1) Old profit sharing ratio = 3:1 = Amit : Beena

Chaman acquires $\frac{2}{5}$ th of his share from Amit.

Chaman's share = $\frac{1}{6}$.

Beena's sacrifice = $\frac{3}{5} \times \frac{1}{6} = \frac{3}{30} = \frac{1}{10}$

$\therefore$ Chaman acquires $\frac{1}{10}$ th share from Beena.

2) Meetu's share in goodwill = $\frac{1}{3} \times 420000 = 140000$

Journal.

2018 1st Jan	Neetu's capital A/C ——— Dr.	70000	
	Teetu's capital A/C ——— Dr.	70000	
	To Meetu's capital A/C		140000
	(Being share of goodwill adjusted)		

3) Difference between dissolution of partnership and partnership firm.

Basis	Dissolution of partnership	Dissolution of partnership firm
1. Settlement of assets & liabilities	Assets and liabilities are revalued and gain/loss is divided in old ratio in old partners.	Assets are realized, liabilities are paid in this case.

4) No, they are not doing business. The reason is business is on regular basis not only together purchasing and earning rentals.

5) Reserve capital is a part of 'Uncalled capital' as it is called only at the time of liquidation of business.

6) Debentures are issued as collateral security means, in addition to a primary security, debentures are issued as secondary security to the lenders, who in case can recover their money from debentures issued as collateral after recovering from primary security.

7) Old ratio = 5:2:3 = Jayant, Kartik, Leena.

~~Leena~~ Kartik dies.

Jayant : Leena gains in 2:3.

Gain of Jayant $= \frac{2}{10} \times \frac{2}{5} = \frac{4}{50}$

Leena $= \frac{3}{5} \times \frac{2}{10} = \frac{6}{50}$

New ratio of Jayant $= \frac{5}{10} + \frac{4}{50} = \frac{29}{50}$

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

$\boxed{\text{New ratio} = 29 : 21}$

Jayant : Leena.

8) SHARE -

The share capital of a company is divided into smaller denomination known as shares.

For eg: Share capital is ₹ 10,00,000 divided into 100,000 shares @ ₹10 each.

Difference between equity shares and preference shares.

Basis	Equity share capital	Preference share capital.
1. Right to dividend	Equity dividend is paid only after preference dividend is paid.	Preference dividend is paid before equity dividend. They have priority to receive dividend.
2. Right to ~~of~~ refund of capital	Equity capital, at the the time liquidation is paid only when preference share capital is paid.	Preference shareholders have a priority to receive their capital over equity shareholders.

9) Balance sheet of NK Ltd. as on 31.3-XX

		Current year	Previous year.
I. EQUITY AND LIABILITIES.			
1. Shareholder fund			
(i) Share capital	1	70,00,000	50,00,000

3

Notes to Accounts.

	Details	₹
1) Authorised capital		
100000 shares @ ₹ 100 each		10000000
Issued capital.		
70000 shares @ ₹ 100 each.		7000000
Subscribed and fully paid up capital.		
70000 shares @ ₹ 100 each		7000000

Values identified
(i) Generation of employment opportunities
(ii) Growth of differently abled children.

10)

Journal of V.K. Ltd.

Date 2018	Particulars	LF	Debit (₹)	Credit (₹)
February 1	Own debentures A/c —— Dr.		48500	
	To bank A/c			48500
	(Being own debentures purchased)			
Feb 1.	9% debentures A/c —— Dr.		50000	
	To own debentures A/c			48500
	To profit on cancellation A/c			1500
	(Being cancellation of own debentures)			
Feb 1.	Profit on cancellation A/c —— Dr.		1500	
	To capital reserve A/c			1500
	(Being profit transferred to capital reserve).			

3

11) 4

Old ratio = 4:5:6 = Banwari : Girdhari : Murari

Girdhari retires = 5/15 share.

Girdhari share in goodwill = $\frac{5}{15} \times 114000 = 38000$

Working note.

Journal

Banwari's capital A/C ——— Dr.	15200	
Murari's capital A/C ——— Dr.	22800	
To Girdhari's capital A/C		38000
(Being share of goodwill adjusted)		

Amount due of Girdhari :- Girdhari's capital A/C

To Girdhari loan A/C	150000	By balance b/d	100000
		By Banwari capital	15200
		By Murari capital.	22800
		By revaluation (profit)	2000
		By general reserve	10000
	150000		150000

Girdhari's Loan A/c.

