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Studymate Solutions to CBSE Board Examination 2018-2019

Series : BVM/1

Code No. 67/1/1

Roll No. | | | | | | | |

Candidates must write the Code on the title page of the answer-book.

- *Please check that this question paper contains **19** printed pages.*
- *Code number given on the right hand side of the question paper should be written on the title page of the answer-book by the candidate.*
- *Please check that this question paper contains **23** questions.*
- *Please write down the Serial Number of the question before attempting it.*
- *15 minute time has been allotted to read this question paper. The question paper will be distributed at 10.15 a.m. From 10.15 a.m. to 10.30 a.m., the students will read the question paper only and will not write any answer on the answer-book during this period.*

ACCOUNTANCY

[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 questions should be attempted at one place.*

Part A

[Accounting for 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.

Ans. Atul : Neera

3 : 2

Goodwill = ₹ 2,00,000

Mitali's share = 2,00,000 × x = 20,000

$$x = \frac{1}{10}$$

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

$$\text{Neera} = \frac{2}{5} = \frac{4}{10}$$

$$\text{Mitali} = \frac{1}{10}$$

New Ratio = 5 : 4 : 1

2. What is meant by 'Issued Capital' ?

OR

What is meant by 'Employees Stock Option Plan'?

Ans. Issued capital means such capital as the company issues from time to time for subscription – Section 2(50) of the companies Act 2013.

OR

ESOP means option granted by the company to its employees & employee directors to subscribe the shares at a price that is lower than the market price i.e. fair value. It is an option granted by the company but it is not an obligation on the employee to subscribe it.

3. Differentiate between Dissolution of partnership and Dissolution of a Partnership Firm on the basis of 'Court's Intervention'.

Ans.

Base	Dissolution of Partnership	Dissolution of Firm
Court's Intervention	Court does not intervene because partnership is dissolved by mutual agreement.	A firm can be dissolved by court's order.

4. What is meant by 'Gaining Ratio' on retirement of a partner ?

OR

P, Q and R were partners in a firm. On 31st March. 2018 R retired. The amount payable to R ₹ 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.

Ans. The ratio in which retiring Partner's Share is distributed between remaining Partner is called gaining ratio.

OR

Rate of interest will be 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.

Ans.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Chhavi Capital A/c Dr. To Interest on Drawings A/c (Being Interest on Drawings is charged)		900	 900

6. How are Specific donations treated while preparing final accounts of a 'Not-For-Profit Organisation'?

OR

State the basis of accounting of preparing 'Income and Expenditure Account' of a Not-For-Profit Organisation.

Ans. Specific donation is treated as capital receipt & it is shown on liabilities side of Balance Sheet.

OR

Accrual 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.

Ans. $\text{Average Profit} = \frac{3,00,000 + 3,60,000 + 4,20,000}{3}$

$= \frac{10,80,000}{3} = 3,60,000$

$\text{Normal Profit} = 10,00,000 \times \frac{15}{100} = 1,50,000$

Super Profit = Average Profit – Normal Profit – Remuneration

= 3,60,000 – 1,50,000 – 1,20,000 = 90,000

Goodwill = S.P. × No. of years Purchased

= 90,000 × 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 Investments	1,50,000	–
Income from Tournament Fund Investments	–	18,000
Tournament Expenses	12,000	–

Additional Information:

Interest Accrued on Tournament Fund Investments ₹ 6,000

Ans.

Balance Sheet
as on 31st March, 2018

Liabilities		Amount	Assets	Amount
Tournament Fund	1,50,000		T. Fund Investment	1,50,000
+Income from			Accrued Interest	6,000
T.Fund Investment	18,000			
+Accrued Interest	6,000			
–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.

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.

