**SAMPLE QUESTION PAPER 3**
**Accountancy**
**Class - XII**

**Time allowed: 3hrs** **Maximum Marks: 80**

***General Instructions:***

*(i) This question paper contains two parts A, B.*
*(ii) All parts of a question should be attempted at one place.*
*(iii) Write down the serial Number of the question before attempting it.*
*(iv) The paper contains 23 questions.*

**1.** Would a 'charitable dispensary' run by 12 members be deemed a partnership firm? Give reasons ......... support your answer.

**2.** At the time of admission of a partner, who decides what will be the share of profit of the new partner ......... of the firm's profit?

**3.** Name the liability which is not shown in the Balance Sheet, but paid at the time of dissolution of the .......

**4.** If the amount of premium on shares to be forfeited is received partially, then at what amount Securities Premium Reserve A /c is debited with at time of forfeiture of shares.

**5.** What is private placement of shares?

**6.** A, B and C were partners sharing profits in the ratio 4 : 3 : 2. On 1st January, 2014, B died due to heart attack so they admitted D, the son of B as a partner on the same date giving him ¼th share in profit. New profit sharing ratio among A, C and D was 2 : 1 : 1. New firm earned profit of Rs60,000 during the ended 31$^{st}$ December, 2014. Pass necessary journal entry for the distribution of profit.

**7.** State the purpose for which securities premium can be utilised under Section 52 of Companies Act, 2013

**8.** P and Q are partners sharing profits and losses in the ratio of 3 : 2. Their capitals as on 31st December 2014 were Rs4,00,000 and Rs2,00,000 respectively. During the year, drawings of P and Q were Rs50,000 and Rs40,000. On 1st October, Q introduced additional capital of 80,000. They earned profit amount Rs70,000 for the year ending 31st December, 2014.
Later on, they decided to charge interest on their capital @ 12% p.a. Compute interest on capital.

**9.** B Ltd. was registered with an authorised Capital of Rs20,00,000 divided into equity shares of Rs 10 each. The company invited applications for the issue Of 1,00,000 shares. Applications for 96,000 shares ............ received. All calls were made and were duly received except final call of Rs2 per share on 2,000 share. All these shares werelbrfeited and later reissued at Rs18,000 as fully paid.
(i) Show how 'Share Capital' will appear in the Balance Sheet of B Ltd. as per Schedule III, Part Ist Companies Act, 2013.
(ii) Also show Votes to Accounts' for the same.

**10.** (a) Pass necessary journal entries for the following transactions in the books of Gopal Ltd. :
Purchased a running business from Aman Ltd. for a sum of Rs15,00,000. The payment of Rs12,00,00 was made by issue of fully paid equity shares of Rs10 each and balance by a bank draft.
The assets and liabilities consisted of the following :
Plant Rs3,50,000; Stock Rs4,50,000; Land and Building Rs6,00,000; Sundry Creditors Rs1,00,000.
(b) Alpha Ltd. has a policy that 10% jobs in the company are reserved for the children of the employees of the company. Do you find any value involved in the policy of the company?

**11.** X. Y and Z were partners in a firm sharing profits and losses in the ratio of 5 : 3 : 2. On 31.03.2010, these balance sheet was as follows :

| **Liabilities** | | **(Rs)** | **Assets** | **(Rs)** |
|---|---|---|---|---|
| Capitals A/cs: | | | Buildings | 50,000 |
| X | 75,000 | | Patents | 15,000 |
| Y | 65,500 | | Machinery | 75,000 |
| X | 37,500 | 1,75,000 | Stock | 37,500 |
| | | 42,500 | Debtors | 20,000 |
| | | | Cash at bank | 20,000 |
| | | 2,17,500 | | 2,17,500 |

Z died on 31.07.2010. It was agreed that:
(a) Goodwill be valued at 2½ years purchase of the average profits of the last four years, which were as follows:

| **Years** | **Profits (Rs)** |
|---|---|
| 2006-2007 | 32,500 |
| 2007-2008 | 30,000 |
| 2008-2009 | 40,000 |
| 2009-2010 | 37,500 |

(b) Machinery be valued at Rs70,000; Patents at Rs20,000 and Building at Rs62,500.
(c) For the purpose of calculating Z's share of profits in the year of his death, the profits in 2010-2011 should be taken to have been accrued on the same scale as in 2009-2010.
(d) A sum of Rs17,500 was paid immediately to the executors of Z and the balance was paid in four half yearly instalments together with interest at 12% p.a. starting from 31-1-2011.
Prepare Z's Capital A/c and Z's executors' account till the payment of instalment due on 31-01-2011. (4)

**12.** (a) The capital of the firm of Sharma and Verma is Rs2,00,000 and the market rate of return is 15%. Annual salary to partners is Rs12,000 each. The profits for the last three years were Rs60,000; Rs72,000 and Rs84,000. Goodwill is to be valued at 2 years' purchase of last 3 years' average super profits. Calculate the goodwill of the firm.

(b) A and B are partners in a firm who share profits in the ratio 3 : 2. They admit C as a partner in the firm. The new profit sharing ratio of A, B and C is 4 : 3 : 2. Calculate the sacrificing ratio of partners. (3 + 1 = 4)

**13.** A, B and C were partners in a firm. On 1st April, 2012, their capitals stood as Rs5,00,000; Rs2,50,000 and Rs2,50,000 respectively As per provisions of the partnership deed :

(i) C was entitled for a salary of Rs5,000 p.m.
(ii) A was entitled for a commission of Rs80,000 p.a.
(iii) Partners were entitled to interest on capital @ 6% p.a.
(iv) Partners will share profits in the ratio of capitals.

