# ISC SPECIMEN QUESTION PAPER 2025

**Time Allowed: 3 Hours** **Max. Marks: 80**

*(Candidates are allowed **additional 15 minutes** for **only** reading the paper. They must **NOT** start writing during this time.)*

*Instructions to Candidates:*

- The question paper has **17** printed pages.
- The Question Paper is divided into **three** sections and has **18 questions** in all.
- **Section A** is compulsory and has **ten** questions.
- You are required to attempt **all** questions either from **Section B or Section C**.
- **Section B** and **Section C** have **four** questions each.
- Internal choices have been provided in **five** questions in **Section A** and in two questions in **Section B** and **Section C**.
- While attempting **Multiple Choice Questions in Sections A, B and C,** you are required to **write only ONE option as the answer**.
- The intended marks for questions or parts of questions are given in the brackets [ ].
- All calculations should be shown clearly.
- All workings, including rough work, should be done on the same page as, and adjacent to, the rest of the answer.

## Section A (60 Marks)

(*Answer **all** questions*)

**Question 1**

**In sub-parts (i) to (iv) choose the correct options and in sub-parts (v) to (x) answer the questions as instructed.**

(i) The commission due to a partner is closed by **(Understanding)**

(a) Debiting it to Partner's Capital Account.

(b) Crediting it to Partner's Capital Account.

(c) Debiting it to Profit & Loss Appropriation Account.

(d) Crediting it to Profit & Loss Appropriation Account. [1]

(ii) On the admission of Adil as a partner, the capitals of Rohan and Pavan, after all adjustments, were ₹ 50,000 and ₹ 40,000. Their capitals before Adil's admission were ₹ 45,000 and ₹ 48,000.

The capital account of the partner having surplus capital was adjusted through his current account by passing the Journal entry: **(Application)**

(a) Debit Rohan's Capital A/c ₹ 5,000; Credit Rohan's Current A/c ₹ 5,000.

(b) Debit Pavan's Capital A/c ₹ 8,000; Credit Pavan's Current A/c ₹ 8,000.

(c) Debit Rohan's Current A/c ₹ 5,000; Credit Rohan's Capital A/c ₹ 5,000.

(d) Debit Pavan's Current A/c ₹ 8,000; Credit Pavan's Capital A/c ₹ 8,000. [1]

(iii) Choose the components required to calculate goodwill of a firm by *Capitalisation of Average Profits Method*. **(Recall)**

**P** The normal profits of a similar firm in the industry.

**Q** The average profits of the firm.

**R** The number of years' purchase.

**S** The actual capital employed in the business.

(a) P, Q, R

(b) Q, R, S

(c) P, Q, S

(d) P, R, S [1]

(iv) Given below is a fictitious scenario. Read the information and answer the question that follows:

Bhim International Ltd., in order to raise additional funds for expansion purpose, took a loan of ₹ 10,00,000 at a rate of 12% per annum from NZ Bank on 1st July, 2023, against which it offered ₹ 15,00,000, 8% Debentures of ₹ 100 each as a collateral security.

Calculate the finance cost to the company for the year 2023-24. **(Application)**

(a) ₹ 1,20,000

(b) ₹ 2,40,000

(c) ₹ 90,000

(d) ₹ 1,80,000 [1]

(v) Ira (a partner in a firm) was allowed to retain the whole of the stock as her remuneration for services rendered by her in the course of dissolution of the firm. The value of stock was ₹ 10,000 which had been transferred to the Realisation Account.

**Complying with the accounting principle of full disclosure, record the above transaction in the books of the partnership firm at the time of its dissolution.** **(Application)**

[1]

(vi) Aman and Vinod are partners in a firm. Their Balance Sheet showed:

Gross Debtors: ₹ 1,52,000

Provision for doubtful debts: ₹ 1,000

On Milin's admission as a new partner, the assets and liabilities are to be revalued as:

- Unaccounted accrued income of ₹ 10,000 to be provided for.
- Bills Payable of ₹ 10,000 which were recorded, to be discharged at a rebate of 10%.
- Debtors of ₹ 2,000 to be irrecoverable.
- Provision for doubtful debts to be provided @ 2% of the debtors.

**What is the net effect of revaluation of assets and liabilities? (Application)** [1]

(vii) **Assertion:** A company can reissue a forfeited share at an amount which is less than the amount not received on it.

**Reason:** A company can write off the net loss made on the reissue of a forfeited share from its capital reserve.

Which one of the following is correct? **(Evaluate)**

(a) Both Assertion and Reason are true and Reason is the correct explanation for Assertion.

(b) Both Assertion and Reason are true but Reason is not the correct explanation for Assertion.

(c) Assertion is false and Reason is true.

(d) Both Assertion and Reason are false. [1]

(viii) Mention the liability of a partnership firm which is not shown in its Balance Sheet, but is paid off at the time of the dissolution of the firm. **(Understanding)** [1]

(ix) The Adani family has raised their stake in Ambuja Cements by the conversion of 21.20 crore warrants into shares in a transaction that will see them infusing nearly ₹ 6,661 crore.

(*Source: The Telegraph, Kolkata, 29 March, 2024*)

(a) What is a share warrant?

(b) Mention the ***head*** under *which Money received against Share Warrants* is shown in the Balance Sheet of a company prepared as per Schedule III of the Companies Act, 2013. **(Recall)** [1]

(x) On 1st April, 2023, Zara Ltd. issued 10,000, 6% Debentures of ₹ 100 each at a discount of 5%. On 31st March, 2024, the company had ₹ 40,000 in its Capital Reserve Account and ₹ 30,000 as balance of Securities Premium.

Give the Journal entry to write off the discount on issue of issue of debentures on 31st March, 2024. **(Application)** [1]

**Question 2**

Mita, Sita and Rita are partners in a firm. Rita retires from the firm on 31st March, 2024. Her claim, including her capital and her share of goodwill, is determined at ₹ 2,50,000.

On this date the firm's books showed:

(a) An unrecorded investment valued at ₹ 60,000 which was given to an unrecorded creditor of ₹ 1,16,000 in settlement of his claim of ₹ 70,000.

(b) An unrecorded vehicle which was given to Rita at the market value of ₹ 46,000 in part settlement of her claim.

The balance of Rita's claim was discharged by cheque.

**You are required to pass Journal entries to record the above transactions in the books of the firm on 31st March, 2024. (Application)**

***Or***

Akshat, Javed and Gaurav are partners in a firm sharing profits in the ratio of 5 : 3 : 7.

Akshat died on 31st March, 2024.

Javed and Gaurav decided to share the profits in reconstituted firm in the ratio 2 : 3.

The capital accounts of the partners on 31st March, 2024, before considering the firm's goodwill were:

| | |
|---|---|
| Akshat | ₹ 1,66,000 |
| Javed | ₹ 66,000 |
| Gaurav | ₹ 1,41,000 |

After considering the adjustment for goodwill, Akshat's share was determined to be ₹ 1,81,000. It was decided that this amount would be paid to Akshat's executor immediately by the firm through a cheque, the amount being contributed by Javed and Gaurav in such a manner that their capitals would become proportionate to their new profit-sharing ratio.

**You are required to pass Journal entries to record:**

**(i) The adjustment for self-generated goodwill of the firm.**

**(ii) Cash brought in by Javed and Gaurav to pay off Akshat's executor.**

**(iii) Payment made to Akshat's executor. (Application)** [3]

**Question 3**

On 1st April, 2023, Ruth Ltd. purchased Plant and Machinery for ₹ 11,00,000 from Pablo Ltd. payable as to ₹ 1,00,000 by accepting a promissory note and the balance by an issue of 11% Debentures of ₹ 100 each at a premium of 10% to be redeemed at a premium of 2% after six years.

**You are required to pass Journal entries in the books of Ruth Ltd. *only* to record the payment made to Pablo Ltd. (Application)**

***Or***

A limited company made an issue, which was fully subscribed, of 2,000, 5% Debentures of ₹ 100 each at ₹ 96, to be redeemed at par after five years. The debentures were allotted on 31st May 2023, subscriptions being payable:

15% on application;

30% on allotment;

30% on 30th June, 2023; and

Balance on 30th September 2023.

One debenture holder holding 100 debentures paid the allotment with the first call along with interest on calls-in-arrears @ 10% per annum.

**You are required to:**

**(i) Give the amounts in rupees payable with:**

**1. Allotment**

**2. Second and Final Call** [2]

**(ii) Prepare the Interest-on-Calls in Arrears A/c.** **(Application)** [1]

**Question 4**

Ronny Ltd. (an unlisted construction company) redeems its 7,000, 10% Debentures of ₹ 100 each at a premium of 5% in instalments, as follows:

| Date of Redemption | Debentures to be redeemed |
|---|---|
| 31st March, 2022 | 2,000 |
| 31st March, 2023 | 3,000 |
| 31st March, 2024 | 2,000 |

**You are required to prepare for the year 2023–24:**

**(i) General Reserve Account.**

**(ii) Debenture holders' Account. (Ignore interest on Debentures)**

**(Application)** [3]

**Question 5**

Kriti and Atif are partners sharing profits and losses equally. On 31st March, 2024, they admitted David as a third partner for 1/5 share in the profits.

It is decided that on David's admission:

- Atif would retain his original share.
- Goodwill would be valued by the super profit method on the basis of the following information:

(a) BALANCE SHEET OF KRITI AND ATIF (an extract)
*as at 31st March, 2024*

| Liabilities | | ₹ | Assets | ₹ |
|---|---|---|---|---|
| General Reserve | | 25,000 | Current A/c: | |
| Capital A/cs: | | | Atif | 10,000 |
| Kriti | 2,50,000 | | | |
| Atif | 1,75,000 | 4,25,000 | | |
| Current A/c: | | | | |
| Kriti | | 40,000 | | |

(b) The normal rate of return is 12% per annum.

(c) Average profits of the firm for last four years are ₹ 74,000.

**You are required to calculate:**

**(i) The sacrificing ratio of the partners.**

**(ii) The value of goodwill of the firm at four years' purchase of the super profit.**

**(Application)** [3]

**Question 6**

The following balances have been extracted from the books of Nirvana Ltd, as at 31st March, 2024:

| Particulars | ₹ | Particulars | ₹ |
|---|---|---|---|
| Security Deposit for electricity for ten years | 30,000 | Uncalled amount on partly paid-up shares | 8,00,000 |
| Underwriting Commission | 20,000 | 10% Debentures | 5,00,000 |
| General Reserve | 70,000 | Statement of Profit & Loss (Dr.) | 10,000 |
| Fixed Deposits | 2,00,000 | Calls-in-Arrears @ ₹1 per share | 40,000 |
| Premium on Redemption of Debentures | 20,000 | Securities Premium | 2,00,000 |
| Equity Share Capital (1,00,000 shares of ₹ 10 each) | 10,00,000 | | |

**You are required to show the above items in Notes to Accounts accompanying the Balance Sheet of Nirvana Ltd. prepared as per Schedule III of the Companies Act, 2013 as at 31st March, 2024.** **(Application)** [6]

**Question 7**

Anita and Anil are partners in a firm. On 1st April, 2024, they admitted Jia as a third partner.

The capital accounts of the partners after considering the following adjustments on Jia's admission are given below:

(a) Loss on revaluation due to depreciation on machinery @ 20% per annum.

(b) The General Reserve maintained in the old firm was not to be disturbed in the reconstituted firm.

*Dr.* PARTNERS' CAPITAL ACCOUNTS *Cr.*

| Particulars | Anita ₹ | Anil ₹ | Jia ₹ | Particulars | Anita ₹ | Anil ₹ | Jia ₹ |
|---|---|---|---|---|---|---|---|
| To Goodwill A/c | 10,000 | 10,000 | ... | By Balance *b/d* | 90,000 | 80,000 | ... |
| To Profit & Loss A/c | 5,000 | 5,000 | ... | By Bank A/c | ... | ... | 75,000 |
| To Revaluation A/c | 7,500 | 7,500 | ... | By Premium for | | | |
| To Balance *c/d* | 1,17,500 | 1,07,500 | 75,000 | Goodwill A/c | 25,000 | 25,000 | ... |
| | | | | By Jia's Current A/c | 25,000 | 25,000 | ... |
| | 1,40,000 | 1,30,000 | 75,000 | | 1,40,000 | 1,30,000 | 75,000 |

*Additional information:*

On 31st March, 2024, the firm of Anita and Anil, apart from plant and machinery and a bank balance of ₹ 2,15,000, had no other asset.

**You are required to prepare the Balance Sheet of the reconstituted firm on the date of Jia's admission after considering the information given above**.

(*Show your workings clearly*) **(Application)**

***Or***

Alfa and Beta are partners in a firm. Their Balance Sheet as at 31st March, 2024, is given below:

BALANCE SHEET OF ALFA AND BETA
*as at 31st March, 2024*

| Liabilities | | ₹ | Assets | ₹ |
|---|---|---|---|---|
| Sundry Creditors | | 1,16,000 | Cash at Bank | 93,600 |
| Workmen's Compensation Reserve | | 24,000 | Sundry Debtors | 76,400 |
| Capital A/cs: | | | Stock | 1,10,000 |
| Alfa | 1,00,000 | | Investment | 20,000 |
| Beta | 80,000 | 1,80,000 | Goodwill | 20,000 |
| | | 3,20,000 | | 3,20,000 |

On 1st April, 2024, they admit Beta's son Gama, as a partner on the following terms:

(a) Gama to have 1/4 share of profits, half of which is to be gifted to him by his father and the remaining half to be purchased from Alfa.

(b) Gama to bring in ₹ 60,000 as his capital but would be unable to bring in cash his share of goodwill.

(c) Goodwill of the firm to be valued at ₹ 40,000.

(d) 50% of the investment to be taken over by Alfa and Beta in their profit-sharing ratio.

(e) The liability on account of Workmen's Compensation Claim to be ₹ 30,000.

**You are required to:** **(Application)**

**(i) Calculate the new profit-sharing ratio of all the partners.** [1]

**(ii) Prepare the Partners' Capital Accounts.** [5]

**Question 8**

Atul and Peter were partners in a firm sharing profits and losses in the ratio of 3 : 5. They dissolved their firm on 31st March, 2024, when their Balance Sheet showed the following balances:

| Particulars | ₹ |
|---|---|
| Atul's Capital | 40,000 |
| Peter's Capital | 35,000 |
| Atul's Current Account | 3,000 (Dr.) |
| General Reserve | 22,000 |
| Loan from Atul | 12,000 |

On the date of dissolution of the firm:

(a) Peter paid the realisation expenses of ₹ 2,000 on behalf of the firm.

(b) Atul discharged his wife's loan of ₹ 5,000 which she had given to the firm.

(c) The dissolution resulted in a profit of ₹ 24,000 from the realisation of assets and settlement of liabilities.

**You are required to pass Journal entries to close the books of the firm (including the entries to show the final settlement of the amount due from the partners / due to the partners by the firm).** **(Application)** [6]

**Question 9**

(A) Deb, Riza and Ved entered into a partnership on 1st July, 2023, without any agreement as to profit sharing, except that Deb guaranteed that Ved's share of profit, after considering interest into account, would not be less than ₹ 8,500 per annum.

The initial capital provided by the partners was as follows:

Deb ₹ 60,000;

Riza ₹ 20,000;

Ved ₹ 12,000 (increased on the following 1st January, 2024, to ₹ 16,000)

In addition to the above capital, Deb and Riza gave temporary loans to the partnership firm as follows:

- Deb advanced ₹ 18,000 on 1st October, 2023, and was repaid on 1st April following.
- Riza advanced ₹ 40,000 on 1st September, 2023, and was repaid along with interest, on 1st December, 2023.

The profit of the firm for the year ended 31st March, 2024, before providing for any interest was ₹ 21,000.

**You are required to prepare for the year 2023–24:**

**(i) Profit & Loss Appropriation Account.** [4½]

**(ii) Riza's Loan Account.** [1½]

**(iii) Ved's Capital Account.** **(Application)** [2]

(B) Krish and Tarun are partners in a firm with capitals of ₹ 40,000 and ₹ 60,000. As per their partnership deed:

(a) Interest on capital is to be allowed to them @ 5% per annum.

(b) Profits are to be shared in the ratio of 3 : 2.

The trading profits for the year 2023–24 was ₹ 3,600.

**You are required to calculate the interest on capital allowed to the partners in the year 2023–24.** **(Application)** [2]

***Or***

Deepa, Ridhi and Adit are partners in a firm. Following are the particulars of their Capital and Drawings Accounts for the year 2023–24:

| Particulars | Deepa (₹) | Ridhi (₹) | Adit (₹) |
|---|---|---|---|
| Capital as on 1st April, 2023 | 1,00,000 | 80,000 | 20,000 (Dr.) |
| Drawings (in two Instalments of ₹ 7,500 each made at the end of every half year) | ... | 15,000 | ... |
| Interest free loan from the firm | ... | ... | 5,000 |

According to their partnership deed:

- Profits were to be shared in the ratio of 2 : 2 : 1.
- Interest on capital to be allowed @ 5% per annum.
- Interest on drawings to be charged @ 8% per annum.