Ans. **Books of Garvit Ltd.**

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	Dr.		3,38,400	
	To Debenture Application & Allotment A/c				3,38,400
	(Being debenture application money received)				
	Debenture Application & Allotment A/c	Dr.		3,38,400	
	Discount on issue of Debenture A/c	Dr.		18,000	
	To 11% Debentures A/c				3,00,000
	To Bank A/c				56,400
	(Being application money transferred)				

OR

Loss on issue of Debenture = 6,000 × 7 = ₹ 42,000

Loss to be w/o per year = $\frac{42,000}{3}$ = ₹ 14,000

Dr. **Loss on Issue of Debentures Account** **Cr.**

Date	Particulars	Amount	Date	Particulars	Amount
2015 April 1	To 12% Debenture	42,000	2016 March 31	By Statement of Profit & Loss	14,000
				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 Profit & Loss	14,000
				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 Profit & Loss	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.

Ans. **In the books of Unilink Ltd.**

Journal

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2017 30 April	Debenture redemption investment A/c	Dr.		90,000	
	To Bank A/c				90,000
	(Being Debenture redemption investment created)				
2018 31 Mar.	Bank A/c	Dr.		90,000	
	To Debenture redemption investment A/c				90,000
	(Being Debenture redemption investment en-cashed)				

2018 31 Mar.	9% Debenture A/c Dr. Premium on Redemption of Debenture A/c Dr. To Debenture Holder A/c (Being Debenture redemption amount is due to debenture holder)		6,00,000 48,000	 6,48,000
2018 31 Mar.	Debenture Holder A/c Dr. To Bank A/c (Being redemption amount paid to debenture holder)		6,48,000	 6,48,000
2018 31 Mar.	Debenture Redemption Reserve A/c Dr. To General Reserve A/c (Being proportionate amount of DRR transferred)		1,50,000	 1,50,000

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.

Ans. **In the Books of Firm**

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	Ankit Capital A/c Dr. Cash/Bank A/c Dr. To Realisation A/c (Being half stock sold & half stock taken by Anil)		32,000 52,000	 84,000
(ii)	Realisation A/c Dr. To Cash/Bank A/c (Being creditor and contingent liabilities settled)		69,000	 69,000
(iii)	Realisation A/c Dr. To Cash/Bank A/c (Being Bobby's sister's loan paid off along with interest)		22,000	 22,000
(iv)	Kartik's Loan A/c Dr. Realisation A/c Dr. To Cash/Bank A/c (Being Kartik's loan paid off)		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.

Ans.

In the Books of Firm

Journal

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
(i)	Radhika's Capital A/c	Dr.		8,000	
	Bani's Capital A/c	Dr.		12,000	
	Chitra's Capital A/c	Dr.		4,000	
	To Profit & Loss A/c				24,000
	(Being balance of P/L A/c written off)				
(ii)	General Reserve A/c	Dr.		1,44,000	
	To Radhika's Capital A/c				48,000
	To Bani's Capital A/c				72,000
	To Chitra's Capital A/c				24,000
	(Being G.R. distributed)				
(iii)	Land A/c	Dr.		1,80,000	
	To Revaluation A/c				1,80,000
	(Being land appreciated)				
(iv)	Revaluation A/c	Dr.		1,80,000	
	To Radhika's Capital A/c				60,000
	To Bani's Capital A/c				90,000
	To Chitra's Capital A/c				30,000
	(Being profit of revaluation distributed)				
(v)	Radhika's Capital A/c	Dr.		30,000	
	To Bani's Capital A/c				30,000
	(Being current goodwill adjusted profit of revaluation distributed)				

Working Note:

Gaining Ratio = New Ratio – Old Ratio

Radhika's G.R. $= \frac{3}{6} - \frac{2}{6} = \frac{1}{6}$

Bani's G.R. $= \frac{2}{6} - \frac{3}{6} = -\frac{1}{6}$

Chitra's G.R. $= \frac{1}{6} - \frac{1}{6} = 0$

So Radhika gain by $\frac{1}{6}$ & Bani sacrifice by $\frac{1}{6}$

Adjustment amount of Goodwill

Radhika & Bani each = 1,80,000 × $\frac{1}{6}$ = 30,000

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 & Account of Sears Club for the year ended 31-3-2018

Receipts	Amount	Payment	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 Equipment	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	1,600		
(Book value ₹ 4.000)			
	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.