Net profit for the year ended 31st March, 2013 was Rs3,00,000 which was distributed equally without taking into consideration the above provisions. Showing your working clearly, pass necessary adjustment entry for the above.Pass adjustment entry. (C.B.S.E., 2014-C) (6)

**14.** Manish Ltd. issued 38,000, 8% debentures of Z 100 each on 1st April, 2013. The terms of issue stated that the debentures were to be redeemed at a premium of 5% on June 30, 2015. The company decided to transfer out of profits 5,00,000'to Debenture Redemption Reserve on March 31, 2014 and balance amount on March 31, 2015.
Pass necessary journal entries regarding the issue and redemption of debentures assuming that provision-, of law have been complied with. Ignore interest entries. (6)

**15.** X and Y were partners sharing profits and losses in ratio 4 :1. Their firm was dissolved on 31st March, 2014. From the following missing information from Realisation A / c, Partners' Capital A / cs and Bank A / c, complete the missing information. (16)

**Realisation Account**

| Particulars | | (Rs) | Particulars | | (Rs) |
|---|---|---|---|---|---|
| To Goodwill A/c | | 10,000 | By Investment Fluct. Fund A/c | | 5,000 |
| To Buildings A/c | | 25,000 | By Provision for Doubt. Debts A/c | | 2,000 |
| To Investments A/c | | 25,000 | By Creditors A/c | | 8,000 |
| To Stock A/c | | 15,000 | By Bank Overdraft A/c | | 6,000 |
| To X's Capital A/c (Brother's Loan) | | 20,000 | By X's Brother's Loan A/c | | 8,000 |
| | | | By Bank A/c (Asset Realised): | | |
| To Bank A/cs: | 6,000 | | Debtors | 12,000 | |
| Creditors | 6,000 | 12,000 | Investments | 20,000 | |
| **Bank Overdraft** | | ------ | Goodwill | 7,000 | |
| To bank A/c (Realisation Expenses) | | | Buildings | 30,000 | |
| | | | Stock (50% of Rs10,000) | 5,000 | 74,000 |
| | | | By Y's Capital A/c (Stock) | | -- |
| | | | By Loss transferred to: | | |
| | | | X's Capital A/c | -- | |
| | | | Y's Capital A/c | -- | -- |
| | | -- | | | --- |

**Partners' Capital Account**

| Particulars | X(Rs) | Y(Rs) | Particulars | X(Rs) | Y(Rs) |
|---|---|---|---|---|---|
| To Profit & Loss A/c | | | | | |
| To Realisation A/c (Stock) | 8,000 | 2,000 | By Balance b/d | 50,000 | 40,000 |
| By Realisation A/c (Loss) | ---- | 4,000 | By Realisation A/c | ---- | ---- |
| By Bank A/c (Bal. Figure) | ---- | ------ | | | |
| | --- | ----- | | | |
| | ---------- | ------------- | | --------- | --------- |
| | ---- | ----- | | ------ | ------ |
| | ---------- | ------------- | | ---------- | ---------- |

**Bank Account**

| Particulars | (Rs) | Particulars | (Rs) |
|---|---|---|---|
| To Balance b/d | 20,00 | By Y's Loan A/c | 6,000 |
| | ---- | By Realisation A/c (Liabilities paid off) | 12,000 |
| | | By Realisation Expenses A/c | 2,000 |
| | | By X's Capital A/c | ----- |
| | | By X's Capital A/c | ----- |
| | ---------------- | By Y's Capital A/c | ----------------- |
| | ----- | | ----- |
| | ----------------- | | -------------------- |

**16.** A and B were partners in a firm sharing profits in the ratio of 3 : 2. They admitted C as a new partner for 1/6 share in profits. C was to bring Rs40,000 as ..... capital and the capitals of A and B were to be adjusted on the basic of C's capital having reg. And to profit – shaving ratio. The balance sheet of A and B as at 31.03.2011 as follows:

**BALANCE –SHEET OF A & B**
**as at 31.03.2011**

| Liabilities | Rs | Assets | Rs |
|---|---|---|---|
| Creditors | 36,000 | Cash | 10,000 |
| Bills payable | 20,000 | Debtors | 34,000 |
| General Reserve | 24,000 | Stock | 24,000 |
| Capitals | | Machinery | 42,000 |
| A 1,50,000 | | Buildings | 2,00,000 |
| B 80,000 | 2,30,000 | | |
| | 3,10,000 | | 3,10,000 |

The other terms of agreement of C's admission were as follows:

(i) C will being Rs12,000 for this share of goodwill.
(ii) Building will be valued at Rs1,85,000 and machinery.
(iii) A provision of 6% will be created in debtors for bad debts.
(iv) Capital accounts of A & B will be adjusted by opening Current Accounts.

Prepare Revaluation Account Partners Capital Accounts and Balance Sheet of A, B and C. (8)

Or

X, Y and Z are partners sharing profits in ratio 2 : 2 : 1. X decided to retire from the firm on 31st March, 2014. Their balance sheet stood as under:

| Liabilities | | (Rs) | Assets | | (Rs) |
|---|---|---|---|---|---|
| Capital Accounts: | | | Freehold Premises | | 50,000 |
| X | 40,000 | | Machinery | | 40,0000 |
| Y | 30,000 | | Furniture | | 15,0000 |
| Z | 30,000 | 1,00,000 | Stock | | 25,000 |
| | | 10,000 | Sundry Debtors | 24,000 | |
| | | 12,000 | Less: Reserve for bad debts | (1,000) | 23,000 |
| | | 45,000 | Bank | | 14,000 |
| | | 1,67,000 | | | 1,67,000 |

The other terms agreed were :
(a) Freehold premises and stock are to be appreciated by 10%.
(b) Machinery and furniture are to be depredated by 10% and 6% respectively.
(c) Bad debts reserve is to be increased to Rs1,500 and provision for discount be created at 2%.
(d) A claim for damags Rs150 is accepted.
(e) Prepaid insurance Rs500 has to be accounted for.
(f) Goodwill is valued at 20,000 on retirement of X from the firm.
(g) The continuing partners have decided to adjust their capitals in their new profit sharing ratio 3 : 2 after retirement of X. Surplus/ deficit, if any, in their capital accounts be adjusted through current accounts.

**17.** Prepare Revaluation Account, Partners' Capital Account and draw the Balance Sheet of reconstituted firm. (8)

X Ltd. issued applications for 50,000 shares of Rs10 each payable as Rs3 on application, Rs4 on allotment and balance on call. Applications were received for 1,20,000 shares and allotment was made on pro-rata basis. The excess application money was to be adjusted against allotment only. Ram who applied for 960 shares failed to pay call money. His shares were forfeited and reissued at Rs8 fully paid up.
(a) Pass journal entries to record the transactions.
(b) Which value has been served by the company by making allotment of share on pro-rata basis?

