Accountancy 2015 (Outside Delhi) SET I

Time allowed : 3 hours **Maximum marks : 80**

PART A

(Accounting for Partnership Firms and Companies)

1. **In the absence of Partnership Deed, interest on loan of a partner is allowed :**
   (i) at 8% per annum.
   (ii) at 6% per annum.
   (iii) no interest is allowed.
   (iv) at 12% per annum. **[1]**
   Answer : (ii) at 6% per annum.
2. **Geeta, Sunita and Anita were partners in a firm sharing profits in the ratio of 5 : 3 : 2. On 1.1.2015 they admitted Yogita as a new partner for 1/10th share in the profits. On Yogita's admission, the Profit and Loss Account of the firm was showing a debit balance of ₹ 20,000 which was credited by the ac-**

countant of the firm to the capital accounts of Geeta, Sunita and Anita in their profit sharing ratio. Did the accountant give correct treatment ? Give reason in support of your answer. **[1]**

Answer : No, the accountant didn't give correct treatment because debit balance of Profit and Loss A/c represents the loss to the firm. It should be debited and not credited to the capital accounts of Geeta, Sunita and Anita.

3. **On the death of a partner, his share in the profits of the firm till the date of this death is transferred to the :** **[1]**

   (i) Debit of Profit and Loss Account.

   (ii) Credit of Profit and Loss Account.

   (iii) Debit of Profit and Loss Suspense Account.

   (iv) Credit of Profit and Loss Suspense Account.

   Answer : (iii) Debit of Profit and Loss Suspense Account.

4. **Anant, Gulab and Khushbu were partners in a firm sharing profits in the ratio of 5 : 3 : 2. From 1.4.2014, they decided to share the profits equally. For this purpose the goodwill of the firm was valued at ₹ 2,40,000.**

   Pass necessary Journal entry for the treatment of goodwill on change in the profit sharing ratio of Anant, Gulab and Khushbu. **[1]**

Answer : Journal Entry

Date	Particulars		L.F.	Amount (₹)	Amount (₹)
1.4.2014	Gulab's Capital A/c	Dr.		8,000	
	Khushbu's Capital A/c	Dr.		32,000	
	To Anant's Capital A/c				40,000
	(Gulab and Khushbu, being the gaining partners compensated Anant for his share of sacrifice)				

Working Notes :

1. Calculation of Sacrificing Ratio :

Old Ratio 5 : 3 : 2

New Ratio 1 : 1 : 1

$$\text{Sacrificing Ratio} = \text{Old Ratio} - \text{New Ratio}$$

$$\text{Anant} = \frac{5}{10} - \frac{1}{3} = \frac{5}{30} \text{ (Sacrifice)}$$

$$\text{Gulab} = \frac{3}{10} - \frac{1}{3} = -\frac{1}{30} \text{ (Gain)}$$

$$\text{Khushbu} = \frac{2}{10} - \frac{1}{3} = -\frac{4}{30} \text{ (Gain)}$$

2. Adjustment of Goodwill :

$$\text{Share of Anant in firm's goodwill} = \frac{5}{30} \times 2{,}40{,}000 = ₹\ 40{,}000$$

Gulab and Khushbu, being the gaining partner will pay Anant, a sacrificing partner in the ratio of their gain *i.e.,* 1 : 4.

So,
$$\text{Gulab will pay} = 40{,}000 \times \frac{1}{5} = ₹\ 8{,}000$$

$$\text{Khushbu will pay} = 40{,}000 \times \frac{4}{5} = ₹\ 32{,}000$$

5. **Give the meaning of forfeiture of shares.** **[1]**

   Answer : Cancellation of shares allotted on non-payment of due calls and treating actually received amount as forfeited is known as forfeiture of shares.

6. **Nirman Ltd. issued 50,000 equity shares of ₹ 10 each. The amount was payable as follows :**

   On application—₹ 3 per share

On allotment—₹ 2 per share

On first and final call—The balance

Applications for 45,000 shares were received and shares were allotted to all the applicants. Pooja, to whom 500 shares were allotted, paid her entire share money at the time of allotment, whereas Kundan did not pay the first and final call on his 300 shares. The amount received at the time of making first and final call was :

(i) ₹ 2,25,000

(ii) ₹ 2,20,000

(iii) ₹ 2,21,000

(iv) ₹ 2,19,500 **[1]**

Answer : (iii) ₹ 2,21,000

7. **Guru Ltd. invited applications for issuing 5,00,000 equity shares of ₹ 10 each at a premium of ₹ 5 per share. Because of favourable market conditions the issue was over-subscribed and applications for 15,00,000 shares were received.**

Suggest the alternatives available to the Board of Directors for the allotment of shares. **[3]**

Answer : Alternatives available to the Board of Directors are as follows :

(a) To reject the excess applications of 10,00,000 shares.

(b) To allot shares to all the share applicants on pro-rata basis, *i.e.,* alloting 5,00,000 shares to 15,00,000 share applicants.

(c) To exercise a mix of both the practices as listed in (a) and (b). That is, rejecting the excess application say for 5,00,000 shares and allotting 5,00,000 shares to the remaining 10,00,000 share applicants.

8. **On 1.4.2013, Brij and Nandan entered into partnership to construct toilets in government girls schools in the remote areas of Uttarakhand. They contributed capitals of ₹ 10,00,000 and ₹ 15,00,000 respectively. Their profit sharing ratio was 2 : 3 and interest allowed on capital as provided in the Partnership Deed was 12% per annum. During the year ended 31.3.2014, the firm earned a profit of ₹ 2,00,000.**

Prepare Profit and Loss Appropriation Account of Brij and Nandan for the year ended 31.3.2014.[3]

In the books of Brij and Nanadan

Answer : **In the Books of Brij and Nandam**

Profit and Loss Appropriation Account

Dr. *for the year ended 31st March, 2014* **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Interest on Capital : Brij's Capital A/c 80,000 Nandan's Capital A/c 1,20,000	2,00,000	By Profit and Loss A/c	2,00,000
	2,00,000		**2,00,000**

Working Notes :

1. **Calculation of Interest on Capital :**

$$\text{On Brij's Capital} = 10{,}00{,}000 \times \frac{12}{100} = ₹\ 1{,}20{,}000$$

$$\text{On Nandan's Capital} = 15{,}00{,}000 \times \frac{12}{100} = ₹\ 1{,}80{,}000$$

$$\text{Total Interest} = 1{,}20{,}000 + 1{,}80{,}000 = ₹\ 3{,}00{,}000$$

2. Calculation of Proportionate Profit :

$$\text{Proportionate Interest to Brij} = \frac{1,20,000}{3,00,000} \times 2,00,000 = ₹\,80,000$$

$$\text{Proportionate Interest to Nandan} = \frac{1,80,000}{3,00,000} \times 2,00,000 = ₹\,1,20,000$$

Note : Interest on capital is to be treated as an appropriation of profits and is to be provided to the extent of available profit *i.e.*, ₹ 2,00,000.

9. 'Suvidha Ltd.' is registered with an authorised capital of ₹ 10,00,00,000 divided into 10,00,000 equity shares of ₹ 100 each. The company issued 1,00,000 shares for public subscription. A shareholder holding 100 shares, failed to pay the final call of ₹ 20 per share. His shares were forfeited. The forfeited shares were re-issued at ₹ 90 per share as fully paid up.

Present the 'Share Capital' in the Balance Sheet of the company as per Schedule VI Part I of the Companies Act, 1956. Also prepare 'Notes to Accounts'. [3]

Answer :

Suvidha Ltd.
Balance Sheet
as at............(as per Schedule VI)

	Particulars	Note No.	Amount (₹)
I.	**Equity and Liabilities**		
	1. Shareholder's Funds		
	(a) Share Capital	1	1,00,00,000
	(b) Reserves and Surplus	2	7,000
			1,00,07,000

Notes to Accounts :

	Particulars	Amount (₹)
1.	**Share Capital**	
	Authorised Capital	
	10,00,000 shares of ₹ 100 each	10,00,00,000
	Issued Capital	
	1,00,000 shares of ₹ 100 each	1,00,000
	Subscribed, Called-up and Paid-up Capital	
	1,00,000 shares of ₹ 100 each	1,00,00,000
2.	**Reserves and Surplus**	
	Capital Reserve	7,000

10. 'Good Blankets Ltd.' are the manufacturers of woollen blankets. Blankets of the company are exported to many countries. The company decided to distribute blankets free of cost to five villages of Kashmir Valley destroyed by the recent floods. It also decided to employ 100 young persons from these villages in their newly established factory at Solan in Himachal Pradesh. To meet the requirements of funds for starting its new factory, the company issued 50,000 equity shares of ₹ 10 each and 2,000 8% debentures of ₹ 100 each to the vendors of machinery purchased for ₹ 7,00,000.

Pass necessary journal entries for the above transactions in the books of the company. Also identify any one value which the company wants to communicate to the society. **[3]**

Answer : **In the books of Good Blankets Ltd.**

Journal Entries

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
	Machinery A/c Dr.		7,00,000	
	To Vendor's A/c			7,00,000
	(Being machinery purchased from vendor)			
	Vendor's A/c Dr.		7,00,000	
	To Equity Share Capital A/c			5,00,000
	To 8% Debentures A/c			2,00,000
	(Being 50,000 equity shares of ₹ 10 each and 2,000 8% debentures of ₹ 100 each issued to the vendor for payment of machinery)			

Value involved in the above scenario is 'Creation of employment opportunities'.

11. Arun, Varun and Karan were partners in a firm sharing profits in the ratio of 4 : 3 : 3. On 31.3.2014, their Balance Sheet was as follows :

Particulars		Amount (₹)	Particulars	Amount (₹)
Creditors		17,000	Cash	8,000
Bills Payable		12,000	Debtors	13,000
Karan's Loan		28,000	Bills Receivables	9,000
Capitals :			Furniture	27,000
Arun	70,000		Machinery	1,25,000
Varun	68,000	1,38,000	Karan's Capital	13,000
		1,95,000		**1,95,000**

On 30.9.2014, Karan died. The Partnership Deed provided for the following to the executors of the deceased partner :

(a) His share in the goodwill of the firm calculated on the basis of three years' purchase of the average profits of the last four years. The profits of the last four years were ₹ 1,90,000; ₹ 1,70,000; ₹ 1,80,000 and ₹ 1,60,000 respectively.

(b) His share in the profits of the firm till the date of his death calculated on the basis of the average profits of the last four years.

(c) Interest @ 8% p.a on the credit balance, if any, in his Capital Account.

(d) Interest on his loan @ 12% p.a.

Prepare Karan's Capital Account to be presented to his executors, assuming that his loan and interest on loan were transferred to his Capital Account. **[4]**

Answer :

Dr. **Karan's Capital A/c** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	13,000	By Arun's Capital A/c	90,000
To Karan's Executor's A/c	2,00,430	By Varun's Capital A/c	67,500
		By Profit and Loss Suspense A/c	26,250
		By Karan's Loan A/c	28,000
		By Interest on Karan's Loan A/c	1,680
	2,13,430		**2,13,430**

Working Notes :

1. Interest on Karan's Loan = $28{,}000 \times \frac{12}{100} \times \frac{6}{12}$ = ₹ 1,680

2. **Calculation of Karan's Share in Profits :**

$$\text{Average Profit} = \frac{1{,}90{,}000 + 1{,}70{,}000 + 1{,}80{,}000 + 1{,}60{,}000}{4}$$

$$= ₹\ 1{,}75{,}000$$

$$\text{Share of Karan in profit} = 1{,}75{,}000 \times \frac{3}{10} \times \frac{6}{12} = ₹\ 26{,}250$$

3. **Adjustment of Goodwill :**

Goodwill of the firm = Average Profit × Number of years' purchase

$= 1{,}75{,}000 \times 3 = ₹\ 5{,}25{,}000$

$$\text{Karan's Share of Goodwill} = 5{,}25{,}000 \times \frac{3}{10} = ₹\ 1{,}57{,}500$$

$$\text{Arun will pay} = 1{,}57{,}500 \times \frac{4}{7} = ₹\ 90{,}000$$

$$\text{Varun will pay} = 1{,}57{,}500 \times \frac{4}{7} = ₹\ 67{,}500$$

Note : Since, here no information is given regarding the share acquired by Arun and Varun, therefore, their gaining ratio is same as their new profit sharing ratio *i.e.*, 4 : 3.

12. **Prem, Param and Priya were partners in a firm. Their fixed capitals were Prem ₹ 2,00,000; Param ₹ 3,00,000 and Priya ₹ 5,00,000. They were sharing profits in the ratio of their capitals. The firm was engaged in the sale of ready-to-eat food packets at three different locations in the city, each being managed by Prem, Param and Priya. The outlet managed by Prem was doing more business than the outlets managed by Param and Priya. Prem requested Param and Priya for a higher share in the profits of the firm which Param and Priya accepted. It was decided that the new profit sharing ratio will be 2 : 1 : 2 and its effect will be introduced retrospectively for the last four years. The profits of the last four years were ₹ 2,00,000; ₹ 3,50,000; ₹ 4,75,000 and ₹ 5,25,000 respectively.**

Showing your calculations clearly, pass a necessary adjustment entry to give effect to the new agreement between Prem, Param and Priya. **[4]**

Answer : **Journal Entry**

Date	Particulars		L.F.	Amount (₹)	Amount (₹)
	Param's Current A/c	Dr.		1,55,000	
	Priya's Current A/c	Dr.		1,55,000	
	To Prem's Current A/c				3,10,000
	(Rectification done)				

Adjusting Table :

Particulars	Prem	Param	Priya	Total
Profit to be credited (Cr.)	6,20,000	3,10,000	6,20,000	15,50,000
Profit wrongly credited (Dr.)	3,10,000	4,65,000	7,75,000	15,50,000
Difference	3,10,000 Cr.	(1,55,000) Dr.	(1,55,000) Dr.	—

Working Notes :

1. **Calculation of Profit Share in Capital Ratio (2 : 3 : 5)**

Total Profit of last 4 years = ₹ (2,00,000 + 3,50,000 + 4,75,000 + 5,25,000) = ₹ 15,50,000

$$\text{Prem's Share} = 15,50,000 \times \frac{2}{10} = ₹\,3,10,000$$

$$\text{Param's Share} = 15,50,000 \times \frac{3}{10} = ₹\,4,65,000$$

$$\text{Priya's Share} = 15,50,000 \times \frac{5}{10} = ₹\,7,75,000$$

2. Calculation of Profit Share in New Ratio (2 : 1 : 2)

$$\text{Prem's Share} = 15,50,000 \times \frac{2}{5} = ₹\,6,20,000$$

$$\text{Param's Share} = 15,50,000 \times \frac{1}{5} = ₹\,3,10,000$$

$$\text{Priya's Share} = 15,50,000 \times \frac{2}{5} = ₹\,6,20,000$$

13. On 1.1.2008, Uday and Kaushal entered into partnership with fixed capitals of ₹ 7,00,000 and ₹ 3,00,000 respectively. They were doing good business and were interested in its expansion but could not do the same because of lack of capital. Therefore, to have more capital, they admitted Govind as a new partner on 1.1.2010. Govind brought ₹ 10,00,000 as capital and the new profit sharing ratio decided was 3 : 2 : 5. On 1.1.2012, another new partner Hari was admitted with a capital of ₹ 8,00,000 for 1/10th share in the profits, which he acquired equally from Uday, Kaushal and Govind. On 1.4.2014 Govind died and his share was taken over by Uday and Hari equally.

Calculate :

(i) The sacrificing ratio of Uday and Kaushal on Govind's admission.

(ii) New profit sharing ratio of Uday, Kaushal, Govind and Hari on Hari's admission.

(iii) New Profit sharing ratio of Uday, Kaushal and Hari on Govind's death. **[6]**

Answer : (i) Calculation of Sacrificing Ratio of Uday and Kaushal on Govind's admission :

Old Ratio of Uday and Kaushal = 1 : 1

New Ratio of Uday, Kaushal and Govind = 3 : 2 : 5

Sacrificing Ratio = Old Ratio – New Ratio

$$\text{Uday's Sacrifice} = \frac{1}{2} - \frac{3}{10} = \frac{2}{10}$$

$$\text{Kaushal's Sacrifice} = \frac{1}{2} - \frac{2}{10} = \frac{3}{10}$$

Sacrificing Ratio = 2 : 3

(iii) Calculation of New Profit Sharing Ratio of Uday, Kaushal, Govind and Hari on Hari's Admission :

Old Ratio of Uday, Kaushal and Govind = 3 : 2 : 5

Hari was admitted for 1/10th share, which was acquired by him equally from Uday, Kaushal and Govind.

$$\text{Uday's Sacrifice} = \frac{1}{3} \times \frac{1}{10} = \frac{1}{30}$$

$$\text{Kaushal's Sacrifice} = \frac{1}{3} \times \frac{1}{10} = \frac{1}{30}$$

$$\text{Govind's Sacrifice} = \frac{1}{3} \times \frac{1}{10} = \frac{1}{30}$$

New Profit Share = Old Share – Sacrificing Share

$$\text{Uday} = \frac{3}{10} - \frac{1}{30} = \frac{8}{30}$$

$$\text{Kaushal} = \frac{2}{10} - \frac{1}{30} = \frac{5}{30}$$

$$\text{Govind} = \frac{5}{10} - \frac{1}{30} = \frac{14}{30}$$

$$\text{Hari} = \frac{1}{10} \text{ or } \frac{3}{30}$$

Therefore, New Profit Sharing Ratio of Uday, Kaushal, Govind and Hari = 8 : 5 : 14 : 3

(iii) Calculation of New Profit Sharing Ratio of Uday, Kaushal and Hari on Govind's death :

Old Ratio of Uday, Kaushal, Govind and Hari = 8 : 5 : 14 : 3.

Govind died and his share $\left(\frac{14}{30}\right)$ is acquired by Uday and Hari equally.

$$\text{Uday's Gain} = \frac{1}{2} \times \frac{14}{30} = \frac{7}{30}$$

$$\text{Hari's Gain} = \frac{1}{2} \times \frac{14}{30} = \frac{7}{30}$$

$$\text{Uday's New Share} = \text{Old Share} + \text{Gain Share}$$

$$= \frac{8}{30} + \frac{7}{30} = \frac{15}{30}$$

$$\text{Hari's New Share} = \frac{3}{30} + \frac{7}{30} = \frac{10}{30}$$

$$\text{Kaushal's Share} = \frac{5}{30}$$

Therefore, New Profit Sharing Ratio of Uday, Kaushal and Hari = 15 : 5 : 10 or 3 : 1 : 2 :

14. 'Ananya Ltd.' had an authorized capital of ₹ 10,00,00,000 divided into 10,00,000 equity shares of ₹ 100 each. The company had already issued 2,00,000 shares. The dividend paid per share for the year ended 31.3.2007 was ₹ 30. The management decided to export its products to African countries. To meet the requirements of additional funds, the finance manager put up the following three alternate proposals before the Board of Directors :

(i) Issue 47,500 equity shares at a premium of ₹ 100 per share.

(ii) Obtain a long-term loan from bank which was available at 12% per annum.

(iii) Issue 9% debentures at a discount of 5%.

After evaluating these alternatives the company decided to issue 1,00,000, 9% debentures on 1.4.2008. The face value of each debenture was ₹ 100. These debentures were redeemable in four instalments starting from the end of third year, which was as follows :

Year	**Amount (₹)**
III	**10,00,000**
IV	**20,00,000**
V	**30,00,000**
VI	**40,00,000**

Prepare 9% debenture account from 1.4.2008 till all the debentures were redeemed. [6]

Answer :

Dr. **9% Debentures Account** **Cr.**

Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
2019	To Balance c/d		1,00,00,000	2008	By Debenture Application A/c		95,00,000

Mar. 31				Apr.1	By Discount on Issue of Debentures A/c		5,00,000
2010	To Balance c/d		**1,00,00,000**				**1,00,00,000**
Mar. 31			1,00,00,000	2009 Apr.1	By Balance b/d		1,00,00,000
			1,00,00,000				**1,00,00,000**
2011	To Debenture holders A/c		1,00,00,000	2010	By Balance b/d		1,00,00,000
Mar. 31	To Balance c/d		90,00,000	Apr.1			
			1,00,00,000				**1,00,00,000**
2012	To Debenture holders A/c		20,00,000	2011	By Balance b/d		90,00,000
Mar. 31	To Balance c/d		70,00,000	Apr.1			
			90,00,000				**90,00,000**
2013	To Debenture holders A/c		30,00,000	2012	By Balance b/d		70,00,000
Mar. 31	To Balance c/d		40,00,000	Apr.1			
			70,00,000				**70,00,000**
2014	To Debenture holders A/c		40,00,000	2013	By Balance b/d		40,00,000
Mar. 31				Apr.1			
			40,00,000				**40,00,000**

15. Mala, Neela and Kala were partners sharing profits in the ratio of 3 : 2 : 1. On 1.3.2015 their firm was dissolved. The assets were realized and liabilities were paid off. The accountant prepared Realisation Account, Partners' Capital Accounts and Cash Account, but forgot to post few amounts in these accounts.

You are required to complete these below given accounts by posting correct amounts. **[6]**

Dr. **Realisation Account** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Sundry Assets : Machinery 10,000 Stock 21,000		By Provision for bad debts By Sundry Creditors By Sheela's Loan	1,000 15,000 13,000
Debtors 20,000 Prepaid Insurance 400 Investments 3,000 To Mala's Capital A/c - Sheela's Loan To Cash - Creditors paid To Cash - Dishonoured bill paid To Cash - Expenses	54,000 13,000 15,000 5,000 800	By Repairs and Renewals Reserve By Cash - Assets sold : Machinery 8,000 Stock 14,000 Debtors 16,000 By Mala's Capital - Investments	 38,000 2,000 ....
	88,200		**88,200**

Dr. **Capital Accounts** Cr.

Particulars	Mala (₹)	Neela (₹)	Kala (₹)	Particulars	Mala (₹)	Neela (₹)	Kala (₹)
....	....	....	....	....	....	....	....
....	....			....	....		
To Cash	12,000	9,000		By Cash			1,000
	23,000	**15,000**	**3,000**		**23,000**	**15,000**	**3,000**

Dr. **Realisation Account** Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	2,800	By Realisation A/c - Creditors paid	15,000
To Realisation A/c – Sale of assets	38,000	By Dishonoured bill	5,000
To Kala's Capital A/c	1,000	....	....
		By Mala's Capital A/c	12,000
		By Neela's Capital A/c	9,000
	41,800		**41,800**

Answer :

Dr. **Realisation Account** Cr.

Particulars		Amount (₹)	Particulars		Amount (₹)
To Sundry Assets :			By Provision for bad debts		1,000
Machinery	10,000		By Sundry Creditors		15,000
Stock	21,000		By Sheela's Loan		13,000
Debtors	20,000		By Repairs and Renewals Reserve		1,200
Prepaid Insurance	400		By Cash - Assets sold :		
Investments	3,000	54,400	Machinery	8,000	
To Mala's Capital A/c - Sheela's Loan		13,000	Stock	14,000	
To Cash - Creditors paid		15,000	Debtors	16,000	38,000
To Cash - Dishonoured bill paid		5,000	By Mala's Capital - Investments		2,000
To Cash - Expenses		800	By Loss transferred to :		
			Mala's Capital	9,000	
			Neela's Capital	6,000	
			Kala's Capital	3,000	18,000
		88,200			**88,200**

Dr. **Partner's Capital Accounts** Cr.

Particulars	Mala (₹)	Neela (₹)	Kala (₹)	Particulars	Mala (₹)	Neela (₹)	Kala (₹)
To Realisation A/c (Loss)	9,000	6,000	3,000	By Balance b/d	10,000	15,000	2,000
To Realisation A/c	2,000			By Realisation A/c (Loan)	13,000		
To Cash A/c	12,000	9,000		By Cash A/c			1,000
	23,000	**15,000**	**3,000**		**23,000**	**15,000**	**3,000**

Dr. **Cash Account** Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	2,800	By Realisation A/c - Creditors paid	15,000
To Realisation A/c – Sale of assets	38,000	By Dishonoured bill	5,000
To Kala's Capital A/c	1,000	By Realisation A/c (Expenses)	800
		By Mala's Capital A/c	12,000
		By Neela's Capital A/c	9,000
	41,800		**41,800**

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

On application—₹ 10 per share (including ₹ 5 premium)

On allotment—The balance

The issue was fully subscribed. A shareholder holding 300 shares paid the full share money with application.

Another shareholder holding 200 shares failed to pay the allotment money. His shares were forfeited. Later on these shares were re-issued for ₹ 4,000 as fully paid up.

Pass necessary jounal entries for the above transactions in the books of BMY Ltd. **[8]**

OR

'Blue Star Ltd.' was registered with an authorized capital of ₹ 2,00,000 divided into 20,000 shares of ₹ 10 each. 6,000 of these shares were issued to the vendor for building purchased. 8,000 shares were issued to the public and ₹ 5 per share were called up as follows :

On application— ₹ 2 per share

On allotment—₹ 1 per share

On first call—Balance of the called up amount

The amount received on these shares were as follows :

On 6,000 shares—Full amount called

On 1,250 shares—₹ 3 per share

On 750 shares—₹ 2 per share

The directors forfeited 750 shares on which ₹ 2 per share were received. Pass necessary journal entries for the above transactions in the books of Blue Star Ltd. **[8]**

Answer : **In the books of BMY Ltd. (Journal Entries)**

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
	Bank A/c Dr. To Equity Share Application A/c (Being application money received on 1,00,000 shares along with allotment money on 300 shares)		10,03,000	10,03,000

	Equity Share Application A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c To Equity Share Allotment A/c (Being amount of application transferred to share capital and securities premium reserve)		10,03,000	 5,00,000 5,00,000 3,000
	Equity Share Allotment A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c (Being amount due on allotment)		10,00,000	 5,00,000 5,00,000
	Bank A/c (10,00,000 – 3,000 – 2,000) Dr. To Equity Share Allotment A/c (Being amount received on share allotment)		9,95,000	 9,95,000
	Equity Share Capital A/c Dr. Securities Premium Reserve A/c Dr. To Equity Share Forfeiture A/c To Equity Share Allotment A/c (Being 200 shares forfeited for non-payment of allotment money)		2,000 1,000	 1,000 2,000
	Bank A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c (Being forfeited shares reissued for ₹ 4,000 as fully paid up)		4,000	 2,000 2,000
	Equity Share Forfeiture A/c Dr. To Capital Reserve A/c (Being excess amount on forfeiture is transferred to capital reserve)		1,000	 1,000

OR

In the books of Blue Star Ltd. (Journal Entries)

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
	Building A/c Dr. To Vendor's A/c (Being building purchased)		60,000	 60,000
	Vendor's A/c Dr. To Equity Share Capital A/c (Being 6,000 shares issued to the vendor of building)		60,000	 60,000
	Bank A/c Dr. To Equity Share Application A/c (Being application money received on 8,000 shares)		16,000	 16,000
	Equity Share Application A/c Dr. To Equity Share Capital A/c (Being amount of application transferred to share capital)		16,000	 16,000

	Equity Share Allotment A/c Dr. To Equity Share Capital A/c (Being amount due on share allotment)		8,000	8,000
	Bank A/c (8,000 – 750) Dr. To Equity Share Allotment A/c (Being amount received on share allotment except on 750 shares)		7,250	7,250
	Equity Share First Call A/c Dr. To Equity Share Capital A/c (Being amount due on share first call)		16,000	16,000
	Bank A/c (16,000 – 2,500 – 1,500) Dr. To Equity Share First Call A/c (Being amount received on share first call except on 2,000 shares)		12,000	12,000
	Equity Share Capital A/c Dr. To Equity Share Forfeiture A/c To Equity Share Allotment A/c To Equity Share First Call A/c (Being 750 shares forfeited for non-payment of allotment and first call money)		3,750	1,500 750 1,500

17. Om, Ram and Shanti were partners in a firm sharing profits in the ratio of 3 : 2 : 1. On 1st April, 2014 their Balance Sheet was as follows :

Dr. Cash Account Cr.

Liabilities		Amount (₹)	Assets	Amount (₹)
Capital Accounts :			Land and Building	3,64,000
Om	3,58,000		Plant and Machinery	2,95,000
Ram	3,00,000		Furniture	2,33,000
Shanti	2,62,000	9,20,000	Bills Receivables	38,000
General Reserve		48,000	Sundry Debtors	90,000
Creditors		1,60,000	Stock	1,11,000
Bills Payable		90,000	Bank	87,000
		12,18,800		**12,18,800**

On the above date Hanuman was admitted on the following terms :

(i) He will bring ₹ 1,00,000 for his capital and will get 1/10th share in the profits.

(ii) He will bring necessary cash for his share of goodwill premium. The goodwill of the firm was valued at ₹ 3,00,000.

(iii) A liability of ₹ 18,000 will be created against bills receivables discounted.

(iv) The value of stock and furniture will be reduced by 20%.

(v) The value of land and building will be increased by 10%.

(vi) Capital accounts of the partners will be adjusted on the basis of Hanuman's capital in their profit sharing ratio by opening current accounts.

Prepare Revaluation Account and Partner's Capital Accounts. **[8]**

OR

Xavier, Yusuf and Zaman were partners in a firm sharing profits in the ratio 4 : 3 : 2. On 1.4.2014 their Balance Sheet was as follows :

Liabilities		Amount (₹)	Assets		Amount (₹)
Sundry Creditors		41,400	Cash at Bank		33,000
Capital Accounts :			Sundry Debtors	30,450	
Xavier	1,20,000		*Less* : Provision for BadDebts	1,050	29,400
Yusuf	90,000		Stock		48,000
Zaman	60,000	2,70,000	Plant and Machinery		51,000
			Land and Building		90,000
					1,50,000
		3,11,400			**3,11,400**

Yusuf had been suffering from ill health and thus gave notice of retirement from the firm. An agreement was, therefore, entered into as on 1.4.2014, the terms of which were as follows :

(i) That land and building be appreciated by 10%.

(ii) The provision for bad debts is no longer necessary.

(iii) That stock be appreciated by 20%.

(iv) That goodwill of the firm be fixed at ₹ 54,000. Yusuf's share of the same be adjusted into Xavier's and Zaman's Capital Accounts, who are going to share future profits in the ratio of 2 : 1.

(v) The entire capital of the newly constituted firm be readjusted by bringing in or paying necessary cash so that the future capitals of Xavier and Zaman will be in their profit sharing ratio.

Prepare Revaluation Account and Partners' Capital Accounts. **[8]**

Answer :

Dr. **Revaluation Account** **Cr.**

Particulars	Amount (₹)	Particulars		Amount (₹)
To Stock A/c	22,200	By Land and Building A/c		36,400
To Furniture A/c	46,600	By Loss transferred to :		
To B/R Discounted A/c	18,000	Om	25,200	
		Ram	16,800	
		Shanti	8,400	50,400
	86,800			**86,800**

Dr. **Partner's Capital Accounts** **Cr.**

Particulars	Om (₹)	Ram (₹)	Shanti (₹)	Hanuman (₹)	Particulars	Om (₹)	Ram (₹)	Shanti (₹)	Hanuman (₹)
To Revaluation A/c (Loss)	25,200	16,800	8,400		By Balance b/d	3,58,000	3,00,000	2,62,000	
To Ram's Current A/c		9,200			By General Reserve A/c	24,000	16,000	8,000	
To Shanti's Current A/c			1,16,600		By Bank A/c				1,00,000
To Balance c/d	4,50,000	3,00,000	1,50,000	1,00,000	By Premium for Goodwill A/c	15,000	10,000	5,000	
					By Om's Current A/c	78,200			
	4,75,200	**3,26,000**	**2,75,000**	**1,00,000**		**4,75,200**	**3,26,000**	**2,75,000**	**1,00,000**

Working Notes :

1. Calculation of New Profit Sharing Ratio :

$$\text{Old Ratio} = 3:2:1$$

$$\text{Let the total profit share of the firm} = 1$$

$$\text{Remaining profit share of the firm} = 1-\frac{1}{10}=\frac{9}{10}$$

$$\text{Om's New Share} = \frac{3}{6}\times\frac{9}{10}=\frac{27}{60}$$

$$\text{Ram's New Share} = \frac{2}{6}\times\frac{9}{10}=\frac{18}{60}$$

$$\text{Shanti's New Share} = \frac{1}{6}\times\frac{9}{10}=\frac{9}{60}$$

$$\text{Hanuman's Share} = \frac{6}{6}\times\frac{1}{10}=\frac{6}{60}$$

$$\therefore \quad \text{New Profit Sharing Ratio} = 27:18:9:6 \text{ or } 9:6:3:2.$$

2. Calculation of Sacrificing Ratio :

$$\text{Old Ratio} = 3:2:1$$

$$\text{New Ratio} = 9:6:3:2$$

$$\text{Sacrificing Ratio} = \text{Old Ratio} - \text{New Ratio}$$

$$\text{Om} = \frac{3}{6}-\frac{9}{20}=\frac{30-27}{60}=\frac{3}{60}$$

$$\text{Ram} = \frac{2}{6}-\frac{6}{20}=\frac{20-18}{60}=\frac{2}{60}$$

$$\text{Shanti} = \frac{1}{6}-\frac{3}{20}=\frac{10-9}{60}=\frac{1}{60}$$

$$\therefore \quad \text{Sacrificing Ratio} = 3:2:1$$

3. Hanuman's Share of Goodwill = $3{,}00{,}000 \times \frac{1}{10}$ = ₹ 30,000

This will be credited to Om, Ram and Shanti in sacrificing ratio.

4. Adjustment of Capital :

Total Capital of the firm = Hanuman's Capital × Reciprocal of his share

$$= 1{,}00{,}000 \times \frac{10}{1} = ₹\ 10{,}00{,}000$$

New Profit Sharing Ratio = 9 : 6 : 3 : 2

$$\text{Om's New Capital} = 10{,}00{,}000 \times \frac{9}{20} = ₹\ 4{,}50{,}000$$

$$\text{Ram's New Capital} = 10{,}00{,}000 \times \frac{6}{20} = ₹\ 3{,}00{,}000$$

$$\text{Shanti's New Capital} = 10{,}00{,}000 \times \frac{3}{20} = ₹\ 1{,}50{,}000$$

OR

Revaluation Account

Dr. Particulars		Amount (₹)	Particulars	Amount (₹) Cr.
To Profit transferred to :			By Land and Building A/c	15,000
Xavier's Capital A/c	11,400		By Sundry Debtors A/c	1,050
Yusuf's Capital A/c	8,550		By Stock A/c	9,600
Zaman's Capital A/c	5,700	25,650		
		25,650		**25,650**

Partner's Capital Account

Dr. Particulars	Xavier (₹)	Yusuf (₹)	Zaman (₹)	Particulars	Xavier (₹)	Yusuf (₹)	Zaman (₹) Cr.
To Yusuf's Capital A/c	12,000		6,000	By Balance b/d	1,20,000	90,000	60,000
To Yusuf's Loan A/c		1,16,550		By Revaluation A/c (Profit)	11,400	8,550	5,700
To Balance c/d	1,19,400		59,700	By Xavier's Capital A/c		12,000	
				By Zaman's Capital A/c		6,000	
	1,31,400	**1,16,550**	**65,700**		**1,31,400**	**1,16,550**	**65,700**

Working Notes :

1. Adjustment of Goodwill :

$$\text{Yusuf's Share of Goodwill} = 54{,}000 \times \frac{3}{9} = ₹\,18{,}000$$

$$\text{Xavier will pay} = 18{,}000 \times \frac{2}{3} = ₹\,12{,}000$$

$$\text{Zaman will pay} = 18{,}000 \times \frac{1}{3} = ₹\,6{,}000$$

2. Adjustment of Capital :

Adjusted Old Capital of Xavier = ₹ 1,19,400

Adjusted Old Capital to Yusuf = ₹ 1,16,550, will be transferred to Loan A/c

Adjusted Old Capital to Zaman = ₹ 59,700

Total Adjusted Capital = 1,19,400 + 59,700

= ₹ 1,79,100

New Profit Sharing Ratio = 2 : 1

$$\text{Xavier's New Capital} = 1{,}79{,}100 \times \frac{2}{3}$$

= ₹ 1,19,400

$$\text{Zaman's New Capital} = 1{,}79{,}100 \times \frac{1}{3}$$
$$= ₹\ 59{,}700$$

PART B

(Analysis of Financial Statements)

18. Which of the following transactions will result into flow of cash ?

(i) Cash withdrawn from bank ₹ 20,000.

(ii) Issued ₹ 20,000, 9% debentures for the vendors of machinery.

(iii) Received ₹ 19,000 from debtors.

(iv) Deposited cheques of ₹ 10,000 into bank. [1]

Answer : (iii) Received ₹ 19,000 from debtors.

19. The accountant of Manav Ltd. while preparing Cash Flow Statement added depreciation provided on fixed assets to net profit for calculating cash flow from operating activities. Was he correct in doing so ? Give reason. [1]

Answer : Yes, the accountant of Manav Ltd. was correct in adding the amount of depreciation provided on fixed assets to the net profit for calculating cash flow from operating activites. Depreciation is deducted from the net profit in the Statement of Profit and Loss. But while preparing a Cash Flow Statement, only those items are considered that result in any cash flow. Since, depreciation is a non-cash expense, therefore it has to be added back to the net profit.

20. Under which major headings and sub-headings will the following items be shown in the Balance Sheet of a Company as per Schedule VI Part I of the Companies Act, 1956 :

(i) Net loss as shown by Statement of Profit and Loss.

(ii) Capital redemption reserve.

(iii) Bonds.

(iv) Loans repayable on demand.

(v) Unpaid dividend.

(vi) Buildings

(vii) Trademarks

(viii) Raw Materials. [4]

Answer :

S. No.	Items	Major Head	Sub-Head
(i)	Net Loss as shown by Statement of Profit and Loss	Shareholders' Funds	Deducted from Reserves and Surplus
(ii)	Capital redemption reserve	Shareholders' Funds	Reserves and Surplus
(iii)	Bonds	Non-Current Liabilities	Long Term Borrowings
(iv)	Loans repayable on demand	Current Liabilities	Short Term Borrowings
(v)	Unpaid dividend	Current Liabilities	Other Current Liabilities
(vi)	Buildings	Non-Current Assets	Fixed Assets (Tangible)
(vii)	Trademarks	Non-Current Assets	Fixed Assets (Intangible)
(viii)	Raw materials	Current Assets	Inventories

21. The Current Ratio of a company is 2.1 : 1.2. State with reasons which of the following transactions will increase, decrease or not change the ratio :

(i) Redeemed 9% debentures of ₹ 1,00,000 at a premium of 10%.

(ii) Received from debtors ₹ 17000.

(iii) Issued ₹ 2,00,000 equity shares to the vendors of machinery.

(iv) Accepted bills of exchange drawn by the creditors ₹ 7,000. [4]

Answer :

S. No.	Items	Effect	Explanation
(i)	Redeemed 9% debentures of ₹ 1,00,000 at a premium of 10%	Decrease	Current liabilities remain unchanged but current assets will decrease because of outflow of cash.
(ii)	Received from debtors ₹ 17,000	No Change	Both debtors and cash/bank are current assets, so increase and decrease in current assets by same amount leaves current ratio unaffected.
(iii)	Issued ₹ 2,00,000 equity shares to the vendors of machinery	No Change	Since non-current assets and non-current liabilities are increased by the same amount and have no affect on current assets and current liabilities, therefore, current ratio remains the same *i.e.*, 2.1 : 1.2.
(iv)	Accepted bills of exchange drawn by the crdditors ₹ 7,000	No Change	Here, only one current liability is converting into another current liability (*i.e.*, creditors into bills payable), thus, current ratio remains unaffected.

22. The motto of 'Pharma Ltd.', a company engaged in the manufacturing of low-cost generic medicines, is Healthy India'. Its management and employees are hardworking, honest and motivated. The net profit of the company doubled during the year ended 31.3.2014. Encouraged by its performance, the company decided to pay bonus to all employees at double the rate than last year.

Following is the Comparative Statement of Profit and Loss of the company for the years ended 31.3.2013 and 31.3.2014.

Pharma Ltd.

Comparative Statement of Profit and Loss

Particulars	Note No.	2012–13 (₹)	2012–13 (₹)	Absolute Change (₹)	% Change
Revenue form operations		20,00,000	30,00,000	10,00,000	50
Less : Employees benefit expenses		12,00,000	14,00,000	2,00,000	16.67
Profit before tax		8,00,000	16,00,000	8,00,000	100
Tax at 25% rate		2,00,000	4,00,000	2,00,000	100
Profit after tax		6,00,000	12,00,000	6,00,000	100

(i) Calculate Net Profit Ratio for the years ending 31st March, 2013 and 2014.

(ii) Identify any two values which 'Pharma Ltd.' is trying to propagate. [4]

Answer : (i)

For 2013 :

$$\text{Net Profit Ratio} = \frac{\text{Net Profit after Tax}}{\text{Revenue from Operations}} \times 100$$

$$= \frac{6,00,000}{20,00,000} \times 100$$

$$= 30\%$$

For 2014 :

$$\text{Net Profit Ratio} = \frac{\text{Net Profit after Tax}}{\text{Revenue from Operations}} \times 100$$

$$= \frac{12,00,000}{30,00,000} \times 100$$

$$= 40\%$$

(ii) The following are the values that are propagated by Pharma Ltd. :

(a) Staff welfare.

(b) Boosting the morale of employees.

23. Following is the Balance Sheet of Solar Power Ltd. as at 31.3.2014 : **[6]**

Solar Power Ltd.

Balance Sheet

Particulars	Note No.	31.3.2014 (₹)	31.3.2013 (₹)
I-Equity and Liabilities :			
1. Shareholder's Funds :		24,00,000	22,00,000
(a) Share Capital	1	6,00,000	4,00,000
(b) Reserves and Surplus			
2. Non-Current Liabilities :			
Long-term Borrowings		4,80,000	3,40,000
3. Current Liabilities :			
(a) Trade Payables			
(b) Short-term Provisions		3,58,000	4,08,000
		1,00,000	1,54,000
Total		**39,38,000**	**35,02,000**
II-Assets :			
1. Non-Current Assets :			
(a) Fixed Assets :	2	21,40,000	17,00,000
(i) Tangible	3	80,000	2,24,000
(ii) Intangible			
2. Current Assets :			
(a) Current Investments			
(b) Inventories		4,80,000	3,00,000
(c) Trade Receivables		2,58,00	2,42,000
(d) Cash and Cash equivalents		3,40,000	2,86,000
		9,40,000	7,50,000
Total		**39,38,000**	**35,02,000**

Notes to Accounts :

S. No.	Particulars	As on 31.3.2014 (₹)	As on 31.3.2013 (₹)
1.	**Reserves and Surplus**		
	Surplus (balance in Statement of Profit and Loss)	6,00,000	4,00,000
2.	**Tangible Assets**		
	Machinery	25,40,000	20,00,000
	Less : Accumulated Depreciation	(4,00,000)	(3,00,000)
3.	**Intangible Assets**		
	Goodwill	80,000	(2,24,000)

Additional Information :

During the year a piece of machinery costing ₹ 48,000 on which accumulated depreciation was ₹ 32,000 was sold for ₹ 12,000.

Prepare Cash Flow Statement.

Answer : **Cash Flow Statement of Solar Power Ltd. as per AS -3 (Revised)**

for the year ended March 31, 2014

	Particulars	Amount (₹)	Amount (₹)
A.	**Cash Flow from Operating Activities**		
	Net Profit before tax and extraordinary items		3,00,000
	Add : Goodwill written off	1,44,000	
	Depreciation on Machinery	1,32,000	
	Loss on Sale of Machinery	4,000	2,80,000
	Operating Profit before Working Capital Adjustments		5,80,000
	Less : Increase in current assets and decrease in current liabilities		
	Inventories	(16,000)	
	Trade Receivables	(54,000)	
	Trade Payables	(50,000)	(1,20,000)
	Cash generated from Operating Activities		4,60,000
	Less : Tax Paid		(1,54,000)
	Cash Flow from Operating Activities		3,06,000
B.	**Cash Flow from Investing Activities**		
	Sale of Machinery	12,000	
	Purchase of Machinery	(5,88,000)	
	Cash Used in Investing Activities		(5,76,000)
C.	**Cash Flow from Financing Activities**		
	Issue of Share Capital	2,00,000	
	Borrowing of Loan	1,40,000	
	Cash Flow from Financing Activites		3,40,000
	Net Increase or Decrease in Cash and Cash Equivalents (A + B + C)		

	[3,06,000 + (5,76,000) + 3,40,000]		70,000
	Add : Cash and Cash Equivalents in the beginning [7,50,000 + 3,00,000]		10,50,000
	Cash and Cash Equivalents at the end of year [6,40,000 + 4,80,000]		11,20,000

Working Notes :

1. Net Profit before Tax :

Surplus = 2,00,000
Provision for tax = 1,00,000
= 3,00,000

Note : It is assumed that short-term provision is provision for tax.

2.

Dr. Machinery Account Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	20,00,000	By Bank A/c (Sale)	12,000
To Bank A/c (Bal. fig.) (Purchase)	5,88,000	By Accumulated Depreciation A/c	32,000
		By P & L A/c (Loss on Sale)	4,000
		By Balance c/d	25,40,000
	25,88,000		**25,88,000**

Dr. Accumulated Depreciation Account Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Machinery A/c (Disposal)	32,000	By Balance b/d	3,00,000
To Balance c/d	4,00,000	By Depreciation A/c (Bal. fig.)	1,32,000
	4,32,000		**4,32,000**

●●

Accountancy 2015 (Outside Delhi) SET II

Time allowed : 3 hours **Maximum marks : 80**

Note : Except for the following questions, all the remaining questions have been asked in previous set.

PART A
(Accounting for Partnership Firms and Companies)

7. **State any three purposes other than 'issue of bonus shares' for which securities premium can be utilized.** **[3]**

Answer : As per the Section 52(2) of the Companies Act 2013, the amount of securities premium can be used by the company for the following activities :

(i) For writing off the preliminary expenses of the company.

(ii) For writing off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

(iii) For paying up the premium that is to be payable on redemption of preference shares or debentures of the company.

9. 'India Auto Ltd.' is registered with an authorized capital of ₹ 7,00,00,000 divided into 7,00,000 shares of ₹ 100 each. The company issued 50,000 shares to the vendor for building purchased and ₹ 2,00,000 shares were issued to the public. The amount was payable as follows :

On application and allotment - ₹ 20 per share

On first call - ₹ 50 per share

On second and final call - The balance

All calls were made and were duly received except on 100 shares held by Rajani, who failed to pay the second and final call. Her shares were forfeited.

Present the 'Share Capital' in the Balance Sheet of the company as per Schedule VI Part I of the Companies Act, 1956. Also prepare 'Notes to Accounts'. **[3]**

Answer :

India Auto Ltd.

Balance Sheet

	Particulars	Note No.	Amount (₹)
I.	**Equity and Liabilities**		
	1. Shareholder's Funds		
	(a) Share Capital	1	2,49,97,000
	(b) Reserves and Surplus		—
			2,49,97,000

Notes to Accounts :

Note No.	Particulars		Amount (₹)
1.	**Share Capital**		
	Authorised Capital		
	7,00,000 shares of ₹ 100 each		7,00,00,000
	Issued Capital		
	2,50,000 shares of ₹ 100 each		2,50,00,000
	Subscribed, Called-up and Paid-up Capital		
	2,49,900 shares of ₹ 100 each	2,49,90,000	
	Add : Shares Forfeited (100 × ₹ 70)	7,000	2,49,97,000

11. The following is the Balance Sheet of A, B anc C as on 31st March, 2014.

Liabilities		Amount (₹)	Assets	Amount (₹)
Sundry Creditors		4,500	Cash in hand	300
Reserve Fund		4,800	Cash at bank	7,500
Capital Account :			Stock	9,000
A	15,000		Debtors	9,000
B	7,500		Furniture	12,000
C	7,500	30,000	Tools	1,500
		39,300		**39,300**

C died on 30th June, 2014. Under the terms of Partnership Deed, the executors of the deceased partner were entitled to:

(a) Amount standing to the credit of partner's capital account.

(b) Interest on capital @ 6% per annum.

(c) Share of goodwill on the basis of twice the average of past three years profits.

(d) Share of profit from the closing of last financial year to the date of death on the basis of last year's profit. The profits of the last three years were as follows :

Year	Profit (₹)
2011-2012	9,000
2012-2013	10,500
2013-2014	12,000

The firm closes its books on 31st March every year. The partners shared profits in the ratio of their capitals. Prepare C's Capital Account to be presented to his executors. **[4]**

Answer :

Dr. **C's Capital Account** Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To C's Executor's A/c	14,812,50	By Balance b/d	7,500
		By Interest on Capital A/c	112.50
		By Profit and Loss Suspense A/c	750
		By A's Capital A/c	3,500
		By B's Capital A/c	1750
		By Reserve Fund A/c	1,200
	14,812.50		**14,812.50**

Working Notes :

1. Interest on C's Capital $= 7{,}500 \times \frac{6}{100} \times \frac{3}{12} = ₹\ 112.50$

2. C's Share in Profit $= 12{,}000 \times \frac{1}{4} \times \frac{3}{12} = ₹\ 750$

3. **Adjustment of Goodwill :**

$$\text{Average Profit} = \frac{9{,}000 + 10{,}500 + 12{,}000}{3} = ₹\ 10{,}500$$

$$\text{Goodwill of the firm} = 10{,}500 \times 2 = ₹\ 21{,}000$$

$$\text{C's Share of Goodwill} = 21{,}000 \times \frac{1}{4} = ₹\ 5{,}250$$

So,

$$\text{A will pay} = 5{,}250 \times \frac{2}{3} = ₹\ 3{,}500$$

$$\text{B will pay} = 5{,}250 \times \frac{1}{3} = ₹\ 1{,}750$$

Note : Since, here no information is given regarding the share acquired by A and B, therefore, their gaining ratio is same as their new profit sharing ratio *i.e.*, 2 : 1.

16. **'X Ltd.' invited applications for issuing 10,000 equity shares of ₹ 100 each at a premium of ₹ 100 per share. The amount was payable as follows :**

On application and allotment ₹ 100 per share (including ₹ 50 premium)

On first and final call - The balance

The issue was fully subscribed. A shareholder holding 500 shares paid the full share money with application. Another shareholder holding 200 shares failed to pay the first and final call money. His shares were forfeited. The forfeited shares were re-issued for ₹ 19,000 as fully paid up.

Pass necessary journal entries for the above transactions in the books of the company. [8]

OR

'Y Ltd.' invited applications for issuing 15,000 equity shares of ₹ 10 each on which ₹ 6 per share were called up, which were payable as follows :

On application - ₹ 2 per share

On allotment - ₹ 1 per share

On first call - ₹ 3 per share

The issue was fully subscribed and the amount was received as follows :

On 10,000 shares - ₹ 6 per share

On 3,000 shares - ₹ 3 per share

On 2,000 shares - ₹ 2 per share

The directors forfeited those shares on which less than ₹ 6 per share were received. The forfeited shares were re-issued at ₹ 9 per share, as ₹ 6 per share paid up.

Pass necessary Journal Entries for the above transactions in the books of the company. [8]

Answer : **In the Books of X Ltd.**

Journal Entries

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
	Bank A/c Dr.		10,50,000	
	To Equity Share Application and Allotment A/c			10,50,000
	(Being application money received on 10,000 shares along with first call money on 500 shares)			
	Equity Share Application and Allotment A/c Dr.		10,50,000	
	To Equity Share Capital A/c			5,00,000
	To Securities Premium Reserve A/c			5,00,000
	To Calls-in-Advance A/c			50,000
	(Being amount of application transferred to share capital and securities premium reserve)			
	Equity Share First and Final Call A/c Dr.		10,00,000	
	To Equity Share Capital A/c			5,00,000
	To Securities Premium Reserve A/c			5,00,000
	(Being first & final call money due)			
	Bank A/c (10,00,000 – 50,000 – 20,000) Dr.		9,30,000	
	Call-in-Advance A/c Dr.		50,000	
	To Equity Share First and Final Call A/c			9,80,000
	(Being amount received on first & final call)			

	Equity Share Capital A/c Dr. Securities Premium Reserve A/c Dr. To Equity Share Forfeiture A/c To Equity Share First & Final Call A/c (Being 200 shares forfeited for non-payment of call)		20,000 10,000	 10,000 20,000
	Bank A/c Dr. Equity Share Forfeiture A/c Dr. To Equity Share Capital A/c (Being forfeited shares were reissued for ₹ 19,000 as fully paid-up)		19,000 1,000	19,000 1,000
	Equity Share Forfeiture A/c Dr. To Capital Reserve A/c (Being excess amount on forfeiture is transferred to capital reserve)		9,000	9,000

OR

In the Books of Y Ltd.

Journal Entries

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
	Bank A/c Dr. To Equity Share Application A/c (Being application money received on 15,000 shares)		30,000	 30,000
	Equity Share Application A/c Dr. To Equity Share Capital A/c (Being amount of application transferred to share capital)		30,000	 30,000
	Equity Share Allotment A/c Dr. To Equity Share Capital A/c (Being amount due on allotment)		15,000	 15,000
	Bank A/c (15,000 – 2,000) Dr. To Equity Share Allotment A/c (Being amount received on allotment except on 2,000 shares)		13,000	 13,000
	Equity Share First Call A/c Dr. To Equity Share Capital A/c (Being amount due on first call) Bank A/c (45,000 – 9,000 – 6,000) Dr. To Equity Share First Call A/c (Being amount received on first call except on 5,000 shares)		45,000 30,000	 45,000 30,000
	Equity Share Capital A/c Dr. To Equity Share Forfeiture A/c To Equity Share Allotment A/c To Equity Share First Call A/c (Being 5,000 shares forfeited)		30,000	 13,000 2,000 15,000

	Bank A/c Dr. To Equity Share Capital A/c To Securities Premium A/c (Being forfeited shares reissued @ ₹ 9 as ₹ 6 per share paid up)		45,000	 30,000 15,000
	Equity Share Forfeiture A/c Dr. To Capital Reserve A/c (Being excess amount on forfeiture is transferred to capital reserve)		13,000	 13,000

PART B
(Analysis of Financial Statements)

18. Amongst the following, 'Payment of bonus to the employees' by an insurance company is which type of activity ?

(i) Operating activity.

(ii) Investing activity.

(iii) Financing activity.

(iv) Both operating and financing activity. [1]

Answer : (i) Operating activity.

19. While preparing Cash Flow Statement, the accountant of 'Rachana Ltd.', a financing company, included 'Interest received on loan' in financing activities. Was he correct in doing so ? Give reason. [1]

Answer : No, he is not correct. Since 'Rachana Ltd.' is a financing company, its main business is lending or borrowing of funds. Thus, 'Interest received on loan', is a source of income from funds invested, should be shown as operating activity.

20. Under which major headings and sub-headings will the following items be shown in the Balance Sheet of a company as per Schedule VI Part I of the Companies Act, 1956 : [4]

(i) Cheques in hand.

(ii) Stock of work-in-progress.

(iii) Copyrights.

(iv) Loose tools.

(v) Provision for bad debts.

(vi) Negative balance shown by the Statement of Profit and Loss.

(vii) Bonds.

(viii) Unpaid dividend.

Answer :

S. No.	Items	Major Head	Sub-Head
(i)	Cheques in hand	Current Assets	Cash and Cash Equivalents
(ii)	Stock of work-in-progress	Current Assets	Inventories
(iii)	Copyrights	Non-Current Assets	Fixed Assets-Intangible Assets
(iv)	Loose tools	Current Assets	Inventories

(v)	Provision for bad debts	Current Liabilities	Short-Term Provisions
(vi)	Negative balance by the Statement of Profit and Loss	Shareholders' Funds	Deducted from 'Reserve and Surplus'
(vii)	Bonds	Non-Current Liabilities	Long-Term Borrowings
(viii)	Unpaid dividend	Current Liabilities	Other Current Liabilities

Accountancy 2015 (Outside Delhi) SET III

Time allowed : 3 hours **Maximum marks : 80**

Note : Except for the following questions, all the remaining questions have been asked in previous sets.

PART A

(Accounting for Partnership Firms and Companies)

7. For issuing shares at discount a company has to fulfil many conditions. State any three such conditions. **[3]**

Answer : Section 53 of the Companies Act, 2013 prohibits a company from issuing shares at a discount to the public. Discount on shares is permissible only on sweat equity shares, subject to the following conditions :

(i) The issue is authorized by a special resolution.

(ii) The resolution specifies the number of shares, the current market price, consideration and the class of employees who would be entitled to such sweat equity shares at discounted price.

(iii) A period of one year should have elapsed from the date of commencement of business to until the date of issue of such shares.

(iv) The issue should be in accordance with the SEBI guidelines.

9. 'David Ltd.' issued ₹ 40,00,000 equity shares of ₹ 10 each out of its registered capital of ₹ 10,00,00,000. The amount payable on these shares was as follows :

On application - ₹ 1 per share

On allotment - ₹ 2 per share

On first call - ₹ 3 per share

On second and final call - ₹ 4 per share

All calls were made and were duly received, except the second and final call on 1,000 shares held by Vipul. These shares were forfeited.

Present the 'Share Capital' in the Balance Sheet of the company as per Schedule VI Part I of the Companies Act, 1956. Also prepare 'Notes to Accounts'. **[3]**

Answer : **Balance Sheet of David Ltd.**

	Particulars	Note No.	Amount (₹)
I.	**Equity and Liabilities**		
	1. Shareholder's Funds		
	(a) Share Capital	1	39,96,000
	(b) Reserves and Surplus		—
			39,96,000

Notes to Accounts :

Note No.	Particulars		Amount (₹)
1.	**Share Capital**		
	Authorised Capital		
	1,00,00,000 shares of ₹ 10		10,00,00,000
	Issued Capital		
	4,00,000 shares of ₹ 10		40,00,000
	Subscribed, Called-up and Paid-up Capital		
	3,99,000 shares of ₹ 10	39,90,000	
	Add : Shares Forfeited (1,000 shares of ₹ 6)	6,000	39,96,000

11. On 1.4.2014 the Balance Sheet of Anant, Sampat and Gunvant was as follows :

Liabilities		Amount (₹)	Assets	Amount (₹)
Sundry Creditors		9,000	Bank	15,600
General Reserve		9,600	Bills Receivables	18,000
Capital Accounts :			Stock	18,000
Anant	30,000		Tools	3,000
Sampat	15,000		Furniture	24,000
Gunvant	15,000	60,000		
		78,600		**78,600**

Gunvant died on 30.9.2014. Under the terms of Partnership Deed the executors of the deceased partner were entitled to :

(a) Amount standing to the credit of partner's capital account.

(b) Interest on capital @ 12% per annum.

(c) Share of goodwill on the basis of twice the average of past three years profits.

(d) Share of profit from the closing of last financial year to the date of death on the basis of last year's profit. The profits of the last three years were as follows :

Year	Profit (₹)
2011-2012	18,000
2012-2013	21,000
2013-2014	24,000

The firm closes its books on 31st March every year. Partners share profits in the ratio of their capitals. Prepare Gunvant's Capital Account to be presented to his executors. **[4]**

Answer :

Dr. **Gunvant's Capital Account** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Gunvant's Executor's A/c	31,800	By Balance b/d	15,000
		By Interest on Capital A/c	900
		By Profit and Loss Suspense A/c	3,000
		By Anant's Capital A/c	7,000
		By Sampat's Capital A/c	3,500
		By General Reserve A/c	2,400
	31,800		**31,800**

Working Notes :

1. Interest on Gunvant's Capital $= 15{,}000 \times \frac{12}{100} \times \frac{6}{12} = ₹\,9003$

2. Gunvant's Share in Profit $= 24{,}000 \times \frac{1}{4} \times \frac{6}{12} = ₹\,3{,}000$

3. **Adjustment of Goodwill :**

Average Profit $= \frac{18{,}000 + 21{,}000 + 24{,}000}{3} = ₹\,21{,}000$

Goodwill of the firm $= 21{,}000 \times 2 = ₹\,42{,}000$

Gunvant's Share of Goodwill $= 42{,}000 \times \frac{1}{4} = ₹\,10{,}500$

Anant will pay $= 10{,}500 \times \frac{2}{3} = ₹\,7{,}000$

Sampat will pay $= 10{,}500 \times \frac{1}{3} = ₹\,3{,}500$

4. Gunvant's Share in General Reserve $= 9{,}600 \times \frac{1}{4} = ₹\,2{,}400$

Note : Since, here no information is given regarding the share acquired by Anant and Sampat, therefore, their gaining ratio is same as their new profit sharing ratio *i.e.*, 2 : 1.

16. **'Luxury Cars Ltd. invited applications for issuing 10,000 equity shares of ₹ 50 each at a premium of ₹ 100 per share. The amount was payable as follows :**

On application - ₹ 75 per share (including ₹ 50 premium)

On allotment - The balance

The issue was fully subscribed. A shareholder holding 400 shares paid his entire share money at the time of application. Another shareholder holding 300 shares did not pay the allotment money. His shares were forfeited. The forfeited shares were later on re-issued for ₹ 90 per share as fully paid up.

Pass necessary journal entries for the above transactions in the books of the company. **[8]**

OR

'Software Ltd.' invited applications for issuing 70,000 equity shares of ₹ 10 each on which ₹ 7 per share were called up, which were payable as follows :

On application - ₹ 2 per share

On allotment - ₹ 3 per share

On first call - The balance

The amount was received as follows :

On 40,000 shares - ₹ 7 per share

On 20,000 shares - ₹ 5 per share

On 10,000 shares - ₹ 2 per share

The directors forfeited 30,000 shares on which less than ₹ 7 per share were received. Later on the forfeited shares were re-issued at ₹ 5 per share, as ₹ 7 per share paid up.

Pass necessary journal entries for the above transactions in the books of the company. **[8]**

Answer :

In the Books of Luxury Cars Ltd.
Journal Entries

Date	Particulars		L.F.	Amount (₹)	Amount (₹)
	Bank A/c	Dr.		7,800,000	
	To Equity Share Application A/c				7,80,000
	(Being application money received on 10,000 shares along with allotment money on 400 shares)				
	Equity Share Application A/c	Dr.		7,800,000	
	To Equity Share Capital A/c				2,50,000
	To Securities Premium Reserve A/c				5,00,000
	To Equity Share Allotment A/c				30,000
	(Being amount of application transferred to share capital and securities premium reserve)				
	Equity Share Allotment A/c	Dr.		7,50,000	
	To Equity Share Capital A/c				2,50,000
	To Securities Premium Reserve A/c				5,00,000
	(Being amount due on allotment)				
	Bank A/c (7,50,000 – 30,000 – 22,500)	Dr.		6,97,5000	
	To Equity Share Allotment A/c				6,97,500
	(Being amount received on allotment)				
	Equity Share Capital A/c	Dr.		15,000	
	Securities Premium Reserve A/c	Dr.		15,000	
	To Equity Share Forfeiture A/c				7,500
	To Equity Share Allotment A/c				22,500
	(Being 300 shares forfeited for non-payment of allotment money)				
	Bank A/c	Dr.		27,000	
	To Equity Share Capital A/c				15,000
	To Securities Premium Reserve A/c				12,000
	(Being forfeited shares reissued for ₹ 90 per share as fully paid-up)				
	Equity Share Forfeiture A/c	Dr.		7,500	
	To Capital Reserve A/c				7,500
	(Being forfeiture amount transferred to capital reserve)				

OR

In the Books of Software Ltd.
Journal Entries

Date	Particulars		L.F.	Amount (₹)	Amount (₹)
	Bank A/c	Dr.		1,40,000	
	To Equity Share Application A/c				1,40,000
	(Being application money received on 70,000 shares)				

	Equity Share Application A/c Dr. To Equity Share Capital A/c (Being amount of application transferred to share capital)		1,40,000	 1,40,000
	Equity Share Allotment A/c Dr. To Equity Share Capital A/c (Being allotment money due)		2,10,000	 2,10,000
	Bank A/c (2,10,000 – 30,000) Dr. To Equity Share Allotment A/c (Being amount received on share allotment except on 10,000 shares)		1,80,000	 1,80,000
	Equity Share First Call A/c Dr. To Equity Share Capital A/c (Being amount due on share first call)		1,40,000	 1,40,000
	Bank A/c (1,40,000 – 40,000 – 20,000) Dr. To Equity Share First Call A/c (Being amount received on share first call except on 30,000 shares)		80,000	 80,000
	Equity Share Capital A/c Dr. To Equity Share Forfeiture A/c To Equity Share Allotment A/c To Equity Share First Call A/c (Being 30,000 shares forfeited for non-payment of allotment and call money)		2,10,000	 1,20,000 30,000 60,000
	Bank A/c Dr. Equity Share Forfeiture A/c Dr. To Equity Share Capital A/c (Being forfeited shares re-issued @ ₹5 per share as ₹ 7 per share paid-up)		1,50,000 60,000	 2,10,000
	Equity Share Forfeiture A/c Dr. To Capital Reserve A/c (Being excess amount on forfeiture is transferred to capital reserve)		60,000	 60,000

PART B
(Analysis of Financial Statements)

18. While preparing Cash Flow Statement, the accountant of a financing company showed 'Dividend Received ₹ 50,000 on investments' as an investing activity. Was he correct in doing so ? Give reason. [1]

Answer : No, he is not correct.