The trading profits of the firm for the financial year 2023–24 were ₹ 50,000, before considering the discrepancy of having recorded the inventory at ₹ 10,000 when its realisable value was ₹ 4,000.

**(i) You are required to give:**

1. **The *adjusting* entry and *closing* entry for Drawings made by Ridhi.** **(Recall)** [2]
2. **The *adjusting* entry and *closing* entry for Interest on Drawings.** **(Application)** [2]
3. **The *adjusting* entry and *closing* entry for Interest on Capital.** **(Application)** [2]
4. **The entry to close the Adit's Loan Account.** **(Application)** [2]

**(ii)** The accountant of the firm distributed the divisible profit among the partners in the ratio 2 : 1 : 2 instead of in the ratio mentioned in the deed.

**You are required to rectify the lapse in accounting by passing a single adjusting entry.** **(Application)** [2]

**Question 10**

Hero Ltd. was registered with a capital of ₹ 5,00,000 divided into 20,000 shares of ₹ 25 each, payable as:

| | |
|---|---|
| On Application | ₹ 5 per share |
| On Allotment | ₹ 10 per share |
| On Call | The Balance |

The company offered to the public for subscription 10,000 shares. It received applications for 11,100 shares.

From amongst the applicants:

(i) Vimal, who had applied for 1,200 shares, paid ₹ 6,000 on application but was allotted only 600 shares.

(ii) Mohan applied for 1,000 shares, paid the full amount of ₹ 25,000 with his application but was allotted only 500 shares.

(iii) Vineet, who had applied for 1,500 shares, paid his application and allotment money in order but did not pay the call money.

(iv) The remaining applicants paid as and when due.

The surplus money paid by both Vimal and Mohan was used towards allotment and call and any surplus beyond the call was refunded.

The company forfeited Vineet's shares and later re-issued 500 of the forfeited shares @ ₹ 20 per share fully paid-up.

**You are required to pass Journal entries in the books of Hero Ltd. (Application)**

***Or***

Stem Ltd. came up with an IPO inviting the public to subscribe to its Equity shares of ₹ 10 each. The issue was over-subscribed. The company allotted 80,000 shares to all the applicants making a *pro-rata* allotment in the ratio of 3 : 2.

The face value of the share was payable in three instalments.

**Based on the information given above and the following extract of ledger accounts and Cash Book (Bank Column), answer the questions that follow:**

*Dr.* CASH BOOK (BANK COLUMN) (Extract) *Cr.*

| Particulars | ₹ | Particulars | ₹ |
|---|---|---|---|
| To Share Application A/c | 4,80,000 | By Balance *c/d* | ... |
| To Share Allotment A/c | ... | | |

*Dr.* SHARE CAPITAL ACCOUNT (Extract) *Cr.*

| Particulars | ₹ | Particulars | ₹ |
|---|---|---|---|
| To Share Forfeiture A/c | ... | By Share Application A/c | ... |
| To Call-in-Arrears A/c | ... | By Share Allotment A/c | 4,00,000 |
| | | By Share Final Call A/c | ... |

*Dr.* CALLS-IN-ARREARS ACCOUNT (Extract) *Cr.*

| Particulars | ₹ | Particulars | ₹ |
|---|---|---|---|
| To Share Allotment A/c | 6,000 | By Balance *c/d* | ... |

**(i) What are the number of shares applied for by the public?** [1]

**(ii) What is the amount payable per share with application?** [1]

**(iii) What is the amount payable per share with first and final call?** [1]

**(iv) Stem Ltd. did not receive the allotment money and call money due from the shareholder Rehan, who had applied for 3,000 shares.**

**What is the amount received by Stem Ltd. with allotment?** [2]

**(v) Stem Ltd. forfeited Rehan's shares after the final call. It reissued 1,500 forfeited shares fully called-up @ ₹ 13 per share.**

**Give the Journal entries passed by the company for:**

**(a) Forfeiture of these shares.** [2]

**(b) Reissue of the forfeited shares.** **(Application)** [3]

## Section B (20 Marks)

**Question 11**

**In sub-parts (i) and (ii) choose the correct options and in sub-parts (iii) to (v) answer the questions as instructed.**

(i) According to the ratings agency Chrisil, healthy demand for grocery items and expansion into tier II and III cities will help organized brick-and-mortar food and grocery (F & G) retailers log a revenue of 14–15% in FY25. The agency further said the debt raising will be capped to ensure healthy key debt protection metrics.

*(Source (edited): Financial Express, 23 December, 2023)*

**From the following ratios:**

- **Choose the formula of the ratio to be used by the F&G retailers as a debt protection metrics.** **(Analysis)**
- **Mention the name of the ratio so chosen.** **(Recall)**

(a) $\dfrac{\text{Revenue from Operations}}{\text{Working Capital}}$

(b) $\dfrac{\text{Cost of Revenue from Operation + Operating Expenses}}{\text{Revenue from Operations}} \times 100$

(c) $\dfrac{\text{Net Profit before Interest and Taxes}}{\text{Fixed Interest Charges}}$

(d) $\dfrac{\text{Net Profit after Tax and Preference Dividend}}{\text{No. of Equity Shares}}$ [1]

(ii) Read the following news item of ITC Ltd. and answer the question that follows:

The company's board declared an interim dividend of ₹ 6.25 per share for the financial year ending March, 2024. The dividend will be paid between February 26–28, 2024, to the eligible shareholders.

(*Source: The Hindu, Financial Express, 30 January, 2024*)

Which of the following are the attributes of interim dividend? **(Understanding)**

**P** It is a charge against profits.

**Q** It is an appropriation of profits.

**R** Its declaration and payment will decrease the company's Current Ratio.

**S** Its declaration and payment will increase the company's Debt Equity Ratio.

(a) Only P

(b) Only Q

(c) P, R and S

(d) Q, R and S [1]

(iii) Bajaj Hindustan Sugar, one of the largest sugar and ethanol producers, in order to revive the company, has offered to invest ₹ 2,500 crore as fresh equity of which ₹ 1,000 crore has already been infused.

*(Source (edited): Economic Times, Mumbai Edition 08 August, 2023)*

**What will be the effect of this decision of Bajaj Hindustan Sugar on its Debt-Equity Ratio? (Analysis)** [1]

(iv) Jubilant Food Works Ltd., the company that operates Domino's restaurants in India, reported a net profit of ₹ 65.7 crore for the three months ending, 31st December, 2023, against ₹ 80 crore for the three months ending, 31st December, 2022.

*(Source (edited): Mint, 01 February, 2024)*

**You are required to give, for the three months ending 31st December, 2023, as compared to the same period ending 31st December, 2022:**

**(a) The formula to calculate the percentage change in net profit of the company.**

**(b) The percentage change in the net profit of Jubilant Food Works Ltd. of the three months ending 31st December, 2023 vis-a-vis the three months ending, 31st December, 2022, mentioning the increase/decrease.**

**(Analysis)** [1]

(v) Read the news item given below and answer the questions which follow:

Tata Consultancy Services ₹ 17,000 crore share buy back programme will open on 1st December and close on 7th December, India's largest software exporter said on Tuesday.

"The company believes that the buy back is not likely to cause any material impact on the profitability or earnings of the company except to the extent of reduction in the amount available for investment, which the company could have otherwise deployed towards generating investment income", TCS said in a regulatory filing.

*(Source: Economic Times, December 29, 2023)*

**How would the Cash Flow from Investing Activities of TCS be affected, if instead of buying back its shares, the company had proceeded with its investing programme? (Application)** [1]

**Question 12**

**From the following information, you are required to prepare a Common-size Balance Sheet of Super Ltd. as at 31st March, 2024.**

| Particulars | |
|---|---|
| Non-Current Liabilities | ₹ 2,00,000 |
| Shareholders' Funds | 2.5 times more than the Non-Current Liabilities |
| Current Liabilities | ₹ 1,00,000 |
| Current Assets | ₹ 3,00,000 |
| Non-Current Assets | 70% of the Equity and Liabilities |

**(Application)** [3]

**Question 13**

Anand Ltd. reported a loss of ₹ 80,000 for the year ended 31st March, 2024, after considering the depreciation charged on Plant & Machinery represented by **'??'** and the following items:

| | | ₹ |
|---|---|---|
| (a) | Tax provided during the year | 84,000 |
| (b) | Loss on sale of Plant and Machinery | 15,000 |
| (c) | Interest on Short-term Loans and Advances | 2,000 |
| (d) | Depreciation on Plant and Machinery | ?? |

*Additional information:*

1. During the year 2023-24:
   - A machine having a book value ₹ 40,000, was disposed of for ₹ 25,000 and a machine costing ₹ 2,20,000 was purchased.
   - Credit sales were ₹ 1,00,000.
2. An extract of the balance sheet of the company as at 31st March, 2023, and as at 31st March, 2024:

| Particulars | 31st March, 2024 (₹) | 31st March, 2023 (₹) |
|---|---|---|
| Trade Receivable | 20,000 | 15,000 |
| Cash at Bank | 8,000 | 10,000 |
| Short-term Loans and Advances | 49,000 | 11,000 |
| Trade Payables | 5,000 | 2,000 |
| Plant and Machinery (At Net Value) | 6,00,000 | 4,90,000 |
| Provision for depreciation | 1,50,000 | 1,10,000 |

**(Evaluate)**

**(i) You are required to calculate for the year 2023-24: (*Show the workings clearly*)**

1. **The net operating profit of the company before working capital changes.** [2]
2. **Cash from Investing Activity.** [2]

**(ii) Taking the information of credit sales into consideration, state with *reason*, whether the increase in Trade Receivables in the year 2023–24 over the year 2022–23 will cause the cash from operating activities before tax paid to be *more* or *less* than the net operating profit of the company before its working capital changes.** [2]

***Or***

**From the following Balance Sheets of Ronald Ltd., you are required to prepare a Cash Flow Statement (as per AS 3) for the year 2023–24:**

BALANCE SHEET OF RONALD LTD.
*as at 31st March, 2024 and 31st March, 2023*

| Particulars | Note No. | 31, March, 2024 (₹) | 31, March, 2023 (₹) |
|---|---|---|---|
| **I. EQUITY AND LIABILITIES** | | | |
| **1. Shareholders' Funds** | | | |
| (a) Share Capital | | 6,00,000 | 6,00,000 |
| (b) Reserves and Surplus (Statement of Profit & Loss) | | 80,000 | (60,000) |
| **2. Non-Current Liabilities** | | | |
| Long-term Borrowings | | 1,00,000 | 1,50,000 |
| **3. Current Liabilities** | | | |
| (a) Short-term Borrowings (Bank Overdraft) | | 1,75,000 | 22,000 |
| (b) Short-term Provisions (Provisions for Tax) | | 15,000 | 28,000 |
| **Total** | | 9,70,000 | 7,40,000 |
| **II. ASSETS** | | | |
| **1. Non-Current Assets** | | | |
| (a) *Property, Plant and Equipment and Intangible Assets:* | | | |
| Property, Plant and Equipment (Plant and Machinery) | | 5,50,000 | 6,40,000 |
| (b) Non-current Investments (7% Debentures of Violet Ltd.) | | 1,40,000 | 50,000 |
| **2. Current Assets** | | | |
| Cash and Bank Balance (Bank) | | 2,80,000 | 50,000 |
| **Total** | | 9,70,000 | 7,40,000 |

*Additional information:*

(i) The Debentures of Violet Ltd. were purchased on 31st March, 2024.

(ii) During the year 2023-24:

(a) Tax of ₹ 20,000 was paid.

(b) Interest on all borrowings due and paid was ₹ 25,000. **(Application)** [6]

**Question 14**

**Answer *any three* of the following questions:**

(i) **Calculate Interest Coverage Ratio of Criss Cross Ltd. (up-to two decimal places) from the following information:**

| Particulars | |
|---|---|
| Net Profit after Interest and Tax | ₹ 80,000 |
| Tax Rate | 50% |
| 12% Debentures | ₹ 3,00,000 |
| 9% Bank Loan | ₹ 1,00,000 |

**(Application)**

(ii) **Calculate the Operating Ratio of Zen Ltd. (up-to two decimal places) from the following information:**

| Particulars | |
|---|---|
| Revenue from Operations | ₹ 9,00,000 |
| Gross Profit | 20% of Cost |
| Operating Expenses | ₹ 60,000 |

**(Application)**

(iii) A company had Current Assets of ₹ 3,00,000 and Current Liabilities of ₹ 1,50,000, having a current Ratio of 2:1.

**What will be its revised Current Ratio after it endorses a bills receivable of ₹ 40,000 to one of its creditors? (Application)**

(iv) **From the following particulars of NB Ltd., calculate its Cost of Revenue from Operations for the year 2023–24:**

| Particulars | |
|---|---|
| Current Assets | ₹ 6,80,000 |
| Current Liabilities | ₹ 3,40,000 |
| Quick Ratio | 1.5 : 1 |
| Inventory Turnover Ratio | 4 times |

**(Application)** [6]

## ANSWERS

### SECTION A

**Question 1.**

(i) (c) Debiting it to Profit & Loss Appropriation Account.

(ii) (b) Debit Pavan's Capital A/c ₹ 8,000; Credit Pavan's Current A/c ₹ 8,000.

(iii) (c) P, Q, S.

(iv) (c) ₹ 90,000.

***Working Notes:***

1. Interest on Bank Loan (Finance Cost) = ₹ 10,00,000 × $\frac{12}{100} \times \frac{9}{12}$ = ₹ 90,000.
2. Interest is not payable on the debentures issued as a collateral security.

(v)

| | | | |
|---|---|---|---|
| Ira's Capital A/c | ...Dr. | ₹ 10,000 | |
| To Realisation A/c | | | ₹ 10,000 |
| Realisation A/c | ...Dr. | ₹ 10,000 | |
| To Ira's Capital A/c | | | ₹ 10,000 |

(vi) Net gain of ₹ 7,000.

***Working Note:***

*Dr.* REVALUATION ACCOUNT *Cr.*

| Particulars | | ₹ | Particulars | ₹ |
|---|---|---|---|---|
| To Provision for Doubtful Debts A/c* | | 4,000 | By Accrued Income A/c | 10,000 |
| To Aman's Capital A/c (Gain) | 3,500 | | By Bills Payable A/c (Rebate) | 1,000 |
| To Vinod's Capital A/c (Gain) | 3,500 | 7,000 | | |
| | | 11,000 | | 11,000 |

**Dr.* PROVISION FOR DOUBTFUL DEBTS ACCOUNT *Cr.*

| Particulars | ₹ | Particulars | ₹ |
|---|---|---|---|
| To Bad Debts | 2,000 | By Balance *b/d* | 1,000 |
| To Balance *c/d* [2/100 (₹ 1,52,000 – ₹ 2,000)] | 3,000 | By Revaluation A/c (Bal. Fig.) | **4,000** |
| | 5,000 | | 5,000 |

(vii) (d) Both Assertion and Reason are false.

(viii) Unrecorded Liability.

*Or*

Contingent liability which becomes a liability.

(ix) (a) A share warrant is a financial instrument which gives the holder right to acquire equity shares specified therein at a specified date and at a predetermined price.

(b) Shareholders' Funds.

| | | | |
|---|---|---|---|
| (x) Securities Premium A/c | ...Dr. | ₹ 30,000 | |
| Capital Reserve A/c | ...Dr. | ₹ 20,000 | |
| To Discount on Issue of Debentures A/c | | | ₹ 50,000 |
| (Being the Discount on Issue of Debentures written off) | | | |

**Question 2.**

JOURNAL

| Date | Particulars | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|
| | Revaluation A/c ...Dr. | | 46,000 | |
| | To Creditors A/c | | | 46,000 |
| | (Being the balance unrecorded creditors recorded) | | | |
| | Rita's Capital A/c ...Dr. | | 46,000 | |
| | To Revaluation A/c | | | 46,000 |
| | (Being the unrecorded vehicle given to Rita) | | | |
| | Rita's Capital A/c ...Dr. | | 2,04,000 | |
| | To Bank A/c | | | 2,04,000 |
| | (Being Rita's claim paid by cheque) | | | |

***Or***

JOURNAL

| Date | Particulars | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|
| | Javed's Capital A/c ...Dr. | | 9,000 | |
| | Gaurav's Capital A/c ...Dr. | | 6,000 | |
| | To Akshat's Capital A/c | | | 15,000 |
| | (Being Akshat compensated for his share of goodwill (WN 2)) | | | |
| | Bank A/c ...Dr. | | 1,81,000 | |
| | To Javed's Capital A/c | | | 92,200 |
| | To Gaurav's Capital A/c | | | 88,800 |
| | (Being the cash brought by Javed and Gaurav to pay Akshat's Executor (WN 3)) | | | |
| | Akshat's Executor's A/c ...Dr. | | 1,81,000 | |
| | To Bank A/c | | | 1,81,000 |
| | (Being Akshat's executor paid) | | | |

***Working Notes:***

1. Akshat's Share of Goodwill = ₹ 1,81,000 – ₹ 1,66,000 = ₹ 15,000.
2. *Gaining Ratio of Javed and Gaurav:*

| | Javed | Gaurav |
|---|---|---|
| I. New Profit Share | 2/5 | 3/5 |
| II. Old Profit Share | 3/15 | 7/15 |
| Gain (I – II) | $\frac{6-3}{15}=\frac{3}{15}$ | $\frac{9-7}{15}=\frac{2}{15}$ |

Gaining Ratio of Javed and Gaurav = 3 : 2.