Or

Shiva Ltd. invited applications for issuing 2,00,000 Equity shares of Rs100 each at a premium of Rs60 per share. The amount was payable as follows :
On Application Rs30 per share (including premium Rs10)
On Allotment Rs70 per share (including premium Rs50)
On First & Final Call the balance amount.
Applications for 1,90,000 shares were received. Shares were allotted to all the applicants and company received all money due on allotment except Jain who had been allotted 1,000 shares and his shares were immediately forfeited. Afterwards, first and final call was made. Gupta did not pay the first and final call on his 2,000 allotted shares. His shares were forfeited. 50% of the forfeited shares of both Jain and Gupta were reissued for Rs90 per shares fully paid up.
(a) Pass necessary journal entries in the books of Shiva Ltd. For the above transactions.
(b) Company earmarked Rs1 lakh towards plantation of trees near its factgory and in nearby parks. Which value is served by this decision?

## Part B: Financial Statement Analysis

**18.** Identify the following into (i) Operating Activities (ii) Investing Activities (iii) Financing Activities and (iv) Cash Equivalents:

(i) Cash Equivalents:
(ii) Dividend received-by Finance Company
(iii) Dividend received-by Non-Finance Company (1)

**19.** Give an example of activity which remains Financing Activity for every enterprise. (1)

**20.** (a) Name the sub-heads under the head 'Current Liabilities' in the Equity and Liabilities part of the Balance Sheet as per Schedule III of the Companies Act, 2013.

(b) Briefly explain any three limitations of financial statement analysis (2+2=4)

**21.** Prepare Comparative Income Statement of Delta Ltd. From the following information:

| Particulars | Note No. | 31st March, 2013 (Rs) | 31st March, 2012(Rs) |
|---|---|---|---|
| Revenue from Operation (Sales) | | 16,000 | 12,00,000 |
| Purchase of Stock-in-Trade | | 9,00,000 | 7,00,000 |
| Change in Inventories of Stock-in-Trade | | 50,000 | 40,000 |
| Employees Benefit Expenses & Other Expenses (% of Cost of Revenue from Operations) | | 18% of Cost of | 20% of Cost of |
| Tax Rate | | Goods Sold 50& | Goods Sold 50% |

**22.** (a) Calculate Debt-Equity Ratio from the following information:

(i) Total Assets Rs3,50,000 (ii) Total Debts Rs2,50,000
(iii) Current Liabilities Rs80,000

(b) Calculate Gross Profit Ratio from the following: (2+2=4)

| S. No. | Items | Amount (Rs) |
|---|---|---|
| 1. | Opening Inventory | 50,000 |
| 2. | Purchases | 1,50,000 |
| 3. | Returns Outwards | 20,000 |
| 4. | Wages | 10,000 |
| 5. | Revenue from Operations | 2,50,000 |
| 6. | Closing Inventory | 40,000 |

**23.** Prepare Cash Flow Statement on the basis of the information given in the Balance Sheets of ABC Ltd., as at 31-2-2012 & 2011.

| Particulars | Note No. | 31-3-2012 (Rs) | 31-3-2011 (Rs) |
|---|---|---|---|
| **I. EQUITY AND LIABILITIES** | | | |
| **(1) Shareholders' Fund** | | | |
| (a) Share Capital | | 70,000 | 60,000 |
| (b) Reserves and Surplus | (1) | 44,000 | 8,000 |
| **(2) Non-current Liabilities** | | | |
| Long-term Borrowings | (2) | 50,000 | 42,000 |
| (3) Current Liabilities | | | |
| Trade Payables | | 25,000 | 17,000 |
| | **Total** | 1,89,000 | 1,27,000 |
| **II. Assets** | | | |
| **(1) Non-current Assets** | | | |
| (a) Fixed Assets | | | |
| (i) Tangible | | 82,000 | 64,000 |
| (ii) Intangible | 3 | 16,000 | 20,000 |
| (b) Non-current Investments | | 16,000 | 6,000 |
| **(2) Current Assets** | | | |
| (a) Current Investment s | 3 | 18,000 | 20,000 |
| (b) Inventories | | 49,000 | 12,000 |
| (c) Cash and Cash Equivalents | | 8,000 | 5,000 |
| **III.** | **Total** | **1,89,000** | **1,27,000** |

**Notes to Accounts**

| Particulars | 31-3-2012 | 31-32011 |
|---|---|---|
| **1. Reserves and Surplus** | **(Rs)** | **(Rs)** |
| General Reserve | **30,000** | **20,000** |
| Balance of Statement of Profit and Loss | **14,000** | **(12,000)** |
| | **44,000** | **8,000** |
| **2. Long term Borrowings** | | |

| | | |
|---|---|---|
| 10% Debentures | **50,000** | **42,000** |
| | | |
| **3. Intangible Assets** | | |
| Goodwill | **16,000** | **20,000** |
| **4. Current Investments** | | |
| Marketable Securities | **18,000** | **20,000** |

Additional Information:

(i) Depreciation provided on tangible assets (Machinery) during the year Rs8,000.

(ii) Interest paid on debentures Rs8,200.

(iii) Interest received on Non-current Investment Rs600. (6)

**SAMPLE PAPER 2**

**Solutions**

1. Charitable dispensary run by 12 members cannot be deemed a partnership because there is neither any business nor profit sharing among members.
2. The old partners decide about the share of profit of the new partner as it is they who decide to sacrifice their profit share in favour of new partner.
3. Unrecorded liability.
4. With the amount of premium due but not received.
5. According to Sec. 42 of Companies Act, 2013, private placement of shares refer to issue and allotment of shares to a selected group of persons in place of public issue. Group includes promoters, Mutual Funds, Financial Institutions etc. These shares have a lock in period of 3 years.
6.

**Journal**

| Date | Particulars | LF. | Dr. (Rs) | Cr. (Rs) |
|---|---|---|---|---|
| 2014 | Profit and Loss Appropriation A/c | | 60,000 | |
| Dec. 31 | Dr. | | | 30,000 |
| | To A's Capital A/c | | | 15,000 |
| | To C's Capital A/c | | | 15,000 |
| | To D's Capital A/c | | | |
| | (For profit of new firm distributed in new ratio) | | | |

7.As per **Section 52 of the Companies Act, 2013**, securities premium account may be applied for the following purposes;

(a) for issuing fully paid bonus shares to equity shareholders.
(b) For writing off the preliminary expenses.
(c) For writing off expenses or discount allowed on issue of shares or debentures or commission paid on issue of shares or debentures (i.e., underwriting commission).
(d) For providing for the payment of premium payable on redemption of preference shares or debentures.
(e) For purchase of its own shares or other securities under **Section 68.**

8.Interest on capital is always calculated on the opening capital but we are given the closing capital here.