Date	Particulars	₹	Date	Particulars	₹
31-3-14	To balance c/d	150000	31-3-14	By Girdhari capital	150,000
31-3-15	To bank A/c	75000	1-4-14	By balance b/d	150000
31-3-15	To balance c/d	90000	31-3-15	By interest	15000
		165000			165000
31-3-16	To bank A/c	75000	1-4-15	By balance b/d	90000
31-3-16	To balance c/d	24000	31-3-16	By interest	9000
		99000			99000
			1-4-16	By balance b/d	24000
31-3-17	To bank A/c	26400	31-3-17	By interest A/c	2400
		26400			26400

12) Old ratio = 3:2 = Asha : Aditi
Raghav's share = 1/4
Sacrifice ratio = 3:2.

4

Journal

Cash A/C ——— Dr.	850000	
To Raghav's capital A/C		600000
To premium for goodwill A/C		250000
(Being cash brought by Raghav).		
Premium for goodwill A/C ——— Dr.	250000	
To Asha's capital A/C		150000 ~~125000~~
To Aditi's capital A/C		100000
(Being share of goodwill given).		

Goodwill of firm = No. of years purchase × Average profits
Average profits = 350000 + 475000 + 670000 + ~~745000~~ − 15000 / 4. = 556250 − 56250
= 500000

[(15000) for overvaluation of goodwill]

Firms goodwill = 2 × 500000 = 10,00,000

Rg Raghav's share = $\frac{1}{4} \times 1000000 = 250000$

13)

Karan's capital A/C

12.6.17	To Karan's executors	328800	1-4-17	By balance b/d	200000
			12.6.17	By interest on capital	4800
			12.6.17	By general reserve	60000
			12.6.17	By Pranav capital	16000
			12.6.17	By Rahim's capital	8000
			12.6.17	By profit & loss suspense A/C.	40000
		328800			328800

Working notes.

Karan's share in goodwill = $\frac{2}{5} \times 60000 = 24000$

Karan's share in profits = $\frac{2}{5} \times 500000 \times \frac{73}{365}$

$= \frac{10,00,000}{25} = 40,000$

Journal

Date	Particulars		Dr.	Cr.
12.6.17	Pranav's capital A/c ——— Dr.		16000	
	Rahim's capital A/c ——— Dr.		8000	
	To Karan's capital A/c			24000
	(Being share of goodwill given)			
12.6.17	Profit & loss suspense A/c ——— Dr.		40000	
	To Karan's capital A/c			40000
	(Being share of profit given)			

32

14 Old ratio = 1:1 = Chander: Damini

Elina's share = 1/3. Sacrifice ratio = 1:1

Journal

Date	Particulars		Dr.	Cr.
2017	Bank A/c ——— Dr.		350000	
1 Apr.	To Elina's capital A/c			~~300000~~
	To premium for goodwill			50000
	(Being cash brought by Elina)			
1 Apr.	Premium for goodwill A/c ——— Dr.		50000	
	To Chander's capital A/c			25000
	To Damini's capital A/c.			25000
	(Being share of goodwill given)			

1 Apr.	Chander's capital A/c ——— Dr.		12500	
	Damini's capital A/c ——— Dr.		12500	
	To bank A/c			25000
	(Being half of goodwill withdrawn)			

Revaluation A/C

To furniture		11000	By debtors	5000
To provision on debtors		4000	By land & building	62000
To provision on bill receivable		2250		
To claim for damages		8000		
To profit				
Chander	20875			
Damini	20875	41750		
		67000		67000

3

3

Partner's capital A/c.

Particulars	Chander	Damini	Elina	Particulars	Chander	Damini	Elina
To bank A/c	12,500	12,500		By balance b/d	250000	216000	–
				By bank	–	–	300000
To balance c/d	283,375	~~45875~~ 249375	300000	By revaluation	20875	20875	–
				By premium for goodwill	25000	25000	–
	295875	261875	300000		295875	261875	300000

15)

Journal of KK Ltd.

Date	Particulars	L F	Debit (₹)	Credit (₹)
1-4-14	Bank A/c ——— Dr		56,40,000	
	To 10% debenture application & allotment			56,40,000
	(Being money received on 10% debentures)			
1-4-14	10% debenture application & allotment ——— Dr		56,40,000	
	Loss on issue of debentures ——— Dr		800,000	
	To 10% debentures			5000000
	To bank A/c.			9,40,000 ~~400,000~~
	To premium on redemption of debentures			500,000
	(Being 10% debentures due).			

Partner's Capital A/c.