Goodwill is compensated to Akshat by Javed and Gaurav in the ratio of 3 : 2, *i.e.*, ₹ 9,000 and ₹ 6,000.

3. (i) Adjusted Capitals of Partners after the adjustment of Goodwill:

| Particulars | Akshat (₹) | Javed (₹) | Gaurav (₹) |
|---|---|---|---|
| Balance (before Adjustment of Goodwill) | 1,66,000 | 66,000 | 1,41,000 |
| Adjustment of Goodwill | 15,000 | (9,000) | (6,000) |
| Balance after Adjustment | 1,81,000 | 57,000 | 1,35,000 |

(ii) Total Capital of New Firm = Total Capital of Old Firm

= ₹ 1,81,000 + ₹ 57,000 + ₹ 1,35,000 = ₹ 3,73,000

(iii) *Calculation of Cash brought by Javed & Gaurav:*

| Particulars | Javed (₹) | Gaurav (₹) |
|---|---|---|
| (i) New Capital (₹ 3,73,000 in the ratio of 2 : 3) | 1,49,200 | 2,23,800 |
| (ii) Adjusted Old Capital | 57,000 | 1,35,000 |
| (iii) Amount to be brought (i – ii) | 92,200 | 88,800 |

## Question 3.

**In the Books of Ruth Ltd.**

JOURNAL

| Date | Particulars | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|
| | Pablo Ltd. ...Dr. | | 1,00,000 | |
| | To Bills Payable A/c | | | 1,00,000 |
| | (Being the part payment made by accepting a bill of exchange) | | | |
| | Pablo Ltd. ...Dr. | | 10,00,000 | |
| | Loss on Issue of Debentures A/c ...Dr. | | 18,180 | |
| | To 11% Debentures A/c | | | 9,09,000 |
| | To Securities Premium A/c | | | 90,900 |
| | To Premium on Redemption of Debentures A/c | | | 18,180 |
| | To Bank A/c | | | 100 |
| | (Being 9,090, 11% Debentures issued at a premium of 10%) (WN 1 & 2) | | | |

***Working Notes:***

1. No. of Debentures = $\frac{₹ 10,00,000}{₹ 110}$ = 9090.9090.
2. Debentures are not issued in fractions. If the number of debentures to be issued comes in fraction, then the amount for number of debentures in fraction is paid in cash.

***Or***

(i) 1. ₹ 30

2. ₹ 21

(ii)

*Dr.* INTEREST ON CALLS-IN-ARREARS ACCOUNT *Cr.*

| Date | Particulars | ₹ | Date | Particulars | ₹ |
|---|---|---|---|---|---|
| 2024 | | | 2023 | | |
| March 31 | To Statement of Profit & Loss | 25 | June 30 | By Debentureholders' A/c (₹ 3,000 × 10/100 × 1/12) | 25 |
| | | 25 | | | 25 |

## Question 4.

*Dr.* GENERAL RESERVE ACCOUNT *Cr.*

| Date | Particulars | ₹ | Date | Particulars | ₹ |
|---|---|---|---|---|---|
| 2024 | | | 2023 | | |
| March 31 | To Balance *c/d* | 70,000 | April 1 | By Balance *b/d* | 50,000 |
| | | | 2024 | | |
| | | | March 31 | By DRR A/c | 20,000* |
| | | 70,000 | | | 70,000 |

*Dr.* DEBENTUREHOLDERS' ACCOUNT *Cr.*

| Date | Particulars | ₹ | Date | Particulars | ₹ |
|---|---|---|---|---|---|
| 2024 | | | 2024 | | |
| March 31 | To Bank A/c | 2,10,000 | March 31 | By 10% Debentures A/c | 2,00,000 |
| | | | April 1 | By Premium on Redemption of Debentures A/c | 10,000 |
| | | 2,10,000 | | | 2,10,000 |

*On redemption of debentures, DRR proportionate to debentures redeemed is transferred to General Reserve.

**Question 5.**

(i) Atif retains his original share (1/2) on admission of David. Hence, only Kriti is sacrificing. Sacrificing Ratio = $\mathbf{\frac{1}{5} : 0}$

(ii) Capital Employed = ₹ 4,25,000 + ₹ 25,000 + ₹ 40,000 – ₹ 10,000 = ₹ 4,80,000

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

$$\text{Normal Profit} = ₹\ 4{,}80{,}000 \times \frac{12}{100} = ₹\ 57{,}600$$

$$\text{Super Profit} = \text{Average Profit} - \text{Normal Profit}$$

$$= ₹\ 74{,}000 - ₹\ 57{,}600 = ₹\ 16{,}400$$

Goodwill = ₹ 16,400 × 4 = ₹ **65,600**.

**Question 6.**

**Notes to Accounts**

| | | | ₹ |
|---|---|---|---|
| **1. Share Capital** | | | |
| **Authorised Capital** | | | |
| ... Equity Shares @ ₹ 10 each | | | ... |
| **Issued Capital** | | | |
| ... Equity Shares @ ₹ 10 each | | | ... |
| **Subscribed Capital** | | | |
| ***Subscribed and fully paid-up:*** | | | |
| 60,000 Equity Shares @ ₹ 10 each | | | 6,00,000 |
| ***Subscribed but not fully paid-up:*** | | | |
| 40,000 Equity Shares @ ₹ 10 each | | 4,00,000 | |
| *Less:* Calls-in-Arrears | | (40,000) | 3,60,000 |
| | | | 9,60,000 |
| **2. Reserves & Surplus** | | | |
| Securities Premium | 2,00,000 | | |
| *Less:* Underwriting Commission | (20,000) | 1,80,000 | |
| General Reserve | | 70,000 | |
| Statement of Profit and Loss (Dr.) | | (10,000) | 2,40,000 |
| | | | 2,40,000 |

| | | | |
|---|---|---|---|
| **3.** | **Long-term Borrowings** | | |
| | 10% Debentures | 5,00,000 | |
| | Premium on Redemption of Debentures | 20,000 | |
| | Fixed Deposits | 2,00,000 | 7,20,000 |
| | | | 7,20,000 |
| **4.** | **Long-term Loans and Advances** | | |
| | Security Deposit for Electricity for Ten Years | | 30,000 |

**Contingent Liabilities & Capital Commitments**

**Capital Commitments**

Uncalled amount on partly paid-up shares = ₹ 8,00,000.

**Question 7.**

BALANCE SHEET OF ANITA, ANIL AND JIA *as at 1st April, 2024*

| Liabilities | | ₹ | Assets | ₹ |
|---|---|---|---|---|
| Capital Accounts: | | | Cash at Bank (WN iii) | 3,40,000 |
| Anita | 1,17,500 | | Plant & Machinery (WN i) | 60,000 |
| Anil | 1,07,500 | | Jia's Current A/c | 50,000 |
| Jia | 75,000 | 3,00,000 | | |
| General Reserve (WN ii) | | 1,50,000 | | |
| | | 4,50,000 | | 4,50,000 |

***Working Notes:***

(i) Value of Machinery = $₹ 15{,}000^{*} \times \frac{100}{20} = ₹ 75{,}000.$

*Revaluation loss shared by Anita and Anil is ₹ 15,000. It is also given that firm has two assets only, *i.e.*, Plant and Machinery and Bank Balance. Hence, Revaluation Loss is due to decrease in value of Plant and Machinery.

(ii) Amount of General Reserve = ₹ 50,000 × 3 = ₹ 1,50,000

Jia's Current Account is debited by ₹ 50,000 which is for her share in General Reserve to be carried forward. General Reserve is not to be distributed, Jia (gaining partner) compensates Anita and Anil (sacrificing partners) for the share of reserve which is proportionate to the share gained.

(iii) Cash at Bank = ₹ 2,15,000 (31st March, 2024) + ₹ 75,000 (Jia's Capital) + ₹ 50,000 (Premium for Goodwill) = ₹ 3,40,000.

***Or***

(i) New Profit-sharing Ratio = 7 : 7 : 2.

(ii)

*Dr.* PARTNERS' CAPITAL ACCOUNTS *Cr.*

| Particulars | Alpha ₹ | Beta ₹ | Gama ₹ | Particulars | Alpha ₹ | Beta ₹ | Gama ₹ |
|---|---|---|---|---|---|---|---|
| To Goodwill A/c | 10,000 | 10,000 | ... | By Balance *b/d* | 1,00,000 | 80,000 | ... |
| To Investment A/c* | 5,000 | 5,000 | ... | By Cash/Bank A/c | ... | ... | 60,000 |
| To Revaluation A/c (Loss)** | 3,000 | 3,000 | ... | By Gama's Current A/c (WN iii) | 5,000 | ... | ... |
| To Balance *c/d* | 87,000 | 62,000 | 60,000 | | | | |
| | 1,05,000 | 80,000 | 60,000 | | 1,05,000 | 80,000 | 60,000 |

***Working Notes:***

(i) *Calculation of New Profit-sharing Ratio and Gaining Ratio:*

$$\text{Gifted by Beta} = \frac{1}{2} \text{ of } \frac{1}{4} = \frac{1}{8}$$

$$\text{Purchased from Alfa} = \frac{1}{8}$$

$$\text{New Profit Share of Alfa} = 1 - \frac{1}{8} = \frac{7}{8}$$

$$\text{Beta} = 1 - \frac{1}{8} = \frac{7}{8}$$

$$\text{Gama} = \frac{1}{4}$$

$$\text{New Profit-sharing Ratio} = 7 : 7 : 2$$

$$\text{Sacrificing Ratio} = 0 : \frac{1}{8}$$

(ii) Gama's Share of Goodwill = $\frac{1}{8}$ of ₹ 40,000 = ₹ 5,000.

(iii) As only Alpha has sacrificed, he will be entitled to premium of goodwill brought by Gama. As Gama is unable to bring his share of premium for goodwill, so, his Current Account is debited for adjustment of goodwill.

(iv) *Accounting Entries for the Treatment of Investment:

JOURNAL

| Date | Particulars | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|
| | Alpha's Capital A/c ...Dr. | | 5,000 | |
| | Beta's Capital A/c ...Dr. | | 5,000 | |
| | To Investment A/c | | | 10,000 |
| | (Being the half investments taken over by partners) | | | |

**Shortfall of Workmen Compense Claim ₹ 6,000 (*i.e.*, ₹ 30,000 – ₹ 24,000 = ₹ 6,000) is debited to Revaluation Account.

## Question 8.

JOURNAL

| Date | Particulars | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|
| | Atul's Capital A/c ...Dr. | | 3,000 | |
| | To Atul's Current A/c | | | 3,000 |
| | (Being the Atul's Current A/c closed) | | | |
| | Loan from Atul A/c ...Dr. | | 12,000 | |
| | To Bank A/c | | | 12,000 |
| | (Being the loan from Atul paid) | | | |
| | General Reserve A/c ...Dr. | | 22,000 | |
| | To Atul's Capital A/c | | | 8,250 |
| | To Peter's Capital A/c | | | 13,750 |
| | (Being the balance of General Reserve transferred to Partners' Capital Accounts) | | | |
| | Realisation A/c ...Dr. | | 2,000 | |
| | To Peter's Capital A/c | | | 2,000 |
| | (Being the realisation expenses paid by Peter) | | | |

| | | | | |
|---|---|---|---|---|
| | Realisation A/c ...Dr.<br>To Atul's Capital A/c<br>(Being Atul's wife's loan discharged by Atul) | | 5,000 | <br>5,000 |
| | Realisation A/c ...Dr.<br>To Atul's Capital A/c<br>To Peter's Capital A/c<br>(Being the profit on realisation transferred to partners' Capital Accounts) | | 24,000 | <br>9,000<br>15,000 |
| | Atul's Capital A/c ...Dr.<br>Peter's Capital A/c ...Dr.<br>To Bank A/c<br>(Being the partner's capital accounts settled) (WN) | | 59,250<br>65,750 | <br><br>1,25,000 |

***Working Note:***

*Dr.* PARTNERS' CAPITAL ACCOUNTS *Cr.*

| Particulars | Atul (₹) | Peter's (₹) | Particulars | Atul (₹) | Peter's (₹) |
|---|---|---|---|---|---|
| To Atul's Current A/c | 3,000 | ... | By Balance *b/d* | 40,000 | 35,000 |
| To Bank A/c (Final Payment) | 59,250 | 65,750 | By General Reserve A/c | 8,250 | 13,750 |
| (Bal. Fig.) | | | By Realisation A/c | ... | 2,000 |
| | | | By Realisation A/c | 5,000 | ... |
| | | | By Realisation A/c (Profit) | 9,000 | 15,000 |
| | 62,250 | 65,750 | | 62,250 | 65,750 |

## Question 9.

(A) (i)

*Dr.* PROFIT & LOSS APPROPRIATION ACCOUNT *Cr.*
*for the year ending 31st March, 2024*

| Particulars | | ₹ | Particulars | | | ₹ |
|---|---|---|---|---|---|---|
| To Deb's Capital A/c | 6,620 | | By Profit & Loss A/c | | 21,000 | |
| *Less:* Deficiency in Ved's Share | 1,880 | 4,740 | *Less: Interest on Loan:* | | | |
| To Riza's Capital A/c | | 6,620 | Deb | 540 | | |
| To Ved's Capital A/c | 6,620 | | Riza | 600 | 1,140 | 19,860 |
| *Add:* Deficiency met by Deb | 1,880 | 8,500 | | | | |
| | | 19,860 | | | | 19,860 |

***Working Note:***

*Interest on Loan:*

$$\text{Deb} = ₹\,18{,}000 \times \frac{6}{100} \times \frac{6}{12} = ₹\,540$$

$$\text{Riza} = ₹\,40{,}000 \times \frac{6}{100} \times \frac{3}{12} = ₹\,600.$$

(ii)

*Dr.* RIZA'S LOAN ACCOUNT *Cr.*

| Date | Particulars | ₹ | Date | Particulars | ₹ |
|---|---|---|---|---|---|
| 2023 | | | 2023 | | |
| Dec. 1 | To Bank A/c | 40,600 | Sept. 1 | By Bank A/c | 40,000 |
| | | | Dec. 1 | By Interest on Loan | 600 |
| | | 40,600 | | | 40,600 |

(iii)

Dr. VED'S CAPITAL ACCOUNT Cr.

| Date | Particulars | ₹ | Date | Particulars | ₹ |
|---|---|---|---|---|---|
| 2024 | | | 2023 | | |
| March 31 | To Balance *c/d* | 24,500 | July 1 | By Bank A/c | 12,000 |
| | | | 2024 | | |
| | | | Jan. 1 | By Bank A/c | 4,000 |
| | | | March 31 | By Profit & Loss Appropriation A/c | 6,620 |
| | | | March 31 | By Deb's Capital A/c | 1,880 |
| | | 24,500 | | | 24,500 |

(B) *Interest on Capital Due:*

$$\text{Krish} = ₹\ 40{,}000 \times \frac{5}{100} = ₹\ 2{,}000;$$

$$\text{Tarun} = ₹\ 60{,}000 \times \frac{5}{100} = ₹\ 3{,}000.$$

Total Interest on Capital = ₹ 2,000 + ₹ 3,000 = ₹ 5,000

However, the distributable profit is just ₹ 3,600. So, total profit ₹ 3,600 will be distributed between Krish and Tarun in the ratio of interest on capital, *i.e.*, in the ratio of ₹ 2,000 and ₹ 3,000, *i.e.*, 2 : 3.

*Interest on Capital:*

$$\text{Krish} = ₹\ 3{,}600 \times \frac{2}{5} = ₹\ 1{,}440;$$

$$\text{Tarun} = ₹\ 3{,}600 \times \frac{3}{5} = ₹\ 2{,}160.$$

***Or***

(i) 1. JOURNAL

| Date | Particulars | | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|---|
| 2023 | | | | | |
| Sept. 30 | Ridhi's Drawings A/c | ...Dr. | | 7,500 | |
| | To Cash/Bank A/c | | | | 7,500 |
| | (Being the drawings made by Ridhi) | | | | |
| 2024 | | | | | |
| March 31 | Ridhi's Drawings A/c | ...Dr. | | 7,500 | |
| | To Cash/Bank A/c | | | | 7,500 |
| | (Being the drawings made by Ridhi) | | | | |
| March 31 | Ridhi's Capital A/c | ...Dr. | | 15,000 | |
| | To Ridhi's Drawings A/c | | | | 15,000 |
| | (Being the drawings account closed by transferring to Capital Account) | | | | |

2. JOURNAL

| Date | Particulars | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|
| 2024 | | | | |
| March 31 | Ridhi's Capital A/c ...Dr. | | 300 | |
| | To Interest on Drawings A/c* | | | 300 |
| | (Being the interest on drawings charged) | | | |
| March 31 | Interest on Drawings A/c ...Dr. | | 300 | |
| | To Profit & Loss Appropriation A/c | | | 300 |
| | (Being the interest on drawings account closed) | | | |

*Interest on Drawings = ₹ 7,500 × $\frac{8}{100} \times \frac{6}{12}$ = ₹ 300.