We know that:

**Capital (end) = Capital ((Opening) + Additional Capital – Drawing Profit Share**

Thus,

**Opening Capital = Closing Capital – Additional Capital + Drawings – Profit Share**

**Calculation of Opening Capitals**

| Particulars | P(Rs) | Q(Rs) |
|---|---|---|
| Capital (at end i.e., 31-12-2014) | 4,00,000 | 2,00,000 |
| Less: Additional Capital (1st October) | ---- | 80,000 |
| Add : Drawing | 4,00,000 | 1,20,000 |
| | 50,000 | 40,000 |
| Less : Profit (Rs70,000 in ratio 3 : 2) | 4,50,000 | 1,60,000 |
| Capital (beginning i.e., 1-1-2014) | 42,000 | 28,000 |
| | 4,08,000 | 1,32,000 |

**Calculation of Interest on Capital**

| | (Rs) |
|---|---|
| P – On Rs4,08,000 @ 12% for 1 year | 48,960 |
| Q – On Rs1,32,000 @ 12% for 9 months | 11,880 |
| On Rs2,12,000 @ 12% for 3 months | 6,360 |
| | 18,240 |

9.

**Balance Sheet of B Ltd.**
**as at 31st March, 2015 (assumed)**

| Particulars | LF. | Dr. (Rs) | Cr. (Rs) |
|---|---|---|---|
| **(I) Equity and Liabilities** | | | |
| **(1) Shareholders' fund** | | | |
| (a) Share Capital | 1 | 9,60,000 | |

**Notes to Accounts:**

| Particular | (Rs) |
|---|---|
| **1. Share Capital:** | |
| **Authorised Capital** | |
| 2,00,000 shares of Rs10 each | 20,00,000 |
| **Issued Capital** | |
| 1,00,000 shares of Rs10 each | 10,00,000 |
| **Subscribed Capital:** | |
| Subscribed, but not fully paid: | |
| 96,000 shares of Rs10 each fully called & paid | 9,60,000 |

10.(a) **Journal Entries in Books of Gopal Ltd.**

| Date | Particulars | | L.F. | Dr. (Rs) | Cr. (Rs) |
|---|---|---|---|---|---|
| | Plant A/c | Dr. | | 3,50,000 | |
| | Stock A/c | Dr. | | 4,50,000 | |
| | Land and Building A/c | Dr. | | 6,00,000 | |
| | Goodwill A/c (Balancing Figure) | Dr. | | 2,00,000 | |
| | To Sundry Creditors A/c | | | | 1,00,000 |
| | To Aman Ltd. | | | | 15,00,000 |
| | (Being business purchased) | | | | |
| | Aman Ltd. | Dr. | | 15,00,000 | |
| | To Equity Share Capital A/c (1,20,000 x Rs10) | | | | 12,00,000 |
| | To Bank A/c | | | | 3,00,000 |
| | (Being 1,20,000 shares issued and balance is paid by bank draft) | | | | |

(b) Company is fulfilling its social responsibility towards its employees.

11.Dr. **Z's Capital A/c** Cr.

| Particulars | (Rs) | Particulars | (Rs) |
|---|---|---|---|
| To Z's Executor's A/c | 60,000 | By Balance b/d | 37,500 |
| | | By Profit & Loss Suspense A/c | 2,500 |
| | | By Revaluation A/c | 2,500 |
| | | By X's Capital A/c | 10,938 |
| | | By Y's Capital A/c | 6,562 |
| | 60,000 | | 60,000 |

Dr. **Z's Executor's A/c** Cr.

| Date | Particulars | (Rs) | Date | Particulars | (Rs) |
|---|---|---|---|---|---|
| 2010 July 31 | To Bank A/c | 17,500 | 2010 July 31 | By Z's Capital A/c | 60,000 |
| 2011 Jan. 31 | To Bank A/c (10,625 + 2,550) | 13,175 | 2011 Jan. 31 | By Interest on Loan A/c (Rs42,500 x 6/12 x 12/100) | 2,550 |
| | | 31,875 | | | |
| | | 62,550 | | | 62,550 |

**Working Notes:**

1. Goodwill = $2\frac{1}{2}\left(\frac{\text{Rs.}32{,}500+30{,}000+40{,}000+37{,}000}{4}\right) = \text{Rs.}\,87{,}500$

   Z's share of goodwill = Rs87,500 $\times \frac{2}{10}$ = Rs17,500

   X and Y will bear it is ratio 5 : 3

   $\therefore$ X's share = Rs17,500 $\times \frac{5}{8}$ = Rs10,938

   Y's share = Rs17,500 $\times \frac{3}{8}$= Rs6,562

2. Z's share of profit = Rs37,500 $\times \frac{4}{12} \times \frac{2}{10}$ =Rs2,500

12.(a)

(i) Average Profit = $\frac{\text{Rs.}60{,}000+72{,}000+84{,}000}{3}$ = Rs72,000

(ii) Actual Average profit = Rs72,000 – (2 x Rs12,000) = Rs48,000

(iii) Normal Profit = $\frac{\text{Capital Employed} \times \text{Normal Rate of Return}}{100}$