Ans. **In the books of Sears Club, Noida**

Income and Expenditure A/c

Dr. **for the year ended 31.3.208** **Cr.**

Particulars		Amount (₹)	Particulars		Amount (₹)
To Loss on sale of furniture		2,400	By Subscription	1,41,200	
To Stationery	23,400		– Opening o/s	60,000	
+ Opening stock	3,000		+ Closing o/s (W/N)	1,01,000	
– Closing stock	4,000	22,400	+ Opening Adv.	25,000	
To Electricity expenses		10,600	– Closing Adv.	7,200	2,00,000
To Exp. on lectures		30,000	By Interest on inv.	800	
To Surplus		1,52,960	+ Accrued interest	160	960
			By Govt. grant		17400
		2,18,360			**2,18,360**

Balance Sheet

as at 31st March, 2018

Liabilities		Amount	Assets	Amount
Donation for building		40,000	Cash in hand	50,000
Advance subscription		7,200	Outstanding subscription	1,01,000
Capital fund	62,000		Stock of stationery	4,000
Add: Surplus	1,52,960	2,14,960	12% Investment	8,000
			Accrued interest on Investment	160
			Books	40,000
			Sports Equipment	59,000
		2,62,160		**2,62,160**

Working Note 1:

Liabilities	Amount	Assets	Amount
Advance subscription	25,000	Cash in hand	20,000
Capital fund (B/F)	62,000	Outstanding subscription	60,000
		Stock of stationery	3,000
		Furniture	4,000
	87,000		**87,000**

Working Note 2:

Total subscription per annum (1000 × 200)	=	2,00,000
– Already received in advance in last year	=	25,000
	=	1,75,000
– Received in current year	=	94,000
o/s of current year (2018)	=	81,000
Remaining o/s of last year (2017) (60,000 – 40,000)	=	20,000
Total o/s as on 31.3.2018	=	1,01,000

14. Giriija, 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 arc closed on 31st March each year

Prepare Zubin's Executor's Account till he is finally paid.

Ans. Dr. **Zubin's Executor's A/c** **Cr.**

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
2015 Aug. 1	To Bank A/c	10,300	2015 Aug. 1	By Zubin's Capital A/c	90,300
2016 March 31	To Balance c/d	83,200	2016 March 31	By Interest due $\left(80{,}000 \times \frac{6}{100} \times \frac{8}{12}\right)$	3,200
		93,500			93,500
2017 March 31	To Bank A/c	48,000	2017 April 1	By Balance b/d	83,200
March 31	To Balance c/d	40,000	2017 March 31	By Interest due $\left(80{,}000 \times \frac{6}{100}\right)$	4,800
		88,000			88,000
2018 March 31	To Bank A/c	42,400	2017 April 1	By Balance b/d	40,000
			2018 March 31	By Interest due $\left(40{,}000 \times \frac{6}{100}\right)$	2,400
		42,400			**42,400**

Note : Interest on loan has been calculated on simple interest basis.

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.

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.

Ans. **In the Book of Sonu and Rajat**

Journal

Date	Particular	LF	Dr (₹)	Cr(₹)
2018 March 31	Profit and loss A/c Dr. To P/L Appropriation A/c (Being Profit transferred from P/L A/c to P/L App. A/c)		4,89,950	 4,89,950
March 31	Interest on Capital A/c Dr. To Sonu's Capital A/c To Rajat's Capital A/c (Being interest on Capital allowed)		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'scapitalA/c Dr. Rajat's capital A/c Dr. To interest on drawings		400 1,650	 2,050
March 31	Interest on Drawings Dr. To P/L appropriation A/c (Being IOD transferred to P/L app. A/c)		2,050	 2,050
March 31	Salary A/c Dr. To Sonu's Capital a/c (Being Salary allowed to sonu)		2,40,000	 2,40,000
March 31	Commission Dr. To Rajat's Capital A/c (Being commission allowed to Rajat)		1,00,000	 1,00,000