As financing companies are primarily engaged in lending or borrowings of funds. Dividend received on investments by a financing company is cash flow from operating activities. Therefore, it is to be categorised under 'Cash Flow from Operating Activities'.

19. Which of the following transactions will result into flow of cash ?
    (i) Deposited ₹ 40,000 into bank.
    (ii) Withdrew cash from bank ₹ 54,000.
    (iii) Sold marketable securities of ₹ 25,000 at par.
    (iv) Sold machinery of book value of ₹ 50,000 at a gain of ₹ 10,000. [1]

    Answer : (iv) Sold machinery of book value of ₹ 50,000 at a gain of ₹ 10,000.

20. Under which major headings and sub-headings will the following items be shown in the Balance Sheet of a Company as per Schedule VI Part I of the Companies Act, 1956 :
    (i) Balance of the Statement of Profit and Loss.
    (ii) Loan of ₹ 1,00,000 payable after three years.
    (iii) Short-term deposits payable on demand.
    (iv) Loose tools.
    (v) Trademark.
    (vi) Land.
    (vii) Cash at bank.
    (viii) Trade payables. [4]

    Answer :

S. No.	Items	Major Head	Sub-Head
(i)	Balance of the Statement of Profit and Loss	Shareholders' Funds	Reserves and Surplus
(ii)	Loan of ₹ 1,00,000 payable after three years	Non-Current Liabilities	Long Term Borrowings
(iii)	Short-term deposits payable on demand	Current Assets	Short Term Loans and Advances
(iv)	Loose tools	Current Assets	Inventories
(v)	Trademark	Non-Current Assets	Fixed Assets (Intangible)
(vi)	Land	Non-Current Assets	Fixed Assets (Tangible)
(vii)	Cash at bank	Current Assets	Cash and Cash Equivalents
(viii)	Trade Payables	Current Liabilities	Trade Payables

●●

Accountancy 2015 (Delhi) SET I

Time allowed : 3 hours **Maximum marks : 80**

Note : Except for the following questions, all the remaining questions have been asked in previous sets.

PART A
(Accounting for Partnership Firms and Companies)

1. In the absence of partnership deed the profits of a firm are divided among the partners :
    (a) In the ratio of capital
    (b) Equally
    (c) In the ratio of time devoted for the firm's business

(d) According to the managerial abilities of the partners **[1]**

Answer : (b) Equally

2. **A, B, C and D were partners in a firm sharing profits in the ratio of 4 : 3 : 2 : 1. On 1-1-2015 they admitted E as a new partner for $\frac{1}{10}$ share in the profits. E brought ₹ 10,000 for his share of goodwill premium which was correctly recorded in the books by the accountant. The accountant showed goodwill at ₹ 1,00,000 in the books. Was the accountant correct in doing so ? Give reason in support of your answer.** **[1]**

Answer : No, the Accountant was not correct. The accountant has shown the goodwill of the firm (₹ 1,00,000) as an asset in the books of the firm. This is certainly violating the rules contained in the AS-26, as goodwill cannot be shown in the books until it is purchased. Thus, here the accountant has adopted the wrong accounting treatment.

3. **On the retirement of Hari from the firm of 'Hari, Ram and Sharma' the balance-sheet showed a debit balance ₹ 12,000 in the profit and loss account. For calculating the amount payable to Hari this balance will be transferred**

(a) to the credit of the capital accounts of Hari, Ram and Sharma equally

(b) to the debit of the capital accounts of Hari, Ram and Sharma equally

(c) to the debit of the capital accounts of Ram and Sharma equally

(d) to the credit of the capital accounts of Ram and Sharma equally **[1]**

Answer : (b) to the debit of the capital accounts of Hari, Ram and Sharma equally.

4. **Kumar, Verma and Naresh were partners in a firm sharing profit & loss in the ratio of 3 : 2 : 2. On 23rd January, 2015 Verma died. Verma's share of profit till the date of his death was calculated at ₹ 2,350.**

Pass necessary Journal Entry for the same in the books of the firm. **[1]**

Answer : **Journal Entries**

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
2015	Profit and Loss Suspense A/c Dr.		2,350	
Jan. 23	To Verma's Capital A/c			2,350
	(Verma's share of profit transferred to his capital account)			

6. **Joy Ltd. issued 1,00,000 equity shares of ₹ 10 each. The amount was payable as follows :**

On application - ₹ 3 per share.

On allotment - ₹ 4 per share.

On 1st and final call - balance

Applications for 95,000 shares were received and shares were allotted to all the applicants. Sonam to whom 500 shares were allotted failed to pay allotment money and Gautam paid his entire amount due including the amount due on first and final call on the 750 shares allotted to him along with allotment. The amount received on allotment was : **[1]**

(a) ₹ 3,80,000

(b) ₹ 3,78,000

(c) ₹ 3,80,250

(d) ₹ 4,00,250

Answer : (c) ₹ 3,80,250

8. **On 1.4.2013 Jay and Vijay, entered into partnership for supplying laboratory equipments to government schools situated in remote and backward areas. They contributed capitals of ₹ 80,000 and**

₹ 50,000 respectively and agreed to share the profits in the ratio of 3 : 2. The partnership deed provided that interest on capital shall be allowed at 9% per annum. During the year the firm earned a profit of ₹ 7,800.

Showing your calculations clearly, prepare 'Profit and Loss Appropriation Account' of Jay and Vijay for the year ended 31-3-2014. **[3]**

Answer :

In the books of Jay and Vijay
Profit and Loss Appropriation Account.

Dr. *for the year ended 31st March, 2014* **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Interest on Capital : Jay's Capital 4,800 Vijay's Capital 3,000		By Profit and Loss A/c	7,800
	7,800		**7,800**

Working Notes :

1. Calculation of Interest on Capital :

$$\text{(a) On Jay's Capital} = 80{,}000 \times \frac{9}{100} = ₹\,7{,}200$$

$$\text{(b) On Vijay's Capital} = 50{,}000 \times \frac{9}{100} = ₹\,4{,}500$$

$$\text{Total Interest} = 7{,}200 + 4{,}500 = ₹\,11{,}700$$

2. Calculation of Proportionate Interest on Capital :

$$\text{Proportionate Interest to Jay} = \frac{7{,}200}{11{,}700} \times 7{,}800 = ₹\,4{,}800$$

$$\text{Proportionate Interest to Vijay} = \frac{4{,}500}{11{,}700} \times 7{,}800 = ₹\,3{,}000$$

Note : Interest on capital is to be treated as an appropriation of profits and is to be provided to the extent of available profit *i.e.*, ₹ 7,800.

9. **'Tractors India Ltd.' is registered with an authorized capital of ₹ 10,00,000 divided into 1,00,000 equity shares of ₹ 10 each. The company issued 50,000 equity shares at a premium of ₹ 5 per share. ₹ 2 per share were payable with application, ₹ 8 per share including premium on allotment and the balance amount on first and final call. The issue was fully subscribed and all the amount due was received except the first and final call money on 500 shares allotted to Balaram.**

Present the 'Share Capital' in the Balance Sheet of 'Tractors India Ltd.' as per Schedule VI Part I of the Companies Act, 1956. Also prepare Notes to Accounts for the same. **[3]**

Answer :

Tractors India Ltd.
Balance Sheet

	Particulars	Note No.	Amount (₹)
I.	**Equity and Liabilities**		
	1. Shareholder's Funds		
	(a) Share Capital (Equity Shares)	1	4,97,000
	(b) Reserves and Surplus	2	2,50,000
			7,47,500

Notes to Accounts :

Note No.	Particulars	Amount (₹)
1.	**Share Capital** *Authorised Capital*	

	1,00,00,000 shares of ₹ 10 each			10,00,000
	Issued Capital			
	50,000 equity shares of ₹ 10 each			5,00,000
	Subscribed and fully paid			
	49,500 shares of ₹ 10 each		4,95,000	
	Subscribed but not fully paid			
	500 shares of 10 each	5,000		
	Less : Calls in arrer (500 × ₹ 5)	(2,500)	2,500	4,97,500
2.	**Reserves and Surplus**			
	Securities Premium			2,50,000

10. 'Sangam Woollens Ltd.' Ludhiana, are the manufacturers and exporters of woollen garments. The company decided to distribute free of cost woollen garments to 10 villages of Lahaul and Spiti District of Himachal Pradesh. The company also decided to employ 50 young persons from these villages in its newly established factory. The company issued 40,000 equity shares of ₹ 10 each and 1,000 9% debentures of ₹ 100 each to the vendors for the purchase of machinery of ₹ 5,00,000.

Pass necessary Journal Entries. Also identify any one value that the company wants to communicate to the society. **[3]**

Answer : **In the Books of Sangam Woollens Ltd.**

Journal Entries

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
	Machinery A/c Dr.		5,00,000	
	To Vendor's A/c			5,00,000
	(Being machinery purchased from vendor)			
	Vendor's A/c Dr.		5,00,000	
	To Equity Share Capital A/c			4,00,000
	To 9% Debentures A/c			1,00,000
	(Being 40,000 equity shares and 1,000 debentures issued to the vendor for payment of machinery)			

Value involved in the above scenario is creation of employment opportunities in rural areas.

11. Dev, Swati and Sanskar were partners in a firm sharing profits in the ratio of 2 : 2 : 1. On 31-3-2014 their Balance Sheet was as follows : **[3]**

Balance Sheet

Liabilities		Amount (₹)	Assets	Amount (₹)
Trade Payables		17,000	Building	1,04,000
Bank Loan		13,000	Inventory	16,000
Capitals :			Trade Receivables	23,000
Dev	77,000		Cash	40,000
Swati	87,000		Profit & Loss A/c	57,00
Sanskar	46,000	2,10,000		
		2,40,000		**2,40,000**

On 30th June, 2014 Dev died. According to partnership agreement Dev was entitled to interest on capital at 12% per annum. His share of profit till the date of his death was to be calculated on the basis of the average profits of last four years. The profits of the last four years were :

Years	Profit (₹)
2010-2011	2,04,000
2011-2012	1,80,000
2012-2013	90,000
2013-2014 (Loss)	57,000

On 1-4-2014, Dev withdrew ₹ 15,000 to pay for his medical bills.

Prepare Dev's account to be presented to his executors. [4]

Answer :

Dr. **Dev's Capital Account** Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Drawings A/c	15,000	By Balance b/d	77,000
To Profit and Loss A/c	22,000	By Interest on Capital A/c	2,310
To Dev's Executor's A/c (Balancing Fig.)	51,935	By Profit and Loss Suspense A/c	10,425
	89,735		89,735

Working Notes :

1. **Calculation of Interest on Capital :**

$$\text{Interest on Dev's Capital} = 77{,}000 \times \frac{12}{100} \times \frac{3}{12} = ₹\,2{,}310$$

2. **Calculation of Share of Profit :**

$$\text{Average Profit} = \frac{2{,}04{,}000 + 1{,}80{,}000 + 90{,}000 - 57{,}000}{4} = ₹\,1{,}04{,}250$$

$$\text{Dev's Share} = 1{,}04{,}250 \times \frac{3}{12} \times \frac{2}{5} = ₹\,10{,}425$$

3. **Calculation of Share of Debit balance of P & L A/c :**

$$\text{Dev's Share} = 57{,}000 \times \frac{2}{5} = ₹\,22{,}800$$

12. Kumar, Gupta and Kavita were partners in a firm sharing profits and losses equally. The firm was engaged in the storage and distribution of canned juice and its godowns were located at three different places in the city. Each godown was being managed individually by Kumar, Gupta and Kavita. Because of increase in business activities at the godown managed by Gupta, he had to devote more time. Gupta demanded that his share in the profits of the firm be increased, to which Kumar and Kavita agreed. The new profit sharing ratio was agreed to be 1 : 2 : 1. For this purpose the goodwill of the firm was valued at two years purchase of the average profits of last five years. The profits of the last five years were as follows :

Year	Profit (₹)
I	4,00,000
II	4,80,000
III	7,33,000
IV (Loss)	33,000
V	2,20,000

You are required to :

(i) Calculate the goodwill of the firm.

(ii) Pass necessary Journal Entry for the treatment of goodwill on change in profit sharing ratio of Kumar, Gupta and Kavita. **[4]**

Answer : (i) Calculation of Goodwill of the firm :

$$\text{Average Profit} = \frac{\text{Sum of profit of years}}{\text{Number of years}}$$

$$= \frac{4{,}00{,}000 + 4{,}80{,}000 + 7{,}33{,}000 - 33{,}000 + 2{,}20{,}000}{5}$$

$$= \frac{18{,}00{,}000}{5} = ₹\,3{,}60{,}000$$

$$\text{Goodwill} = \text{Average Profit} \times \text{No. of years of purchase}$$

$$= 3{,}60{,}000 \times 2 = ₹\,7{,}20{,}000$$

(ii) **Journal Entries**

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
	Gupta's Capital A/c Dr.		1,20,000	
	To Kumar's Capital A/c			60,000
	To Kavita's Capital A/c			60,000
	(Being adjusting entry for change in profit sharing ratio)			

Working Notes :

Calculation of Gaining Ratio :

$$\text{Old Ratio} = 1:1:1$$

$$\text{New Ratio} = 1:2:1$$

$$\text{Gaining Ratio} = \text{New Ratio} - \text{Old Ratio}$$

$$\text{Kumar} = \frac{1}{4} - \frac{1}{3} = \frac{3-4}{12} = -\frac{1}{12} \text{ (Sacrifice)}$$

$$\text{Gupta} = \frac{2}{4} - \frac{1}{3} = \frac{6-4}{12} = \frac{2}{12} \text{ (Gain)}$$

$$\text{Kavita} = \frac{1}{4} - \frac{1}{3} = \frac{3-4}{12} = -\frac{1}{12} \text{ (Sacrifice)}$$

Only Gupta is gaining; Kumar and Kavita are sacrificing in the ratio of 1 : 1.

13. On 1-4-2010 Sahil and Charu entered into partnership for sharing profits in the ratio of 4 : 3. They admitted Tanu as a new partner on 1-4-2012 for $\frac{1}{5}$th share which she acquired equally from Sahil and Charu. Sahil, Charu and Tanu earned profits at a higher rate than the normal rate of return for the year ended 31-3-2013. Therefore, they decided to expand their business. To meet the requirements of additional capital they admitted Puneet as a new partner on 1-4-2013 for $\frac{1}{7}$th share in profits which he acquired from Sahil and Charu in 7 : 3 ratio.

Calculate :

(i) New profit sharing ratio of Sahil, Charu and Tanu for the year 2012-13.

(ii) New profit sharing ratio of Sahil, Charu, Tanu and Puneet on Puneet's admission. **[6]**

Answer : (i) Calculation of New Profit Sharing Ratio of Sahil, Charu and Tanu for the year 2012-13 :

Old Ratio of Sahil and Charu = 4 : 3

Tanu was admitted for 1/5th share, which was acquired by her equally from Sahil and Charu

Sacrificing Share :

$$\text{Sahil} = \frac{1}{5} \times \frac{1}{2} = \frac{1}{10}$$

$$\text{Charu} = \frac{1}{5} \times \frac{1}{2} = \frac{1}{10}$$

New Profit Share = Old Share – Sacrificing Share

$$\text{Sahil} = \frac{4}{7} - \frac{1}{10} = \frac{40-7}{70} = \frac{33}{70}$$

$$\text{Charu} = \frac{3}{7} - \frac{1}{10} = \frac{30-7}{70} = \frac{23}{70}$$

$$\text{Tanu} = \frac{1}{10} + \frac{1}{10} = \frac{2}{10} \text{ or } \frac{14}{70}$$

Therefore, New Profit Sharing Ratio of Sahil, Charu and Tanu = 33 : 23 : 14

(ii) Calculation of New Profit Sharing Ratio of Sahil, Charu, Tanu and Puneet :

Old Ratio of Sahil, Charu and Tanu = 33 : 23 : 14

Puneet was admitted for 1/7th share, which he acquired from Sahil and Charu in the ratio of 7 : 3

Sacrificing Share :

$$\text{Sahil} = \frac{1}{7} \times \frac{7}{10} = \frac{7}{70}$$

$$\text{Charu} = \frac{1}{7} \times \frac{3}{10} = \frac{3}{70}$$

New Profit Share = Old Share – Sacrificing Share

$$\text{Sahil} = \frac{33}{70} - \frac{7}{70} = \frac{26}{70}$$

$$\text{Charu} = \frac{23}{70} - \frac{3}{70} = \frac{20}{70}$$

$$\text{Tanu} = \frac{14}{70}$$

$$\text{Puneet} = \frac{7}{70} + \frac{3}{70} = \frac{10}{70}$$

Therefore, New Profit Sharing Ratio of Sahil, Charu, Tanu and Puneet = 26 : 20 : 14 : 10.

= 13: 10 : 7 : 5

14. Bharat Ltd. had an authorized capital of ₹ 20,00,000 divided into 2,00,000 equity shares of ₹ 10 each. The company issued 1,00,000 shares and the dividend paid per share was ₹ 2 for the year ended 31-3-2008. The management of the company decided to export its products to the neighbouring countries Nepal, Bhutan, Sri Lanka and Bangladesh. To meet the requirement of additional funds the financial manager of the company put up the following three alternatives before its Board of Directors :

(i) Issue 54,000 equity shares.

(ii) Obtain a loan from Import and Export Bank of India. The loan was available at 12% per annum interest.

(iii) To issue 9% Debentures at a discount of 10%.

After comparing the available alternatives the company decided on 1- 4 -2008 to issue 6,000 9% debentures of ₹ 100 each at a discount of 10%. These debentures were redeemable in four installments starting from the end of third year. The amount of debentures to be redeemed at the end of third, fourth, fifth and sixth year was as follows :

Year	Profit (₹)
III	1,00,000
IV	1,00,000
V	2,00,000
VI	2,00,000

Prepare 9% Debentures Account for the years 2008-09 to 2013-14. [6]

Answer : **In the Books of Bharat Ltd.**

9% Debentures Account

Dr. Cr

Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
2009				2008	By Debenture App. & Allot. A/c		5,40,000
Mar. 31	To Balance c/d		6,00,000	Apr. 1	By Dis. on Issue of Debentures A/c		60,000
			6,00,000				**6,00,000**
2010				2009			
Mar. 31	To Balance c/d		6,00,000	Apr. 1	By Balance b/d		6,00,000
			6,00,000				**6,00,000**
2011				2010			
Mar. 31	To Debenture holders A/c		1,00,000	Apr. 1	By Balance b/d		6,00,000
Mar. 31	To Balance c/d		5,00,000				
			6,00,000				**6,00,000**
2012				2011			
Mar. 31	To Debenture holders A/c		1,00,000	Apr. 1	By Balance b/d		5,00,000
Mar. 31	To Balance c/d		4,00,000				
			5,00,000				**5,00,000**
2013				2012			
Mar. 31	To Debentureholders A/c		2,00,000	Apr. 1	By Balance b/d		4,00,000
Mar. 31	To Balance c/d		2,00,000				
			4,00,000				**4,00,000**
2014				2013			
Mar. 31	To Debentureholders A/c		2,00,000	Apr. 1	By Balance b/d		2,00,000
			2,00,000				**2,00,000**

15. Bora, Singh and Ibrahim were partners in a firm sharing profits in the ratio of 5 : 3 : 1. On 2-3-2015 their firm was dissolved. The assets were realized and the liabilities were paid off. Given below are the Realisation Account, Partners' Capital Accounts and Bank Account of the firm. The accountant of the firm left a few amounts unposted in these accounts. You are required to complete these accounts by posting the correct amounts. [6]

Dr. Realisation Account Cr.

Particulars		Amount (₹)	Particulars		Amount (₹)
To Stock		10,000	By Provision of bad debts		77,000
To Debtors		25,000	By Sundry Creditors		2,310
To Plant and Machinery		40,000	By Bills Payable		10,425
To Bank :			By Mortgage Loan		
Sundry Creditors	16,000		By Bank-assets realised :		
Bills Payable	3,400	34,400	Stock	6,700	
Mortgage Loan	15,000	400	Debtors	12,500	
To Bank (Outstanding repairs)		620	Plant & Machinery	36,000	
To Bank (Exp.)			By Bank - unrecorded assets realised		
			By		....
		1,10,420			1,10,420

Dr. Capital Accounts Cr.

Particulars	Bora (₹)	Singh (₹)	Ibrahim (₹)	Particulars	Bora (₹)	Singh (₹)	Ibrahim (₹)
....	....	....		By Balance b/d	22,000	18,000	10,000
....	....	....		By General Reserve	2,500	1,500	500
	24,500	19,500	10,500		24,500	19,500	10,500

Dr. Realisation Account Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Bal. b/d	19,500	By Realisation (liabilities)	34,400
To Realisation (assets realised)	55,200	By Realisation (unrecorded liabilities)	400
....	....	By	....
		By	....
	80,920		80,920

Answer :

Dr. Bank Account Cr.

Particulars		Amount (₹)	Particulars		Amount (₹)
To Stock		10,000	By Provision of bad debts		5,000
To Debtors		25,000	By Sundry Creditors		16,600
To Plant and Machinery		40,000	By Bills Payable		3,400
To Bank :			By Mortgage Loan		3,400
Sundry Creditors	16,000		By Bank-assets realised :		15,000
Bills Payable	3,400		Stock	6,700	

Mortgage Loan	15,000	34,400	Debtors	12,500	
			Plant & Machinery	36,000	55,220
To Bank (Outstanding repairs)		400	By Bank - unrecorded assets realised		6,220
To Bank (Exp.)		620	By Loss transferred to :		
			Bora's Capital A/c	5,000	
			Singh's Capital A/c	3,000	
			Ibrahim's Capital A/c	1,000	9,000
		1,10,420			**1,10,420**

Dr. **Partner's Capital Account** **Cr.**

Particulars	Bora (₹)	Singh (₹)	Ibrahim (₹)	Particulars	Bora (₹)	Singh (₹)	Ibrahim (₹)
To Realisation A/c	5,000	3,000	1,000	By Balance b/d	22,000	18,000	10,000
To Bank A/c	19,500	16,500	9,500	By General Reserve	2,500	1,500	500
	24,500	**19,500**	**10,500**		**24,500**	**19,500**	**10,500**

Dr. **Bank Account** **Cr.**

Particulars	Amount (₹)	Particulars		Amount (₹)
To Bal. b/d	19,500	By Realisation (liabilities)		34,400
To Realisation (assets realised)	55,200	By Realisation (unrecorded liabilities)		400
To Realisation A/c	6,220	By Realisation A/c (exp.)		620
(unrecorded assets realised)		By Partner's Capital A/c :		
		Bora	19,500	
		Singh	16,500	
		Ibrahim	9,500	45,500
	80,920			**80,920**

16. Alfa Ltd. invited applications for issuing 75,000 equity shares of ₹ 10 each. The amount was payable as follows :

On application and allotment – ₹ 4 per share

On first call – ₹ 3 per share

On second and final callbalance.

Applications for 1,00,000 shares were received. Shares were allotted to all the applicants on pro-rata basis and excess money received with applications was transferred towards sums due on first call. Vibha who was allotted 750 shares failed to pay the first call. Her shares were immediately forfeited. Afterwards the second call was made. The amount due on second call was also received except on 1000 shares, applied by Monika. Her shares were also forfeited. All the forfeited shares were re-issued to Mohit for ₹ 9,000 as fully paid up. Pass necessary journal entries in the books of Alfa Ltd. for the above transactions. **[8]**

OR

Jeevan Dhara Ltd. invited applications for issuing 1,20,000 equity shares of ₹ 10 each at a premium of ₹ 2 per share.

The amount was payable as follows :

On application – ₹ 2 per share.

On allotment – ₹ 5 per share (including premium)

On first and final call - balance.

Applications for 1,50,000 shares were received. Shares were allotted to all the applicants on pro-rata basis. Excess money received on applications was adjusted towards sums due on allotment. All calls were made. Manu who had applied for 3,000 shares failed to pay the amount due on allotment and first and final call. Madhur who was allotted 2,400 shares failed to pay the first and final call. Shares of both Manu and Madhur were forfeited. The forfeited shares were re-issued at ₹ 9 per share as fully paid up.

Pass necessary journal entries for the above transactions in the books of Jeevan Dhara Ltd. [8]

Answer : In the Books of Alfa Ltd.

Journal Entries

Date	Particulars		L.F.	Amount (₹)	Amount (₹)
	Bank A/c	Dr.		4,00,000	
	To Equity Share Application and Allotment A/c				4,00,000
	(Being application and allotment money received on 1,00,000 shares)				
	Equity Share Application and Allotment A/c	Dr.		4,00,000	
	To Equity Share Capital A/c				3,00,000
	To Equity Share First Call A/c				1,00,000
	(Being application and allotment money transferred to share capital account and excess money is adjusted in first call account)				
	Equity Share First Call A/c	Dr.		2,25,000	
	To Equity Share Capital A/c				2,25,000
	(Being amount due on first call)				
	Bank A/c (2,25,000 – 1,00,000 – 1,250)	Dr.		1,23,750	
	Calls in advance A/c	Dr.		1,00,000	
	To Equity Share First Call A/c				2,23,750
	(Being amount received on first call)				
	Equity Share Capital A/c	Dr.		5,250	
	To Equity Share Forfeiture A/c				4,000
	To Equity Share First Call A/c				1,250
	(Being Vibha's shares forfeited)				
	Equity Share Second and Final Call A/c	Dr.		2,22,750	
	To Equity Share Capital A/c				2,22,750
	(Being amount due on second and final call after forfeiting Vibha's shares)				
	Bank A/c (2,22,750 – 2,250)	Dr.		2,20,500	
	To Equity Share Second and Final Call A/c				2,20,500
	(Being amount received on second and final call)				
	Equity Share Capital A/c	Dr.		7,500	
	To Equity Share Forfeiture A/c				5,250
	To Equity Share Second and Final Call A/c				2,250
	(Being Monika's shares forfeited)				

	Bank A/c Dr. Equity Share Forfeiture A/c Dr. To Equity Share Capital A/c (Being forfeited shares reissued for ₹ 9,000 as fully paid-up)		9.000 6.000	 15,000
	Equity Share Forfeiture A/c Dr. To Capital Reserve A/c (Being excess amount of forfeiture is transferred to Capital reserve)		3,250	 3,250

Working Notes :

1. Calculation of Amount not received on First Call :

Share applied by Vibha = $\frac{1,00,000}{75,000} \times 750 = 1,000$ Shares

Amount received on 1,000 shares of ₹ 4 each = ₹ 4,000

Amount transferred to Share Capital A/c (750 × 4) = ₹ 3,000

Excess money received on application and allotment = ₹ (4,000 – 3,000) = ₹ 1,000

Amount due on first call @ ₹ 3 each = ₹ 2,250

Amount not received on first call = ₹ (2,250 – 1,000) = ₹ 1,250

2. Calculation of Amount not received on Second Call :

Share allotted to Monika = $\frac{75,000}{1,00,000} \times 1,000 = 750$ shares

Amount not received on second call = ₹ (750 × 3) = ₹ 2,250

OR

In the Books of Jeevan Dhara Ltd.
Journal Entries

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
	Bank A/c Dr. To Equity Share Application A/c (Being application money received on 1,50,000 shares)		3,00,000	 3,00,000
	Equity Share Application A/c Dr. To Equity Share Capital A/c To Equity Share Allotment A/c (Being amount of application transferred to share capital and excess money is adjusted towards allotment)		3,00,000	 2,40,000 60,000
	Equity Share Allotment A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c (Being amount due on allotment)		6,00,000	 3,60,000 2,40,000

	Bank A/c Dr. To Equity Share Allotment A/c (Being amount received on share allotment)		5,29,200	5,29,200
	Equity Share First and Final Call A/c Dr. To Equity Share Capital A/c (Being amount due on first and final call)		6,00,000	6,00,000
	Bank A/c Dr. To Equity Share First and Final Call A/c (Being amount received on first and final call)		5,76,000	5,76,000
	Equity Share Capital A/c Dr. Securities Premium Reserve A/c Dr. To Equity Share Forfeiture A/c To Equity Share Allotment A/c To Equity Share First and Final Call A/c (Being shares of Manu and Madhur forfeited)		48,000 4,800	18,000 10,800 24,000
	Bank A/c Dr. Equity Share Forfeiture A/c Dr. To Equity Share Capital A/c (Being forfeited shares reissued for ₹ 9 as fully paid-up)		43,200 4,800	48,000
	Equity Share Forfeiture A/c Dr. To Capital Reserve A/c (Being excess amount on forfeiture is transferred to Capital reserve)		13,200	13,200

Working Notes :

1. Calculation of amount not received on Allotment and First and Final Call :

Shares alloted to Manu = $\frac{1,20,000}{1,50,000} \times 3,000$ = 2,400 shares

Amount received on 3,000 shares of ₹ 2 each = ₹ 6,000

Amount transferred to Share Capital A/c (2,400 × 2) = ₹ 4,800

Excess money received on application = ₹ (6,000 – 4,800) = ₹ 1,200

Amount due on Allotment @ ₹ 5 each = 2,400 × 5 = ₹ 12,000

Amount not received on Securities Premium = ₹ 4,800

Amount not received on allotment = ₹ (7,200 – 1,200) = ₹ 6,000

Amount not received on first and final call = 2,400 × 5 = ₹ 12,000

2. Calculation of amount not received from Madhur :

Amount not received on first and final call = 2,400 × 5 = ₹ 12,000

17. Charu and Harsha were partners in a firm sharing profits in the ratio of 3 : 2. On 1-4-2014 their Balance Sheet was as follows :

Balance Sheet of Charu and Harsh as on 1.4.2014

Liabilities	Amount (₹)	Assets	Amount (₹)
Creditors	17,000	Cash	6,000
General Reserve	4,000	Debtors	15,000
Workmen Compensation Fund	9,000	Investments	20,000

Investment Fluctuation Fund		11,000	Plant	14,000
Provision for bad debts		2,000	Land and Building	38,000
Capitals :				
Charu	30,000			
Harsha	20,000	50,000		
		93,000		93,000

On the above date Vaishali was admitted for 1/4th share in the profits of the firm on the following terms :

(a) Vaishali will bring ₹ 20,000 for her capital and ₹ 4,000 for her share of goodwill premium.

(b) All debtors were considered good.

(c) The market value of investments was ₹ 15,000.

(d) There was a liability of ₹ 6,000 for workmen compensation.

(e) Capital accounts of Charu and Harsha are to be adjusted on the basis of Vaishali's capital by opening current accounts.

Prepare Revaluation Account and Partners' Capital Accounts. [8]

OR

Amit, Balan and Chander were partners in a firm sharing profits in the proportion of $\frac{1}{2}, \frac{1}{3}$ and $\frac{1}{6}$ respectively. Chander retired on 1.4.2014. The Balance Sheet of the firm on the date of Chander's retirement was as follows :

Balance Sheet of Amit, Balan and Chander as on 1-4-2014

Liabilities		Amount (₹)	Assets		Amount (₹)
Sundry Creditors		12,600	Bank		4,100
Provident Fund		3,000	Debtors	30,000	
General Reserve		9,000	*Less* : Provision	1,000	29,000
Capitals :			Stock		25,000
Amit	40,000		Investments		10,000
Balan	36,500		Patents		5,000
Chander	20,000	96,500	Machinery		48,000
		1,21,100			1,21,100

It was agreed that :

(a) Goodwill will be valued at ₹ 27,000.

(b) Depreciation of 10% was to be provided on machinery.

(c) Patents were to be reduced by 20%.

(d) Liability on account of Provident Fund was estimated at ₹ 2,400.

(e) Chander took over investments for ₹ 15,800.

(f) Amit and Balan decided to adjust their capitals in proportion of their profit sharing ratio by opening current accounts.

Prepare Revaluation Account and Partners' Capital Accounts on Chander's retirement. [8]

Answer :

Dr. Revaluation Account Cr.

Particulars		Amount (₹)	Particulars	Amount (₹)
To Profit transferred to :			By Provision for Bad Debts A/c	2,000
Charu's Capital A/c	1,200			
Harsha's Capital A/c	800	2,000		
		2,000		**2,000**

Dr. Partner's Capital Account Cr.

Particulars	Charu (₹)	Harsha (₹)	Vaishali (₹)	Particulars	Charu (₹)	Harsha (₹)	Vaishali (₹)
To Current A/c	5,400	3,600		By Balance b/d	30,000	20,000	
To Balance c/d	36,000	24,000	20,000	By General Reserve A/c	2,400	1,600	
				By Workmen Compensation Fund A/c	1,800	1,200	
				By Investment Fluctuation Fund A/c	3,600	2,400	
				By Revaluation A/c (Profit)	1,200	800	
				By Cash A/c			20,000
				By Premium for Goodwill A/c	2,400	1,600	
	41,400	**27,600**	**20,000**		**41,400**	**27,600**	**20,000**

Working Notes :

1. Calculation of New Profit Sharing Ratio :

$$\text{Old Ratio} = 3:2$$

$$\text{Let the total profit of the firm} = 1$$

$$\text{Remaining Share} = 1-\frac{1}{4}=\frac{3}{4}$$

$$\text{Charu's New Share} = \frac{3}{5}\times\frac{3}{4}=\frac{9}{20}$$

$$\text{Harsha's New Share} = \frac{2}{5}\times\frac{3}{4}=\frac{6}{20}$$

$$\therefore \quad \text{New Profit Sharing Ratio} = \frac{9}{20}:\frac{6}{20}:\frac{1}{4}=9:6:5$$

2. Calculation of Sacrificing Ratio :

$$\text{Old Ratio} = 3:2$$

$$\text{New Ratio} = 9:6:5$$

$$\text{Sacrificing Ratio} = \text{Old Ratio} - \text{New Ratio}$$

$$\text{Charu} = \frac{3}{5} - \frac{9}{20} = \frac{3}{20}$$

$$\text{Harsha} = \frac{2}{5} - \frac{6}{20} = \frac{2}{20}$$

$$\therefore \quad \text{Sacrificing Ratio} = 3:2$$

3. Distribution of Goodwill :

$$\text{Charu will get} = 4{,}000 \times \frac{3}{5}$$
$$= ₹\,2{,}400$$

$$\text{Harsha will get} = 4{,}000 \times \frac{2}{5}$$
$$= ₹\,1{,}600$$

4. Adjustment of Capital :

$$\text{Total Capital of the firm} = 20{,}000 \times \frac{4}{1}$$
$$= ₹\,80{,}000$$

$$\text{Charu's New Capital} = 80{,}000 \times \frac{9}{20}$$
$$= ₹\,36{,}000$$

$$\text{Harsha's New Capital} = 80{,}000 \times \frac{6}{20}$$
$$= ₹\,24{,}000$$

OR

Dr. **Revaluation Account** **Cr.**

Particulars		Amount (₹)	Particulars	Amount (₹)
To Machinery A/c		4,800	By Provident Fund A/c	600
To Patents A/c		1,000	By Investments A/c	5,800
To Profit transferred to :				
Amit's Capital	300			
Balan's Capital	200			
Chander's Capital	100	600		
		6,400		**6,400**

Dr. **Partner's Capital Account** Cr.

Particulars	Amit (₹)	Balan (₹)	Chander (₹)	Particulars	Amit (₹)	Balan (₹)	Chander (₹)
To Chander's Capital A/c	2,700	1,800		By Balance b/d	40,000	36,500	20,000
To Investment A/c			15,800	By General Reserve A/c	4,500	3,000	1,500
To Chander's Loan A/c			10,300	By Revaluation A/c	300	200	100
To Balance c/d	42,100	37,900		By Amit's Capital A/c			2,700
				By Balan's Capital A/c			1,800
	44,800	**39,700**	**26,100**		**44,800**	**39,700**	**26,100**
To Balan' Current A/c (Bal. Fig.)		5,900		By Balance b/d	42,100	37,900	
To Balance c/d	48,000	32,000		By Amit's Current A/c (Bal. Fig.)	5,900		
	44,800	**39,700**			**44,800**	**39,700**	

Working Notes :

1. Adjustment of Goodwill :

$$\text{Chander's Share of Goodwill} = 27,000 \times \frac{1}{6} = ₹\,4,500$$

$$\text{Amit will pay} = 4,500 \times \frac{3}{5} = ₹\,2,700$$

$$\text{Balan will pay} = 4,500 \times \frac{2}{5} = ₹\,1,800$$

2. Adjustment of Capital :

$$\text{Total adjusted capital} = ₹\,(42,100 + 37,900) = ₹\,80,000$$

$$\text{Amit's New Capital} = 80,000 \times \frac{3}{5} = ₹\,48,000$$

$$\text{Balan's New Capital} = 80,000 \times \frac{2}{5} = ₹\,32,000$$

Note : Since, here no information is given regarding the share acquired by Amit and Balan, therefore, their gaining ratio is same as their new profit sharing ratio *i.e.*, 3 : 2.

PART B
(Financial Statements Analysis)

18. Which of the following transactions will result into 'Flow of Cash' ?

(a) Deposited ₹ 10,000 into bank.

(b) Withdrew cash from bank ₹ 14,500.

(c) Sale of machinery of the book value of ₹ 74,000 at a loss of ₹ 9,000.

(d) Converted ₹ 2,00,000 9% debentures into equity shares. **[1]**

Answer : (c) Sale of machinery of the book value of ₹ 74,000 at a loss of ₹ 9,000.

19. While preparing the 'Cash Flow Statement' the accountant of Gulfam Ltd., a financing company showed 'Dividend received on Investments' as Investing Activity'. Was he correct in doing so ? Give reason. **[1]**

Answer : No, he is not correct. Since, Gulfam Ltd. is a financing company, its main business is lending and investing in securities. Thus, 'Dividend received on investments', should be shown as operating activity.

20. Under which major headings the following items will be presented in the Balance Sheet of a company as per Schedule VI Part I of the Companies Act, 1956 ?

(i) Loans provided repayable on demand

(ii) Goodwill

(iii) Copyrights

(iv) Loose tools

(v) Cheques

(vi) General Reserve

(vii) Stock of finished goods and

(viii) 9% Debentures repayable after three years **[4]**

Answer :

S. No.	Items	Major Head
(i)	Loans provided repayable on demand	Current Liabilities
(ii)	Goodwill	Fixed Assets/Non-current Assets
(iii)	Copyrights	Fixed Assets/Non-current Assets
(iv)	Loose tools	Inventories/Current Assets
(v)	Cheques	Cash & Cash Equivalents/Current Assets
(vi)	General reserve	Reserve and Surplus/Shareholder's Funds
(vii)	Stock of finished goods	Inventory/Current Assets
(viii)	9% Debentures repayable after three years	Long-term Borrowings/Non-current Liabilities

21. From the following information related to Naveen Ltd. calculate (a) Return on Investment and (b) Total Assets to Debt Ratio.

Information : Fixed Assets ₹ 75,00,000; Current Assets ₹ 40,00,000; Current Liabilities ₹ 27,00,000; 12% Debentures ₹ 80,00,000 and Net Profit before Interest, Tax and Dividend ₹ 14,50,000. **[4]**

Answer :

(a) Return on Investment :

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

$$\text{Net Profit before Interest, Tax and Dividend} = ₹\ 14{,}50{,}000$$

$$\text{Capital Employed} = \text{Fixed Assets} + \text{Current Assets} - \text{Current Liabilities}$$

$$= ₹\ (75{,}00{,}000 + 40{,}00{,}000 - 27{,}00{,}000)$$

$$= ₹\ 88{,}00{,}000$$

$$\text{Return on Investment} = \frac{14{,}50{,}000}{88{,}00{,}000} \times 100$$

$$= 16.48\%$$

(b) Total Assets to Debt Ratio :

$$\text{Total Assets to Debt Ratio} = \frac{\text{Total Assets}}{\text{Debts}}$$

$$\text{Total Assets} = \text{Fixed Assets} + \text{Current Assets}$$

$$= ₹\,(75,00,000 + 40,00,000)$$

$$= ₹\,1,15,00,000$$

$$\text{Debt} = 12\%\ \text{Debentures} = ₹\,80,00,000$$

$$\text{Total Assets to Debt Ratio} = \frac{1,15,00,000}{80,00,000} = 1.4375 : 1 = 1.44 : 1$$

22. The motto of Yash Ltd., an advertising company is 'Service With Dignity'. Its management and work force is hard-working, honest and motivated. The net profit of the company doubled during the year ended 31-3-2014. Encouraged by its performance company decided to give one month extra salary to all its employees. Following is the Comparative Statement of Profit and Loss of the company for the years ended 31st March, 2013 and 2014.

Yash Ltd.

Comparative Statements of Profit and Loss

Particulars	Note No.	2012–13 (₹)	2013–14 (₹)	Absolute Change (₹)	% Change
Revenue form operations		10,00,000	15,00,000	5,00,000	50
Less : Employees benefit expenses		6,00,000	7,00,000	1,00,000	16.67
Profit before tax		4,00,000	8,00,000	4,00,000	100
Tax Rate 25%		1,00,000	2,00,000	1,00,000	100
Profit after tax		3,00,000	6,00,000	3,00,000	100

(a) Calculate Net Profit Ratio for the years ending 31st March, 2013 and 2014.

(b) Identify any two values which Yash Ltd. is trying to propagate. **[4]**

Answer :

(a) $$\text{Net Profit Ratio} = \frac{\text{Net Profit after Tax}}{\text{Revenue from Operations}} \times 100$$

For 2012-13 : $$\text{Net Profit Ratio} = \frac{3,00,000}{10,00,000} \times 100$$

$$= 30\%$$

For 2013-14 : $$\text{Net Profit Ratio} = \frac{6,00,000}{15,00,000} \times 100$$

$$= 40\%$$

(b) The following are the values that are propagated by Yash Ltd. :

(i) Participation of employees in extra profit

(ii) Boosting the morale of employees.

23. Following is the Balance Sheet of Thermal Power Ltd. as at 31-3-2014 :

Thermal Power Ltd.

Balance Sheet as at 31-3-2014

Particulars	Note No.	2013-14 (₹)	2012-13 (₹)
I-Equity and Liabilities			
1. Shareholder's Funds			
(a) Share Capital		12,00,000	11,00,000
(b) Reserves and Surplus	1	3,00,000	2,00,000

2. Non-current Liabilities :			
Long-term Borrowings		2,40,000	1,70,000
3. Current Liabilities :			
(a) Trade Payables		1,79,000	2,04,000
(b) Short-term Provisions		50,000	77,000
Total		**19,69,000**	**17,51,000**
II-Assets :			
1. Non-current Assets :			
(a) Fixed Assets			
(i) Tangible	2	10,70,000	8,50,000
(ii) Intangible	3	40,000	1,12,000
2. Current Assets :			
(a) Current Investments		2,40,000	1,50,000
(b) Inventories		1,29,000	1,21,000
(c) Trade Receivables		1,70,000	1,43,000
(d) Cash and Cash equivalents		3,20,000	3,75,000
Total		**19,69,000**	**17,51,000**

Notes to Accounts :

S. No.	Particulars	2013-14 (₹)	2012-13 (₹)
1.	**Reserves and Surplus**		
	Surplus (balance in Statement of Profit and Loss)	3,00,000	2,00,000
2.	**Tangible Assets**		
	Machinery	12,70,000	10,00,000
	Less : Accumulated Depreciation	(2,00,000)	(1,50,000)
3.	**Intangible Assets**		
	Goodwill	40,000	1,12,000

Additional Information :

During the year a piece of machinery, costing ₹ 24,000 on which accumulated depreciation was ₹ 16,000, was sold for ₹ 6,000.

Prepare Cash Flow Statement. **[6]**

Answer : **Cash Flow Statement of Thermal Power Ltd.**

(AS -3 Revised) for the year ended 31st March, 2014

S. No.	Particulars	Amount (₹)	Amount (₹)
A.	**Cash Flow from Operating Activities**		
	Net Profit before Tax and extraordinary items		1,50,000
	Add : Non operating expenses		
	Depreciation on machinery	66,000	
	Loss on sale of machinery	2,000	
	Goodwill written off	72,000	1,40,000
	Operating Profit before Working Capital Changes		2,90,000
	Less : Increase in current assets and decrease in current liabilities		

	Inventories	(8,000)	
	Trade Receivables	(27,000)	
	Trade Payables	(25,000)	(60,000)
	Cash Generated from Operating Activities		2,30,000
	Less : Tax paid		(77,000)
	Cash Flow from Operating Activities		1,53,000
B.	**Cash Flow from Investing Activities**		
	Purchase of machinery	(2,94,000)	
	Sale of machinery	6,000	
	Cash Used in Investing Activities		(2,88,000)
C.	**Cash Flow from Financing Activities**		
	Issue of share capital	1,00,000	
	Borrowing of loan	70,000	
	Cash Flow from Financing Activities		1,70,000
	Net Increase or Decrease in Cash and Cash Equivalents (A + B + C) [1,53,000 + (2,88,000) + 1,70,000]		35,000
	Add : Cash and Cash Equivalents in the Beginning [3,75,000 + 1,50,000]		5,25,000
	Cash and Cash Equivalents at the end of Year [3,20,000 + 2,40,000]		5,60,000

Working Notes :

1. Net Profit before Tax :

Surplus	—	1,00,000
Provision for tax	—	50,000
		1,50,000

(Note : It is assumed that short term provision is provision for tax.)

2.

Dr. Machinery Account Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	10,00,000	By Bank A/c	6,000
To Bank A/c (Bal. fig.) (Purchase)	2,94,000	By P & L A/c	2,000
		By Accumulated Depreciation A/c	16,000
		By Balance c/d	12,70,000
	12,94,000		**12,94,000**

Dr. Accumulated Depreciation Account Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Machinery A/c	16,000	By Balance b/d	1,50,000
To Balance c/d	2,00,000	By Depreciation A/c (Bal. fig.)	66,000
	2,16,000		**2,16,000**

Accountancy 2015 (Delhi)

SET II

Time allowed : 3 hours **Maximum marks : 80**

Note : Except for the following questions, all the remaining questions have been asked in previous sets.

PART A

(Accounting for Partnership Firms and Companies)

7. State any three purposes other than 'buy back of shares' for which securities premium can be utilized. **[3]**

Answer : As per Sec. 52(2) of Companies Act 2013, the amount of securities premium received can be utilised for several purposes. Three of such purposes are listed below.

(i) For issuing fully paid bonus shares to the members.

(ii) For writing-off the preliminary expenses.

(iii) For writing-off the expenses of, or the commission paid or the discount allowed on any issue of shares or debentures of the company.

9. 'Scooters India Ltd.' is registered with an authorized capital of ₹ 50,00,000 divided into 5,00,000 shares of ₹ 10 each. The company issued 1,00,000 shares for subscriptions to the public at par. The amount was payable as follows :

On application and allotment - ₹ 3 per share

On 1st call - ₹ 2 per share

On 2nd and final call - ₹ 5 per share

The issue was fully subscribed. All calls were made and were duly received except the 2nd and final call on 1,000 shares held by Rohan. His shares were forfeited and afterwards re-issued at ₹ 8 per share as fully paid up. Present 'Share Capital' in the Balance Sheet of the Company as per Schedule VI Part I of the Companies Act, 1956. Also prepare Notes to accounts for the same. **[3]**

Answer :

Scooters India Ltd.

Balance Sheet

	Particulars	Note No.	Amount (₹)
I.	**Equity and Liabilities**		
	1. Shareholder's Funds		
	(a) Share Capital	1	10,00,000
	(b) Reserves and Surplus	2	3,000
			10,03,000

Notes to Accounts :

Note No.	Particulars	Amount (₹)
1.	**Share Capital**	
	Authorised Capital	
	5,00,000 equity shares of ₹ 10 each	50,00,000
	Issued Capital	
	1,00,000 equity shares of ₹ 10 each	10,00,000
	Subscribed, Called-up and Paid-up Capital	
	1,00,000 shares of ₹ 10 each	10,00,000
2.	**Reserves and Surplus**	
	Capital Reserve	3,000

11. **Vikas, Gagan and Momita were partners in a firm sharing profits in the ratio of 2 : 2 : 1. The firm closes its books on 31st March every year. On 30th September, 2014 Momita died. According to the provisions of partnership deed the legal representatives of a deceased partner are entitled for the following in the event of his/her death :**

(a) Capital as per the last Balance Sheet.

(b) Interest on capital at 6% p.a. till the date of her death.

(c) Her share of profit to the date of death calculated on the basis of average profits of last four years.

(d) Her share of goodwill to be determined on the basis of three years purchase of the average profits of last four years. The profits of last four years were :

Year	Profit (₹)
2010-2011	30,000
2011-2012	50,000
2012-2013	40,000
2013-2014	60,000

The balance in Momita's capital account on 31-3-2014 was ₹ 60,000 and she had withdrawn ₹ 10,000 till the date of her death. Interest on her drawings were ₹ 300.

Prepare Momita's Capital Account to be presented to her executors. **[4]**

Answer :

Dr. **Momita's Capital Account** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Drawings A/c	10,000	By Balance b/d	60,000
To Interest on Drawings A/c	300	By Interest on Capital A/c	1,800
To Momita's Executor A/c	83,000	By Profit and Loss Suspense A/c	4,500
		By Vikas's Capital A/c	13,500
		By Gangan's Capital A/c	13,500
	93,000		**93,000**

Working Notes :

1. Calculation of Interest on Momita's Capital :

$$\text{Interest on Capital} = 60{,}000 \times \frac{6}{100} \times \frac{6}{12} = ₹\ 1{,}800$$

2. Calculation of Momita's Share in Profit :

$$\text{Average Profit} = \frac{30{,}000 + 50{,}000 + 60{,}000 + 40{,}000}{4} = ₹\ 45{,}000$$

$$\text{Share of Momita in Profit} = 45{,}000 \times \frac{1}{5} \times \frac{6}{12} = ₹\ 4{,}500$$

3. Adjustment of Goodwill :

$$\text{Average Profit} = ₹\ 45{,}000$$

$$\text{Goodwill} = \text{Average Profit} \times \text{Number of year's purchase}$$

$$= 45{,}000 \times 3 = ₹\ 1{,}35{,}000$$

$$\text{Momita's Share of Goodwill} = 1{,}35{,}000 \times \frac{1}{5} = ₹\ 27{,}000$$

$$\text{Vikas will pay} = 27{,}000 \times \frac{1}{2} = ₹\,13{,}500$$

$$\text{Gagan will pay} = 27{,}000 \times \frac{1}{2} = ₹\,13{,}500$$

Note : Since, here no information is given regarding the share acquired by Vikas and Gagan, therefore, their gaining ratio is same as their new profit sharing ratio *i.e.*, 2 : 2 or 1 : 1.

16. 'Amrit Dhara Ltd.' invited applications for issuing 80,000 equity shares of ₹ 10 each. The amount was payable as follows :

On application and allotment - ₹ 2 per share

On first call - ₹ 4 per share

On second and final call - the balance

Applications for 1,00,000 shares were received. Shares were allotted on pro-rata basis to all the applicants. Excess money received with applications was adjusted towards sums due on first call. Manohar who had applied for 2,000 shares failed to pay the first call and his shares were immediately forfeited. Afterwards second and final call was made. Mahan who was allotted 2,400 shares failed to pay the second and final call. His shares were also forfeited. All the forfeited shares were re-issued at ₹ 9 per share as fully paid up. Pass necessary Journal Entries in the books of the company for the above transactions. **[8]**

OR

'Sulabh Ltd.' invited applications for issuing 1,50,000 equity shares of ₹ 10 each at a premium of ₹ 3 per share. The amount was payable as follows :

On application - ₹ 2 per share

On allotment - ₹ 6 per share (including premium)

On first and final call - the balance

Applications for 2,00,000 shares were received and shares were allotted on pro-rata basis to all the applicants. Excess money received with applications was adjusted towards sums due on allotment. Suman who had applied for 2,000 shares failed to pay the allotment and call money. Raman failed to pay first and final call on his 500 shares. Shares of both Suman and Raman were forfeited after the final call was made. The forfeited shares were re-issued for ₹ 12 per share as fully paid up.

Pass necessary Journal Entries for the above transactions in the books of the company. **[8]**

Answer : **In the Books of Amrit Dhara Ltd.**

Journal Entries

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
	Bank A/c Dr.		2,00,000	
	To Equity Share Application and Allotment A/c			2,00,000
	(Being share application money received)			
	Equity Share Application and Allotment A/c Dr.		2,00,000	
	To Equity Share Capital A/c			1,60,000
	To Equity Share First Call A/c			40,000
	(Being application money transferred to share capital account and excess money is adjusted in first call account)			

	Equity Share First Call A/c Dr. To Equity Share Capital A/c (Being first call money due)		3,20,000	 3,20,000
	Bank A/c (3,20,000 – 40,000 – 5,600) Dr. To Equity Share First Call A/c (Being amount received on first call)		2,74,400	 2,74,400
	Equity Share Capital A/c Dr. To Equity Share Forfeiture A/c To Equity Share First Call A/c (Being Manohar's shares forfeited)		9,600	 4,000 5,600
	Equity Share Second and Final Call A/c Dr. To Equity Share Capital A/c (Being amount due on second and final call after forfeiting Monahar's shares)		3,13,600	 3,13,600
	Bank A/c (3,13,600 – 9,600) Dr. To Equity Share Second and Final Call A/c (Being amount received on second and final call)		3,04,000	 3,04,000
	Equity Share Capital A/c Dr. To Equity Share Forfeiture A/c To Equity Share Second and Final Call A/c (Being Mahan's shares forfeited)		24,000	 14,400 9,600
	Bank A/c Dr. Equity Share Forfeiture A/c Dr. To Equity Share Capital A/c (Being forfeited shares reissued @ ₹ 9 as fully paid-up)		36,000 4,000	 40,000
	Equity Share Forfeiture A/c Dr. To Capital Reserve A/c (Being excess amount on forfeiture is transferred to capital reserve)		14,400	 14,400

Working Notes :

1. Calculation of Amount not received on First Call :

Shares applied by Manohar = $\frac{80,000}{1,00,000} \times 2,000 = 1,600$ shares

Amount received on 2,000 shares of ₹ 2 each = ₹ 4,000

Amount transferred to Share Capital A/c (1,600 × 2) = ₹ 3,200

Excess money received on application and allotment = ₹ (4,000 – 3,200) = ₹ 800

Amount due on first call @ ₹ 4 each = ₹ 6,400

Amount not received on first call = ₹ (6,400 – 800) = ₹ 5,600

2. Calculation of Amount not received on Second Call :

Amount not received on second call = ₹ (2,400 × 4) = ₹ 9,600

OR

In the books of Sulabh Ltd.
Journal Entries

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
	Bank A/c Dr.		4,00,000	
	To Equity Share Application A/c			4,00,000
	(Being application money received on 2,00,000 shares)			
	Equity Share Application A/c Dr.		4,00,000	
	To Equity Share Capital A/c			3,00,000
	To Equity Share Allotment A/c			1,00,000
	(Being amount of application transferred to share capital and excess money is adjusted towards allotment)			
	Equity Share Allotment A/c Dr.		9,00,000	
	To Equity Share Capital A/c			4,50,000
	To Securities Premium A/c			4,50,000
	(Being amount due on allotment)			
	Bank A/c Dr.		7,92,000	
	To Equity Share Allotment A/c			7,92,000
	(Being share allotment money received)			
	Equity Share First and Final Call A/c Dr.		7,50,000	
	To Equity Share Capital A/c			7,50,000
	(Being amount due on first and final call)			
	Bank A/c Dr.		7,40,000	
	To Equity Share First and Final Call A/c			7,40,000
	(Being amount on first and final call)			
	Equity Share Capital A/c Dr.		20,000	
	Securities Premium A/c Dr.		4,500	
	To Equity Share Forfeiture A/c			6,500
	To Equity Share Allotment A/c			8,000
	To Equity Share First and Final Call A/c			10,000
	(Being shares of Suman and Raman forfeited)			
	Bank A/c Dr.		24,000	
	To Equity Share Capital A/c			20,000
	To Securities Premium A/c			4,000
	(Being forfeited shares reissued for ₹ 12 as fully paid-up)			
	Equity Share Forfeiture A/c Dr.		6,500	
	To Capital Reserve A/c			
	(Being excess amount on forfeiture is transferred to capital reserve)			6,500

Working Notes :

1. **Calculation of Amount not received from Suman :**

   Shares alloted to Suman = $\frac{1,50,000}{2,00,000} \times 2,000 = 1,500$ shares

   Amount received on 2,000 shares of ₹ 2 each = ₹ 4,000

   Amount transferred to Share Capital A/c (1,500 × 2) = ₹ 3,000

   Excess money received on application = ₹ (4,000 – 3,000) = ₹ 1,000

   Amount due on Allotment @ ₹ 6 each = ₹ (4,500 + 4,500) = ₹ 9,000

   Amount not received on Securities Premium = ₹ 4,500

   Amount not received on allotment = ₹ (4,500 – 1,000) = ₹ 3,500

   Amount not received on first and final call = 1,500 × 5 = ₹ 7,500

2. **Calculation of Amount not received from Raman :**

   Amount not received on first and final call = 500 × 5 = ₹ 2,500

PART B
(Financial Statements Analysis)

18. Which of the following transactions will not result into flow of cash :

(a) Issue of equity shares of ₹ 1,00,000.

(b) Purchase of machinery of ₹ 1,75,000.

(c) Redemption of 9% debentures ₹ 3,50,000.

(d) Cash deposited into bank ₹ 15,000. **[1]**

Answer : (d) Cash deposited into bank ₹ 15,000.

19. While preparing the Cash Flow Statement of Alka Ltd. 'dividend paid' was shown as an operating activity by the accountant of the company. Was he correct in doing so ? Give reason. **[1]**

Answer : No, he was not correct because dividend paid comes under the head financing activity and show as negative item as cash outflows.

20. Under which major heads the following items wil be placed in the Balance Sheet of a company as per Schedule VI, Part I of the Companies Act, 1956 ?

(i) Securities Premium Reserve **(ii) Balances with banks**

(iii) Term loans from bank **(iv) Goods-in-transit**

(v) Loans repayable on demand **(vi) Computer software**

(vii) Unpaid dividends and **(viii) Vehicles** **[4]**

Answer :

S. No.	Items	Head
(i)	Securities Premium Reserve	Reserves and Surplus/Shareholder's Fund
(ii)	Balance with Banks	Current Assets
(iii)	Term Loan from Bank	Non-current Liabilities
(iv)	Goods in transit	Current Assets
(v)	Loans repayable on demand	Current Liabilities
(vi)	Computer software	Fixed Assets under Non-current Assets
(vii)	Unpaid dividends	Current Liabilities
(viii)	Vehicles	Fixed Assets under Non-current Assets

●●

Accountancy 2015 (Delhi)

SET III

Time allowed : 3 hours | **Maximum marks : 80**

Note : Except for the following questions, all the remaining questions have been asked in previous sets.

PART A

(Accounting for Partnership Firms and Companies)

7. Securities premium can also be utilized for three other purposes besides (i) 'Issuing fully paid bonus shares' and (ii) 'Buy back of shares'. State those purposes. **[3]**

Answer : As per Sec. 52(2) of Companies Act, 2013, the amount of securities premium received can be utilised for following purposes :

(i) For writing off preliminary expenses.

(ii) For writing off the expenses of, or the commission paid or the discount allowed on, any issue of shares or debentures of the company.

(iii) For paying up premium payable on redemption of redeemable preference shares or debentures of the company.

9. Sun Pharma Ltd. is registered with an authorized capital of ₹ 1,00,00,000 divided into 1,00,000 equity shares of ₹ 100 each. The company issued 50,000 shares at a premium of ₹ 40 per share. A shareholder holding 500 shares did not pay the final call of ₹ 20 per share. His shares were forfeited.

Present the 'Share Capital' in the Balance Sheet of the Company as per Schedule VI Part I of the Companies Act, 1956. Also prepare notes to accounts. **[3]**

Answer : **Sun Pharma India Ltd.**

Balance Sheet

	Particulars	Note No.	Amount (₹)
I.	**Equity and Liabilities**		
	1. Shareholder's Funds		
	(a) Share Capital	1	49,90,000
	(b) Reserves and Surplus	2	20,00,000
			69,90,000

Notes to Accounts :

Note No.	Particulars		Amount (₹)
1.	**Share Capital**		
	Authorised Capital		
	1,00,000 equity shares of ₹ 100 each		10,00,000
	Issued Capital		
	50,000 equity shares of ₹ 100 each		50,00,000
	Subscribed, Called-up and Paid-up Capital		
	49,500 equity shares of ₹ 100 each	49,50,000	
	Add : Shares Forfeited (500 shares @ ₹ 80)	40,000	49,90,000
2.	**Reserves and Surplus**		
	Securities Premium (50,000 × 40)		20,00,000

11. Sunny, Honey and Rupesh were partners in a firm. On 31.3.2014 their Balance Sheet was as follows :

Balance Sheet

Liabilites		Amount (₹)	Assets	Amount (₹)
Creditors		10,000	Plant and Machinery	40,000
General Reserve		30,000	Furniture	15,000
Capitals :			Debtors	20,000
Sunny	30,000		Stock	20,000
Honey	30,000			25,000
Rupesh	20,000	80,000		
		1,20,000		1,20,000

Honey died on 31.12.2014. The partnership deed provides that the representatives of the deceased partner shall be entitled to :

(a) Balance in the capital account of the deceased partner.

(b) Interest on capital @ 6% p.a. upto the date of his death.

(c) His share in the undistributed profits or losses as per the balance sheet.

(d) His share in the profits of the firm till the date of his death, calculated on the basis of rate of net profit on sales of the previous year. The rate of net profit on sale of previous year was 20%. Sales of the firm during the year till 31.12.2014 was ₹ 6,00,000.

Prepare Honey's Capital Account to be presented to his executors. **[4]**

Answer :

Honey's Capital A/c

Particulars	Amount (₹)	Particulars	Amount (₹)
To Honey's Executors A/c	81,350	By Balance b/d	30,000
		By Interest on Capital A/c	1,350
		By Profit and Loss Suspense A/c	40,000
		By General Reserve A/c	10,000
	81,350		81,350

Working Notes :

1. Calculation of Interest on Honey's Capital :

$$\text{Interest on Capital} = 30{,}000 \times \frac{6}{100} \times \frac{9}{12} = ₹\ 1{,}350$$

2. Calculation of Honey's Share in Profit :

$$\text{Profit} = \text{Sales} \times \frac{\text{Rate of Profit}}{100}$$

$$= 6{,}00{,}000 \times \frac{20}{100} = ₹\ 1{,}20{,}000$$

$$\text{Honey's Share in Profit} = 1{,}20{,}000 \times \frac{1}{3} = ₹\ 40{,}000$$

3. **Calculation of Honey's Share in General Reserve :**

$$\text{Honey's Share in General Reserve} = 30{,}000 \times \frac{1}{3} = ₹\ 10{,}000$$

16. **'Wellness Ltd.' invited applications for issuing 40,000 equity shares of ₹ 10 each at a discount of 10%. The amount was payable as follows :**

On application and allotment - ₹ 4 per share

On first call - ₹ 3 per share

On second and final call - The balance

Applications for 39,000 shares were received and allotment was made to all the applicants.

The payment was received as per the following details :

On 30,000 shares - Full amount.