= Rs2,00,000$\times \frac{15}{100}$

= Rs30,000

(iv) Super profit = Actual Average Profit – Normal Profit

= Rs48,00 – 30,000 = Rs18,000

(v) Goodwill = Super Profit x No. Of Years' Purchase

= Rs18,000 x 2 = Rs36,000

(vi) Sacrificing Ratio = Old Ratio – New Ratio

A's sacrifice = $\frac{3}{5} - \frac{4}{9} = \frac{27-20}{45} = \frac{7}{45}$

B's sacrifice = $\frac{2}{5} - \frac{3}{9} = \frac{18-15}{45} = \frac{3}{45}$

Thus, sacrificing ratio of A and B is $\frac{7}{45}:\frac{3}{45}$ or 7 : 3

13.(a) **Statement Showing Adjustments**

| Particulars | A | B | C | Total |
|---|---|---|---|---|

| | (Rs) | (Rs) | (Rs) | (Rs) |
|---|---|---|---|---|
| (A) Net amount should have been credited to partners: | | | | |
| Salary | --- | --- | 60,000 | 60,000 |
| Commission | 80000 | --- | --- | 80,000 |
| Interest on Capital | 30,000 | 15,000 | 15,000 | 60,000 |
| | 1,10,000 | 15,000 | 75,000 | 2,00,000 |
| Profit (Rs3,00,000 – 2,00,000) in ratio 2 : 1 : 1 | 50,000 | 25,000 | 25,000 | 1,00,000 |
| Total (Cr.) | 1,60,000 | 40,000 | 1,00,000 | 3,00,000 |
| (B) Profit has been distributed equally due to omission (1:1:1) | 1,00,000 | 1,00,000 | 1,00,000 | 3,00,000 |
| (C) Difference (A-B) (et Effect) | 60,000 Cr. | 60,000 Dr. | ---- | ---- |

**Journal**

| Date | Particulars | LF. | Dr.(Rs) | Cr. (Rs) |
|---|---|---|---|---|
| | B's Current A/c Dr.<br>To A's Current A/c<br>(Being adjustment entry passed) | | 60,000 | <br>60,000 |

**Note: Assumed fixed capital as profit is distributed in their capital ratio**

**14. Solution based on requirements of Companies Act, 2013**

**Journal of Manish Ltd.**

| Date | Particulars | LF. | Dr. (Rs) | Cr. (Rs) |
|---|---|---|---|---|
| 2013 April 1 | Bank A/c Dr.<br>To Debenture Application and Allotment A/c<br>(Debenture application money received) | | 38,00,000 | <br>38,00,000 |
| | Debenture Application and Allotment A/c Dr.<br>Loss on Issue of Debentures A/c Dr.<br>To 8% Debentures A/c<br>To Premium on Redemption A/c<br>(Issue of debentures at par redeemable at premium) | | 38,00,000<br>1,90,000 | <br><br>38,00,000<br>1,90,000 |
| 2014 March 31 | Surplus of Statement of Profit & Loss Dr.<br>To Debenture Redemption Reserve A/c<br>(Transfer of profit to DRR A/c) | | 5,00,000 | <br>5,00,000 |
| 2015 March 31 | Surplus of Statement of Profit & Loss Dr.<br>To Debenture Redemption Reserve A/c<br>(Transfer of profit to DRR A/c as per rules 18(7) | | 4,50,000 | <br>4,50,000 |
| April 30 | Debenture Redemption Investments A/c Dr.<br>To Bank A/c<br>(Investment made in bank equal to 15% value of debentures) | | 5,70,000 | <br>5,70,000 |
| June 30 | Bank A/c Dr.<br>To Debenture Redemption Investments A/c<br>(Investment realised on redemption) | | 5,70,000 | <br>5,70,000 |
| June 30 | 8% Debentures A/c Dr.<br>Premium on Redemption A/c Dr.<br>To debenture holders A/c<br>(Amount due on redemption to debenture holders) | | 38,00,000<br>1,90,000 | <br><br>39,90,000 |
| | Debenture holders A/c Dr.<br>To Bank A/c<br>(Payment made to debenture holders) | | 39,90,000 | <br>39,90,000 |
| | Debenture Redemption Reserve A/c Dr.<br>To General Reserve A/c<br>(Transfer of DRR to General Reserve A/c | | 9,50,000 | <br>9,50,000 |

**Note: Ignored interest payment on debentures and interest received on DRI as per requirement of the question.**

15. **Realisation Account**

| Particulars | | (Rs) | Particulars | | (Rs) |
|---|---|---|---|---|---|
| To Goodwill A/c | | 10,000 | By Investment Fluct. Fund A/c | | 5,000 |
| To Buildings A/c | | 25,000 | By Provison for Doubtful Debts | | 2,000 |
| To Investments A/c | | 25,000 | A/c | | 8,000 |
| To Stock A/c | | 15,000 | By Creditors A/c | | 6,000 |
| To Debtors A/c | | 20,000 | By Bank Overdraft A/c | | 8,000 |
| To X's Capital A/c **(Brother's** | | 8,000 | By X's Brother's Loan A/c | **(Rs)** | |
| **Loan)** | **(Rs)** | | By Bank A/c (Asset Realised): | 12,000 | |
| To Bank A/cs: | 6,000 | | Debtors | 20,000 | |
| Creditors | 6,000 | 12,000 | Investments | 7,000 | |

| | | | | |
|---|---|---|---|---|
| Bank Overdraft | | Goodwill | | |
| To Bank A/c (Realisation Expenses) | 2,000 | Buildings | 30,000 | |
| | | Stock (50% of Rs10,000) | 5,000 | 74,000 |
| | | By Y's Capital A/c (Stock) | | 4,000 |
| | | By Loss transferred to: | | |
| | | X's Capital A/c | 8,000 | |
| | | Y's Capital A/c | 2,000 | 10,000 |
| | **1,17,000** | | | **1,17,000** |

**Partners' Capital Account**

| Particulars | X | Y | Particulars | X | Y |
|---|---|---|---|---|---|
| To profit & Loss A/c | **(Rs)** | **(Rs)** | | **(Rs)** | **(Rs)** |
| To Realisation A/c (Stock) | 8,000 | 2,000 | By Balance b/d | 50,000 | 40,000 |
| By Realisation A/c (Loss) | -- | 4,000 | By Realisation A/c | 8,000 | -- |
| By Bank A/c (Bal. Figure) | 8,000 | 2,000 | | | |
| | 42,000 | 32,000 | | | |
| | 58,000 | 40,000 | | 58,000 | 40,000 |

**Bank Account**

| Particulars | (Rs) | Particulars | (Rs) |
|---|---|---|---|
| To Balance b/d | 20,000 | By Y's Loan A/c | 6,000 |
| To Realisation A/c (Asses) | 74,000 | By Realisation A/c (Liabilities paid off) | 12,000 |
| | | By Realisation Expenses A/c | 2,000 |
| | | By X's Capital A/c | 42,000 |
| | | By Y's Capital A/c | 32,000 |
| | 94,000 | | 94,000 |