March 31	Profit and Loss Appropriation Dr. To Salary To Commission (Being salary and commission .... to P/L app. A/c)		3,40,000	 2,40,000 1,00,000
March 31	P/L Appropriation A/c Dr. To Sonu's Capital A/c To Rajata's Capital A/c (Being Profit distributed)		40,000	 24,000 16,000

Interest on Capital :

Sonu = $8,00,000 \times \frac{8}{100} = 64,000$

Rajat = $6,00,000 \times \frac{8}{100} = 48,000$

Interet on Drawings :

Sonu = $20,000 \times \frac{6}{100} \times \frac{4}{12} = 400$

Rajat = $(5000 \times 12) \times \frac{6}{100} \times \frac{5.5}{12}$

$60,000 \times \frac{6}{100} \times \frac{5.5}{12} = 1650$

Commission to Rajat = $20,00,000 \times \frac{5}{100} = 1,00,000$

Profit of P/L Appropriation A/c = Total of credit – Total of Debit

(4,89,950 + 2,050) – (1,12,000 + 3,40,000)

= 4,92,000 – 4,52,000

= 40,000

OR

Dr. **P & L Appropriation A/c** **Cr.**

Particulars		Amount (₹)	Particulars	Amount (₹)
Salary			Net profit as per P&L A/c	15,00,000
Jay	1,80,000		Jay's capital A/c (gross fee)	25,000
Vijay	1,80,000	3,60,000		
Profit T/F to				
Jay's Capital A/c	4,66,000			
Less Def.	–1,60,200	3,05,800		
Vijay's Capital A/c	4,66,000			
Less Def.	–1,06,800	3,59,200		
Karan's Capital A/c	2,33,000			
Add: Def. by Jay	1,60,200			
Def. by Vijay	1,06,800	5,00,000		
		15,25,000		**15,25,000**

Partners' Capital Account

Particulars	Jay	Vijay	karan	Particulars	Jay	Vijay	karan
To P & L Appro. A/c	25,000			By Salary	1,80,000	1,80,000	
To Balance c/d	4,60,800	5,39,200	5,00,000	By P & L Appro. A/c	3,05,800	3,59,200	5,00,000
	4,85,800	**5,39,200**	**5,00,000**		**4,85,800**	**5,39,200**	**5,00,000**

Profit to distributed = ₹ 11,65,000

Guarantee to Karan = ₹ 5,00,000

Deficiency some by = 5,00,000 – 2,33,000

Jay and Vijay = 2,67,000

3 : 2

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 follow:

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.

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 pro-rata 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

Ans. Error in option (A) as 8,000 share holders have not paid allotment amount (₹ 1,11,000) where as only 5,000 shares holders have not paid allotment amount as per question.

OR

In the Books of Firm
Journal Entries (EF Ltd.)

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	Dr.		24,00,000	
	To Equity Share Application A/c				24,00,000
	(Being application amount received)				
	Equity Share Application A/c	Dr.		24,00,000	
	To Equity Share Capital A/c				12,00,000
	To Bank A/c				4,00,000
	To Equity Share Allotment A/c				4,00,000
	To Security Premium Reserve A/c				4,00,000
	(Being application amount adjusted)				
	Equity Share Allotment A/c	Dr.		12,00,000	
	To Equity Share Capital A/c				8,00,000
	To Security Premium Reserve A/c				4,00,000
	(Being allotment amount due)				
	Bank A/c	Dr.		7,60,000	
	Calls in Arrear A/c	Dr.		40,000	
	To Equity Share Allotment A/c (12,00,000 – 4,00,000)				8,00,000
	(Being allotment amount received)				
	Equity Share I Call A/c	Dr.		12,00,000	
	To Equity Share Capital A/c				12,00,000
	(Being first call amount due)				
	Bank A/c	Dr.		12,10,000	
	To Equity Share I Call A/c				12,00,000
	To Calls in Arrear A/c (40,000 – 30,000)				10,000
	(Being first call amount received)				
	Equity Share Capital A/c (2,000 × 40)	Dr.		80,000	
	To Share Forfeiture A/c				50,000
	To Calls in Arrear A/c				30,000
	(Being share forfeited)				
	Bank A/c (2,000 × 60)	Dr.		1,20,000	
	To Equity Share Capital A/c (2,000 × 50				1,00,000
	To Security Premium Reserve A/c				20,000
	(Being share Reissued)				
	Share Forfeiture A/c	Dr.		50,000	
	To Capital Reserve A/c				50,000
	(Being Forfeiture amount transferred to Capital Reserve)				