3. JOURNAL

| Date | Particulars | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|
| 2024 | | | | |
| March 31 | Interest on Capital A/c ...Dr. | | 9,000 | |
| | To Deepa's Capital A/c | | | 5,000 |
| | To Ridhi's Capital A/c | | | 4,000 |
| | (Being the interest on capital allowed) | | | |
| March 31 | Profit & Loss Appropriation A/c ...Dr. | | 9,000 | |
| | To Interest on Capital A/c | | | 9,000 |
| | (Being the interest on capital account closed) | | | |

4. JOURNAL

| Date | Particulars | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|
| 2024 | | | | |
| March 31 | Adit's Capital A/c ...Dr. | | 5,000 | |
| | To Loan to Adit A/c | | | 5,000 |
| | (Being the Adit's loan a/c closed) | | | |

(ii) ADJUSTING JOURNAL ENTRY

| Date | Particulars | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|
| 2024 | | | | |
| March 31 | Adit's Capital A/c ...Dr. | | 7,060 | |
| | To Ridhi's Capital A/c | | | 7,060 |
| | (Being the error of profits distributed in incorrect ratio rectified) (WN) | | | |

***Working Note:***

| Partners | Amount which has been credited in the ratio 2 : 1 : 2 ₹ 44,000 + ₹ 300 – ₹ 9,000 = ₹ 35,300 ₹ | Amount which should have been credited in the ratio 2 : 2 : 1 ₹ 44,000 + ₹ 300 – ₹ 9,000 = ₹ 35,300 ₹ | Difference (Dr. or Cr.) ₹ |
|---|---|---|---|
| Deepa | 14,120 | 14,120 | ... |
| Ridhi | 7,060 | 14,120 | 7,060 (Cr.) |
| Adit | 14,120 | 7,060 | 7,060 (Dr.) |

**Question 10.**

(i)

**In the Books of Hero Ltd.**

JOURNAL

| Date | Particulars | | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|---|
| | Bank A/c [11,100 × ₹ 5) + ₹ 20,000] | ...Dr. | | 75,500 | |
| | To Share Application A/c | | | | 75,500 |
| | (Being the share application money received on 11,100 shares and full amount on 1,000 shares) | | | | |
| | Share Application A/c | ...Dr. | | 75,500 | |
| | To Share Capital A/c (10,000 × ₹ 5) | | | | 50,000 |
| | To Share Allotment A/c [Vimal: 600 × ₹ 5 = ₹ 3,000; Mohan: 500 × ₹ 10 = ₹ 5,000; ₹ 8,000] | | | | 8,000 |
| | To Calls-in-Advance (500 × ₹ 10) | | | | 5,000 |
| | To Bank A/c (Bal. Fig.) | | | | 12,500 |
| | (Being the share application money transferred to share capital and subsequent instalments) | | | | |
| | Share Allotment A/c | ...Dr. | | 1,00,000 | |
| | To Share Capital A/c | | | | 1,00,000 |
| | (Being the share allotment money due) | | | | |
| | Bank A/c | ...Dr. | | 92,000 | |
| | To Share Allotment A/c (₹ 1,00,000 – ₹ 8,000) | | | | 92,000 |
| | (Being the share allotment money received) | | | | |
| | Share First and Final Call A/c | ...Dr. | | 1,00,000 | |
| | To Share Capital A/c | | | | 1,00,000 |
| | (Being the call money due) | | | | |
| | Bank A/c | ...Dr. | | 80,000 | |
| | Calls-in-Advance A/c | ...Dr. | | 5,000 | |
| | Calls-in-Arrears A/c | ...Dr. | | 15,000 | |
| | To Share First and Final Call A/c | | | | 1,00,000 |
| | (Being the call money received) | | | | |
| | Share Capital A/c (1,500 × ₹ 25) | ...Dr. | | 37,500 | |
| | To Share Forfeiture A/c (1,500 × ₹ 15) | | | | 22,500 |
| | To Calls-in-Arrears A/c (1,500 × ₹ 10) | | | | 15,000 |
| | (Being 1,500 shares forfeited (WN 1) | | | | |
| | Bank A/c (500 × ₹ 20) | ...Dr. | | 10,000 | |
| | Shares Forfeiture A/c (500 × ₹ 5) | ...Dr. | | 2,500 | |
| | To Share Capital A/c | | | | 12,500 |
| | (Being 500 shares reissued) | | | | |
| | Share Forfeiture A/c | ...Dr. | | 5,000 | |
| | To Capital Reserve A/c | | | | 5,000 |
| | (Being the net gain on reissued shares transferred to Capital Reserve) | | | | |

***Working Notes:***

1. No. of Allotted Shares to Vineet = 1,500 shares, his application is accepted in bull.
2. *Calculation of Amount transferred to Capital Reserve:*

| | | ₹ |
|---|---|---|
| Amount forfeited on 500 shares of Vineet = ₹ 22,500 × 500/1500 | = | 7,500 |
| *Less:* Loss on Reissue | = | 2,500 |
| Amount transferred to Capital Reserve | = | 5,000 |

***Or***

(i) *Pro Rata* Ratio = No. of Shares Applied : No. of Shares Allotted = 3 : 2.

No. of Shares applied by public = $\frac{3}{2} \times 80{,}000 = 1{,}20{,}000$ shares.

(ii) Application Money per Share = $\frac{₹\ 4{,}80{,}000}{1{,}20{,}000} = ₹\ 4$.

(iii) First and Final Call per Share = ₹ 10 (Face Value) – ₹ 4 (Application) – ₹ 5 (Allotment)
= ₹ 1.

**Note:** Allotment Money per Share = $\frac{₹\ 4{,}00{,}000}{80{,}000} = ₹\ 5$ share.

(iv) ₹ 2,34,000.

***Working Notes:***

1. *Calculation of the amount due but not received on allotment from Rehan:*

(i) Application money received on shares applied (3,000 × ₹ 4) = ₹ 12,000

(ii) Excess Application Money [(3,000 – 2,000) × ₹ 4] = ₹ 4,000

(iii) Allotment Money due on Shares Allotted (2,000 × ₹ 5) = ₹ 10,000

(iv) Allotment Money due but not Received (₹ 10,000 – ₹ 4,000) = ₹ 6,000

2. *Calculation of Allotment Money Received Later:*

| | | | |
|---|---|---|---|
| Total Allotment Money due (80,000 × ₹ 5) | | = | ₹ 4,00,000 |
| *Less:* (a) Already Received (on application) (40,000 × ₹ 4) | = ₹ 1,60,000 | | |
| (b) Not Received (as per Note 1) | ₹ 6,000 | = | ₹ 1,66,000 |
| Allotment Money Received | | = | ₹ 2,34,000 |

(v)

(a) JOURNAL

| Date | Particulars | | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|---|
| | Share Capital A/c (2,000 × ₹ 10) | ...Dr. | | 20,000 | |
| | To Share Forfeiture A/c (3,000 × ₹ 4) | | | | 12,000 |
| | To Calls-in-Arrears A/c (₹ 6,000 + ₹ 2,000) | | | | 8,000 |
| | (Being 2,000 shares forfeited) | | | | |

(b) JOURNAL

| Date | Particulars | | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|---|
| | Bank A/c (1,500 × ₹ 13) | ...Dr. | | 19,500 | |
| | To Share Capital A/c (1,500 × ₹ 10) | | | | 15,000 |
| | To Securities Premium (1,500 × ₹ 3) | | | | 4,500 |
| | (Being 1,500 shares reissued) | | | | |
| | Share Forfeiture A/c | ...Dr. | | 9,000 | |
| | To Capital Reserve A/c (₹ 12,000/2,000 × 1,500) | | | | 9,000 |
| | (Being net gain on reissued shares transferred to Capital Reserve) | | | | |

## SECTION B

**Question 11.**

(i) • (c) $\dfrac{\text{Net Profit before Interest and Taxes}}{\text{Fixed Interest Charges}}$.

• Interest Coverage Ratio.

(ii) (d) Q, R and S.

(iii) The ratio will reduce/decline. **Reason:** Total equity increases while Debt remains unchanged.

(iv) (a) $\dfrac{\text{Absolute Change in Net Profit}}{\text{Base Year (Previous Year) Profit}} \times 100$

(b) $\dfrac{14.3}{80} \times 100 = \text{Decrease of } 17.88.$

(v) Outflow of cash to the extent of investment made.

Inflow of cash – interest income from the investments.

**Question 12.**

COMMON-SIZE BALANCE SHEET OF SUPER LTD. *as at 31st March, 2024*

| Particulars | Note No. | Absolute Amounts 31st March, 2024( ₹) | Percentage of Balance Sheet Total (%) |
|---|---|---|---|
| **I. EQUITY AND LIABILITIES** | | | |
| 1. Shareholders' Funds | | 7,00,000 | 70.00 |
| 2. Non-Current Liabilities | | 2,00,000 | 20.00 |
| 3. Current Liabilities | | 1,00,000 | 10.00 |
| **Total** | | 10,00,000 | 100.00 |
| **II. ASSETS** | | | |
| 1. Non-Current Assets | | 7,00,000 | 70.00 |
| 2. Current Assets | | 3,00,000 | 30.00 |
| **Total** | | 10,00,000 | 100.00 |

**Question 13.**

***Working Notes:***

1.

*Dr.* PROVISION FOR DEPRECIATION ACCOUNT *Cr.*

| Particulars | ₹ | Particulars | ₹ |
|---|---|---|---|
| To Plant & Machinery A/c (WN 2) | 30,000 | By Balance *b/d* | 1,10,000 |
| To Balance *c/d* | 1,50,000 | By Depreciation A/c (Balancing Figure) | 70,000 |
| | 1,80,000 | | 1,80,000 |

2.

Dr. PLANT AND MACHINERY ACCOUNT Cr.

| Particulars | ₹ | Particulars | ₹ |
|---|---|---|---|
| To Balance *b/d* | 6,00,000 | By Provision for Depreciation A/c (Bal. Fig.) | **30,000** |
| To Bank A/c (Purchase) | 2,20,000 | By Bank A/c (Sale) | 25,000 |
| | | By Loss on Sale A/c | 15,000 |
| | | By Balance *c/d* | 7,50,000 |
| | 8,20,000 | | 8,20,000 |

(i) 1. ₹ 87,000.

***Working Note:***

**Calculation of Net Operating Profit before Working Capital Changes**

| Particulars | ₹ |
|---|---|
| Net Profit for the Year (Loss) | (80,000) |
| Provision for Tax | 84,000 |
| Net Profit before Tax | 4,000 |
| *Add:* Depreciation on Plant and Machinery (WN 1) | 70,000 |
| *Add:* Loss on Sale of Machine | 15,000 |
| *Less:* Interest on Short-term Loans and Advances | (2,000) |
| **Net Operating Profit before Working Capital Changes** | 87,000 |

2. ₹ 2,31,000.

***Working Note:*** **Calculation of Cash from Investing Activity**

| Particulars | ₹ |
|---|---|
| Purchase of Plant and Machinery | (2,20,000) |
| Sale of Plant and Machinery | 25,000 |
| Short-term Loans and Advances | (38,000) |
| Interest on Short-term Loans and Advances | 2,000 |
| **Cash Used in Investing Activities** | (2,31,000) |

(ii) *Less*

**Reason:** Although the operating profit increased by ₹ 1,00,000 because of the credit sales, the increase in cash was only ₹ 95,000 (1,00,000 + 15,000 – 20,000).

***Alternatively:***

Dr. TRADE RECEIVABLE ACCOUNT Cr.

| Particulars | ₹ | Particulars | ₹ |
|---|---|---|---|
| To Balance *b/d* | 15,000 | By Bank/Cash A/c (Bal. Fig.) | 95,000 |
| To Sales A/c (Credit) | 1,00,000 | By Balance *c/d* | 20,000 |
| | 1,15,000 | | 1,15,000 |

***Or***

***Working Notes:***

1.

*Dr.* PROVISION FOR TAX ACCOUNT *Cr.*

| Particulars | ₹ | Particulars | ₹ |
|---|---|---|---|
| To Bank A/c (Tax Paid) | 20,000 | By Balance *b/d* | 28,000 |
| To Balance *c/d* | 15,000 | By Statement of Profit & Loss (Bal. Fig.) (Provision Made) | **7,000** |
| | 35,000 | | 35,000 |

2. **Calculation of Net Profit before Tax**

| Particulars | ₹ |
|---|---|
| Closing Surplus, *i.e.*, Balance in Statement of Profit & Loss | 80,000 |
| Opening Surplus, *i.e.*, Balance in Statement of Profit & Loss (Loss) | 60,000 |
| Profit for the Year | 1,40,000 |
| *Add:* Provision for Tax (WN 1) | 7,000 |
| **Net Profit before Tax** | 1,47,000 |

**In the Books of Ronald Ltd.**

CASH FLOW STATEMENT *for the year ended 31st March, 2024*

| Particulars | | ₹ |
|---|---|---|
| **I. Cash Flow from Operating Activities** | | |
| Net Profit before Tax (WN 2) | 1,47,000 | |
| *Adjustment for Non-operating and Non-cash Expenses:* | | |
| Depreciation on Plant and Machinery | 90,000 | |
| Interest on Borrowings | 25,000 | |
| *Less:* Interest on Investments | (3,500) | |
| **Net Operating Profit before Working Capital Changes/Cash From Operating Activities before Tax paid** | 2,58,500 | |
| *Less:* Tax paid | (20,000) | 2,38,500 |
| *Cash Flow from Operating Activities* | | 2,38,500 |
| **II. Cash Flow from Investing Activities** | | |
| Purchase of Investments | (90,000) | |
| Interest on Investments | 3,500 | (86,500) |
| *Cash Used in Investing Activities* | | (86,500) |
| **III. Cash Flow from Financing Activities** | | |
| Repayment of Long-term Borrowings | (50,000) | |
| Interest on Borrowings | (25,000) | |
| Bank Overdraft | 1,53,000 | |
| *Cash Flow from Financing Activities* | | 78,000 |
| **IV. Net Increase in Cash and Cash Equivalents (I + II + III)** | | 2,30,000 |
| *Add:* Opening Balance of Cash and Cash Equivalents (Cash and Bank) | | 50,000 |
| **V. Closing Balance of Cash and Cash Equivalents (Cash and Bank)** | | 2,80,000 |

**Question 14.**

(i) Interest Coverage Ratio = $\dfrac{\text{Net Profit before Interest and Tax}}{\text{Fixed Interest Charges}}$

$$= \frac{₹\ 2,05,000}{₹\ 45,000} = \textbf{4.56 Times}.$$

Net Profit before Interest and Tax = Net Profit after Interest and Tax + Tax + Interest
= ₹ 80,000 + ₹ 80,000 + ₹ 45,000
= ₹ 2,05,000.

Fixed Interest Charges = Interest on 12% Debentures + Interest on 9% Bank Loan
= ₹ 36,000 + ₹ 9,000 = ₹ 45,000.

(ii) Operating Ratio = $\dfrac{\text{Cost of Revenue from Operations + Operating Expenses}}{\text{Revenue from Operations}} \times 100$

$$= \frac{₹\ 7,50,000 + ₹\ 60,000}{₹\ 9,00,000} \times 100 = \textbf{90}\%.$$

Cost of Revenue from Operations = ₹ 9,00,000 × $\dfrac{100}{120}$ = ₹ 7,50,000.

(iii) Current Ratio = $\dfrac{\text{Current Assets (After Endorsement)}}{\text{Current Liabilities (After Endorsement)}}$

$$= \frac{₹\ 2,60,000}{₹\ 1,10,000} = \textbf{2.36 : 1}.$$

(iv) Quick Ratio = $\dfrac{\text{Quick Assets}}{\text{Current Liabilities}}$

$$\frac{\text{All Current Assets} - \text{Inventories (excluding Loose Tools \& Spare Parts)} - \text{Prepaid Expenses}}{\text{Current Liabilities}}$$

$$\frac{1.5}{1} = \frac{\text{Quick Assets}}{3,40,000}$$

Quick Assets = ₹ 3,40,000 × 1.5 = ₹ 5,10,000

Current Assets = ₹ 6,80,000 (Given)

Inventory = Current Assets – Quick Assets
= ₹ 6,80,000 – ₹ 5,10,000 = ₹ 1,70,000

Inventory Turnover Ratio = $\dfrac{\text{Cost of Revenue from Operations}}{\text{Average Inventory}}$

$$4 = \frac{\text{Cost of Revenue from Operations}}{₹\ 1,70,000}$$

Cost of Revenue from Operations = ₹ 1,70,000 × 4 = ₹ 6,80,000.

# Model Test Paper 1

**Time Allowed: 3 Hours** **Max. Marks: 80**

*(Candidates are allowed **additional 15 minutes** for **only** reading the paper.*
*They must **NOT** start writing during this time.)*

*Instructions to Candidates:*

- ➢ The Question Paper is divided into **three** sections and has **18 questions** in all.
- ➢ **Section A** is compulsory and has **ten** questions.
- ➢ You are required to attempt **all** questions either from **Section B or Section C**.
- ➢ **Section B** and **Section C** have **four** questions each.
- ➢ Internal choices have been provided in **five** questions in **Section A** and in two questions in **Section B** and **Section C**.
- ➢ While attempting **Multiple Choice Questions in Sections A, B and C,** you are required to **write only ONE option as the answer**.
- ➢ The intended marks for questions or parts of questions are given in the brackets [ ].
- ➢ All calculations should be shown clearly.
- ➢ All workings, including rough work, should be done on the same page as, and adjacent to, the rest of the answer.