16. **Dr.** **REVALUATION ACCOUNT** **Cr.**

| Particulars | Rs | Particulars | | Rs |
|---|---|---|---|---|
| To Building A/C | 15,000 | By Loss transferred to | | |
| To Machinery A/C | 2,000 | A's cap. A/C | 11,424 | |
| To Provision for Doubtful Debts | 2,040 | B's cap. A/C | 7,616 | 19,040 |
| | 19,040 | | | 19,040 |

(2)

**Dr.** **PARTNER'S CAPITAL ACCOUTS** **Cr.**

| Particulars | A Rs | B Rs | C Rs | Particulars | A | B Rs | C Rs |
|---|---|---|---|---|---|---|---|
| To Rev. (Loss) | 11424 | 7616 | | By Balance b/d | 150000 | 80000 | |
| To Balance c/d | 160176 | 86784 | 40000 | By General Reserve | 14400 | 9600 | |
| | | 7000 | | By Bank | | | 40000 |
| | | 12800 | 6400 | By Premium for | | | |
| | | 35700 | | Goodwill | 7200 | 4800 | |
| To Current A/C | | | | By balance b/d | | | |
| To Balance c/d | | | | | | | |
| | 171600 | 94400 | 40000 | | 171600 | 94400 | 40000 |
| | 40176 | 6784 | | | 160176 | 86784 | 40000 |
| | 120000 | 80000 | 40000 | | | | |
| | 160176 | 86784 | 40000 | | 160176 | 86784 | 40000 |

(3)

**Dr.** **BALANCE SHEET OF NEW FIRM** **Cr.**
**As at 31 march 20........**

| Liabilities | | Rs | Assets | | Rs |
|---|---|---|---|---|---|
| Creditors | | 36,000 | Cash | | 10,000 |
| Bills Payable | | 20,000 | Bank | | 52,000 |
| A's Current A/C | | 40,176 | Debtors | 34,000 | |
| B's Current A/C | | 6,784 | Less- provision for Doubtful Debts | 2,040 | 31,960 |
| Capital Accounts | | | | | |
| A | 1,20,000 | | Stock | | 24,000 |
| B | 80,000 | | Machinery | | 40,000 |
| C | 40,000 | 2,40,000 | Building | | 1,85,000 |
| | | 3,42,960 | | | 3,42,960 |

3
(2+3+3) = 8

**WORKING NOTES**

(1) Calculation of New Profit Sharing Ratio

C's share = $\frac{1}{6}$  Remaining share = $1-\frac{1}{6}$ = $\frac{5}{6}$

A's New share = $\frac{5}{6}\times\frac{3}{5}=\frac{3}{6}$  B's New share = $\frac{5}{6}\times\frac{2}{5}=\frac{2}{6}$  C's share = $\frac{1}{6}$

(2) Based on C's capital

Total capital of New firm = $\frac{6}{1}\times 40000$ = Rs 2,40,000

A's capital in New firm = 240000 × $\frac{3}{6}$ = Rs 1,20,000

B's capital in New firm = 240000 × $\frac{2}{6}$ = Rs 80,000

(3)

| | A (Rs) | B (Rs) |
|---|---|---|
| Existing capitals | 1,60,176 | 86,784 |
| Capital in New firm | 1,20,000 | 80,000 |
| Excess capital transferred to Current Accounts | 40,176 | 6,784 |

Or

**Revaluation Account**

| **Particulars** | | **(Rs)** | **Particulars** | **(Rs)** |
|---|---|---|---|---|
| To Machinery A/c | | 4,000 | By Freehold Premises A/c | 5,000 |
| To Furniture A/c | | 900 | By Stock A/c | 2,500 |
| To Reserve for Bad Debts A/c | | 500 | By Prepaid Insurance | 500 |
| To Provision for Discount | | 450 | | |
| To Claim for Damages | | 150 | | |
| To Profit trans. to Capital A/cs: | | | | |
| X 800 | | | | |
| Y 800 | | | | |
| Z 400 | | 2,0000 | | |
| | | 8,000 | | 8,000 |

| | |
|---|---|
| **Working Notes:**<br>**(1)** Gaining Ratio = New Ratio – Old Ratio<br>$X=\frac{3}{5}-\frac{2}{5}=\frac{1}{5}; Z=\frac{2}{5}-\frac{1}{5}=\frac{1}{5}$<br>Hence, gaining ratio is 1 : 1 | (2) X's share of goodwill<br>= Rs20,000 × $\frac{2}{5}$ =Rs 8,000 |

**Partners' Capital Accounts**

| **Particulars** | **X** | **Y** | **Z** | **Particulars** | **X** | **Y** | **Z** |
|---|---|---|---|---|---|---|---|
| | **(Rs)** | **(Rs)** | **(Rs)** | By Balance b/d | **(Rs)** | **(Rs)** | **(Rs)** |
| To X's Capital A/c | -- | 4,000 | 4,000 | By Reserve A/c | 40,000 | 30,000 | 30,000 |
| (Goodwill (1 : 1) | | Rs | | By Revaluation A/c | 4,000 | 4,000 | 2,000 |
| To X's Loan A/c | 52,800 | -- | -- | By Y's Capital A/c | 800 | 800 | 400 |
| To Balance c/d | -- | 30,800 | 28,400 | By Z's Capital A/c | 4,000 | -- | -- |
| | | | | | 4,000 | -- | -- |
| | 52,800 | 34,800 | 32,400 | | 52,800 | 34,800 | 32,400 |
| To Z's Current A/c | -- | -- | 4,720 | By Balance b/d | -- | 30,800 | 28,400 |
| To Balance c/d | -- | 35,520 | 23,680 | By Y's Current A/c | -- | 4,720 | -- |
| | -- | 35,520 | 28,400 | | -- | 35,520 | 28,400 |