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 Capitals:		20,000	Less : Provision for		
Akul	1,60,000		doubtful debts	2,000	58,000
Bakul	1,20,000		Stock		80,000
Chandan	92,000	3,72,000	Furniture		90,000
			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.

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 Akul. Bakul and Chandan 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	
Capitals :			Less : Provision for		
Sanjana	5,00,000		doubtful debts	2,000	1,44,000
Alok	4,00,000	9,00,000	Stock		1,50,000
			Investments		2,60,000
			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, Partners Capital Accounts and the Balance Sheet of the reconstituted firm on Nidhi's admission.

Ans. Dr. **Revaluation A/c** **Cr.**

Particulars		Amount	Particulars	Amount
To Provision for D/D		7,000	By Plant and Machinery A/c	20,000
To Furniture		3,000		
To Profit:				
Akul	4,000			
Bakul	4,000			
Chandan	2,000	10,000		
		20,000		**20,000**

Dr. **Partners' Capital Account** **Cr.**

Particulars	Akul	Bakul	Chandan	Particulars	Akul	Bakul	Chandan
To Bakul's Capital	80,000		40,000	By Balance b/d	1,60,000	1,20,000	92,000
To Loan A/c		2,52,000		By Akul's Capital		80,000	
To Bank A/c'			8,000	By Chandan's Capital		40,000	
To Balance c/d	1,00,000		50,000	By G/R	8,000	8,000	4,000
				By Revaluation A/c	4,000	4,000	2,000
				By Bank A/c	8,000		
	1,80,000	**2,52,000**	**98,000**		**1,80,000**	**2,52,000**	**98,000**

Balance Sheet (as at 31/3/18)

Liabilities		Amount	Assets		Amount
Creditors		45,000	Plant and Machinery	1,80,000	
Employees Provident Fund		13,000		+20,000	2,00,000
Bakul's Loan		2,52,000	Debtors (60,000 – 9,000)		51,000
Capitals:			Stock		80,000
Akul	1,00,000		Furniture (90,000 – 3,000)		87,000
Chandan	50,000	1,50,000	Bank (42,000 + 8,000 – 8,000)		42,000
		4,60,000			**4,60,000**

OR

Dr. **Revaluation A/c** **Cr.**

Particulars		Amount (₹)	Particulars	Amount (₹)
To Furniture		30,000	By Stock	30,000
To Profit:			By Investment	40,000
Sanjana	24,000			
Alok	16,000	40,000		
		30,000		**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		3,00,000		By Cash			3,00,000
To Cash A/c	50,000			By Prem. for G/W. A/c	60,000	40,000	
To Bal. c/d	5,40,000	3,60,000	3,00,000	By Workm. Comp. Fund	36,000	24,000	
				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 of New Firm
As at 31.3.2018

Liabilities		Amount (₹)	Assets		Amount (₹)
Creditors		60,000	Cash	1,66,000	
Capital A/c			+ Nidhi's Capital	3,00,000	
Sanjana	5,40,000		+ Prem. for Goodwill	1,00,000	
Alok	3,60,000		(–) Prem. for Goodwill	(30,000)	
Nidhi	3,00,000	12,00,000	(–) Alok's Capital	(20,000)	
			(–) Sanjana's Capital	(50,000)	
			(+) Alok's Capital	2,00,000	6,66,000
			Debtors	(1,46,000 – 2,000)	1,44,000
			Stock	(1,50,000 + 30,000)	1,80,000
			Furniture	(3,00,000 – 30,000)	2,70,000
		12,60,000			**12,60,000**

Part B

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.