## SECTION A (60 Marks)

(*Answer **all** questions*)

**Question 1.**

**In sub-parts (i) to (iv) choose the correct option and in sub-parts (v) to (x) answer the questions as instructed.**

(i) Deepak, Farukh and Lilly were partners in a firm sharing profits in the ratio of 3 : 2 : 1. On 28th February, 2024, Farukh retired from the firm. On Farukh's retirement, there was balance of ₹ 12,000 in Workmen Compensation Reserve which was not required. On Farukh's retirement, this amount will be **(Understanding)**

(a) Debited to the Capital Accounts of all the partners in their profit-sharing ratio.

(b) Credited to the Capital Accounts of all the partners in their profit-sharing ratio.

(c) Credited to the Capital Accounts of Deepika and Lilly in their profit-sharing ratio.

(d) Credited to the Capital Account of Farukh. [1]

(ii) Dhruv and Anupam are partners in a firm sharing profits and losses in the ratio of 3 : 2. They admitted Lokesh as a partner for 1/4 share in profits. Following entry is passed when Lokesh's share of goodwill is credited to sacrificing partners:

JOURNAL

| Date | Particulars | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|
| | Premium for Goodwill A/c ...Dr. | | 10,000 | |
| | Lokesh's Current A/c ...Dr. | | 5,000 | |
| | To Dhruv's Capital A/c | | | 10,000 |
| | To Anupam's Capital A/c | | | 5,000 |
| | (Being Lokesh's share of goodwill credited to sacrificing partners) | | | |

**(Understanding, Application)**

New Profit-sharing Ratio of Dhruv, Anupam and Lokesh will be

(a) 5 : 4 : 3. (b) 5 : 1 : 2.

(c) 7 : 5 : 4. (d) 26 : 19 : 15. [1]

(iii) What will be the correct sequence of events?

A. Forfeiture of shares.

B. Default on calls.

C. Reissue of forfeited shares.

D. Gain on reissue of forfeited shares transferred to Capital Reserve. **(Recall)**

(a) A, D, B, C (b) B, A, D, C,

(c) B, A, C, D (d) C, D, A, B [1]

(iv) *Read the following hypothetical situation and answer the question that follows:*
Bright Star Ltd. is engaged in manufacture of high-end medical equipments. Considering the prospects of high growth in this segment, the company has decided to expand and for this purpose additional investment of ₹ 50,00,000 is required. It was decided that 20% of this requirement will be taken as loan from bank, which would be at interest of 12% per annum from Zee Bank on 1st July, 2023, against which it offered ₹ 12,50,000, 9% Debentures of ₹ 100 each as a collateral security.

**What will be the finance cost to the company for the year 2023–24?** **(Application)**

(a) ₹ 1,00,000 (b) ₹ 2,02,500

(c) ₹ 1,02,500 (d) ₹ 90,000 [1]

(v) **Assertion (A):** Deepakshi, a partner in a firm, had advanced loan of ₹ 50,000 to the firm on 1st October, 2023 without an agreement. Interest on loan will be allowed as ₹ 1,500 in spite of the firm incurring loss in the year.

**Reason (R):** In the absence of an agreement in the partnership deed, provisions of Indian Partnership Act, 1932 would apply.

*In the context of above two statements, which of the following is correct?* **(Evaluate)**

(a) Both Assertion (A) and Reason (R) are correct and Reason (R) is the correct explanation of Assertion (A).

(b) Both Assertion (A) and Reason (R) are correct but Reason (R) is not the correct explanation of Assertion (A).

(c) Assertion (A) is correct but Reason (R) is incorrect.

(d) Assertion (A) is incorrect but Reason (R) is correct. [1]

(vi) Deepa and Pia are in partnership sharing profits and losses in the ratio of 3 : 2. They admit Charu as a partner for 1/5 share in the profits. Capitals of Deepa and Pia, before adjusting the loss of ₹ 5,000 on revaluation of assets and reassessment of liabilities, are ₹ 30,000 and ₹ 20,000 respectively.

It is decided that Charu will contribute 25% of the combined capitals of Deepa and Pia.

**What is Charu's capital contribution?** **(Application)** [1]

(vii) Ranjan, a partner of a dissolved firm, was to get as his remuneration as 1% of the value of assets realised and 10% of the amount distributed to partners. Cash balance after realising assets (including Cash-in-hand of ₹ 5,000) was ₹ 5,05,000. Creditors were paid ₹ 2,25,000.

**You are required to calculate Ranjan's remuneration**. **(Application)** [1]

(viii) "The Companies Act, 1913 and rules thereunder amended to the effect that investment by certain companies in specified securities to be made for redemption of debentures."

(**Source:** *The Hindustan Times*.)

**What is the impact of this on Working Capital of a company?**

**(Understanding)** [1]

(ix) On 1st April, 2023, Hi-Tech Ltd. issued 5,000, 10% Debentures of ₹ 100 each at a discount of 5% redeemable at a premium of 10%. It has a balance of ₹ 50,000 in the Securities Premium Account and ₹ 25,000 in Capital Reserve.

**You are required to prepare Loss on Issue of Debentures Account**.

**(Application)** [1]

(x) On 1st April, 2024, the first call of ₹ 2 per share became due on 50,000 shares issued by Smart Ltd. Ankit, a holder of 200 shares did not pay the first call money. Kapil, a shareholder holding 500 shares, paid the second and final call of ₹ 3 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.** **(Application)** [1]

**Question 2.**

Abhay, Bharat and Chitra are partners in a firm sharing profits in the ratio of 5 : 3 : 2. On 1st April, 2024, Bharat retired and Abhay and Chitra decided to share profits and losses of the reconstituted firm in the ratio of 5 : 3.

At the time of retirement of Bharat, Unaccounted Accrued Income of ₹ 1,000 is to be accounted. A debtor whose dues of ₹ 5,000 were written off as bad debts paid ₹ 4,000 in settlement. A liability of ₹ 5,000 included in Sundry Creditors is not payable.

Goodwill of the firm was valued at ₹ 1,80,000.

**You are required to pass the necessary Journal entries in the books of the firm on 1st April, 2024.** **(Application)**

***Or***

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 12th June, 2024, Nath died. On that date, his Capital Account showed debit balance of ₹ 5,000.

Goodwill of the firm was valued at ₹ 3,80,000. Nath's share in profit in the year of his death was to be estimated on the basis of previous year's profit, which was ₹ 1,50,000.

**You are required to pass necessary Journal entries to record:**

**(i) The adjustment for self-generated goodwill of the firm.**

**(ii) Nath's share of profit till the date of death.**

**(iii) Payment made to his Executor.** **(Application)** [3]

**Question 3.**

On 1st April, 2023, Mehar Ltd. issued ₹ 10,00,000, 9% Debentures of ₹ 100 each at a discount of 10%. These debentures were redeemable at a premium of 5% after four years.

It has balance in Securities Premium Account of ₹ 90,000.

**You are required to pass necessary Journal entries for the year ended 31st March, 2024 (Ignoring Interest on Debentures).** **(Application)**

***Or***

Youth Ltd. issued 5,000, 9% Debentures of ₹ 100 each at a discount of 4% to be redeemed at par after 4 years. The debentures were allotted on 31st March, 2024, subscription being payable:

15% on application,

30% on allotment,

30% on 30th April, and

Balance on 31st August, 2024.

One debentureholder holding 300 debentures paid the allotment money with the first call along with interest on Calls-in-Arrears @ 10% per annum.

**You are required to:**

**(i) Calculate the amount payable with:**

1. **Allotment,**
2. **Second and Final Call.**

**(ii) Prepare Interest on Calls-in-Arrears Account.** **(Application)** [3]

**Question 4.**

Panthar Ltd., an unlisted company, had 75,000, 8% Debentures of ₹ 100 each due for redemption at a premium of 10% on 31st March, 2024. The company has in its Debenture Redemption Reserve Account balance of ₹ 7,50,000.

The Debenture Redemption Investment, purchased on 30th April, 2023, was realised at 105% on the date of redemption of the debentures and were redeemed.

**You are required to pass Journal entries in the books of the company for the year 2023–24 (Ignore interest on debentures).** **(Application)** [3]

**Question 5.**

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, 2024, Kishore was admitted as a new partner for 1/4 share in the profits. Kishore brought ₹ 2,00,000 for his capital which was to be kept fixed like the capital of Karan and Varun. Kishore acquired his share of profit from Varun.

**You are required to:**

**(i) Calculate goodwill of the firm on Kishore's admission and the new profit-sharing ratio of Karan, Varun and Kishore.**

**(ii) 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.** **(Application)** [3]

**Question 6.**

Walmart Ltd. was formed with an authorised capital of ₹ 60,00,000 divided into 60,000 Equity Shares of ₹ 100 each.

It had existing subscribed and fully paid 15,000 shares.

During the year 2023–24, the company:

(a) Issued 10,000 Equity Shares to the public on which till the date of the Balance Sheet as at 31st March, 2024, ₹ 80 had been called-up.

(b) Issued Equity Shares of ₹ 100 each at a premium of 20% to Shiva Ltd. from whom it purchased Machinery at a purchase consideration of ₹ 5,40,000.

(c) Paid underwriting commission of ₹ 50,000 to the underwriters.

(d) Incurred net loss of ₹ 6,50,000.

**As per Schedule III of the Companies Act, 2013, you are required to:**

**(i) Show Reserves and Surplus in the Notes to Accounts.**

**(ii) Under which heading and sub-heading Machinery will be shown in the Balance Sheet of the company?**

**(iii) Give the amount of Share Capital in the Balance Sheet of the company prepared as at 31st March, 2024.** **(Application)** [6]

**Question 7.**

Vanshika and Shikha are partners in a firm sharing profits in the ratio of 3 : 2. They admit Mansi as a new partner. New profit-sharing ratio of Vanshika, Shikha and Mansi will be 5 : 5 : 3.

Mansi brought following assets towards her capital and share of goodwill:

| Particulars | ₹ |
|---|---|
| Stock | 83,500 |
| Book Debts (*Less* Provision for Doubtful Debts 5%) | 70,000 |
| Plant and Machinery | 90,000 |
| Land | 50,000 |

On the date of admission of Mansi, goodwill of the firm was valued at ₹ 6,50,000.

Goodwill already appears in the books at ₹ 50,000.

**You are required to:**

**(i) Calculate the sacrificing ratio of the partners.**

**(ii) Pass the necessary Journal entries in the books of the firm on Mansi's admission, ascertaining Mansi's capital contribution.** **(Application)**

***Or***

Tushar and Kapil are partners with profit-sharing ratio of 4 : 1. On 1st April, 2024, they admit Ajay as a third partner for 1/2 share in profit.

Capital Accounts of the partners after considering following adjustments on Ajay's admission are given below:

(i) Loss on revaluation due to the value of machinery shown in the Balance Sheet was overvalued by $33\frac{1}{3}\%$.

(ii) General Reserve maintained in the old firm was not to be distributed in the reconstituted firm.

*Dr.* PARTNERS' CAPITAL ACCOUNTS *Cr.*

| Particulars | Tushar ₹ | Kapil ₹ | Ajay ₹ | Particulars | Tushar ₹ | Kapil ₹ | Ajay ₹ |
|---|---|---|---|---|---|---|---|
| To Goodwill A/c | 80,000 | 20,000 | ... | By Balance *b/d* | 4,00,000 | 1,00,000 | ... |
| To Profit & Loss A/c | 20,000 | 5,000 | ... | By Bank A/c | ... | ... | 2,50,000 |
| To Revaluation A/c | 80,000 | 20,000 | ... | By Premium for Goodwill A/c | 40,000 | 10,000 | ... |
| To Balance *c/d* | 3,40,000 | 85,000 | 2,50,000 | By Ajay's Current A/c | 80,000 | 20,000 | ... |
| | 5,20,000 | 1,30,000 | 2,50,000 | | 5,20,000 | 1,30,000 | 2,50,000 |

*Additional Information:*

On 31st March, 2024, the firm of Tushar and Kapil apart from machinery and a bank balance of ₹ 1,75,000 had no other assets.

**You are required to prepare the Balance Sheet of the reconstituted firm on the date of Ajay's admission after considering the information given above.**

**Show your working clearly.** **(Application)** [6]

**Question 8.**

Rita, Geeta and Ashish were partners sharing profits in the ratio of 3 : 1 : 1. Their Balance Sheet as on 31st March, 2024, the date on which they dissolve their firm was as follows:

| Liabilities | | ₹ | Assets | | ₹ |
|---|---|---|---|---|---|
| Capitals A/cs: | | | Sundry Assets | | 1,70,000 |
| Rita | 2,75,000 | | Stock | | 78,000 |
| Geeta | 1,00,000 | | Debtors | 2,52,000 | |
| Ashish | 70,000 | 4,45,000 | *Less:* Provision for Doubtful Debts | 12,000 | 2,40,000 |
| Loan (from Ashok) | | 15,000 | Cash | | 32,000 |
| Creditors | | 60,000 | | | |
| | | 5,20,000 | | | 5,20,000 |

It was agreed that:

(a) Rita will take over debtors of ₹ 2,00,000 at ₹ 1,80,000 and the creditors of ₹ 60,000 were to be paid by her at this amount.

(b) Geeta will take stock for ₹ 70,000 and some sundry assets at ₹ 72,000 (being 10% *less* than the book value).

(c) Ashish will take over remaining sundry assets at 90% of the book value and assume the liability of loan along with accrued interest of ₹ 3,000.

(d) Expenses of realisation were ₹ 2,700.

The remaining debtors were sold to a debt collecting agency at 50% of the book value.

**You are required to prepare:**

**(i) Realisation Account.**

**(ii) Partners' Capital Accounts.** **(Application)** [6]

**Question 9.**

Good, Better and Best are in partnership sharing profits and losses in the ratio of 3 : 2 : 4. Their Capital Account balances as on 31st March, 2023 were:

Good ₹ 1,70,000 (Cr.); Better ₹ 1,10,000 (Cr.) and Best ₹ 1,22,000 (Cr.).

Following further information is provided:

(a) ₹ 27,240 is to be transferred to General Reserve.

(b) Good, Better and Best are paid monthly salary in cash amounting to ₹ 2,400, ₹ 1,600 and ₹ 1,800 respectively.

(c) Partners are allowed interest on capital @ 6% p.a. and are charged interest on drawings at 8% p.a.

(d) Good is entitled to commission at 10% of the net profit after charging such commission.

(e) During the year, Good withdrew ₹ 2,000 at the beginning of every month, Better ₹ 1,750 at the end of every month and Best ₹ 1,250 at the middle of every month.

Net Profit of the firm for the year ended 31st March, 2024 was ₹ 2,20,000.

**You are required to:**

**(i) Pass the *Adjusting* and *Closing Entry* for Interest on Capital.** **(Application)** [2]

**(ii) Pass the *Adjusting* and *Closing Entry* for Interest on Drawings.** **(Application)** [2]

**(iii) Pass the *Adjusting* and *Closing Entry* for Good's commission.** **(Recall)** [1]

**(iv) Prepare Profit & Loss Appropriation Account for the year ended 31st March, 2024.** **(Recall)** [4]

**(v) Pass the entry for transfer of Credit Balance of Profit & Loss Appropriation Account.** **(Recall)** [1]

***Or***

Shankar and Vijay are partners in a firm sharing profits and losses in the ratio of 3 : 2. On 1st April, 2023, their Fixed Capital Accounts showed balance of ₹ 4,00,000 and ₹ 8,00,000 respectively.

On this date, their Current Account balances were ₹ 1,00,000 and ₹ 2,00,000 respectively.

On 1st January, 2024, Shankar introduced additional capital of ₹ 4,00,000 while Vijay gave loan of ₹ 3,00,000 to the firm.

The Partnership Deed provided for:

(a) Interest on capital to be allowed at the rate of 10% p.a.

(b) Interest on drawings to be charged at the rate of 12% p.a.

(c) 10% of the correct net profit to be transferred to General Reserve.

During the financial year 2023–24, both partners withdrew ₹ 12,000 each at the beginning of every quarter.

Profit of the firm, before any interest, for the financial year 2023–24 was ₹ 10,00,000.

**1. You are required to prepare for 2023–24:**

**(i) Profit & Loss Appropriation Account.** **(Application)** [3]

**(ii) Partners' Fixed Capital Accounts.** **(Application)** [2]

**(iii) Partners' Current Accounts; and** **(Application)** [2]

**(iv) Vijay's Loan Account.** **(Application)** [1]

**2. Pass the Journal entry for:**

**(i) Transfer of Profit to General Reserve.** **(Recall)** [1]

**(ii) Transfer of divisible profit to Partners' Capital Accounts.** **(Recall)** [1]

**Question 10.**

Omax Ltd. had issued 1,00,000 Equity Shares of ₹ 10 each at a premium of ₹ 2 per share payable with application money.