**(a)** **Journal of Shiva Ltd.**

| **Date** | **Particulars** | | **L.F** | **Dr. (Rs)** | **Cr. (Rs)** |
|---|---|---|---|---|---|
| | Bank A/c (1,90,000x30) Dr.<br>To Share Application A/c<br>(Application money received on 1,90,000 shares) | | | 57,00,000 | 57,00,000 |
| | Share Application A/c (1,90,000x20) Dr.<br>To Share Capital A/c<br>To Securities Premium Reserve A/c (1,90,000x10)<br>(Application money adjust) | | | 57,00,000 | 38,00,000<br>19,00,000 |
| | Share Allotment A/c (1,90,000x20) Dr.<br>To Share Capital A/c<br>To Securities Premium Reserve A/c (1,90,000x20)<br>(Share allotment money due) | | | 1,33,00,000 | 38,00,000<br>95,00,000 |
| | Bank A/c Dr.<br>To Share Allotment A/c | | | 1,32,30,000 | 1,32,30,0 |

| | | | | | |
|---|---|---|---|---|---|
| | (Share allotment money received except on 1,000 shares) | | | | 00 |
| | Share Capital A/c<br>Securities Premium Reserve A/c<br>To Share Allotment A/c<br>To Share Forfeiture A/c<br>(1,000 share forfeited for non-payment of allotment money) | (1,000 x40) Dr.<br>(1,000 x50) Dr.<br>(1,000x 70) | | 40,000<br>50,000 | <br><br>70,000<br>20,000 |
| | Share First & Final Call A/c<br>T Share Capital A/c<br>(Share First Call due on 1,89,000 shares) | Dr.<br>(1,89,000 x60) | | 1,13,40,000 | 1,13,40,000 |
| | Bank A/c<br>O Share First & Final Call A/c<br>(First Call money received except on 2,000 shares) | Dr. | | 1,12,20,000 | 1,12,20,000 |
| | Share Capital A/c<br>To Share First & Final Call A/c<br>To Share Forfeiture A/c<br>(2,000 shares forfeited due to non-payment of shares first call) | (2,000 x100) Dr.<br>(2,000 x60) | | 2,00,000 | <br>1,20,000<br>80,000 |
| | Bank A/c<br>Share Forfeiture A/c<br>To Share Capital A/c<br>(Reissue of 1,500 shares @ Rs90) | (1,500 x 90) Dr.<br>(1,500 x10) Dr.<br>(1,500 x100) | | 1,35,000<br>15,000 | <br><br>1,50,000 |
| | Share Forfeiture A/c<br>To Capital Reserve A/c<br>(Transfer of profit on reissue to Capital Reserve A/C | Dr. | | 35,000 | <br>35,000 |

| Working Note:<br>Calculation of Capital Reserve | |
|---|---|
| Amount forfeited on Reissue of shares | **(Rs)** |
| On Jain's shares 1/2 of Rs20,000 | = 10,000 |
| On Gupta's shares 1/2 of Rs80,000 | = 40,000 |
| Total Profit | 50,000 |
| Less: Loss on Reissue of shares | 15,000 |
| Profit transferred to Capital Reserve | 35,000* |

(b) Value of equality has been maintained by the company by making pro-rata allotment.

**Balance Sheet of New Firm**
**as at 31st March, 2014**

| Liabilities | | (Rs) | Assets | | (Rs) |
|---|---|---|---|---|---|
| Capital Accounts: | | | Freehold Premises | | 55,000 |
| Y | 35,520 | | Machinery | | 36,000 |
| Z | 23,680 | 59,200 | Furniture | | 14,100 |
| Z's Current A/c | | 4,720 | Stock | | 27,500 |
| X's Loan A/c | | 52,800 | Sundry Debtors | 24,000 | |
| Bills Payable | | 12,000 | Less: Reserve for Bad Debts | (1,500) | |
| Claim for Damages | | 150 | | 22,500 | |
| Sundry Creditors | | 45,000 | Less : Prov. For Discount | 450 | 22,050 |
| | | | Bank | | 14,000 |
| | | | Prepaid Insurance | | 500 |
| | | | Y's Current A/c | | 4,720 |
| | | 1,73,870 | | | 1,73,870 |

**Notes:**
1. In the absence of agreement, retiring partner's capital account will be transferred to his loan a/c.
2. Capital of continuing Partners:

| | | |
|---|---|---|
| Y's Capital | (Rs) | |
| Z's Capital | 30,800 | |
| Total Capital of firm | 28,400 | In ratio 3 : 2 |
| | 59,200 | |

Y's Capital = Rs59,200 $\times \frac{3}{5}$= Rs35,520; Z's Capital = Rs59,200 $\times \frac{2}{5}$ = Rs23,680

17.(a)

**Note:**
(i) Applied for Shares Allotted
1,20,00 30,800
(ii) (Rs)

| |
|---|
| Advance applications (70,000 x 3) 2,10,000<br>Less : Allotment (580,000 x 3) 2,00,000[1]<br>Money returned 10,000[2]<br><br>(iii) Share allotted to Ram = $\frac{960}{1,20,000} \times 50,000 = 400$ shsares |

**Journal**

| Date | Particulars | | | L.F | Dr. (Rs) | Cr. (Rs) |
|---|---|---|---|---|---|---|
| | Bank A/c<br>To share Application A/c | (1,20,000 x 3) | Dr. | | 3,60,000 | <br>3,60,000 |
| | Share Application A/c<br>To Share Capital A/c<br>To Share Allotment A/c<br>To Bank A/c | (1,2,000 x 3)<br>(50,000 x 3<br>(50,000 x 4) | Dr. | | 3,60,000 | <br>1,50,000<br>2,00,000<br>10,000 |
| | Share Allotment A/c<br>To Share Capital A/c | (50,000 x 4) | Dr. | | 2,00,000 | <br>2,00,000 |
| | No entry for receipt of allotment | | | | | |
| | Share 1st Call A/c<br>To Share Capital A/c | (50,000 x 3) | Dr. | | 1,50,000 | <br>1,50,000 |
| | Bank A/c<br>To Share 1st Call A/c | (49,600 x 3) | Dr. | | 1,48,800 | <br>1,48,800 |
| | Share Capital A/c<br>To Share 1st Call A/c<br>To Share Forfeited A/c | (400 x 10)<br>(400 x 3) | Dr. | | 4,000 | <br>1,200<br>2,000 |

Cost Revenue from Operations = Opening Inventory + Purchases – Returns Outwards + Wages – CI
= Rs50,000 +Rs1,50,00 - Rs20,000 + Rs10,000 - Rs40,000 = Rs1,50,00
= Rs2,50,000 – 1,50,000

Gross Profit = Rs1,00,000

Gross Profit Ratio = $\frac{Rs.1,00,000}{Rs.2,50,000} \times 100 = 40\%$

**Part B : Financial Statements Analysis**

**18.** (i) Operating Activity
(ii) Investing Activity

**19.** Payment of Dividend, Issuing Share Capital for Cash.

**20.** (a) The major heads of Current Liabilities are:
Current Liabilities (Sub-heads)
(i) Short-term Borrowings (ii) Trade Payables
(iii) Other Current Liabilities (iv) Short-term Provisions

(b) Limitations of financial statement analysis are:
(i) Ignores price level changes
(ii) Affected by window dressing
(iii) Limited use of single year's analysis of financial statements.