Particulars	Chander	Damini	Elina	Particulars	Chander	Damini	Elina
To bank A/c.	12,500	12500		By balance b/d	250000	216000	-
				By bank	-	-	300000
To balance c/d.	283375	~~45875~~ 249375	300000	By revaluation	20875	20875	-
				By premium for goodwill	25000	25000	-
	295875	261875	300000		295875	261875	300000

15) 6

Journal of KK Ltd.

Date	Particulars	L.F.	Debit (₹)	Credit (₹)
1-4-14	Bank A/c —— Dr.		56,40,000	
	To 10% debenture application & allotment			56,40,000
	(Being money received on 10% debentures)			
1-4-14	10% debenture application & allotment —— Dr.		56,40,000	
	Loss on issue of debentures —— Dr.		800,000	
	To 10% debentures			5000000
	To bank A/c.			940,000 ~~400,000~~
	To premium on redemption of debentures			500,000
	(Being 10% debentures due).			

31.3.16	Statement of profit & loss ——— Dr.	12,50,000	
	To debentures redemption reserve		1250,000
	(Being reserve created)		
1-4.16	Debenture redemption investment ——— Dr.	750000	
	To bank A/c		750000
	(Being investment purchased)		
31.3.17	Bank A/c ——— Dr.	810750	
	Tax deducted at source ——— Dr.	6,750	
	To debenture redemption investment		750,000
	To interest A/c		67,500
	(Being investment encashed)		
31.3.17	10% debentures A/c ——— Dr.	5000,000	
	Premium on redemption A/c ——— Dr.	500,000	
	To debentureholders A/c		5500,000
	(Being 10% debentures due).		
31.3.17	Debentureholders A/c ——— Dr.	5500,000	
	To bank A/c		5500,000
	(Being debentures redeemed)		
31.3.17	Debenture redemption reserve ——— Dr.	1250,000	
	To general reserve A/c.		1250,000

(6)

Realisation A/C.

To investment	70000	By creditors		75000
To stock	50000	By bill payable		40000
To debtors	60000	By outstanding salary		35000
To Plant	220000	By bank		
To Srijan Capital (Remuneration)	11575	Plant	85000	
To bank		Stock	33000	
Outstanding bill 7500		Debtors	47000	
Bill receivable 15000		Investment	66500	231500
Creditors 75000		By loss Srijan	81030	
Bill payable 40000		Raman	81030	
salary due 35000	172500	Manan	40515	202575
	572500			572500

Partner's Capital A/c.

	Srijan	Raman	Manan		Srijan	Raman	Manan
To balance b/d	-	-	10000	By balance b/d	200000	150000	-
To realisation (loss)	81030	81030	40515	By realisation (remuneration)	11575	-	-
To profit & loss	32000	32000	16000	By bank A/c.			66515
To bank A/c	98545	36970					
	211575	150000	66515		211575	150000	66515

Bank A/c.

To balance b/d	10000	By realisation	172500
To realisation	231500	By Srijan capital	98545
To Manan capital	66515	By Raman capital	36970
	308015		308015

(17)

	(i)	(ii)	(iii)	Total
Applied	90000	50000	20000	160000
Allotted	40000	40000	20000	100000

10+1 : 3, 2+1, 3, 2

Rishabh allotted shares = $\frac{4}{5} \times 1500$ = 1200 shares.

Sudha's allotted shares = $\frac{4}{9} \times 1800$ = 800 shares.

Sudha.
5400
2400
3000
2400
–
600
1800 - arrear.

	Pro rata (i)	Pro rata (ii)	Rishabh
Application received	270000	150000	4500
Application required	120000	120000	3600
Excess	150000	30000	900
Allotment required	120000	120000	3600
Allotment due	–	90000	2700
Adjusted towards allotment call	30000		

Journal of A Ltd.

Date	Particulars	L F	Debit (₹)	Credit (₹)
(i)	Bank A/C ——— Dr		480000	
	To equity share application A/C			480000
	(Being share application received)			
(ii)	Equity share application A/C ——— Dr		480000	
	To equity share capital			300000
	To equity share allotment			150000
	To calls in advance.			30000
	(Being share application due).			
(iii)	Equity share allotment ——— Dr		300000	
	To equity share capital			200000
	To securities premium reserve			100000
	(Being share allotment due).			
iv.	Bank A/C ——— Dr		147300	
	Calls in arrear ——— Dr		2700	
	To equity share allotment			150000
	(Being allotment received)			
(v)	Equity share first call ——— Dr		300000	
	To equity share capital.			300000
	(Being share first call due).			