**Complete the missing information in the Journal entries given below:**

**In the Books of Omax Ltd.**

JOURNAL

| Date | Particulars | | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|---|
| 1. | ? | ...Dr. | | ? | |
| | To ? | | | | ? |
| | (Being the application money received for 1,40,000 shares @ ₹ 5 per share including premium) | | | | |
| 2. | Equity Shares Application A/c | ...Dr. | | ? | |
| | To ? | | | | ? |
| | To ? | | | | ? |
| | To ? | | | | ? |
| | To ? | | | | ? |
| | (Being the transfer of application money to share capital, securities premium, money refunded for 16,000 rejected shares, balance application money adjusted towards amount due on allotment as shares were allotted on *pro rata* basis) | | | | |

| | | | | |
|---|---|---|---|---|
| 3. | ? ...Dr. | | ? | |
| | To ? | | | ? |
| | (Being the allotment money due @ ₹ 4 per share) | | | |
| 4. | ? ...Dr. | | ? | |
| | To ? | | | ? |
| | (Being the balance amount received on allotment) | | | |
| 5. | ? ...Dr. | | ? | |
| | To ? | | | ? |
| | (Being the first and final call money due) | | | |
| 6. | ? ...Dr. | | ? | |
| | Calls-in-Arrears A/c ...Dr. | | 3,000 | |
| | To ? | | | ? |
| | (Being the first and final call money received except on ? shares) | | | |
| 7. | ? ...Dr. | | ? | |
| | To ? | | | ? |
| | To ? | | | ? |
| | (Being the shares forfeited on which call money was not received) | | | |
| 8. | ? ...Dr. | | ? | |
| | ? ...Dr. | | ? | |
| | To ? | | | ? |
| | (Being 800 forfeited shares reissued @ ₹ 8 per share as fully paid-up) | | | |
| 9. | ? ...Dr. | | ? | |
| | To ? | | | ? |
| | (Being ?) | | | |

**(Application)** [10]

***Or***

Jyoti Ltd. forfeited 600 shares of ₹ 100 each issued at a premium of 20% to Raj who had applied for 1,140 shares and paid application money of ₹ 50 (including ₹ 10 premium) for non-payment of allotment money of ₹ 50 (including ₹ 10 premium).

At different intervals of time out of these 100 shares were reissued to Ajay as ₹ 80 called-up for ₹ 70 per share, 100 shares were reissued to Puneet as ₹ 80 paid-up for ₹ 90 per share and 400 shares to Gaurav as fully paid-up ₹ 90 per share.

Company follows the policy of adjusting excess Application Money towards other sum due on shares.

**You are required to:**

**(a) Record the Journal entries for forfeiture and reissue of shares.**

**(Application)** [8]

**(b) Prepare Forfeited Shares Account.** **(Application)** [2]

## SECTION B (20 Marks)

**Question 11.**

**In sub-parts (i) and (ii) choose the correct options and in sub-parts (iii) to (v) answer the questions as instructed:**

(i) Identify the transaction involving an increase in Debt-Equity Ratio and no change in Current Ratio.

(a) Issue of Debentures for Cash.

(b) Redemption of Preference Shares for Cash.

(c) Issue of Shares for cash.

(d) Issue of Debentures against the Purchase of Fixed Asset. **(Analysis)** [1]

(ii) In Cash Flow Statement, match the following:

| | |
|---|---|
| 1. Purchase of Building | (i) Financing Activity |
| 2. Dividend Paid | (ii) Operating Activity |
| 3. Preliminary Expenses | (iii) Investing Activity |

(a) 1—(ii); 2—(iii); 3—(i)  (b) 1—(i); 2—(ii); 3—(iii)

(c) 1—(iii); 2—(i); 3—(ii)  (d) 1—(iii); 2—(ii); 3—(i) **(Recall)** [1]

(iii) Following figures have been extracted from the Balance Sheet of JK Tyre and Industries as at 31st March, 2024:

| | (₹ in cr) |
|---|---|
| Current Liabilities | 3530.69 |
| Current Assets (including inventories of ₹ 1396.54 cr) | 4764.83 |

(**Source:** *Web, Annual Reports*.)

**You are required to calculate that Short-term Solvency Ratio which is not relying upon the realisation of Inventory. (Application)** [1]

(iv) The books of accounts of KBC Ltd. showed:

- Change in inventories of raw materials (₹ 1,75,000).
- Opening Inventory of ₹ 6,00,000.

**(a) You are required to give formula for calculating change in inventories used by a company.**

**(b) On the basis of above information, calculate the other component of change in inventories.** [1]

(v) Withdrawal of ₹ 2,000 notes by Reserve Bank of India on 19th May, 2023 and subsequent near total return of the currency to the system has buoyed deposit accretion to six year high of ₹ 191.60 lakh crore. (**Source:** *The Economic Times, 19th July, 2023*.)

**What impact it has on Cash Flow Statement of a company having ₹ 2,000 notes of ₹ 20,00,000?** [1]

**Question 12.**

**Prepare a Common-size Income Statement from the following:**

| Particulars | 31st March, 2024 (₹) | 31st March, 2023 (₹) |
|---|---|---|
| Revenue from Operations | 10,00,000 | 7,50,000 |
| Expenses | 50% of Revenue from Operations | 60% of Revenue from Operations |

Interest on Investments ₹ 25,000 and tax payables @ 40% for both the years. [3]

**Question 13.**

**From the following Balance Sheet of Sunstar Ltd., you are required to prepare Cash Flow Statement (as per AS-3) for the year 2023–24:**

**Sunstar Ltd.**

BALANCE SHEET *as at 31st March, 2024 and 31st March, 2023*

| Particulars | Note No. | 31st March, 2024 (₹) | 31st March, 2023 (₹) |
|---|---|---|---|
| **I. EQUITY AND LIABILITIES** | | | |
| **1. Shareholders' Funds** | | | |
| (a) Share Capital (Equity Share Capital) | | 35,00,000 | 25,00,000 |
| (b) Reserves and Surplus (Surplus, *i.e.*, Balance in Statement of Profit and Loss) | | 12,50,000 | 10,00,000 |
| **2. Non-Current Liabilities** | | | |
| Long-term Borrowings (10% Debentures) | | 12,50,000 | 3,50,000 |
| **3. Current Liabilities** | | | |
| (a) Short-term Borrowings (Bank Overdraft) | | 1,00,000 | 1,25,000 |
| (b) Trade Payables (Creditors) | | 2,50,000 | 1,50,000 |
| (c) Short-term Provisions | 1 | 1,50,000 | 75,000 |
| **Total** | | 65,00,000 | 42,00,000 |
| **II. ASSETS** | | | |
| **1. Non-Current Assets** | | | |
| *Property, Plant and Equipment and Intangible Assets:* | | | |
| (i) Property, Plant and Equipment | 2 | 40,00,000 | 22,50,000 |
| (ii) Intangible Assets (Goodwill) | | 3,50,000 | 5,00,000 |
| **2. Current Assets** | | | |
| (a) Inventories | | 18,75,000 | 12,50,000 |
| (b) Cash and Bank Balances (Cash at Bank) | | 2,75,000 | 2,00,000 |
| **Total** | | 65,00,000 | 42,00,000 |

**Notes to Accounts**

| Particulars | 31st March, 2024 (₹) | 31st March, 2023 (₹) |
|---|---|---|
| **1. Short-term Provision** | | |
| Provision for Tax | 1,50,000 | 75,000 |
| **2. Property, Plant & Equipment** | | |
| Plant and Machinery | 44,00,000 | 25,00,000 |
| *Less:* Accumulated Depreciation | (4,00,000) | (2,50,000) |
| | 40,00,000 | 22,50,000 |

*Additional Information:*

During the year:

(i) A part of the machine, costing ₹ 1,25,000, accumulated depreciation thereon being ₹ 50,000, was sold at a loss of 40% on book value.

(ii) Income Tax paid ₹ 50,000.

(iii) Interest on Debentures of ₹ 1,25,000 was paid.

***Or***

**Read the following information provided by Joy Ltd., and answer the questions that follow:**

| Particulars | 31st March, 2024 (₹) | 31st March, 2023 (₹) |
|---|---|---|
| Equity Share Capital (Share of ₹ 10 each) | 23,75,000 | 15,00,000 |
| Securities Premium | — | 4,00,000 |
| Bank Loan | 5,00,000 | 3,75,000 |
| Cash Credit | 50,000 | 30,000 |
| Dividend Payable | 4,000 | — |
| Surplus, *i.e.*, Balance in Statement of Profit & Loss | 5,00,000 | 4,00,000 |
| Provision for Tax | 2,00,000 | 1,50,000 |
| Trade Payables | 75,000 | 62,500 |
| Outstanding Interest on Debentures | 8,750 | — |
| Investment in Land | 5,00,000 | 5,00,000 |
| Shares of Amar Tex Ltd. | 1,00,000 | 1,00,000 |

*Additional Information:*

During the year 2023–24, the company:

(i) Purchased Machinery for ₹ 6,00,000, payment made to vendor by issuing 50,000 Equity Shares of ₹ 10 each at par and balance by cheque.

(ii) Issued bonus shares to the shareholders at the beginning of the year in the ratio of 1 : 4 (that is 1 bonus share for every 4 shares held) by capitalising the Securities Premium.

(iii) Interest on borrowings was ₹ 40,000 out of which ₹ 31,250 was paid till the end of the year.

(iv) Dividend paid during the year ₹ 26,000.

(v) Paid underwriting commission of ₹ 25,000, written off from Securities Premium.

(vi) Amar Tex paid dividend @ 10% on its shares.

(vii) Dividend proposed of ₹ 50,000 in the year 2022–23 was declared and paid.

**(a) What will be the Net Profit before Tax?** [1]

**(b) How many bonus shares have been issued by the company to the shareholders?** [1]

**(c) What will be the Cash Flow from Operating Activities before Tax?** [1]

**(d) State the amount of inflow/outflow of Cash from Investing Activities.** [1]

**(e) State the amount of inflow/outflow of Cash from Financing Activities.** [1]

**(f) Dividend amounting to ₹ 80,000 for the year 2023–24 was proposed.**

**State with reason, the disclosure/non-disclosure of this Proposed Dividend in the Cash Flow Statement for the year 2023–24. (Application)** [1]

**Question 14.**

***Answer* any three *of the following questions:***

**(a) From the following particulars of Tanay Ltd., calculate Working Capital Turnover Ratio:**

| | |
|---|---|
| Capital Employed | ₹ 16,00,000 |
| Non-current Assets | ₹ 10,00,000 |
| Cost of Revenue from Operations | ₹ 18,00,000 |
| Gross Profit | ₹ 6,00,000 |

**(Application)** [2]

**(b) Calculate Gross Profit Ratio (up to two decimal places) from the following information:**

| | |
|---|---|
| Revenue from Operations | ₹ 6,00,000 |
| Gross Profit | 25% on Cost |

**(Application)** [2]

**(c) Calculate Debt to Total Assets Ratio (up to two decimal places) from the following information:**

| | ₹ | | ₹ |
|---|---|---|---|
| Non-current Assets | 16,00,000 | Current Assets | 16,00,000 |
| Long-term Borrowings | 10,00,000 | Long-term Provisions | 6,00,000 |

**(Application)** [2]

**(d) State giving reason, whether the Current Ratio will improve or decline or will have no effect in each of the following transactions if Current Ratio of Star Ltd. is 2 : 1.**

1. Bills Receivable endorsed to creditors.
2. Bills Receivable endorsed to creditors dishonoured. **(Application)** [2]

## ANSWERS

### SECTION A

**Question 1.**

(i) (b) Credited to the Capital Accounts of all the partners in their profit-sharing ratio.

(ii) (d) 26 : 19 : 15.

***Working Note:***

Sacrificing Ratio of Dhruv and Anupam = 10,000 : 5,000 or 2 : 1

Profit Share taken by Lokesh from Dhruv = $\frac{1}{4} \times \frac{2}{3} = \frac{2}{12}$

Profit Share taken by Lokesh from Anupam = $\frac{1}{4} \times \frac{1}{3} = \frac{1}{12}$

New Profit Share of Old Partner = Old Profit Share – Profit Share sacrificed

Dhruv's New Profit Share = $\frac{3}{5} - \frac{2}{12} = \frac{36-10}{60} = \frac{26}{60}$

Anupam's New Profit Share = $\frac{2}{5} - \frac{1}{12} = \frac{24-5}{60} = \frac{19}{60}$

New Profit-sharing Ratio of Dhruv, Anupam and Lokesh = $\frac{26}{60} : \frac{19}{60} : \frac{1}{4}$ = 26 : 19 : 15.

(iii) (c) B, A, C, D.

(iv) (d) ₹ 90,000.

Bank Loan = ₹ 50,00,000 × $\frac{20}{100}$ = ₹ 10,00,000

**Finance Cost : Interest on Bank Loan** = ₹ 10,00,000 × $\frac{12}{100} \times \frac{9}{12}$ = ₹ 90,000.

**Note:** Interest is not payable on debentures issued as collateral security.

(v) (a) Both Assertion (A) and Reason (R) are correct and Reason (R) is the correct explanation of Assertion (A).

**Reason:** In the absence of Partnership Deed a partner who has given loan to the firm, will get interest on his/her loan @ 6% p.a. Hence, Deepakshi is entitled to claim an interest on her loan of ₹ 50,000 for six months, *i.e.*, ₹ 1,500.

(vi) Combined Adjusted Capital of Deepa and Pia = ₹ 30,000 + ₹ 20,000 – ₹ 5,000 (Loss)
= ₹ 45,000.

Charu's Capital Contribution = ₹ 45,000 × $\frac{25}{100}$ = ₹ 11,250.

(vii) Assets realised = ₹ 5,05,000 – ₹ 5,000 = ₹ 5,00,000

Commission on Assets realised = 1% of ₹ 5,00,000 = ₹ 5,000

Cash available for partners and commission based on cash distributed to partners:
= ₹ 5,05,000 – ₹ 2,25,000 (Creditors) – ₹ 5,000 = ₹ 2,75,000

Commission based on Cash Distribution = ₹ 2,75,000 × $\frac{10}{110}$ = ₹ 25,000

Hence, Total Remuneration of Ranjan = ₹ 5,000 + ₹ 25,000 = ₹ 30,000.

(viii) Working Capital is reduced to that extent from the date of investment in DRI till the date debentures are redeemed.

(ix)

*Dr.* LOSS ON ISSUE OF DEBENTURES ACCOUNT *Cr.*

| Date | Particulars | ₹ | Date | Particulars | ₹ |
|---|---|---|---|---|---|
| 2023 | | | 2024 | | |
| April 1 | To 10% Debentures A/c (5% of ₹ 5,00,000) | 25,000 | March 31 | By Securities Premium A/c | 50,000 |
| | To Premium on Redemption of Debentures A/c (10% of ₹ 5,00,000) | 50,000 | March 31 | By Capital Reserve A/c | 25,000 |
| | | 75,000 | | | 75,000 |

(x) JOURNAL

| Date | Particulars | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|
| 2024 | | | | |
| April 1 | Bank A/c [(50,000 – 200) × ₹ 2 + (500 × ₹ 3)] ...Dr. | | 1,01,100 | |
| | Calls-in-Arrears A/c (200 × ₹ 2) ...Dr. | | 400 | |
| | To Equity Shares First Call A/c (50,000 × ₹ 2) | | | 1,00,000 |
| | To Calls-in-Advance A/c (500 × ₹ 3) | | | 1,500 |
| | (Being first call money received on 49,800 shares, amount due from 200 shares transferred to Calls-in-Arrears and amount received in advance on 500 shares transferred to 'Calls-in-Advance') | | | |

**Question 2.**

JOURNAL

| Date | Particulars | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|
| 2024 | | | | |
| April 1 | Accrued Income A/c ...Dr. | | 1,000 | |
| | Bank A/c (Bad Debts Recovered) ...Dr. | | 4,000 | |
| | Creditors A/c ...Dr. | | 5,000 | |
| | To Revaluation A/c | | | 10,000 |
| | (Being the increase in value of assets & decrease in value of liabilities recorded) | | | |
| | Revaluation A/c ...Dr. | | 10,000 | |
| | To Abhay's Capital A/c | | | 5,000 |
| | To Bharat's Capital A/c | | | 3,000 |
| | To Chitra's Capital A/c | | | 2,000 |
| | (Being the profit on revaluation transferred to partners in their old profit-sharing ratio) | | | |
| | Abhay's Capital A/c (₹ 54,000 × 5/12) ...Dr. | | 22,500 | |
| | Chitra's Capital A/c (₹ 54,000 × 7/12) ...Dr. | | 31,500 | |
| | To Bharat's Capital A/c (₹ 1,80,000 × 3/10) | | | 54,000 |
| | (Being the share of goodwill credited to Bharat by debiting gaining Partners' Capital Accounts in their gaining ratio of 5 : 7) | | | |

***Working Note:***

(i) Bharat's Share of Goodwill = ₹ 1,80,000 × $\frac{3}{10}$ = ₹ 54,000.