On 6,000 shares - ₹ 7 per share.

On 3,000 shares - ₹ 4 per share.

The Directors forfeited those shares on which less than ₹ 7 per share were received. The forfeited shares were re-issued at ₹ 8 per share as fully paid up.

Pass necessary Journal Entries in the books of the company for the above transactions.** **[8]**

OR

'Subham Ltd.' invited applications for issuing 12,000 equity shares of ₹ 10 each at a premium of ₹ 3 per share. The amount was payable as follows :

On application and allotment - ₹ 6 per share (including premium)

On first call - ₹ 4 per share

On second and final call - The balance

Applications for 18,000 shares were received and pro-rata allotment was made to all the applicants. Excess money received with applications was adjusted towards sums due on first call. All calls were made and were duly received except the first call and second and final call on 120 shares allotted to Vibhu. His shares were forfeited. The forfeited shares were reissued at the maximum permissible discount as per the provisions of the Companies Act, 1956.

Pass necessary Journal Entries for the above transactions in the books of the company.** **[8]**

Answer :

OR

In the Books of Subham Ltd.

Journal Entries

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
	Bank A/c Dr.		1,08,000	
	To Equity Share Application and Allotment A/c			1,08,000
	(Being application money received on 18,000 shares)			
	Equity Share Application and Allotment A/c Dr.		1,08,000	
	To Equity Share Capital A/c			36,000
	To Securities Premium Reserve A/c			36,000
	To Equity Share First Call A/c			36,000
	(Being application money transferred to share capital and excess money is adjusted towards first call)			

** Answer is not given due to change in the present syllabus.

	Equity Share First Call A/c Dr. To Equity Share Capital A/c (Being amount due on first call)		48,000	48,000
	Bank A/c Dr. To Equity Share First Call A/c (Being amount received on first call)		11,880	11,880
	Equity Share Second and Final A/c Dr. To Equity Share Capital A/c (Being amount due on second and final call)		36,000	36,000
	Bank A/c Dr. To Equity Share Second and Final Call A/c (Being amount received on second and final call)		35,640	35,640
	Equity Share Capital A/c Dr. To Equity Share Forfeiture A/c To Equity Share First Call A/c To Equity Share Second and Final Call A/c (Being shares of Vibhu forfeited due to non-payment of first and final call)		1,200	720 120 360
	Bank A/c Dr. Equity Share Forfeiture A/c Dr. To Equity Share Capital A/c (Being forfeited shares reissued @ ₹ 4 as fully paid up)		480 720	1,200

Working Notes :

Shares applied by Vibhu = $\frac{18,000}{12,000} \times 120 = 180$ shares

Amount received on 180 shares of ₹ 6 each = ₹ 1,080

Amount transferred to Share Capital A/c (120 × 3) = ₹ 360

Amount transferred to Securities Premium A/c (120 × 3) = ₹ 360

Excess money received on Application and Allotment = ₹ 360

Amount due on First Call @ ₹ 4 each = ₹ 480

Amount not received on First Call = ₹ (480 – 360) = ₹ 120

Amount received on First Call = ₹ (48,000 – 36,000 – 120) = ₹ 11,880

PART B

(Financial Statements Analysis)

18. Which of the following is not included in cash and cash equivalents ?

(a) Balances with banks

(b) Bank deposits with 100 days of maturity

(c) Cheques and drafts on hand and

(d) Cash on hand **[1]**

Answer : (b) Bank deposits with 100 days of maturity.

19. While preparing Cash Flow Statement of Sharda Ltd. 'Depreciation provided on fixed assets' was added to net profit to calculate cash flow from operating activities. Was the accountant correct in doing so ? Give reason. **[1]**

Answer : Yes, the accountant was correct in doing so, because depreciation on fixed assets is a non-cash expense and it must be added to net profit for calculation of cash flow from operating activities.

20. Under which heads the following items will be placed in the Balance Sheet of a company as per Schedule VI Part I of the Companies Act, 1956 ?

(i) Cash in hand

(ii) Mining Rights

(iii) Short term deposits

(iv) Debenture Redemption Reserve

(v) Income received in advance

(vi) Balance of the Statement of Profit and Loss

(vii) Office Equipments and

(viii) Work-in-progress. **[4]**

Answer :

S. No.	Items	Head
(i)	Cash in hand	Current Assets
(ii)	Mining rights	Non-current Assets
(iii)	Short term deposits	Current Assets
(iv)	Debenture Redemption Reserve	Reserve and Surplus/Shareholder's Fund
(v)	Income received in advance	Current Liabilities
(vi)	Balance of the Statement of Profit and Loss	Reserve and Surplus/Shareholder's Fund
(vii)	Office Equipments	Non-current Assets
(viii)	Work-in-progress	Inventory/Current Assets

●●

Accountancy 2016 (Outside Delhi) SET I

Time allowed : 3 hours **Maximum marks : 80**

PART A
(Accounting for Partnership Firms and Companies)

1. A group of 40 people wants to form a partnership firm. They want your advice regarding the maximum number of persons that can be there in a partnership firm and the name of the Act under whose provisions it is given. **[1]**

Answer : Maximum number of partners : 50
According to the Companies Act, 2013.

2. P, Q and R were partners in a firm sharing profits in the ratio of 3 : 2 : 1. They admitted S as a new partner for $\frac{1}{8}$th share in the profits which he acquired $\frac{1}{16}$th from P and $\frac{1}{16}$th from Q.
Calculate new profit sharing ratio of P, Q, R and S. **[1]**

Answer :

$$\text{P's New share} = \frac{3}{6} - \frac{1}{16} = \frac{24-3}{48} = \frac{21}{48}$$

$$\text{Q's New share} = \frac{2}{6} - \frac{1}{16} = \frac{16-3}{48} = \frac{13}{48}$$

$$\text{R's New share} = \frac{1}{6} \times \frac{8}{8} = \frac{8}{48}$$

$$\text{S's New share} = \frac{1}{8} \times \frac{6}{6} = \frac{6}{48}$$

Thus, the new profit sharing ratio for P, Q, R and S will be 21 : 13 : 8 : 6.

3. On 28.2.2016 the first call of ₹ 2 per share became due on 50,000 equity shares alloted by Kumar Ltd. Komal a holder of 1,000 shares did not pay the first call money. Kovil a holder of 750 shares paid the second and final call of ₹ 4 per share alongwith the first call.
Pass the necessary journal entry for the amount received by opening calls-in-arrears and calls-in-advance account in the books of the company. **[1]**

Answer :

Kumar Ltd.
Journal

Date	Particulars		L.F.	Amount (₹)	Amount (₹)
2016	Bank A/c	Dr.		1,01,000	
Feb. 28	Calls-in-Arrears A/c	Dr.		2,000	
	To Equity Share First Call A/c				1,00,000
	To Calls-in-Advance A/c				3,000
	(Being call money received except on 1,000 shares and received advance on 750 shares)				

4. **Distinguish between 'Dissolution of partnership' and 'Dissolution of partnership firm' on the basis of 'Economic Relationship'.** **[1]**

Answer :

Basis	Dissolution of Partnership	Dissolution of Partnership Firm
Economic relationship	Economic relationship between the partners continues though in a changed form.	Economic relationship between the partners comes to an end.

5. **State the provisions of Companies Act, 2013 for the creation of 'Debenture Redemption Reserve'.** **[1]**

Answer : According to the provisions of the Companies Act, 2013, the companies are required to create Debenture Redemption Reserve of at least 25% of the face value of debentures before the redemption of debentures commences.

6. **Tom and Harry were partners in a firm sharing profits in the ratio of 5 : 3. During the year ended 31.3.2015 Tom had withdrawn ₹ 40,000. Interest on his drawings amounted to ₹ 2,000.**

Pass necessary journal entry for chargin)g interest on drawings assuming that the capitals of the partners were fluctuating. **[3]**

Answer :

Journal

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
2015 March 31	Tom's Capital A/c Dr. To Interest on Drawings A/c (Being interest on drawings charged)		2,000	2,000

7. **On 2.3.2016 L and B Ltd. issued 635, 9% debentures of ₹ 500 each. Pass necessary journal entries for the issue of debentures in the following situations :** **[3]**

(a) When debentures were issued at 5% discount, redeemable at 10% premium.

(b) When debentures were issued at 12% premium, redeemable at 6% premium.

Answer : (a)

L & B Ltd.

Journal

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
2016 March 2	Bank A/c Dr. To 9% Deb. Application and Allotment A/c (Being application money received)		3,01,625	3,01,625
March 2	9% Debenture Application and Allotment A/c Dr. Loss on Issue of Debentures A/c Dr. To 9% Debentures A/c To Premium on Redemption of Deb. A/c (Being transfer of application money to debenture account issued at a discount of 5%, but redeemable at 10% premium)		3,01,625 47,625	3,17,500 31,750

(b)

L & B Ltd.

Journal

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
2016 March 2	Bank A/c Dr. To 9% Debenture Application and Allotment A/c (Being application money received)		3,55,600	3,55,600

March 2	9% Debenture Application and Allotment A/c Dr. Loss on Issue of Debentures A/c Dr. To 9% Debentures A/c To Securities Premium Reserve A/c To Premium on Redemption of Debentures A/c (Being transfer of application money to debenture account issued at 12% premium but redeemable at premium of 6%)		3,55,600 19,050	 3,17,500 38,100 19,050

8. **State any three circumstances other than (i) death of a partner, (ii) admission of a partner and (iii) retirement of a partner when need for valuation of goodwill of a firm may arise.** **[3]**

Answer : In addition to the stated circumstances, the need for the valuation of goodwill in partnership arises in the following circumstances :

(a) Change in the profit sharing ratio amongst the existing partners.

(b) Dissolution of a firm involving sale of business as a going concern.

(c) Amalgamation of partnership firms.

9. **K Ltd. took over the assets of ₹ 15,00,000 and liabilities of ₹ 5,00,000 of P Ltd. for a purchase consideration of ₹ 13,68,500. ₹ 25,500 were paid by issuing a promissory note in favour of P Ltd. payable after two months and the balance was paid by issue of equity shares of ₹ 100 each at a premium of 25%.**
Pass necessary journal entries for the above transactions in the books of K Ltd. **[3]**

Answer :

K Ltd.

Journal

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
(i)	Sundry Assets A/c Dr. Goodwill A/c Dr. To Sundry Liabilities A/c To P Ltd. (Being assets and liabilities acquired)		15,00,000 3,68,500	 5,00,000 13,68,500
(ii)	P Ltd. Dr. To Bills Payable A/c To Equity Share Capital A/c To Securities Premium Reserve A/c (Being draft accepted and equity shares issued at a premium of 25%)		13,68,500	 25,500 10,74,400 2,68,600

10. **To provide employment to the youth and to develop Baramula district of Jammu and Kashmir, Jyoti Power Ltd. decided to setup a power plant. For raising funds the company decided to issue 8,50,000 equity shares of ₹ 10 each at a premium of ₹ 3 per share. The whole amount was payable on application. Applications for 20,00,000 shares were received. Applications for 3,00,000 shares were rejected and shares were alloted to the remaining applicants on pro-rata basis.**
Pass necessary journal entries for the above transactions in the books of the company and identify any two values which the company wants to propagate. **[3]**

Answer :

Jyoti Power Ltd.

Journal

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
(i)	Bank A/c Dr. To Equity Share Application and Allotment A/c (Being application and allotment money received for 20,00,000 shares)		2,60,00,000	2,60,00,000

(ii)	Equity Share Application and Allotment A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c To Bank A/c (Being share application and allotment money adjusted)		2,60,00,000	 85,00,000 25,50,000 1,49,50,000

Two Values :

(i) Providing employment opportunities.

(ii) Development of backward areas.

11. Vikas and Vivek were partners in a firm sharing profits in the ratio of 3 : 2. On 1.4.2014 they admitted Vandana as a new partner for $\frac{1}{8}$ th share in the profits with a guaranteed profit of ₹ 1,50,000. The new profit sharing ratio between Vivek and Vikas will remain the same but they decided to bear any deficiency on account of guarantee to Vandana in the ratio 2 : 3. The profit of the firm for the year ended 31.3.2015 was ₹ 9,00,000.

Prepare Profit and Loss Appropriation Account of Vikas, Vivek and Vandana for the year ended 31.3.2015. **[4]**

Answer :

Profit and Loss Appropriation A/c

for the year ended 31st March, 2015

Dr. Cr.

Particulars		Amount (₹)	Particulars	Amount (₹)
To Partner's Capital A/c : (transfer of profit)			By Profit & Loss A/c (Net Profit)	9,00,000
Vikas	4,72,500			
Less : Deficiency	15,000	4,57,500		
Vivek	3,15,000			
Less : Deficiency	22,500	2,92,500		
Vandana	1,12,500			
Add: From Vikas	15,000			
From Vivek	22,500	1,50,000		
		9,00,000		**9,00,000**

12. Manav, Nath and Narayan were partners in a firm sharing profits in the ratio of 1 : 2 : 1. The firm closes its books on 31st March every year. On 30th September, 2015 Nath died. On that date his capital account showed a debit balance of ₹ 5,000. There was a debit balance of ₹ 30,000 in the profit and loss account. The goodwill of the firm was valued at ₹ 3,80,000. Nath's share of profit in the year of his death was to be calculated on the basis of average profit of last 5 years, which was ₹ 90,000.

Pass necessary journal entries in the books of the firm on Nath's death. **[4]**

Answer :

Journal

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
2015 Sep. 30	Manav's Capital A/c Dr. Narayan's Capital A/c Dr. To Nath's Capital A/c (Being Nath's share of goodwill adjusted in the capital A/c of the existing partners in their gaining ratio *i.e.*, 1 : 1)		95,000 95,000	 1,90,000

Sep. 30	Nath's Capital A/c Dr. To Profit & Loss A/c (Being Nath's share in debit balance of profit and loss A/c transferred)		15,000	15,000
Sep. 30	Profit & Loss Suspense A/c Dr. To Nath's Capital A/c (Being Nath's share of profit upto the date of death is transferred)		22,500	22,500
Sep. 30	Nath's Capital A/c Dr. To Nath's Executors' A/c (Being amount due to Nath transferred to his executors' A/c)		1,92,500	1,92,500

Working Notes :

(1) Nath's share of goodwill = 3,80,000 × $\frac{2}{4}$ = ₹ 1,90,000

Manav and Narayan Gaining Ratio 1 : 1

$$\text{Manav} = \frac{1}{2} \times 1,90,000 = ₹\ 95,000$$

$$\text{Narayan} = \frac{1}{2} \times 1,90,000 = ₹\ 95,000$$

(2) Nath's share in Profit & Loss (Dr.) = 30,000 × $\frac{2}{4}$ = ₹ 15,000

(3) Nath's share in current year profit = 90,000 × $\frac{6}{12} \times \frac{2}{4}$ = ₹ 22,500

(4) Amount due to Nath's Executor :

Dr. *for the year ended 31st March, 2015* Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	5,000	By Manav's Capital A/c	95,000
To Profit & Loss A/c	15,000	By Narayan's Capital A/c	95,000
To Nath's Executors' A/c	1,92,500	By P & L Suspense A/c	22,500
	2,12,500		**2,12,500**

13. Lal and Pal were partners in a firm sharing profits in the ratio of 3 : 7. On 1.4.2015 their firm was dissolved. After transferring assets (other than cash) and outsider's liabilities to realisation account, you are given the following information :

(a) A creditor of ₹ 3,60,000 accepted machinery valued at ₹ 5,00,000 and paid to the firm ₹ 1,40,000.

(b) A second creditor for ₹ 50,000 accepted stock at ₹ 45,000 in full settlement of his claim.

(c) A third creditor amounting to ₹ 90,000 accepted ₹ 45,000 in cash and investments worth ₹ 43,000 in full settlement of his claim.

(d) Loss on dissolution was ₹ 15,000.

Pass necessary journal entries for the above transactions in the books of firm assuming that all payments were made by cheque. **[6]**

Answer : **Journal of Lal and Pal**

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
(a)	Bank A/c Dr. To Realisation A/c (Being payment received from creditors)		1,40,000	1,40,000
(b)	No Entry			

(c)	Realisation A/c Dr. To Bank A/c (Being partial payment made to creditors through cheque)		45,000	45,000
(d)	Lal's Capital A/c Dr. Pal's Capital A/c Dr. To Realisation A/c (Being loss on realisation transferred to partner's capital A/c in the ratio 3 : 7)		45,000 10,500	15,000

14. R, S and T were partners in a firm sharing profits in the ratio of 1 : 2 : 3. Their Balance Sheet as on 31.3.2015 was as follows :

Balance Sheet of R, S and T as on 31.3.2015

Particulars		Amount (₹)	Particulars	Amount (₹)
Creditors		50,000	Land	50,000
Bills Payable		20,000	Building	50,000
General Reserve		30,000	Plant	1,00,000
Capitals :			Stock	40,000
R	1,00,000		Debtors	30,000
S	50,000			
T	25,000	1,75,000	Bank	5,000
		2,75,000		**2,75,000**

R, S and T decided to share the profits equally with effect from 1.4.2015. For this it was agreed that :

(a) Goodwill of the firm be valued at ₹ 1,50,000.

(b) Land be revalued at ₹ 80,000 and building be depreciated by 6%.

(c) Creditors of ₹ 6,000 were not likely to be claimed and hence be written off.

Prepare Revaluation Account, Partner's Capital Accounts and the Balance Sheet of the reconstituted firm. **[6]**

Answer :

Dr. Revaluation A/c Cr.

Particulars		Amount (₹)	Particulars	Amount (₹)
To Building A/c		3,000	By Land A/c	30,000
To Partner's Capital A/c :			By Creditors A/c	6,000
(transfer of profit)				
R	5,500			
S	11,000			
T	16,500	33,000		
		36,000		**36,000**

Dr. Partners' Capital A/c Cr.

Particulars	R (₹)	S (₹)	T (₹)	Particulars	R (₹)	S (₹)	T (₹)
To T's Capital A/c	25,000			To Balance c/d	1,00,000	50,000	25,000
By Balance b/d	85,500	71,000	81,500	By Revaluation A/c	5,500	11,000	16,500
				By General Reserve A/c	5,000	10,000	15,000
				By R's Capital A/c			25,000
	1,10,500	**71,000**	**81,500**		**1,10,500**	**71,000**	**81,500**

Balance Sheet of R, S and T

as at 1st April, 2015

Liabilities		Amount (₹)	Assets	Amount (₹)
Creditors		44,000	Land	80,000
Bills Payable		20,000	Building	47,000
Capitals :			Plant	1,00,000
R	85,500		Stock	40,000
S	71,000		Debtors	30,000
T	81,500	2,38,000	Bank	5,000
		3,02,000		**3,02,000**

Working Notes :

Sacrificing Ratio = Old Ratio – New Ratio

$$R = \frac{1}{6}-\frac{1}{3}=\frac{1-2}{6}=\frac{-1}{6}\text{ (Gain)}$$

$$S = \frac{2}{6}-\frac{1}{3}=\frac{2-2}{6}=\frac{0}{6}=\text{Nil}$$

$$T = \frac{3}{6}-\frac{1}{3}=\frac{3-2}{6}=\frac{1}{6}\text{ (Sacrifice)}$$

15. On 1.4.2013 JJJ Ltd. had ₹ 1,00,00,000, 10% Debentures of ₹ 100 each outstanding.

(i) On 1.4.2014 the company purchased in the open market 30,000 of its own debentures for ₹ 99 each and cancelled the same immediately.**

(ii) On 28.2.2015 the company redeemed at par debentures of ₹ 50,00,000 by draw of a lot.

(iii) On 31.1.2016 the remaining debentures were purchased for immediate cancellation for ₹ 19,99,000.**

Ignoring interest on debentures and debenture redemption reserve, pass necessary journal entries for the above transactions in the books of the company. [6]

Answer : (ii)

JJJ Ltd

Journal

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
2015 Feb. 28	10% Debentures A/c Dr. To Debentureholders A/c (Being payment due to debenture holders on redemption)		50,00,000	50,00,000
Feb. 28	Debentureholders A/c Dr. To Bank A/c (Being payment due to debenture holders discharged)		50,00,000	50,00,000

16. SK Ltd. invited applications for issuing 3,20,000 equity shares of ₹ 10 each at a premium of ₹ 5 per share. The amount was payable as follows :

On application – ₹ 3 per share (including premium ₹ 1 per share)

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

On First and Final Call – Balance.

Applications for 4,00,000 shares were received. Applications for 40,000 shares were rejected and application money refunded. Shares were alloted on pro-rata basis to the remaining applicants. Excess

** Answer is not given due to change in the present syllabus.

money received with applications was adjusted towards sums due on allotment. Jeevan holding 800 shares failed to pay the allotment money and his shares were immediately forfeited. Afterwards final call was made, Ganesh who had applied for 2,700 shares failed to pay the final call. His shares were also forfeited. Out of the forfeited shares 1,500 shares were re-issued at ₹ 8 per share fully paid up. The re-issued shares included all the forfeited shares of Jeevan.

Pass necessary journal entries for the above transactions in the books of the company. [8]

OR

BBG Ltd. had issued 1,00,000 equity shares of ₹ 10 each at a premium of ₹ 3 per share payable with application money. While passing the journal entries related to the issue, some blanks are left. You are required to complete these blanks. [8]

Books of BBG Ltd.

Journal

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
2015				
Jan. 05	.... Dr.		....	
	To			....
	(Application money received for 1,40,000 shares @ ₹ 6 per share including premium)			
Jan. 17	Equity Share Application A/c Dr.		....	
	To			....
	To			....
	To			....
	To			....
	(Application money transferred to share capital account, securities premium account, refunded for 20,000 shares for rejected applications and balance adjusted towards money due on allotment as shares were alloted on pro-rata basis)			
Jan. 17	.... Dr.		....	
	To			....
	(Allotment money due @ ₹ 4 per share)			
Feb. 20	.... Dr.		....	
	To			....
	(Balance allotment amount received)			
April. 1	.... Dr.		....	
	To			....
	(First and Final Call money due)			
April. 20	.... Dr.		....	
	Calls-in-arrears A/c Dr.		3,000	
	To			....
	(First and Final Call money received)			

May. 20	.... Dr. To .... To .... (Forfeited the shares on which First and Final Call was not received)		....	 ....
June. 15	.... Dr. .... Dr. To .... (Forfeited shares re-issued)		 3,000	 ....
....	.... Dr. To .... (...)		....	 ....

Answer :

SK LTD.

Journal

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
(i)	Bank A/c Dr. To Equity Share Application A/c (Being application money received on shares)		12,00,000	 12,00,000
(ii)	Equity Share Application A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c To Equity Share Allotment A/c To Bank A/c (Being application money transferred to Share Capital A/c)		12,00,000	 6,40,000 3,20,000 1,20,000 1,20,000
(iii)	Equity Share Allotment A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c (Being share allotment made due)		16,00,000	 9,60,000 6,40,000
(iv)	Bank A/c Dr. To Equity Share Allotment A/c (Being allotment money received except on 800 shares)		14,76,300	 14,76,300
(v)	Equity Share Capital A/c Dr. Securities Premium Reserve A/c Dr. To Share Forfeited A/c To Equity Share Allotment A/c (Being 800 shares of Jeevan forfeited after allotment)		4,000 1,600	 1,900 3,700
(vi)	Equity Share First and Final Call A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c (Being first & final call due on 3,19,200 shares)		22,34,400	 15,96,000 6,38,400
(vii)	Bank A/c Dr. To Equity Share First and Final Call A/c (Being first & final call money received except on 2,400 shares)		22,17,600	 22,17,600

(viii)	Equity Share Capital A/c Dr. Securities Premium Reserve A/c Dr. To Share Forfeited A/c To Equity Share First and Final Call A/c (Being 2,400 shares of Ganesh forfeited)		24,000 4,800	 12,000 16,800
(ix)	Bank A/c Dr. Share Forfeited A/c Dr. To Equity Share Capital A/c (Being 1,500 shares reissued for ₹ 8 per share fully paid up)		12,000 3,000	 15,000
(x)	Share Forfeited A/c Dr. To Capital Reserve A/c (Being gain on reissue of forfeited shares transferred to capital reserve account)		2,400	 2,400

OR

Books of BBG Ltd.

Journal

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
2015 Jan. 5	Bank A/c Dr. To Equity Share Application A/c (Being amount received on application for 1,40,000 shares @ ₹ 6 per share including premium)		8,40,000	 8,40,000
Jan. 17	Equity Share Application A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c To Bank A/c To Equity Share Allotment A/c (Being application money transferred to share capital, securities premium, money refunded for 20,000 shares for rejected applications and balance adjusted towards amount due on allotment as shares were alloted on pro-rata basis)		8,40,000	 3,00,000 3,00,000 1,20,000 1,20,000
Jan. 17	Equity Share Allotment A/c Dr. To Equity Share Capital A/c (Amount due on allotment @ ₹ 4 per share)		4,00,000	 4,00,000
Feb. 20	Bank A/c Dr. To Equity Share Allotment A/c (Balance allotment amount received)		2,80,000	 2,80,000
Apr. 1	Equity Share First and Final Call A/c Dr. To Equity Share Capital A/c (First and final call money due)		3,00,000	 3,00,000
Apr. 20	Bank A/c Dr. Calls in Arrears A/c Dr. To Equity Share First and Final Call A/c (First and final call money received)		2,97,000 3,000	 3,00,000

May 20	Equity Share Capital A/c Dr. To Share Forfeited A/c To Calls in Arrears A/c (orfeited the shares on which first and final call was not received)		10,000	7,000 3,000
Jun. 15	Bank A/c Dr. Share Forfeited A/c Dr. To Equity Share Capital A/c (Being forfeited shares re-issued)		7,000 3,000	10,000
2016 Mar. 31	Share Forfeited A/c Dr. To Capital Reserve A/c (Being gain on reissue of forfeited shares transferred to capital reserve account)		4,000	4,000

17. L, M and N were partners in a firm sharing profits in the ratio of 3 : 2 : 1. Their Balance Sheet on 31.3.2015 was as follows :

Balance Sheet of L, M and N as on 31.3.2015

Liabilities		Amount (₹)	Assets	Amount (₹)
Creditors		1,68,000	Bank	34,000
General Reserve		42,000	Debtors	46,000
Capitals :			Stock	2,20,000
L	1,20,000		Investments	60,000
M	80,000		Furniture	60,000
N	40,000	2,40,000	Machinery	20,000
				70,000
		4,50,000		**4,50,000**

On the above date O was admitted as a new partner and it was decided that :

(i) The new profit sharing ratio between L, M, N and O will be 2 : 2 : 1 : 1.

(ii) Goodwill of the firm was valued at ₹ 1,80,000 and O brought his share of goodwill premium in cash.

(iii) The market value of investments was ₹ 36,000.

(iv) Machinery will be reduced to ₹ 58,000.

(v) A creditor of ₹ 6,000 was not likely to claim the amount and hence was to be written off.

(vi) O will bring proportionate capital so as to give him $\frac{1}{6}$ th the share in the profits of the firm.

Prepare Revaluation Account, Partner's Capital Accounts and the Balance Sheet of the New Firm. **[8]**

OR

J, H and K were partners in a firm sharing profits in the ratio of 5 : 3 : 2. On 31.3.2015 their Balance Sheet was as follows :

Balance Sheet of J, H and K as on 31.3.2015

Liabilities		Amount (₹)	Assets		Amount (₹)
Creditors		42,000	Land and Building		1,24,000
Investment Fluctuation Fund		20,000	Motor Vans		40,000
Profit and Loss Account		80,000	Investments		38,000
Capitals :			Machinery		24,000
J	1,00,000		Stock		30,000
H	80,000		Debtors	80,000	
K	40,000	2,20,000	*Less* : Provision	6,000	74,000
			Cash		32,000
		3,62,000			**3,62,000**

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

(i) Goodwill of the firm was valued at ₹ 1,02,000.

(ii) There was a claim of ₹ 8,000 for workmen's compensation.

(iii) Provision for bad debts was to be reduced by ₹ 2,000.

(iv) H will be paid ₹ 14,000 in cash and the balance will be transferred in his loan account which will be paid in four equal yearly instalments together with interest @ 10% p.a.

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

Prepare Revaluation Account, Partner's Capital Accounts and Balance Sheet of the new firm. [8]

Answer :

Dr. Revaluation A/c Cr.

Particulars	Amount (₹)	Particulars		Amount (₹)
To Investments A/c	24,000	By Creditors A/c		6,000
To Machinery A/c	12,000	By Partner's Capital A/c : (transfer of loss)		
		L	15,000	
		M	10,000	
		N	5,000	30,000
	36,000			**36,000**

Dr. Partner's Capital A/c Cr.

Particulars	L	M	N	O	Particulars	L	M	N	O
To Revaluation A/c	15,000	10,000	5,000		By Balance b/d	1,20,000	80,000	40,000	
To Balance c/d	1,56,000	84,000	42,000	56,400	By General Reserve A/c	21,000	14,000	7,000	
					By Premium for Goodwill A/c	30,000			
					By Bank A/c				56,400
	1,71,000	**94,000**	**47,000**	**56,400**		**1,71,000**	**94,000**	**47,000**	**56,400**

Balance Sheet of L,M, N and O

as at 31st March, 2015

Liabilities		Amount (₹)	Assets	Amount (₹)
Creditors		1,62,000	Bank	1,20,400
Partner's Capitals :			Debtors	46,000
L	1,56,000		Stock	2,20,000
M	84,000		Investments	36,000
N	42,000		Machinery	58,000
O	56,400	3,38,400	Furniture & Fittings	20,000
		5,00,400		**5,00,400**

Working Notes :

Sacrifice Ratio = Old Ratio – New Ratio

$$\text{L's Sacrifice} = \frac{3}{6} - \frac{2}{6} = \frac{1}{6}$$

$$\text{M's Sacrifice} = \frac{2}{6} - \frac{2}{6} = \frac{0}{6} = \text{Nil}$$

$$\text{N's Sacrifice} = \frac{1}{6} - \frac{1}{6} = \frac{0}{6} = \text{Nil}$$

Let the firm's capital be 1

$$\text{O's share} = \frac{1}{6}$$

$$\text{Remaining share} = 1 - \frac{1}{6} = \frac{5}{6}$$

$$\text{Total capital for } \frac{5}{6} \text{th share} = ₹2,82,000$$

$$\text{Firm's Total capital} = 2,82,000 \times \frac{5}{6}$$
$$= ₹3,38,400$$

$$\text{O's share of capital} = 3,38,400 \times \frac{1}{6} = ₹56,400$$

OR

Revaluation A/c

Dr. Cr.

Particulars	Amount (₹)	Particulars		Amount (₹)
To Claim for Workmen Compensation A/c	8,000	By Provision for Bad Debs A/c		2,000
		By Partner's Capital A/c : (transfer of loss)		
		J	3,000	
		H	1,800	
		K	1,200	6,000
	8,000			**8,000**

Partners' Capital A/c

Dr. Cr.

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

Balance Sheet

as at 31st March 2015

Liabilities	Amount (₹)	Particulars	Amount (₹)
Creditors	42,000	Land & Building	1,24,000
Claim for Workmen Compensation	8,000	Motor Van	40,000
H's Loan A/C	1,24,800	Investment	38,000
		Machinery	24,000

			Stock		30,000
			Debtors	80,000	
J's Current A/c		31,680	*Less* : Provision	4,000	76,000
Partner's Capitals :			Cash		18,000
J	1,05,120		K's Current A/c		31,680
K	70,080	1,75,200			
		3,81,680			**3,81,680**

Working Notes :

1. H's Share of Goodwill $= 1{,}02{,}000 \times \frac{3}{10} = ₹\ 30{,}600$

2. Gaining Ratio = New Ratio – Old Ratio

$$\text{J's Gain} = \frac{3}{5} - \frac{5}{10} = \frac{6-5}{10} = \frac{1}{10}$$

$$\text{K's Gain} = \frac{2}{5} - \frac{2}{10} = \frac{4-2}{10} = \frac{2}{10}$$

Gaining Ratio = 1 : 2

PART B

(Analysis of Financial Statements)

18. Give the meaning of 'Cash Flow Statement'. **[1]**

Answer : A cash flow statement shows inflows and outflows of cash and cash equivalents due to operating, investing and financing activities of a company during a specified period.

19. 'An enterprise may hold securities and loans for dealing or trading purpose in which case they are similar to inventory acquired specifically for resale'. Is the statement correct ? Cash Flows from such activities will be classified under which type of activity while preparing Cash Flow Statement ? [1]

Answer : Yes, the statement is correct.

Operating Activity.

20. (a) One of the objectives of 'Financial Statement Analysis is to judge the ability of the firm to repay its debt and assessing the short term as well as the long term liquidity position of the firm.' State two more objectives of this analysis.

(b) List any two items that are presented under the head 'other current liabilities' and any two items that are presented under the head 'other current assets' as per Schedule III of the Companies Act, 2013. ** **[2 + 2 = 4]**

Answer : Objectives of Financial Statement Analysis :

(i) Assessing the earning capacity or profitability of the firm as a whole as well as its different departments so as to judge the financial health of the firm.

(ii) Assessing their own performance as well as of others through inter firm comparison.

21. (a) What is meant by 'Activity Ratios' ? **[2 + 2 = 4]**

(b) From the following information calculate inventory turnover ratio; Revenue from operations ₹ 16,00,000; Average Inventory ₹ 2,20,000; Gross Loss Ratio 5%.

** Answer is not given due to change in the present syllabus.

Answer : (a) Activity ratios refer to the ratios that are calculated for measuring the efficiency of operations of business based on effective utilisation of resources.

(b) Calculation of Inventory Turnover Ratio :

$$\text{Inventory Turnover Ratio} = \frac{\text{Cost of Revenue from Operations}}{\text{Average Inventory}}$$

$$\text{Gross Loss} = \text{Revenue from operations} \times \text{Gross Loss Ratio}$$

$$= 16{,}00{,}000 \times \frac{5}{100}$$

$$= ₹\ 80{,}000$$

$$\text{Cost of Revenue from Operations} = \text{Revenue from Operations} + \text{Gross Loss}$$

$$= 16{,}00{,}000 + 80{,}000$$

$$= ₹\ 16{,}80{,}000$$

$$\text{Average Inventory} = ₹\ 2{,}20{,}000$$

$$\text{Inventory Turnover Ratio} = \frac{16{,}80{,}000}{2{,}20{,}000} = 7.64 \text{ times}$$

22. Following is the Statement of Profit and Loss of Moon India Ltd. for the year ended 31st March 2015. **[4]**

Particulars	Note No.	31.3.2015 (₹)	31.3.2014 (₹)
Revenue from operations		50,00,000	40,00,000
Other Incomes		2,00,000	10,00,000
Employee benefit expenses		60% of total Revenue	50% of total Revenue
Other Expenses		10% of employee benefit expenses	20% of employee benefit expenses
Tax Rate		50%	40%

The motto of Moon India Ltd. is to produce and distribute green energy in the backward areas of India. It has also taken up a project of giving vocational training to the girls belonging to the backward areas of Rajasthan. You are required to prepare a Comparative Statement of Profit and Loss of Moon India Ltd. from the given Statement of Profit and Loss and also identify any two values that the company wishes to convey to the society.

Answer : **Comparative Statement of Profit & Loss**

for the years ended 31st March, 2014 and 2015

Particulars	Note No.	Absolute Figures 2013-14 (₹)	Absolute Figures 2014-15 (₹)	Absolute Change Increase/Decrease	Absolute Change (%)
I Revenue from Operations		40,00,000	50,00,000	10,00,000	25
II *Add :* Other Income		10,00,000	2,00,000	(8,00,000)	(80)
III Total Revenue (I + II)		50,00,000	52,00,000	2,00,000	4
IV Expenses :					

Employee Benefit Expenses		25,00,000	31,20,000	6,20,000	24.8
Other Expenses		5,00,000	3,12,000	(1,88,000)	(37.6)
Total Expenses		30,00,000	34,32,000	4,32,000	14.4
V Profit before Tax (III – IV)		20,00,000	17,68,000	(2,32,000)	(11.6)
VI Tax		8,00,000	8,84,000	84,000	10.5
VII Profit after Tax (V – VI)		12,00,000	8,84,000	(3,16,000)	(26.33)

Values : (1) Development of rural areas.
(2) Providing employment opportunities.

23. Following was the Balance Sheet of M.M. Ltd. at on 31.3.2015. **[6]**

M.M. Ltd.

Balance Sheet as at 31.3.2015

Particulars	Note No.	31.3.2015 (₹)	31.3.2014 (₹)
I. Equity and Liabilities			
(1) Shareholder's Funds			
(a) Share Capital		5,00,000	4,00,000
(b) Reserves and Surplus	1	2,00,000	(50,000)
(2) Non-Current Liabilities			
Long-term Borrowings	2	4,50,000	5,00,000
(3) Current Liabilities			
(a) Short-term Borrowings	3	1,50,000	50,000
(b) Short-term Provisions	4	70,000	90,000
Total		13,70,000	9,90,000
II. Assets			
(1) Non-Current Assets			
(a) Fixed Assets			
(i) Tangible	5	10,03,000	7,20,000
(ii) Intangible	6	20,000	30,000
(b) Non-Current Investments		1,00,000	75,00
(2) Current Assets			
(a) Current Investments	7	50,000	60,000
(b) Inventories		1,07,000	45,000
(c) Cash and Cash Equivalents		90,000	60,000
Total		13,70,000	9,90,000

Notes To Accounts

Note No.	Particulars	31.3.2015 (₹)	31.3.2014 (₹)
(1)	Reserves and Surplus		
	(Surplus *i.e.* Balance in Statement of Profit and Loss)	2,00,000	(50,000)
		2,00,000	(50,000)
(2)	Long-term Borrowings 12% Debentures	4,50,000	5,00,000
		4,50,000	5,00,000
(3)	Short-term Borrowings		

	Bank Overdraft	1,50,000	50,000
		1,50,000	50,000
(4)	Short-term Provisions		
	Provision for Tax	70,000	90,000
		70,000	90,000
(5)	Tangible Assets		
	Machinery	12,03,000	8,21,000
	Accumulated Depreciation	(2,00,000)	(1,01,000)
		10,03,000	7,20,000
(6)	Intangible Assets		
	Goodwill	20,000	30,000
		20,000	30,000
(7)	Inventories		
	Stock in trade	1,07,000	45,000
		1,07,000	45,000

Additional Information :

(i) 12% Debentures were redeemed on 31.3.2015.

(ii) Tax ₹ 70,000 was paid during the year.

Prepare Cash Flow Statement.

Answer : **Cash Flow Statement of M.M Ltd.**

for the year ended 31st March, 2015 as per AS-3 (Revised)

Particulars	Details (₹)	Amount (₹)
A. Cash Flows from Operating Activities		
Net profit before tax & extra ordinary items (Note 1)	3,00,000	
Add : Non Cash and Non-operating Charges		
Goodwill written off	10,000	
Depreciation on machinery	99,000	
Interest on debentures	60,000	
Operating Profit before Working Capital Charges	4,69,000	
Less : Increase in Current Assets		
Increase in stock in trade	(62,000)	
Cash from Operations	4,07,000	
Less : Tax paid	(70,000)	
Net Cash Generated from Operating Activities		3,37,000
B. Cash Flows from Investing Activities		
Purchase of machinery	(3,82,000)	
Purchase of non-current investments	(25,000)	
Net Cash Used in Investing Activities		(4,07,000)
C. Cash Flows from Financing Activities		
Issue of share capital	1,00,000	
Redemption of 12% debentures	(50,000)	
Interest on debentures paid	(60,000)	

Bank overdraft raised	1,00,000	
Net Cash Flow from Financing Activities		90,000
Net Increase in Cash and Cash Equivalents (A + B + C)		20,000
Add : Opening Balance of Cash & Cash Equivalents		
Current Investments	60,000	
Cash and Cash Equivalents	60,000	1,20,000
Closing Balance of Cash and Cash Equivalents		
Current Investments	50,000	
Cash and Cash Equivalents	90,000	1,40,000

Working Notes :

1. Calculation of Net Profit before tax :

Net Profit as per Statement of Profit & Loss	2,50,000
Add : Provision for tax made	50,000
Net Profit before tax and extraordinary items	3,00,000

2.

Dr. Provision for Tax A/c Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Bank A/c (Paid)	70,000	By Balance b/d	90,000
To Balance c/d	70,000	By Statement of P & L (Bal. fig.)	50,000
	1,40,000		**1,40,000**

PART B
(Computerized Accounting)

18. List the steps that are involved in 'Data Processing Cycle'. [1]

Answer : Data capturing, Input, Processing and generating information needed by the users.

19. How is Accounting data computed in a computerized accounting software ? [1]

Answer : Accounting data is captured by identification of source documents, by feeding it into the device, storing and generating desired reports.

20. State the steps to construct 'Bank Reconciliation Statement' using accounting software tally. [4]

Answer : The following are the steps to construct BRS in tally :

1. Bring up the monthly summary of bank book.
2. Bring your cursor to the first month and press enter. This brings up the vouchers for the month. Since this is a bank account, an additional button F5 : reconcile will be visible on the right Press F5.
3. The display now becomes an Edit screen in Reconciliation mode. The primary components are : A column for the 'Bankers Date'.
4. Amounts not reflected in banks.
5. Balance as per bank.

21. Internal manipulation of records is much easier in computerized accounting than in manual accounting. How ? [4]

Answer : Internal manipulation of accounting records is much easier due to following reasons :

1. Defective logical sequence at programming stage.
2. Prone to hacking.

22. Explain any four advantages of Data Based Management System (DBMS). [4]

Answer : Advantages of DBMS :

(1) **Database can contral data inconsistency to a large extent :** Redundancy leads to inconsistency. In case of non-data base system updation and deletion of the information does not take place simultaneously, so the inconsistency creeps in. In case of database management system change at one place is automatically made at other places.

(2) **Database ensures standards :** Database management system ensures the maintenance of standard established by the enterprise and the industry. Sometimes national and international standards are also maintained. Standardisation facilitates interchange of data or migration between systems.

(3) **Database facilitates sharing of data :** Sharing of data means that the individual pieces of data are shared among different users, who have access to the same and each of them may use it for different purposes.

Database enables the sharing of old as well as new application without creating new store files.

(4) **Database reduces the data redundancy to a large extent :** Duplication of data is known as data redundancy. Non-database system maintains separate copy of data for each application. Maintaining separate copy leads to inconsistency and inaccuracy. For example, students records are kept in the admission register, class register, library and other places. If he informs change of his address, it is just possible that change may not be noted everywhere.

23. Rohit Kumar is a non-supervisor. He took leave for half a day during the month. His basic pay is ₹ 15,000. On the basis of the following information using Excel, give the formulae to compute, (a) Basic Pay Earned; (b) DA; (c) House Rent Allowance and (d) Transport Allowance.

Information :

Number of working days in the month are - 31, Rate of D.A. 45% of basic pay, HRA for supervisory staff is 25% of basic pay, HRA for non-supervisory staff 12% of basic pay. Transport allowance for supervisory staff ₹ 2,000 per month and transport allowance for non-supervisory staff ₹ 1,000 per month. **[6]**

Answer : (a) Basic Pay Earned = E11×F11/31

Where E11 is basic pay and F11 is number of effective working days which are 30.5 in this case.

(b) D.A. = G11×45%

Where G11 in the basic pay earned in part (a).

(c) House Rent Allowance = IF(C11="Nsup",G11×12%,IF(C11="Sup"×25%,0))

(d) Transport Allowance = IF(C11"Nsup",1000, IF(C11="Sup",2000,0))

Accountancy 2016 (Outside Delhi) SET II

Time allowed : 3 hours **Maximum marks : 80**

Note : Except for the following questions, all the remaining questions have been asked in previous set.

PART A
(Accounting for Partnership Firms and Companies)

13. Prem and Suresh were partners in a firm sharing profits in the ratio of 7 : 8. On 1.4.2015 their firm was dissolved. After transferring assets (other than cash) and outsider's liabilities to realisation account, you are given the following information :

(a) Raman, a creditor of ₹ 4,00,000 accepted land valued at ₹ 7,00,000 and paid ₹ 3,00,000 to the firm.

(b) Gopal, a second creditor for ₹ 1,05,000 accepted ₹ 90,000 in cash and investments of ₹ 14,000 in full settlement of his account.

(c) Hari, a third creditor amounting to ₹ 75,000 accepted stock of the book value of ₹ 60,000 for ₹ 45,000 and the balance was paid to him by cheque.

(d) Loss on dissolution was ₹ 45,000.

Pass necessary journal entries for the above transactions in the books of the firm. **[6]**

Answer :

Journal of Prem and Suresh

Date	Particulars		L.F.	Amount (₹)	Amount (₹)
(a)	Cash A/c	Dr.		3,00,000	
	To Realisation A/c				3,00,000
	(Being payment received from creditor)				
(b)	Realisation A/c	Dr.		90,000	
	To Cash A/c				90,000
	(Being partial payment made to creditor in cash)				
(c)	Realisation A/c	Dr.		30,000	
	To Bank A/c				30,000
	(Being partial payment made to creditor through cheque)				
(d)	Prem's Capital A/c	Dr.		21,000	
	Suresh's Capital A/c	Dr.		24,000	
	To Realisation A/c				45,.000
	(Being loss on realisation transferred to partner's capital account in the ratio of 7 : 8)				

14. Nardeep, Hardeep and Gagandeep were partners in a firm sharing profits in 2 : 1 : 3 ratio. Their Balance sheet as on 31.3.2015 was as follows :

Balance Sheet of Nardeep, Hardeep and Gagandeep as on 31.3.2015

Dr. Provision for Tax A/c Cr.

Liabilities		Amount (₹)	Assets	Amount (₹)
Creditors		1,00,000	Land	1,00,000
Bills Payable		40,000	Building	1,00,000
General Reserve		60,000	Plant	2,00,000
Capital :			Stock	80,000
Nardeep	2,00,000		Debtors	60,000
Hardeep	1,00,000		Bank	10,000
Gagandeep	50,000	3,50,000		
		5,50,000		**5,50,000**

From 1.4.2015 Nardeep, Hardeep and Gagandeep decided to share the future profits equally. For this purpose it was decided that :

(a) Goodwill of the firm be valued at ₹ 3,00,000.

(b) Land be revalued at ₹ 1,60,000 and building be depreciated by 6%.

(c) Creditors of ₹ 12,000 were not likely to be claimed and hence be written off.

Prepare Revaluation Account, Partners Capital Accounts and the Balance Sheet of the reconstituted firm. [6]

Answer :

Dr. Revaluation A/c Cr.

Liabilities		Amount (₹)	Assets	Amount (₹)
To Building A/c		6,000	By Land A/c	60,000
To Partner's Capital A/c :			By Creditors A/c	12,000
Nardeep	22,000			
Hardeep	11,000			
Gagandeep	33,000	66,000		
		72,000		**72,000**

Dr. **Partner's Capital A/c** Cr.

Particulars	Nardeep (₹)	Hardeep (₹)	Gagandeep (₹)	Particulars	Nardeep (₹)	Hardeep (₹)	Gagandeep (₹)
To Gagandeep's Capital A/c		50,000		By Balance b/d	2,00,000	1,00,000	50,000
To Balance c/d	2,42,000	71,000	1,63,000	By General Reserve A/c	20,000	10,000	30,000
				By Revaluation A/c	22,000	11,000	33,000
				By Hardeep's Capital A/c			50,000
	2,42,000	**1,21,000**	**1,63,000**		**2,42,000**	**1,21,000**	**1,63,000**

Balance Sheet of Nardeep, Hardeep and Gagandeep

as at 1st April, 2015

Liabilities		Amount (₹)	Assets	Amount (₹)
Creditors		88,000	Land	1,60,000
Bills Payable		40,000	Building	94,000
Capital :			Plant	2,00,000
Nardeep	2,42,000		Stock	80,000
Hardeep	71,000		Debtors	60,000
Gagandeep	1,63,000	4,76,000	Bank	10,000
		6,04,000		**6,04,000**

Working Notes :

Gain or Sacrifice : Nardeep $= \frac{2}{6} - \frac{1}{3} = \frac{2-2}{6} = \frac{0}{6}$ (Nil)

Hardeep $= \frac{1}{6} - \frac{1}{3} = \frac{1-2}{6} = -\frac{1}{6}$ (Gain)

Gagandeep $= \frac{3}{6} - \frac{1}{3} = \frac{3-2}{6} = \frac{1}{6}$ (Sacrifice)

15. On 1.4.2013 JMR Ltd. had 20,000, 9% debentures of ₹ 100 each outstanding.

(i) On 1.4.2014 the company purchased in the open market 6,000 of its own debentures for ₹ 98 each and cancelled the same immediately. * *

(ii) On 28.2.2015 the company redeemed at par debentures of ₹ 10,00,000 by draw of a lot.

(iii) On 1.3.2016 the remaining debentures were purchased for immediate cancellation for ₹ 3,99,000.

Ignoring interest on debentures and debenture redemption reserve, pass necessary journal entries for the above transactions in the books of JMR Ltd.* * **[6]**

Answer : **JMR Ltd.**

Journal

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
(ii) 2015 Feb. 28	9% Debentures A/c Dr. To Debenture holders A/c (Being payment due to debentureholders on redemption)		10,00,000	10,00,000
Feb. 28	Debenture holders A/c Dr. To Bank A/c (Being payment due to debentureholders discharged)		10,00,000	10,00,000

* * Answer is not given due to change in the present syllbus.

PART B
(Analysis of Financial Statements)

18. State any two objectives of preparing 'Cash Flow Statement'. **[1]**

Answer : The basic objectives of preparing a Cash Flow Statement are :

(i) To ascertain the various sources of activities from which cash and cash equivalents have been generated by an enterprise during the specified period.

(ii) To ascertain the various uses of activities in which cash and cash equivalents have been used by an enterprise during the specified period.

20. (a) 'One of the objectives of analysis of financial statements is to ascertain the relative importance of the different components of the financial position of the firm'. State two other objectives of this analysis.

(b) List any four items of 'reserves' that are shown under the heading 'Reserves and Surplus' in the Balance Sheet of a company as per Schedule III of the Companies Act 2013.** [2 + 2 = 4]

Answer : (a) (i) To identify the magnitude and direction of changes in enterprise's financial position and performance.

(ii) To ascertain the strengths and weaknesses of the enterprise in terms of liquidity, profitability, solvency, etc.

21. (a) What is meant by 'Profitability Ratios' ? **[2]**

Answer : (a) Profitability ratios help to measure the earning capacity of the business. These ratios are expressed in percentage form. Some of the important profitability ratios are :

(i) Gross Profit Ratio

(ii) Net Profit Ratio

(iii) Operating Ratio

(iv) Operating Profit Ratio

(v) Return on Investment (R.O.I.)

PART B
(Computerized Accounting)

23. Ashok Kumar is a Non-supervisor. He took leave of two and half a days during the month. His basic pay is ₹ 8,500.

On the basis of the following information using Excel give the formulae to compute :

(a) Basic pay earned;

(b) D.A.;

(c) House rent allowance and

(d) Transport allowance.

Information :

Number of working days in the month–31, Rate of D.A. 50% of basic pay, HRA for supervisory staff is 30% of basic pay, HRA for non-supervisory staff 20% of basic pay, Transport allowance for supervisory staff ₹ 2,500 per month, transport allowance for non-supervisory staff ₹ 1,500 per month. [6]

Answer : (a) Basic Pay Earned = E11 × F11/31

Where E11 is basic pay and F11 is number of effective working days which are 28.5 in this case.

(b) D.A. = G11×50%

Where G11 is the basic pay earned in part (a).

(c) House Rent Allowance = IF(C11 = "Nsup",G11 × 20%, IF (C11 = "Sup" × 30%,0))

(d) Transport Allowance = IF(C11"Nsup",1500,IF(C11="Sup",2500,0))

** **Answer is not given due to change in the present syllabus.**

Accountancy 2016 (Outside Delhi) SET III

Time allowed : 3 hours **Maximum marks : 80**

Note : Except for the following questions, all the remaining questions have been asked in previous set.

PART A
(Accounting for Partnership Firms and Companies)

13. G and H were partners in a firm sharing profits in the ratio of 9 : 7. On 1.4.2015 their firm was dissolved. After transferring assets (other than cash) and outsider's liabilities to realisation account you are given the following information :

(a) Mohan, a creditor of ₹ 2,30,000 accepted debtors of ₹ 2,00,000 at a discount of 10% and the balance was paid to him by cheque.

(b) Sohan, a second creditor for ₹ 7,00,000 accepted land of the book value of ₹ 10,00,000 at ₹ 15,00,000 and paid the balance to the firm by cheque.

(c) Ram, a third creditor for ₹ 80,000 took over stock of book value of ₹ 40,000 at ₹ 30,000 and investments of ₹ 48,000 in full settlement of his claim.

(d) Loss on dissolution was ₹ 48,000.

Pass necessary journal entries for the above transactions in the books of G and H. **[6]**

Answer : **M/s G and H**

Journal

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
(a)	Realisation A/c Dr. To Bank A/c (Being partial payment made to creditor)		50,000	50,000
(b)	Bank A/c Dr. To Realisation A/c (Being payment received from creditor)		8,00,000	8,00,000
(c)	No Entry			
(d)	G's Capital A/c Dr. H's Capital A/c Dr. To Realisation A/c (Being loss on realisation transferred to partner's capital A/c)		27,000 21,000	48,000

14. X, Y and Z were partners in a firm sharing profits in the ratio of 1 : 2 : 3. On 31.3.2015 their Balance Sheet was as follows :

Balance Sheet of X, Y and Z as on 31.3.2015

Liabilities		Amount (₹)	Assets	Amount (₹)
Creditors		25,000	Land	25,000
Bills Payable		10,000	Building	25,000
General Reserve		15,000	Plant	50,000
Capitals :			Stock	20,000
X	50,000		Debtors	15,000
Y	25,000		Bank	2,500
Z	12,500	87,500		
		1,37,500		1,37,500

X, Y and Z decided to share the profits equally with effect from 1.4.2015. For this it was agreed that :

(a) Goodwill of the firm be valued at ₹ 75,000.

(b) Land be revalued at ₹ 40,000 and building be depreciated by 6%.

(c) Creditors of ₹ 3,000 were not likely to be claimed and hence be written off.

Prepare Revaluation Account, Partner's Capital Accounts and the Balance Sheet of the reconstituted firm. **[6]**

Answer :

Dr. **Revaluation A/c** **Cr.**

Liabilities		Amount (₹)	Assets	Amount (₹)
To Building A/c		1,50,00	By Land A/c	15,000
To Partners' Capital :			By Creditors A/c	3,000
(transfer of profit)				
X	2,750			
Y	5,500			
Z	8,250	16,000		
		18,000		**18,000**

Dr. **Partner's Capital A/c** **Cr.**

Particulars	X (₹)	Y (₹)	Z (₹)	Particulars	X (₹)	Y (₹)	Z (₹)
To Z's Capital A/c	12,500	—	—	By Balance b/d	50,000	25,000	12,500
To Balance c/d	42,750	35,500	40,750	By Revaluation A/c	2,750	5,500	8,250
				By General Reserve A/c	2,500	5,000	7,500
				By X's Capital A/c	—	—	12,500
	55,250	**35,500**	**40,750**		**55,250**	**35,500**	**40,750**

Balance Sheet of X, Y and Z

as at 1st April, 2015

Liabilities		Amount (₹)	Assets	Amount (₹)
Creditors		22,000	Land	40,000
Bills Payable		10,000	Building	23,500
Capitals :			Plant	50,000
X	42,750		Stock	20,000
Y	35,500		Debtors	1,51,000
Z	40,750	1,19,000	Bank	2,500
		1,51,000		**1,51,000**

Working Notes :

Sacrifice Ratio = Old Ratio – New Ratio

$$X = \frac{1}{6} - \frac{1}{3} = -\frac{1}{6} \text{ (Gain)}$$

$$Y = \frac{2}{6} - \frac{1}{3} = \text{ (Nil)}$$

$$Z = \frac{3}{6} - \frac{1}{3} = \frac{1}{6} \text{ (Sacrifice)}$$

15. **On 1.4.2013 Roshni Ltd. had ₹ 50,00,000, 9% debentures of ₹ 100 each outstanding.**

(i) On 1.4.2014 the company purchased in the open market 20,000 of its own debentures at ₹ 98.50 each and cancelled the same immediately.* *

(ii) On 1.10.2014 the company redeemed at par debentures of ₹ 16,00,000 by draw of a lot.

(iii) On 31.3.2015 the remaining debentures were purchased for immediate cancellation for ₹ 9,98,000.

Ignoring interest on debentures and debenture redemption reserve, pass necessary journal entries for the above transactions in the books of Roshni Ltd.* * **[6]**

Answer : **Roshni Ltd.**

Journal

(ii)

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
2014 Oct. 1	9% Debentures A/c Dr.		16,00,000	
	To Debenture holders A/c			16,00,000
	(Being payment due to debentureholders on redemption)			
Oct. 1	Debenture holders A/c Dr.		16,00,000	
	To Bank A/c			16,00,000
	(Being payment due to debentureholders dis-charged)			

PART B

(Analysis of Financial Statements)

18. **Does movement between items that constitute cash or cash equivalents result into cash flow ? Give reason in support of your answer.** **[1]**

Answer : (1) No

(2) Movements between items that constitute cash or cash equivalents doesn't result into cash flow because these are the components of the cash and cash equivalents only.

19. **Why is separate disclosure of cash flows from investing activities important ? State.** **[1]**

Answer : Separate disclosure of cash flows from investing activities is important because they represent the extent to which expenditures have been made for resources or purchase of assets.

20. **(a) Give the meaning of 'Long-Term Provisions'.** [2 + 2 = 4]

(b) List any four items other than 'stock-in-trade' that are presented under the sub-head 'inventories' as per Schedule III of the Companies Act, 2013.

Answer : (a) Provisions for which the related claims are expected to be settled beyond 12 months or operating cycle are classified as long term provisions.

(b) Inventories :

(1) Raw materials

(2) Work in progress

(3) Finished goods

(4) Stores and spares.

** Answer is not given due to change in the present syllabus.

PART B
(Computerized Accounting)

23. Rohit Kumar is a supervisor. He took leave for three days during the month. His basic pay is ₹ 25,000. **[6]**

On the basis of the following information using Excel give the formulae to compute :

(a) Basic pay earned;

(b) D.A.;

(c) House rent allowance and

(d) Transport allowance.

Information :

Number of working days in the month - 31, Rate of D.A. 55% of basic pay, HRA for supervisory staff is 25% of basic pay, HRA for non-supervisory staff 12% of basic pay, Transport allowance for supervisory staff ₹ 2,000 per month, transport allowance for non-supervisory staff ₹ 1,000 per month.

Answer : (a) Basic Pay Earned = E11×F11/31

Where E11 is basic pay and F11 is number of effective working days which are 28 in this case.

(b) D.A. = G11×55%

Where G11 is the basic pay earned in part (a).

(c) House Rent Allowance = IF(C11="Sup",G11×25%,IF(C11="Nsup"×12%,0))

(d) Transport Allowance = IF(C11"Sup",2000,IF(C11="Nsup",1000,0))

●●

Accountancy 2016 (Delhi) SET I

Time allowed : 3 hours **Maximum marks : 80**

Note : Except for the following questions, all the remaining questions have been asked in previous sets.

PART A
(Accounting for Partnership Firms and Companies)

1. **What is the maximum number of partners that a partnership firm can have ? Name the Act that provides for the maximum number of partners in a partnership firm.** **[1]**

   Answer : Maximum number of partners that a partnership firm can have is 50. The Act that provides for the maximum number of partners in a partnership firm is Companies Act, 2013.

2. **A, B and C were partners in a firm sharing profits in the ratio of 3 : 2 : 1. They admitted D as a new partner for 1/8th share in the profits, which he acquired 1/16th from B and 1/16th from C.** **[1]**

   Calculate the new profit sharing ratio of A, B, C and D.

   Answer : Profit Sharing Ratio of A, B & C = 3 : 2 : 1

$$\text{D's share} = \frac{1}{8}\text{(acquired } \frac{1}{16} \text{ th share of B and C both)}$$

$$\text{A's share} = \frac{3}{6} \text{ (original share)}$$

$$\text{B's new share} = \frac{2}{6} - \frac{1}{16} = \frac{13}{48}$$

$$\text{C's new share} = \frac{1}{6} - \frac{1}{16} = \frac{5}{48}$$

$$\text{New Ratio of A, B, C \& D} = \frac{3}{6} : \frac{13}{48} : \frac{5}{48} : \frac{1}{8}$$

$$= \frac{24:13:5:6}{48}$$

$$= 24:13:5:6$$

5. On 1-1-2016 the first call of ₹ 3 per share became due on 1,00,000 equity shares issued by Kamini Ltd. Karan, a holder of 500 shares did not pay the first call money. Arjun, a shareholder holding 1000 shares paid the second and final call of ₹ 5 per share along with the first call.

Pass the necessary journal entry for the amount received by opening 'Calls-in-arrears' and 'Calls-in-advance' account in the books of the company. **[1]**

Answer : **In the books of Kamini Ltd.**

Journal

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2016 Jan. 1	Equity Share First Call A/c Dr. To Equity Share Capital A/c (Being first call money due on 1,00,000 equity shares @ ₹ 3 each)		3,00,000	3,00,000
	Bank A/c Dr. Calls-in-Arrears A/c Dr. To Equity Share First Call A/c To Calls-in-Advance A/c (Being amount received on first call except of 500 shares and second & final call received in advance of 1,000 shares)		3,03,500 1,500	3,00,000 5,000

6. Nusrat and Sonu were partners in a firm sharing profits in the ratio of 3 : 2. During the year ended 31-3-2015 Nusrat had withdrawn ₹15,000. Interest on her drawings amounted to ₹ 300. **[1]**

Pass necessary journal entry for charging interest on drawings assuming that the capitals of the partners were fixed.

Answer : **Journal**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2015 March 31	Nusrat's Current A/c Dr. To Interest on Drawings A/c (Being interest charged on Nusrat's drawings)		300	300

7. KTR Ltd., issued 365, 9% Debentures of ₹ 1,000 each on 4-3-2016. Pass necessary journal entries for the issue of debentures in the following situations :

(a) When debentures were issued at par redeemable at a premium of 10%.

(b) When debentures were issued at 6% discount redeemable at 5% premium. **[3]**

Answer : (a) **Journal**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2016 March 4	Bank A/c (365 × 1,000) Dr.		3,65,000	
	To 9% Debenture Application and Allotment A/c			3,65,000
	(Being debenture application money received)			
March 4	9% Debenture Application and Allotment A/c Dr.		3,65,000	
	Loss on Issue of Debentures A/c Dr.		36,500	
	To 9% Debentures A/c			3,65,000
	To Premium on Redemption of Debentures A/c			36,500
	(Being 9% debentures issued at par and redeemable at premium)			

(b) **Journal**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2016 March 4	Bank A/c (365 × 940) Dr.		3,43,100	
	To 9% Debenture Application and Allotment A/c			3,43,100
	(Being debenture application money received)			
March 4	9% Debenture Application and Allotment A/c Dr.		3,43,100	
	Loss on Issue of Debentures A/c Dr.		40,150	
	To 9% Debentures A/c			3,65,000
	To Premium on Redemption of Debentures A/c			18,250
	(Being 9% debentures issued at discount and redeemable at premium)			

9. Sandesh Ltd. took over the assets of ₹ 7,00,000 and liabilities of ₹ 2,00,000 from Sanchar Ltd. for a purchase consideration of ₹ 4,59,500. ₹ 8,500 were paid by accepting a draft in favour of Sanchar Ltd. payable after three months and the balance was paid by issue of equity shares of ₹ 10 each at a premium of 10% in favour of Sanchar Ltd.