Ans.

Particulars	Amount
Purchase of Machinery	(9,00,000)
Sale of Machinery	69,000
Dividend Received on	70,000
Purchase of share (Investment)	(6,00,000)
Case used in investing activities	**13,61,000**

Note : As it is clearly mentioned that shares are purchased for investment, They have been treated as investing activities

19. Give the meaning of 'Cash Equivalents' for the purpose of preparing Cash Flow Statement.

Ans. "Cast equivalents" means short term highly liquid investments that are readily convertible into known amount of cash & which are subject to an in significant risk of changes in value .

For Ex- short term marketable securities.

The primary purpose of the statement of cash flows is to provide information about cash receipt, cash payments, and the net change in cash resulting from the operating, investing and financing activities of a company during the period.

20. Explain briefly any four objectives of 'Analysis of Financial statements'.

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-Ill, 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.

Ans. Four objective of 'Analysis of Financial statements are as follow :

(a) 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 firm.
(b) To ascertain the financial position of firm.
(c) To identify the reasons for change in the profitability and financial position of the firm.
(d) To Judge the ability of the firm to repay its debt and assessing the shot-term as well as the long term liquidity position of the firm.

OR

Items	Major heads	Sub-heads
1. Prepaid insurance	Current Assets	Other current Assets
2. Investment in debenture	Non-current Assets	Non-current investment
3. Calls in Arrears	Shareholders Fund	Subscribed capital (less from subscribe but not fully paid)
4. Unpaid dividend	Current liabilities	Other current liabilities
5. Capital Reserve	Shareholder Fund	Reserve & Surplus
6. Loose tools	Current Assets	Inventories
7. Capital work in progress	Non Current Assets	Fixed Assets (Capital work in progress)

8. Patent being developed by the company.	Non-current Assets	Fixed Assets (intangible asset under development)

21. (a) Calculate Revenue from operations of BN Ltd. From the following information:

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.

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.

Ans. (a) Current Assets ₹ 8,00,000

Quick Ratio = 1.5 : 1

Current Ratio = 2 : 1

Inventory turnover ratio = 6 times

Current Ratio = 2 : 1

$$\Rightarrow \quad \frac{2}{1} = \frac{\text{Current Assets}}{\text{Current liabilities}}$$

$$\Rightarrow \quad \frac{2}{1} = \frac{8,00,000}{\text{Current Liabilites}}$$

Current liabilities = ₹ 4,00,000

Quick ratio = 1.5 : 1

$$\Rightarrow \quad \frac{\text{Quick Assets}}{\text{Current Liabilites}} = \frac{1.5}{1}$$

Quick Assets = 1.5 × ₹ 4,00,000

= ₹ 6,00,000

So, Inventory = Current Assets – Quick Assets

= ₹ 8,00,000 – ₹ 6,00,000

= ₹ 2,00,000.

Inventory Turnover Ratio is 6 times

$$\Rightarrow \quad \frac{\text{Cost of goods sold(CRFO)}}{\text{Average Inventory}} = 6 \text{ times}$$

$\Rightarrow$ cost of good sold(CRFO) = ₹ 2,00,000 × 6

= ₹ 12,00,000.

Goods were sold at a profit of 25% on cost.

Profit = 25% on cost

$$= \frac{25}{100} \times ₹\ 12,00,000$$

= ₹ 3,00,000

Revenue from operation = cost(CRFO) + profit

= ₹ 12,00,000 + ₹ 3,00,000

= ₹ 15,00,000

(b) The operating ratio will not change, as there will be equal increase in purchases and closing inventory and hence cost of revenue from operation will remain unchanged.