(vi)	Bank A/c ——— Dr	264600	
	Calls in arrear ——— Dr	5400	
	Calls in advance A/c ——— Dr	30000	
	To equity share first call		300000
	(Being first call received)		
(vii)	Equity share final call ——— Dr	200000	
	To equity share capital		200000
	(Being final call due).		
(viii)	Bank A/c ——— Dr	196000	
	Calls in arrear ——— Dr	4000	
	To equity share final call		200000
(ix)	Share capital A/c ——— Dr	20000	
	Securities premium reserve ——— Dr	1200	
	To share forfeiture		9100
	To calls in arrears		12100
	(Being shares forfeited).		
(x)	Bank A/c ——— Dr	14000	
	Share forfeiture ——— Dr	6000	
	To equity share capital.		20000
(xi)	Share forfeiture ——— Dr	3100	
	To capital reserve.		3100
	(Being balance transferred)		

Part. B.

18) The main objective of preparing cash flow statement is to ascertain the flow of cash or use of cash in three major activities- (i) Operating activities
(ii) Investing activities.
(iii) Financing activities.

19) Operating activity.
Because for finance companies it is their main revenue generating activity.

20)

22

20) Common size balance sheet of KJ Ltd. as on 31.3.17 & 31.3.16

	Particulars	Note No	31.3.17	31.3.16	% 31.3.17	% 31.3.16
I.	EQUITY AND LIABILITIES.					
1.	Shareholder fund		800000	400000	50	50
2.	Non current liabilities		500000	200000	31.25	25
3.	Current liabilities		300000	200000	18.75	25
	Total.		16,00,000	800000	100	100
II.	Assets.					
1.	Non current Assets		1000000	500000	62.5	62.5
2.	Current Assets.		600000	300000	37.5	37.5
	Total.		1600000	800000	100	100

21) For the year. 2015-16.

Gross profit $= \frac{25x}{100}$ $\quad x =$ Cost of revenue from operations.

$\frac{x}{4} = 50,00,000 - x$ $\quad x = 40,00,000 \Rightarrow$ Cost of revenue from operations.

Inventory turnover ratio = $\frac{\text{Cost of revenue from operations}}{\text{Average inventory}}$

$$= \frac{40,00,000}{\frac{500000 + 700000}{2}} = \frac{40,00,000}{600000}$$

½

2015 - 16. $\boxed{= 6.67 \text{ times}}$

½

For 2016-17. Cost of revenue from operations = y.

$$\frac{y}{4} = 75,00,000 - y.$$

$y = 60,00,000 \Rightarrow$ cost of revenue from operations.

Inventory turnover ratio = $\frac{60,00,000}{\frac{700000 + 1700000}{2}}$ 1½

$$= \frac{60,00,000}{12,00,000} = \boxed{5 \text{ times}}$$

22) Values communicated = Upliftment of rural areas.
Generation of employment opportunities.

Item	Major head	Sub head
Loose tools	Current Assets	Inventory.
Cheques in hand	Current Assets	cash & cash equivalents.
Term loan from bank (assumed to be more than 12 months).	Non Current liabilities.	Long term borrowing.
Computer software	Non current assets.	Intangible fixed asset.

23) 6

Working note. (1) Interest on debentures A/c $150000 \times \frac{10}{100}$

$= 15000$

(2) Accumulated depreciation A/c.

To balance c/d	137500	By balance b/d	75000
		By depreciation	62500
	137500		137500

(3) Provision for tax A/C

To bank	75000	By balance b/d	75000
To balance c/d	125000	By statement of profit & loss	125000
	200000		200000

(4) Profit after tax 125000

Add: Provision for tax 125000

Add: Proposed dividend 75000

Profit before tax 325000

Cash flow statement of JY Ltd. as on 31.3.17.

Particulars		Detail	₹
I. Cash flow from operating activities.			
Profit before tax (Working note 4)		325000	
Add: Depreciation	62500		
Add: Interest on debentures	15000	77500	
Operating profit before working capital changes.		402500	
Less: Increase in current assets			
Trade receivables.	(50000)		
Short term loans & advances	(100000)	(150000)	
Cash generated from operating activities		252500	
Less: tax paid		(75000)	
Cash flow from operating activities.			177500
II. Cash flow from investing activities.			
Purchase of machinery		(212500)	
Cash used in investing activities.			(212500)

III. Cash flow from financing activities.		
Issue of 10% debentures	100000	
Increase in short term borrowing	50000	
Interest paid	(15000)	
Dividend paid (proposed)	(50000)	
Cash flow from financing activities.		85000
Net increase in cash & cash equivalents		50000
Add: Opening balance of cash and cash equivalents		75000
Closing balance of cash and cash equivalents.		125000

80
80

80
80