Pass necessary journal entries for the above transactions in the books of Sandesh Ltd. **[3]**

Answer : (a) **Journal**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
	Sundry Assets A/c Dr.		7,00,000	
	To Sundry Liabilities A/c			2,00,000
	To Sanchar Ltd.			4,59,500
	To Capital Reserve A/c			40,500
	(Being purchase of assets and liabilities of Sanchar Ltd.)			
	Sanchar Ltd. Dr.		4,59,500	
	To Equity Share Capital A/c			4,10,000
	To Securities Premium Reserve A/c			41,000
	To Bills Payable A/c			8,500
	(Being payment to Sanchar Ltd. by issuing 41,000 equity shares of ₹ 10 each @ 10% premium and ₹ 8,500 by bank draft)			

Working Note :

$$\text{Number of shares issued} = \frac{\text{Purchase Consideration}}{\text{Issue Price}}$$

$$= \frac{4{,}59{,}500 - 8{,}500}{10+1} = \frac{4{,}51{,}000}{11}$$

$$= 41{,}000 \text{ equity shares}$$

10. To provide employment to the youth and to develop the Naxal affected backward areas of Chattisgarh. X Ltd. decided to set-up a power plant. For raising funds the company decided to issue 7,50,000 equity shares of ₹ 10 each at a premium of 50%. The whole amount was payable on application. Applications for 20,00,000 shares were received. Applications for 50,000 shares were rejected and shares were allotted to the remaining applicants on pro-rata basis.

Pass necessary journal entries for the above transactions in the books of the company and identify any two values which X Ltd. wants to propagate. **[3]**

Answer :

In the Books of X Ltd.

Journal

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
	Bank A/c Dr.		3,00,00,000	
	To Equity Share Application & Allotment A/c			3,00,00,000
	(Being amount received on 20,00,000 equity shares @ ₹ 10 each at a premium of 50%)			
	Equity Share Application & Allotment A/c Dr.		3,00,00,000	
	To Equity Share Capital A/c			75,00,000
	To Securities Premium A/c			37,50,000
	To Bank A/c			1,87,50,000
	(Being application money transferred to share capital account and excess amount refunded)			

Following are the two values that X Ltd. wants to propagate :

(a) Providing employment to youth.

(b) Development of backward areas.

11. P and Q were partners in a firm sharing profits in the ratio of 5 : 3. On 1-4-2014 they admitted R as a new partner for 1/8th share in the profits with a guaranteed profit of ₹ 75,000. The new profit sharing ratio between P and Q will remain the same but they agreed to bear any deficiency on account of guarantee to R in the ratio 3 : 2. The profit of the firm for the year ended 31-3-2015 was ₹ 4,00,000.

Prepare Profit and Loss Appropriation Account of P, Q and R for the year ended 31-3-2015. **[4]**

Answer :

Profit and Loss Appropriation Account

Dr. **for the year ended March 31, 2015** **Cr.**

Particulars		Amount (₹)	Particulars	Amount (₹)
To Partner's Capital A/c : (transfer of profit)			By Profit and Loss A/c (net profit)	4,00,000
P :	2,18, 750			
Less : Deficiency	(15,00)	2,03,750		
Q :	1,31,250			
Less : Deficiency	(10,000)	1,21,250		
R :	50,000			
Add : From P	15,000			
From Q	10,000	75,000		
		4,00,000		**4,00,000**

Working Note :

(1)
$$\text{Let total share} = 1$$
$$\text{R's share} = \frac{1}{8}$$
$$\text{Remaining share} = 1 - \frac{1}{8} = \frac{7}{8}$$
$$\text{P's new share} = \frac{7}{8} \times \frac{5}{8} = \frac{35}{64}$$
$$\text{Q's new share} = \frac{7}{8} \times \frac{3}{8} = \frac{21}{64}$$
$$\text{New Ratio} = 35 : 21 : 8$$

(2)
$$\text{R's share in profit} = 4{,}00{,}000 \times \frac{1}{8} = ₹\,50{,}000$$
$$\text{Minimum guaranteed profit to R} = ₹\,75{,}000$$
$$\text{Deficiency} = 75{,}000 - 50{,}000 = ₹\,25{,}000$$
$$\text{Deficiency to be borne by P} = 25{,}000 \times \frac{3}{5} = ₹15{,}000$$
$$\text{Deficiency to be borne by Q} = 25{,}000 \times \frac{2}{5} = ₹10{,}000$$

(3)
$$\text{P's share in profit} = (4{,}00{,}000 \times \frac{35}{64}) - 15{,}000 = 2{,}18{,}750 - 15{,}000 = ₹\,2{,}03{,}750$$
$$\text{Q's share in profit} = (4{,}00{,}000 \times \frac{21}{64}) - 10{,}000 = 1{,}31{,}250 - 10{,}000 = ₹\,1{,}21{,}250$$

12. Vikas, Vishal and Vaibhav were partners in a firm sharing profits in the ratio of 2 : 2 : 1. The firm closes its books on 31st March every year. On 31-12-2015 Vaibhav died. On that date his Capital account showed a credit balance of ₹ 3,80,000 and Goodwill of the firm was valued at ₹ 1,20,000. There was a debit balance of ₹ 50,000 in the profit and loss account. Vaibhav's share of profit in the year of his death was to be calculated on the basis of the average profit of last five years. The average profit of last five years was ₹ 75,000. **[4]**

Pass necessary journal entries in the books of the firm on Vaibhav's death.

Answer : **Journal**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2015 Dec. 31	Vikas's Capital A/c Dr. Vishal's Capital A/c Dr. To Vaibhav's Capital A/c (Being Vaibhav's share of goodwill adjusted in the capital A/c of the existing partners in their gaining ratio *i.e.,* 1 : 1)		12,000 12,000	 24,000
Dec. 31	Vikas's Capital A/c Dr. Vishal's Capital A/c Dr. Vaibhav's Capital A/c Dr. To Profit & Loss A/c (Being debit balance in P&L A/c written-off among partners in old ratio)		20,000 20,000 10,000	 50,000
Dec. 31	Profit and Loss Suspense A/c Dr. To Vaibhav's Capital A/c (Being Vaibhav's share of profit upto the date of death dispensed through P & L Suspense A/c)		11,250	 11,250
Dec. 31	Vaibhav's Capital A/c Dr. To Vaibhav's Executor's A/c (Being amount due to Vaibhav transferred to his Executor's A/c)		4,05,250	 4,05,250

Working Note :

$$\text{Vaibhav's share in profit} = 75{,}000 \times \frac{1}{5} \times \frac{9}{12}$$
$$= ₹\ 11{,}250$$

13. L and M were partners in a firm sharing profits profits in the ratio of 2 : 3. On 28-2-2016 the firm was dissolved. After transferring assets (other than cash) and outsiders' liabilities to realisation account you are given the following information :

(a) A creditor for ₹ 1,40,000 accepted building valued at ₹ 1,80,000 and paid to the firm ₹ 40,000.

(b) A second creditor for ₹ 30,000 accepted machinery valued at ₹ 28,000 in full settlement of his claim.

(c) A third creditor amounting to ₹ 70,000 accepted ₹ 30,000 in cash and investments of the book value of ₹ 45,000 in full settlement of his claim.

(d) Loss on dissolution was ₹ 4,000.

Pass necessary journal entries for the above transactions in the books of the firm assuming that all payments were made by cheque. **[6]**

Answer : **Journal**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
(a)	Bank A/c Dr. To Realisation A/c (Being a creditor paid ₹ 40,000 to the firm)		40,000	 40,000
(b)	No Entry			
(c)	Realisation A/c Dr. To Bank A/c (Being third creditor accepted ₹ 30,000 in cash and investments of the book value of ₹ 45,000 in full statement of his claim)		30,000	 30,000
(d)	L's Capital A/c Dr. M's Capital A/c Dr. To Realisation A/c (Being loss on dissolution transferred to partners' capital accounts)		1,600 2,400	 4,000

***Note :** No entry will be made when asset is taken over by the creditor.*

14. Ashok, Bhim and Chetan were partners in a firm sharing profits in the ratio of 3 : 2 : 1. Their Balance Sheet as on 31-3-2015 was as follows :

Balance Sheet of Ashok, Bhim and Chetan as on 31-3-2015

Liabilities		Amount (₹)	Assets	Amount (₹)
Creditors		1,00,000	Land	1,00,000
Bills Payable		40,000	Building	1,00,000
General Reserve		60,000	Plant	2,00,000
Capitals :			Stock	80,000
Ashok	2,00,000		Debtors	60,000
Bhim	1,00,000		Bank	10,000
Chetan	50,000	3,50,000		
		5,50,000		5,50,000

Ashok, Bhim and Chetan decided to share the future profits equally, w.e.f. April 1, 2015. For this it was agreed that :

(i) Goodwill of the firm be valued at ₹ 3,00,000.

(ii) Land be revalued at ₹ 1,60,000 and building be depreciated by 6%.

(iii) Creditors of ₹ 12,000 were not likely to be claimed and hence be written off.

Prepare Revaluation Account, Partners' Capital Accounts and Balance Sheet of the reconstituted firm. **[6]**

Answer :

Dr. **Revaluation A/c** **Cr.**

Particulars		Amount (₹)	Particulars	Amount (₹)
To Building A/c		6,000	By Land A/c	60,000
To Partner's Capital A/cs :			By Creditors A/c	12,000
Ashok	33,000			
Bhim	22,000			
Chetan	11,000	66,000		
		72,000		**72,000**

Dr. **Partner's Capital A/c** **Cr.**

Particulars	Ashok	Bhim	Chetan	Particulars	Ashok	Bhim	Chetan
To Ashok's Capital A/c			50,000	By Balance b/d	2,00,000	1,00,000	50,000
To Balance c/d	3,13,000	1,42,000	21,000	By Revaluation A/c	33,000	22,000	11,000
				By General Reserve A/c	30,000	20,000	10,000
				By Chetan's Capital A/c	50,000		
	3,13,000	**1,42,000**	**71,000**		**3,13,000**	**1,42,000**	**71,000**

Balance Sheet

Liabilities		Amount (₹)	Assets		Amount (₹)
Creditors		88,000	Land		1,60,000
Bills Payable		40,000	Building	1,00,000	
Capital A/cs :			*Less* : Dep.	6,000	94,000
Ashok	3,13,000		Plant		2,00,000
Bhim	1,42,000		Stock		80,000
Chetan	21,000	4,76,000	Debtors		60,000
			Bank		10,000
		6,04,000			**6,04,000**

Working Notes :

Old Ratio = 3 : 2 : 1

New Ratio = 1 : 1 : 1

Gain/ Sacrifice :

$$\text{Ashok} = \frac{3}{6} - \frac{1}{3} = \frac{1}{6} \text{ (Sacrifice)}$$

$$\text{Bhim} = \frac{2}{6} - \frac{1}{3} = 0 \text{ (Nil)}$$

$$\text{Chetan} = \frac{1}{6} - \frac{1}{3} = -\frac{1}{6} \text{ (Gain)}$$

15. On 1-4-2013 JN Ltd. had 10,000, 9% Debentures of ₹ 100 each outstanding.

(i) On 1-4-2014 the company purchased in the open market 2000 of its own debentures for ₹ 101 each and cancelled the same immediately.**

(ii) On 1-4-2015 the company redeemed at par debentures of ₹ 4,00,000 by draw of a lot.

(iii) On 28-2-2016 the remaining debentures were purchased for immediate cancellation of ₹ 3,97,000.

Pass necessary journal entries for the above transactions in the books of the company ignoring debenture redemption reserve and interest on debentures.** **[6]**

**** Answer is not given due to change in the present syllabus.**

Answer : **In the books of JN Ltd.**

Journal

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
(ii) 2015 Apr. 01	9% Debentures A/c Dr. To Debenture holders A/c (Being 9% debentures due for redemption)		4,00,000	 4,00,000
	Debenture holders A/c Dr. To Bank A/c (Being amount paid to debentureholders)		4,00,000	 4,00,000

16. KS Ltd. invited applications for issuing 1,60,000 equity shares of ₹ 10 each at a premium of ₹ 6 per share. The amount was payable as follows :

On Application ₹ 4 per share (including premium ₹ 1 per share)

On Allotment ₹ 6 per share (including premium ₹ 3 per share)

One First and Final Call – Balance.

Applications for 3,20,000 shares were received. Applications for 80,000 share were rejected and application money refunded. Shares were allotted on pro-rata basis to the remaining applicants. Excess money received with applications was adjusted towards sums due on allotment. Jain holding 800 shares failed to pay the allotment money. His shares were forfeited immediately after allotment. Afterwards the final call was made. Gupta who had applied for 1200 shares failed to pay the final call. This shares were also forfeited. Out of the forfeited shares 1000 shares were re-issued at ₹ 8 per share fully paid up. The re-issued shares included all the forfeited shares of Jain.

Pass necessary journal entries for the above transactions in the books of KS Ltd. **[8]**

OR

CG Ltd. had issued 50,000 equity shares of ₹ 10 each at a premium of ₹ 2 per share payable with application money. The incomplete journal entries related to the issue are given below. You are required to complete these blanks. **[8]**

Books of CG Ltd.

Journal

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2015, Jan. 10	.... Dr. To .... (Amount received on application for 70,000 shares @ ₹ 5 per share including premium)		....	 ....
" 16	Equity Share Application A/c Dr. To .... To .... To .... To .... (Transfer of application money to share capital, securities premium, money refunded for 8000 shares for rejected applications and balance adjusted towards amount due on allotment as shares were alloted on pro-rata basis)		....	 ....
" 31	.... Dr. To .... (Amount due on allotment @ ₹ 4 per share)		....	 ....
Feb. 20	.... Dr. To .... (Balance amount received on allotment)		....	 ....

April 01	.... Dr. To .... (First and final call money due)		....	 ....
" 20	.... Dr. Calls-in-arrears A/c Dr. To .... (Money received on first and first call)		 1,500	 ....
Aug. 27	.... Dr. To .... To .... (Forfeited the shares on which call money was not received)		....	 ....
Oct. 3	.... Dr. .... Dr. To .... (Re-issued the forfeited shares @ 8 per share fully paid up)		....	 ....
....	.... Dr. To .... (...)		....	 ....

RS Ltd.

Answer :

Journal

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
	Bank A/c Dr. To Equity Share Application A/c (Being application money received for 3,20,000 shares)		12,80,000	 12,80,000
	Equity Share Application A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c To Equity Share Allotment A/c To Bank A/c (Being amount of application transferred to share capital, 80,000 shares application money refunded and excess money is adjusted towards allotment)		12,80,000	 4,80,000 1,60,000 3,20,000 3,20,000
	Equity Share Allotment A/c Dr. To Equity Share Capital Reserve A/c To Securities Premium Reserve A/c (Being amount due on allotment)		9,60,000	 4,80,000 4,80,000
	Bank A/c (9,60,000 – 3,20,000 – 3,200) Dr. To Equity Share Allotment A/c (Being amount received on share allotment)		6,36,800	 6,36,800

	Equity Share Capital A/c Dr. Securities Premium Reserve A/c Dr. To Equity Share Forfeiture A/c To Equity Share Allotment A/c (Being 800 shares of Jain are forfeited due to non-payment of allotment money)		4,800 2,400	 4,000 3,200
	Equity Share First and Final Call A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c (Being amount due on first and final call on 1,59,200 shares)		9,55,200	 6,36,800 3,18,400
	Bank A/c (9,55,200 – 4,800) Dr. To Equity Share First and Final Call A/c (Being amount received on share first and final call)		9,50,400	 9,50,400
	Equity Share Capital A/c Dr. Securities Premium A/c Dr. To Equity Share Forfeiture A/c To Equity Share First and Final Call A/c (Being 800 shares of Gupta are forfeited due to non-payment of first and final call money)		8,000 1,600	 4,800 4,800
	Bank A/c Dr. Equity Share Forfeiture A/c Dr. To Equity Share Capital A/c (Being 1,000 forfeited shares were reissued at ₹ 8 per share fully paid-up)		8,000 2,000	 10,000
	Equity Share Forfeiture A/c Dr. To Capital Reserve A/c (Being excess amount on forfeiture is transferred to capital reserve)		3,200	 3,200

OR

Books of CG Ltd.

Journal

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2015, Jan. 10	Bank A/c Dr. To Equity Share Application A/c (Amount received on application for 70,000 shares @ ₹5 per share including premium)		3,50,000	 3,50,000

Jan. 16	Equity Share Application A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c To Equity Share Allotment A/c (12,000 × 5) To Bank A/c (Transfer of application money to share capital, securities premium, money refunded for 8,000 shares for rejected applications and balance adjusted towards amount due on allotment as shares were allotted on pro-rata basis)		3,50,000	 1,50,000 1,00,000 60,000 40,000
Jan. 31	Equity Share Allotment A/c Dr. To Equity Share Capital A/c (Amount due on allotment @ ₹ 4 per share)		2,00,000	 2,00,000
Feb. 20	Bank A/c Dr. To Equity Share Allotment A/c (Balance amount received on share allotment)		1,40,000	 1,40,000
Apr. 01	Equity Share First and Final Call A/c Dr. To Equity Share Capital A/c (First and final call money due)		1,50,000	 1,50,000
Apr. 20	Bank A/c Dr. Call-in-Arrears A/c Dr. To Equity Share First and Final Call A/c (Money received on first and final call)		1,48,500 1,500	 1,50,000
Aug. 27	Equity Share Capital A/c Dr. To Equity Share Forfeiture A/c To Calls in arrears A/c (Forfeited the shares on which call money was not received)		5,000	 3,500 1,500
Oct. 03	Bank A/c (500 × 8) Dr. Equity Share Forfeiture A/c (500 × 2) Dr. To Equity Share Capital A/c (Re-issued the forfeited shares @ ₹ 8 per share fully paid up)		4,000 1,000	 5,000
Oct. 03	Equity Share Forfeiture A/c Dr. To Capital Reserve A/c (Amount transferred to capital reserve)		2,500	 2,500

17. A, B and C were partners in a firm sharing profits in the ratio of 3 : 2 : 1. On 31-3-2015 their Balance Sheet was as follows :

Balance Sheet of A, B and C as on 31-3-2015

Liabilities		Amount (₹)	Assets	Amount (₹)
Creditors		84,000	Bank	17,000
General Reserve		21,000	Debtors	23,000
Capitals :			Stock	1,10,000
A	60,000		Investments	30,000
B	40,000		Furniture and Fittings	10,000
C	20,000	1,20,000	Machinery	35,000
		2,25,000		**2,25,000**

On the above date D was admitted as a new partner and it was decided that :

(i) The new profit sharing ratio between A, B, C and D will be 2 : 2 : 1 : 1.

(ii) Goodwill of the firm was valued at ₹ 90,000 and D brought his share of goodwill premium in cash.

(iii) The market value of investments was ₹ 24,000.

(iv) Machinery will be reduced to ₹ 29,000.

(v) A creditor of ₹ 3,000 was not likely to claim the amount and hence to be written off.

(vi) D will bring proportionate capital so as to give him 1/6th share in the profits of the firm.

Prepare Revaluation Account, Partner's Capital Accounts and the Balance Sheet of the reconstituted firm.

OR

X, Y and Z were partners in a firm sharing profits in the ratio of 5 : 3 : 2. On 31-3-2015 their Balance Sheet was as follows :

Balance Sheet of X, Y and Z as on 31st March, 2015

Liabilities			Amount (₹)	Assets		Amount (₹)
Creditors			21,000	Land and Building		62,000
Investment Fluctuation Fund			10,000	Motor Vans		20,000
P & L Account			40,000	Investments		19,000
Capitals :				Machinery		12,000
	X	50,000		Stock		15,000
	Y	40,000		Debtors	40,000	
	Z	20,000	1,10,000	*Less* : Provision	3,000	37,000
				Cash		16,000
			1,81,000			**1,81,000**

On the above date Y retired and X and Z agreed to continue the business on the following terms :

(1) Goodwill of the firm was valued at ₹ 51,000.

(2) There was a claim of ₹ 4,000 for Workmen's Compensation.

(3) Provision for bad debts was to be reduced by ₹ 1,000.

(4) Y will be paid ₹ 8,200 in cash and the balance will be transferred in his loan account which will be paid in four equal yearly instalments together with interest @ 10% p.a.

(5) The new profit sharing ratio between X and Z will be 3 : 2 and their capitals will be in their new profit sharing ratio. The capital adjustments will be done by opening current accounts.

Prepare Revaluation Account, Partners' Capital Accounts and the Balance Sheet of the reconstituted firm. [8]

Answer :

Dr. **Revaluation Account** **Cr.**

Particulars	Amount (₹)	Particulars			Amount (₹)
To Investments A/c	6,000	By Creditors A/c			3,000
To Machinery A/c	6,000	By Partner's Capital A/c :			
			A	4,500	
			B	3,000	
			C	1,500	9,000
	12,000				**12,000**

Dr. Partners' Capital Account Cr.

Particulars	A	B	C	D	Particulars	A	B	C	D
To Revaluation A/c	4,500	3,000	1,500		By Balance b/d	60,000	40,000	20,000	
To Balance c/d	81,000	44,000	22,000	29,400	By General Reserve A/c	10,500	7,000	3,500	
					By Goodwill A/c	15,000			
					By Bank A/c				29,400
	85,500	**47,000**	**23,500**	**29,400**		**85,500**	**47,000**	**23,500**	**29,400**

Balance Sheet

as on March 31, 2015

Liabilities	Amount (₹)	Assets	Amount (₹)
Creditors	81,000	Bank (17,000 + 29,400 + 15,000)	61,400
Capitals :		Debtors	23,000
A 81,000		Stock	1,10,000
B 44,000		Investments	24,000
C 22,000		Furniture Fittings	10,000
D 29,400	1,76,400	Machinery	29,000
	2,57,400		**2,57,400**

OR

Dr. Revaluation Account Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Claim for Workmen's Compensation A/c	4,000	By Provision for Bad Debts A/c	1,000
		By Partner's Capital A/c :	
		X 1,500	
		Y 900	
		Z 600	3,000
	4,000		**4,000**

Dr. Partners' Capital Account Cr.

Particulars	X	Y	Z	Particulars	X	Y	Z
To Revaluation A/c	1,500	900	600	By Balance b/d	50,000	40,000	20,000
To Y's Capital A/c	5,100		10,200	By Investment Fluctuation Fund A/c	5,000	3,000	2,000
To Cash A/c		8,200		By P & L A/c	20,000	12,000	8,000
To Y's Loan A/c		61,200		By X's Capital A/c		5,100	
To Balance c/d	68,400		19,200	By Z's Capital A/c		10,200	
	75,000	**70,300**	**30,000**		**75,000**	**70,300**	**30,000**
To X's Current A/c	15,840			By Balance b/d	68,400		19,200
To Balance c/d	52,560		35,040	By Z's Current A/c			15,840
	68,400		**35,040**		**68,400**		**35,040**

Balance Sheet of X, Y and Z as at 31st March, 2015

Liabilities		Amount (₹)	Assets		Amount (₹)
Creditors		21,000	Land and Building		62,000
Capitals :			Motor Vans		20,000
X	52,560		Investments		19,000
Y	35,040	87,600	Machinery		12,000
X's Current A/c		15,840	Stock		15,000
Claim for Workmen's Compensation		4,000	Debtors	40,000	
			Less : Provision	2,000	38,000
Y's Loan		61,200	Cash (16,000 – 8,200)		7,800
			Z's Current A/c		15,840
		1,89,640			**1,89,640**

Working Notes :

1. Calculation of Gaining Ratio :

$$\text{Gaining ratio} = \text{New ratio} - \text{Old ratio}$$

$$\text{X's gain} = \frac{3}{5} - \frac{5}{10} = \frac{1}{10}$$

$$\text{Z's gain} = \frac{2}{5} - \frac{2}{10} = \frac{2}{10}$$

$$\text{Gaining Ratio} = 1 : 2$$

2. Adjustment of Goodwill :

$$\text{Y's share of Goodwill} = 51{,}000 \times \frac{3}{10} = ₹\,15{,}300$$

₹ 15,300 will be given by gaining partners (X and Z)

$$\text{X's share} = 15{,}300 \times \frac{1}{3} = ₹\,5{,}100$$

$$\text{Z's share} = 15{,}300 \times \frac{2}{3} = ₹\,10{,}200$$

3. Adjustment of Capital :

$$\text{New firm's total capital} = 68{,}400 + 19{,}200 = ₹\,87{,}600$$

$$\text{X's New Capital} = 87{,}600 \times \frac{3}{5} = ₹\,52{,}560$$

$$\text{Z's New Capital} = 87{,}600 \times \frac{2}{5} = ₹\,35{,}040$$

PART B

(Analysis of Financial Statements)

19. Give the meaning of 'Cash Equivalents' highly liquid for the purpose of preparing Cash Flow Statement. **[1]**

Answer : Cash equivalents are short-term highly liquid investments that can be easily converted into cash. They are meant for the purpose of meeting short-term cash requirements. E.g., Treasury bills, Commercial papers, etc.

20. (a) One of the objectives of 'Financial Statement Analysis' is to identify the reasons for change in the financial position of the enterprise. State two more objectives of this analysis.

(b) Name any two items that are shown under the head 'Other Current Liabilities' and any two items that are shown under the head 'Other Current Assets' in the Balance Sheet of a company as per Schedule III of the Companies Act, 2013.** [2 + 2 = 4]

** Answer is not given due to change in the present syllabus.

Answer : (a) Two more objectives of 'Financial Statement Analysis' are :

(i) It helps the management to take up decisions, in drafting various plans and to implement various cost-effective measures.

(ii) It helps in ascertaining the ability of the firm to pay off their short-term and long-term debts. It helps in checking the solvency position of the firm.

21. (a) What is meant by solvency of business ?

(b) From the following details obtained from the financial statements of Jeev Ltd., calculate interest coverage ratio :

Net Profit after tax ₹ 1,20,000,

12% Long-term Debt ₹ 20,00,000.

Tax Rate 40%. **[2 + 2 = 4]**

Answer : (a) Solvency of business means the ability of the business firms to pay off their long-term liabilities. Depending on the solvency position of the business firm, the market value of the firm is determined. The better the solvency position of business, the better is the market standing of such firms.

(b)
$$\text{Interest Coverage Ratio} = \frac{\text{Net Profit before Interest and Tax}}{\text{Fixed Interestchanges}}$$

$$\text{Net Profit after tax} = ₹\ 1{,}20{,}000$$

$$\text{Tax Rate} = 40\%$$

If profit after tax is 60, profit before tax must be 100, and if profit after tax is ₹ 1,20,000, profit before tax would be :

$$= \frac{100}{60} \times 1{,}20{,}000 = ₹\ 2{,}00{,}000$$

$$\text{12\% Long-term Debt} = ₹\ 20{,}00{,}000$$

$$\text{Interest on Long-term Debt} = \text{12\% of } ₹\ 20{,}00{,}000$$

$$= 20{,}00{,}000 \times \frac{12}{100}$$

$$= ₹\ 2{,}40{,}000$$

Profit before interest and tax would be ₹ 2,00,000 plus interest

$$= 2{,}00{,}000 + 2{,}40{,}000$$

$$= ₹\ 4{,}40{,}000$$

$$\text{Interest Coverage Ratio} = \frac{4{,}40{,}000}{2{,}40{,}000} = 1.83 \text{ times}$$

22. Following is the Statement of Profit and Loss of Sun India Ltd. for the year ended 31st March, 2015 :

Particulars	Note No.	31-3-2015 (₹)	31-3-2014 (₹)
Revenue from Operations		25,00,000	20,00,000
Other Income		1,00,000	5,00,000
Employee benefit-expenses		60% of total Revenue	50% of total Revenue
Other expenses		10% of employee benefit expenses	20% of employee benefit expenses
Tax Rate		50%	40%

The motto of Sun India Ltd. is to produce and supply green energy in the rural areas of India. It has also taken up a project of constructing a road that will pass through five villages, so that these villages could be connected to the nearby town. It will use the local resources and employ local people for construction of the road.

You are required to prepare a Comparative Statement of Profit and Loss of Sun India Ltd. from the given Statement of Profit and Loss. Also identify any two values that the company wishes to convey to the society. **[4]**

Answer : **Comparative Statement of Profit and Loss**

for the years ended March 31, 2014 and 2015

Particulars	Note No.	31st March, 2014 (₹)	31st March, 2015 (₹)	Absolute Change (₹)	Percentage Change %
1. Revenue from Operations		20,00,000	25,00,000	5,00,000	25.00
2. Other Income		5,00,000	1,00,000	(4,00,000)	(80.00)
3. Total Revenue (1 + 2)		**25,00,000**	**26,00,000**	**1,00,000**	**4.00**
4. Expenses :					
Employees Benefit Expenses		12,50,000	15,60,000	3,10,000	24.80
Other Expenses		2,50,000	1,56,000	(94,000)	(37.60)
Total Expenses		**15,00,000**	**17,16,000**	**2,16,000**	**14.40**
5. Profit Before Tax (3 – 4)		10,00,000	8,84,000	(1,16,000)	(11.60)
Less : Income Tax		4,00,000	4,42,000	42,000	10.50]
6. Profit After Tax		**6,00,000**	**4,42,000**	**(1,58,000)**	**(26.33)**

Two values that the company wishes to convey to the society are :

(i) Development of rural areas.

(ii) Providing employment opportunities.

23. Following is the Balance Sheet of K.K. Ltd. as at 31-3-2015 : [6]

K.K. Ltd. Balance Sheet as at 31-3-2015

Particulars	Note No.	31-3-2015 (₹)	31-3-2014 (₹)
I. Equity and Liabilities :			
(1) Shareholders' Funds :			
(a) Share Capital		10,00,000	8,00,000
(b) Reserves and Surplus	1	4,00,000	(1,00,000)
(2) Non-current Liabilities :			
Long-term borrowings	2	9,00,000	10,00,000
(3) Current Liabilities :			
(a) Short-term borrowings	3	3,00,000	1,00,000
(b) Short-term provisions	4	1,40,000	1,80,000
Total :		**27,40,000**	**19,80,000**
II. Assets :			
(1) Non-current Assets :			
(a) Fixed Assets :			
(i) Tangible	5	20,06,000	14,40,000
(ii) Intangible	6	40,000	60,000
(b) Non-current Investments		2,00,000	1,50,000
(2) Current Assets :			
(a) Current Investments		1,00,000	1,20,000
(b) Inventories	7	2,14,000	90,000
(c) Cash and Cash Equivalents		1,80,000	1,20,000
Total :		**27,40,000**	**19,80,000**

Notes to Accounts :

Note No.	Particulars	31-3-2015 (₹)	31-3-2014 (₹)
1.	Reserves and Surplus		
	(Surplus *i.e.,* Balance in Statement of Profit and Loss)	4,00,000	(1,00,000)
		4,00,000	**(1,00,000)**
2.	Long-term borrowings :		
	12% Debentures	9,00,000	10,00,000
		9,00,000	**10,00,000**
3.	Short-term borrowings :		
	Bank Overdraft	3,00,000	1,00,000
		3,00,000	**1,00,000**
4.	Short-term provisions :		
	Provision for tax	1,40,000	1,80,000
		1,40,000	**1,80,000**
5.	Tangible Assets :		
	Machinery	24,06,000	16,42,000
	Accumulated Depreciation	(4,00,000)	(2,02,000)
		20,06,000	**14,40,000**
6.	Intangible Assets :		
	Goodwill	40,000	60,000
		40,000	**60,000**
7.	Inventories :		
	Stock in trade	2,14,000	90,000
		2,14,000	**90,000**

Additional Information :

(i) 12% Debentures were redeemed on 31-3-2015.

(ii) Tax ₹ 1,40,000 was paid during the year.

Prepare Cash Flow Statement.

Answer :

Cash Flow Statement of KK Ltd.

for the year ended 31st March, 2015 as per AS-3 (Reviesd)

	Particulars	Amount (₹)	Amount (₹)
A.	**Cash Flow from Operating Activities**		
	Net Profit before tax & extrordinary items (note 1)	6,00, 000	
	Add : Non-cash and non-operating charges		
	Goodwill written off	20,000	
	Depreciation on machinery	1,98,000	
	Interest on dedentures	1,20,000	
	Operating profit before working capital changes	9,37,000	
	Less : Increase in Current Assets		
	Increase in stock in trade	(1,24,000)	
	Cash from operations	8,14,000	
	Less : tax paid (1,40,000)		

	Net Cash generated from Operating Acivities	(1,40,000)	6,74,000
	B. Cash flows from Investing Activties :		
B.	Purchase of machinery	(7,64,000)	
	Purchase of non current investments	(50,000)	(8,14,000)
	Net Cash used in investing activities		
	C. Cash flows from Financial Activities :		
	Issue of share capital	2,00,000	
	Redemption of 12% debentures	(1,00,000)	
	Interest on debentures paid	(1,20,000)	
	Bank overdraft raised	2,00,000	
	Net Cash flow from financial activities		1,80,000
	Net increase in cash & cash equivalents (A+B+C)		40,000
	Add : Opening balance of cash & cash equivalents		
	Current Investments	1,20,000	
	Cash and Cash Equivalents	1,20,000	2,40,000
	Closing Balance of Cash & Cash equivalents		
	Current Investments	1,00,000	
	Cash and Cash Equivalents	1,80,000	2,80,000

Notes :

Calculation of Net Profit before tax :

Net profit as per statement of Profit & Loss	5,00,000
Add : Provision for tax made	1,00,100
Net Profit before tax and extraordinary items	6,00,000

Dr. **Provision for Tax Account** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Bank A/c (Paid)	1,40,000	By Balance b/d	1,80,000
To Balance c/d	1,40,000	By Statement of Profit and Loss	1,00,000
	2,80,000	(Bal. fig.)	**2,80,000**

●●

Accountancy 2016 (Delhi) SET II

Time allowed : 3 hours **Maximum marks : 80**

Note : Except for the following questions, all the remaining questions have been asked in previous sets.

PART A
(Accounting for Partnership Firms and Companies)

7. VKR Ltd. issued 975, 9% Debentures of ₹ 500 each on 4-3-2016. Pass necessary journal entries for the issue of debentures under the following situations :

(a) When debentures were issued at a premium of 10% redeemable at a premium of 6%.

(b) When debentures were issued at a par redeemable at 9% premium. **[3]**

Answer :

(a)

VKR Ltd.
Journal

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
	Bank A/c (975 × 550) Dr. To 9% Debenture Application and Allotment A/c (Being debenture application money received)		5,36,250	5,36,250
	9% Debenture Application Allotment A/c Dr. Loss on Issue of Debentures A/c (975 × 30) Dr. To 9% Debentures A/c To Premium on Redemption of Debenture A/c (975 × 30) To Securities Premium Reserve A/c (975 × 50) (Being debentures issued at 10% premium and redeemable at 6% premium)		5,36,250 29,250	 4,87,500 29,250 48,750

(b)

Journal

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
	Bank A/c (975 × 500) Dr. To 9% Debenture Application and Allotment A/c (Being debenture application money received)		4,87,500	4,87,500
	9% Debenture Application and Allotment A/c Dr. Loss on Issue of Debentures A/c Dr. To 9% Debentures A/c To Premium on Redemption of Debentures A/c (Being debentures issued at par and redeemable at 9% premium)		4,87,500 43,875	 4,87,500 43,875

9. Samachar India Ltd. took over the assets of ₹ 14,00,000 and liabilities of ₹ 4,00,000 from News Ltd. for a purchase consideration of ₹ 9,19,000. Samachar India Ltd. issued a promissory note of ₹ 17,000 payable after 60 days in favour of News Ltd. and the balance amount was paid by issue of equity shares of ₹ 100 each at a premium of ₹ 25 per share.

Pass necessary journal entries for the above transactions in the books of Samachar India Ltd. [3]

Answer :

Samachar India Ltd.
Journal

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
	Sundry Assets A/c Dr. To Sundry Liabilities A/c To News Ltd. To Capital Reserve A/c (Being purchase of assets and liabilities of News Ltd.)		14,00,000	 4,00,000 9,19,000 81,000
	News Ltd. Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c To Bills Payable A/c (Being payment to News Ltd. by issuing 7,216 equity shares of ₹ 100 each @ ₹ 25 premium and a promissory note of ₹ 17,000)		9,19,000	 7,21,600 1,80,400 17,000

13. C and D were partners in a firm sharing profits in the ratio of 3 : 2. On 28-2-2016 the firm was dissolved. After transferring assets (other than cash) and outsiders' liabilities to realisation account you are given the following information :

(a) A creditor for ₹ 2,00,000 accepted building of ₹ 2,80,000 at ₹ 2,20,000 and paid the firm ₹ 20,000.

(b) A second creditor for ₹ 75,000 accepted furniture at ₹ 60,000 in full settlement of his claim.

(c) A third creditor amounting to ₹ 80,000 accepted ₹ 20,000 in cash and investments of the book value of ₹ 65,000 in full settlement of his claim.

(d) Loss on dissolution was ₹ 7,500.

Pass necessary journal entries for the above transactions in the books of the firm assuming that all payments were made by cheque. **[6]**

Answer : **Journal**

Date	Particulars		L.F.	Debit Amount (₹)	Credit Amount (₹)
(a)	Bank A/c	Dr.		20,000	
	To Realisation A/c				20,000
	(Being a creditor paid ₹ 20,000 to the firm)				
(b)	No Entry				
(c)	Realisation A/c	Dr.		20,000	
	To Bank A/c				20,000
	(Being third creditor accepted ₹ 20,000 in cash and investments of the book value of ₹ 65,000 in full settlement of his claim)				
(d)	C's Capital A/c	Dr.		4,500	
	D's Capital A/c	Dr.		3,000	
	To Realisation A/c				7,500
	(Being loss on dissolution transferred to partners' capital accounts)				

Note : No entry will be made when asset is taken over by the creditor.

15. On 1-4-2013 KL Ltd. had 5,000, 10% Debentures of ₹ 100 each outstanding.

(i) On 1-4-2014 the company purchased in the open market 2000 of its own debentures for ₹ 105 each and cancelled the same immediately.**

(ii) On 1-4-2015 the company redeemed at par debentures of ₹ 1,00,000 by draw of a lot.

(iii) On 28-2-2016 the remaining debentures were purchased for immediate cancellation for ₹ 1,97,000.

Pass necessary journal entries for the above transactions in the books of the company ignoring debenture redemption reserve and interest on debentures.** **[6]**

Answer : **In the books of KL Ltd.**

Journal

Date	Particulars		L.F.	Debit Amount (₹)	Credit Amount (₹)
(ii) 2015 Apr. 01	10% Debentures A/c	Dr.		1,00,000	
	To Debentureholders A/c				1,00,000
	(Being 10% debentures due for redemption)				
	Debentureholders A/c	Dr.		1,00,000	
	To Bank A/c				1,00,000
	(Being amount paid to debentureholders)				

** Answer is not given due to change in the present syllabus.

PART B

(Analysis of Financial Statements)

21. (a) What is meant by 'Liquidity of Business' ?

(b) From the following information calculate operating ratio :

Revenue from operations ₹ 6,80,000; Rate of Gross Profit on cost 25%; Selling expenses ₹ 1,44,000; Administrative expenses ₹ 73,000. **[2 + 2 = 4]**

Answer : Liquidity of business refers to the ability of a business to meet their immediate and short-term obligations *i.e.,* cash requirements. Liquidity or short-term financial position of the business can be assessed by calculating current ratio and liquid ratio.

(b)

$$\text{Operating Ratio} = \frac{\text{Operating Cost}}{\text{Net Sales}} \times 100$$

$$\text{Operating Cost} = \text{Cost of Revenue from operations} + \text{Operating Expenses}$$

$$\text{Gross Profit} = 25\% \text{ of cost}$$

$$= \frac{25}{125} \times 6{,}80{,}000$$

$$= ₹\ 1{,}36{,}000$$

Let the cost of goods sold be '*a*'

So,
$$1{,}36{,}000 = \frac{25}{100} \times a$$

$$a = ₹\ 5{,}44{,}000 \text{ (Cost of Goods Sold)}$$

$$\text{Operating Cost} = ₹\ 5{,}44{,}000 + 1{,}44{,}000 + 73{,}000$$

$$= ₹\ 7{,}61{,}000$$

$$\text{Operating Ratio} = \frac{7{,}61{,}000}{6{,}80{,}000} \times 100$$

$$= 111.91\%$$

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Accountancy 2016 (Delhi) SET III

Time allowed : 3 hours **Maximum marks : 80**

Note : Except for the following questions, all the remaining questions have been asked in previous sets.

PART A

(Accounting for Partnership Firms and Companies)

13. E and F were partners in a firm sharing profits in the ratio of 7 : 3. On 28-2-2016 the firm was dissolved. After transferring assets (other than cash) and outsiders' liabilities to realisation account you are given the following information :

(a) A creditor for ₹ 3,00,000 accepted building valued at ₹ 3,75,000 and paid the firm ₹ 75,000.

(b) A second creditor for ₹ 93,000 accepted stock valued at ₹ 90,000 in full settlement of his claim.

(c) A third creditor amounting to ₹ 60,000 accepted ₹ 37,000 in cash and investments of the book value of ₹ 40,000 in full settlement of his claim.

(d) Loss on dissolution was ₹ 7,000.

Pass necessary journal entries for the above transactions in the books of the firm assuming that all payments were made by cheque. **[6]**

Answer : **Journal of E and F**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
(a)	Bank A/c Dr.		75,000	
	To Realisation A/c			75,000
	(Being a creditor paid ₹ 75,000 to the firm)			
(b)	No Entry			
(c)	Realisation A/c Dr.		37,000	
	To Bank A/c			37,000
	(Being third creditor accepted ₹ 37,000 in cash and investments of the book value of ₹ 40,000 in full settlement of his claim)			
(d)	E's Capital A/c Dr.		4,900	
	F's Capital A/c Dr.		2,100	
	To Realisation A/c			7,000
	(Being loss on dissolution ₹ 7,000 transferred to partners' capital accounts)			

Note : *No entry will be made when asset is taken over by the creditor.*

14. A, B and C were partners in a firm sharing profits in the ratio of 3 : 2 : 1. Their Balance Sheet as on 31-3-2015 was as follows :

Balance Sheet of A, B and C as on 31-3-2015

Liabilities	Amount (₹)	Assets	Amount (₹)
Creditors	50,000	Land	50,000
Bills Payable	20,000	Building	50,000
Capitals :		Plant	1,00,000
A 1,00,000		Stock	40,000
B 50,000		Debtors	30,000
C 25,000	1,75,000	Bank	5,000
General Reserve	30,000		
	2,75,000		**2,75,000**

From 1st April, 2015 A, B and C decided to share profits equally. For this it was agreed that :

(i) Goodwill of the firm will be valued at ₹ 1,50,000.

(ii) Land will be revalued at ₹ 80,000 and building be depreciated by 6%.

(iii) Creditors of ₹ 6,000 were not likely to be claimed and hence should be written off.

Prepare Revaluation Account, Partners' Capital Accounts and Balance Sheet of the reconstituted firm. **[6]**

Answer :

Dr. **Revaluation A/c** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Building A/c	3,000	By Land A/c	30,000
To Partner's Capital A/c :		By Creditors A/c	6,000
A 16,500			
B 11,000			
C 5,500	33,000		
	36,000		**36,000**

Dr. **Partner's Capital A/c** Cr.

Particulars	A	B	C	Particulars	A	B	C
To A's Capital A/c			25,000	By Balance b/d	1,00,000	50,000	25,000
To Balance c/d	1,56,500	71,000	10,500	By Revaluation A/c	16,500	11,000	5,500
				By General Reserve A/c	15,000	10,000	5,000
				By C's Capital A/c	25,000		
	1,56,500	**71,000**	**35,500**		**1,56,500**	**71,000**	**35,500**

Balance Sheet

as at 1st April, 2015 of A, B and C

Liabilities		Amount (₹)	Assets		Amount (₹)
Creditors		44,000	Land		80,000
Bills Payable		20,000	Building	50,000	
Capital A/cs :			*Less :* Dep.	3,000	47,000
A	1,56,500		Plant		1,00,000
B	71,000		Stock		40,000
C	10,500	2,38,000	Debtors		30,000
			Bank		5,000
		3,02,000			**3,02,000**

Working Note : Old Ratio = 3 : 2 : 1

New Ratio = 1 : 1 : 1

Gain/ Sacrifice :

$$A = \frac{3}{6} - \frac{1}{3} = \frac{1}{6} \text{ (Sacrifice)}$$

$$B = \frac{2}{6} - \frac{1}{3} = 0 \text{ (Nil)}$$

$$C = \frac{1}{6} - \frac{1}{3} = -\frac{1}{6} \text{ (Gain)}$$

15. On 1-4-2013 NK Ltd. had 20,000, 11% Debentures of ₹ 100 each outstanding.

(i) On 1-4-2014 the company purchased in the open market 4000 of its own debentures at ₹ 102 each and cancelled the same immediately.**

(ii) On 1-4-2015 the company redeemed at par debentures of ₹ 8,00,000 by draw of a lot.

(iii) On 28-2-2016 the remaining debentures were purchased for immediate cancellation for ₹ 7,89,900.

Pass necessary journal entries for the above transactions in the books of company ignoring debenture redemption reserve and interest on debentures.** **[6]**

Answer : **In the books of NK Ltd.**

Journal

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
(ii) 2015 Apr. 01	11% Debentures A/c Dr.		8,00,000	
	To Debenture holders A/c			8,00,000
	(Being 11% debentures due for redemption)			
	Debenture holders A/c Dr.		8,00,000	
	To Bank A/c			8,00,000
	(Being amount paid to debenture holders)			

** Answer is not given due to change in the present syllbus.

PART B
(Analysis of Financial Statements)

21. (a) What is meant by 'Profitability' of business ?

(b) From the following information calculate Operating Profit Ratio :

Opening Stock ₹ 10,000; Purchases ₹ 1,20,000; Revenue from operations ₹ 4,00,000; Purchase Returns ₹ 5,000; Returns from Revenue from operations ₹ 15,000; Selling Expenses ₹ 70,000; Administrative Expenses ₹ 40,000; Closing Stock ₹ 60,000. **[2 + 2 = 4]**

Answer : (a) Profitability refers to the earning capacity of the business. Profitability is one of the objectives of every business as it is required to earn adequate profits in relation to the capital invested by the entrepreneur in it. Profitability ratios measure the efficiency and success of a business. Some of the ratios that help us to measure the profitability of the business are gross profit ratio, operating ratio, operating profit ratio, net profit ratio and return on investment.

(b) $$\text{Operating Profit Ratio} = \frac{\text{Operating Profit}}{\text{New Revenue from Operations}} \times 100$$

Net Revenue from Opertions : ₹ 4,00,000- ₹ 15,000 = ₹ 3,85,000

Cost of revenue from Operations = Opening Stock + Purchases – Purchase return - Closing Stock

= ₹ (10,000 + 1,20, 000 - 5,000 - 60,0000)

= ₹ (65,000)

Gross Profit = Net Revenue from operations - Cost of revenue from operations

= ₹ 3, 85,000 – ₹ 65,000

= ₹ 3, 20,000

Operating Expenses = Selling expenses + Administrative expenses

= ₹ 70, 000 + ₹ 40,0000

= ₹ 1,10,000

Operating Profit = Gross Profit - Operating Expenses

= ₹ 3, 20,000 – ₹ 1,10,000

= ₹ 2, 10, 000

$$\text{Operating Profit Ratio} = ₹\,\frac{2,10,000}{3,85,000} \times 100$$

= 54.55%

Accountancy 2017 (Outside Delhi) Set I

Time allowed : 3 hours Maximum marks : 80

PART A

(Accounting for Partnership Firms and Companies)

1. Distinguish between 'Fixed Capital Account' and 'Fluctuating Capital Account' on the basis of credit balance. [1]

Answer : Fixed Capital Account always have credit balance.

Fluctuating Capital Account may have credit or debit balance.

2. A and B were partners in a firm sharing profits and losses in the ratio of 5 : 3. They admitted C as a new partner. The new profit sharing ratio between A, B and C was 3 : 2 : 3. A surrenderd $\frac{1}{5}^{th}$ of his share in favour of C. Calculate B's sacrifice. [1]

Answer : Sacrifice part of A = $\frac{5}{8} \times \frac{1}{5} = \frac{1}{8}$

Sacrifice part of B = C's share – A's sacrifice part

$= \frac{3}{8} - \frac{1}{8} = \frac{2}{8}$

3. P and Q were partners in a firm sharing profits and losses equally. Their fixed capitals were ₹ 2,00,000 and ₹ 3,00,000 respectively. The partnership deed provided for interest on capital @ 12% per annum. For the year ended 31st March, 2016, the profits of the firm were distributed without providing interest on capital.

Pass necessary adjustment entry to rectify the error. [1]

Answer :

Journal

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
	P's Current A/c Dr. To Q's Current A/c (Being error rectified)		6,000	6,000

Working Note :

Adjustment Table

Particulars	P		Q		Firm	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
Interest on capital @ 12%	—	24,000	—	36,000	60,000	—
Profit to be distributed (1:1)	30,000	—	30,000	—	—	60,000
Net Effect	30,000 6,000 Dr.	24,000	30,000	36,000 6,000 Cr.	60,000	60,000

4. X Ltd. invited applications for issuing 500, 12% debentures of ₹ 100 each at a discount of 5%. These debentures were redeemable after three years at par. Applications for 600 debentures were received. Pro-rata allotment was made to all the applicants.

Pass necessary journal entries for the issue of debentures assuming that the whole amount was payable with application. **[1]**

Answer :

Journal of X Ltd.

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
	Bank A/c Dr.		57,000	
	To 12% Debenture Application & Allotment A/c			57,000
	(Being application money for 600 debentures received)			
	12% Debenture Application & Allotment A/c Dr.		57,000	
	Discount on Issue of Debentures A/c Dr.		2,500	
	To 12% Debentures A/c			50,000
	To Bank A/c			9,500
	(Being 500 debentures alloted on pro-rata basis)			

5. Z Ltd. forfeited 1,000 equity shares of ₹ 10 each for the non-payment of the first call of ₹ 2 per share. The final call of ₹ 3 per share was yet to be made.

Calculate the maximum amount of discount at which these shares can be reissued. **[1]**

Answer : The maximum amount of discount at which these shares can be reissued is ₹ 5 per share.

6. Durga and Naresh were partners in a firm. They wanted to admit five more members in the firm. List any two categories of individuals other than minors who cannot be admitted by them. **[1]**

Answer : Two categories of individual which are restricted to enter into partnership are :

(1) Person of unsound mind.

(2) Insolvent person.

7. BPL Ltd. converted 500, 9% debentures of ₹ 100 each issued at a discount of 6% into equity shares of ₹ 100 each issued at a premium of ₹ 25 per share. Discount on issue of 9% debentures has not yet been written off.

Showing your working notes clearly, pass necessary journal entries for conversion of 9% debentures into equity shares.** **[3]**

8. Kavi, Ravi, Kumar and Guru were partners in a firm sharing profits in the ratio of 3 : 2 : 2 : 1. On 1.2.2017, Guru retired and the new profit sharing ratio decided between Kavi, Ravi and Kumar was 3 : 1 : 1. On Guru's retirement the goodwill of the firm was valued at ₹ 3,60,000.

Showing your working notes clearly, pass necessary journal entry in the books of the firm for the treatment of goodwill on Guru's retirement. **[3]**

Answer :

Journal

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
2017 Jan. 31	Kavi's Capital A/c Dr.		81,000	
	To Ravi's Capital A/c			18,000
	To Kumar's Capital A/c			18,000
	To Guru's Capital A/c			45,000
	(Being goodwill adjusted)			

** Answer is not given due to change in the present syllabus.

Working Notes :

(i) Gaining Ratio = New Ratio – Old Ratio

$$\text{Kavi} = \frac{3}{5}-\frac{3}{8} = \frac{24-15}{40}=\frac{9}{40} \text{ (Gain)}$$

$$\text{Ravi} = \frac{1}{5}-\frac{2}{8} = \frac{8-10}{40}=\frac{-2}{40} \text{ (Sacrifice)}$$

$$\text{Kumar} = \frac{1}{5}-\frac{2}{8} = \frac{8-10}{40}=\frac{-2}{40} \text{ (Sacrifice)}$$

(ii) Goodwill = ₹ 3,60,000

$$\text{Ravi's Share} = 3{,}60{,}000\times\frac{2}{40} = ₹\,18{,}000$$

$$\text{Kumar's Share} = 3{,}60{,}000\times\frac{2}{40} = ₹\,18{,}000$$

$$\text{Guru's Share} = 3{,}60{,}000\times\frac{1}{8} = ₹\,45{,}000$$

9. Disha Ltd. purchased machinery from Nisha Ltd. and paid to Nisha Ltd. as follows :

(i) By issuing 10,000, equity shares of ₹ 10 each at a premium of 10%.

(ii) By issuing 200, 9% debentures of ₹ 100 each at a discount of 10%.

(iii) Balance by accepting a bill of exchange of ₹ 50,000 payable after one month.

Pass necessary journal entries in the books of Disha Ltd. for the purchase of machinery and making payment to Nisha Ltd. **[3]**

Answer :

Disha Ltd.
Journal

Date	Particulars		L.F.	Amount (₹)	Amount (₹)
	Machinery A/c	Dr.		1,78,000	
	To Nisha Ltd.				1,78,000
	(Being machinery purchased)				
	Nisha Ltd.	Dr.		1,10,000	
	To Equity Share Capital A/c				1,00,000
	To Securities Premium Reserve A/c				10,000
	(Being 10,000 equity shares issued of ₹ 10 each at 10% premium)				
	Nisha Ltd.	Dr.		18,000	
	Discount on Issue of Debentures A/c	Dr.		2,000	
	To 9% Debentures A/c				20,000
	(Being 200, 9% Debentures issued of ₹ 100 each at 10% discount)				
	Nisha Ltd.	Dr.		50,000	
	To Bills Payable A/c				50,000
	(Being balance payment made by issuing bill)				

10. Ganesh Ltd. is registered with an authorised capital of ₹ 10,00,00,000 divided into equity shares of ₹ 10 each. Subscribed and fully paid up capital of the company was ₹ 6,00,00,000. For providing employment to the local youth and for the development of the tribal areas of Arunachal Pradesh the company decided to set up a hydro power plant there. The company also decided to open skill development centres in Itanagar, Pasighat and Tawang. To meet its new financial requirements, the company decided to issue 1,00,000 equity shares of ₹ 10 each and 1,00,000, 9% debentures of ₹ 100 each. The debentures were redeemable after five years at par. The issue of shares and debentures was fully subscribed. A shareholder holding 2,000 shares failed to pay the final call of ₹ 2 per share.

Show the share capital in the Balance Sheet of the company as per the provisions of Schedule III of the Companies Act, 2013. Also identify any two values that the company wishes to propagate. [3]

Answer : **Balance Sheet of Ganesh Ltd.**

as at .... (As per revised schedule VI)

Particulars	Note No.	Current Year (₹)	Previous Year (₹)
Equity & Liabilities			
1. Shareholders' Funds :			
(a) Share Capital	1	6,09,96,000	

Notes to Accounts :

Particulars			Amount (₹)
(1) **Share Capital**			
Authorised Capital			
1,00,00,000 Equity Shares @ ₹ 10 each			10,00,00,000
Issued Capital			
61,00,000 Equity Shares @ ₹ 10 each			6,10,00,000
Subscribed Capital :			
(i) Subscribed and fully paid up			
60,98,000 Equity Shares @ ₹ 10		6,09, 80, 000	
(ii) Subscribed but not fully paid up			
2,000 Equity shares @ ₹ 10 each	20,000		
Less : Calls in Arrears (2,000 × 2)	4,000	16,000	
			6,09,96,000

Values :

(1) Providing employment opportunities.

(2) Promotion of skill development in Arunachal Pradesh.

11. Madhu and Neha were partners in a firm sharing profits and losses in the ratio of 3 : 5. Their fixed capitals were ₹ 4,00,000 and ₹ 6,00,000 respectively. On 1.1.2016, Tina was admitted as a new partner for $\frac{1}{4}$ th share in the profits. Tina acquired her share of profit from Neha. Tina brought ₹ 4,00,000 as her capital

which was to be kept fixed like the capitals of Madhu and Neha. Calculate the goodwill of the firm on Tina's admission and the new profit sharing ratio of Madhu, Neha and Tina. Also, pass necessary journal entry for the treatment of goodwill on Tina's admission considering that Tina did not bring her share of goodwill premium in cash. **[4]**

Answer : (a) Calculation of Hidden Goodwill :

$$\text{Tina's Share} = \frac{1}{4}$$

$$\text{Tina's Capital} = ₹\,4,00,000$$

$$\text{Total Capital of firm on the basis of Tina} = 4,00,000 \times \frac{4}{1} = ₹\,16,00,000$$

$$\begin{aligned}\text{Actual Capital of firm} &= \text{Madhu's Capital} + \text{Neha's Capital} + \text{Tina's Capital}\\ &= 4,00,000 + 6,00,000 + 4,00,000\\ &= ₹\,14,00,000\end{aligned}$$

$$\begin{aligned}\text{Goodwill} &= \text{Estimated Capital} - \text{Actual Capital}\\ &= 16,00,000 - 14,00,000\\ &= ₹\,2,00,000\end{aligned}$$

$$\begin{aligned}\text{Tina's share of Goodwill} &= 2,00,000 \times \frac{1}{4}\\ &= ₹\,50,000\end{aligned}$$

(b) **Calculation of New Profit Sharing Ratio :**

$$\text{Madhu's Share} = \frac{3}{8}$$

$$\text{Neha's New Share} = \frac{5}{8} - \frac{1}{4} = \frac{3}{8}$$

$$\text{Tina's Share} = \frac{1}{4} \text{ or } \frac{2}{8}$$

$$\text{New Ratio} = 3 : 3 : 2$$

(c) **Journal**

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
2016 April 1	Tina's Current A/c Dr. To Neha's Current A/c (Being Tina's share of goodwill transferred to Neha's account)		50,000	50,000

12. Ashok, Babu and Chetan were partners in a firm sharing profits in the ratio of 4 : 3 : 3. The firm closes its books on 31st March every year. On 31st December, 2016 Ashok died. The partnership deed provided that on the death of a partner his executors will be entitled for the following :

(i) Balance in his capital account. On 1.4.2016, there was a balance of ₹ 90,000 in Ashok's Capital Account.

(ii) Interest on capital @ 12% per annum.

(iii) His share in the profits of the firm in the year of his death will be calculated on the basis of rate of net profit on sales of the previous year, which was 25%. The sales of the firm till 31st December, 2016 were ₹ 4,00,000.

(iv) His share in the goodwill of the firm. The goodwill of the firm on Ashok's death was valued at ₹ 4,50,000.

The partnership deed also provided for the following deductions from the amount payable to the executor of the deceased partner :

(i) His drawings in the year of his death. Ashok's drawings till 31.12.2016 were ₹ 15,000.

(ii) Interest on drawings @ 12% per annum which was calculated as ₹ 1,500.

The accountant of the firm prepared Ashok's Capital Account to be presented to the executor of Ashok but in a hurry he left it incomplete. Ashok's Capital Account as prepared by the firm's accountant is given below :

Dr. Ashok's Capital Account Cr.

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
2016			2016		
Dec. 31	....	15,000	April 1	....	90,000
Dec. 31	....	....	Dec. 31	....	8,100
Dec. 31	....	....	Dec. 31	....	40,000
			Dec. 31	....	90,000
			Dec. 31	....	90,000
		3,18,100			3,18,100

You are required to complete Ashok's Capital Account. [4]

Answer :

Dr. Ashok's Capital Account Cr.

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
2016			2016		
Dec. 31	To Drawings A/c	15,000	April 1	By Balance b/d	90,000
Dec. 31	To Interest on Drawings A/c	1,500	Dec. 31	By Interest on Capital A/c	8,100
Dec. 31	To Ashok's Executors' A/c	3,01,600	Dec. 31	By P&L Suspense A/c	40,000
			Dec. 31	By Babu's Capital A/c	90,000
				By Chetan's Capital A/c	90,000
		3,18,100			3,18,100

13. A, B, C and D were partners in a firm sharing profits in the ratio of 3 : 2 : 3 : 2. On 1.4.2016, their Balance Sheet was a follows : [6]

Balance Sheet of A, B, C and D as on 1.4.2016

Liabilities		Amount (₹)	Assets	Amount (₹)
Capitals :			Fixed Assets	8,25,000
A	2,00,000		Current Assets	3,00,000
B	2,50,000			
C	2,50,000			
D	3,10,000	10,10,000		
Sundry Creditors		90,000		
Workmen Compensation Reserve		25,000		
		11,25,000		11,25,000

From the above date the partners decided to share the future profits in the ratio of 4 : 3 : 2 : 1. For this purpose the goodwill of the firm was valued at ₹ 2,70,000. It was also considered that :

(i) The claim against Workmen Compensation Reserve has been estimated at ₹ 30,000 and fixed assets will be depreciated by ₹ 25,000.

(ii) Adjust the capitals of the partners according to the new profit sharing ratio by opening Current Accounts of the partners.

Prepare Revaluation Account, Partners' Capital Account and the Balance Sheet of the reconstituted firm.

Answer :

Revaluation A/c

Dr. Particulars	Amount (₹)	Particulars		Amount (₹) Cr.
To Workmen Compensation Claim A/c	5,000	By Loss transferred to Partner's Capital A/c :		
To Fixed Assets A/c	25,000	A	9,000	
		B	6,000	
		C	9,000	
		D	6,000	30,000
	30,000			30,000

Partners' Capital A/c

Dr. Particulars	A	B	C	D	Particulars	A	B	C	D Cr.
To Revaluation A/c	9,000	6,000	9,000	6,000	By Bal. b/d	2,00,000	2,50,000	2,50,000	3,10,000
To C's Capital A/c	13,500	13,500	—	—	By A's Capital A/c	—	—	13,500	13,500
To D's Capital A/c	13,500	13,500	—	—	By B's Capital A/c	—	—	13,500	13,500
To Balance c/d	1,64,000	2,17,000	2,68,000	3,31,000					
	2,00,000	2,50,000	2,77,000	3,37,000		2,00,000	2,50,000	2,77,000	3,37,000
To Partner's Current A/c	—	—	72,000	2,33,000	By Bal. b/d	1,64,000	2,17,000	2,68,000	3,31,000
To Bal. c/d	3,92,000	2,94,000	1,96,000	98,000	By Current A/c	2,28,000	77,000	—	—
	3,92,000	2,94,000	2,68,000	3,31,000		3,92,000	2,94,000	2,68,000	3,31,000

Working Note : Gaining Ratio = New Ratio – Old Ratio

$$A = \frac{4}{10} - \frac{3}{10} = \frac{1}{10} \text{ (Gain)}$$

$$B = \frac{3}{10} - \frac{2}{10} = \frac{1}{10} \text{ (Gain)}$$

$$C = \frac{2}{10} - \frac{3}{10} = \frac{-1}{10} \text{ (Sacrifice)}$$

$$D = \frac{1}{10} - \frac{2}{10} = \frac{-1}{10} \text{ (Sacrifice)}$$

Revised Balance Sheet

Liabilities	Amount (₹)	Assets	Amount (₹)
Partner's Capital A/c :		Fixed Assets	8,00,000
A 3,92,000		Current Assets	3,00,000
B 2,94,000		Partner's Current A/c :	
C 1,96,000		A 2,28,000	
D 98,000	9,80,000	B 77,000	3,05,000
Sundry Creditors	90,000		
Workmen Compensation Claim	30,000		
Partner's Current A/c :			
C 72,000			
D 2,33,000	3,05,000		
	14,05,000		**14,05,000**

14. On 1.4.2015, J.K. Ltd. issued 8,000, 9% debentures of ₹ 1,000 each at a discount of 6%, redeemable at a premium of 5% after three years. The company closes its books on 31st March every year. Interest on 9% debentures is payable on 30th September and 31st March every year. The rate of tax deducted at source is 10%.