(ii) Gain of a Partner = New Profit Share – Old Profit Share

Abhay's Gain = $\frac{5}{8} - \frac{5}{10} = \frac{25-20}{40} = \frac{5}{40}$

Chitra's Gain = $\frac{3}{8} - \frac{2}{10} = \frac{15-8}{40} = \frac{7}{40}$

Gaining Ratio = $\frac{5}{40} : \frac{7}{40}$ or 5 : 7.

***Or***

JOURNAL

| Date | Particulars | | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|---|
| 2024 | | | | | |
| June 12 | Manav's Capital A/c | ...Dr. | | 95,000 | |
| (i) | Narayan's Capital A/c | ...Dr. | | 95,000 | |
| | To Nath's Capital A/c (₹ 3,80,000 × 2/4) | | | | 1,90,000 |
| | (Being Nath's share of goodwill adjusted) | | | | |
| (ii) | Profit & Loss Suspense A/c | ...Dr. | | 15,000 | |
| | To Nath's Capital A/c | | | | 15,000 |
| | (Being Nath's share of profit up to the date of his death transferred) (WN 1) | | | | |
| (iii) | Nath's Capital A/c | ...Dr. | | 2,00,000 | |
| | To Nath's Executors' A/c (WN 2) | | | | 2,00,000 |
| | (Being the amount due to Nath transferred to his Executors' Account) | | | | |
| (iv) | Nath's Executor's A/c | ...Dr. | | 2,00,000 | |
| | To Bank A/c | | | | 2,00,000 |
| | (Being the amount paid) | | | | |

***Working Notes:***

1. *Calculation of Nath's Share of Profit:*

Total profit for the last year = ₹ 1,50,000

Period (1st April, 2024 to 12th June 2024) = 73 Days*

Profit for 73 Days = ₹ 1,50,000 × $\frac{73}{365}$ = ₹ 30,000

Nath's share of estimated profit = ₹ 30,000 × $\frac{2}{4}$ = ₹ 15,000

*73 Days = 30 days of April + 31 days of May + 12 days of June

2. *Dr.* NATH'S CAPITAL ACCOUNT *Cr.*

| Particulars | ₹ | Particulars | ₹ |
|---|---|---|---|
| To Balance *b/d* | 5,000 | By Manav's Capital A/c (Goodwill) | 95,000 |
| To Nath's Executors' A/c (Balancing Figure) | **2,00,000** | By Narayan's Capital A/c (Goodwill) | 95,000 |
| | | By Profit & Loss Suspense A/c (Share of Profit) | 15,000 |
| | 2,05,000 | | 2,05,000 |

**Question 3.**

JOURNAL

| Date | Particulars | | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|---|
| 2023 | | | | | |
| April 1 | Bank A/c | ...Dr. | | 9,00,000 | |
| | To Debentures Application and Allotment A/c | | | | 9,00,000 |
| | (Being the applications received for 10,000, 9% Debentures for ₹ 100 each @ ₹ 90 each) | | | | |
| | Debentures Application and Allotment A/c | ...Dr. | | 9,00,000 | |
| | Loss on Issue of Debentures A/c | ...Dr. | | 1,50,000 | |
| | To 9% Debentures A/c | | | | 10,00,000 |
| | To Premium on Redemption of Debentures A/c | | | | 50,000 |
| | (Being the allotment of 10,000, 9% Debentures of ₹ 100 each, issued at 10% Discount, redeemable at 5% premium) | | | | |
| 2024 | | | | | |
| March 31 | Securities Premium A/c | ...Dr. | | 90,000 | |
| | Statement of Profit & Loss (Finance Cost) | ...Dr. | | 60,000 | |
| | To Loss on Issue of Debentures A/c* | | | | 1,50,000 |
| | (Being the loss on issue of Debentures written off) | | | | |

*Discount/Loss on Issue of Debentures is written off in the year debentures are allotted from Securities Premium to the extent of balance in Securities Premium Account and balance from Statement of Profit & Loss, if balance in Capital Reserve Account is nil.

***Or***

(i) 1. Amount payable with Allotment = 30% of ₹ 100 = ₹ 30

2. Amount payable with Second and Final Call = ₹ 96 (After Discount) – ₹ 15 (on Application) – ₹ 30 (on Allotment) – ₹ 30 (on 1st Call) = ₹ 21.

(ii)

*Dr.* INTEREST ON CALLS-IN-ARREARS ACCOUNT *Cr.*

| Date | Particulars | ₹ | Date | Particulars | ₹ |
|---|---|---|---|---|---|
| 2025 | | | 2024 | | |
| March 31 | To Statement of Profit & Loss A/c | 75 | April 30 | By Debentureholders' A/c [300 × ₹ 30) × 1/12 × 10/100] | 75 |
| | | 75 | | | 75 |

**Question 4.**

**In the Books of Panthar Ltd.**

JOURNAL

| Date | Particulars | | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|---|
| 2024 | | | | | |
| March 31 | Bank A/c | ...Dr. | | 11,81,250 | |
| | To Debenture Redemption Investment A/c | | | | 11,25,000 |
| | To Gain on Sale of Investment A/c | | | | 56,250 |
| | (Being the investment realised) (WN 1) | | | | |

| | | | | |
|---|---|---|---|---|
| | 8% Debentures A/c ...Dr.<br>Premium on Redemption of Debentures A/c ...Dr.<br>To Debentureholders' A/c<br>(Being the amounted due to debentureholders' on redemption) | | 75,00,000<br>7,50,000 | <br><br>82,50,000 |
| | Debentureholders' A/c ...Dr.<br>To Bank A/c<br>(Being the amount due to debentureholders paid) | | 82,50,000 | <br>82,50,000 |
| | Debenture Redemption Reserve A/c ...Dr.<br>To General Reserve A/c<br>(Being the transfer of Debenture Redemption Reserve to General Reserve on the redemption of all debentures) | | 7,50,000 | <br>7,50,000 |
| | Gain on Sale of Investment A/c ...Dr.<br>To Capital Reserve A/c<br>(Being the gain (profit) on sale of investment transferred) | | 56,250 | <br>56,250 |

***Working Notes:***

1. • Debenture Redemption Investment @ 15% of the face value = ₹ 75,00,000 × $\frac{15}{100}$ = ₹ 11,25,000

   • Realised value of Debenture Redemption Investment = ₹ 11,25,000 × $\frac{105}{100}$ = ₹ 11,81,250.

2. Balance of Debenture Redemption Reserve ₹ 7,50,000 is equal to 10% of the Nominal (Face) Value of Outstanding debentures on 31st March of the previous year as required by law. Therefore, further amount is not required to be transferred to Debenture Redemption Reserve.

### Question 5.

(i) *Calculation of Hidden Goodwill:*

| | | ₹ |
|---|---|---|
| (a) | Net Worth (or total capital of the new firm) on the basis of Kishore's capital (₹ 2,00,000 × 4/1) | 8,00,000 |
| (b) | Total Existing Capital of Karan, Varun and Kishore (₹ 2,00,000 + ₹ 3,00,000 + ₹ 2,00,000) | 7,00,000 |
| (c) | Firm's Goodwill [(a) – (b)] | 1,00,000 |

Kishore's share of goodwill = ₹ 1,00,000 × 1/4 = ₹ 25,000.

*Calculation of New Profit-sharing Ratio:*

Kishore gets his 1/4th share from Varun alone. It means, only Varun has sacrificed.

Karan's New Profit Share = 1/3 or 4/12

Varun's New Profit Share (Old Profit Share – Sacrifice) = $\frac{2}{3} - \frac{1}{4} = \frac{5}{12}$

Kishore's Profit Share = 1/4 or 3/12

New Profit-sharing Ratio of Karan, Varun and Kishore = 4/12 : 5/12 : 3/12 = 4 : 5 : 3.

(ii) *Journal entry for the Treatment of Goodwill:*

**In the Books of firm**

JOURNAL

| Date | Particulars | | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|---|
| 2024 | | | | | |
| April 1 | Kishore's Current A/c | ...Dr. | | 25,000 | |
| | To Varun's Current A/c | | | | 25,000 |
| | (Being the credit given for goodwill to Varun on Kishore's admission) | | | | |

### Question 6.

**(i) Note to Accounts**

| Particulars | | ₹ |
|---|---|---|
| **Reserves and Surplus** | | |
| Surplus, *i.e.*, Balance in Statement of Profit & Loss | | (6,50,000) |
| *Securities Premium:* | | |
| Balance | 90,000* | |
| *Less:* Underwriting Commission written-off | 50,000 | 40,000 |
| | | (6,10,000) |

$$\text{*No of Equity Shares to be issued to Shiva Ltd.} = \frac{\text{Purchase Consideration}}{\text{Issue Price per Share}}$$

$$= \frac{₹\,5,40,000}{₹\,120} = 4,500 \text{ shares.}$$

| | ₹ |
|---|---|
| Share Capital = 4,500 × ₹ 100 = | 4,50,000 |
| Securities Premium = 4,500 × ₹ 20 = | 90,000 |
| | 5,40,000 |

**(ii)**

| Item | Major Head | Sub Head |
|---|---|---|
| Machinery | Non-current Assets | Property, Plant and Equipment and Intangible Assets—Property, Plant and Equipment. |

**(iii)** **An Extract of Balance Sheet of Walmart Ltd.**

*as at 31st March, 2024*

| Particulars | Note No. | Current Year (₹) |
|---|---|---|
| **I. EQUITY AND LIABILITIES** | | |
| **1. Shareholders' Funds** | | |
| Share Capital | 1 | 27,50,000 |

**Note to Accounts**

| Particulars | ₹ |
|---|---|
| **1. Share Capital** | |
| **Authorised Capital** | |
| 60,000 Equity Shares of ₹ 100 each | 60,00,000 |
| **Issued Capital** | |
| 29,500 Equity Shares of ₹ 100 each | 29,50,000 |
| **Subscribed Capital** | |
| **Subscribed and Fully paid-up** | |
| 19,500 Equity Shares of ₹ 100 each | 19,50,000 |
| (*4,500 allotted as fully paid-up pursuant to a contract without payment being received in cash*) | |
| **Subscribed but not fully paid-up** | |
| 10,000 Equity Shares of ₹ 100 each, ₹ 80 called-up | 8,00,000 |
| **Amount to be shown against Share Capital** | 27,50,000 |

**Question 7.**

**(i) Calculation of Sacrificing Ratio:**

Profit Share Sacrificed = Old Profit Share – New Profit Share

$$\text{Vanshika's Sacrifice} = \frac{3}{5} - \frac{5}{13} = \frac{39-25}{65} = \frac{14}{65}$$

$$\text{Shikha's Sacrifice} = \frac{2}{5} - \frac{5}{13} = \frac{26-25}{65} = \frac{1}{65}$$

$$\text{Sacrificing Ratio} = \frac{14}{65} : \frac{1}{65} = 14 : 1.$$

**(ii)** JOURNAL

| Date | Particulars | | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|---|
| | Vanshika's Capital A/c (₹ 50,000 × 3/5) | ...Dr. | | 30,000 | |
| | Shikha's Capital A/c (₹ 50,000 × 2/5) | ...Dr. | | 20,000 | |
| | To Goodwill A/c | | | | 50,000 |
| | (Being the existing goodwill written off) | | | | |
| | Stock A/c | ...Dr. | | 83,500 | |
| | Debtors A/c | ...Dr. | | 70,000 | |
| | Plant & Machinery A/c | ...Dr. | | 90,000 | |
| | Land A/c | ...Dr. | | 50,000 | |
| | To Provision for Doubtful Debts A/c (5% of ₹ 70,000) | | | | 3,500 |
| | To Premium for Goodwill A/c (₹ 6,50,000 × 3/13) | | | | 1,50,000 |
| | To Mansi's Capital A/c (Balancing Figure) | | | | **1,40,000** |
| | (Being the Stock, Debtors, Plant & Machinery and Land brought by Mansi on her admission as her capital and share of goodwill) | | | | |
| | Premium for Goodwill A/c | ...Dr. | | 1,50,000 | |
| | To Vanshika's Capital A/c | | | | 1,40,000 |
| | To Shikha's Capital A/c | | | | 10,000 |
| | (Being Mansi's share of goodwill credited to sacrificing partners in their sacrificing ratio, *i.e.*, 14 : 1) | | | | |

*Or*

BALANCE SHEET OF TUSHAR AND KAPIL *as at 1st April, 2024*

| Liabilities | | ₹ | Assets | ₹ |
|---|---|---|---|---|
| Capital A/cs: | | | Cash at Bank (₹ 1,75,000 + ₹ 2,50,000 + ₹ 50,000) | 4,75,000 |
| Tushar | 3,40,000 | | Machinery | 3,00,000 |
| Kapil | 85,000 | | Ajay's Current A/c | 1,00,000 |
| Ajay | 2,50,000 | 6,75,000 | | |
| General Reserve | | 2,00,000 | | |
| | | 8,75,000 | | 8,75,000 |

***Working Notes:***

1. *Dr.* BANK ACCOUNT *Cr.*

| Particulars | ₹ | Particulars | ₹ |
|---|---|---|---|
| To Balance *b/d* | 1,75,000 | By Balance *c/d* | 4,75,000 |
| To Ajay's Capital A/c | 2,50,000 | | |
| To Premium for Goodwill A/c | 50,000 | | |
| | 4,75,000 | | 4,75,000 |

2. Machinery = ₹ 1,00,000 (Loss on Revaluation)

   Book Value of Machinery at the time of admission: $₹\,1{,}00{,}000 \times \frac{400}{3} \times \frac{3}{100} = ₹\,4{,}00{,}000$

   Machinery is overvalued by $33\frac{1}{3}$% means the given value is $133\frac{1}{3}$ of the actual value.

   Book value of Machinery in New Firm = ₹ 4,00,000 – ₹ 1,00,000 = ₹ 3,00,000.

3. **General Reserve** = ₹ 1,00,000 (₹ 80,000 + ₹ 20,000) $\times \frac{2}{1}$ = ₹ 2,00,000.

## Question 8.

(i) *Dr.* REALISATION ACCOUNT *Cr.*

| Particulars | | ₹ | Particulars | | ₹ |
|---|---|---|---|---|---|
| To Sundry Assets A/c | | 1,70,000 | By Provisions for Doubtful Debts A/c | | 12,000 |
| To Stock A/c | | 78,000 | By Creditors A/c | | 60,000 |
| To Debtors A/c | | 2,52,000 | By Loan A/c (Ashok) | | 15,000 |
| To Rita's Capital A/c (Creditors) | | 60,000 | By Rita's Capital A/c (Debtors) | | 1,80,000 |
| To Ashish's Capital A/c: | | | By Geeta's Capital A/c: | | |
| Loan | 15,000 | | Stock | 70,000 | |
| *Add:* Interest | 3,000 | 18,000 | Sundry Assets | 72,000 | 1,42,000 |
| To Cash A/c (Realisation Expenses) | | 2,700 | By Ashish's Capital A/c: | | |
| | | | Sundry Assets | | 81,000 |
| | | | [90/100 (₹ 1,70,000 – ₹ 80,000)] | | |
| | | | By Cash A/c (Debtors) | | 26,000 |
| | | | [50/100 (₹ 2,52,000 – ₹ 2,00,000)] | | |
| | | | By Rita's Capital A/c (Loss) | 38,820 | |
| | | | By Geeta's Capital A/c (Loss) | 12,940 | |
| | | | By Ashish's Capital A/c (Loss) | 12,940 | 64,700 |
| | | 5,80,700 | | | 5,80,700 |

(ii) *Dr.* PARTNERS' CAPITAL ACCOUNTS *Cr.*

| Particulars | Rita ₹ | Geeta ₹ | Ashish ₹ | Particulars | Rita ₹ | Geeta ₹ | Ashish ₹ |
|---|---|---|---|---|---|---|---|
| To Realisation A/c | 1,80,000 | 1,42,000 | 81,000 | By Balance *b/d* | 2,75,000 | 1,00,000 | 70,000 |
| To Realisation A/c (Loss) | 38,820 | 12,940 | 12,940 | By Realisation A/c | 60,000 | ... | 18,000 |
| To Cash A/c (Bal. Fig.) | 1,16,180 | ... | ... | By Cash A/c (Bal. Fig.) | ... | 54,940 | 5,940 |
| | 3,35,000 | 1,54,940 | 93,940 | | 3,35,000 | 1,54,940 | 93,940 |

**Question 9.**

**(i) Interest on Capital:** ₹

Good : $₹\ 1,70,000 \times \frac{6}{100} = 10,200$

Better : $₹\ 1,10,000 \times \frac{6}{100} = 6,600$

Best : $₹\ 1,22,000 \times \frac{6}{100} = 7,320$

Total 24,120

JOURNAL

| Date | Particulars | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|
| 2024 | | | | |
| March 31 | **(a) Adjusting Entry:** | | | |
| | Interest on Capital A/c ...Dr. | | 24,120 | |
| | To Good's Capital A/c | | | 10,200 |
| | To Better's Capital A/c | | | 6,600 |
| | To Best's Capital A/c | | | 7,320 |
| | (Being the interest on Capital allowed) | | | |
| | **(b) Closing Entry:** | | | |
| | Profit & Loss Appropriation A/c ...Dr. | | 24,120 | |
| | To Interest on Capital A/c | | | 24,120 |
| | (Being the interest on Capital transferred to Profit & Loss Appropriation Account) | | | |