OR

(a) Total Assets to Debt Ratio $= \frac{\text{Total Assets}}{\text{Debt}}$

$= \frac{9,00,000}{3,00,000}$

= 3 times

Where Total Assets = Total liabilities

= Share capital + long term borrowings + surplus + General Reserve + Current Liabilities + Long term provisions

= ₹ 4,00,000 + ₹ 1,80,000 + ₹ 1,00,000 + ₹ 70,000 + ₹ 30,000 + ₹ 1,20,000

= ₹ 9,00,000

Debt = Long term borrowings + long term provision

= ₹ 1,80,000 + ₹ 1,20,000

= ₹ 3,00,000

(b) Debt equity ratio of a company will not change due to issue of bonus shares, as neither the debt nor equity is effected because R & S is converting into share capital.

22. From the following information extracted from the Statement of Profit and Loss for years ended 31st March, 2017 and 2018, prepare a Comparative Statement of Profit & Loss.

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%

Ans. Comparative statement of profit & loss for the year ended 31st March 17 & 18.

Particulars	***Note No.***	***2016-17 (₹)***	***2018-19 (₹)***	**Absolute Change**	**Percentage Change**
I. Revenue from operation		5,00,000	6,00,000	1,00,000	20.00
II. Add : other incomes		1,00,000	1,20,000	20,000	20.00
III. Total Revenue (I + II)		6,00,000	7,20,000	1,20,000	20.00
IV. Expense					
Employee benefit expense		1,80,000	2,88,000	1,08,000	60.00
V. Profit before Tax(III-IV)		4,20,000	4,32,000	12,000	02.85
Len: Tax (50%)		2,10,000	2,16,000	6,000	02.85
VI. Profit After Tax		2,10,000	2,16,000	6,000	02.85

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 31st March, 2018

Particulars	*Note No.*	*31-3-2018 (₹)*	*31-3-2017 (₹)*
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	5	9,80,000	6,35,000
(ii)Intangible	6	2,68,000	1,70,000
(2) Current Assets:			
(a) Current Investments		1,40,000	70,000
(b) Trade Inventories		4,40,000	1,50,000
(c) Cash & Cash Equivalents		1,55,000	63,000
Total		**19,83,000**	**10,88,000**

Notes to Accounts:

Note No.	*Particulars*	*31-3-2018 (₹)*	*31-3-2017 (₹)*
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 Depreciations	(1,20,000)	(1,15,000)
		9,80,000	**6,35,000**
6	**Intangible Assets:**		
	Goodwill	2,68,000	1,70,000
		2,68,000	**1,70,000**

Additional Information:

12% debentures were issued on 1st September, 2017.

Ans. **Cash Flow Statement**

Particular	***Amount (Rs.)***	***Amount (Rs.)***
Net profit as per P&L A/c	2,60,000	
Add: General Reserve	80,000	
Provision for tax	1,18,000	
Net Profit before tax and extraordinary items	4,58,000	
Add: Depreciation	5,000	
Interest on debenture	50,000	
Operating profit before working capital changes	5,13,000	
Add: Decrease in C.A. and Increase in C.L.	NIL	
Less: Increase in C.A. and decrease in C.L.		
Increase in Trade Receivable	(2,90,000)	
Cash Generated from operations	2,23,000	
Less: Tax paid	(46,000)	
A. Cash flow from operating activities		1,77,000
Purchase of Plant and Machinery	(3,50,000)	
Purchase of Goodwill	(98,000)	
B. Cash used in investing activities		(4,48,000)
Bank overdraft	73,000	
Issue of shares capital	2,10,000	
Issue of debentures	2,00,000	
Payment of interest on debenture	(50,000)	
C. Cash flow from financing activities		4,33,000
A + B + C		
Net increase in cash and cash equivalents	1,62,000	
Add: Opening Cash and Cash equivalents (63,000 + 70,000)	1,33,000	
Closing Cash and Cash equivalents (1,55,000 + 1,40,000)		**2,95,000**

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