Pass necessary journal entries for the issue of debentures and debenture interest for the year ended 31.3.2016 . [6]

Answer :

J.K. Ltd. (Journal)

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
2015 April 1	Bank A/c Dr.		75,20,000	
	To 9% Debenture Application & Allotment A/c			75,20,000
	(Being application money received)			
April 1	9% Debenture Application & Allotment A/c Dr.		75,20,000	
	Loss on Issue of Debentures A/c Dr.		8,80,000	
	To 9% Debentures A/c			80,00,000
	To Premium on Redemption of Debentures A/c			4,00,000
	(Being application money transferred)			
Sep. 30	Debenture Interest A/c Dr.		3,60,000	
	To Debentureholders A/c			3,24,000
	To TDS Payable A/c			36,000
	(Being interest due)			
Sep. 30	Debentureholders A/c Dr.		3,24,000	
	TDS Payable A/c Dr.		36,000	
	To Bank A/c			3,60,000
	(Being interest & tax paid)			
2016 Mar. 31	Debenture Interest A/c Dr.		3,60,000	
	To Debentureholders A/c			3,24,000
	To TDS Payable A/c			36,000
	(Being interest due)			
Mar. 31	Debentureholders A/c Dr.		3,24,000	
	TDS Payble A/c Dr.		36,000	
	To Bank A/c			3,60,000
	(Being interest & tax paid)			
Mar. 31	Statement of Profit & Loss Dr.		7,20,000	
	To Debenture Interest A/c			7,20,000
	(Being interest transferred to Statement of Profit and Loss)			

15. Pass necessary journal entries on the dissolution of a partnership firm in the following cases : [6]

(i) Dissolution expenses were ₹ 800.

(ii) Dissolution expenses ₹ 800 were paid by Prabhu, a partner.

(iii) Geeta, a partner, was appointed to look after the dissolution work, for which she was allowed a remuneration of ₹ 10,000. Geeta agreed to bear the dissolution expenses. Actual dissolution expenses ₹ 9,500 were paid by Geeta.

(iv) Janki, a partner, agreed to look after the dissolution work for a commission of ₹ 5,000. Janki agreed to bear the dissolution expenses. Actual dissolution expenses ₹ 5,500 were paid by Mohan, another partner, on behalf of Janki.

(v) A partner, Kavita, agreed to look after the dissolution process for a commission of ₹ 9,000. She also agreed to bear the dissolution expenses. Kavita took over furniture of ₹ 9,000 for her commission. Furniture had already been transferred to realisation account.

(vi) A debtor, Ravinder, for ₹ 19,000 agreed to pay the dissolution expenses which were ₹ 18,000 in full settlement of his debt.

Answer :

Journal

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
(i)	Realisation A/c Dr. To Cash/Bank A/c (Being dissolution expenses paid)		800	800
(ii)	Realisation A/c Dr. To Prabhu's Capital A/c (Being dissolution expenses paid by partner)		800	800
(iii)	Realisation A/c Dr. To Geeta's Capital A/c (Being dissolution expenses paid by Geeta & renumeration paid by firm)		10,000	10,000
(iv) (a)	Realisation A/c Dr. To Janki's Capital A/c (Being dissolution expenses paid by Janki & compensated by firm)		5,000	5,000
(b)	Janki's Capital A/c Dr. To Mohan's Capital A/c (Being Mohan paid dissolution expenses on behalf of Janki)		5,500	5,500
(v)	No Entry			
(vi)	No Entry			

16. C and D are partners in a firm sharing profits in the ratio of 4 : 1. On 31.3.2016, their Balance Sheet was as follows : [8]

Balance Sheet of C and D as on 31.3.2016

Liabilities	Amount (₹)	Assets	Amount (₹)
Sundry Creditors	40,000	Cash	24,000
Provision for Bad Debts	4,000	Debtors	36,000
Outstanding Salary	6,000	Stock	40,000
General Reserve	10,000	Furniture	80,000
Capitals :		Plant and Machinery	80,000
C 1,20,000			
D 80,000	2,00,000		
	2,60,000		**2,60,000**

On the above date, E was admitted for $\frac{1}{4}^{th}$ share in the profits on the following terms :

(i) E will bring ₹ 1,00,000 as his capital and ₹ 20,000 for his share of goodwill premium, half of which will be withdrawn by C and D.

(ii) Debtors ₹ 2,000 will be written off as bad debts and a provision of 4% will be created on debtors for bad doubtful debts.

(iii) Stock will be reduced by ₹ 2,000, furniture will be depreciated by ₹ 4,000 and 10% depreciation will be charged on plant and machinery.

(iv) Investments of ₹ 7,000 not shown in the Balance Sheet will be taken into account.

(v) There was an outstanding repairs bill of ₹ 2,300 which will be recorded in the books.

Pass necessary journal entries for the above transactions in the books of the firm on E's admission.

OR

Sameer, Yasmin and Saloni were partners in a firm sharing profits and losses in the ratio of 4 : 3 : 3. On 31.3.2016, their Balance Sheet was as follows :

Balance Sheet of Sameer, Yasmin and Saloni as on 31.3.2016

Liabilities		Amount (₹)	Assets		Amount (₹)
Creditors		1,10,000	Cash		80,000
General Reserve		60,000	Debtors	90,000	
Capitals :			*Less* : Provision	10,000	80,000
Sameer	3,00,000		Stock		1,00,000
Yasmin	2,50,000		Machinery		3,00,000
Saloni	1,50,000	7,00,000	Building		2,00,000
			Patents		60,000
			Profit and Loss Account		50,000
		8,70,000			**8,70,000**

On the above date, Sameer retired and it was agreed that :

(i) Debtors of ₹ 4,000 will be written off as bad debts and a provision of 5% on debtors for bad and doubtful debts will be maintained.

(ii) An unrecorded creditor of ₹ 20,000 will be recorded.

(iii) Patents will be completely written off and 5% depreciation will be charged on stock, machinery and building.

(iv) Yasmin and Saloni will share future profits in the ratio of 3 : 2.

(v) Goodwill of the firm on Sameer's retirement was valued at ₹ 5,40,000.

Pass necessary journal entries for the above transactions in the books of the firm on Sameer's retirement.

Answer :

Journal

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
	General Reserve A/c Dr. To C's Capital A/c To D's Capital A/c (Being general reserve distributed)		10,000	 8,000 2,000
	Cash A/c Dr. To E's Capital A/c To Premium for Goodwill A/c (Being E bring capital and goodwill of his share)		1,20,000	 1,00,000 20,000
	Premium for Goodwill A/c Dr. To C's Capital A/c To D's Capital A/c (Being premium for goodwill distributed among old partners)		20,000	 16,000 4,000

	C's Capital A/c Dr. D's Capital A/c Dr. To Cash A/c (Being half of goodwill withdrawn by C and D)		8,000 2,000	 10,000
	Bad Debts A/c Dr. To Debtors A/c (Being debtors written off)		2,000	 2,000
	Provision for Bad Debts A/c Dr. To Bad Debts A/c (Being bad debts adjusted by provision)		2,000	 2,000
	Provision for Bad Debts A/c Dr. To Revaluation A/c (Being provision decreases)		640	 640
	Revaluation A/c Dr. To Stock A/c To Furniture A/c To Plant & Machinery A/c (Being value of assets decreases)		14,000	 2,000 4,000 8,000
	Investments A/c Dr. To Revaluation A/c (Being value of assets increases)		7,000	 7,000
	Revaluation A/c Dr. To Outstanding Repair Bill A/c (Being liability increases)		2,300	 2,300
	C's Capital A/c Dr. D's Capital A/c Dr. To Revaluation A/c (Being loss distributed among old partners)		6,928 1,732	 8,660

Working Note :

Dr. **Revaluation A/c** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Stock A/c To Furniture A/c To Plant & Machinery A/c To O/s Repair Bill A/c	2,000 4,000 8,000 2,300	By Provision for Bad Debts A/c By Investments A/c By Loss transferred to Capital A/c : C 6,928 D 1,732	640 7,000 8,660
	16,300		**16,300**

OR

Journal

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
	General Reserve A/c Dr. To Sameer's Capital A/c To Yasmin's Capital A/c To Saloni's Capital A/c (Being General Reserve distributed)		60,000	 24,000 18,000 18,000

	Sameer's Capital A/c Dr. Yasmin's Capital A/c Dr. Saloni's Capital A/c Dr. To P & L A/c (Being loss distributed)		20,000 15,000 15,000	50,000
	Bad Debts A/c Dr. To Debtors A/c (Being debtors written off)		4,000	4,000
	Provision for Bad Debts A/c Dr. To Bad Debts A/c (Being bad debts written off)		4,000	4,000
	Provision for Bad Debts A/c Dr. To Revaluation A/c (Being provision for bad debts decreases)		1,700	1,700
	Revaluation A/c Dr. To Creditors A/c (Being creditors increases)		20,000	20,000
	Revaluation A/c Dr. To Patents A/c To Stock A/c To Machinery A/c To Building A/c (Being value of assets decreases)		90,000	60,000 5,000 15,000 10,000
	Sameer's Capital A/c Dr. Yasmin's Capital A/c Dr. Saloni's Capital A/c Dr. To Revaluation A/c (Being loss transferred to old partners)		43,320 32,490 32,490	1,08,300
	Yasmin's Capital A/c Dr. Saloni's Capital A/c Dr. To Sameer's Capital A/c (Being goodwill adjusted)		1,62,000 54,000	2,16,000
	Sameer's Capital A/c Dr. To Sameer's Loan A/c (Being balance of Sameer transferred to his loan account)		4,76,680	4,76,680

Working Notes :

(1) **Dr.** **Revaluation A/c** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Patents A/c To Stock A/c To Machinery A/c To Building A/c To Creditors A/c	60,000 5,000 15,000 10,000 20,000	By Provision for Bad Debts A/c By Loss transferred to Capital A/c Sameer 43,320 Yasmin 32,490 Saloni 32,490	1,700 1,08,300
	1,10,000		**1,10,000**

(2)

Dr. **Partner's Capital A/c** Cr.

Particulars	Sameer	Yasmin	Saloni	Particulars	Sameer	Yasmin	Saloni
To P & L A/c	20,000	15,000	15,000	By Balance b/d	3,00,000	2,50,000	1,50,000
To Revaluation A/c	43,320	32,490	32,490	By General Reserve A/c	24,000	18,000	18,000
To Sameer's Capital A/c	—	1,62,000	54,000	By Yasmin's Capital A/c	1,62,000	—	—
To Sameer's Loan A/c	4,76,680			By Saloni's Capital A/c	54,000	—	—
To Bal. c/d	—	58,510	66,510				
	5,40,000	2,68,000	1,68,000		5,40,000	2,68,000	1,68,000

(3) Adjustment of Goodwill :

Goodwill of firm = ₹ 5,40,000

Share of Sameer in Goodwill= $5,40,000 \times \frac{4}{10}$

= ₹ 2,16,000

Gaining Ratio = New Ratio – Old Ratio

Yasmin = $\frac{3}{5} - \frac{3}{10} = \frac{6-3}{10} = \frac{3}{10}$

Saloni = $\frac{2}{5} - \frac{3}{10} = \frac{4-3}{10} = \frac{1}{10}$

17. VXN Ltd. invited applications for issuing 50,000 equity shares of ₹ 10 each at a premium of ₹ 8 per share. The amount was payable as follows : **[8]**

On Application : ₹ 4 per share (including ₹ 2 premium)

On Allotment : ₹ 6 per share (including ₹ 3 premium)

On First Call : ₹ 5 per share (including ₹ 1 premium)

On Second and Final Call : Balance Amount

The issue was fully subscribed. Gopal, a shareholder holding 200 shares, did not pay the allotment money and Madhav, a holder of 400 shares, paid his entire share money along with the allotment money. Gopal's shares were immediately forfeited after allotment. Afterwards, the first call was made. Krishna, a holder of 100 shares, failed to pay the first call money and Girdhar, a holder of 300 shares, paid the second call money also along with the first call. Krishna's shares were forfeited immediately after the first call. Second and final call was made afterwards and was duly received. All the forfeited shares were reissued at ₹ 9 per share fully paid up.

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

OR

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

On Application : ₹ 2 per share

On Allotment : ₹ 4 per share

On First and Final Call : Balance Amount

The issue was oversubscribed three times. Applications for 30% shares were rejected and money refunded. Allotment was made to the remaining applicants as follows :

Category	No. of Shares Applied	No. of Shares Alloted
I	80,000	40,000
II	25,000	10,000

Excess money paid by the applicants who were allotted shares was adjusted towards the sums due on allotment.

Deepak, a shareholder belonging to Category I who had applied for 1,000 shares, failed to pay the allotment money. Raju, a shareholder holding 100 shares, also failed to pay the allotment money. Raju belonged to Category II. Shares of both Deepak and Raju were forfeited immediately after allotment. Afterwards, first and final call was made and was duly received. The forfeited shares of Deepak and Raju were reissued at ₹ 11 per share fully paid up.

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

Answer :

VXN Ltd.
Journal

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
	Bank A/c Dr. To Equity Share Application A/c (Being application money received)		2,00,000	 2,00,000
	Equity Share Application A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c (Being application money transferred)		2,00,000	 1,00,000 1,00,000
	Equity Share Allotment A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c (Being allotment money due)		3,00,000	 1,50,000 1,50,000
	Bank A/c Dr. Calls in Arrear A/c Dr. To Equity Share Allotment A/c To Calls in Advance A/c (Being allotment money received)		3,02,000 1,200	 3,00,000 3,200
	Equity Share Capital A/c Dr. Securities Premium Reserve A/c Dr. To Share Forfeiture A/c To Calls in Arrear A/c (Being 200 shares forfeited)		1,000 600	 400 1,200
	Equity Share First Call A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c (Being first call money due on 49,800 shares)		2,49,000	 1,99,200 49,800
	Bank A/c Dr. Calls in Arrear A/c Dr. Calls in Advance A/c Dr. To Equity Share First Call A/c To Calls in Advance A/c (Being first call money received)		2,47,400 500 2,000	 2,49,000 900
	Equity Share Capital A/c Dr. Securities Premium Reserve A/c Dr. To Share Forfeiture A/c To Calls in Arrear A/c (Being 100 shares forfeited)		900 100	 500 500

	Equity Share Second & Final Call A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c (Being second & final call due on 49,700 shares)		1,49,100	 49,700 99,400
	Bank A/c Dr. Calls in Advance A/c Dr. To Equity Share Second & Final Call A/c (Being second & final call money received)		1,47,000 2,100	 1,49,100
	Bank A/c Dr. Share Forfeiture A/c Dr. To Equity Share Capital A/c (Being 300 shares reissued)		2,700 300	 3,000
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Being balance of Share Forfeiture A/c transferred to Capital Reserve)		600	 600

OR

JJK Ltd.

Journal

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
	Bank A/c Dr. To Equity Share Application A/c (Being application money received)		3,00,000	 3,00,000
	Equity Share Application A/c Dr. To Equity Share Capital A/c To Bank A/c To Equity Share Allotment A/c (Being application money transferred)		3,00,000	 1,00,000 90,000 1,10,000
	Equity Share Allotment A/c Dr. To Equity Share Capital A/c (Being allotment due)		2,00,000	 2,00,000
	Bank A/c Dr. Calls in Arrear A/c Dr. To Equity Share Allotment A/c (Being allotment money received)		88,900 1,100	 90,000
	Equity Share Capital A/c Dr. To Share Forfeiture A/c To Calls in Arrear A/c (Being shares forfeited)		3,600	 2,500 1,100
	Equity Share First & Final Call A/c Dr. To Equity Share Capital A/c (Being first & final call due)		1,97,600	 1,97,600
	Bank A/c Dr. To Equity Share First & Final Call A/c (Being first & final call amount received)		1,97,600	 1,97,600

	Bank A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c (Being 600 forfeited shares reissued)		6,600	 6,000 600
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Being balance of Share Forfeiture Account transferred to Capital Reserve)		2,500	 2,500

Working Notes :

Shares Applied	Shares Alloted	App. Money Received	Transfer to Application	Excess Money	Transfer to Allotment	Transfer to First Call	Refund
80,000	40,000	1,60,000	80,000	80,000	80,000	—	—
25,000	10,000	50,000	20,000	30,000	30,000	—	—

Calls in Arrear on Allotment :

Deepak :

Shares applied = 1,000 (Category I)

Shares alloted = $1,000 \times \frac{40,000}{80,000} = 500$ so shares

Allotment money = 500×4 = ₹ 2,000

Less : Excess = $\frac{80,000}{40,000} \times 500$ = ₹ 1,000

Calls in Arrear = ₹ 1,000

Raju :

Shares Alloted = 100 (Category II)

Allotment money = 100×4 = ₹ 400

Less : Excess = $\frac{30,000}{10,000} \times 100$ = ₹ 300

Calls in Arrear = ₹ 100

Total Calls in Arrear = 1,000 + 100

= ₹ 1,100

PART B

(Analysis of Financial Statements)

18. Normally, what should be the maturity period for a short-term investment from the date of its acquisition to be qualified as cash equivalents ? [1]

Answer : For cash and cash equivalent, maturity period for a short-term investment would be 90 days or 3 months.

19. State the primary objective of preparing a cash flow statement. [1]

Answer : Primary objective of preparing cash flow statement is to find out the inflows and outflows of cash and cash equivalents from operating, investing and financing activities.

20. What is meant by 'Analysis of Financial Statements' ? State any two objectives of such an analysis. [4]

Answer : Financial Statement Analysis may be defined as a systematic process of critical examination of the data contained in financial statements in order to make decision regarding the operations of a company.

Objectives of Financial Statement Analysis :

(i) To judge the current profitability and operational efficiency of the firm as well as its different departments.

(ii) To ascertain the financial position of the firm.

(iii) To ascertain the short term and long term solvency of the firm.

21. The Proprietary ratio of M. Ltd. is 0.80 : 1.

State with reasons whether the following transactions will increase, decrease or not change the proprietary ratio :

(i) Obtained a loan from bank ₹ 2,00,000 payable after five years.

(ii) Purchased machinery for cash ₹ 75,000.

(iii) Redeemed 5% redeemable preference shares ₹ 1,00,000.

(iv) Issued equity shares to the vendor of machinery purchased for ₹ 4,00,000. **[4]**

Answer :

Transactions	Effect on Proprietary Ratio	Reasons
(i) Obtained a loan from bank	Decrease	No change in shareholder fund, assets will increase by ₹ 2,00,000.
(ii) Purchased machinery for cash	No change	No change in total assets and share-holder's funds.
(iii) Redeemed 5% redeemable pref ence shares	Decrease	Both shareholder's fund and total assets decrease by same amount.
(iv) Issued Equity shares to the vendor of Machinery purchased	Increase	Shareholder's funds and total assets both increases by same amount.

22. Financial statements are prepared following the consistent accounting concepts, principles, procedures and also the legal environment in which the business organisations operate. These statements are the sources of information on the basis of which conclusions are drawn about the profitability and financial position of a company so that their users can easily understand and use them in their economic decisions in a meaningful way.

From the above statement identify any two values that a company should observe while preparing its financial statements. Also, state under which major headings and sub-headings the following items will be presented in the Balance Sheet of a company as per Schedule III of the Companies Act, 2013.

(i) Capital Reserve (ii) Calls-in-Advance (iii) Loose Tools (iv) Bank Overdraft **[4]**

Answer : (a) Values :

(i) Following rules and regulations.

(ii) Honesty and loyalty towards owners.

(b)

Items	Head	Sub-head
(i) Capital Reserve	Shareholders' funds	Reserves & Surplus
(ii) Calls-in-Advance	Current liability	Other current liability
(iii) Loose Tools	Current assets	Inventory
(iv) Bank Overdraft	Current liability	Short-term borrowings

23. From the following Balance Sheet of SRS Ltd. and the additional information as on 31.3.2016, prepare a Cash Flow Statement : **[6]**

Balance Sheet of SRS Ltd. as on 31.3.2016

	Particulars	Note No.	31.3.2016 (₹)	31.3.2015 (₹)
I– Equity and Liabilities				
1.	**Shareholder's Funds :**			
	(a) Share Capital		4,50,000	3,50,000
	(b) Reserves and Surplus	1	1,25,000	50,000
2.	**Non-Current Liabilities :**			
	Long-term Borrowings	2	2,25,000	1,75,000
3.	**Current Liabilities :**			
	(a) Short-term Borrowings	3	75,000	37,500
	(b) Short-term Provisions	4	1,00,000	62,500
	Total		**9,75,000**	**6,75,000**
II–Assets :				
1.	**Non-Current Assets :**			
	(a) Fixed Assets :			
	(i) Tangible	5	7,32,500	4,52,500
	(ii) Intangible	6	50,000	75,000
	(b) Non-Current Investments		75,000	50,000
2.	**Current Assets :**			
	(a) Current Investments		20,000	35,000
	(b) Inventories	7	61,000	36,000
	(c) Cash and Cash Equivalents		36,500	26,500
	Total		**9,75,000**	**6,75,000**

Notes to Accounts :

Note No.	Particulars	31.3.2016 (₹)	31.3.2015 (₹)
1.	**Reserves and Surplus**		
	(Surplus i.e., Balance in the Statement of Profit and Loss)	1,25,000	50,000
		1,25,000	**50,000**
2.	**Long-term Borrowings**		
	12% Debentures	2,25,000	1,75,000
		2,25,000	**1,75,000**
3.	**Short-term Borrowings**		
	Bank Overdraft	75,000	37,500
		75,000	**37,500**
4.	**Short-term Provisions**		
	Proposed Dividend	1,00,000	62,500
		1,00,000	**62,500**

5.	**Tangible Assets**		
	Machinery	8,37,500	5,22,500
	Accumulated Depreciation	(1,05,000)	(70,000)
		7,32,500	**4,52,500**
6.	**Intangible Assets**		
	Goodwill	50,000	75,000
		50,000	**75,000**
7.	**Inventories**		
	Stock in Trade	61,000	36,000
		61,000	**36,000**

Additional Information :

(i) ₹ 50,000, 12% debentures were issued on 31.3.2016.

(ii) During the year a piece of machinery costing ₹ 40,000, on which accumulated depreciation was ₹ 20,000 was sold at a loss of ₹ 5,000.

Answer :

Cash Flow Statement of SRS Ltd.

for the year ending 31 Mar., 2016

(as per AS-3 Revised)

Particulars	Amount (₹)	Amount (₹)
(A) Cash Flow from Operating Activities		
Net profit before tax (Note 1)	1,75,000	1,75,000
Add : Non-cash & Non-operating items :		
(1) Goodwill written off	25,000	
(2) Depreciation on machinery	55,000	
(3) Interest on Debentures	21,000	
(4) Loss on sale of machinery	5,000	1,06,000
		2,81,000
Less : Non-Operating Income		—
Operating profit before working capital changes		2,81,000
Less : Increase in Inventories	(25,000)	(25,000)
		2,56,000
Less : Tax paid		—
Net Cash Flow from Operating Activities		2,56,000
(B) Cash Flow from Investing Activities		
Sale of Machinery	15,000	
Purchase of Machinery	(3,55,000)	
Purchase of Non-current Investments	(25,000)	
Net Cash used in Investing Activities		(3,65,000)
(C) Cash Flow from Financing Activities		
Issue of share capital	1,00,000	
Issue of 12% Debentures	50,000	
Interest on Debentures paid	(21,000)	
Dividend paid	(62,500)	
Bank overdraft raised	37,500	
Net Cash Flow from Financing Activities		1,04,000
Net decrease in Cash & Cash Equivalents (A + B + C)		(5,000)
Add : Opening Balance of Cash & Cash Equivalents (35,000 + 26,500)		61,500
Closing Balance of Cash & Cash Equivalents (20,000 + 36,500)		**56,500**

Working Notes :

(1) Calculation of Net Profit before Tax :

Net Profit as per Statement of Profit & Loss	75,000
Add : Proposed Dividend	1,00,000
Net Profit before Tax & extraordinary items	**1,75,000**

(2) Dr. **Machinery A/c** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	5,22,500	By Cash A/c	15,000
To Cash A/c (Purchase)	3,55,000	By Statement of P & L (balancing fig.)	5,000
		By Accumulated Depreciation A/c	20,000
		By Balance c/d	8,37,500
	8,77,500		**8,77,500**

(3) Dr. **Accumulated Depreciation A/c** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Machinery A/c	20,000	By Balance b/d	70,000
To Balance c/d	1,05,000	By Statement of P & L (Bal. Fig.)	55,000
	1,25,000		**1,25,000**

Accountancy 2017 (Outside Delhi) SET II

Time allowed : 3 hours **Maximum marks : 80**

Note : Except for the following questions, all the remaining questions have been asked in previous sets.

PART A

(Accounting for Partnership Firms and Companies)

13. Suresh, Ramesh, Mahesh and Ganesh were partners in a firm sharing profits in the ratio of 2 : 2 : 3 : 3. On 1.4.2016 their Balance Sheet was as follows :

Balance Sheet of Suresh, Ramesh, Mahesh and Ganesh as on 1.4.2016

Liabilities		Amount (₹)	Assets	Amount (₹)
Capitals :			Fixed Assets	6,00,000
Suresh	1,00,000		Current Assets	3,45,000
Ramesh	1,50,000			
Mahesh	2,00,000			
Ganesh	2,50,000	7,00,000		
Sundry Creditors		1,70,000		
Workmen Compensation Reserve		75,000		
		9,45,000		**9,45,000**

From the above date the partners decided to share the future profits equally. For this purpose the goodwill of the firm was valued at ₹ 90,000. It was also agreed that :

(i) Claim against Workmen Compensation Reserve will be estimated at ₹ 1,00,000 and fixed assets will be depreciated by 10%.

(ii) The capitals of the partners will be adjusted according to the new profit sharing ratio. For this, necessary cash will be brought or paid by the partners as the case may be.

Prepare Revaluation Account, Partners' Capital Accounts and the Balance Sheet of the reconstituted firm. [6]

Answer:

Dr. **Revaluation A/c** Cr.

Particulars	Amount (₹)	Particulars		Amount (₹)
To Workmen Compensation Claim A/c	25,000	By Loss transferred to Partner's Capital A/c:		
To Fixed Assets A/c	60,000	Suresh	17,000	
		Ramesh	17,000	
		Mahesh	25,500	
		Ganesh	25,500	85,000
	85,000			**85,000**

Dr. **Partner's Capital A/c** Cr.

Particulars	Suresh	Ramesh	Mahesh	Ganesh	Particulars	Suresh	Ramesh	Mahesh	Ganesh
To Revaluation A/c	17,000	17,000	25,500	25,500	By Balance b/d	1,00,000	1,50,000	2,00,000	2,50,000
To Mahesh's Capital A/c	2,250	2,250	—	—	By Suresh's Capital A/c	—	—	2,250	2,250
To Ganesh's Capital A/c	2,250	2,250	—	—	By Ramesh's Capital A/c	—	—	2,250	2,250
To Cash A/c	—	—	25,250	75,250	By Cash A/c	75,250	25,250	—	—
To Balance c/d	1,53,750	1,53,750	1,53,750	1,53,750					
	1,75,250	**1,75,250**	**2,04,500**	**2,54,500**		**1,75,250**	**1,75,250**	**2,04,500**	**2,54,500**

Balance Sheet as at 1st April, 2016

Liabilities		Amount (₹)	Assets	Amount (₹)
Capitals:			Fixed Assets	5,40,000
Suresh	1,53,750		Current Assets	3,45,000
Ramesh	1,53,750			
Mahesh	1,53,750			
Ganesh	1,53,750	6,15,000		
Workmen Compensation Claim		1,00,000		
Sundry Creditors		1,70,000		
		8,85,000		**8,85,000**

14. On 1.4.2015, KVK Ltd. issued 15,000, 9% debentures of ₹ 100 each at a discount of 7%, redeemable at a premium of 10% after 10 years. The company closes its books on 31st March every year. Interest on 9% debentures is payable on 30th September and 31st March every year. The rate of tax deducted at source is 10%.

Pass necessary journal entries for the issue of 9% debentures and debenture interest for the year ended 31st March, 2016. [6]

Answer :

KVK Ltd.
Journal

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
2015 April 1	Bank A/c Dr.		13,95,000	
	To 9% Debenture Application & Allotment A/c			13,95,000
	(Being application money received)			
April 1	9% Debenture Application & Allotment A/c Dr.		13,95,000	
	Loss on Issue of Debentures A/c Dr.		2,55,000	
	To 9% Debentures A/c			15,00,000
	To Premium on Redemption of Debentures A/c			1,50,000
	(Being application money transferred)			
Sep. 30	Debenture Interest A/c Dr.		67,500	
	To Debenture holders A/c			60,750
	To TDS Payable A/c			6,750
	(Being interest due)			
Sep. 30	Debenture holders A/c Dr.		60,750	
	TDS Payable A/c Dr.		6,750	
	To Bank A/c			67,500
	(Being interest & tax paid)			
2016 Mar. 31	Debenture Interest A/c Dr.		67,500	
	To Debenture holders A/c			60,750
	To TDS Payable A/c			6,750
	(Being interest due)			
Mar. 31	Debenture holders A/c Dr.		60,750	
	TDS Payable A/c Dr.		6,750	
	To Bank A/c			67,500
	(Being interest & tax paid)			
Mar. 31	Statement of Profit & Loss Dr.		1,35,000	
	To Debenture Interest A/c			1,35,000
	(Being interest transferred Statement of Profit & Loss)			

15. Pass necessary journal entries on the dissolution of a partnership firm in the following cases : [6]

(i) Expenses of dissolution were ₹ 9,000.

(ii) Expenses of dissolution ₹ 3,400 were paid by a partner, Vishal.

(iii) Shiv, a partner, agreed to do the work of dissolution for a commission of ₹ 4,500. He also agreed to bear the dissolution expenses. Actual dissolution expenses ₹ 3,900 were paid from the firm's bank account.

(iv) Naveen, a partner, agreed to look after the dissolution work for which he was allowed a remuneration of ₹ 3,000. Naveen also agreed to bear the dissolution expenses. Actual expenses on dissolution ₹ 2,700 were paid by Naveen.

(v) Vivek, a partner, was appointed to look after the dissolution work for a remuneration of ₹ 7,000. He agreed to bear the dissolution expenses. Actual dissolution expenses ₹ 6,500 were paid by Rishi, another partner, on behalf of Vivek.

(vi) Gaurav, a partner, was appointed to look after the work of dissolution for a commission of ₹ 12,500. He agreed to bear the dissolution expenses. Gaurav took over furniture of ₹ 12,500 as his commission. The furniture had already been transferred to realisation account.

Answer :

Journal

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
(i)	Realisation A/c Dr. To Bank A/c (Being dissolution expenses paid)		9,000	9,000
(ii)	Realisation A/c Dr. To Vishal's Capital A/c (Being dissolution expenses paid by Vishal)		3,400	3,400
(iii) (a)	Realisation A/c Dr. To Shiv's Capital A/c (Being remuneration given to Shiv)		4,500	4,500
(b)	Shiv's Capital A/c Dr. To Cash/Bank A/c (Being dissolution expenses paid by firm on behalf of Shiv)		3,900	3,900
(iv)	Realisation A/c Dr. To Naveen's Capital A/c (Being realisation expenses bear by Naveen)		3,000	3,000
(v)(a)	Realisation A/c Dr. To Vivek's Capital A/c (Being remuneration given to Vivek)		7,000	7,000
(b)	Vivek's Capital A/c Dr. To Rishi's Capital A/c (Being dissolution expenses paid by Rishi on behalf of Vivek)		6,500	6,500
(vi)	No Entry			

PART B
(Analysis of Financial Statements)

18. State whether the following will increase, decrease or have no effect on cash flow from operating activities while preparing 'Cash Flow Statement' :

(i) Decrease in outstanding employees benefits expenses by ₹ 3,000.

(ii) Increase in prepaid insurance by ₹ 2,000. [1]

Answer : (i) Decrease (ii) Decrease

19. Will 'acquisition of machinery by issue of equity shares' be considered while preparing 'Cash Flow Statement' ? Give reason in support of your answer. [1]

Answer : No, as it is a non-cash transaction which doesn't result in any inflow or outflow of cash.

20. State the objectives of 'Analysis of Financial Statements'. [4]

Answer : Objectives of Analysis of Financial Statements :

(i) To assess the current profitability and operational efficiency of the firm as a whole as well as its different departments so as to judge the financial health of the firm.

(ii) To ascertain the relative importance of different components of the financial position of the firm.

(iii) To identify the reasons for change in the profitability or financial position of the firm.

(iv) To judge the ability of the firm to repay its debt and assessing the short-term as well as long-term liquidity position of the firm.

●●

Accountancy 2017 (Outside Delhi) SET III

Time allowed : 3 hours **Maximum marks : 80**

Note : Except for the following questions, all the remaining questions have been asked in previous sets.

PART A

(Accounting for Partnership Firms and Companies)

13. Kapil, Mohit, Roshan and Rakesh were partners in a firm sharing profits in the ratio of 5 : 2 : 2 : 1. On 1.4.2016 their Balance Sheet was as follows :

Balance Sheet of Kapil, Mohit, Roshan and Rakesh as on 1.4.2016

Liabilities		Amount (₹)	Assets	Amount (₹)
Capitals :			Fixed Assets	8,00,000
Kapil	3,50,000		Current Assets	4,00,000
Mohit	3,00,000			
Roshan	2,50,000			
Rakesh	2,00,000	11,00,000		
Sundry Creditors		50,000		
Workmen Compensation Reserve		50,000		
		12,00,000		12,00,000

From the above date the partners decided to share the future profits equally. For this purpose the goodwill of the firm was valued at ₹ 72,000. It was also agreed that :

(i) Fixed assets will be depreciated by 10% and the claim against Workmen Compensation Reserve will be estimated at ₹ 70,000.

(ii) The capitals of the partners will be adjusted according to their new profit sharing ratio. For this, Partners' Current Accounts will be opened.

Prepare Revaluation Account, Partners' Capital Accounts and the Balance Sheet of the reconstituted firm. [6]

Answer :

Revaluation A/c

Dr. Cr.

Particulars	Amount (₹)	Particulars		Amount (₹)
To Fixed Assets A/c	80,000	By Loss transferred to Partner's Capital A/c :		
To Workmen Compensation Claim A/c	20,000	Kapil	50,000	
		Mohit	20,000	
		Roshan	20,000	
		Rakesh	10,000	1,00,000
	1,00,000			**1,00,000**

Partner's Capital A/c

Dr. Cr.

Particulars	Kapil	Mohit	Roshan	Rakesh	Particulars	Kapil	Mohit	Roshan	Rakesh
To Revaluation A/c	50,000	20,000	20,000	10,000	By Bal. b/d	3,50,000	3,00,000	2,50,000	2,00,000
To Kapil's Capital A/c	—	3,600	3,600	10,800	By Mohit's Capital A/c	3,600	—	—	—
To Bal. c/d	3,18,000	2,76,400	2,26,400	1,79,200	By Roshan Capital's A/c	3,600	—	—	—
					By Rakesh's Capital A/c	10,800	—	—	—
	3,68,000	**3,00,000**	**2,50,000**	**2,00,000**		**3,68,000**	**3,00,000**	**2,50,000**	**2,00,000**
To Current A/c	68,000	26,400	—	—	By Bal. b/d	3,18,000	2,76,400	2,26,400	1,79,200
To Bal. c/d	2,50,000	2,50,000	2,50,000	2,50,000	By Current A/c	—	—	23,600	70,800
	3,18,000	**2,76,400**	**2,50,000**	**2,50,000**		**3,18,000**	**2,76,400**	**2,50,000**	**2,50,000**

Working Notes :

(i) Gaining Ratio = New Ratio – Old Ratio

$$\text{Kapil} = \frac{1}{4} - \frac{5}{10} = \frac{10-20}{40} = \frac{-10}{40} \text{ (Sacrifice)}$$

$$\text{Mohit} = \frac{1}{4} - \frac{2}{10} = \frac{10-8}{40} = \frac{2}{40} \text{ (Gain)}$$

$$\text{Roshan} = \frac{1}{4} - \frac{2}{10} = \frac{10-8}{40} = \frac{2}{40} \text{ (Gain)}$$

$$\text{Rakesh} = \frac{1}{4} - \frac{1}{10} = \frac{10-4}{40} = \frac{6}{40} \text{ (Gain)}$$

(ii) Adjustment of Capital :

Total Capital = 3,18,000 + 2,76,400 + 2,26,400 + 1,79,200
= ₹ 10,00,000

New Profit Sharing Ratio = 1 : 1 : 1 : 1

New Capital :

$$\text{Kapil} = 10{,}00{,}000 \times \frac{1}{4} = ₹\ 2{,}50{,}000$$

$$\text{Mohit} = 10{,}00{,}000 \times \frac{1}{4} = ₹\ 2{,}50{,}000$$

$$\text{Roshan} = 10{,}00{,}000 \times \frac{1}{4} = ₹\ 2{,}50{,}000$$

$$\text{Rakesh} = 10{,}00{,}000 \times \frac{1}{4} = ₹\ 2{,}50{,}000$$

Revised Balance Sheet as at 1st April, 2016

Liabilities		Amount (₹)	Assets		Amount (₹)
Capitals :			Fixed Assets		7,20,000
Kapil	2,50,000		Current Assets		4,00,000
Mohit	2,50,000		Current A/c :		
Roshan	2,50,000		Roshan	23,600	
Rakesh	2,50,000	10,00,000	Rakesh	70,800	94,400
Sundry Creditors		50,000			
Workmen Compensation Claim		70,000			
Current A/c :					
Kapil	68,000				
Mohit	26,400	94,400			
		12,14,400			12,14,400

14. On 1.4.2015, MKM Ltd. issued 12,000, 11% debentures of ₹ 100 each at a discount of 8%, redeemable at a premium of 10% after three years. The company closes its books on 31st March every year. Interest on 11% debentures is payable on 30th September and 31st March every year. The rate of tax deducted at source is 10%.

Pass necessary journal entries for the issue of 11% debentures and debenture interest for the year ended 31.3.2016. **[6]**

Answer :

MKM Ltd. (Journal)

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
2015 April 1	Bank A/c Dr. To 11% Debenture Application & Allotment A/c (Being 12,000, 11% Debentures issued)		11,04,000	11,04,000
April 1	11% Debenture Application & Allotment A/c Dr. Loss on Issue of Debentures A/c Dr. To 11% Debentures A/c To Premium on Redemption of Debentures A/c (Being application money transferred)		11,04,000 2,16,000	12,00,000 1,20,000
Sep. 30	Debenture Interest A/c Dr. To Debentureholders A/c To TDS Payable A/c (Being interest due)		66,000	59,400 6,600
Sep. 30	Debentureholders A/c Dr. TDS Payable A/c Dr. To Bank A/c (Being interest & tax paid)		59,400 6,600	66,000
2016 Mar. 31	Debenture Interest A/c Dr. To Debentureholders A/c To TDS Payable A/c (Being interest due)		66,000	59,400 6,600
Mar. 31	Debentureholders A/c Dr. TDS Payable A/c Dr. To Bank A/c (Being interest & tax paid)		59,400 6,600	66,000
Mar. 31	Statement of Profit & Loss Dr. To Debenture Interest A/c (Being interest transferred to Statement of Profit & Loss)		1,32,000	1,32,000

15. Pass necessary journal entries on the dissolution of a partnership firm in the following cases :

(i) Expenses of dissolution ₹ 500 were paid by John, a partner.

(ii) Joney, a partner, agreed to bear the dissolution expenses for a commission of ₹ 750. Actual dissolution expenses ₹ 650 were paid by Joney.

(iii) Bony, a partner, agreed to look after the dissolution work for a remuneration of ₹ 3,700. He also agreed to bear the dissolution expenses. Actual dissolution expenses ₹ 4,200 were paid by Bony from the firm's cash.

(iv) Sony, a partner, was appointed to look after the dissolution work for a remuneration of ₹ 10,000. Sony agreed to bear the dissolution expenses. Sony took away stock worth ₹ 10,000 as his remuneration. Stock had already been transferred to realisation account.

(v) Vikky, a partner, agreed to look after the dissolution work for a remuneration of ₹ 12,000. Vikky also agreed to bear the dissolution expenses. Actual dissolution expenses ₹ 12,500 were paid by another partner, Clive, on behalf of Vikky.

(vi) Dissolution expenses were ₹ 5,000. [6]

Answer :

Journal

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
(i)	Realisation A/c Dr. To John's Capital A/c (Being realisation expenses paid by John)		500	500
(ii)	Realisation A/c Dr. To Joney's Capital A/c (Being remuneration given to Joney)		750	750
(iii) (a)	Realisation A/c Dr. To Bony's Capital A/c (Being renumeration given to Bony)		3,700	3,700
(b)	Bony's Capital A/c Dr. To Cash/Bank A/c (Being dissolution expenses paid by firm on behalf of Bony)		4,200	4,200
(iv)	No Entry		—	—
(v)(a)	Realisation A/c Dr. To Vikky's Capital A/c (Being remuneration given to Vikky)		12,000	12,000
(b)	Vikky's Capital A/c Dr. To Clive's Capital A/c (Being dissolution expenses paid by Clive on behalf of Vikky)		12,500	12,500
(vi)	Realisation A/c Dr. To Bank A/c (Being realisation expenses paid)		5,000	5,000

PART B

(Analysis of Financial Statements)

18. What is meant by 'Cash Flow Statement' ? **[1]**

Answer : Cash flow statement is defined as a statement showing changes, *i.e.*, inflows and outflows of cash and cash equivalents from various activities of a company during a particular period.

19. Will 'Net decrease in working capital' other than cash and cash equivalents, increase, decrease or not change Cash Flow from Operating Activities ? Give reason in support of your answer. **[1]**

Answer : Net decrease in working capital will increase the cash flow from operating activity as decrease in current assets will be added and increase in current assets will be deducted in it.

20. State any four limitations of 'Analysis of Financial Statements'. **[4]**

Answer : Limitations of Financial Statement Analysis :

(i) Financial statement analysis ignore the qualitative aspects of the business.

(ii) Different firms may follow different accounting policies. This may create difficulty in comparing the results of two different companies.

(iii) Financial statement anaysis are not free from bias.

(iv) The analysis of financial statement do not disclose the current worth of business *i.e.*, it ignores the price level changes.

●●

Accountancy 2017 (Delhi) SET I

Time allowed : 3 hours **Maximum marks : 80**

Note : Except for the following questions, all the remaining questions have been asked in previous sets.

PART A

(Accounting for Partnership Firms and Companies)

1. Does partnership firm has a separate legal entity ? Give reason in support of your answer. **[1]**

Answer : No, according to law, the partners and partnership firm have no separate legal entities.

2. A and B were partners in a firm sharing profits and losses in the ratio of 4 : 3. They admitted C as a new partner. The new profit sharing ratio between A, B and C was 3 : 2 : 2. A surrendered ¼ of his share in favour of C. Calculate B's Sacrifice. **[1]**

Answer : B's sacrifice = B's old share – B's new share

$$= \frac{3}{7} - \frac{2}{7} = \frac{1}{7}$$

3. P and Q were partners in a firm sharing profits equally. Their fixed capitals were ₹ 1,00,000 and ₹ 50,000 respectively. The partnership deed provided for interest on capital at the rate of 10% per annum. For the year ended 31st March, 2016 the profits of the firm were distributed without providing Interest on Capital. Pass necessary adjustment entry to rectify the error. **[1]**

Answer :

Journal

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
2016 April 1	Q's Current A/c Dr. To P's Current A/c (Being adjustment of interest on capital omitted in previous year)		2,500	2,500

Working Note :

Adjustment Table

Particulars	P	Q	Total
Interest on capital Profits are taken back	+ 10,000 – 7,500	+ 5,000 – 7,500	+ 15,000 – 15,000
Net Effect	+ 2,500 Cr.	– 2,500 Dr.	Nil

4. **X Ltd. invited applications for issuing 1,000, 9% debentures of ₹ 100 each at a discount of 6%. Applications for 1,200 debentures were received. Pro-rata allotment was made to all the applicants.**

Pass necessary Journal Entries for the issue of debentures assuming that the whole amount was payable with applications. **[1]**

Answer :

X Ltd.

Journal

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
	Bank A/c Dr. To 9% Debenture Application & Allotment A/c (Being application money received for 1,200 debentures @ ₹ 94 each)		1,12,800	 1,12,800
	9% Debenture Application & Allotment A/c Dr. Discount on Issue of Debentures A/c Dr. To 9% Debentures A/c To Bank A/c (Being 1,000, 9% Debentures alloted on pro-rata basis)		1,12,800 6,000	 1,00,000 18,800

5. **Y Ltd. forfeited 100 equity shares of ₹ 10 each for the non-payment of first call of ₹ 2 per share. The final call of ₹ 2 per share was yet to be made.**

Calculate the maximum amount of discount at which these shares can be re-issued. **[1]**

Answer : The maximum amount of discount at which these shares can be re-issued is ₹ 6 per share.

6. **Gupta and Sharma were partners in a firm. They wanted to admit two more members in the firm. List the categories of individuals other than minors who cannot be admitted by them.** **[1]**

Answer : **(a)** Persons of unsound mind.

(b) Insolvent persons.

(c) Person who has been disqualified by law.

7. **Jain Motors Ltd. converted its 200, 8% debentures of ₹ 100 each issued at a discount of 6% into equity shares of ₹ 10 each, issued at a premium of 25%. Discount on issue of 8% debentures has not yet been written off.**

Showing your working notes clearly pass necessary Journal Entries on conversion of 8% debentures into equity shares.** **[3]**

** Answer is not given due to change in the present syllabus.

8. **Amar, Ram, Mohan and Sohan were partners in a firm sharing profits in the ratio of 2 : 2 : 2 : 1. On 31st January, 2017 Sohan retired. On Sohan's retirement the goodwill of the firm was valued at ₹ 70,000. The new profit sharing ratio between Amar, Ram and Mohan was agreed as 5 : 1 : 1.**

Showing your working notes clearly, pass necessary Journal Entry for the treatment of goodwill in the books of the firm on Sohan's retirement. **[3]**

Answer :

Journal

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
2017	Amar's Capital A/c Dr.		30,000	
Jan. 31	To Ram's Capital A/c			10,000
	To Mohan's Capital A/c			10,000
	To Sohan's Capital A/c			10,000
	(Being adjustment of goodwill is made on Sohan's retirement)			

Working Note :

Gaining Ratio = New Ratio – Old Ratio

$$\text{Amar} = \frac{5}{7} - \frac{2}{7} = \frac{3}{7} \text{ (Gain)}$$

$$\text{Ram} = \frac{1}{7} - \frac{2}{7} = \frac{-1}{7} \text{ (Sacrifice)}$$

$$\text{Mohan} = \frac{1}{7} - \frac{2}{7} = \frac{-1}{7} \text{ (Sacrifice)}$$

9. **Z Ltd. purchased machinery from K Ltd. Z Ltd. paid K Ltd. as follows :**

(i) By issuing 5,000 equity shares of ₹ 10 each at a premium of 30%.

(ii) By issuing 1000, 8% Debentures of ₹ 100 each at a discount of 10%.

(iii) Balance by giving a promissory note of ₹ 48,000 payable after two months.

Pass necessary journal entries for the purchase of machinery and payment to K Ltd. in the books of Z Ltd. **[3]**

Answer :

Z Ltd.
Journal

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
	Machinery A/c Dr.		2,03,000	
	To K Ltd.			2,03,000
	(Being machinery purchased from K Ltd.)			
	K Ltd. Dr.		65,000	
	To Equity Share Capital A/c			50,000
	To Securities Premium Reserve A/c			15,000
	(Being 5,000 equity shares of ₹ 10 each issued at 30% premium)			

	K Ltd. Dr.		90,000	
	Discount on Issue of Debentures A/c Dr.		10,000	
	To 8% Debentures A/c			1,00,000
	(Being 1,000, 8% debentures of ₹ 100 each issued at 10% discount)			
	K Ltd. Dr.		48,000	
	To Bills Payable A/c			48,000
	(Being balance payment made by giving two months' Promissory note)			

10. Akash Ltd. is registered with an authorized capital of ₹ 8,00,00,000 divided into equity shares of ₹ 10 each. Subscribed and fully paid up share capital of the company was ₹ 4,00,00,000. For providing employment to the local youth and for the development of the rural areas of the Jammu and Kashmir State the company decided to set up a food processing unit in Anantnag district. The Company also decided to open skill development centres in Ladakh, Srinagar and Punch. To meet its new financial requirements the company decided to issue 1,00,000 equity shares of ₹ 10 each and 10,000, 9% debentures of ₹ 100 each. The debentures were redeemable after five years. The issue of equity shares and debentures was fully subscribed. A shareholder holding 1,000 shares failed to pay the final call of ₹ 2 per share.

Present the share capital in the Balance Sheet of the company as per the provisions of Schedule III of the Companies Act, 2013. Also, identify any two values that the company wishes to propagate. [3]**

11. Karan and Varun were partners in a firm sharing profits and losses in the ratio of 1 : 2. Their fixed capitals were ₹ 2,00,000 and ₹ 3,00,000 respectively. On 1st April, 2016 Kishore was admitted as a new partner for $\frac{1}{4}$th share in the profits. Kishore brought ₹ 2,00,000 for his capital which was to be kept fixed like the capitals of Karan and Varun. Kishore acquired his share of profit from Varun.

Calculate goodwill of the firm on Kishore's admission and the new profit sharing ratio of Karan, Varun and Kishore. Also, pass necessary Journal Entry for the treatment of Goodwill on Kishore's admission considering that Kishore did not bring his share of goodwill premium in Cash. [4]

Answer : (a) Calculation of Hidden Goowill :

Kishore's Capital = ₹ 2,00,000

Kishore's Share = ¼

Total Capital of Firm = $2{,}00{,}000 \times \frac{4}{1}$ = ₹ 8,00,000

Existing Capital of Karan, Varun and Kishore

= 2,00,000 + 3,00,000 + 2,00,000

= ₹ 7,00,000

Goodwill of the firm = 8,00,000 – 7,00,000

= ₹ 1,00,000

Thus, Kishore's share of Goodwill = $1{,}00{,}000 \times \frac{1}{4}$

= ₹ 25,000

** Answer is not given due to change in the present syllabus.

(b) Calculation of New Profit Sharing Ratio :

$$\text{Karan's new share} = \frac{1}{3} \text{ or } \frac{4}{12}$$

$$\text{Varun's new share} = \frac{2}{3} - \frac{1}{4} = \frac{5}{12}$$

$$\text{Kishore's share} = \frac{1}{4} \text{ or } \frac{3}{12}$$

$$\therefore \quad \text{New Ratio} = 4:5:3$$

(c) **Journal**

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
2016 April 1	Kishore's Current A/c Dr. To Varun's Current A/c (Being goodwill credited to Varun on Kishore's admission)		25,000	25,000

12. **Sandeep, Mandeep and Amandeep were partners in a firm sharing profits in the ratio of 2 : 2 : 1. The firm closes its books on 31st March every year. On 30th September, 2016 Mandeep died. The partnership deep provided that on the death of a partner his executors will be entitled to the following :**

(1) Balance in his capital account and interest @ 12% p.a. on capital. On 1-4-2016 the balance in Mandeep's Capital Account was ₹ 1,00,000.

(2) His share in the profits of the firm in the year of his death which will be calculated on the basis of rate of net profit on sales of the previous year which was 25%. The sales of the firm till 30th September, 2016 were ₹ 9,00,000.

(3) His share in the goodwill of the firm. The goodwill of the firm on Mandeep's death was valued at ₹ 1,50,000.

The partnership deed also provided that the following deductions will be made from the amount payable to the executor of the deceased partner :

(1) His drawings in the year of his death. Mandeep's drawings till 30th September, 2016 were ₹ 4,000.

(2) Interest on drawings @ 6% per annum which was calculated as ₹ 120.

The accountant of the firm prepared Mandeep's Capital Account to be presented to the executor of Mandeep but in a hurry he left it incomplete. Mandeep's capital Account prepared by Accountant of the firm is shown below :

Mandeep's Capital Account

Dr. **Cr.**

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
2016			2016		
Sep. 30	....	4,000	April 1	....	1,00,000
Sep. 30	....	....	Sep. 30	....	600
Sep. 30	....	....	Sep. 30	....	90,000
			Sep. 30	....	40,000
			Sep. 30	....	20,000
		2,56,000			**2,56,000**

You are required to complete Mandeep's Capital Account. **[4]**

Answer :

Mandeep's Capital Account

Dr. **Cr.**

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
2016			2016		
Sep. 30	To Drawings A/c	4,000	April 1	By Balance b/d	1,00,000
Sep. 30	To Interest on Drawings A/c	120	Sep. 30	By Interest on Capital A/c	6,000
Sep. 30	To Mandeep's Executor's A/c	2,51,880	Sep. 30	By P & L Suspense A/c	90,000
			Sep. 30	By Sandeep's Capital A/c	40,000
			Sep. 30	By Amandeep's Capital A/c	20,000
		2,56,000			**2,56,000**

13. S, T, U and V were partners in a firm sharing profits in the ratio of 4 : 3 : 2 : 1. On 1-4-2016 their Balance Sheet was as follows :

Balance Sheet of S, T, U and V as on 1-4-2016

Liabilities		Amount (₹)	Assets	Amount (₹)
Capitals :			Fixed Assets	4,40,000
S	2,00,000		Current Assets	2,00,000
T	1,50,000			
U	1,00,000			
V	50,000	5,00,000		
Sundry Creditors		80,000		
Workmen Compensation Reserve		60,000		
		6,40,000		**6,40,000**

From the above date partners decided to share the future profits in 3 : 1 : 2 : 4 ratio. For this purpose the goodwill of the firm was valued at ₹ 90,000. The partners also agreed for the following :

(i) The claim for workmen compensation has been estimated at ₹ 70,000.

(ii) To adjust the capitals of the partners according to new profit sharing ratio by opening partners current accounts.

Prepare Revaluation Account, Partners' Capital Accounts and the Balance Sheet of the reconstituted firm. **[6]**

Answer :

Dr. **Revaluation A/c** **Cr.**

Particulars	Amount (₹)	Particulars		Amount (₹)
		By Loss transferred to :		
To Workmen Compensation Claim A/c	10,000	S's Capital	4,000	
		T's Capital	3,000	
		U's Capital	2,000	
		V's Capital	1,000	10,000
	10,000			**10,000**

Dr. **Partners' Capital A/c** Cr.

Particulars	S	T	U	V	Particulars	S	T	U	V
To Revaluation A/c	4,000	3,000	2,000	1,000	By Balance b/d	2,00,000	1,50,000	1,00,000	50,000
To S's Cap. A/c	—	—	—	9,000	By V's Capital A/c	9,000	18,000	—	—
To T's Cap. A/c	—	—	—	18,000	By V's Current A/c	—	—	—	1,74,000
To Partner's Current A/c	58,000	1,16,000	—	—					
To Balance c/d	1,47,000	49,000	98,000	1,96,000					
	2,09,000	**1,68,000**	**1,00,000**	**2,24,000**		**2,09,000**	**1,68,000**	**1,00,000**	**2,24,000**

Balance Sheet

as at 31st March, 2016

Liabilities		Amount (₹)	Assets	Amount (₹)
Sundry Creditors		80,000	Fixed Assets	4,40,000
Capitals :			Current Assets	2,00,000
S	1,47,000		V's Current A/c	1,74,000
T	49,000			
U	98,000			
V	1,96,000	4,90,000		
Workmen Compensation Claim		70,000		
Partner's Current A/c :				
S	58,000			
T	1,16,000	1,74,000		
		8,14,000		**8,14,000**

14. On 1-4-2015 K. K. Ltd. issued 500, 9% Debentures of ₹ 500 each at a discount of 4%, redeemable at a premium of 5% after three years.

Pass necessary Journal Entries for the issue of debentures and debenture interest for the year ended 31-3-2016 assuming that interest is payable on 30th September and 31st March and the rate of tax deducted at source is 10%. The company closes its books on 31st March every year. **[6]**

Answer :

K. K. Ltd.

Journal

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
2015 April 1	Bank A/c Dr. To 9% Debenture Application & Allotment A/c (Being application money received)		2,40,000	2,40,000

April 1	9% Debenture Application & Allotment A/c Dr.		2,40,000	
	Discount on Issue of Debenture A/c Dr.		10,000	
	Loss on Issue of Debenture A/c Dr.		12,500	
	To 9% Debentures A/c			2,50,000
	To Premium on Redemption of Debentures A/c			12,500
	(Being transfer of application money issued at discount of 4% and redeemable at premium of 5%)			
Sep. 30	Debenture Interest A/c Dr.		11,250	
	To Debenture holders A/c			10,125
	To TDS Payable A/c			1,125
	(Being interest payable on 9% debentures & tax deducted at source @ 10%)			
Sep. 30	Debenture holders A/c Dr.		10,125	
	TDS Payable A/c Dr.		1,125	
	To Bank A/c			11,250
	(Being interest and TDS paid)			
2016	Debenture Interest A/c Dr.		11,250	
Mar. 31	To Debenture holders A/c			10,125
	To TDS Payable A/c			1,125
	(Being interest payable on 9% debentures & tax deducted at source @ 10%)			
Mar. 31	Debentureholders A/c Dr.		10,125	
	TDS Payable A/c Dr.		1,125	
	To Bank A/c			11,250
	(Being interest and TDS paid)			
Mar. 31	Statement of Profit & Loss Dr.		22,500	
	To Debenture Interest A/c			22,500
	(Being interest on debentures transferred to Statement of Profit and Loss)			

15. Pass necessary Journal Entries on the dissolution of a partnership firm in the following cases :

(iv) L, a partner, was appointed to look after the dissolution process for which he was given a remuneration of ₹ 10,000.

(ii) Dissolution expenses ₹ 8,000 were paid by the partner, M.

(iii) Dissolution Expenses were ₹ 5,000.

(iv) P, a partner, was appointed to look after the process of dissolution for which he was allowed a remuneration of ₹ 7,000. P agreed to bear the dissolution expenses. Actual dissolution expenses ₹ 4,000 were paid by P.

(v) N, a partner, was appointed to look after the process of dissolution for which he was allowed a remuneration of ₹ 9,000. N agreed to bear the dissolution expenses. Actual dissolution expenses ₹ 4,000 were paid by the firm.

(vi) Q, a partner was appointed to look after the process of dissolution for which he was allowed a remuneration of ₹ 18,000. Q agreed to take over stock worth ₹ 18,000 as his remuneration. The stock had already been transferred to Realisation Account. **[6]**

Answer :

Journal

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
(i)	Realisation A/c Dr. To L's Capital A/c (Being remuneration given to L)		10,000	10,000
(ii)	Realisation A/c Dr. To M's Capital A/c (Being dissolution expenses paid by partner)		8,000	8,000
(iii)	Realisation A/c Dr. To Cash/Bank A/c (Being dissolution expenses paid)		5,000	5,000
(iv)	Realisation A/c Dr. To P's Capital A/c (Being dissolution expenses paid P and remuneration paid by firm)		7,000	7,000
(v)	Realisation A/c Dr. To N's Capital A/c (Being dissolution expenses paid by N and remuneration paid by firm)		9,000	9,000 4,000
	N's capital A/c Dr. To Bank/Cash A/c (Being dissolution expenses paid by the firm on behalf of the partner)		4,000	4,000
(vi)	No entry			

16. W and R are partners in a firm sharing profits in the ratio of 3 : 2. Their Balance Sheet as on 31st March, 2016 was as follows :

Balance Sheet of W and R as on 31-3-2016

Liabilities	Amount (₹)	Assets	Amount (₹)
Sundry Creditors	20,000	Cash	12,000
Provision for Bad Debts	2,000	Debtors	18,000
Outstanding Salary	3,000	Stock	20,000
General Reserve	5,000	Furniture	40,000
Capitals :		Plant & Machinery	40,000
W 60,000			
R 40,000	1,00,000		
	1,30,000		**1,30,000**

On the above date C was admitted for $\frac{1}{6}^{th}$ share in the profits on the following terms :

(i) C will bring ₹ 30,000 as his capital and ₹ 10,000 for his share of goodwill premium, half of which will be withdrawn by W and R.

(ii) Debtors ₹ 1,500 will be written off as bad debts and a provision of 5% will be created for bad and doubtful debts.

(iii) Outstanding salary will be paid off.

(iv) Stock will be depreciated by 10%, furniture by ₹ 500 and Plant and Machinery by 8%.

(v) Investments ₹ 2,500 not mentioned in the balance sheet were to be taken into account.

(vi) A creditor of ₹ 2,100 not recorded in the books was to be taken into account.

Pass necessary Journal Entries for the above transactions in the books of the firm on C's admission.

OR

M, N and G were partners in a firm sharing profits and losses in the ratio of 5 : 3 : 2. On 31-3-2016 their Balance Sheet was as under :

Balance Sheet of M, N and G as on 31-3-2016

Liabilities			Amount (₹)	Assets		Amount (₹)
Creditors			55,000	Cash		40,000
General Reserve			30,000	Debtors	45,000	
Capitals :				*Less* : Provision	5,000	40,000
	M	1,50,000		Stock		50,000
	N	1,25,000		Machinery		1,50,000
	G	75,000	3,50,000	Patents		30,000
				Building		1,00,000
				Profit & Loss A/c		25,000
			4,35,000			4,35,000

M retired on the above date and it was agreed that :

(i) Debtors of ₹ 2,000 will be written off as bad debts and provision of 5% on debtors for bad and doubtful debts will be maintained.

(ii) Patents will be completely written off and stock, machinery and building will be depreciated by 5%.

(iii) An unrecorded creditor of ₹ 10,000 will be taken into account.

(iv) N and G will share the future profits in the ratio of 2 : 3.

(v) Goodwill of the firm on M's retirement was valued at ₹ 3,00,000.

Pass necessary Journal Entires for the above transactions in the books of the firm on M's retirement. [8]

Answer :

Journal

Date	Particulars		L.F.	Amount (₹)	Amount (₹)
	General Reserve A/c	Dr.		5,000	
	To W's Capital A/c				3,000
	To R's Capital A/c				2,000
	(Being General Reserve distributed among old partners)				
	Cash A/c	Dr.		40,000	
	To C's Capital A/c				30,000
	To Premium for Goodwill A/c				10,000
	(Being cash for capital & goodwill received from C)				

	Premium for Goodwill A/c Dr.		10,000	
	To W's Capital A/c			6,000
	To R's Capital A/c			4,000
	(Being premium for goodwill distributed among old partners in their sacrificing ratio)			
	W's Capital A/c Dr.		3,000	
	R's Capital A/c Dr.		2,000	
	To Cash A/c			5,000
	(Being half goodwill withdrawn by W and R)			
	Bad Debts A/c Dr.		1,500	
	To Debtors A/c			1,500
	(Being debtors written off)			
	Provision for Bad and Doubtful Debts A/c Dr.		1,500	
	To Bad Debts A/c			1,500
	(Being provision utilised for writing off bad debts)			
	Revaluation A/c Dr.		8,125	
	To Provision for Bad Debts A/c			325
	To Stock A/c			2,000
	To Furniture A/c			500
	To Plant and Machinery A/c			3,200
	To Creditors A/c			2,100
	(Being assets and liabilities revalued)			
	Outstanding Salary A/c Dr.		3,000	
	To Cash A/c			3,000
	(Being outstanding salary paid)			
	Investments A/c Dr.		2,500	
	To Revaluation A/c			2,500
	(Being increase in investments recorded)			
	W's Capital A/c Dr.		3,375	
	R's Capital A/c Dr.		2,250	
	To Revaluation A/c			5,625
	(Being loss on revaluation transferred to Partner's Capital A/c)			

OR

Journal

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
	General Reserve A/c Dr.		30,000	
	To M's Capital A/c			15,000
	To N's Capital A/c			9,000
	To G's Capital A/c			6,000
	(Being general reserve distributed among partners)			

	M's Capital A/c Dr. N's Capital A/c Dr. G's Capital A/c Dr. To Profit & Loss A/c (Being accumulated losses divided among partners)		12,500 7,500 5,000	 25,000
	Bad Debts A/c Dr. To Debtors A/c (Being debtors of ₹ 2,000 written off)		2,000	 2,000
	Provision for Bad Debts A/c Dr. To Bad Debts A/c (Being provision utilized for writing off bad debts)		2,000	 2,000
	Provision for Bad & Doubtful Debt A/c Dr. To Revaluation A/c (Being excess provision transferred to Revaluation A/c)		850	 850
	Revaluation A/c Dr. To Patents A/c To Stock A/c To Machinery A/c To Building A/c To Creditors A/c (Being assets and liabilities revalued)		55,000	 30,000 2,500 7,500 5,000 10,000
	M's Capital A/c Dr. N's Capital A/c Dr. G's Capital A/c Dr. To Revaluation A/c (Being loss on revaluation transferred to partners capital A/c)		27,075 16,245 10,830	 54,150
	N's Capital A/c Dr. G's Capital A/c Dr. To M's Capital A/c (Being goodwill adjusted on M's retirement)		30,000 1,20,000	 1,50,000
	M's Capital A/c Dr. To M's Loan A/c (Being M's Capital's balance transferred to M's Loan A/c)		2,75,425	 2,75,425

17. AXN Ltd. invited applications for issuing 1,00,000 equity shares of ₹ 10 each at a premium of ₹ 6 per share. The amount was payable as follows :

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

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

On First Call ₹ 4 per share (including ₹ 2 premium)

On Second and Final Call - Balance Amount.

