentures @ ₹25 each)				5,00,000
	11% Debentures Application A/c	Dr.		5,00,000	
	To 11% Debentures A/c (Application money transferred)				5,00,000
	11% Debentures Allotment A/c	Dr.		7,00,000	
	To 11% Debentures A/c (Allotment due)				7,00,000
	Bank A/c	Dr.		7,16,500	

Date	Particular		L.F.	Dr. (₹)	Cr. (₹)
	To 11% Debenture Allotment A/c				6,96,500
	To Calls in Advance A/c (Allotment received on 19,900 debentures @ ₹ 35 per debenture; plus call received in advance on 500 debenture @ ₹ 40 per debenture)				20,000
	11% Debenture First & Final Call A/c	Dr.		8,00,000	
	To 11% Debentures A/c (First and final call due on 20,000 debentures @ ₹ 40 per debenture)				8,00,000
	Bank A/c	Dr.		7,76,000	
	Calls in Advance A/c	Dr.		20,000	
	To 11% Debentures First & Final Call A/c (First and final call money received on 19,900 debentures @ ₹ 40 per debenture; Calls in advance on 500 debentures of A previously received now adjusted)				7,96,000

Part B :- Analysis of Financial Statements

27.

(c) Option (iii)

Explanation: Option (iii)

OR

(c) Reserve and Surplus

Explanation: Securities premium reserve (SPR) is shown under the heading Shareholders funds and subheading Reserves and Surplus of Balance sheet.

28.

(c) 85%

Explanation: Operating Ratio $= \frac{\text{Cost of Revenue from Operations} + \text{Operating Exp.}}{\text{Revenue from Operations}} \times 100$

If Cost is 100, G.P. will be ₹ 25 and Revenue from Operations will be ₹ 125

Hence, Cost of Revenue from Operations $= 8,00,000 \times \frac{100}{125}$

= 6,40,000

Operating Exp. = Office Exp. + Selling Exp.

= ₹ 25,000 + ₹ 15,000 = ₹ 40,000

Operating Ratio $= \frac{6,40,000+40,000}{8,00,000} \times 100$ = 85%

29.

(d) Operating activities, financing activities and investing activities

Explanation: Operating activities, financing activities and investing activities

OR

(c) Purchase of machinery

Explanation: Purchase of machinery

30.

(b) (i) and (iii)

Explanation: (i) and (iii)

31.

S.No.	Particulars	Major Head of Balance Sheet	Sub-head of Balance Sheet
(i)	Accrued Incomes	Current Assets	Other Current Assets
(ii)	Loose Tools	Current Assets	Inventories
(iii)	Provision for Employees Benefits	Non-Current Liabilities	Long-term Provisions
(iii)	Unpaid Dividend	Current Liabilities	Other Current Liabilities
(iv)	Short-term Loans	Current Liabilities	Short-term Borrowings
(v)	Long-term Loans	Non-Current Liabilities	Long-term Borrowings

32. Cost of Revenue from Operations = Operating Cost - Operating Expenses

= 3,40,000 - 20,000 = ₹ 3,20,000

Gross Profit $= \frac{3,20,000 \times 20}{80}$ = ₹ 80,000 (gross profit is 20% means cost of goods sold 80%)

Revenue from Operations = Cost of Revenue from Operations + Gross Profit

= 3,20,000 + 80,000 = ₹ 4,00,000

Operating Profit = Revenue from Operations - Operating Cost

= 4,00,000 - 3,40,000 = ₹ 60,000

Operating Profit Ratio $= \frac{\text{Operating Profit}}{\text{Revenue from Operations}} \times 100 = \frac{60,000}{4,00,000} \times 100$ = 15%

33. **Common Size Statement of Profit & Loss**

Particulars	Note No.	Absolute Amount		Percentage of Revenue from Operation	
		31st March, 2021	31st March, 2022	31st March, 2021 (%)	31st March, 2022 (%)
I. Revenue from Operations		**10,00,000**	**20,00,000**	**100**	**100**
II. Other Income		5,00,000	5,00,000	50	25
III. Total Revenue (I + II)		**15,00,000**	**25,00,000**	**150**	**125**
IV. Expenses		7,00,000	10,00,000	70	50
V. Profit before tax (III - IV)		8,00,000	15,00,000	80	75
VI. Income Tax (50%)		4,00,000	7,50,000	40	37.5
VII. Profit after tax (V - VI)		**4,00,000**	**7,50,000**	**40**	**37.5**

OR

IN THE BOOKS OF X LTD.

Common Size Balance Sheet

as at 31st March, 2022 and 2023

Particular	Note No.	Absolute Amounts		Percentage of Balance Sheet Total	
		2022 (₹)	2023 (₹)	2022 (%)	2023 (%)

I. Equity and Liabilities:					
1. Shareholder's Funds					
(a) Share Capital		30.00	30.00	50.00	41.67
(b) Reserve and Surplus		7.20	12.00	12.00	16.66
2. Non-Current Liabilities		12.00	12.60	20.00	17.50
3. Current Liabilities		10.80	17.40	18.00	24.17
Total		**60.00**	**72.00**	**100.00**	**100.00**
II. Assets:					
1. Property, Plant and Equipment and Intangible Assets					
(a) Property, Plant and Equipment		36.00	41.40	60.00	57.50
Non-current investments		1.20	1.80	2.00	2.50
2. Current Assets		22.80	28.80	38.00	40.00
Total		**60.00**	**72.00**	**100.00**	**100.00**

34. **Working Notes:**

Calculation of Net Profit before Tax:

Net Profit after Tax	2,60,000
Add: Amount transferred to Reserve	80,000
Add: Provision for Tax	1,18,000
Net Profit before Tax	**4,58,000**

Cash Flow Statement

Particulars	(₹)	(₹)
I. CASH FLOWS FROM OPERATING ACTIVITIES		
Net Profit before Tax	4,58,000	
Add: depreciation on Plant and Machinery	5,000	
Interest on 12% Debentures	50,000	
Operating profit before Working Capital changes	5,13,000	
Less: Increase in Trade Receivables	(2,90,000)	
Cash generated from operations	2,23,000	
Less: Tax paid	(46,000)	
cash inflow from operating activities		**1,77,000**
II. CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Plant and Machinery	(3,50,000)	
Purchase of Goodwill	(98,000)	
cash used in investing activities		**(4,48,000)**
III. CASH FLOWS FROM FINANCING ACTIVITIES		

Issue of Shares	2,10,000	
Issue of 12% Debentures	2,00,000	
Bank overdraft raised	73,000	
Interest paid on 12 % Debentures	(50,000)	
cash inflow from financing activities		**4,33,000**
Net increase in Cash and Cash Equivalents		***1,62,000***
Add: Opening Cash and Cash equivalents:		
Current Investments	70,000	
Cash and Cash equivalents	63,000	1,33,000
Closing Cash and Cash equivalents:		
Current Investments	1,40,000	
Cash and Cash equivalents	1,55,000	**2,95,000**