**21.** **Company Income Statement of Delta Ltd.**
**for the year ended 31st March, 2012 and 2013**

| S. No. | Particulars | Note No. | 2012 (Rs) | 2013 (Rs) | Absolute Increase /Decrease (Rs) | Percentage Increase/ Decrease (Rs) |
|---|---|---|---|---|---|---|
| I. | Revenue from Operations (Sales) | | 12,00,000 | 16,00,000 | 4,00,000 | 33.33 |
| II. | Expenses | | | | | |
| | **(a)** Purchase of Stock-in-Trade | | 7,00,000 | 9,00,000 | 2,00,000 | 28.57 |
| | **(b)** Change in Inventories of Stock-in Trade | | 40,000 | 50,000 | 10,000 | 25 |
| | Cost of Goods Sold | | 7,40,000 | 9,50,000 | 2,10,000 | 28.38 |
| | **(c)** Employees Benefit Expenses & Other Expenses (20% and 18% of Cost of Goods Sold) | | 1,48,000 | 7,71,000 | 23,000 | 15.54 |
| | **Total Expenses** | | **8,88,000** | **11,21,000** | **2,33,000** | **26.24** |
| III. | Profit before Tax (I-II) | | 3,12,000 | 4,49,000 | 1,67,000 | 53.52 |
| IV. | Less : Tax @ 50% | | 1,56,000 | 2,39,500 | 83,500 | 53.52 |

**Note:** Cost of Goods Sold or Cost of Revenue from Operations = Opening Stock + Stock + Purchase – Closing Stock
= Purchase of Stock-in-Trade + Change in Inventories of Stock-in-Trade

**22.** (a) Debt-Equity Ratio = $\frac{\text{Long-term Debts}}{\text{Sharehodlers' Fund}}$

Long-term Debts = Total Debts – Current Liabilities
= Rs2,50,000 - Rs80,000 = Rs1,70,000

Shareholders' Fund = Total Assets – Total Debts
= Rs3,50,000 - Rs2,50,000 = Rs1,00,000

Thus, Debt- Equity Ratio = $\frac{Rs.1{,}70{,}000}{Rs.1{,}00{,}000} = 17 : 1$

Note: Total of Assets and Total of equity and liabilities side is always equal.

(b) Gross Profit Ratio = $\frac{\text{Gross Profit}}{\text{Revenue from Operations}} \times 100$

(c) Gross Profit = Revenue from Operations – Cost of Revenue from Operations

**23.** **Cash Flow Statement of ABC Ltd. (Indirect Method)**
**For the year ended 31 March, 2012**

| S.No. | Particulars | | Details (Rs) | Amount (Rs) |
|---|---|---|---|---|
| (A) | **Cash Flow from Operating Activities :** | | | |
| | Net Profit before tax and extra-ordinary items | | | |
| | (Net Profit Rs14,000 + Rs12,000) | | 36,000 | |
| | Add : General Reserve (Rs30,000 — Rs20,000) | | | |
| | **Adjustments for :** | | | |
| | Add : Depredation on Fixed Tangible Asset (Machinery) | | 8,000 | |
| | Goodwill written off | | 4,000 | |
| | Interest on Long-term Borrowings (Debentures) | | 4,200 | |
| | | | 52,200 | |
| | Less : Interest Received on Non-current Investment | | (600) | |
| | Operating Profit before Working Capital Changes | | 51,600 | |
| | Add : **Increase in Current Liabilities:** | | | |
| | Trade Payables | | 8,000 | |
| | Less : **Increase in Current Assets :** | | | |
| | Inventory | | (37,000) | 22,600 |
| | Net Cash from Operating Activities | | 22,600 | |
| (B) | **Cash Flow from Investing Activities :** | | | |
| | Purchase of Tangible Fixed Assets (Machinery) | | (26,000) | |
| | Purchase of Non-current Investments | | (10,000) | |
| | Interest Received on Non-current Investment | | 600 | (35,400) |
| | Net Cash used in Investing Activities | | (35,400) | |
| (C) | **Cash Flow from Financing Activities :** | | | |
| | Proceed from Issue of Equity Shares Capital | | 10,000 | |
| | Proceeds from Issue of Long-term Borrowings (Debentures) | | 8,000 | |
| | Interest on Long-term Borrowings Paid (Debentures) | | (4,200) | |
| | Net Cash Flow from Financing Activities | | 13,800 | 13,800 |
| (D) | **Net Increase in Cash and Cash Equivalents** | | | 1,000 |
| | Cash and Cash Equivalents : Opening Balance | | | 25,000[1] |
| | Cash and Cash Equivalents : Closing Balance | | | 26,000[2] |

**Working Notes. () Cash and Cash Equivalent include Current Investment (Marketable)**

| Accordingly | 2011(Rs) | 2012(Rs) |
|---|---|---|
| Cash and Cash Equivalents | 5,000 | 8,000 |
| Current Investment (Marketable) | 20,000 | 18,000 |
| Cash and Cash Equivalents | 25,000[1] | 26,000[2] |

(2) **Machinery A/c**

| Particulars | (Rs) | Particulars | (Rs) |
|---|---|---|---|
| To Balance b/d | 64,000 | By Depreciation A/c | 8,000 |
| To Cash Purchases (Bal. Fig.) | 26,000 | By Balance c/d | 82,000 |
| | 90,000 | | 90,000 |