The issue was fully subscribed.

Kumar the holder of 400 shares did not pay the allotment money and Ravi the holder of 1,000 shares paid his entire share money alongwith allotment money. Kumar's shares were forfeited immediately after allotment. Afterwards first call was made. Gupta a holder of 300 shares failed to pay the first call money and Gopal a holder of 600 shares paid the second call money also alongwith first call. Gupta's shares were forfeited immediately after the first call. Second and final call was made afterwards. The whole amount due on second call was received.

All the forfeited shares were re-issued at ₹ 9 per share fully paid up.

Pass necessary Journal Entries for the above transactions in the books of the company.

OR

XL Ltd. invited applications for issuing 1,00,000 equity shares of ₹ 10 each at par. The amount was payable as follows :

On Application ₹ 3 per share.

On Allotment ₹ 4 per share.

On First and Final call ₹ 3 per share.

The issue was over-subscribed by three times. Applications for 20% shares were rejected and the money refunded. Allotment was made to the remaining applicants as follows :

Category	No. of Shares Applied	No. of Shares Alloted
I	1,60,000	80,000
II	80,000	20,000

Excess money received with applications was adjusted towards sums due on allotment and first and final call. All calls were made and were duly received except the final call by a shareholder belonging to Category I who has applied for 320 shares. His shares were forfeited. The forfeited shares were re-issued at ₹ 15 per share fully paid up.

Pass necessasry Journal entries for the above transactions in the book of XL Ltd. open calls in arrears and calls in advance account whenever required. [8]

Answer : AXN Ltd.

Journal

Date	Particulars		L.F.	Amount (₹)	Amount (₹)
	Bank A/c	Dr.		4,00,000	
	To Equity Share Application A/c				4,00,000
	(Being application money received)				
	Equity Share Application A/c	Dr.		4,00,000	
	To Equity Share Capital A/c				2,00,000
	To Securities Premium Reserve A/c				2,00,000
	(Being application money transferred)				

	Equity Share Allotment A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c (Being share allotment money due)		5,00,000	 3,00,000 2,00,000
	Bank A/c Dr. To Equity Share Allotment A/c To Calls in Advance A/c (Being allotment money received except on 400 shares and calls in advance received)		5,05,000	 4,98,000 7,000
	Equity Share Capital A/c Dr. Securities Premium Reserve A/c Dr. To Share Forfeiture A/c To Equity Share Allotment A/c (Being 400 shares forfeited)		2,000 800	 800 2,000
	Equity Share First Call A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c (Being first call money due on 99,600 shares)		3,98,400	 1,99,200 1,99,200
	Bank A/c Dr. Calls-in-Advance A/c Dr. To Equity Share First Call A/c To Calls-in-Advance A/c (Being first call money and calls-in-advance received, advance received earlier adjusted)		3,95,000 4,000	 3,97,200 1,800
	Equity Share Capital A/c Dr. Securities Premium Reserve A/c Dr. To Share Forfeiture A/c To Equity Share First Call A/c (Being 300 shares forfeited)		2,100 600	 1,500 1,200
	Equity Share Second and Final Call A/c Dr. To Equity Share Capital A/c (Being second and final call due on 99,300 Shares)		2,97,900	 2,97,900
	Bank A/c Dr. Calls-in-Advance A/c Dr. To Equity Share Second & Final Call A/c (Being second and final call money received and advance adjusted)		2,93,100 4,800	 2,97,900
	Bank A/c Dr. Share Forfeiture A/c Dr. To Equity Share Capital A/c (Being forfeited shares re-issued)		6,300 700	 7,000
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Being gain on re-issue on forfeited shares transferred to capital reserve)		1,600	 1,600

OR

XL Ltd.

Journal

Date	Particulars		L.F.	Amount (₹)	Amount (₹)
	Bank A/c	Dr.		9,00,000	
	To Equity Share Application A/c				9,00,000
	(Being application money received)				
	Equity Share Application A/c	Dr.		9,00,000	
	To Equity Share Capital A/c				3,00,000
	To Bank A/c				2,20,000
	To Equity Share Allotment A/c				3,20,000
	To Calls-in-Advance A/c				60,000
	(Being application money transferred)				
	Equity Share Allotment A/c	Dr.		4,00,000	
	To Equity Share Capital A/c				4,00,000
	(Being share allotment due)				
	Bank A/c	Dr.		80,000	
	To Equity Share Allotment A/c				80,000
	(Being allotment money received)				
	Equity Share First and Final Call A/c	Dr.		3,00,000	
	To Equity Share Capital A/c				3,00,000
	(Being first and final call money due)				
	Bank A/c	Dr.		2,39,520	
	Calls-in-Arrears A/c	Dr.		480	
	Calls-in-Advance A/c	Dr.		60,000	
	To Equity Share First & Final Call A/c				3,00,000
	(Being money received on first & final call)				
	Equity Share Capital A/c	Dr.		1,600	
	To Share Forfeiture A/c				1,120
	To Call-in-Arrears A/c				480
	(Being 160 shares forfeited)				
	Bank A/c	Dr.		2,400	
	To Equity Share Capital A/c				1,600
	To Securities Premium Reserve A/c				800
	(Being forfeited shares re-issued)				
	Share Forfeiture A/c	Dr.		1,120	
	To Capital Reserve A/c				1,120
	(Being gain on re-issue of shares transferred to Capital Reserve A/c)				

PART B

(Analysis of Financial Statements)

18. Short term investments are not considered while preparing cash flow statement. Why ? [1]

Answer : Short term investments are not considered while preparing cash flow statement as they are part of Cash Cash Equivalents.

19. Net increase in working capital other than cash and cash equivalents will increase, decrease or not change cash flow from operating activities. Give reason in support of your answer. [1]

Answer : It will decrease because net increase in working capital implies the outflow of cash from operating activities.

21. The Quick ratio of a company is 0.8 : 1. State with reason whether the following transactions will increase, decrease or not change the quick ratio :

(1) Purchase of loose tools ₹ 2,000.

(2) Insurance premium paid in advance ₹ 500.

(3) Sale of goods on credit ₹ 3,000.

(4) Honoured a bills payable ₹ 5,000 on maturity. **[4]**

Answer :

Transactions	Effect on Quick Ratio	Reasons
(i) Purchase of loose tools	Decrease	Quick assets decreases but no change in current liabilities.
(ii) Insurance premium paid in advance	Decrease	Quick assets decreases but no change in current liabilities.
(iii) Sale of goods on credit	Increase	Quick assets increases but no change in current liabilities.
(iv) Honoured a bills payable on maturity	Decrease	Quick assets and current liabilities both decreases by same amount.

22. Financial statements are prepared following the consistent accounting concepts, principles, procedures and also the legal environment in which the business organizations operate. These statements are the sources of information on the basis of which conclusions are drawn about the profitability and financial position of a company so that their users can easily understand and use them in their economic decisions in a meaningful way.

From the above statement identify any two values that a company should observe while preparing its financial statements. Also state under which major headings and sub-headings the following items will be presented in the balance sheet of a company as per Schedule III of the Companies Act, 2013.

General Reserves, short term loans and advances, Capital work in progress and design. ** **[4]**

23. Following is the Balance Sheet of R.S. Ltd. as at 31st March, 2016 :

R.S. Ltd. Balance Sheet as at 31-3-2016

Particulars	Note No.	31-3-2016 (₹)	31-3-2015 (₹)
I. Equity and Liabilities			
(1) Shareholder's Funds			
(a) Share Capital		9,00,000	7,00,000
(b) Reserves and Surplus	1	2,50,000	1,00,000
(2) Non-current Liabilities			
Long-term Borrowings	2	4,50,000	3,50,000
(3) Current Liabilities			
(a) Short-term Borrowings	3	1,50,000	75,000
(b) Short-term Provisions	4	2,00,000	1,25,000
Total		**19,50,000**	**13,50,000**

** Answer is not given due to change in the present syllabus.

II. Assets			
(1) Non-current Assets			
(a) Fixed Assets			
(i) Tangible	5	14,65,000	9,15,000
(ii) Intangible	6	1,00,000	1,50,000
(b) Non-current Investments		1,50,000	1,00,000
(2) Current Assets			
(a) Current Investments		40,000	70,000
(b) Inventories	7	1,22,000	72,000
(c) Cash and Cash Equivalents		73,000	43,000
Total		**19,50,000**	**13,50,000**

Notes to Accounts :

Note No.	Particulars	31-3-2016 (₹)	31-3-2015 (₹)
1.	**Reserves and Surplus** (Surplus *i.e.*, Balance in the Statement of Profit and Loss)	2,50,000	1,00,000
		2,50,000	**1,00,000**
2.	**Long-term Borrowings** – 12% Debentures	4,50,000	3,50,000
		4,50,000	**3,50,000**
3.	**Short-term Borrowings** – Bank Overdraft	1,50,000	75,000
		1,50,000	**75,000**
4.	**Short-term Provisions** – Proposed Dividend	2,00,000	1,25,000
		2,00,000	**1,25,000**
5.	**Tangible Assets**		
	Machinery	16,75,000	10,55,000
	Accumulated Depreciation	(2,10,000)	(1,40,000)
		14,65,000	**9,15,000**
6.	**Intangible Assets**		
	Goodwill	1,00,000	1,50,000
		1,00,000	**1,50,000**
7.	**Inventories**		
	Stock in Trade	1,22,000	72,000
		1,22,000	**72,000**

Additional Information :

(1) ₹ 1,00,000, 12% Debentures were issued on 31-3-2016.

(2) During the year a piece of machinery costing ₹ 80,000, on which accumulated depreciation was ₹ 40,000, was sold at a loss of ₹ 10,000.

Prepare a Cash Flow Statement. **[6]**

Answer: **Cash Flow Statement of R.S. Ltd.**

for the year ended 31st March, 2016

Particulars	Amount (₹)	Amount (₹)
A. Cash Flow from Operating Activities :		
Net profit before tax and extraordinary items (Note 1)	3,50,000	3,50,000
Add : *Non Cash* and *Non Operating Items :*		
Goodwill written off	50,000	
Depreciation on Machinery	1,10,000	
Interest on Debentures	42,000	
Loss on sale of Machinery	10,000	2,12,000
Operating profit before working capital changes		5,62,000
Less : Increase in Inventories	(50,000)	(50,000)
Net Cash Inflow from Operating Activities		5,12,000
B. Cash Flow from Investing Activities :		
Purchase of Machinery	(7,00,000)	
Sale of Machinery	30,000	
Purchase of non current Investments	(50,000)	
Net Cash used in Investing Activities		(7,20,000)
C. Cash Flow from Financing Activities :		
Issue of Share Capital	2,00,000	
Issue of 12% Debentures	1,00,000	
Interest on debentures paid	(42,000)	
Dividend paid	(1,25,000)	
Bank Overdraft raised	75,000	
Net Cash Inflow from Financing Activities		2,08,000
Net increase/decrease in Cash and Cash Equivalents (A + B + C)		Nil
Add : Opening Balance of Cash and Cash Equivalents (70,000 + 43,000)		1,13,000
Closing Balance of Cash and Cash Equivalents		1,13,000

Working Notes :

Calculation of Net profit before tax :

Net Profit as per Statement of P & L	1,50,000
Add : Proposed Dividend	2,00,000
Net Profit before tax and extraordinary items	3,50,000

Machinery A/c

Dr. Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	10,55,000	By Cash A/c	30,000
To Cash A/c (Purchases) (Bal. Fig.)	7,00,000	By Statement of P & L	10,000
		By Accumulated Depreciation A/c	40,000
		By Balance c/d	16,75,000
	17,55,000		**17,55,000**

Accumulated Depreciation A/c

Dr. Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Machinery A/c	40,000	By Balance b/d	1,40,000
To Balance c/d	2,10,000	By Statement of P & L (Bal. Fig.)	1,10,000
	2,50,000		**2,50,000**

Accountancy 2017 (Delhi) SET II

Time allowed : 3 hours **Maximum marks : 80**

Note : Except for the following questions, all the remaining questions have been asked in previous sets.

PART A

(Accounting for Partnership Firms and Companies)

7. XXL Ltd. converted its 500, 9% debentures of ₹ 100 each issued at a discount of 8% into equity shares of ₹ 10 each issued at a premium of 25%. Discount on issue of debentures has not yet been written off.

Showing your workings clearly pass necessary Journal Entries on conversion of 9% debentures into equity shares.** **[3]**

8. A, B, C and D were partners in a firm sharing profits in 3 : 3 : 3 : 1 ratio. On 31st January, 2017 D retired. A, B and C decided to share future profits in the ratio of 5 : 1 : 1. On D's retirement the goodwill of the firm was valued at ₹ 4,90,000.

Showing your working notes clearly pass necessary Journal Entry for the treatment of goodwill in the books of the firm on D's retirement. **[3]**

Answer : **Journal**

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
	A's Capital A/c Dr.		2,03,000	
	To B's Capital A/c			77,000
	To C's Capital A/c			77,000
	To D's Capital A/c			49,000
	(Being adjustment of goodwill on D's retirement)			

** Answer is not given due to change in the present syllabus.

Working Note :

Gaining Ratio = New Ratio – Old Ratio

$$A = \frac{5}{7} - \frac{3}{10} = \frac{50-21}{70} = \frac{29}{70} \text{ (Gain)}$$

$$B = \frac{1}{7} - \frac{3}{10} = \frac{10-21}{70} = \frac{-11}{70} \text{ (Sacrifice)}$$

$$C = \frac{1}{7} - \frac{3}{10} = \frac{10-21}{70} = \frac{-11}{70} \text{ (Sacrifice)}$$

13. Ram, Mohan, Sohan and Hari were partners in a firm sharing profits in the ratio of 4 : 3 : 2 : 1. On 1-4-2016 their Balance Sheet was as follows :

Balance Sheet of Ram, Mohan, Sohan and Hari as on 1-4-2016

Liabilities		Amount (₹)	Assets	Amount (₹)
Capitals :			Fixed Assets	9,00,000
Ram	4,00,000		Current Assets	5,20,000
Mohan	4,50,000			
Sohan	2,50,000			
Hari	2,00,000	13,00,000		
Workmen Compensation Reserve		1,20,000		
		14,20,000		**14,20,000**

From the above date the partners decided to share the future profits in the ratio of 1 : 2 : 3 : 4. For this purpose the goodwill of the firm was valued at ₹ 1,80,000. The partners also agreed for the following :

(1) The claim for workmen compensation has been estimated at ₹ 1,50,000.

(2) Adjust the capitals of the partners according to new profit sharing ratio by opening partner's current accounts.

Prepare Revaluation Account, Partners Capital Accounts and the Balance Sheet of the reconstituted firm. **[6]**

Answer : **Dr.** **Revaluation A/c** **Cr.**

Particulars	Amount (₹)	Particulars		Amount (₹)
To Workmen Compensation Claim A/c	30,000	By Loss transferred to Capital A/c		
		Ram	12,000	
		Mohan	9,000	
		Sohan	6,000	
		Hari	3,000	30,000
	30,000			**30,000**

Dr. **Partner's Capital A/c** **Cr.**

Particulars	Ram	Mohan	Sohan	Hari	Particulars	Ram	Mohan	Sohan	Hari
To Revaluation A/c	12,000	9,000	6,000	3,000	By Balance b/d	4,00,000	4,50,000	2,50,000	2,00,000
To Ram's Capital A/c	—	—	13,500	40,500	By Sohan's Capital A/c	13,500	4,500	—	—
To Mohan's Capital A/c	—	—	4,500	13,500	By Hari's Capital A/c	40,500	13,500	—	—
To Partner's Current A/c	3,15,000	2,05,000	—	—	By Partner's Current A/c	—	—	1,55,000	3,65,000
To Balance c/d	1,27,000	2,54,000	3,81,000	5,08,000					
	4,54,000	**4,68,000**	**4,05,000**	**5,65,000**		**4,54,000**	**4,68,000**	**4,05,000**	**5,65,000**

Balance sheet as at 31st March, 2016

Liabilities		Amount (₹)	Assets		Amount (₹)
Capitals :			Fixed Assets		9,00,000
Ram	1,27,000		Current Assets		5,20,000
Mohan	2,54,000		Partner's Current A/c :		
Sohan	3,81,000		Sohan	1,55,000	
Hari	5,08,000	12,70,000	Hari	3,65,000	5,20,000
Workmen Compensation Claim		1,50,000			
Partner's Current A/c :					
Ram	3,15,000				
Mohan	2,05,000	5,20,000			
		19,40,000			19,40,000

14. On 1-4-2015 V.V.L. 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 entires for the issue of debentures and debenture interest for the year ended 31-3-2016, assuming that interest is payable on 30th September and 31st March and the rate of tax deducted at source is 10%. The company closes its books on 31st March every year. **[6]**

Answer :

V.V.L. Ltd.
Journal

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
2015	Bank A/c Dr.		94,000	
April 1	To 9% Debenture Application & Allotment A/c			94,000
	(Being application money received)			
April 1	9% Debenture Application & Allotment A/c Dr.		94,000	
	Discount on Issue of Debentures A/c Dr.		6,000	
	Loss on Issue of Debentures A/c Dr.		10,000	
	To 9% Debentures A/c			1,00,000
	To Premium on Redemption of Debentures A/c			10,000
	(Being transfer of application money to debentures account issued at discount and redeemable at premium)			
Sep. 30	Debenture Interest A/c Dr.		4,500	
	To Debentureholders A/c			4,050
	To TDS Payable A/c			450
	(Being interest payable on debentures and tax deducted @ 10%)			
Sep. 30	Debentureholders A/c Dr.		4,050	
	TDS Payable A/c Dr.		450	
	To Bank A/c			4,500
	(Being interest and TDS paid)			

2016 Mar. 31	Debenture Interest A/c Dr.		4,500	
	To Debentureholders A/c			4,050
	To TDS Payable A/c			450
	(Being interest payable on debentures & tax deducted @ 10%)			
Mar. 31	Debentureholders A/c Dr.		4,050	
	TDS Payable A/c Dr.		450	
	To Bank A/c			4,500
	(Being interest and TDS paid)			
Mar. 31	Statement of Profit & Loss Dr.		9,000	
	To Debenture Interest A/c			9,000
	(Being interest on debentures transferred to Statement of Profit and Loss)			

PART B

(Analysis of Financial Statements)

19. 'Payment and Receipt of interest and dividend' is classified as which type of activity while preparing cash flow statement ? **[1]**

Answer : • Payment of Interest and Dividend — Financing Activity.

• Receipt of Interest and Dividend – Investing Activity.

●●

Accountancy 2017 (Delhi) SET III

Time allowed : 3 hours **Maximum marks : 80**

Note : Except for the following questions, all the remaining questions have been asked in previous sets.

PART A

(Accounting for Partnership Firms and Companies)

13. P, Q, R and S were partners in a firm sharing profits in the ratio of 1 : 4 : 2 : 3. On 1-4-2016 their Balance Sheet was as follows :

Balance Sheet of P, Q, R and S as on 1-4-2016

Liabilities		Amount (₹)	Assets	Amount (₹)
Capitals :			Fixed Assets	12,70,000
P	2,00,000		Current Assets	5,30,000
Q	3,00,000			
R	4,00,000			
S	5,00,000	14,00,000		
Sundry Creditors		2,30,000		
Workmen Compensation Reserve		1,70,000		
		18,00,000		**18,00,000**

From the above date the partners decided to share the future profits equally. For this purpose the goodwill of the firm was valued at ₹ 2,70,000.

The partners also agreed for the following :

(i) Claim against workmen compensations reserve was estimated at ₹ 2,00,000.

(ii) Capitals of the partners was to be adjusted according to the new profit sharing ratio by bringing or paying cash as the case may be.

Prepare Revaluation Account, Partners Capital Accounts and the Balance Sheet of the reconstituted firm. **[6]**

Answer :

Dr. **Revaluation A/c** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Workmen Compensation Claim A/c	30,000	By Loss transferred to Capital A/c	
		P 3,000	
		Q 12,000	
		R 6,000	
		S 9,000	30,000
	30,000		**30,000**

Dr. **Partners' Capital A/c** **Cr.**

Particulars	P	Q	R	S	Particulars	P	Q	R	S
To Revaluation	3,000	12,000	6,000	9,000	By Balance b/d	2,00,000	3,00,000	4,00,000	5,00,000
A/c									
To Q's Capital	30,375	—	10,125	—	By P's Capital	—	30,375	—	10,125
A/c					A/c				
To S's Capital	10,125	—	3,375	—	By R's Capital				
A/c	—	—	38,000	1,62,000	A/c	—	10,125	—	3,375
To Cash A/c	3,42,500	3,42,500	3,42,500	3,42,500	By Cash A/c	1,86,000	14,000	—	—
To Balance c/d									
	3,86,000	**3,54,500**	**4,00,000**	**5,13,500**		**3,86,000**	**3,54,500**	**4,00,000**	**5,13,500**

Balance Sheet as at 31st March, 2016

Liabilities	Amount (₹)	Assets	Amount (₹)
Capitals :		Fixed Assets	12,70,000
P 3,42,500		Current Assets	5,30,000
Q 3,42,500			
R 3,42,500			
S 3,42,500	13,70,000		
Workmen Compensation Claim	2,00,000		
Sundry Creditors	2,30,000		
	18,00,000		**18,00,000**

14. On 1-4-2015 PVR Ltd. issued 750, 11% debentures of ₹ 1,000 each at a discount of 5%, redeemable at a premium of 10% after three years. Interest on debentures is payable on 30th September and 31st March. PVR Ltd. closes its books on 31st March every year. The rate of tax deducted at source is 10%.

Pass necessary Journal Entries for the issue of debentures and the payment of interest for the year ended 31st March, 2016. **[6]**

Answer :

PVR LTD.
Journal

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
2015 April 1	Bank A/c Dr.		7,12,500	
	To 11% Debenture Application and Allotment A/c			7,12,500
	(Being application money received)			
April 1	11% Debenture Application and Allotment A/c Dr.		7,12,500	
	Discount on Issue of Debentures A/c Dr.		37,500	
	Loss on Issue of Debentures A/c Dr.		75,000	
	To 11% Debentures A/c			7,50,000
	To Premium on Redemption of Debentures A/c			75,000
	(Being transfer of application money to debentures account issued at discount and redeemable at premium)			
Sep. 30	Debenture Interest A/c Dr.		41,250	
	To Debentureholders A/c			37,125
	To TDS Payable A/c			4,125
	(Being interest payable on 11% debentures and tax deducted at source 10%)			
Sep. 30	Debentureholders A/c Dr.		37,125	
	TDS Payable A/c Dr.		4,125	
	To Bank A/c			41,250
	(Being interest and TDS paid)			
2016 Mar. 31	Debenture Interest A/c Dr.		41,250	
	To Debentureholders A/c			37,125
	To TDS Payable A/c			4,125
	(Being interest payable on debentures and tax deducted at source 10%)			
Mar. 31	Debentureholders A/c Dr.		37,125	
	TDS Payable A/c Dr.		4,125	
	To Bank A/c			41,250
	(Being interest and TDS paid)			
Mar. 31	Statement of Profit & Loss Dr.		82,500	
	To Debenture Interest A/c			82,500
	(Being interest transferred to Statement of Profit and Loss)			

15. Pass necessary Journal Entries on the dissolution of a firm in the following cases.

(i) Dharam, a partner, was appointed to look after the process of dissolution at a remuneration of ₹ 12,000 and he had to bear the dissolution expenses. Dissolution expenses ₹ 11,000 were paid by Dharam.

(ii) Jay, a partner, was appointed to look after the process of dissolution and was allowed a remuneration of ₹ 15,000. Jay agreed to bear dissolution expenses. Actual dissolution expenses ₹ 16,000 were paid by Vijay another partner on behalf of Jay.

(iii) Deepa, a partner, was to look after the process of dissolution and for this work she was allowed a remuneration of ₹ 7,000. Deepa agreed to bear dissolution expenses. Actual dissolution expenses ₹ 6,000 were paid from the firm's bank account.

(iv) Dev, a partner, agreed to do the work of dissolution for ₹ 7,500. He took away stock of the same amount as his commission. The stock had already been transferred to realisation account.

(v) Jeev, a partner, agreed to do the work of dissolution for which he was allowed a commision of ₹ 10,000. He agreed to bear the dissolution expenses. Actual dissolution expenses paid by Jeev were ₹ 12,000. These expenses were paid by Jeev by drawing cash from the firm.

(vi) A debtor of ₹ 8,000 already transferred to realization account agreed to pay the realizations expenses of ₹ 7,800 in full settlement of his account. [6]

Answer :

Journal

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
(i)	Realisation A/c Dr.		12,000	
	To Dharam's Capital A/c			12,000
	(Being remuneration given to Dharam)			
(ii) (a)	Realisation A/c Dr.		15,000	
	To Jay's Capital A/c			15,000
	(Being remuneration given to Jay)			
(b)	Jay's Capital A/c Dr.		16,000	
	To Vijay's Capital A/c			16,000
	(Being dissolution expenses paid by Vijay on behalf of Jay)			
(iii) (a)	Realisation A/c Dr.		7,000	
	To Deepa's Capital A/c			7,000
	(Being remuneration given to Deepa)			
(b)	Deepa's Capital A/c Dr.		6,000	
	To Bank A/c			6,000
	(Being the dissolution expenses paid by firm on behalf of Deepa)			
(iv)	No Entry			
(v) (a)	Realisation A/c Dr.		10,000	
	To Jeev's Capital A/c			10,000
	(Being remuneration given to Jeev)			
(b)	Jeev's Capital A/c Dr.		12,000	
	To Cash A/c			12,000
	(Being expenses paid by firm on behalf of partner)			
(vi)	No Entry			

PART B
(Analysis of Financial Statements)

18. 'Cheques and drafts in hand' are not considered while preparing cash flow statement. Why ? [1]

Answer : Cheques and drafts in hand are not considered while preparing Cash Flow Statement as they and are part of Cash and Cash Equivalents only.

19. State any two advantages of preparing cash flow statement. [1]

Answer : Two advantages of Cash Flow Statement :

(i) Useful for short term financial planning.

(ii) Helps investors and creditors to evaluate management decisions.

20. State any two limitations and any two objectives of 'Analysis of Financial Statement'. [4]

Answer : Two limitations of Financial Statement Analysis :

(i) It ignores qualitative aspects of the business.

(ii) It ignores price level changes.

Two objectives of Financial Statement Analysis :

(i) Assessing the earning capacity of the firm.

(ii) Assessing the managerial efficiency.

Accountancy 2018

Time allowed : 3 hours **Maximum marks : 80**

PART A

(Accounting for Partnership Firms and Companies)

1. **Amit and Beena were partners in a firm sharing profits and losses in the ratio of 3 : 1. Chaman was admitted as a new partner for $\frac{1}{6}$th share in the profits. Chaman acquired $\frac{2}{5}$th of his share from Amit.**
   How much share did Chaman acquire from Beena ? **[1]**

   Answer : Share of profit acquired by Chaman from Amit = $\frac{1}{6} \times \frac{2}{5} = \frac{2}{30}$.

   Share of profit acquired by Chaman from Beena = $\frac{1}{6} - \frac{2}{30} = \frac{3}{30}$ OR $\frac{1}{10}$.

2. **Neetu, Meetu and Teetu were partners in a firm. On 1st January, 2018, Meetu retired. On Meetu's retirement the goodwill of the firm was valued at ₹ 4,20,000.**
   Pass necessary journal entry for the treatment of goodwill on Meetu's retirement. **[1]**
   Answer :

Journal

Date	Particulars	L.F.	Dr.	Cr.
2018 Jan. 1	Neetu's Capital A/c Dr.		70,000	
	Teetu's Capital A/c Dr.		70,000	
	To Meetu's Capital A/c			1,40,000
	(Being Meetu's share of goodwill credited to her capital A/c given by Neetu and Teetu)			

3. **Distinguish between 'Dissolution of partnership' and 'Dissolution of partnership firm' on the basis of settlement of assets and liabilities.** **[1]**
   Answer :

Basis	Dissolution of Partnership	Dissolution of Partnership Firm
Settlement of Assets and liabilities	Assets and liabilities are re-valued and shown in new Balance sheet.	Assets are sold and liabilities are paid off.

4. **Ritesh and Hitesh are childhood friends. Ritesh is a consultant whereas Hitesh is an architect. They contributed equal amounts and purchased a building for ₹ 2 crores. After a year, they sold it for ₹ 3 crores and shared the profits equally. Are they doing the business in partnership ? Give reason in support of your answer.** **[1]**
   Answer : No, they are not doing business in partnership as they are not involved in doing sale and purchase of land on regular basis. Also, there is no agreement between the two for carrying out business in partnership.
5. **Is 'Reserve Capital' a part of 'Unsubscribed Capital' or 'Uncalled Capital' ?** **[1]**
   Answer : Reserve capital is a part of Uncalled Capital.
6. **Give the meaning of 'Debentures issued as Collateral Security'.** **[1]**
   Answer : When the company issue debentures to the lenders as an additional security in addition to other primary security is called debentures issued as a collateral security.

7. Jayant, Kartik and Leena were partners in a firm sharing profits and losses in the ratio of 5 : 2 : 3. Kartik died and Jayant and Leena decided to continue the business. Their gaining ratio was 2 : 3. Calculate the new profit sharing ratio of Jayant and Leena. **[3]**

Answer :

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

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

$$\text{Jayant's new share} = \frac{5}{10} + \frac{4}{50} = \frac{29}{50}$$

$$\text{Leena's new share} = \frac{3}{10} + \frac{6}{50} = \frac{21}{50}$$

∴ New profit sharing ratio of Jayant and Leena = 29 : 21

8. What is meant by a 'Share' ? Give any two differences between 'Preference Shares' and 'Equity Shares'. **[3]**

Answer : A share refers to the unit into which the total share capital of the company is divided.

Difference :

1. Preference shares are shares which carry a preferential right at the time of payment of dividend and at the time of repayment of capital. They don't have voting rights except in special circumstances.
2. Equity shares are shares which do not carry a preferential right at the time of payment of dividend and at the time of repayment of capital. They have voting rights.

9. NK Ltd. a truck manufacturing company, is registered with an authorised capital of ₹ 1,00,00,000 divided into equity shares of ₹ 100 each. The subscribed and paid up capital of the company is ₹ 50,00,000. The company decided to open technical schools in the Jhalawar district of Rajasthan to train the specially abled children of the area. It is planning to provide them employment in its various production units and industires in the neighbourhood area.

To meet the capital expenditure requirements of the project, the company offered 20,000 shares to the public for subscription. The shares were fully subscribed and paid.

Present the share capital in the Balance Sheet of the company as per the provisions of Schedule III of the Companies Act, 2013.

Also identify any two values that the company wants to communicate. **[3]**

Answer :

Balance Sheet of NK Ltd.
as at ....

Particulars	Note No.	Current Year (₹)	Previous Year (₹)
Equity and Liabilities 1. Shareholders funds : (a) Share Capital	1	70,00,000	

Notes to Accounts : **Particulars** ₹

	Particulars	₹
1.	<u>Share Capital</u> (a) Authorised Capital 1,00,000 equity shares of ₹ 100 each	1,00,00,000
	(b) **Issued Capital** 70,000 shares of ₹ 100 each	70,00,000
	(c) **Subscribed Capital** Subscribed and fully paid 70,000 shares of ₹ 100 each	70,00,000

Values :

(1) Concern for the specially abled.

(2) Development of backward regions.

10. Complete the following journal entries left blank in the books of VK Ltd. : **[3]**

VK Ltd.

Journal

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2018 February 01	....Dr. ....Dr. (Purchased own 500, 9% debentures of ₹ 100 each at ₹ 97 each for immediate cancellation)		....	....
Feb. 1	.... Dr. .... (Cancelled own debentures)		....	....
....	.... Dr. .... (......................................)		....	....

Answer :

VK Ltd.

Journal

Date	Particular	L. F.	Dr. Amount (₹)	Amount (₹)
2018 Feb. 1	Own Debentures A/c Dr. To Bank A/c (Purchased own 500, 9% debentures of ₹ 100 each at ₹ 97 each for immediate cancellation		48,500	48,500
Feb. 1	9% Debentures A/c Dr. To Own Debentures To Profit on Redemption of Debentures A/c (Cancelled own debentures)		50,000	48,500 1,500
Feb. 1	Profit on Redemption of Debentures A/c Dr. To Capital Reserve A/c (Being profit on redemption of debenture transferred to capital reserve)		1,500	1,500

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

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

Prepare Girdhari's loan account till it is finally paid showing the working notes clearly. **[4]**

Answer :

Dr. Girdhari's Loan A/c Cr.

Date	Particulars	Amount (₹)	Date	Particulars	Amount
2015			2014		
March 31	To Bank A/c	75,000	April 1	By Girdhari's Capital A/c	1,50,000
March 31	To Balance c/d	90,000	2015		
			March 31	By Interest A/c	15,000
		1,65,000			1,65,000
2016			2015		
March 31	To Bank A/c	75,000	April 1	By Balance b/d	90,000
March 31	To Balance c/d	24,000	2016		
			March 3	By Interest A/c	9,000
		99,000			99,000
2017			2016		
March 31	To Bank A/c	26,400	April 1	By Balance b/d	24,000
			2017		
			March 31	By Interest A/c	2,400
		26,400			26,400

Working Notes :

Calculation of amount payable to Girdhari :

	₹
Girdhari's Capital :	1,00,000
Share of goodwill :	38,000
Share of Revaluation Profit :	2,000
Share of General Reserve :	10,000
	1,50,000

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

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

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

The following additional information is given :

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

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

Pass necessary journal entries on Raghav's admission showing the working notes clearly. [4]

Answer :

Journal

Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)
	Bank A/c Dr. To Raghav's Capital A/c To Premium for Goodwill A/c (Being capital and premium brought in by Raghav)		8,50,000	 6,00,000 2,50,000
	Premium of Goodwill A/c Dr. To Asha's Capital A/c To Aditi's Capital A/c (Being premium distributed between old partners in their sacrificing ratio)		2,50,000	 1,50,000 1,00,000

Working Notes :

Calculation of goodwill :

Profit of 2016–17 = ₹ 7,45,000 – ₹ 15,000 = ₹ 7,30,000

Total Profits of four years = 3,50,000 + 4,75,000 + 6,70,000 + 7,30,000

= ₹ 22,25,000

Average profits = ₹ $\frac{22,25,000}{4}$ ₹ – 56,250 = ₹ 5,56,250 – ₹ 56,250 = ₹ 5,00,000

Goodwill of the firm = ₹ 5,00,000 × 2 = ₹ 10,00,000

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

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

Balance Sheet of Pranav, Karan and Rahim as on 31.3.2017

Liabilities		Amount (₹)	Assets	Amount (₹)
Creditors		3,00,000	Fixed Assets	4,50,000
General Reserve		1,50,000	Stock	1,50,000
Capitals :			Debtors	2,00,000
Pranav	2,00,000		Bank	1,50,000
Karan	2,00,000			
Rahim	1,00,000	5,00,000		
		9,50,000		9,50,000

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

(i) Balance in his Capital Account.

(ii) Interest on Capital @ 12% p.a.

(iii) Share of goodwill. Goodwill of the firm on Karan's death was valued at ₹ 60,000.

(iv) Share in the profits of the firm till the date of his death, calculated on the basis of last year's profit. The profit of the firm for the year ended 31.3.2017 was ₹ 5,00,000.

Prepare Karan's Capital Acount to be presented to his representatives. **[4]**

Answer :

Karan's Capital A/c

Dr. Particulars	Amount (₹)	Particulars	Cr. Amount (₹)
To Karan's Executors' A/c	3,28,800	By Balance b/d	2,00,000
		By Interest on Capital A/c (1)	4,800
		By P & L Suspense A/c (2)	40,000
		By Pranav's Capital A/c (3)	16,000
		By Rahim's Capital A/c (3)	8,000
		By General Reserve A/c (4)	60,000
	3,28,800		**3,28,800**

Working Notes :

1. Interest on Capital $= 2{,}00{,}000 \times \frac{12}{100} \times \frac{73}{365} =$ ₹ 4,800
2. Share of Profits $= 5{,}00{,}000 \times \frac{73}{365} \times \frac{2}{5} =$ ₹ 40,000
3. Share of Goodwill $= \frac{2}{5} \times 60{,}000 =$ ₹ 24,000
4. Share of General Reserve =- $1{,}50{,}000 \times \frac{2}{5} =$₹ 60,000

14. **Chander and Damini were partners in a firm sharing profits and losses equally. On 31st March, 2017 their Balance Sheet was as follows :**

Balance Sheet of Chander and Damini as on 31.3.2017

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

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

(i) Elina will bring ₹ 3,00,000 as her capital and ₹ 50,000 as her share of goodwill premium, half of which will be withdrawn by Chander and Damini.

(ii) Debtors to the extent of ₹ 5,000 were unrecorded.

(iii) Furniture will be reduced by 10% and 5% provision for bad and doubtful debts will be created on bills receivable and debtors.

(iv) Value of land and building will be appreciated by 20%.

(v) There being a claim against the firm for damages, a liability to the extent of ₹ 8,000 will be created for the same.

Prepare Revaluation Account and Partners' Capital Accounts. **[6]**

Answer :

Revaluation A/c

Dr. Particulars	Amount (₹)	Particulars	Cr. Amount (₹)
To Furniture A/c	11,000	By Debtors A/c	5,000
To Provision for Doubtful Debts on Debtors A/c	4,000	By Land and Building A/c	62,000
To Provision for Doubtful Debts on B/R A/c	2,250		

To Claim for Damages A/c		8,000		
To Profit transferred to :				
Chander's Capital A/c	20,875			
Damini Capital A/c	20,875	41,750		
		67,000		67,000

Dr. **Partners' Capital A/c** Cr.

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

15. On 1st April, 2014, KK Ltd. invited applications for issuing 5,000 10% debentures of ₹ 1,000 each at a discount of 6%. These debentures were repayable at the end of 3rd year at a premium of 10%. Applications for 6,000 debentures were received and the debentures were allotted on pro-rata basis to all the applicants. Excess money received with applications was refunded.
The directors decided to transfer the minimum amount to Debenture Redemption Reserve on 31.3.2016. On 1.4.2016, the company invested the necessary amount in 9% bank fixed deposit as per the provisions of the Companies Act, 2013. Tax was deducted at source by bank on interest @ 10% p.a.
Pass the necessary journal entries for issue and redemption of debenture. Ignore entries relating to writing of loss on issue of debentures and interest paid on debentures. **[6]**

Answer :

KK Ltd.
Journal

Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)
2014 April 1	Bank A/c Dr. To Deb. Application and Allotment A/c (Being Application money received)		56,40,000	56,40,000
April 1	Deb. Application and Allotment A/c Dr. Loss on Issue of Deb. A/c Dr. To 10% Deb. A/c To Premium on Redemption of Deb. A/c To Bank A/c (Being transfer of application money to Debentures A/c)		56,40,000 8,00,000	50,00,000 5,00,000 9,40,000
2016 March 31	Surplus in Statement of Profit and Loss Dr. To Debenture Redemption Reserve A/c (Being Debenture Redemption Return created equal to 25% of face value of debentures to be redeemed)		12,50,000	12,50,000
2016 April 1	Debenture Redemption Investment A/c Dr. To Bank A/c (Being DRI purchased equal to 15% of the face value of debentures)		7,50,000	7,50,000

2017 March 31	Bank A/c Dr. TDS Collected A/c Dr. To Interest on Debenture Redemption Investment A/c (Being interest received on Investment)		60,750 6,750	67,500
2017 March 31	Bank A/c Dr. To Debenture Redemption Investments A/c (Being Investment Sold)		7,50,000	7,50,000
2017 March 31	10% Debentures A/c Dr. Premium on Redemption of Debentures A/c Dr. To Debentureholder A/c (Being Debentures due for redemption)		50,00,000 5,00,000	55,00,000
2017 March 31	Debentureholders A/c Dr. To Bank A/c (Being Debenturesholder paid)		55,00,000	55,00,000
2017 March 31	Debenture Redemption Reserve A/c Dr. To General Reserve A/c (Being DRR transferred to general reserve)		12,50,000	12,50,000

16. Srijan, Raman and Manan were partners in a firm sharing profits and losses in the ratio of 2 : 2 : 1. On 31st March, 2017 their Balance Sheet was as follows :

Balance Sheet of Srijan, Raman and Manan as on 31.3.2017

Liabilities		Amount (₹)	Assets	Amount (₹)
Capitals :			Capital : Manan	10,000
Srijan	2,00,000		Plant	2,20,000
Raman	1,50,000	3,50,000	Investments	70,000
Creditors		75,000	Stock	50,000
Bills Payable		40,000	Debtors	60,000
Outstanding Salary		35,000	Bank	10,000
			Profit and Loss Account	80,000
		5,00,000		5,00,000

On the above date they decided to dissolve the firm.

(i) Srijan was appointed to realise the assets and discharge the liabilities. Srijan was to receive 5% commission on sale of assets (except cash) and was to bear all expenses of realisation.

(ii) Assets were realised as follows :

	(₹)
Plant	**85,000**
Stock	**33,000**
Debtors	**47,000**

(iii) Investments were realised at 95% of the book value.

(iv) The firm had to pay ₹ 7,500 for an outstanding repair bill not provided for earlier.

(v) A contingent liability in respect of bills receivable, discounted with the bank had also materialised and had to be discharged for ₹ 15,000.

(vi) Expenses of realisation amounting to ₹ 3,000 were paid by Srijan.

Prepare Realisation Account, Partners' Capital Accounts and Bank Account. **[8]**

OR

Moli, Bhola and Raj were partners in a firm sharing profits and losses in the ratio of 3 : 3 : 4. Their partnership deed provided for the following :

(i) Interest on capital @ 5% p.a.

(ii) Interest on drawing @ 12% p.a.

(iii) Interest on partner's loan @ 6% p.a.

(iv) Moli was allowed an annual salary of ₹ 4,000; Bhola was allowed a commission of 10% of net profit as shown by Profit and Loss Account and Raj was guaranteed a profit of ₹ 1,50,000 after making all the adjustments as provided in the partnership agreement.

Their fixed capitals were Moli : ₹ 5,00,000; Bhola : ₹ 8,00,000 and Raj : ₹ 4,00,000. On 1st April, 2016 Bhola extended a loan of ₹ 1,00,000 to the firm. The net profit of the firm for the year ended 31st March, 2017 before interest on Bhola's loan was ₹ 3,06,000.

Prepare Profit and Loss Appropriation Account of Moli, Bhola and Raj for the year ended 31st March, 2017 and their Current Accounts assuming that Bhola withdrew ₹ 5,000 at the end of each month, Moli withdrew ₹ 10,000 at the end of each quarter and Raj withdrew ₹ 40,000 at the end of each half year.

Answer :

Dr. Realisation A/c Cr.

Particulars		Amount (₹)	Particulars		Amount (₹)
To Sundry Assets :			**By Sundry Liabilities :**		
Plant	2,20,000		Creditors	75,000	
Investments	70,000		Bills Payable	40,000	
Stock	50,000		Outstanding Salary	35,000	1,50,000
Debtors	60,000	4,00,000			
To Bank A/c :			**By Bank A/c :**		
Creditors	75,000		Plant	85,000	
Bills Payable	40,000		Stock	33,000	
Outstanding exp.	7,500		Debtor's	47,000	
Contingent Liability	15,000		Investments	66,500	2,31,500
O/S Salary	35,000	1,72,500	**By Loss transferred to the Partner's Capital A/c**		
To Srijan's Capital A/c (Commission)		11,575	Srijan	81,030	
			Raman	81,030	
			Manan	40,515	2,02,575
		5,84,075			5,84,075

Dr. Partners' Capital A/c Cr.

Particular	Srijan	Raman	Manan	Particulars	Srijan	Raman	Monan
To Balance b/d	–	–	10,000	By Balance b/d	2,00,000	1,50,000	–
To P & L A/c	32,000	32,000	16,000	By Realisation A/c	11,575	–	–
To Realisation A/c	81,030	81,030	40,515	By Bank A/c	–	–	66,515
To Bank A/c	98,545	36,970	–				
	2,11,575	1,50,000	66,515		2,11,575	1,50,000	66,515

Dr. Bank A/c Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	10,000	By Realisation A/c	1,72,500
To Realisation A/c	2,31,500	By Srijan's Capital A/c	98,545
To Manan's Capital A/c	66,515	By Raman's Capital A/c	36,970
	3,08,015		3,08,015

OR

P & L Appropriation A/c for the the year ended 31st March, 2017

Dr. Particulars		Amount (₹)	Particulars		Cr. Amount (₹)
To Interest on Capital :			By Profit & Loss A/c (3,06,000 – 6,000)		3,00,000
Moli's Current A/c	25,000				
Bhola's Current A/c	40,000				
Raj's Current A/c	20,000	85,000	By Interest on Drawings :		
To Salary A/c (Moli)		4,000	Moli	1,800	
			Bhola	3,300	
To Commission A/c (Bhola)		30,000	Raj	2,400	7,500
To Profit transferred to					
Moli s' Current A/c	56,550				
Less : To Raj	(37,300)	19,250			
Bhola s' Current A/c	56,550				
Less : To Raj	(37,300)	19,250			
Raj's Current A/c	75,400				
Add : From Moli	(37,300)				
Add : From Bhola	(37,300)	1,50,000			
		3,07,500			3,07,500

Partner's Current A/c

Dr. Particulars	Moli ₹	Bhola ₹	Raj ₹	Particulars	Moli ₹	Bhola ₹	Cr. Raj ₹
To Drawings A/c	40,000	60,000	80,000	By Interest on Capital A/c	25000	40,000	20,000
To Interest on Drawings A/c	1,800	3,300	2,400	By Salary A/c	4,000	–	–
				By Commission A/c	–	30,000	–
To Balance c/d	6,450	25,950	87,600	By P & L Appropriation A/c	19,250	19,250	1,50,000
	48,250	89,250	1,70,000		48,250	89,250	1,70,000

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

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

Applications for 70,000 shares were received. Applications for 10,000 shares were rejected and the application money was refunded.

Shares were allotted to the remaining applicants on a pro-rata basis and excess money received with applications was transferred towards sums due on allotment and calls, if any.

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

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

OR

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

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

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

(i) To applicants for 90,000 shares : 40,000 shares

(ii) To applicants for 50,000 shares : 40,000 shares

(iii) To applicants for 20,000 shares : full shares

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

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

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

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

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

Answer :

X Ltd.
Journal

Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)
	Bank A/c Dr.		1,44,800	
	To Equity Share Application A/c			1,44,800
	(Being application money received on 70,000 shares @ ₹ 2 per share with full amount on 600 shares)			
	Equity Share Application A/c Dr.		1,44,800	
	To Equity Share Capital A/c			1,00,000
	To Equity Share Allotment A/c			20,800
	To Bank A/c			21,000
	To Calls in Advance A/c			3,000
	(Being application money transferred to capital A/c and balance (adjusted)			
	Equity Share Allotment A/c Dr.		1,00,000	
	To Equity Share Capital A/c			1,00,000
	(Being allotment money due on 50,000 shares)			
	Bank A/c Dr.		71,200	
	Calls in Arrears A/c Dr.		8,000	
	To Equity Share Allotment A/c			79,200
	(Being allotment money received)			

	Equity Share Capital A/c Dr. To Share Forfeiture A/c To Calls in Arrears A/c (Being 5,000 shares forfeited)		20,000	 12,000 8,000
	Bank A/c Dr. To Equity Share Capital A/c (Being ₹ 5,000 shares reissued at ₹ 4 per share paid up)		20,000	 20,000
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Being gain on reissue transferred to capital reserve)		12,000	 12,000
	Equity Share First Call A/c Dr. To Equity Share Capital A/c (Being first call money due)		1,50,000	 1,50,000
	Bank A/c Dr. Calls in Advance A/c Dr. To Equity Share First Call A/c (Being first call money received)		1,48,500 1,500	 1,50,000
	Equity Share Second and Final Call A/c Dr. To Equity Share Capital A/c (Being final call money due)		1,50,000	 1,50,000
	Bank A/c Dr. Calls in Advance A/c To Equity Share Second & Final Call A/c (Being second and final call money received)		1,48,500 1,500	 1,50,000

Working Notes :

Application Money received = 70,000 × 2 = 1,40,000

= 600 × 8 = 4,800

= ₹ 1,44,800

OR

A Ltd.

Journal

Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)
	Bank A/c Dr. To Equity Share Application A/c (Being application money received on 1,60,000 shares)		4,80,000	 4,80,000
	Equity Share Application A/c Dr. To Equity Share Capital A/c To Equity Share Allotment A/c To Calls in Advance A/c (Being application money transferred to share capital calls in and share allotment account advance)		4,80,000	 3,00,000 1,50,000 30,000

	Equity Share Allotment A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c (Being share allotment money due on 1,00,000 shares at ₹ 3 per share including premium of ₹ 1 per share)		3,00,000	 2,00,000 1,00,000
	Bank A/c Dr. Calls in Arrears A/c To Equity Share Allotment A/c (Being allotment money received except on 1,200 shares)		1,47,300 2,700	 1,50,000
	Equity Share First Call A/c Dr. To Equity Share Capital A/c (Being first call money due)		3,00,000	 3,00,000
	Bank A/c Dr. Calls in Arrears A/c Dr. Calls in Advance A/c Dr. To Equity Share First Call A/c (Being First call money received)		2,64,600 5,400 30,000	 3,00,000
	Equity Share second and Final Call A/c Dr. To Equity Share Capital A/c (Being share second and final call money due)		2,00,000	 2,00,000
	Bank A/c Dr. Calls in Arrears A/c Dr. To Equity Share Second and Final Call A/c (Being second and final call money received)		1,96,000 4,000	 2,00,000
	Equity Share Capital A/c Dr. Securities Premium Reserve A/c Dr. To Share Forfeiture A/c To Calls in Arrears A/c (Being 2,000 shares forfeited)		20,000 1,200	 9,100 12,100
	Bank A/c Dr. Share Forfeiture A/c Dr. To Equity Share Capital A/c (Being 2,000 shares reissued @ ₹ 7 per share)		14,000 6,000	 20,000
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Being gain on reissue of forfeited shares transferred to capital reserve account)		3,100	 3,100

(1) Working Notes :

Analytical Table

Shares Issued	Application Received	Amount Received	Amount due	Adjust
1,00,000	1,60,000	4,80,000	3,00,000	1,80,000
	90,000–40,000	2,70,000	1,20,000	1,50,000 (A)
	50,000–40,000	1,50,000	1,20,000	30,000 (A)
	20,000–20,000	60,000	60,000	NIL

(2) Calculation of Amount not paid by Rishab :

$$\text{Rishab's Shares Alloted} = \frac{40,000}{50,000} \times 1,500 = 1,200 \text{ shares.}$$

Therefore,

Application money received = 1,500 × ₹ 3 = ₹ 4,500

Less : App. Money used = 1,200 × ₹ 3 = ₹ 3,600

Excess Amount = ₹ 900

Rishab's amount in arrear on allotment = ₹ 3,600 – ₹ 900

= ₹ 2,700

Amount not paid on First Call = 1,200 × ₹ 3

= ₹ 3,600

Amount not paid on Second and Final Call = 1,200 × ₹ 2

= ₹ 2,400

(3) Calculation of Amount not paid by Sudha :

$$\text{Sudha's Shares Alloted} = \frac{40,000}{90,000} \times 1,800 = 800 \text{ shares}$$

Therefore,

Application money received = 1,800 × ₹ 3 = ₹ 5,400

Less : Application Money used = 800 × ₹ 3 = ₹ 2,400

Less : Amount adjusted on Allotment = 800 × ₹ 3 = ₹ 2,400

Excess Amount = ₹ 600

Amount not paid on First Call = (800 × ₹ 3) – 600

= 2,400 – 600

= ₹ 1,800

Amount not paid on Second and Final Call = 800 × ₹ 2

= ₹ 1,600

PART B

(Analysis of Financial Statements)

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

Answer : The primary objective of Cash Flow Statement is to provide useful information about inflows and outflows of cash of an enterprises during a particular period.

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

Answer : Interest received – Operating Activity

Interest paid – Operating Activity

20. Prepare a Common Size Balance Sheet of KJ Ltd. from the following information : [4]

	Particulars	Note No.	31.3.2017 (₹)	31.3.2016 (₹)
I-Equity and Liabilities :				
1.	**Shareholders' Funds**		**8,00,000**	**4,00,000**
2.	**Non-current Liabilities**		**5,00,000**	**2,00,000**
3.	**Current Liabilities**		**3,00,000**	**2,00,000**
	Total		**16,00,000**	**8,00,000**

II-Assets :				
1. Non-Current Assets			**10,00,000**	**5,00,000**
2. Current Assets			**6,00,000**	**3,00,000**
Total			**16,00,000**	**8,00,000**

Answer : **Common Size Balance Sheet as at 31st March, 2017**

Particulars	Note No.	Absolute Amounts		Percentage of Total	
		2016 (₹)	2017 (₹)	2016 (%)	2017 (%)
Equity and Liabilities					
1. Shareholders' Funds		4,00,000	8,00,000	50	50
2. Non-current Liabilities		2,00,000	5,00,000	25	31.25
3. Current Liabilities		2,00,000	3,00,000	25	18.75
Total		8,00,000	16,00,000	100	100
Assets					
1. Non-Current Assets		5,00,000	10,00,000	62.5	62.5
2. Current Assets		3,00,000	6,00,000	37.5	37.5
Total		8,00,000	16,00,000	100	100

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

	2015–16 (₹)	**2016–17 (₹)**
Inventory on 31st March	**7,00,000**	**17,00,000**
Revenue from operations	**50,00,000**	**75,00,000**

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

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

Answer : Inventory turnover ratio = $\frac{\text{Cost of Revenue from Operations}}{\text{Average Inventory}}$

2015–16 :

Cast of Revenue from Operations = ₹ 50,00,000 – ₹ 10,00,000 = ₹ 40,00,000

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

$$\text{Inventory Turnover Ratio} = \frac{40,00,000}{6,00,000} = 6.67 \text{ times}$$

2016–17 :

Cost of Revenue from Operations = ₹ 75,00,000 – ₹ 15,00,000

= ₹ 60,00,000

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

$$\text{Inventory Turnover Ratio} = \frac{60,00,000}{12,00,000} = 5 \text{ times}$$

22. JY Ltd. was a company manufacturing geysers. As a part of its long term goal for expansion, the company decided to identify the opportunity in rural areas. Initial plan was rolled out for Bhiwani village in Haryana. Since the village did not have regular supply of electricity, the company decided to manufacture solar geysers. The core team consisting of the Regional Manager, Accountant and the Marketing Manager was taken from the Head Office and the remaining employees were selected from the village and neighbourhood areas.

At the time of preparation of financial statements the accountant of the company fell sick and the company deputed a junior accountant temporarily from the village for two months.

The Balance Sheet prepared by the junior accountant showed the following items against the Major Heads and Sub-heads mentioned which were not as per Schedule III of the Companies Act, 2013.

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

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

Answer : Values :

(i) Development of rural areas

(ii) Generation of employment.

Items	Heads	Sub-heads
1. Loose Tools	Current Assets	Inventories
2. Cheques in hand	Current Assets	Cash and Cash Equivalents
3. Term loan from Bank	Non-current Liabilities	Long Term Borrowings
4. Computer software	Non-current Assets	Fixed Assets (Intangible Assets)

23. From the following Balance sheet of JY Ltd. as at 31st March, 2017 prepare a Cash Flow Statement:

Balance Sheet of JY Ltd. as at 31.3.2017

	Particulars	Note No.	31.3.2016 (₹)	31.3.2017 (₹)
I-Equity and Liabilities :				
1.	Shareholder's Funds :			
	(a) Share Capital		5,00,000	5,00,000
	(b) Reserves and Surplus	1	1,00,000	(25,000)
2.	Non-Current Liabilities :			
	Long-term Borrowings	2	2,50,000	1,50,000
3.	Current Liabilities :			
	(a) Short-term Borrowings	3	1,50,000	1,00,000
	(b) Short-term Provisions	4	2,00,000	1,25,000
	Total		12,00,000	8,50,000
II-Assets :				
1.	Non-Current Assets :			
	(a) Fixed Assets :			
	(i) Tangible	5	6,00,000	4,50,000
2.	Current Assets :			
	(a) Trade Receivables		2,70,000	2,25,000
	(b) Cash and Cash Equivalents		1,25,000	75,000
	(c) Short-term Loans and Advances		2,00,000	1,00,000
	Total		12,00,000	8,50,000

Notes to Accounts :

Note No.	Particulars	31.3.2017 (₹)	31.3.2016 (₹)
1.	**Reserves and Surplus :**		
	(Surplus, *i.e.*, Balance in the Statement of Profit and Loss)	1,00,000	(25,000)
		1,00,000	(25,000)
2.	**Long-term Borrowings :**		
	10% Debentures	2,50,000	1,50,000
		2,50,000	1,50,000
3.	**Short-term Borrowings :**		
	Bank Overdraft	1,50,000	1,00,000
		1,50,000	1,00,000
4.	**Short-term Provisions :**		
	(i) Proposed Dividend	75,000	50,000
	(ii) Provision for Tax	1,25,000	75,000
		2,00,000	1,25,000
5.	**Tangible Assets :**		
	Machinery	7,37,500	5,25,000
	Accumulated Depreciation	(1,37,500)	(75,000)

Additional Information : [6]

₹ 1,00,000, 10% debentures were issued on 31.3.2017.

Answer :

JY Ltd.
(Cash Flow Statement)
for the year ended 31st March, 2017

Particulars	Details (₹)	Amount (₹)
A. Cash Flow from Operating Activities		
Net profit before tax & extra ordinary items	3,25,000	
Add : Non Cash and Non-operating charges		
Depreciation on Machinery	62,500	
Interest on Debentures	15,000	
Operating profit before working capital changes	4,02,500	
Less : Increase in Current Assets		
Increase in Trade Receivables	(50,000)	
Cash Flow from Operations	3,52,500	
Less : Taxes paid	(75,000)	
Net Cash Flow from Operating Activities		2,77,500
B. Cash Flow from Investing Activities		
Purchase of Machinery	(2,12,500)	
Loans and Advances	(1,00,000)	
Net Cash used in Investing Activities (B)		(3,12,500)
C. Cash Flow from Financing Activities		
Issue of Debentures	1,00,000	
Interest paid on deventures	(15,000)	
Dividend paid	(50,000)	
Bank overdraft raised	50,000	
Net Cash Flow from Financing Activities		85,000
Net Increase in Cash & Cash Equivalent (A + B + C)		50,000
Add : Opening Balance of Cash and Cash Equivalents		75,000
Closing Balance of Cash and Cash Equivalents		1,25,000

Working Note :

Calculation of Profit before tax :

	₹
Net profit of the year =	1,25,000
Add : Proposed dividend =	75,000
Add : Provision for tax =	1,25,000
	3,25,000

Accountancy 2019 (Outside Delhi) SET I

Time allowed : 3 hours **Maximum marks : 80**

General Instructions :

(i) This question paper contains two parts—A and B.
(ii) Part A is compulsory for all.
(iii) Part B has two options – Analysis of Financial Statements and Computerised Accounting.
(iv) Attempt only one option of Part B.
(v) All parts of a question should be attempted at one place.

PART A

(Accounting for Not-for-Profit Organisations, Partnership Firms and Companies)

1. Pass the necessary journal entry for treatment of Partner's loan appearing on the asset side of the Balance Sheet in case of dissolution of a partnership firm. **[1]**

Answer : Concerned Partner's Capital A/c Dr.
To Loan to Partner A/c
(Being the loan given to a partner transferred to his/her capital account on dissolution of a partnership firm)

2. A new partner acquires two main rights in the partnership firm which he joins. State one of these rights. **[1]**

Answer : A new partner acquires the right to share future profits of the partnership firm which he joins.

OR

How does 'Nature of business' affect the value of goodwill of a firm ? **[1]**

Answer : The nature of business means the type of products, demand for them, competition prevailing, government regulations affecting the business, etc., that are worthy to be looked upon. When all these situations are favourable, earnings of the firm will be higher and it will, thus, increase the value of goodwill.

3. State the main aim of a not-for-profit organisation. **[1]**

Answer : The main aim of a not-for-profit organisation is to serve the soecity, *i.e.*, they work for the benefit of the society as a whole.

OR

How is 'Life membership fee' treated while preparing the financial statements of a not-for-profit organisation ? **[1]**

Answer : 'Life membership fee' is a non-recurring income, it is debited to 'Receipts and Payment Account' and afterwards it is added to Capital Fund or shown seperately on the Liabilities side of the Balance Sheet.

4. Kiya and Leela are partners sharing profits in the ratio of 3 : 2. Kiran was admitted as a new partner with $\frac{1}{5}^{th}$ share in the profits and brought in ₹ 24,000 as her share of goodwill premium that was credited to the capital accounts of Kiya and Leela respectively with ₹ 18,000 and ₹ 6,000.

Calculate the new profit sharing ratio of Kiya, Leela and Kiran. **[1]**

Answer : Method 1.

Old Ratio of Kiya and Leela = $3:2$ or $\frac{3}{5}:\frac{2}{5}$

Let the total Share be = 1

Kiran's Share = $\frac{1}{5}$

Remaining Share of Kiya and Leela = $1-\frac{1}{5}=\frac{4}{5}$

Kiya's new share = $\frac{4}{5}\times\frac{3}{5}=\frac{12}{25}$

Leela's new share = $\frac{4}{5}\times\frac{2}{5}=\frac{8}{25}$

New Profit Sharing Ratio of Kiya, Leela and Kiran $= \frac{12}{25} : \frac{8}{25} : \frac{1}{5}$ or 12 : 8 : 5

Method 2 :

Old Ratio of Kiya and Leela = 3 : 2 or $\frac{3}{5} : \frac{2}{5}$

Goodwill premium brought in by Kiran = ₹ 24,000

Goodwill premium credited to Kiya and Leela's Capital A/c is the ratio = ₹ 18,000 : ₹ 6,000

So, Sacrificing Ratio = 18,000 : 6,000 or 3 : 1

Kiran's share = $\frac{1}{5}$

Kiya's Sacrifice = $\frac{1}{5} \times \frac{3}{4} = \frac{3}{20}$

Leela's Sacrifice = $\frac{1}{5} \times \frac{1}{4} = \frac{1}{20}$

Kiya's New Share = $\frac{3}{5} - \frac{3}{20} = \frac{12-3}{20} = \frac{9}{20}$

Leela's New Share = $\frac{2}{5} - \frac{1}{20} = \frac{8-1}{20} = \frac{7}{20}$

□ New Ratio = $\frac{9}{20} : \frac{7}{20} : \frac{1}{5}$ or 9 : 7 : 4

So, this method can't be used to calculate new profit sharing ratio.

5. **Dinkar, Navita and Vani were partners sharing profits and losses in the ratio of 3 : 2 : 1. Navita died on 30th June, 2017. Her share of profit for the intervening period was based on the sales during that period, which were ₹ 6,00,000. The rate of profit during the past four years had been 10% on sales. The firm closes its books on 31st March every year.**

Calculate Navita's share of profit. **[1]**

Answer : Profit upto the date of Navita's death = ₹ 6,00,000 × $\frac{10}{100}$

= ₹ 60,000

Navita' Share of profit (upto 30th June, 2017) = ₹ 60,000 × $\frac{2}{6}$

= ₹ 20,000

6. **What is meant by 'Private Placement of Shares' ?** **[1]**

Answer : Private placement of shares is made by private or unlisted companies. Here, the issue and allotment of shares is made to a selected group of persons privately and not to public in general through public issue.

OR

What is meant by 'Reserve Capital' ? **[1]**

Answer : Reserve capital is that part of authorised capital which can be called up in the event of winding up of the company.

7. **Average profits of a firm during the last few years are ₹ 80,000 and the normal rate of return in a similar business is 10%. If the goodwill of the firm is ₹ 1,00,000 at 4 years' purchase of super profit, find the capital employed by the firm.** **[3]**

Answer : Goodwill = Super Profit × No. of Years' Purchase

₹ 1,00,000 = (Average Profit – Normal Profit) × 4

₹ 1,00,000 = (₹ 80,000 – Normal Profit) × 4

₹ $\frac{1,00,000}{4}$ = ₹ 80,000 – Normal Profit

Normal Profit = ₹ 80,000 – ₹ 25,000 = ₹ 55,000

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

$$₹\ 55{,}000 = \text{Capital Employed} \times \frac{10}{100}$$

$$\text{Capital Employed} = ₹\ 55{,}000 \times \frac{100}{10} = ₹\ 5{,}50{,}000$$

8. 'UZ Ltd.' purchased Plant and Machinery from Elk Machine Ltd. for ₹ 6,90,000. Elk Ltd. was paid by accepting a draft of ₹ 90,000 payable after three months and the balance by issue of 6% debentures of ₹ 100 each at a discount of 20%.

Pass necessary journal entries for the above transactions in the books of 'UZ Ltd.' **[3]**

Answer :

Journal of UZ Ltd.

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
	Plant and Machinery A/c Dr.		6,90,000	
	To Elk Machine Ltd.			6,90,000
	(Being the assets purchased from Elk Machine Ltd. for ₹ 6,90,000)			
	Elk Machine Ltd. Dr.		90,000	
	To Bills Payable A/c			90,000
	(Being payment of ₹ 90,000 made by a draft payable after three months)			
	Elk Machine Ltd. Dr.		6,00,000	
	Discount on Issue of Debentures A/c Dr.		1,50,000	
	To 6% Debentures A/c			7,50,000
	(Being balance amount of ₹ 6,00,000 settled by the issue of 6% Debentures of ₹ 100 each at a discount of 20%)			

OR

'ZK Ltd.' issued ₹ 4,00,000, 9% Debentures of ₹ 100 each at a discount of 5% redeemable at a premium of 10%.

Pass necessary journal entries for the above transactions in the books of 'ZK Ltd.' **[3]**

Answer :

Journal of ZK Ltd.

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
	Bank A/c Dr.		3,80,000	
	To 9% Debenture App. and Allot. A/c			3,80,000
	(Being application money received)			
	9% Debenture App. and Allot. 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
	(Being transfer of application money to Debentures Account issued at discount and redeemable at premium)			

9. Willow Ltd. was registered with an authorized capital of ₹ 10,00,000 divided into 1,00,000 equity shares of ₹ 10 each. The company offered 80,000 shares for subscription to the public, out of which 75,000 shares were subscribed. All amounts were received except the final call of ₹ 2 per share on

3,000 shares. Fill in the missing figures in the Balance Sheet of Willow Ltd. as per the provisions of Schedule III, Part I of the Companies Act, 2013. **[3]**

Balance Sheet as at 31st March, 2018 (An extract)

Particulars	Note No.	₹
EQUITY AND LIABILITIES 1. Share holders Funds (a) Share Capital	1	....
		....

Note to Accounts

Note No.	Particulars		₹
1.	**Share Capital**		
	Authorised Capital		
	....		....
	Issued Capital		
	....		....
	Subscribed Capital		
	Subscribed and full paid		
	..........shares of ₹ 10 each		....
	Subscribed but not fully paid		
	..........shares of ₹ 10 each	....	
	Less..............,	....	....
			....

Answer :

Balance Sheet as at 31st March, 2018 (An Extract)

Particulars	Note No.	₹
EQUITY AND LIABILITIES 1. Shareholder's Funds (a) Share Capital	1	7,44,000
		7,44,000

Note to Accounts

Note No.	Particulars		₹
1.	**Share Capital**		
	Authorised Capital		
	1,00,000 Equity Shares of ₹ 10 each		10,00,000
	Issued Capital		
	80,000 Equity Shares of ₹ 10 each		8,00,000
	Subscribed Capital		
	Subscribed and full paid		
	72,000 Equity Shares of ₹ 10 each		7,20,000
	Subscribed but not fully paid		
	3,000 Shares of ₹ 10 each	30,000	
	Less : Calls in Arrears	6,000	24,000
			7,44,000

10. Janta Kalayan Club has 1250 members each paying an annual subscription of ₹ 150. During the year ended 31st March, 2018 the club did not receive subscription from 45 members and received subscriptions in advance from 46 members for the year ending 31st March, 2019. On 31st March, 2017 the outstanding subscriptions were ₹ 15,000 and subscriptions received in advance were ₹ 3,000.

Calculate the amount of subscription that will be debited to the 'Receipts and Payments Account' for the year ended 31st March, 2018. **[3]**

Answer : **Computation of Subscriptions**

	₹
Total subscriptions to be received for the year ended 31st March, 2018 (1250 × ₹ 150)	1,87,500
Less : Subscriptions not received for the year ended 31st March, 2018 (45 × ₹ 150)	6,750
	1,80,750
Add : Subscriptions received in advance for the year ended 31st March, 2019 (46 × ₹ 150)	6,900
Subscriptions outstanding on 31st March, 2017	15,000
	2,02,650
Less : Subscriptions received in advance on 31st March, 2017	3,000
Amount of subscriptions to be debited to Receipts and Payment A/c	1,99,650

11. Hari, Kunal and Uma are partners in a firm sharing profits and losses in the ratio of 5 : 3 : 2. From 1st April, 2018 they decided to share future profits and losses in the ratio of 2 : 5 : 3. Their Balance Sheet showed a balance of ₹ 75,000 in the Profit and Loss Account and a balance of ₹ 15,000 in Investment Fluctuation Fund. For this purpose, it was agreed that :

(i) Goodwill of the firm was valued at ₹ 3,00,000

(ii) That investments (having a book value of ₹ 50,000) were valued at ₹ 35,000.

(iii) That stock having a book value of ₹ 50,000 be depreciated by 10%.

Pass the necessary journal entries for the above in the books of the firm. **[4]**

Answer : **Journal**

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
	Profit and Loss A/c Dr.		75,000	
	To Hari's Capital A/c			37,500
	To Kunal's Capital A/c			22,500
	To Uma's Capital A/c			15,000
	(Being transfer of profits to old partners in their old profit sharing ratio)			
	Kunal's Capital A/c Dr.		60,000	
	Uma's Capital A/c Dr.		30,000	
	To Hari's Capital A/c			90,000
	(Being adjustment made for goodwill on change in the profit sharing ratio)			
	Investment Fluctuation Fund A/c Dr.		15,000	
	To Investments A/c			15,000
	(Being fall in book value of investments adjusted through Investment Flucutation Fund)			
	Revaluation A/c Dr.		5,000	
	To Stock A/c			5,000
	(Being decrease in the value of stock)			

	Hari's Capital Dr. Kunal's Capital A/c Dr. Uma's Capital A/c Dr. To Revaluation A/c (Being loss on revaluation transferred to partners' capital accounts in old profit sharing ratio)		2,500 1,500 1,000	 5,000

Working Note :

Calculation of Sacrifice or Gain in Share of Partners :

	Hari	Kunal	Uma
Old Ratio	5/10	3/10	2/10
New Ratio	2/10	5/10	3/10
Difference (Gain or Sacrifice)	3/10	– 2/10	– 1/10
	Sacrificing Partner	Gaining Partner	Gaining Partner

12. Meera, Sarthak and Rohit were partners sharing profits in the ratio of 2 : 2 : 1. On 31 March, 2018, their Balance Sheet was as follows :

Balance Sheet of Meera, Sarthak and Rohit as at 31 March, 2018

Liabilities	Amount (₹)	Assets	Amount (₹)
Creditors	3,00,000	Fixed Assets	7,00,000
Contingency Reserve	1,00,000	Stock	2,00,000
Capital :		Debtors	1,50,000
Meera	4,00,000	Cash at bank	3,50,000
Sarthak	3,50,000		
Rohit	2,50,000		
	14,00,000		14,00,000

Sarthak died on 15th June, 2018. According to the partnership deed, his executors were entitled to :

(i) Balance in his Capital Account.

(ii) His share of goodwill will be calculated on the basis of thrice the average of the past 4 years' profits.

(iii) His share in profits up to the date of death on the basis of average profits of the last two years. The time period for which he survived in the year of death will be calculated in months.

(iv) Interest on capital @ 12% p.a. up to the date of his death.

The firm's profits for the last four years were :-

2014–15 ₹ 1,20,000, 2015–16 ₹ 2,00,000, 2016–17 ₹ 2,60,000 and 2017–18 ₹ 2,20,000.

Sarthak's executors were paid the amount due immediately. Prepare Sarthak's Capital Account to be presented to his executors. **[4]**

Answer :

Dr. **Sarthak's Capital A/c** Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Sarthak's Executors' A/c (Bal. Fig.)	6,58,750	By balance b/d	3,50,000
		By Profit & Loss Suspense A/c	20,000
		By Meera's Capital A/c	1,60,000

		By Rohit's Capital A/c	80,000
		By Interest on Capital A/c	8,750
		By Contingency Reserve A/c	40,000
	6,58,750		6,58,750

Working Notes :

1. **Calculation of Sarthak's share of profit :**

$$\text{Total profit of last two years} = ₹\ 2,60,000 + ₹\ 2,20,000 = ₹\ 4,80,000$$

$$\text{Average Profits} = ₹\ \frac{4,80,000}{2} = ₹\ 2,40,000$$

Profit for 2½ months, *i.e.*, from 1st April, 2018 to 15th June, 2018, the date of Sarthak's death

$$= ₹\ 2,40,000 \times \frac{2‰}{12} = ₹\ 50,000.$$

$$\text{Sarthak's share of profit} = \frac{2}{5} \times ₹\ 50,000 = ₹\ 20,000$$

2. **Calculation of Sarthak's share of Goodwill :**

Total profit of last four years = ₹ 1,20,000 + ₹ 2,00,000 + ₹ 2,60,000 + ₹ 2,20,000 = ₹ 8,00,000

$$\text{Average Profit} = \frac{₹\ 8,00,000}{4} = ₹\ 2,00,000$$

$$\text{Total Goodwill} = ₹\ 2,00,000 \times 3 = ₹\ 6,00,000$$

$$\text{Sarthak's share of Goodwill} = ₹\ 6,00,000 \times \frac{2}{5} = ₹\ 2,40,000$$

3. **Calculation of Interest on Sarthak's Capital :**

$$\text{Interest on Capital} = ₹\ 3,50,000 \times \frac{12}{100} \times \frac{2‰}{12} = ₹\ 8,750$$

4. **Calculation of Sarthak's share in Contingency Reserve :**

$$\text{Share of contingency reserve to Sarthak} = ₹\ 1,00,000 \times \frac{2}{5} = ₹\ 40,000$$

13. From the following information of Gems Club, prepare Income and Expenditure Account for the year ended 31st March, 2018.

Receipts and Payments Account of Gems Club for the year ending 31st March, 2018

Receipts	Amount (₹)	Payments	Amount (₹)
To Balance b/d	50,000	By Furniture	1,30,000
To Interest on Investments	2,400	By Salaries	64,500
To Donations	17,000	By Miscellaneous Expenses	52,000
To Subscriptions	3,00,000	By Telephone Charges	12,000
To Rent Received	70,000	By Fax Machine	6,000
To Sale of old newspapers	600	By 6% Investments (on 01.08.2017)	1,00,000
		By Printing and Stationery	19,000
		By Balance c/d	56,500
	4,40,000		4,40,000

Additional Information :

Subscriptions received included ₹ 15,000 for 2018–19. The amount of subscriptions outstanding on 31st March, 2018 were ₹ 20,000. Salaries unpaid on 31st March, 2018 were ₹ 8,000 and Rent receivable was ₹ 2,000. Opening stock of printing and stationery was ₹ 12,000, whereas Closing stock was ₹ 15,000. **[6]**

Answer :

Income and Expenditure A/c
for the year ended 31st March, 2018

Dr. Cr.

Expenditure		Amount (₹)	Income		Amount (₹)
To Salaries	64,500		By Subscriptions	3,00,000	
Add : O/s (2017-18)	8,000	72,500	*Less* : Advance (2018-19)	15,000	
To Miscellaneous Expenses		52,000		2,85,000	
To Telephone Charges		12,000	*Add* : O/s (2017-18)	20,000	3,05,000
To Printing & stationery consumed :			By Rent Received	70,000	
Opening Stock	12,000		*Add* : Rent Receivable	2,000	72,000
Add : Purchase	19,000		By Interest on Investment	2,400	
	31,000		*Add* : Int. Accrued	1,600	4,000
Less : Closing Stock	15,000	16,000	By Donations		17,000
To Surplus (Bal. fig.)		2,46,100	By Sale of Old Newspapers		600
(Excess of Income over Expenditure)					
		3,98,600			3,98,600

Working Note :

Interest on Investment (from 01.08.2017 to 31.03.2018) = ₹ 1,00,000 × $\frac{6}{100} \times \frac{8}{12}$ = ₹ 4,000

Interest Accrued = ₹ 4,000 – ₹ 2,400 = ₹ 1,600

14. Ashish and Kanav were partners in a firm sharing profits and losses in the ratio of 3 : 2. On 31st March, 2018 their Balance Sheet was as follows :

Balance Sheet of Ashish and Kanav as at 31st March, 2018

Liabilities		Amount (₹)	Assets	Amount (₹)
Trade Creditors		42,000	Bank	35,000
Employees' Provident Fund		60,000	Stock	24,000
Mrs. Ashish's Loan		9,000	Debtors	19,000
Kanav's Loan		35,000	Furniture	40,000
Workmen's Compensation Fund		20,000	Plant	2,10,000
Investment Fluctuation		4,000	Investments	32,000
Reserve			Profit and Loss Account	10,000
Capital :				
Ashish	1,20,000			
Kanav	80,000	2,00,000		
		3,70,000		3,70,000

On the above date they decided to dissolve the firm.

(i) Ashish agreed to take over furniture at ₹ 38,000 and pay off Mrs. Ashish's loan.

(ii) Debtors realised ₹ 18,500 and plant realised 10% more.

(iii) Kanav took over 40% of the stock at 20% less than the book value. Remaining stock was sold at a gain of 10%

(iv) Trade creditors took over investments in full settlement.

(v) Kanav agreed to take over the responsibility of completing dissolution at an agreed remuneration of ₹ 12,000 and to bear realization expenses. Actual expenses of realization amounted to ₹ 8,000.

Prepare Realisation Account. **[6]**

Answer :

Dr. **Realisation A/c** Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Stock A/c	24,000	By Trade Creditors A/c	42,000
To Debtors A/c	19,000	By Employees' Provident Fund A/c	60,000
To Furniture A/c	40,000	By Mrs. Ashish's Loan A/c	9,000
To Plant A/c	2,10,000	By Investment Fluctuation Reserve A/c	4,000
To Investments A/c	32,000	By Ashish's Capital A/c (Furniture taken)	38,000
To Ashish's Capital A/c (Mrs. Ashish's Loan paid)	9,000	By Bank A/c (Debtors)	18,500
To Bank A/c (Employees' Provident Fund paid)	60,000	By Bank A/c (Plant)	2,31,000
To Kanav's Capital A/c (Remuneration)	12,000	By Kanav's Capital A/c (40% Stock taken)	7,680
To Profit on Realisation transferred to Capital A/cs :		By Bank A/c (Remaining Stock)	15,840
Ashish 12,012			
Kanav 8,008	20,020		
	4,26,020		4,26,020

15. Naveen, Qadir and Rajesh were partners doing an electronic goods business in Uttarakhand. After the accounts of partnership were drawn up and closed, it was discovered that interest on capital has been allowed to partners @ 6% p.a. for the years ending 31st March, 2017 and 2018, although there is no provision for interest on capital in the partnership deed. On the other hand, Naveen and Qadir were entitled to a salary of ₹ 3,500 and ₹ 4,000 per quarter respectively, which has not been taken into consideration. Their fixed capitals were ₹ 4,00,000, ₹ 3,60,000 and ₹ 2,40,000 respectively. During the last two years they had shared the profits and losses as follows :

Year Ended	Ratio
31st March, 2017	3 : 2 : 1
31st March, 2018	5 : 3 : 2

Pass necessary adjusting entry for the above adjustments in the books of the firm on 1st April, 2018. Show your workings clearly. **[6]**

Answer : **Table Showing Adjustment**

	Naveen (₹)	Qadir (₹)	Rajesh (₹)	Total (₹)
Interest allowed on Capitals @ 6% p.a.				
For 2016-17 (Dr.)	24,000	21,600	14,400	60,000
For 2017-18(Dr.)	24,000	21,600	14,000	60,000
	48,000	43,200	28,800	1,20,000
Add : Salary				
For 2016-17 (Cr.)	14,000	16,000	—	30,000
For 2017-18 (Cr.)	14,000	16,000	—	30,000
	28,000	32,000	—	60,000
Amount recoverable from Partners				
For 2016-17 (Dr.)	10,000	5,600	14,400	30,000
For 2017-18 (Dr.)	10,000	5,600	14,400	30,000
Total Amount recoverable from Partners (Dr.)	20,000	11,200	28,800	60,000
Division of firm's profit will be :				
For 2016-17 in ratio of 3 : 2 : 1	15,000	10,000	5,000	30,000
For 2017-18 in ratio of 5 : 3 : 2	15,000	9,000	6,000	30,000
Total Profit distributed among partners (Cr.)	30,000	19,000	11,000	60,000

Adjustment Entry

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
2018				
April 1	Rajesh's Current A/c (28,800 – 11,000) Dr.		17,800	
	To Naveen's Current A/c (30,000 – 20,000)			10,000
	To Qadir's Current A/c (19,000 – 11,200)			7,800
	(Being interest on capital wrongly provided and omission of salary in the accounts for two years, now adjusted)			

Note : It is assumed that salary has not been taken into consideration in the accounts of partnership for the years ending 31st March, 2017 and 2018, as it is not clearly stated in the question.

OR

On 31st March, 2018 the balance in the Capital Accounts of Abhir, Bobby and Vineet, after making adjustments for profits and drawings were ₹ 8,00,000, ₹ 6,00,000 and ₹ 4,00,000 respectively.

Subsequently, it was discovered that interest on capital and interest on drawings had been omitted. The partners were entitled to interest on capital @ 10% p.a. and were to be charged interest on drawings @ 6% p.a. The drawings during the year were : Abhir – ₹ 20,000 drawn at the end of each month, Bobby – ₹ 50,000 drawn at the beginning of every half year and Vineet – ₹ 1,00,000 withdrawn on 31st October, 2017. The net profit for the year ended 31st March, 2018 was ₹ 1,50,000. The profit sharing ratio was 2 : 2 : 1.

Pass necessary adjusting entry for the above adjustments in the books of the firm. Also, show your workings clearly. **[6]**

Answer :

Adjustment Entry

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
2018				
April 1	Bobby's Capital A/c Dr.		14,402	
	To Abhir's Capital A/c			10,112
	To Vineet's Capital A/c			4,290
	(Being adjustment for omissions)			

Working Notes :

1. Calculation of Interest on Drawings :

$$\text{Abhir} = (20{,}000 \times 12) \times \frac{5.5}{12} \times \frac{6}{100} = ₹\ 6{,}600$$

$$\text{Bobby} = (50{,}000 \times 2) \times \frac{9}{12} \times \frac{6}{100} = ₹\ 4{,}500$$

$$\text{Vineet} = 1{,}00{,}000 \times \frac{5}{12} \times \frac{6}{100} = ₹\ 2{,}500$$

2.

Past Adjustment Table

	Abhir (₹)	Bobby (₹)	Vineet (₹)	Total (₹)
Cancellation of Profits	60,000 (Dr.)	60,000 (Dr.)	30,000 (Dr.)	1,50,000 (Cr.)
Omission of Interst on Drawings	6,600 (Dr.)	4,500 (Dr.)	2,500 (Dr.)	13,600 (Cr.)
Omission of Interest on Capital	76,712 (Cr.)	50,098 (Cr.)	36,790 (Cr.)	1,63,600 (Dr.)
Net Effect	10,112 (Cr.)	14,402 (Dr.)	4,290 (Cr.)	—

3. Calculation of Opening Capital :

Particulars	Abhir (₹)	Bobby (₹)	Vineet (₹)
Capital on 31.3.18	8,00,000	6,00,000	4,00,000
Add : Drawings	2,40,000	1,00,000	1,00,000
	10,40,000	7,00,000	5,00,000
Less : Share of Profit	60,000	60,000	30,000
Capital on 1.4.17	9,80,000	6,40,000	4,70,000

4. Interest on Capital Total = ₹ 98,000 + ₹ 64,000 + ₹ 47,000
= ₹ 2,09,000
Profits available = ₹ 1,50,000 + ₹ 13,600
= ₹ 1,63,600

- Interest on capital is given as ₹ 1,63,600 divided in the ratio of opening capitals, *i.e.*, 98 : 64 : 47

16. Denspar Ltd. invited applications for issuing 2,00,000 equity shares of ₹ 10 each at a premium of ₹ 20 per share. The amount was payable as follows :

On Application — ₹ 2 per share
On Allotment — ₹ 13 per share (including ₹ 10 premium)
On First Call — ₹ 7 per share (including ₹ 5 premium)
On Final Call — ₹ 8 per share (including ₹ 5 premium)

Applications for 1,80,000 shares were received. Shares were allotted to all the applicants. Yogesh, a shareholder holding 5,000 shares paid his entire share money along with the allotment money. Vishesh, a holder of 7,000 shares, failed to pay the allotment money. Afterwards the first call was made. Vishesh paid the allotment money along with the first call money. Samyesh, holding 2,000 shares did not pay the final call. Samyesh's shares were forfeited immediately after the final call. Out of the forfeited shares, 1,500 shares were reissued at ₹ 8 per share fully paid up.

Pass the necessary journal entries for the above transactions in the books of Denspar Ltd. **[8]**

Answer : **Journal of Denspar Ltd.**

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
	Bank A/c Dr.		3,60,000	
	To Equity Share Application A/c			3,60,000
	(Being application money received for 1,80,000 shares)			
	Equity Share Application A/c Dr.		3,60,000	
	To Equity Share Capital A/c			3,60,000
	(Being application money transferred)			
	Equity Share Allotment A/c Dr.		23,40,000	
	To Equity Share Capital A/c			5,40,000
	To Securities Premium Reserve A/c			18,00,000
	(Being allotment money due)			
	Bank A/c Dr.		23,24,000	
	To Equity Share Allotment A/c			22,49,000
	To Calls in Advance A/c			75,000
	(Being allotment money received, except on 7,000 shares and calls in advance on 5,000 shares)			
	Equity Share First Call A/c Dr.		12,60,000	
	To Equity Share Capital A/c			3,60,000
	To Securities Premium Reserve A/c			9,00,000
	(Being first call money due)			

	Bank A/c Dr.		13,16,000	
	Calls in Advance A/c Dr.		35,000	
	To Equity Share First Call A/c			12,60,000
	To Equity Share Allotment A/c			91,000
	(Being first call money received)			
	Equity Share Final Call A/c Dr.		14,40,000	
	To Equity Share Capital A/c			5,40,000
	To Securities Premium Reserve A/c			9,00,000
	(Being final call money due)			
	Bank A/c Dr.		13,84,000	
	Calls in Advance A/c Dr.		40,000	
	To Equity Share Final Call A/c			14,24,000
	(Being final call money received)			
	Equity Share Capital A/c (2,000 × ₹ 10) Dr.		20,000	
	Securities Premium Reserve A/c (2,000 × ₹ 5) Dr.		10,000	
	To Equity Share Final Call A/c (2,000 × ₹ 8)			16,000
	To Share Forfeiture A/c (2,000 × ₹ 7)			14,000
	(Being 2,000 shares of Samyesh forfeited for non-payment of final call money)			
	Bank A/c Dr.		12,000	
	Share Forfeiture A/c Dr.		3,000	
	To Equity Share Capital A/c			15,000
	(Being re-issue of 1,500 shares at ₹ 8 per share fully paid up)			
	Share Forfeiture A/c Dr.		7,500	
	To Capital Reserve A/c			7,500
	(Being profit on re-issue of 1,500 shares transferred to capital reserve)			

Working Note :

Profit on forfeiture of 2,000 shares = ₹ 14,000

Profit on forfeiture of 1,500 shares = ₹ 14,000 × $\frac{1,500}{2,000}$ = ₹ 10,500

Profit on Re-issue of 1,500 shares = ₹ 10,500 – Loss on Re-issue

= ₹ 10,500 – ₹ 3,000 = = ₹ 7,500

OR

'KLN Ltd.' invited applications for issuing 1,00,000 shares of ₹ 10 each at a premium of ₹ 2 per share. The amount was payable as follows :

On Application	**— ₹ 3 per share (including premium ₹ 1)**
On Allotment	**— ₹ 4 per share (including premium ₹ 1)**
On First Call	**— ₹ 3 per share**
On Second and Final Call	**— Balance amount**

Application for 1,90,000 shares were received. Allotment was made to the applicants as follows :

Category	No. of Shares Applied	No. of Shares Allotted
I	50,000	40,000
II	1,00,000	60,000

Remaining applications were rejected.

Rajat, a shareholder belonging to Category I who had applied for 2,500 shares, failed to pay the amount due on allotment and first call. His shares were immediately forfeited.

Reema, a shareholder belonging to Category II who was holding 3,000 shares failed to pay the first call and second call money. Her shares were also forfeited. Afterwards 4,000 shares were reissued @ ₹ 8 per share fully paid up. These included all the forfeited shares of Reema.

Pass necessary journal entries for the above transactions in the books of 'KLN Ltd.' **[8]**

Answer : **Journal of KLN Ltd.**

Date	Particulars		L.F.	Amount (₹)	Amount (₹)
	Bank A/c	Dr.		5,70,000	
	To Share Application A/c				5,70,000
	(Being applications for 1,90,000 shares received)				
	Share Application A/c	Dr.		5,70,000	
	To Share Capital A/c				2,00,000
	To Securities Premium Reserve A/c				1,00,000
	To Share Allotment A/c				1,50,000
	To Bank A/c				1,20,000
	(Being share application money transferred)				
	Share Allotment A/c	Dr.		4,00,000	
	To Share Capital A/c				3,00,000
	To Securities Premium Reserve A/c				1,00,000
	(Being allotment money due)				
	Bank A/c	Dr.		2,43,500	
	To Share Allotment A/c				2,43,500
	(Being allotment money received except on 2,000 shares of Rajat)				
	Share First Call A/c	Dr.		3,00,000	
	To Share Capital A/c				3,00,000
	(Being first call money due)				
	Bank A/c	Dr.		2,85,000	
	To Share First Call A/c				2,85,000
	(Being first call money received except on 5,000 shares)				
	Share Capital A/c	Dr.		16,000	
	Securities Premium Reserve A/c	Dr.		2,000	
	To Share Allotment A/c				6,500
	To Share First Call A/c				6,000
	To Share Forfeiture A/c				5,500
	(Being forfeiture of 2,000 shares of Rajat for non-payment of allotment and first call money)				
	Share Second and Final Call A/c	Dr.		1,96,000	
	To Share Capital A/c				1,96,000
	(Being second and final call money due)				

	Bank A/c Dr. To Share Second and Final Call A/c (Being second and final call money received on 95,000 shares)		1,90,000	1,90,000
	Share Capital A/c Dr. To Share First Call A/c To Share Second and Final Call A/c To Share Forfeiture A/c (Being forfeiture of 3,000 shares of Reema for non-payment of first and final call money)		30,000	9,000 6,000 15,000
	Bank A/c Dr. Share Forfeiture A/c Dr. To Share Capital A/c (Being 4,000 shares re-issued at ₹ 8 per share fully paid up)		32,000 8,000	40,000
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Being profit on 4,000 re-issued shares transferred to capital reserve)		9,750	9,750

Working Notes :

1. **Excess amount received from Rajat on application :**

If shares applied for by Rajat were 2,500, shares allotted $= 2{,}500 \times \frac{40{,}000}{50{,}000}$

= 2,000 shares

Excess money received from Rajat = 2,500 shares – 2,000 shares = 500 shares × ₹ 3

= ₹ 1,500

2. Amount due from Rajat on allotment = 2,000 shares × ₹ 4 = ₹ 8,000

Less : Excess received from Rajat on application = ₹ 1,500

Net amount due from Rajat on allotment, which has not been received = ₹ 6,500

3. Total amount due on allotment = 1,00,000 shares × ₹ 4 = ₹ 4,00,000

Less : Excess amount received on application = ₹ 1,50,000

Balance Due = ₹ 2,50,000

Less : Amount not received from Rajat on Allotment = ₹ 6,500

Net Amount received on allotment = ₹ 2,43,500

4. Only 4,000 shares are re-issued. Therefore, the profit on 4,000 shares will only be transferred to Capital Reserve :

Profit on 1,000 shares of Rajat $= 5{,}500 \times \frac{1{,}000 \text{ shares}}{2{,}000 \text{ shares}}$ = ₹ 2,750

Profit on 3,000 shares of Reema = ₹ 15,000

= ₹ 17,750

Less : Loss on re-issue of 4,000 shares @ ₹ 2 each = ₹ 8,000

= ₹ 9,750

17. Mohan, Vinay and Nitya were partners in a firm sharing profits and losses in the proportion of, $\frac{1}{2}, \frac{1}{3}$ and $\frac{1}{6}$ respectively. On 31st March, 2018, their Balance Sheet was as follows :

Balance Sheet of Mohan, Vinay and Nitya as at 31st March, 2018

Liabilities		Amount (₹)	Assets		Amount (₹)
Creditors		48,000	Cash at Bank		31,000
Employees' Provident Fund		1,70,000	Bills Receivable		54,000
Contingency Reserve		30,000	Book Debts	63,000	
Capital :			Less : Provision for doubtful		
Mohan	1,20,000		debts	2,000	61,000
Vinay	1,00,000		Plant and Machinery		1,20,000
Nitya	90,000	3,10,000	Land and Building		2,92,000
		5,58,000			5,58,000

Mohan retired on the above date and it was agreed that :

(i) Plant and machinery will be depreciated by 5%.

(ii) An old computer previously written off was sold for ₹ 4,000.

(iii) Bad debts amounting to ₹ 3,000 will be written off and a provision of 5% on debtors for bad and doubtful debts will be maintained.

(iv) Goodwill of the firm was valued at ₹ 1,80,000 and Mohan's share of the same was credited in his account by debiting Vinay's and Nitya's accounts.

(v) The capital of the new firm was to be fixed at ₹ 90,000 and necessary adjustments were to be made by bringing in or paying off cash as the case may be.

(vi) Vinay and Nitya will share future profits in the ratio of 3 : 2.

Prepare Revaluation Account, Partners' Capital Accounts and the Balance Sheet of the reconstituted firm. [8]

Answer :

Dr. **Revaluation A/c** Cr.

Particulars	Amount (₹)	Particulars		Amount (₹)
To Plant and Machinery A/c	6,000	By Bank A/c (Sale of old computer)		4,000
To Bad Debts A/c (₹ 3,000 – ₹ 2,000)	1,000	By Loss on Revaluation transferred to :		
To Provision for Bad and Doubtful Debts A/c	3,000	Mohan's Cap. A/c	3,000	
		Vinay's Cap. A/c	2,000	
		Nitya's Cap. A/c	1,000	6,000
	10,000			10,000

Dr. **Partners' Capital A/c** Cr.

Particulars	Mohan (₹)	Vinay (₹)	Nitya (₹)	Particulars	Mohan (₹)	Vinay (₹)	Nitya (₹)
To Revaluation A/c (Loss)	3,000	2,000	1,000	By Balance b/d	1,20,000	1,00,000	90,000
To Mohan's Cap. A/c (Goodwill)	—	48,000	42,000	By Contingency Reserve A/c	15,000	10,000	5,000
To Bank A/c	2,22,000	—	—	By Vinay's Cap. A/c	48,000	—	—
To Bank A/c (Bal. Fig.)	—	6,000	16,000	By Nitya's Cap. A/c	42,000	—	—
To Balance C/d	—	54,000	36,000				
	2,25,000	1,10,000	95,000		2,25,000	1,10,000	95,000

Dr. **Bank A/c** Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	31,000	By Mohan's Capital A/c	2,22,000
To Revaluation A/c	4,000	By Vinay's Capital A/c	6,000
To Balance c/d (Bal. Fig.)	2,09,000	By Nitya's Capital A/c	16,000
	2,44,000		2,44,000

Balance Sheet

Liabilities		Amount (₹)	Assets		Amount (₹)
Creditors		48,000	Bills Receivable		54,000
Employees' Provident Fund		1,70,000	Book Debts	63,000	
Bank Overdraft		2,09,000	*Less* : Bad Debts	3,000	
Capital :				60,000	
Vinay	54,000		*Less* : PBD	3,000	57,000
Nitya	36,000	90,000	Plant and Machinery		1,14,000
			Land and Building		2,92,000
		5,17,000			5,17,000

Working Notes :

1. Mohan's share of Goodwill = ₹ 1,80,000 × $\frac{1}{2}$ = ₹ 90,000

which should be contributed by Vinay and Nitya in their gaining ratio.

Vinay's Gain = $\frac{3}{5}$ (New Share) – $\frac{1}{3}$ (Old Share) = $\frac{4}{15}$

Nitya's Gain = $\frac{2}{5}$ (New Share) – $\frac{1}{6}$ (Old Share) = $\frac{7}{30}$

Gaining Ratio of Vinay and Nitya = $\frac{4}{15} : \frac{7}{30}$ or 8 : 7

2. Total Capital of the new firm = ₹ 90,000

Vinay's Capital in new firm = ₹ 90,000 × $\frac{3}{5}$ = ₹ 54,000

Nitya's capital in new firm = ₹ 90,000 × $\frac{2}{5}$ = ₹ 36,000

OR

Leena and Rohit are partners in a firm sharing profits in the ratio of 3 : 2. On 31st March, 2018, their Balance Sheet was as follows :

Balance Sheet of Leena and Rohit as at 31st March, 2018

Liabilities		Amount (₹)	Assets		Amount (₹)
Sundry Creditors		80,000	Cash		42,000
Bills Payable		38,000	Debtors	1,32,000	
General Reserve		50,000	Less : Provision for		
Capital :			doubtful debts	2,000	1,30,000
Leena	1,60,000		Stock		1,46,000
Rohit	1,40,000	3,00,000	Plant and Machinery		1,50,000
		4,68,000			4,68,000

On the above date Manoj was admitted as a new partner for $\frac{1}{5}^{th}$ share in the profits of the firm on the following terms :

(i) Manoj brought proportionate capital. He also brought his share of goodwill premium of ₹ 80,000 in cash.

(ii) 10% of the general reserve was to be transferred to provision for doubtful debts.

(iii) Claim on account of workmen's compensation amounted to ₹ 40,000.

(iv) Stock was overvalued by ₹ 16,000.

(v) Leena, Rohit and Manoj will share future profits in the ratio of 5 : 3 : 2.

Prepare Revaluation Account, Partners' Capital Accounts and the Balance Sheet of the reconstituted firm. **[8]**

Answer :

Dr. **Revaluation A/c** Cr.

Particulars	Amount (₹)	Particulars		Amount (₹)
To Workmen's Compensation Claim A/c	40,000			
To Stock A/c	16,000	By Loss on Revaluation transferred to :		
		Leena's Cap. A/c	33,600	
		Rohit's Cap. A/c	22,400	56,000
	56,000			56,000

Dr. **Partners Capital A/c** Cr.

Particulars	Leena (₹)	Rohit (₹)	Manoj (₹)	Particulars	Leena (₹)	Rohit (₹)	Manoj (₹)
To Revaluation A/c (Loss)	33,600	22,400		By Balance b/d	1,60,000	1,40,000	
To Balance c/d (Bal. Fig.)	1,93,400	1,75,600	92,250	By Cash A/c	—	—	92,250
				By Premium for Goodwill A/c	40,000	40,000	—
				By General Reserve A/c	27,000	18,000	—
	2,27,000	1,98,000	92,250		2,27,000	1,98,000	92,250

Dr. **Cash A/c** Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	42,000	By Balance c/d (Bal. Fig.)	2,14,250
To Manoj's Capital A/c	92,250		
To Premium for Goodwill A/c	80,000		
	2,14,250		2,14,250

Balance Sheet

Liabilities		Amount (₹)	Assets		Amount (₹)
Sundry Creditors		80,000	Cash		2,14,250
Bills Payable		38,000	Debtors	1,32,000	
Workmen's Compensation Claim		40,000	*Less* : PDD	7,000	1,25,000
Capital :			Stock		1,30,000
Leena	1,93,400		Plant and Machinery		1,50,000
Rohit	1,75,600				
Manoj	92,250	5,01,250			
		6,19,250			6,19,250

Working Notes :

1. **Calculation of Sacrificing ratio :**

Leena's Sacrifice = $\frac{3}{5}$ (Old Share) – $\frac{5}{10}$ (New Share) = $\frac{1}{10}$

Rohit's Sacrifice = $\frac{2}{5}$ (Old Share) – $\frac{3}{10}$ (New Share) = $\frac{1}{10}$

Sacrificing Ratio = $\frac{1}{10} : \frac{1}{10}$ or 1 : 1

2. **Computation of Manoj's Capital :**

Capital of Leena after adjustments	₹ 1,93,400
Capital of Rohit after adjustments	₹ 1,75,600
Combined capital of Leena and Rohit for 4/5th Share	₹ 3,69,000

Total capital of new firm = ₹ 3,69,000 × $\frac{5}{4}$

Manoj's Share in capital = ₹ 3,09,000 × $\frac{5}{4} \times \frac{1}{5}$ = ₹ 92,250

PART – B

OPTION 1

(Analysis of Financial Statements)

18. Under which type of activity will you classify 'Cash advances and loans made to third party' while preparing Cash Flow Statement ? **[1]**

Answer : Investing Activity.

19. State the primary objective of preparing 'Cash Flow Statement.' **[1]**

Answer : The primary objective or purpose of preparing 'Cash Flow Statement' is to ascertain the sources and applications of cash and cash equivalents from operating, investing and financing activities of a company during a particular period.

20. Under which major headings and subheadings will the following items be presented in the Balance Sheet of a company as per Schedule III, Part I of the Companies Act, 2013 ?

(i) Interest accrued and due on debentures

(ii) Loose tools

(iii) Accrued interest on calls in advance

(iv) Interest due on calls in arrears

(v) Trademarks

(vi) Premium on redemption of debentures

(vii) Plant and Machinery

(viii) Patents

Answer :

S. No.	Heading	Sub-heading
(i)	Current Liabilities	Other Current Liabilities
(ii)	Current Assets	Inventories
(iii)	Current Liabilities	Other Current Liabilities

(iv)	Current Assets	Other Current Assets
(v)	Non-Current Assets	Fixed Assets–Intangible
(vi)	Non-Current Liabilities	Other Long-term Liabilities
(vii)	Non-Current Assets	Fixed Assets-Tangible
(viii)	Non-Current Assets	Fixed Assets–Intangible

OR

Explain briefly any four limitations of 'Analysis of Financial Statements. **[1]**

Answer : Limitations of 'Analysis of Finanical Statements' are as follows :

(a) **Window-dressing**—Some companies deliberately skew the results of financial statements presented to cover up the bad financial position on the eve of accounting date.

(b) **Not always comparable across companies**—If a user wants to compare two firms using different accounting policies, the comparison between the two will be unreliable.

(c) **No reflection of price level changes**—The figures in finanical statements don't show the effect of changes in price level. As such, the comparison of past year finanical statements with current year may mislead the conclusions.

(d) **Biasness of analyst**—Conclusions obtained from the analysis of the financial statements are affected to a great extent by the ability and biasness of the analyst.

21. (i) From the following information calculate Interest Coverage Ratio : Net profit after interest and tax ₹ 1,20,000; Rate of income tax 40%; 15% debentures ₹ 1,00,000; 12% Mortgage loan ₹ 1,00,000.

(ii) A company had Current Assets ₹ 3,00,000 and Current Liabilities ₹ 1,40,000. Afterwards, it purchased goods worth ₹ 20,000 on credit. Calculate the Current Ratio after the purchase of goods.

[4]

Answer : (i) Interest Coverage Ratio = $\dfrac{\text{Net profit before Interest and Tax}}{\text{Fixed Interest charges}}$

Fixed Interest charges = 15% Interest on Debentures = ₹ 1,00,000
+ 12% Interest of Mortage Loan of ₹ 1,00,000

= ₹ 15,000 + ₹ 12,000

= ₹ 27,000

Net Profit after Interest and Tax = ₹ 1,20,000

Net Profit before Tax = ₹ 1,20,000 × $\dfrac{100}{60}$ = ₹ 2,00,000

Net Profit before Interest and Tax = ₹ 2,00,000 + Fixed Interest charges

= ₹ 2,00,000 + ₹ 27,000

= ₹ 2,27,000

Interest Coverage Ratio = $\dfrac{₹\,2,27,000}{₹\,27,000}$ = 8.407 times

(ii) Current Assets (after purchase of goods on credit) = ₹ 3,00,000 + ₹ 20,000

= ₹ 3,20,000

Current Liabilities (after purchase of goods on credit) = ₹ 1,40,000 + ₹ 20,000

= ₹ 1,60,000

Current Ratio = $\dfrac{₹\,3,20,000}{₹\,1,60,000}$ = 2 : 1

OR

Quick ratio of a company is 1 : 1. State, with reason, whether the following transactions will increase, decrease or not change the ratio :

(i) Paid insurance premium in advance ₹ 10,000.

(ii) Purchased goods on credit ₹ 8,000.

(iii) Issued fully paid equity shares of ₹ 1,00,000.

(iv) Issued 9% debentures of ₹ 5,00,000 to the vendor for machinery purchased. **[4]**

Answer :

Transaction	Effect on Quick Ratio	Reasons
(i)	Reduce	Current liabilities remain unchanged but liquid assets are decreased by the amount of cash paid for insurance premium.
(ii)	Reduce	Liquid assets remain unchanged but current liabilities are increased.
(iii)	Improve	Current liabilities remain unchanged but liquid assets are increased by the amount of cash received on issue of equity shares.
(iv)	Not change	Neither liquid assets nor the current assets are affected.

22. From the information extracted from the Statement of Profit and Loss for the years ended 31st March, 2017 and 31st March, 2018, prepare a Comparative Statement of Profit and Loss :

Particulars	2017–2018	2016–2017
Revenue from operations	300% of cost of material consumed	200% of cost of material consumed
Cost of materials consumed	₹ 2,40,000	₹ 2,00,000
Other expenses	20% of cost of material consumed	10% of cost of material consumed
Tax rate	50%	50%

[4]

Answer : **Comparative Statement of Profit and Loss**

for the years ended 31st March, 2017 and 2018

Particulars	Note No.	2016–17	2017–18	Absolute Change (Increase or Decrease)	% Change (Increase or Decrease)
		₹	₹	₹	%
I. Revenue from Operations		4,00,000	7,20,000	3,20,000	80
II. Expenses :					
Cost of Material Consumed		2,00,000	2,40,000	40,000	20
Other Expenses		20,000	48,000	28,000	140
Total Expenses		2,20,000	2,88,000	68,000	30.91
III. Profit before Tax (I – II)		1,80,000	4,32,000	2,52,000	140
IV. Tax @ 50%		90,000	2,16,000	1,26,000	140
V. Profit after Tax (III – IV)		90,000	2,16,000	1,26,000	140

23. **From the following Balance Sheet of DCX Ltd. and the additional information as at 31st March, 2018 prepare a Cash Flow Statement :**

DCX Ltd.

Balance Sheet as at 31st March, 2018

	Particulars	Note No.	31.3.2018 (₹)	31.3.2017 (₹)
I–Equity and Liabilities :				
1.	**Shareholder's Funds :**			
	(a) Share Capital		30,00,000	21,00,000
	(b) Reserves and Surplus	1	4,00,000	5,00,000
2.	**Non-Current Liabilities :**			
	Long-term Borrowings	2	8,00,000	5,00,000
3.	**Current Liabilities :**			
	(a) Trade Payables		1,50,000	1,00,000
	(b) Short-term Provisions	3	76,000	56,000
	Total		44,26,000	32,56,000
II–Assets :				
1.	**Non-Current Assets :**			
	Fixed Assets :			
	(i) Tangible Assets		27,00,000	20,00,000
	(ii) Intangible Assets	4	8,00,000	7,00,000
2.	**Current Assets :**			
	(a) Current Investment		89,000	78,000
	(b) Inventories		8,00,000	4,00,000
	(c) Cash and Cash Equivalents		37,000	78,000
	Total		44,26,000	32,56,000

Notes to Accounts :

Note No.	Particulars	31.3.2018 (₹)	31.3.2017 (₹)
1.	**Reserves and Surplus :** (Surplus *i.e.*, Balance in the Statement of Profit and Loss)	4,00,000	5,00,000
		4,00,000	5,00,000
2.	**Long-term Borrowings :** 8% Debentures	8,00,000	5,00,000
		8,00,000	5,00,000
3.	**Short-term Provisions :**	76,000	56,000
	Provision for Tax	76,000	56,000
4.	**Tangible Asset :**		
	Machinery	33,00,000	25,00,000
	Less : Accumulated Depreciation	(6,00,000)	(5,00,000)
		27,00,000	20,00,000

Additional Information :

(i) During the year a machinery costing ₹ 8,00,000 on which accumulated depreciation was ₹ 3,20,000 was sold for ₹ 6,40,000.

(ii) Debentures were issued on I[st] April, 2017. **[6]**

Answer : **Cash Flow Statement**

for the year ended 31st March, 2018

Particulars	Amount (₹)	Amount (₹)
A. Cash Flow From Operating Activities		
Net Profit before tax	(24,000)	
Adjustments for non-cash and non-operating items :		
Add : Depreciation on Machinercy	4,20,000	
Interest paid on Debentures	64,000	
	4,60,000	
Less : Profit on sale of Machinery	1,60,000	
Operating Profit before working capital changes	3,00,000	
Add : Increase in Current Liabilities		
Trade Payables	50,000	
	3,50,000	
Less : Increase in Current Assets		
Inventories	4,00,000	
Cash generated from Operating Activities	(50,000)	
Less : Provision for Tax (for 2017)	56,000	
Net Cash used in Operating activities	(1,06,000)	(1,06,000)
B. Cash Flow from Investing activities		
Purchase of Machinery	(16,00,000)	
Purchase of Intangible Assets	(1,00,000)	
Sale of Machinery	6,40,000	
Net Cash used in Investing Activities	(10,60,000)	(10,60,000)
C. Cash flow from Financing Activities		
Proceeds from Issue of Shares	9,00,000	
Proceeds from Issue of Debentures	3,00,000	
Interest paid on Debentures	(64,000)	
Net Cash Flow from Financing Activities	11,36,000	11,36,000
Net Increase or Decrease in Cash and Cash Equivalents (A + B + C)		(30,000)
Add : Cash and Cash Equivalents at the beginning (78,000 + 78,000)		1,56,000
Cash and Cash Equivalents at the end (89,000 + 37,000)		1,26,000

Working Notes :

1. Calculation of Net Profit before Tax :

	₹
Balance in Statement of P & L on 31[st] March, 2018	4,00,000
Less : Balance in Statement of P & L on 31[st] March, 2017	5,00,000
	(1,00,000)
Add : Provision for Tax (for 2018)	76,000
Net Profit before Tax	(24,000)

2.

Dr. **Machinery A/c** Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	25,00,000	By Bank A/c (Sale)	6,40,000
To Profit and Loss A/c	1,60,000	By Accumulated Depreciation A/c	3,20,000
To Bank A/c (Bal. fig.) (Purchase)	16,00,000	By Balance c/d	33,00,000
	42,60,000		42,60,000

3.

Dr. **Accumulated Depreciation A/c** Cr.

Particular	Amount (₹)	Particulars	Amount (₹)
To Machinery A/c	3,20,000	By Balance b/d	5,00,000
To Balance c/d	6,00,000	By Depreciation A/c (Bal. Fig.)	4,20,000
	9,20,000		9,20,000

Accountancy 2019 (Outside Delhi) SET II

Time allowed : 3 hours **Maximum marks : 80**

Note : Except for the following questions, all the remaining questions have been asked in previous sets.

PART A

(Accounting for Not-for-Profit Organisations, Partnership Firms and Companies)

6. A, B and C were partners in a firm sharing profits and losses in the ratio of 2 : 2 : 1. On 31st March, 2018 their firm was dissolved. On that date provision for bad debts showed a balance of ₹ 4,500. Pass necessary journal entry for the treatment of provision for bad debts on the firm's dissolution.

[1]

Answer :

Journal

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
2018 March 31	Provision for Bad Debts A/c Dr.		4,500	
	To Realisation A/c			4,500
	(Provision for Bad Debts transferred to Realisation Account)			

8. The firm of P, Q, and R earned ₹ 4,00,000 average profits during the last three years. The capital employed in the business was ₹ 6,00,000. Normal rate of return of the industry is 8%.
Calculate the goodwill of the firm by capitalising the super profits. **[3]**

Answer : Average Profit = ₹ 4,00,000

Normal Profit = Capital Employed × Normal Rate of Return

$$= ₹\ 6,00,000 \times \frac{8}{100}$$

= ₹ 48,000

Super Profit = Average Profit – Normal Profit

= ₹ 4,00,000 – ₹ 48,000

= ₹ 3,52,000

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

$$= ₹\ 3,52,000 \times \frac{100}{8}$$

= ₹ 44,00,000

9. 'WX Ltd.' was registered with an authorised capital of 2,00,000 equity shares of ₹ 10 each. The company offered 1,50,000 shares to the public for subscription. 1,45,000 shares were subscribed. All calls were made and were duly received except the final call of ₹ 3 on 5,000 shares.
Present the Share Capital of the Company as per the provisions of Schedule III, Part I of the Companies Act, 2013. **[3]**

Answer : **Balance Sheet as at 31st March..........(An Extract)**

Particulars	Note No.	Amount (₹)
I. EQUITY AND LIABILITIES		
1. Shareholders' Funds :		
(a) Share Capital	1	14,35,000

Notes to Accounts :

Note No.	Particulars		₹
1.	**Share Capital :**		
	Authorised Capital		
	2,00,000 Equity Shares of ₹ 10 each		20,00,000
	Issued Capital		
	1,50,000 Equity Shares of ₹ 10 each		15,00,000
	Subscribed Capital		
	Subscribed and full paid		
	1,40,000 Equity Shares of ₹ 10 each		14,00,000
	Subscribed but not fully paid		
	5,000 Equity Shares of ₹ 10 each	50,000	
	Less : Calls in arrear @ ₹ 3 pershare	15,000	35,000
			14,35,000

10. From the following information, calculate the amount of medicines to be debited to 'Income and Expenditure Account' of a Charitable Hospital for the year ended 31st March, 2018. Also present the relevant information in the Balance Sheet of the hospital as at 31st March, 2018.

Particulars	31st March, 2017 (₹)	31st March, 2018 (₹)
Stock of medicines	8,00,000	15,00,000
Creditors for medicines	6,00,000	8,00,000

Cash paid to the creditors of medicines during the year was ₹ 25,00,000. **[3]**

Answer :

Income and Expenditure A/c

Dr. *for the year 31st March 2018* Cr.

Expenditure		Amount (₹)	Income	Amount (₹)
To Medicines Consumed :				
Payment made	25,00,000			
Less : Creditors on 31st March 2017	6,00,000			
	19,00,000			
Add : Creditors on 31st March, 2018	8,00,000			
	27,00,000			
Add : Stock on 31st March, 2017	8,00,000			
	35,00,000			
Less : Stock on 31st March, 2018	15,00,000	20,00,000		

Balance Sheet as at 31st March, 2018

Liabilities	Amount (₹)	Assets	Amount (₹)
Creditors for Medicines	8,00,000	Stock of Medicines	15,00,000

11. L, M and N were partners in a firm sharing profits in the ratio of 2 : 3 : 5. From 1st April, 2018 they decided to share the profits in the ratio of 1 : 2 : 2. On this date, the Balance Sheet showed a credit balance of ₹ 1,17,000 in General Reserve and a debit balance of ₹ 35,000 in Profit and Loss account. The goodwill of the firm was valued at ₹ 5,00,000. The revaluation of assets and reassessment of liabilities resulted into a gain of ₹ 30,000.

Pass necessary journal entries for the above transactions on the reconstitution of the firm. **[4]**

Answer :

Journal

Date	Particulars		L.F.	Amount (₹)	Amount (₹)
	General Reserve A/c	Dr.		1,17,000	
	To L's Capital A/c				23,400
	To M's Capital A/c				35,100
	To N's Capital A/c				58,500
	(Being transfer of general reserve on change in profit sharing ratio)				
	L's Capital A/c	Dr.		7,000	
	M's Capital A/c	Dr.		10,500	
	N's Capital A/c	Dr.		17,500	
	To Profit & Loss A/c				35,000
	(Being transfer of undistributed loss on change in profit sharing ratio)				

	M's Capital A/c Dr.		50,000	
	To N's Capital A/c			50,000
	(Being adjustment of goodwilll due to change in profit sharing ratio)			
	Revaluation A/c Dr.		30,000	
	To L's Capital A/c			6,000
	To M's Capital A/c			9,000
	To N's Capital A/c			15,000
	(Being transfer of profit on revaluation to partners in old ratio)			

12. Manika, Rekha and Mohit were partners sharing profits in the ratio of 5 : 4 : 1. On 31st March, 2018 their Balance Sheet was as follows :

Balance Sheet of Manika, Rekha and Mohit as at 31st March, 2018

Liabilities	Amount (₹)	Assets	Amount (₹)
Creditors	5,00,000	Fixed Assets	9,00,000
General Reserve	2,00,000	Stock	3,00,000
Capital :		Debtors	3,00,000
Manika 6,00,000		Cash at Bank	4,50,000
Rekha 4,50,000			
Mohit 2,00,000	12,50,000		
	19,50,000		19,50,000

Rekha died on 1st July, 2018. According to the partnership deed, her executors were entitled to :

(i) Balance in her Capital Account.

(ii) Her share of goodwill, which is calculated on the basis of average profits of last four years.

(iii) Her share of profit up to the date of death calculated on the basis of average profits of last two years. The time period for which she survived in the year of death will be calculated in months.

(iv) Interest on capital @ 10% p.a. up to the date of death.

The firm's profits for the last four years were :

2014–15 ₹ 2,20,000, 2015–16 ₹ 3,00,000; 2016–7 ₹ 3,60,000 and 2017–18 ₹ 3,20,000.

Rekha's executors were paid the amount due immediately.

Prepare Rekha's Capital Account to be presented to her executors. **[4]**

Answer :

Dr. **Rekha's Capital A/c** Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Rekha's Executors A/c	6,95,250	By Balance b/d	4,50,000
		By General Reserve A/c	80,000
		By Interest on Capital A/c	11,250
		By P & L Suspense A/c	34,000
		By Manika's Capital A/c	1,00,000
		By Mohit's Capital A/c	20,000
	6,95,250		6,95,250

Working Notes :

1. **Calculation of Goodwill of Rekha's Share :**

$$\text{Total Goodwill} = \frac{2,20,000 + 3,00,000 + 3,60,000 + 3,20,000}{4}$$

$$= ₹\ 3,00,000$$

$$\text{Rekha's Share of Goodwill} = ₹\ 3,00,000 \times \frac{4}{10}$$

$$= ₹\ 1,20,000$$

2. **Calculation of Rekha's Share of Profit :**

$$\text{Average Profit} = \frac{3,60,000 + 3,20,000}{2}$$

$$= ₹\ 3,40,000$$

Rekha's Share of profit from 1st April, 2018 to 1st July, 2018

$$= ₹\ 3,40,000 \times \frac{4}{10} \times \frac{3}{12} = ₹\ 34,000.$$

3. **Calculation of Interest on Rekha's Capital :**

$$\text{Interest on Capital} = ₹\ 4,50,000 \times \frac{10}{100} \times \frac{3}{12} = ₹\ 11,250$$

$$= ₹\ 11,250$$

4. **Calculation of Rekha's share in General Reserve :**

$$\text{Share of General Reserve to Rekha} = ₹\ 2,00,000 \times \frac{4}{10}$$

$$= ₹\ 80,000$$

PART B
OPTION 1
(Analysis of Financial Statements)

18. **While preparing Cash Flow Statement, 'Receipt of interest and dividend' will be classified under which type of activity in case of a non-financial enterprise ?** **[1]**

Answer : Investing Activity.

19. **What is meant by 'Cash and Cash Equivalents' ?** **[1]**

Answer : Cash and Cash equivalents are highly liquid investments that are readily convertible in to cash.

22. **Prepare a Comparative Statement of Profit and Loss from the following information extracted from the Statement of Profit and Loss for the years ended 31st March, 2017 and 31st March, 2018 :** **[4]**

Particulars	2017-18	2016-17
Revenue from operations	400% of cost of material consumed	300% of cost of material consumed
Cost of materials consumed	₹ 4,40,000	₹ 4,00,000
Other expenses	30% of cost of material consumed	20% of cost of material consumed
Tax rate	50%	50%

Answer : **Comparative Statement of Profit and Loss**

for the years ended 31st March, 2017 and 2018

Particulars	Note No.	2016–17	2017–18	Absolute Change (Increase or Decrease)	% Change (Increase or Decrease)
		₹	₹	₹	%
I. Revenue from Operations		12,00,000	17,60,000	5,60,000	46.67
II. Expenses :					
Cost of Material Consumed		4,00,000	4,40,000	40,000	10.00
Other Expenses		80,000	1,32,000	52,000	65.00
Total Expenses		4,80,000	5,72,000	92,000	19.17
III. Profit before Tax (I – II)		7,20,000	11,88,000	4,68,000	65.00
IV. Tax @ 50%		3,60,000	5,94,000	2,34,000	65.00
V. Profit after Tax (III – IV)		3,60,000	5,94,000	2,34,000	65.00

●●

Accountancy 2019 (Outside Delhi) SET III

Time allowed : 3 hours **Maximum marks : 80**

Note : Except for the following questions, all the remaining questions have been asked in previous sets.

PART A

(Accounting for Not-For-Profit Organisation, Partnership Firms and Companies)

6. B, C and D were partners in a firm sharing profits and losses in the ratio of 1 : 4 : 5. On 31st March, 2018 the firm was dissolved and on that date the Balance Sheet of the firm showed a loan of ₹ 10,000 given by C's brother F. C agreed to pay his brother's loan.
Pass necessary journal entry for the above on the firm's dissolution. **[1]**

Answer :

Journal

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
2018 March 31	F's Loan A/c Dr.		10,000	
	To Realisation A/c			10,000
	(Being liability of F's loan transferred to Realisation A/c)			
	Realisation A/c Dr.		10,000	
	To C's Capital A/c			10,000
	(Being F's loan paid by C)			

7. A, B, C and D were partners in a firm sharing profits and losses equally. E was admitted as a new partner for $\frac{1}{3}$rd share in the profits of the firm which he acquires equally from C and D. On E's admission the goodwill of the firm was valued at ₹ 3,00,000.

Calculate the new profit sharing ratio on E's admission. Also pass necessary journal entry on E's admission, assuming that he failed to bring his share of goodwill in cash. **[3]**

Answer : Calculation of New Profit Sharing Ratio :

$$\text{E's Share} = \frac{1}{3}$$

$$\text{E taken from C} = \frac{1}{3} \times \frac{1}{2} = \frac{1}{6}$$

$$\text{E taken from D} = \frac{1}{3} \times \frac{1}{2} = \frac{1}{6}$$

$$\text{New Share of C} = \frac{1}{4} - \frac{1}{6} = \frac{6-4}{24} = \frac{2}{24}$$

$$\text{New Share of D} = \frac{1}{4} - \frac{1}{6} = \frac{6-4}{24} = \frac{2}{24}$$

$$\text{New Profit Sharing Ratio of A, B, C, D and E} = \frac{1}{4} : \frac{1}{4} : \frac{2}{24} : \frac{2}{24} : \frac{1}{3} \text{ or } 3:3:1:1:4$$

Journal

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
	E's Current A/c Dr.		1,00,000	
	To C's Capital A/c			50,000
	To D's Capital A/c			50,000
	(Being current account of E debited from his share of goodwill and capital accounts of old partners (C and D) credited in their sacrificing ratio, *i.e.*, 1 : 1)			

Working Note :

$$\text{E's share of goodwill} = ₹\, 3,00,000 \times \frac{1}{3}$$
$$= ₹\, 1,00,000$$

8. 'JN Ltd.' were registered with an authorised capital of 2,00,000 equity shares of ₹ 100 each. The company offered to the public for subscription 1,00,000 shares. Applications for 1,50,000 shares were received and allotment was made to all the applicants on pro-rata basis. All calls were made and were duly received except the second and final call of ₹ 4,000. The amount payable on second and final call was ₹ 20 per share.

Present the Share Capital in the Balance Sheet of the company as per Schedule III, Part I of the Companies Act, 2013. **[3]**

Answer : **Balance Sheet as at 31st March, ...(An Extract)**

Particulars	Note No.	Amount (₹)
I. EQUITY AND LIABILITES		
1. Shareholders' Funds		
(a) Share Capital	1	99,96,000

Notes to Account :

Note No. 6	Particulars		₹
1.	**Share Capital :**		
	Authorised Capital		
	2,00,000 Equity Share of ₹ 100 each		2,00,00,000
	Issued Capital		
	1,00,000 Equity Shares of ₹ 100 each		1,00,00,000
	Subscribed Capital		
	Subscribed and fully paid		
	99,800 Equity Shares of ₹ 100 each		99,80,000
	Subscribed but not fully paid		
	200 Equity shares of ₹ 100 each	20,000	
	Less : Calls in Arrears @ ₹ 20 each	4,000	16,000
			99,96,000

10. Calculate the amount of stationery to be debited to 'Income and Expenditure Account' of New Friends Club for the year ended 31st March, 2018. Also present the relevant information in the Balance Sheet of the Club as at 31st March, 2018.

Particulars	31st March, 2017 (₹)	31st March, 2018 (₹)
Stock of stationery	25,000	40,000
Creditors for stationery	30,000	19,000

During the year ₹ 46,000 were paid to the creditors for stationery and stationery of ₹ 6,000 was purchased in cash. **[3]**

Answer :

Income and Expenditure A/c

Dr. *for the years' ended 31st March, 2018* Cr.

Expenditure		Amount (₹)	Income	Amount (₹)
To Stationery Consumed :				
Payment made	46,000			
Less : Creditors on 31.3.2017	30,000			
	16,000			
Add : Creditors on 31.3.2018	19,000			
	35,000			
Add : Cash Purchases	6,000			
	41,000			
Add : Stock on 31.3.2017	25,000			
	66,000			
Less : Stock on 31.3.2018	40,000	26,000		

Balance Sheet

as at 31st March, 2018

Liabilities	Amount (₹)	Assets	Amount (₹)
Creditors of Stationery	19,000	Stock of Stationery	40,000

11. Satish and Taruna were partners in a firm sharing profits and losses in the ratio of 3 : 2. From 1st April, 2018 they decided to share profits equally. On that date their Balance Sheet showed a credit balance of ₹ 35,000 in workmen compensation fund and ₹ 40,000 in general reserve. The goodwill of the firm on that date was valued at ₹ 50,000. The firm accepted a claim of ₹ 40,000 for workmen compensation.

Pass necessary journal entries for the above transactions on the reconstitution of the firm. **[4]**

Answer :

Journal

Date	Particulars		L.F.	Amount (₹)	Amount (₹)
	Workmen Compensation Fund A/c	Dr.		35,000	
	Revaluation A/c	Dr.		5,000	
	To Workmen compensation Claim A/c				40,000
	(Being transfer of loss on workmen compensation claim)				
	Satish's Capital A/c	Dr.		3,000	
	Taruna's Capital A/c	Dr.		2,000	
	To Revaluation A/c				5,000
	(Being loss on revaluation transferred to partners in old ratio)				
	General Reserve A/c	Dr.		40,000	
	To Satish's Capital A/c				24,000
	To Taruna's Capital A/c				16,000
	(Being transfer of general reserve on change in profit sharing ratio)				
	Taruna's Capital A/c	Dr.		5,000	
	To Satish's Capital A/c				5,000
	(Being adjustment of goodwill due to change in profit sharing ratio)				

12. Garima, Harish and Reena were partners in a firm sharing profit and loss equality. On 31st March, 2015, Harish died and the amount payable to his executors was ₹ 90,000. It was agreed between the remaining partners and Harish's executors that the executors will be paid in four equal yearly instalments along with interest @ 18% per annum starting from 31st March, 2015.

Prepare Harish's executor's account till it is finally closed. **[4]**

Answer :

Dr. **Harish's Executors' A/c** Cr.

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
2015			2015		
March 31	To Bank A/c	22,500	March 31	By Harish's Capital A/c	90,000
March 31	To Balance c/d	67,500			
		90,000			90,000
			2015		
2016			April 1	By Balance b/d	67,500
March 31	To Bank A/c	34,650	2016		
March 31	To Balance c/d	45,000	March 31	By Interest A/c	12,150
		79,650			79,6,50

2017			2016		45,000
March 31	To Bank A/c	30,600	April 1	By Interest A/c	8,100
March 31	To Balance c/d	22,500	2017		
		53,100			53,100
			March 31	By Balance b/d	22,500
			2017		
			April 1	By Balance b/d	4,050
2018			2018		
March 31	To Bank A/c	26,550	March 31	By Balance A/c	26,550

PART : B

OPTION 1

(Analysis of Financial Statements)

18. What is meant by 'Inflow of Cash' ? **[1]**

Answer : Inflows of cash means the receipts of cash and cash equivalents from the various activities of the enterprise.

19. Are 'Assets acquired by issue of shares' disclosed in the Cash Flow Statement ? Give reason in support of your answer. **[1]**

Answer : No. Because there is no inflow or outflow of cash from this transaction.

22. Prepare a Comparative Statement of Profit and Loss from the following information extracted from the Statement of Profit and Loss for the years ended 31st March, 2017 and 31st March, 2018 :

Particulars	2017-18	2016-17
Reveneu of operations	200% of cost of material consumed	200% of cost of material consumed
Cost of materials consumed	₹ 3,00,000	₹ 2,00,000
Other expenses	15% of cost of material consumed	25% of cost of material consumed
Tax rate	40%	40%

Answer : **Comparative Statement of Profit and Loss**

for the years ended 31st March, 2017 and 2018

Particulars	Note No.	2016–17	2017–18	Absolute Change	% Change
		₹	₹	₹	%
I. Revenue from Operations		4,00,000	6,00,000	2,00,000	50.00
II. Expenses :					
Cost of Material Consumed		2,00,000	3,00,000	1,00,000	50.00
Other Expenses		50,000	45,000	(5,000)	(10.00)
Total Expenses		2,50,000	3,45,000	95,000	38.00
III. Profit before Tax (I – II)		1,50,000	2,55,000	1,05,000	70.00
IV. Tax @ 40%		60,000	1,02,000	42,000	70.00
V. Profit after tax (III – IV)		90,000	1,53,000	63,000	70.00

Accountancy 2019 (Delhi) SET I

Time allowed : 3 hours **Maximum marks : 80**

Note : Except for the following questions, all the remaining questions have been asked in previous sets.

PART : A

(Accounting For Not-For-Profit Organisations, Partnership Firms and Companies)

1. **Atul and Neera were partners in a firm sharing profits in the ratio of 3 : 2. They admitted Mitali as a new partner. Goodwill of the firm was valued at ₹ 2,00,000. Mitali brings her share of goodwill premium of ₹ 20,000 in cash, which is entirely credited to Atul's Capital Account. Calculate the new profit sharing ratio.** **[1]**

Answer : Goodwill of the Firm of Mitali's admission = ₹ 2,00,000

Share of Goodwill brought in by Mitali = ₹ 20,000

$$\text{So, Mitali's share in profit} = \frac{20,000}{2,00,000} = \frac{1}{10}$$

$$\text{Atul's Sacrificing share} = \text{Profit share of Mitali} = \frac{1}{10}$$

$$\text{Atul's new share} = \frac{3}{5} - \frac{1}{10} = \frac{5}{10}$$

$$\therefore \quad \text{New Profit Sharing Ratio} = \frac{5}{10} : \frac{2}{5} : \frac{1}{10} \text{ or } 5 : 4 : 1$$

2. **What is meant by 'Issued Capital ?** **[1]**

Answer : Issued capital is that part of the Authorised Capital which is offered to the public for subscription.

OR

What is meant by 'Employees Stock Option Plan' ? **[1]**

Answer : Employee stock option is a plan where whole-time directors, officers and employees of the company get an option to purchase the securities offered by the company at a predetermined price in future, the price is usually lower than the market price.

3. **Differentiate between Dissolution of Partnership and Dissolution of a Partnership Firm on the basis of 'Court's Intervention'.** **[1]**

Answer :

	Dissolution of Partnership	Dissolution of Firm
Court's Intervention	The court does not intervene because partnership is dissolved by mutual agreement.	The firm can be dissolved by court's order.

4. **What is meant by 'Gaining Ratio' on retirement of a partner ?**

Answer : Gaining ratio is the ratio in which the remaining partners acquire the retiring partner's profit share.

OR

P, Q and R were partners in a firm. On 31st March, 2018 R retired. The amount payable to ₹ 2,17,000 was transferred to his loan account. R agreed to receive interest on this amount as per the provisions of Partnership Act, 1932. State the rate at which interest will be paid to R. **[1]**

Answer : 6% p.a.

5. Chhavi and Neha were partners in a firm sharing profits and losses equally. Chhavi withdrew a fixed amount at the beginning of each quarter. Interest on drawings is charged @ 6% p.a. At the end of the year, interest on Chhavi's drawings amounted to ₹ 900. Pass necessary journal entry for charging interest on drawings. **[1]**

Answer :

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
	Chhavi's Capital A/c Dr.		900	
	To Interest on Drawings A/c			900
	[Being interest on drawings charged]			

6. How are Specific donations treated while preparing final accounts of a 'Not-For-Profit Organisation' ? **[1]**

Answer : It is shown on the liabilities side of the Balance Sheet of Not-for-profit organisation.

OR

State the basis of accounting of preparing 'Income and Expenditure Account of a Not-For-Profit Organisation. **[1]**

Answer : Accural basis.

7. The capital of the firm of Anuj and Benu 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 ₹ 3,00,000, ₹ 3,60,000 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]**

Answer : Average profit before salary $= \dfrac{₹\,3,00,000 + ₹\,3,60,000 + ₹\,4,20,000}{3} = ₹\,3,60,000$

Average profit after salary $= ₹\,3,60,000 - ₹\,1,20,000$

$= ₹\,2,40,000$

Normal profit $= ₹\,10,00,000 \times \dfrac{15}{100} = ₹\,1,50,000$

Super profit $= ₹\,2,40,000 - ₹\,1,50,000$

$= ₹\,90,000$

$\therefore$ Goodwill $=$ Super profit × No. of years purchase

$= ₹\,90,000 \times 2$

$= ₹\,1,80,000$

8. How the following items for the year ended 31st March, 2018 will be presented in the financial statements of Aisko Club :

Particulars	Debit Amount (₹)	Credit Amount (₹)
Tournament Fund	—	1,50,000
Tournament Fund Investment	1,50,000	—
Income from Tournament Fund Investment	—	18,000
Tournament Expenses	12,000	—

Additional Information :

Interest Accrued on Tournament Fund Investments ₹ 6,000 **[3]**

Answer : **Balance Sheet of Aisko Club as on 31st March, 2018**

Liabilities		Amount (₹)	Assets	Amount (₹)
Tournament Fund	1,50,000		Tournament Fund Investment	1,50,000
Add : Income from Tournament Fund Investments	18,000		Accurued Interest on Tournament Fund Investment	6,000
Add : Acc. Interest	6,000			
Less : Tournament Expenses	12,000	1,62,000		

9. Garvit Ltd. invited applications for issuing 3,000, 11% Debentures of ₹ 100 each at a discount of 6%. The full amount was payable on application. Applications were received for 3,600 debentures. Applications for 600 debentures were rejected and the application money was refunded. Debentures were allotted to the remaining applicants.

Pass the necessary journal entries for the above transactions in the books of Garvit Ltd. **[3]**

Answer :

Journal

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	Dr.		3,38,400	
	To Debenture Application & Allotment A/c				3,38,400
	(Being application money received on 3,600 debentures)				
	Debenture Application & Allotment A/c	Dr.		3,38,400	
	Discount/Loss on Issue of Debentures A/c	Dr.		18,000	
	To 11% Debentures A/c				3,00,000
	To Bank A/c				56,400
	(Being application money adjusted)				

OR

On 1st April 2015, P Ltd. Issued 6,000 12% Debentures of ₹ 100 each at par redeemable at a premium of 7%. The Debentures were to be redeemed at the end of third year. Prepare Loss on issue of 12% Debentures Account. **[3]**

Answer :

Dr. **Loss on Issue of 12% Debentures A/c** Cr.

Date	Particulars	Amount	Date	Particulars	Amount
2015 April 1	To Premium on Redemption of Debenture A/c	42,000	2016 March 31	By Statement of P & L	14,000
			March 31	By Balance c/d	28,000
		42,000			42,000
2016 April 1	To Balance b/d	28,000	2017 March 31	By Statement of P & L	14,000
			March 31	By Balance c/d	14,000
		28,000			28,000
2017 April 1	To Balance b/d	14,000	2018 March 31	By Statement of P & L	14,000
		14,000			14,000

10. Unilink Ltd. had outstanding ₹ 12,00,000, 9% debentures on 1st April, 2014 redeemable at a premium of 8% in two equal annual instalments starting from 31st March, 2018. The company had a balance of ₹ 3,00,000 in Debenture Redemption Reserve on 31st March, 2017. Pass the necessary journal entries for redemption of debentures in the books of Unilink Ltd. for the year ended 31st March, 2018. [3]

Answer :

In the Books of Unilink Ltd.
Journal

Date	Particulars		L.F.	Amount (₹)	Amount (₹)
2017					
April 30	Debenture Redemption Investment A/c	Dr.		90,000	
	To Bank A/c				90,000
	(Being Debenture Redemption Investment purchase)				
2018					
March 31	Bank A/c	Dr.		90,000	
	To Debenture Redemption Investment A/c				90,000
	(Being Debenture Redemption Investment sold)				
March 31	9% Debenture A/c	Dr.		6,00,000	
	Premium on Redemption of Debenture A/c	Dr.		48,000	
	To Debentureholders A/c				6,48,000
	(Being debentures due for redemption)				
March 31	Debentureholders A/c	Dr.		6,48,000	
	To Bank A/c				6,48,000
	(Being debentures redeemed)				
March 31	Debenture Redemption Reserve A/c	Dr.		1,50,000	
	To General Reserve A/c				1,50,000
	(Being Debenture Redemption Reserve amount transferred to general reserve)				

11. Ankit, Bobby and Kartik were partners in a firm sharing profits in the ratio 4 : 3 : 3. The firm was dissolved on 31-3-2018. Pass the necessary Journal entries for the following transactions after various assets (other than cash and bank) and third party liabilities had been transferred to Realisation Account :

(i) The firm had stock of ₹ 80,000. Ankit took over 50% of the stock at a discount of 20% while the remaining stock was sold off at a profit of 30% on cost.

(ii) A liability under a suit for damages included in creditors was settled at ₹ 32,000 as against only ₹ 13,000 provided in the books. Total creditors of the firm were ₹ 50,000.

(iii) Bobby's sister's loan of ₹ 20,000 was paid off along with interest of ₹ 2,000.

(iv) Kartik's Loan of ₹ 12,000 was settled at ₹ 12,500. [4]

Answer :

Journal

Date	Particulars		L.F.	Amount (₹)	Amount (₹)
	(i) Ankit's Capital A/c	Dr.		32,000	
	Bank A/c	Dr.		52,000	
	To Realisation A/c				84,000
	(Being 50% stock taken over by Ankit and remaining sold at a profit)				

	(ii) Realisation A/c Dr. To Bank A/c (Being Payment made to creditors)		69,000	69,000
	(iii) Realisation A/c Dr. To Bank A/c (Being Bobby's Sister's loan paid with interest)		22,000	22,000
	(iv) Kartik's Loan A/c Dr. Realisation A/c Dr. To Bank A/c (Being Kartik's loan settled)		12,000 500	12,500

12. Radhika, Bani and Chitra were partners in a firm sharing profits and losses in the ratio of 2 : 3 : 1. With effect from 1st April, 2018 they decided to share future profits and losses in the ratio of 3 : 2 : 1. On that date their Balance Sheet showed a debit balance of ₹ 24,000 in Profit and Loss Account and a balance of ₹ 1,44,000 in General Reserve. It was also agreed that :

(a) The goodwill of the firm be valued at ₹ 1,80,000.

(b) The Land (having book value of ₹ 3,00,000) will be valued at ₹ 4,80,000.

Pass the necessary journal entries for the above changes. **[4]**

Answer : **Journal**

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
	Radhika's Capital A/c Dr. Bani's Capital A/c Dr. Chitra's Capital A/c Dr. To Profit & Loss A/c (Being loss transferred to partners' capital A/c)		8,000 12,000 4,000	24,000
	General Reserve A/c Dr. To Radhika's Capital A/c To Bani's Capital A/c To Chitras' Capital A/c (Being general reserve distributed to partners in old ratio)		1,44,000	48,000 72,000 24,000
	Radhika's Capital A/c Dr. To Bani's Capital A/c (Being adjustment entry made for goodwill)		30,000	30,000
	Land A/c Dr. To Revaluation A/c (Being land revalued)		1,80,000	1,80,000
	Revaluation A/c Dr. To Radhika's Capital A/c To Bani' Capital A/c To Chitra's Capital A/c (Being revaluation profit transferred to partners capital A/c in old ratio)		1,80,000	60,000 90,000 30,000

Working Note :

Calculation of Gain/Sacrifice share of partners :

$$\text{Radhika's Gain/sacrifice} = \frac{2}{6}-\frac{3}{6}=\frac{-1}{6} \text{ (Gain)}$$

$$\text{Bani's Gain/Sacrifice} = \frac{3}{6}-\frac{2}{6}=\frac{1}{6} \text{ (Sacrifice)}$$

$$\text{Chitra's Gain/Sacrifice} = \frac{1}{6}-\frac{1}{6}=0 \text{ (No Gain/Sacrifice)}$$

13. From the following Receipts and Payments Account and additional information, prepare Income and Expenditure Account and Balance Sheet of Sears Club, Noida as on March 31, 2018.

Receipts and Payments & Accounts of Sears Club for the year ended 31-3-2018

Receipts		Amount (₹)	Payments	Amount (₹)
To Balance b/d		20,000	By Stationery	23,400
To Subscriptions			By 12% Investments	8,000
2016-17	40,000		By Electricity expenses	10,600
2017-18	94,000		By Expenses on lectures	30,000
2018-19	7,200	1,41,200	By Sports equipments	59,000
To Donations for building		40,000	By Books	40,000
To Interest on Investments		800	By Balance c/d	50,000
To Government Grant		17,400		
To Sale of old furniture				
(Book value ₹ 4,000)		1,600		
		2,21,000		**2,21,000**

Additional Information :

(i) The club has 200 members each paying an annual subscription of ₹ 1,000. ₹ 60,000 were in arrears for last year and 25 members paid in advance in the last year for the current year.

(ii) Stock of stationery on 1-4-2017 was ₹ 3,000 and on 31-3-2018 was ₹ 4,000. **[6]**

Answer :

Dr. Income & Expenditure A/c Cr.

Particulars		Amount (₹)	Particulars		Amount (₹)
To Stationery consumed :			By Subscriptions		2,00,000
Purchased	23,400		By Interest on Investment	800	
Add : Opening stock	3,000		*Add* : Accured Interest	160	960
	26,400		By Government Grant		17,400
Less : Closing stock	4000	22,400			
To Loss on sale of old furniture		2,400			
To Electricity expenses		10,600			
To Expenses on lectures		30,000			
To Surplus		1,52,960			
		2,18,360			2,18,360

Balance Sheet as on 31st March, 2018

Liabilities		Amount (₹)	Assets	Amount (₹)
Subscriptions in Advance		7,200	Outstanding Subscriptions	1,01,000
Donations for Building		40,000	Stock of Stationery	4,000
Capital Fund	62,000		Cash in Hand	50,000
Add : Surplus	1,52,960	2,14,960	12% Investments	8,000
			Accrued Interest	160
			Sports Equipment	59,000
			Books	40,000
		2,62,160		2,62,160

Balance Sheet as on 1st April, 2017

Liabilities	Amount (₹)	Assets	Amount (₹)
Subscriptions in Advance	25,000	Cash in Hand	20,000
Capital Fund (Bal. Fig.)	62,000	Outstanding Subscriptions	60,000
		Stock of Stationery	3,000
		Furniture	4,000
	87,000		87,000

Working Notes :

1. **Calculation of outstanding subscriptions on 31st March, 2018 :**

Subscriptions due for the year (200 × ₹ 1,000)	₹ 2,00,000
Less : Subscriptions received during the year	₹ 94,000
	₹ 1,06,000
Less : Subscriptions received during last year	₹ 25,000
Subscription in arrears for 2017-18	₹ 81,000
Add : Subscription still in arrears for 2016-17 (₹ 60,000 – ₹ 40,000)	₹ 20,000
Total subscriptions outstanding on 31st March, 2018	₹ 1,01,000

2. **Calculation of Accrued Interest on Investments :**

$$\text{Interest on Investments} = ₹\,8,000 \times \frac{12}{100}$$
$$= ₹\,690$$
$$\text{Accured Interest} = ₹\,960 - ₹\,800$$
$$= ₹\,160$$

14. **Girija, Yatin and Zubin were partners sharing profits in the ratio 5 : 3 : 2. Zubin died on 1st August, 2015. Amount due to Zubin's executor after all adjustments was ₹ 90,300. The executor was paid ₹ 10,300 in cash immediately and the balance in two equal annual instalments with interest @ 6% p.a. starting from 31st March, 2017. Accounts are closed on 31st March each year.**

Prepare Zubin's Executors Account till he is finally paid. **[6]**

Answer :

Dr. **Zubin's Executors' Account** Cr.

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
2015			2015		
Aug. 1	To Bank A/c	10,300	Aug. 1	By Zubin's Capital A/c	90,300
2016			2016		
March 31	To Balance c/d	83,200	March 31	By Interest A/c	3,200
				$\left(80,000 \times \frac{6}{100} \times \frac{8}{12}\right)$	
		93,500			93,500
2017			2016	By Balance b/d	83,200
March 31	To Bank A/c	48,000	April 1		
"	To Balance c/d	40,000	2017		
			March 31	By Interest A/c	4,800
2018		88,000	2017		88,000
March 31	To Bank A/c	42,400	April 1	By Balance b/d	40,000
			2018		
			March 31	By Interest A/c	2,400
		42,400			42,400

15. **Sonu and Rajat started a partnership firm on April 1, 2017. They contributed ₹ 8,00,000 and ₹ 6,00,000 respectively as their capitals and decided to share profits and losses in the ratio of 3 : 2.**

The partnership deed provided that Sonu was to be paid a salary of ₹ 20,000 per month and Rajat a commission of 5% on turnover. It also provided that interest on capital be allowed @ 8% p.a. Sonu withdrew ₹ 20,000 on 1st December, 2017 and Rajat withdrew ₹ 5,000 at the end of each month. Interest on drawings was charged @ 6% p.a. The net profit as per Profit and Loss Account for the year ended 31st March, 2018 was ₹ 4,89,950. The turnover of the firm for the year ended 31st March, 2018 amounted to ₹ 20,00,000. Pass necessary journal entries for the above transactions in the books of Sonu and Rajat. **[6]**

Answer : **Journal**

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
2018				
March 31	Profit & Loss A/c Dr.		4,89,950	
	To Profit & Loss Appropriation A/c			4,89,950
	(Being profits transferred to P & L Appropriation A/c)			
March 31	Sonu's Salary A/c Dr.		2,40,000	
	To Sonu's Capital A/c			2,40,000
	(Being salary credited to Sonu's Capital A/c)			

March 31	Profit and Loss Appropriation A/c Dr. To Sonu's Salary A/c (Being salary transferred to P & L Appropriation A/c)		2,40,000	 2,40,000
March 31	Commission to Rajat Dr. To Rajat's Capital A/c (Being commission Credited to Rajat's Capital A/c)		1,00,000	 1,00,000
March 31	Profit & Loss Appropriation A/c Dr. To Commission to Rajat (Being commission transferred to P & L Appropriation A/c)		1,00,000	 1,00,000
March 31	Interest on Capital A/c Dr. To Sonu's Capital A/c To Rajat's Capital A/c (Being interest on capital transferred to Partners Capital A/c)		1,12,000	 64,000 48,000
March 31	P & L Appropriation A/c Dr. To Interest on Capital A/c (Being interest on capital transferred to P & L Appropriation A/c)		1,12,000	 1,12,000
March 31	Sonu's Capital A/c Dr. Rajat's Capital A/c Dr. To Interest on Drawings A/c (Being interest on drawings charged)		400 1,650	 2,050
March 31	Interest on Drawings A/c Dr. To P & L Appropriation A/c (Being interest on drawings transferred to P & L Appropriation A/c)		2,050	 2,050
March 31	P & L Appropriation A/c Dr. To Sonu's Capital A/c To Rajat's Capital A/c (Being profit credited to capital A/cs of partners)		40,000	 24,000 16,000

Working Notes :

1. **Calculation of Interest on Drawings :**

   Drawings of Sonu = ₹ 20,000

   Interest on Sonu's drawings = 20,000 × $\frac{6}{100} \times \frac{4}{12}$ = ₹ 400

   Drawings of Rajat = 12 × ₹ 5,000 = ₹ 60,000

   Interest on Rajat's drawings = 60,000 × $\frac{6}{100} \times \frac{5.5}{12}$ = ₹ 1,650

2. **Calculation of divisible profit and its distribution between partners :**

   Divisible Profit = Net Profit + Interest on Drawings – Interest on Capital – Salary to Sonu – Commission to Rajat

   = 4,89,950 + (400 + 1,650) – (64,000 + 48,000) – 2,40,000 – 1,00,000

   = ₹ 40,000

   Sonu's Share in Divisible Profit = ₹ 40,000 × $\frac{3}{5}$ = ₹ 24,000

   Rajat's share in Divisible profit = ₹ 40,000 × $\frac{2}{5}$ = ₹ 16,000

OR

Jay, Vijay and Karan were partners of an architect firm sharing profits in the ratio of 2 : 2 : 1. Their partnership deed provided the following :

(i) A monthly salary of ₹ 15,000 each to Jay and Vijay.

(ii) Karan was guaranteed a profit of ₹ 5,00,000 and Jay guaranteed that he will earn an annual fee of ₹ 2,00,000. Any deficiency arising because of guarantee to Karan will be borne by Jay and Vijay in the ratio of 3 : 2.

During the year ended 31st March, 2018 Jay earned fee of ₹ 1,75,000 and the profits of the firm amounted to ₹ 15,00,000.

Showing your workings clearly prepare Profit and Loss Appropriation Account and the Capital Account of Jay, Vijay and Karan for the year ended 31st March, 2018. [6]

Answer :

Profit & Loss Appropriation A/c
for the year ended 31st March, 2018

Dr. Cr.

Particulars		Amount (₹)	Particulars	Amount (₹)
To Salary :			By Profit & Loss A/c	15,00,000
Jay	1,80,000		By Jay's Capital A/c	
Vijay	1,80,000	3,60,000	(₹ 2,00,000 – ₹ 1,75,000)	25,000
To Profit transferred to Capital A/c s : (WN)				
Jay	3,05,800			
Vijay	3,59,200			
Karan	5,00,000	11,65,000		
		15,25,000		15,25,000

Dr. **Partners' Capital A/c** Cr.

Particulars	Jay (₹)	Vijay (₹)	Karan (₹)	Particulars	Jay (₹)	Vijay (₹)	Karan (₹)
To P & L Appropriation A/c	25,000			By P & L Appropriation A/c (Salary)	1,80,000	1,80,000	
To Balance c/d	4,60,800	5,39,200	5,00,000	By P & L Appropriation A/c (Profit)	3,05,800	3,59,200	5,00,000
	4,85,800	3,59,200	5,00,000		4,85,800	5,39,200	5,00,000

Working Notes :

$$\text{Divisible Profit} = ₹\ 11{,}65{,}000$$

$$\text{Jay's share in divisible profit} = 11{,}65{,}000 \times \frac{2}{5} = ₹\ 4{,}66{,}000$$

$$\text{Vijay's share in divisible profit} = 11{,}65{,}000 \times \frac{2}{5} = ₹\ 4{,}66{,}000$$

$$\text{Karan's share in divisible profit} = 11{,}65{,}000 \times \frac{1}{5} = ₹\ 2{,}33{,}000$$

Profit share guaranteed to Karan = ₹ 5,00,000

Deficiency in Karan's share of profit = ₹ 5,00,000– ₹ 2,33,000

= ₹ 2,67,000

Deficiency to be borne by Jay = $2,67000 \times \frac{3}{5}$

= ₹ 1,60,200

Deficiency to be borne by Vijay = $2,67,000 \times \frac{2}{5}$

= ₹ 1,06,800

Jay's final share in divisible profit = ₹ 4,66,000 – ₹ 1,06,200

= ₹ 3,05,800

Vijay's final share is divisible profit = ₹ 4,66,000 – ₹ 1,06,800

= ₹ 3,59,200

Karan's final share in divisible profit = ₹ 2,33,000 + ₹ 1,60,200 + ₹ 1,06,800

= ₹ 5,00,000

16. DF Ltd. invited application for issuing 50,000 shares of ₹ 10 each at a premium of ₹ 2 per share. The amount was payable as follows :

On Application : ₹ 3 per share (including premium ₹ 1)

On Allotment : ₹ 3 per share (including premium ₹ 1)

On First call : ₹ 3 per share

On Second and Final Call : Balance amount

Application for 70,000 shares were received. Allotment was made on the following basis :

Applications for 5,000 shares – Full

Applications for 50,000 shares – 90%

Balance of the applications were rejected. ₹ 1,11,000 were received on account of allotment. The amount of allotment due from the shareholders to whom shares were allotted on prorata basis was fully received. A few shareholders to whom shares were allotted in full, failed to pay the allotment money. ₹ 1,20,000 were received on first call. Directors decided to forfeit those shares on which allotment and call money was due. Half of the forfeited shares were re-issued @ ₹ 8 per share fully paid up. Final call was not made.

Pass the necessary journal entries for the above transactions in the book of DF Ltd. [8]

Answer : Answer is not given due to ambiquity.

OR

EF Ltd. invited applications for issuing 80,000 equity shares of ₹ 50 each at a premium of 20%. The amount was payable as follows :

On Application : ₹ 20 per share (including premium ₹ 5)

On Allotment : ₹ 15 per share (including premium ₹ 5)

On First Call : ₹ 15 per share

On Second and Final Call : Balance amount

Applications for 1,20,000 shares were received. Applications for 20,000 shares were rejected and prorata allotment was made to the remaining applicants.

Seema, holding 4,000 shares failed to pay the allotment money. Afterwards the first call was made. Seema paid allotment money along with the first call. Sahaj who had applied for 2,500 shares failed

to pay the first call money. Sahaj's shares were forfeited and subsequently reissued to Geeta for ₹ 60 per share, ₹ 50 per share paid up. Final call was not made.

Pass necessary journal entries for the above transactions in the books of EF Ltd. by opening calls-in-arrears account. **[8]**

Answer : **Journal**

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
	Bank A/c Dr.		24,00,000	
	To Equity Share Application A/c			24,00,000
	(Being application money received)			
	Equity Share Application A/c Dr.		24,00,000	
	To Equity Share Capital A/c			12,00,000
	To Securities Premium Reserve A/c			4,00,000
	To Equity Share Allotment A/c			4,00,000
	To Bank A/c			4,00,000
	(Being application money adjusted and excess money on 20,000 Shares refunded)			
	Equity Share Allotment A/c Dr.		12,00,000	
	To Equity Share Capital A/c			8,00,000
	To Securities Premium Reserve A/c			4,00,000
	(Being allotment money due)			
	Bank A/c Dr.		7,60,000	
	Calls in Arrears A/c Dr.		40,000	
	To Equity Share Allotment A/c			8,00,000
	(Being allotment money received)			
	Equity Share First Call A/c Dr.		12,00,000	
	To Equity Share Capital A/c			12,00,000
	(Being first call money due)			
	Bank A/c Dr.		12,10,000	
	Calls in Arrears A/c Dr.		30,000	
	To Equity Share Capital A/c			12,00,000
	To Calls in Arrears A/c			40,000
	(Being first call money received)			
	Equity Share Capital A/c Dr.		80,000	
	To Share Forfeiture A/c			50,000
	To Calls in Arrears A/c			30,000
	(Being Sahaji's shares forfeited)			
	Bank A/c Dr.		1,20,000	
	To Equity Share Capital A/c			1,00,000
	To Securities Premium Reserve A/c			20,000
	(Being Sahaj's shares reissued for ₹ 60 per share and ₹ 50 paid up)			
	Share Forfeiture A/c Dr.		50,000	
	To Capital Reserve A/c			50,000
	(Being profit on reissue of shares transferred to capital reserve)			

Working Notes :

1. **Excess amount received from Seema on application :**

If shares allotted were 80,000, shares applied for were = 1,00,000

$\therefore$ If shares alloted were 4,000, shares applied for were $= \frac{1,00,000}{80,000} \times 4,000$

$= 5,000$

Excess application money received from Seema :

5,000 shares – 4000 shares = 1,000 shares × ₹ 20

= ₹ 20,000

2. **Amount not received fom Seema on allotment :**

Amount due on allotment = 4,000 × ₹ 15

= ₹ 60,000

Less : Excess money received on application = ₹ 20,000

Amount not received on allotment = ₹ 40,000

3. **Amount received on allotment :**

Total amount due on allotment = 80,000 × ₹ 15 = ₹ 12,00,000

Less : Excess money received on application = ₹ 4,00,000

= ₹ 8,00,000

Less : Amount not received from seema = ₹ 40,000

Net amount received on allotment = ₹ 7,60,000

17. **Akul, Bakul and Chandan were partners in a firm sharing profits in the ratio of 2 : 2 : 1. On 31st March, 2018 their Balance Sheet was as follows :**

Balance Sheet of Akul, Bakul and Chandan as on 31-3-2018

Liabilities		Amount (₹)	Assets		Amount (₹)
Sundry Creditors		45,000	Cash at Bank		42,000
Employees Provident Fund		13,000	Debtors	60,000	
General Reserve		20,000	*Less* : Provision		
Capitals :			for doubtful debts	2,000	58,000
Akul	1,60,000		Stock		80,000
Bakul	1,20,000		Furniture		90,000
Chandan	92,000	3,72,000	Plant and Machinery		1,80,000
		4,50,000			**4,50,000**

Bakul retired on the above date and it was agreed that :

(i) Plant and Machinery was undervalued by 10%.

(ii) Provision for doubtful debts was to be increased to 15% on debtors.

(iii) Furniture was to be decreased to ₹ 87,000.

(iv) Goodwill of the firm was valued at ₹ 3,00,000 and Bakul's share was to be adjusted through the capital accounts of Akul and Chandan.

(v) Capital of the new firm was to be in the new profit sharing ratio of the continuing partners.

Prepare Revaluation account, Partners' Capital accounts and the Balance Sheet of the reconstituted firm. **[8]**

Answer :

Dr. **Revaluation A/c** Cr.

Particulars		Amount (₹)	Particulars	Amount (₹)
To Provision for doubtful debts A/c		7,000	By Plant A/c	20,000
To Furniture		3,000		
To Profits transferred to :				
Akul's Capital A/c	4,000			
Bakul's Capital A/c	4,000			
Chandan's Capital A/c	2,000	10,000		
		20,000		20,000

Dr. **Partners' Capital A/c** Cr.

Particulars	Akul (₹)	Bakul (₹)	Chandan (₹)	Particulars	Akul (₹)	Bakul (₹)	Chandan (₹)
To Bakul's Cap. A/c	80,000	—	40,000	By Balance b/d	1,60,000	1,20,000	92,000
To Bakul's Loan A/c	—	2,52,000	—	By General Reserve A/c	8,000	8,000	4,000
To Bank A/c	—	—	8,000	By Revaluation A/c	4,000	4,000	2,000
To Balance c/d	1,00,000	—	50,000	By Akul's Cap. A/c	—	80,000	—
				By Chandan's Cap. A/c		40,000	—
				By Bank A/c	8,000	—	
	1,80,000	2,52,000	98,000		1,80,000	2,52,000	98,000

Balance Sheet

Liabilities		Amount (₹)	Assets		Amount (₹)
Sundry Creditors		45,000	Cash at Bank		42,000
Employees Provident Fund		13,000	Debtors	60,000	
Bakul's Loan		2,52,000	*Less* : Provision for doubtful debts	9,000	51,000
Capitals :			Stock		80,000
Akul	1,00,000		Furniture		87,000
Chandan	50,000	1,50,000	Plant & Machinery		2,00,000
		4,60,000			**4,60,000**

OR

Sanjana and Alok were partners in a firm sharing profits and losses in the ratio 3 : 2. On 31st March, 2018 their Balance Sheet was as follows :

Balance Sheet of Sanjana and Alok as on 31-3-2018

Liabilities		Amount (₹)	Assets		Amount (₹)
Creditors		60,000	Cash		1,66,000
Workmen's Compensation Fund		60,000	Debtors	1,46,000	
			Less : Provision for doubtful debts	2,000	1,44,000
Capitals :			Stock		1,50,000
Sanjana	5,00,000		Investments		2,60,000
Alok	4,00,000	9,00,000	Furniture		3,00,000
		10,20,000			**10,20,000**

On 1st April, 2018, they admitted Nidhi as a new partner for 1/4th share in the profits on the following terms :

(a) Goodwill of the firm was valued at ₹ 4,00,000 and Nidhi brought the necessary amount in cash for her share of goodwill premium, half of which was withdrawn by the old partners.

(b) Stock was to be increased by 20% and furniture was to be reduced to 90%.

(c) Investments were to be valued at ₹ 3,00,000. Alok took over investments at this value.

(d) Nidhi brought ₹ 3,00,000 as her capital and the capitals of Sanjana and Alok were adjusted in the new profit sharing ratio.

Prepare Revaluation Account, Partner's Capital Accounts and the Balance Sheet of the reconstituted firm on Nidhi's admission. **[8]**

Answer :

Dr. **Revaluation A/c** Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Furniture A/c	30,000	By Investments A/c	40,000
To Profit transferred to :		By Stock A/c	30,000
Sanjana's Capital A/c 24,000			
Alok's Capital A/c 16,000	40,000		
	70,000		**70,000**

Dr. **Partners' Capital A/c** Cr.

Particulars	Sanjana (₹)	Alok (₹)	Nidhi (₹)	Particulars	Sanjana (₹)	Alok (₹)	Nidhi (₹)
To Cash A/c	30,000	20,000	—	By Balance b/d	5,00,000	4,00,000	—
To Investment A/c	—	3,00,000	—	By Cash A/c	—	—	3,00,000
				By Premium for Goodwill A/c	60,000	40,000	—
To Cash A/c	50,000	—	—	By W.C.R.	36,000	24,000	—
To Balance c/d	5,40,000	3,60,000	3,00,000	By Revaluation A/c	24,000	16,000	—
				By Cash A/c	—	2,00,000	—
	6,20,000	6,80,000	3,00,000		6,20,000	6,80,000	3,00,000

Balance Sheet as on 1st April, 2018

Liabilities	Amount (₹)	Assets	Amount (₹)
Creditors	60,000	Cash at Bank	6,66,000
Capital :		Debtors 1,46,000	
Sanjana	5,40,000	*Less* : Provision for doubtful debts 2,000	1,44,000
Alok	3,60,000	Stock	1,80,000
Nidhi	3,00,000	Furniture	2,70,000
	12,60,000		**12,60,000**

PART B

OPTION 1

(Analysis of Financial Statements)

18. Mevo Ltd., a financial enterprise had advanced a loan of ₹ 3,00,000, invested ₹ 6,00,000 in shares of the other companies and purchased machinery for ₹ 9,00,000. It received dividend of ₹ 70,000 on investment in shares. The company sold an old machine of the book value of ₹ 79,000 at a loss of ₹ 10,000.

Compute Cash flows from Investing Activities. **[1]**

Answer :

Cash Flow from Investing Activities

Particulars	Amount (₹)
Sale of Machinery	69,000
Purchase of Machinery	(9,00,000)
Net Cash used in Investing Activities	8,31,000

19. Give the meaning of 'Cash Equivalents' for the purpose of preparing Cash Flow Statement. **[1]**

Answer : Cash Equivalents mean short term highly liquid investments that are readily convertible into known amount of cash and which are subject to an insignificant risk of value of change.

20. Explain briefly any four objectives of 'Analysis of Finanical Statements'. **[1]**

Answer : Objectives of Finanical Statement Analysis :

(a) Assessing the earning capacity or profitability.

(b) Assessing the managerial efficiency.

(c) Inter firm comparison.

(d) Forecasting and preparing budgets.

OR

State under which major headings and sub-headings will the following items be presented in the Balance Sheet of a company as per Schedule-III, Part-I of the Companies Act, 2013.

(i) Prepaid Insurance

(ii) Investment in Debentures

(iii) Calls-in-arrears

(iv) Unpaid dividend

(v) Capital Reserve

(vi) Loose Tools

(vii) Capital work-in-progress

(viii) Patents being developed by the company. **[4]**

Answer :

	Item	Head	Subhead
(i)	Prepaid Insurance	Current Assets	Other Current Assets
(ii)	Investment in Debentures	Non Current Assets	Non Current Investment
(iii)	Calls-in-arrears	Shareholders' Funds	Share Capital
(iv)	Unpaid dividend	Current Liabilities	Other Current Liabilities
(v)	Capital Reserve	Shareholders' Funds	Reserves & Surplus
(vi)	Loose Tools	Current Assets	Inventories
(vii)	Capital Work-in-progress	Non Current Assets	Fixed Assets
(viii)	Patents being developed by the company	Non Current Assets	Fixed Assets-Intangible Assets

21. (a) Calculate Revenue from operations of BN Ltd. From the following information : **[3 + 1 = 4]**

Current assets	**₹ 8,00,000**
Quick ratio is	**1.5 : 1**
Current ratio is	**2 : 1**
Inventory turnover ratio is	**6 times**

Goods were sold at a profit of 25% on cost.

(b) The Operating ratio of a company is 60%. State whether 'Purchase of goods costing ₹ 20,000, will increase, decrease or not change the operating ratio.

Answer : (a)

$$\text{Current Ratio} = 2:1$$

$$\text{Current Assets} = ₹\ 8{,}00{,}000$$

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}} = \frac{2}{1} = \frac{8{,}00{,}000}{\text{Current Liabilities}}$$

$$\therefore \quad \text{Current Liabilities} = ₹\ 4{,}00{,}000$$

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

$$\frac{1.5}{1} = \frac{\text{Quick Assets}}{4{,}00{,}000}$$

$$\therefore \quad \text{Quick Assets} = ₹\ 6{,}00{,}000$$

$$\text{Inventory} = \text{Current Assets} - \text{Quick Assets}$$

$$= ₹\ 8{,}00{,}000 - ₹\ 6{,}00{,}000$$

$$= ₹\ 2{,}00{,}000$$

$$\text{Inventory turnover Ratio} = 6 \text{ times}$$

$$\text{Cost of Revenue from Operations/Average Inventory} = 6$$

$$\therefore \quad \text{Cost of Revenue from Operations} = ₹\ 12{,}00{,}000$$

$$\text{Gross Profit is 25\% of cost} = 25\% \text{ of } ₹\ 12{,}00{,}000$$

$$= ₹\ 3{,}00{,}000$$

$$\therefore \quad \text{Revenue from Operations} = ₹\ 12{,}00{,}000 + ₹\ 3{,}00{,}000 = ₹\ 15{,}00{,}000$$

(b) Operating ratio of company will not change.

OR

(a) Calculate 'Total Assets to Debt ratio' from the following information :

	₹
Equity Share Capital	**4,00,000**
Long Term Borrowings	**1,80,000**
Surplus *i.e.* Balance in Statement of Profit and Loss	**1,00,000**
General Reserve	**70,000**
Current Liabilities	**30,000**
Long Term Provisions	**1,20,000**

(b) The Debt Equity ratio of a company is 1 : 2. State whether 'Issue of Bonus shares' will increase, decrease or not change the Debt Equity Ratio. **[3 + 1 = 4]**

Answer : Total Assets = ₹ 4,00,000 + ₹ 1,80,000 + ₹ 1,00,000 + ₹ 70,000 + ₹ 30,000 + ₹ 1,20,000 = ₹ 9,00,000

$$\text{Debt} = ₹\ 1{,}80{,}000 + ₹\ 1{,}20{,}000 = ₹\ 3{,}00{,}000$$

$$\therefore \text{Total Assets to Debt Ratio} = \frac{\text{Total Assets}}{\text{Debt}}$$

$$= \frac{9{,}00{,}000}{3{,}00{,}000} = 3:1$$

(b) Issue of Bonus shares will not change the ratio.

22. **From the following information extracted from the Statement of Profit and Loss for the years ended 31st March, 2017 and 2018, prepare a Comparative Statement of Profit & Loss.** **[4]**

Particulars	2017-18	2016-17
Revenue from operations	₹ 6,00,000	₹ 5,00,000
Other incomes (% of revenue from operations)	20%	20%
Employee benefit expenses (% of Total Revenue)	40%	30%
Tax rate	50%	50%

Answer :

Comparative Statement of Profit & Loss

for the years ended 31st March, 2017 & 2018

	Particulars	2016-17	2017-18	Absolute Change	Percentage Change
		₹	₹	₹	%
I.	Revenue from Operations	5,00,000	6,00,000	1,00,000	20
II.	Other Income	1,00,000	1,20,000	20,000	20
III.	Total Income (I + II)	6,00,000	7,20,000	1,20,000	20
IV.	Employee Benefit Expenses	1,80,000	2,88,000	1,08,000	60
V.	Profit before Tax (III – IV)	4,20,000	4,32,000	12,000	2.86
VI.	Tax @ 50%	2,10,000	2,16,000	6,000	2.86
VII.	Profit after Tax (V – VI)	2,10,000	2,16,000	6,000	2.86

23. **From the following Balance Sheet of Kiero Ltd. and the additional information as on 31-3-2018, prepare a Cash Flow Statement :**

Kiero Ltd.

Balance Sheet as at 31-3-2018

Particulars	Note No.	31-3-18 (₹)	31-3-17 (₹)
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			
Fixed Assets			
(i) Tangible Assets	5	9,80,000	6,35,000
(ii) Intangible Assets	6	2,68,000	1,70,000
(2) Current Assets			
(a) Current Investment		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	31-3-18 (₹)	31-3-17 (₹)
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-term 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**		
	Goodwil	2,68,000	1,70,000
		2,68,000	**1,70,000**

***Additional Information* :**

12% debentures were issued on 1st September, 2017. **[6]**

Answer :

Cash Flow Statement for the year ended 31st March, 2018

Particulars	Details	Amount (₹)
A. Cash Flow from Operating Activities		
Profit before tax and extraordinary items	4,58,000	
Add : Depreciation	5,000	
Interest on 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 : Taxes paid	(46,000)	
Net Cash Inflow from Operating Activities		1,77,000
B. Cash Flow from Investing Activities		
Purchase of Plant and Machinery	(3,50,000)	
Purchase of Goodwill	(98,000)	
Net Cash used in Investing Activities		(4,48,000)
C. Cash Flow from Financing Activities		
Proceeds from Issue of Shares	2,10,000	
Proceeds from Issue of 12% Debentures	2,00,000	

Bank overdraft raised	73,000	
Interest paid on debentures.	(50,000)	
Net Cash Flow from Financing Activities		4,33,000
Net Increase in Cash and Cash Equivalents (A + B + C)		1,62,000
Add : Opening Balance of Cash and Cash Equivalents		1,33,000
Closing Balance of Cash & Cash Equivalents		2,95,000

Working Notes :

Calculation of Profit before Tax and Extraordinary Items :	₹
Surplus as on 31st March, 2018	3,20,000
Less : Surplus as on 31st March, 2017	60,000
	2,60,000
Add : Transfer to General Reserve (1,40,000 – 60,000)	80,000
	3,40,000
Add : Provision for tax created during the year	1,18,000
	4,58,000

Accountancy 2019 (Delhi) SET II

Time allowed : 3 hours **Maximum marks : 80**

Note : Except for the following questions, all the remaining questions have been asked in previous sets.

PART A

(Accounting for Not for Profit Organisations, Partnership Firms and Companies)

6. **State any two situations when a partnership firm can be compulsorily dissolved.** [1]

Answer : A partnership firm is compulsorily dissolved in the following cases :

(i) When all the partners become insolvent.

(ii) When the business of the firm becomes illegal.

8. **A firm earned average profit of ₹ 3,00,000 during the last few years. The normal rate of return of the industry is 15%. The assets of the business were ₹ 17,00,000 and its liabilities were ₹ 2,00,000. Calculate the goodwill of the firm by capitalisation of average profits.** [3]

Answer :

$$\text{Average Profits} = ₹\ 3,00,000$$

$$\text{Net Assets} = ₹\ 17,00,000 - ₹\ 2,00,000 = ₹\ 15,00,000$$

$$\text{Capitalised Value of Average Profits} = ₹\ 3,00,000 \times \frac{100}{15} = ₹\ 20,00,000$$

$$\text{Goodwill of the Firm} = \text{Capitalised Value of Average Profits} - \text{Net Assets} = ₹\ 20,00,000 - ₹\ 15,00,000 = ₹\ 5,00,000$$

9. Present the following information for the year ended 31st March, 2018 in the financial statements of a not-for-profit organisation. **[3]**

Particulars	(₹)
Opening balance of Match Fund	5,00,000
Sale of Match tickets	3,75,000
Donations for Match Fund received during the year	1,24,000
Match expenses	10,00,000

Answer :

Balance Sheet as on 31st March, 2018

Liabilities		Amount (₹)	Assets	Amount (₹)
Match Fund	5,00,000			
Add : Donations	1,24,000			
Add : Sale of Match Tickets	3,75,000			
Less : Match Expenses	9,99,000	—		

₹ 1,000 will be shown on the debit side of Income & Expenditure account.

10. Krishna Ltd. had outstanding 20,000, 9% debentures of ₹ 100 each on 1st April, 2014. These debentures were redeemable at a premium of 10% in two equal instalments starting from 31st March, 2018. The company had a balance of ₹ 4,00,000 in Debenture Redemption Reserve on 31st March, 2017.

Pass necessary journal entries for redemption of debentures in the books of Krishna Ltd. for the year ended 31st March, 2018. **[3]**

Answer :

Journal

Date	Particulars		L.F.	Amount (₹)	Amount (₹)
2017 March 31	Surplus *i.e.* Balance in Statement of P & L	Dr.		1,00,000	
	To Debenture Redemption Reserve A/c				1,00,000
	(Being necessary amount transferred to debenture redemption reserve)				
April 30	Debenture Redemption Investment A/c	Dr.		1,50,000	
	To Bank A/c				1,50,000
	(Being debenture redemption Investment purchased)				
2018 March 31	Bank A/c	Dr.		1,50,000	
	To Debenture Redemption Investment A/c				1,50,000
	(Being Debenture Redemption Investment sold)				
March 31	9% Debentures A/c	Dr.		10,00,000	
	Premium on Redemption of Debenture A/c	Dr.		1,00,000	
	To Debentureholders A/c				11,00,000
	(Being debentures due)				
March 31	Debentureholders A/c	Dr.		11,00,000	
	To Bank A/c				11,00,000
	(Being debentures redeemed)				
March 31	Debenture Redemption Reserve A/c	Dr.		2,50,000	
	To General Reserve A/c				2,50,000
	(Being DRR transferred to general reserve)				

11. Gaurav, Saurabh and Vaibhav were partners in a firm sharing profits and losses in the ratio of 2 : 2 : 1. They decided to dissolve the firm on 31st March, 2018. After transferring Sundry assets (other than cash in hand and cash at Bank) and third party liabilities to realisation account, the assets were realised and liabilities were paid off as follows :

(i) A machinery with a book value of ₹ 6,00,000 was taken over by Gaurav at 50% and stock worth ₹ 5,000 was taken over by a creditor of ₹ 9,000 in full settlement of his claim.

(ii) Land and building (book value ₹ 3,00,000) was sold for ₹ 4,00,000 through a broker who charged 2% commission.

(iii) The remaining creditors were paid ₹ 76,000 in full settlement of their claim and the remaining assets were taken over by Vaibhav for ₹ 17,000.

(iv) Bank loan of ₹ 3,00,000 was paid along with interest of ₹ 21,000.

Pass necessary journal entries for the above transactions in the books of the firm. **[4]**

Answer :

Journal

Date	Particulars		L.F.	Amount (₹)	Amount (₹)
(i)	(a) Gaurav's Capital A/c	Dr.		3,00,000	
	To Realisation A/c				3,00,000
	(Being machinery taken over by Gaurav)				
	(b) No Entry				
(ii)	Cash/Bank A/c	Dr.		3,92,000	
	To Realisation A/c				3,92,000
	(Being Land & Building sold)				
(iii)	(a) Realisation A/c	Dr.		76,000	
	To Cash/Bank A/c				76,000
	(Being payment made to creditors)				
	(b) Vaibhav's Capital A/c	Dr.		17,000	
	To Realisation A/c				17,000
	(Being assets taken by Vaibhav)				
(iv)	Realisation A/c	Dr.		3,21,000	
	To Cash/Bank A/c				3,21,000
	(Being bank loan paid with interest)				

12. P, Q and R were partners in a firm sharing profits in the ratio of 1 : 1 : 2. On 31st March, 2018, their balance sheet showed a credit balance of ₹ 9,000 in the profit and loss account and a Workmen Compensation Fund of ₹ 64,000. From 1st April, 2018 they decided to share profits in the ratio of 2 : 2 : 1. For this purpose it was agreed that :

(a) Goodwill of the firm was valued at ₹ 4,00,000.

(b) A claim on account of workmen compensation of ₹ 30,000 was admitted.

Pass necessary journal entries on reconstitution of the firm. **[4]**

Answer :

Journal

Date	Particulars		L.F.	Amount (₹)	Amount (₹)
2018					
April 1	Profit & Loss A/c	Dr.		9,000	
	To P's Capital A/c				2,250
	To Q's Capital A/c				2,250
	To R's Capital A/c				4,500
	(Being profit & loss distributed)				
April 1	Workmen Compensation Fund A/c	Dr.		64,000	
	To P's Capital A/c				8,500
	To Q's Capital A/c				8,500
	To R's Capital A/c				17,000
	To Workmen's Compensation Claim A/c				30,000
	(Being workmen compensation fund adjusted for claim and balance distributed)				
April 1	P's Capital A/c	Dr.		60,000	
	Q's Capital A/c	Dr.		60,000	
	To R's Capital A/c				1,20,000
	(Being adjustment entry made for goodwill)				

Working Notes :

1. **Calculation of Gain/Sacrifice share of partners :**

$$\text{P's Gain/Sacrifice} = \frac{1}{4} - \frac{2}{5} = \frac{5-8}{20}$$
$$= \frac{-3}{20} \text{ (Gain)}$$
$$\text{Q's Gain/Sacrifice} = \frac{1}{4} - \frac{2}{5} = \frac{5-8}{20}$$
$$= \frac{-3}{20} \text{ (Gain)}$$
$$\text{R's Gain/Sacrifice} = \frac{2}{4} - \frac{1}{5} = \frac{10-4}{20}$$
$$= \frac{6}{20} \text{ (Sacrifice)}$$

2. **Computation of amount to be compensated to sacrificing partner by the gaining partners :**

Goodwill of the firm = ₹ 4,00,000

P will pay to R = ₹ 4,00,000 × $\frac{3}{20}$ = ₹ 60,000

Q will pay to R = ₹ 4,00,000 × $\frac{3}{20}$ = ₹ 60,000

R will receive from P and Q = = ₹ 4,00,000 × $\frac{6}{20}$ = ₹ 1,20,000.

PART : B

OPTION I

(Analysis of Financial Statements)

18. What is meant by 'Cash Flows'? **[1]**

Answer : Cash flows imply movement of cash in and out due to some non-cash items.

19. K Ltd., a manufacturing company obtained a loan of ₹ 6,00,000, advanced a loan of ₹ 1,00,000 and purchased machinery for ₹ 5,00,000. Calculate the amount of Cash Flow from financing and investing activities. **[1]**

Answer :

Cash Flows from Financing Activities

Particulars	Amount (₹)
Loan Raised	6,00,000
Net Cash Flow from Financing Activities	6,00,000

Cash Flows from Investing Activities

Particulars	Amount (₹)
Loan Advanced	(1,00,000)
Machinery purchased	(5,00,000)
Net Cash Used in Investing Activities	(6,00,000)

20. Prepare a comparative statement of Profit and Loss from the following information extracted from the statement of Profit and Loss for the year ended 31st March, 2018. **[4]**

Particulars	2017-18	2016-17
Revenue from operations	₹ 12,00,000	₹ 10,00,000
Other income (% of Revenue from operations)	25%	25%
Employee benefit expenses (% of Total Revenue)	40%	30%
Tax Rate	40%	40%

Answer :

Comparative Statement of Profit and Loss for the years ended 31st March, 2017 & 2018

	Particulars	2016-17	2017-18	Absolute Change	Percentage Change
		₹	₹	₹	%
I.	Revenue from Operations	10,00,000	12,00,000	2,00,000	20
II.	Other Income	2,50,000	3,00,000	50,000	20
III.	Total Income (I + II)	12,50,000	15,00,000	2,50,000	20
IV.	Employee Benefit Expenses	3,75,000	6,00,000	2,25,000	60
V.	Profit before Tax (III – IV)	8,75,000	9,00,000	25,000	2.86
VI.	Tax @ 40%	3,50,000	3,60,000	10,000	2.86
VII.	Profit after Tax (V – VI)	5,25,000	5,40,000	15,000	2.86

Accountancy 2019 (Delhi) — SET III

Time allowed : 3 hours **Maximum marks : 80**

Note : Except for the following questions, all the remaining questions have been asked in previous sets.

PART : A

(Accounting for Not-for-Profit Organisations, Partnership Firms and Companies)

6. State any two contigencies that may result into dissolution of a partnership firm. **[1]**

Answer : (i) If the firm is constituted for a fixed term, on the expiry of that term.

(ii) On the insolvency of a partner.

8. L, M and N were partners in a firm sharing profits and losses in the ratio of 5 : 3 : 2. On 1st April, 2018 they admitted S as a new partner in the firm for 1/5th share in the profits. On S' admission the goodwill of the firm was valued at 3 years purchase of last five years average profits. The profits during the last five years were : **[3]**

Year ended 31st March	Profit (₹)
2014	4,00,000
2015	3,00,000
2016	2,00,000
2017	50,000
2018	(50,000)

Calculate the value of the goodwill of the firm. Pass necessary journal entry for the treatment of goodwill on S's admission. **[1]**

Answer :

$$\text{Average profits} = \frac{₹\,4,00,000 + ₹\,3,00,000 + ₹\,2,00,000 + ₹\,50,000 - ₹\,50,000}{5}$$

$$= ₹\,1,80,000$$

$$\text{Goodwill of the Firm} = ₹\,1,80,000 \times 3$$

$$= ₹\,5,40,000$$

$$\text{S's share of goodwill} = ₹\,5,40,000 \times \frac{1}{5} = ₹\,1,08,000$$

Journal

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
2018				
April 1	S's Current/Capital A/c Dr.		1,08,000	
	To L's Capital A/c			54,000
	To M's Capital A/c			32,400
	To N's Capital A/c			21,600
	(Being adjustment entry made for goodwill)			

9. From the following information calculate the amount of 'Sports Material' to be debited to Income and Expenditure Account of Young Football Club for the year ended 31st March, 2018. **[3]**

	₹
Opening Stock of Sports Material	21,000
Closing Stock of Sports Material	24,000
Opening Creditors of Sports Material	23,500
Closing Creditors of Sports Material	27,000

During the year the creditors for sports material were paid ₹ 1,10,000.

Answer :

Dr. **Stock of Sports Materials A/c** Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	21,000	By Income & Expenditure (Bal. Fig.) A/c	1,10,500
To Creditors for Sports Material A/c	1,13,500	By Balance c/d	24,000
	1,34,500		1,34,500

Dr. **Creditors for Sports Materials A/c** Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Cash A/c	1,10,000	By Balance b/d	23,500
To Balance c/d	27,000	By Stock of Sports Material A/c	1,13,500
	1,37,000		1,37,000

10. On 1st April, 2013 Anushka Ltd. issued ₹ 70,000, 9% debentures of ₹ 100 each at par, redeemable at a premium of 5% on 31st March, 2018. The company created the necessary, minium amount of debenture redemption reserve and purchased debenture redemption reserve investments. The debentures were redeemed on 31st March, 2018.

Pass necessary journal entries for the redemption of debentures, in the books of the company. [3]

Answer :

Journal

Date	Particulars		Amount (₹)	Amount (₹)
2017 March 31	Surplus *i.e.* Balance in Statement of P & L	Dr.	17,50,000	
	To Debenture Redemption Reserve A/c			17,50,000
	(Being transfer of profit to Debenture Redemption Reserve)			
2017 April 30	Debenture Redemeption Investment A/c	Dr.	10,50,000	
	To Bank A/c			10,50,000
	(Being Debenture Redemption Investments purchased)			
2018 March 31	Bank A/c	Dr.	10,50,000	
	To Debenture Redemption Investment A/c			10,50,000
	(Being Debenture Redemption Investment sold)			
March 31	9% Debentures A/c	Dr.	70,00,000	
	Premium on Redemption of Debentures A/c	Dr.	3,50,000	
	To Debentureholders A/c			
	(Being Debentures due for redemption)			73,50,000
March 31	Debentureholders A/c	Dr.	73,50,000	
	To Bank A/c			73,50,000
	(Being Debentures redeemed)			
March 31	Debenture Redemption Reserve A/c	Dr.	17,50,000	
	To General Reserve A/c			17,50,000
	(Being DRR transferred to general reserve)			

11. Ravi, Shankar and Madhur were partners in a firm sharing profits in the ratio of 7 : 2 : 1. On 31st March, 2018, the firm was dissolved, after transferring sundry assets (other than cash in hand and cash at bank) and third party liabilities in the realisation account the following transactions took place.

(i) Debtors amounting to ₹ 1,40,000 were handed over to a debt collection agency which charged 5% commission. The remaining debtors were ₹ 47,000, out of which debtors of ₹ 17,000 could not be recovered because the same became insolvent.

(ii) Creditors amounting to ₹ 5,000 were paid ₹ 3,500 in full settlement of their claim and balance creditors were handed over stock of ₹ 90,000 in full settlement of their claim of ₹ 95,000.

(iii) A bills receivable ₹ 2,000 discounted with the bank was dishonoured by its acceptor and the same had to be met by the firm.

(iv) Profit on realisation amounted to ₹ 6,000.

Pass necessary journal entries for the above transactions in the books of Ravi, Shankar and Madhur. **[4]**

Answer :

Journal

Date	Particular	L.F.	Amount (₹)	Amount (₹)
(i)	Cash/Bank A/c Dr.		1,63,000	
	To Realisation A/c			1,63,000
	(Being amount received from debtors)			
(ii)	Realisation A/c Dr.		3,500	
	To Cash/Bank A/c			3,500
	(Being payment made to creditors)			
(iii)	Realisation A/c Dr.		2,000	
	To Cash/Bank A/c			2,000
	(Being discounted bill dishonoured earlier, met by firm)			
(iv)	Realisation A/c Dr.		6,000	
	To Ravi's Capital A/c			4,200
	To Shankar's Capital A/c			1,200
	To Madhur's Capital A/c			600
	(Being profit on realisation transferred to partners capital accounts)			

12. Aman, Bobby and Chandani were partners in a firm sharing profits and losses in the ratio of 5 : 4 : 1. From 1st April, 2018 they decided to share profits equally. The revaluation of assets and re-assessment of liabilities resulted in a loss of ₹ 5,000. The goodwill of the firm on its reconstitution was valued at ₹ 1,20,000. The firm had a balance of ₹ 20,000 in General Reserve.

Showing your workings clearly pass necessary journal entries on the reconstitution of the firm. [4]

Answer :

Journal

Date	Particular		L.F.	Amount (₹)	Amount (₹)
	Aman's Capital A/c	Dr.		2,500	
	Bobby's Capital A/c	Dr.		2,000	
	Chandani's Capital A/c	Dr.		500	
	To Revaluation A/c				5,000
	(Being loss on revaluation debited to partners' capital A/c in old ratio)				
	Chandani's capital A/c	Dr.		28,000	
	To Aman's Capital A/c				20,000
	To Bobby's Capital A/c				8,000
	(Being adjustment entry made for goodwill)				
	General Reserve A/c	Dr.		20,000	
	To Aman's Capital A/c				10,000
	To Bobby's Capital A/c				8,000
	To Chandani's Capital A/c				2,000
	(Being general reserve distributed to partners in old ratio)				

Working Notes :

1. **Calculation of Gain/Sacrifice share of partners :**

$$\text{Aman's Gain/Sacrifice} = \frac{5}{10} - \frac{1}{3} = \frac{15-10}{30} = \frac{5}{30} \text{ (Sacrifice)}$$

$$\text{Bobby's Gain/Sacrifice} = \frac{4}{10} - \frac{1}{3} = \frac{12-10}{30} = \frac{2}{30} \text{ (Sacrifice)}$$

$$\text{Chandani's Gain/Sacrifice} = \frac{1}{10} - \frac{1}{3} = \frac{3-10}{30} = \frac{-7}{30} \text{ (Gain)}$$

2. Computation of amount to be compensated to sacrificing partners by the gaining partner :

Goodwill of the firm = ₹ 1,20,000

$$\text{Aman will receive from Chandani} = ₹\,1{,}20{,}000 \times \frac{5}{30}$$

$$= ₹\,1{,}20{,}000$$

$$\text{Bobby will receive from Chandani} = ₹\,1{,}20{,}000 \times \frac{2}{30}$$

$$= ₹\,8{,}000$$

$$\text{Chandani will pay to Aman and Bobby} = ₹\,1{,}20{,}000 \times \frac{7}{30}$$

$$= ₹\,28{,}000$$

PART : B

OPTION I

(Analysis of Financial Statements)

18. How will 'commission received' be treated while preparing cash-flow-statement ? **[1]**

Answer : It will be treated as Cash inflow from operating activities.

19. How is 'dividend paid' treated by a financial enterprise for the purpose of preparing cahs flow statement ? **[1]**

Answer : Dividend paid will be treated as a cash outflow under financing activity.

20. Prepare a comparative statement of Profit and Loss from the information extracted from the statement of Profit and Loss for the year ended 31st March, 2017 and 2018. **[4]**

Particulars	2017 – 18	2016 – 17
Revenue from operations	**₹ 15,00,000**	**₹ 10,00,000**
Other income (% of Revenue from operations)	**60%**	**50%**
Employee benefit expenses (% of total revenue)	**40%**	**30%**
Tax-Rate	**40%**	**40%**

Answer :

Comparative Statement of Profit & Los for the years ended 31st March 2017 & 2018

Particulars	2016 – 17	2017 – 18	Absolute charge	% change
	₹	₹	₹	%
I. Revenue from operations	10,00,000	15,00,000	5,00,000	50
II. Other Income	5,00,000	9,00,000	4,00,000	80
III. Total Revenue (I + II)	15,00,000	24,00,000	9,00,000	60
IV. Employee Benefit Expenses	4,50,000	9,60,000	5,10,000	113.33
V. Profit before Tax (III – IV)	10,50,000	14,40,000	3,90,000	37.14
VI. Tax Paid @ 40%	4,20,000	5,76,000	1,56,000	37.14
VII. Profit after Tax (V – VI)	6,30,000	8,64,000	2,34,000	37.14