**(ii) Interest on Drawings:** ₹

Good : $₹\ 24,000 \times \frac{8}{100} \times \frac{6.5^*}{12} = 1,040$

Better : $₹\ 21,000 \times \frac{8}{100} \times \frac{5.5^*}{12} = 770$

Best : $₹\ 15,000 \times \frac{8}{100} \times \frac{6^*}{12} = 600$

Total 2,410

$$^*\text{Average Period} = \frac{\text{Time left after First Drawing} + \text{Time left after Last Drawing}}{2}.$$

JOURNAL

| Date | Particulars | | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|---|
| 2024 | | | | | |
| March 31 | **Adjusting Entry** | | | | |
| | Good's Capital A/c | ...Dr. | | 1,040 | |
| | Better's Capital A/c | ...Dr. | | 770 | |
| | Best's Capital A/c | ...Dr. | | 600 | |
| | To Interest on Drawings A/c | | | | 2,410 |
| | (Being the interest on Drawings charged) | | | | |
| | **Closing Entry** | | | | |
| | Interest on Drawings A/c | ...Dr. | | 2,410 | |
| | To Profit & Loss Appropriation A/c | | | | 2,410 |
| | (Being the interest on Drawings transferred to Profit & Loss Appropriation Account) | | | | |

(iii) JOURNAL

| Date | Particulars | | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|---|
| 2024 | | | | | |
| March 31 | **Adjusting Entry** | | | | |
| | Good's Commission A/c | ...Dr. | | 20,000 | |
| | To Good's Capital A/c | | | | 20,000 |
| | (Being the commission credited) | | | | |
| | **Closing Entry** | | | | |
| | Profit & Loss Appropriation A/c | ...Dr. | | 20,000 | |
| | To Good's Commission A/c | | | | 20,000 |
| | (Being the Good's Commission Account closed) | | | | |

(iv) PROFIT & LOSS APPROPRIATION ACCOUNT

*Dr.* *for the year ended 31st March, 2024* *Cr.*

| Particulars | | ₹ | Particulars | | ₹ |
|---|---|---|---|---|---|
| To General Reserve | | 27,240 | By Profit & Loss A/c (Net Profit) | | 2,20,000 |
| To Salary: | | | By Interest on Drawings: | | |
| Good's Capital A/c (₹ 2,400 × 12) | 28,800 | | Good's Capital A/c | 1,040 | |
| Better's Capital A/c (₹ 1,600 × 12) | 19,200 | | Better's Capital A/c | 770 | |
| Best's Capital A/c (₹ 1,800 × 12) | 21,600 | 69,600 | Best's Capital A/c | 600 | 2,410 |
| To Interest on Capital: | | | | | |
| Good's Capital A/c | 10,200 | | | | |
| Better's Capital A/c | 6,600 | | | | |
| Best's Capital A/c | 7,320 | 24,120 | | | |
| To Commission: | | | | | |
| Good's Capital A/c (₹ 2,20,000 × 10/110) | | 20,000 | | | |
| To Good's Capital A/c (Profit) (₹ 81,450 × 3/9) | 27,150 | | | | |
| To Better's Capital A/c (Profit) (₹ 81,450 × 2/9) | 18,100 | | | | |
| To Best's Capital A/c (Profit) (₹ 81,450 × 4/9) | 36,200 | 81,450 | | | |
| | | 2,22,410 | | | 2,22,410 |

(v) JOURNAL

| Date | Particulars | | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|---|
| 2024 | | | | | |
| March 31 | Profit & Loss Appropriation A/c | ...Dr. | | 81,450 | |
| | To Good's Capital A/c | | | | 27,150 |
| | To Better's Capital A/c | | | | 18,100 |
| | To Best's Capital A/c | | | | 36,200 |
| | (Being the transfer of profit) | | | | |

***Or***

1. (i) PROFIT & LOSS APPROPRIATION ACCOUNT

*Dr.* *for the year ended 31st March, 2024* *Cr.*

| Particulars | | ₹ | Particulars | | ₹ |
|---|---|---|---|---|---|
| To Interest on Capital A/cs: | | | By Profit & Loss A/c | 10,00,000 | |
| Shankar (₹ 40,000 + ₹ 10,000) | 50,000 | | *Less:* Interest on Vijay's Loan (WN 1) | 4,500 | 9,95,500 |
| Vijay | 80,000 | 1,30,000 | By Interest on Drawings A/cs: | | |
| To General Reserve A/c (10% of ₹ 9,95,500) | | 99,550 | Shankar (WN 2) | 3,600 | |
| To Shankar's Current A/c (Profit) | 4,63,890 | | Vijay | 3,600 | 7,200 |
| To Vijay's Current A/c (Profit) | 3,09,260 | 7,73,150 | | | |
| | | 10,02,700 | | | 10,02,700 |

(ii)

*Dr.* PARTNERS' CAPITAL ACCOUNTS *Cr.*

| Particulars | Shankar ₹ | Vijay ₹ | Particulars | Shankar ₹ | Vijay ₹ |
|---|---|---|---|---|---|
| To Balance *c/d* | 8,00,000 | 8,00,000 | By Balance *b/d* | 4,00,000 | 8,00,000 |
| | | | By Bank A/c | 4,00,000 | ... |
| | 8,00,000 | 8,00,000 | | 8,00,000 | 8,00,000 |

(iii)

*Dr.* PARTNERS' CURRENT ACCOUNTS *Cr.*

| Particulars | Shankar ₹ | Vijay ₹ | Particulars | Shankar ₹ | Vijay ₹ |
|---|---|---|---|---|---|
| To Drawings A/c | 48,000 | 48,000 | By Balance *b/d* | 1,00,000 | 2,00,000 |
| To Interest on Drawings A/c | 3,600 | 3,600 | By Interest on Capital A/c | 50,000 | 80,000 |
| To Balance *c/d* | 5,62,290 | 5,37,660 | By Profit & Loss Appropriation A/c ((Profit) | 4,63,890 | 3,09,260 |
| | 6,13,890 | 5,89,260 | | 6,13,890 | 5,89,260 |

(iv)

*Dr.* LOAN BY VIJAY ACCOUNT *Cr.*

| Date | Particulars | ₹ | Date | Particulars | ₹ |
|---|---|---|---|---|---|
| 2024 | | | 2024 | | |
| March 31 | To Balance *c/d* | 3,04,500 | Jan. 1 | By Bank A/c | 3,00,000 |
| | | | March 31 | By Interest on Loan by Vijay A/c | 4,500 |
| | | 3,04,500 | | | 3,04,500 |

***Working Notes:***

1. Interest on Loan by Vijay = ₹ 3,00,000 × $\frac{6}{100} \times \frac{3}{12}$ = ₹ 4,500.
2. Interest on Drawings = ₹ 12,000 × 4 × $\frac{7.5^*}{12} \times \frac{12}{100}$ = ₹ 3,600.

*Average Period for Interest on Drawings = $\frac{12+3}{2} = 7.5$ months.

2. JOURNAL

| Date | Particulars | | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|---|
| (i) | Profit & Loss Appropriation A/c | ...Dr. | | 99,550 | |
| | To General Reserve A/c | | | | 99,550 |
| | (Being a part of profit transferred to General Reserve) | | | | |
| (ii) | Profit & Loss Appropriation A/c | ...Dr. | | 7,73,150 | |
| | To Shankar's Current A/c | | | | 4,63,890 |
| | To Vijay's Current A/c | | | | 3,09,260 |
| | (Being profit transferred to Partners' Current A/cs) | | | | |

## Question 10.

**In the Books of Omax Ltd.**

JOURNAL

| Date | Particulars | | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|---|
| 1. | **Bank A/c** | ...Dr. | | **7,00,000** | |
| | To **Equity Shares Application A/c** | | | | **7,00,000** |
| | (Being the application money received for 1,40,000 shares @ ₹ 5 per share including premium) | | | | |
| 2. | Equity Shares Application A/c | ...Dr. | | **7,00,000** | |
| | To **Equity Share Capital A/c** | | | | **3,00,000** |
| | To **Securities Premium A/c** | | | | **2,00,000** |
| | To **Bank A/c** | | | | **80,000** |
| | To **Equity Shares Allotment A/c** | | | | **1,20,000** |
| | (Being the transfer of application money to share capital, securities premium, money refunded for 16,000 rejected shares, balance application money adjusted towards amount due on allotment as shares were allotted on *pro rata* basis) | | | | |
| 3. | **Equity Shares Allotment A/c** | ...Dr. | | **4,00,000** | |
| | To **Equity Share Capital A/c** | | | | **4,00,000** |
| | (Being the allotment money due @ ₹ 4 per share) | | | | |
| 4. | **Bank A/c** (₹ 4,00,000 – ₹ 1,20,000) | ...Dr. | | **2,80,000** | |
| | To **Equity Shares Allotment A/c** | | | | **2,80,000** |
| | (Being the balance amount received on allotment) | | | | |
| 5. | **Equity Shares First and Final Call A/c** | ...Dr. | | **3,00,000** | |
| | To **Equity Share Capital A/c** | | | | **3,00,000** |
| | (Being the first and final call money due @ ₹ 3 per share) | | | | |
| 6. | **Bank A/c** | ...Dr. | | **2,97,000** | |
| | Calls-in-Arrears A/c | ...Dr. | | 3,000 | |
| | To **Equity Shares First and Final Call A/c** | | | | **3,00,000** |
| | (Being the first and final call money received except on **1,000** shares) | | | | |

| | | | | |
|---|---|---|---|---|
| 7. | **Equity Share Capital A/c (1,000 × ₹ 10)** ...Dr. | | **10,000** | |
| | To **Forfeited Shares A/c (1,000 × ₹ 7)** | | | **7,000** |
| | To **Calls-in-Arrears A/c** | | | **3,000** |
| | (Being the shares forfeited on which call money was not received) | | | |
| 8. | **Bank A/c (800 × ₹ 8)** ...Dr. | | **6,400** | |
| | **Forfeited Shares A/c (800 × ₹ 2)** ...Dr. | | **1,600** | |
| | To **Equity Share Capital A/c (800 × ₹ 10)** | | | **8,000** |
| | (Being 800 forfeited shares reissued @ ₹ 8 per share fully paid-up) | | | |
| 9. | **Forfeited Shares A/c** ...Dr. | | **4,000** | |
| | To **Capital Reserve A/c** | | | **4,000** |
| | (Being **the gain on reissue of forfeited shares transferred to Capital Reserve Account**) (WN) | | | |

***Working Note:*** *Calculation of Amount transferred to Capital Reserve:*

$$\text{Amount forfeited on 800 shares} = \frac{₹\ 7{,}000}{1{,}000} \times 800 = ₹\ 5{,}600$$

*Less:* Loss on reissue of forfeited shares = ₹ 1,600

Gain on reissue to be transferred to Capital Reserve = ₹ 4,000

***Or***

(a) JOURNAL OF JYOTI LTD.

| Date | Particulars | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|
| | **On Forfeiture of 600 Shares:** | | | |
| | Share Capital A/c (600 × ₹ 80) ...Dr. | | 48,000 | |
| | Securities Premium A/c (WN) ...Dr. | | 3,000 | |
| | To Calls-in-Arrears A/c | | | 3,000 |
| | To Forfeited Shares A/c (₹ 57,000 – ₹ 6,000 – ₹ 3,000) | | | 48,000 |
| | (Being 600 shares forfeited for non-payment of Allotment money (WN)) | | | |
| | **On Reissue of 100 Shares:** | | | |
| | Bank A/c (100 × ₹ 70) ...Dr. | | 7,000 | |
| | Forfeited Shares A/c (100 × ₹ 10) ...Dr. | | 1,000 | |
| | To Share Capital A/c | | | 8,000 |
| | (Being 100 shares reissued as ₹ 80 paid-up for ₹ 70 per share) | | | |
| | Forfeited Shares A/c [(₹ 48,000 × 100/600) – ₹ 1,000] ...Dr. | | 7,000 | |
| | To Capital Reserve A/c | | | 7,000 |
| | (Being the transfer of gain on reissue to Capital Reserve) | | | |
| | **On Reissue of 100 shares as ₹ 80 paid-up for ₹ 90 per Share:** | | | |
| | Bank A/c (100 × ₹ 90) ...Dr. | | 9,000 | |
| | To Share Capital A/c (100 × ₹ 80) | | | 8,000 |
| | To Securities Premium A/c (100 × ₹ 10) | | | 1,000 |
| | (Being 100 shares reissued as ₹ 80 paid-up for ₹ 90 per share) | | | |
| | Forfeited Shares A/c (₹ 48,000 × 100/600) ...Dr. | | 8,000 | |
| | To Capital Reserve A/c | | | 8,000 |
| | (Being the gain on reissue transferred to Capital Reserve) | | | |

| | | | | |
|---|---|---|---|---|
| | **On reissue of 400 Shares** | | | |
| | Bank A/c (400 × ₹ 90) ...Dr. | | 36,000 | |
| | Forfeited Shares A/c (400 × ₹ 10) ...Dr. | | 4,000 | |
| | To Share Capital A/c | | | 40,000 |
| | (Being 400 shares reissued as fully paid-up for ₹ 90 per share) | | | |
| | Forfeited Shares A/c [(₹ 48,000 × 400/600) – ₹ 4,000] ...Dr. | | 28,000 | |
| | To Capital Reserve A/c | | | 28,000 |
| | (Being the gain on reissue transferred to Capital Reserve) | | | |

***Working Notes:***

| **Calculation of Allotment Money due but not received:** | ₹ |
|---|---|
| Application money received from Raj (1,140 × ₹ 50) | 57,000 |
| *Less:* Application Money adjusted (600 × ₹ 50) | 30,000 |
| Excess Application Money adjusted on Allotment | 27,000 |
| Allotment Mony Due (600 × ₹ 50) [₹ 24,000 Share Capital (600 × ₹ 40) + ₹ 6,000 Securities Premium] | 30,000 |
| *Less:* Excess Application adjusted on allotment | 27,000 |
| Allotment money due but not received towards Securities Premium | 3,000 |

(b)

*Dr.* FORFEITED SHARES ACCOUNT *Cr.*

| Particulars | ₹ | Particulars | ₹ |
|---|---|---|---|
| To Share Capital A/c | 1,000 | By Share Capital A/c | 48,000 |
| To Capital Reserve A/c | 7,000 | | |
| To Capital Reserve A/c | 8,000 | | |
| To Share Capital A/c | 4,000 | | |
| To Capital Reserve A/c | 28,000 | | |
| | 48,000 | | 48,000 |

**Note:** *After reissue of all forfeited shares, there will be no balance in Forfeited Shares Account.*

## SECTION B

**Question 11.**

(i) (d) Issue of Debentures against the purchase of Fixed Asset.

(ii) (c) 1—(iii), 2—(i), 3—(ii).

(iii) Quick Ratio or Liquidity Ratio can be calculated to measure the short-term solvency. Such ratio is not relying upon the realisation of inventory.

$$\textbf{Quick Ratio} = \frac{\text{Quick Assets } (i.e., \text{Current Assets} - \text{Inventory})}{\text{Current Liabilities}}$$

$$= \frac{₹\ 4,764.83 - ₹\ 1,396.54}{₹\ 3,530.69} = \frac{₹\ 3,368.29}{₹\ 3,530.69} = .95 : 1.$$

(iv) (a) Change in Inventories = Opening Inventory (Stock) – Closing Inventory (Stock).

(b) ₹ 1,75,000 (Given) = ₹ 6,00,000 – Closing Inventory

Closing Inventory (Stock) = ₹ 6,00,000 + ₹ 1,75,000 = ₹ 7,75,000.

(v) It will have no impact since it is included in Cash and Cash Equivalents and after deposit it will still be included in Cash and Cash Equivalents.

### Question 12.

COMMON-SIZE INCOME STATEMENT *for the year ended 31st March, 2024 and 2023*

| Particulars | Absolute Amounts | | Percentage of Revenue from Operations | |
|---|---|---|---|---|
| | 31st March, 2024 (₹) | 31st March, 2023 (₹) | 31st March, 2024 (%) | 31st March, 2023 (%) |
| **I.** Revenue from Operations | 10,00,000 | 7,50,000 | 100.00 | 100.00 |
| **II.** Other Income | 25,000 | 25,000 | 2.50 | 3.33 |
| **III. Total Revenue (I + II)** | 10,25,000 | 7,75,000 | 102.50 | 103.33 |
| **IV. Expenses** | | | | |
| Cost of Revenue from Operations | 5,00,000 | 4,50,000 | 50.00 | 60.00 |
| **V. Profit before Tax (III – IV)** | 5,25,000 | 3,25,000 | 52.50 | 43.33 |
| **VI.** *Less:* Income Tax | 2,10,000 | 1,30,000 | 21.00 | 17.33 |
| **VII. Profit after Tax (V – VI)** | 3,15,000 | 1,95,000 | 31.50 | 26.00 |

### Question 13.

**Sunstar Ltd.**

CASH FLOW STATEMENT *for the year ended 31st March, 2024*

| Particulars | ₹ | ₹ |
|---|---|---|
| **A. Cash Flow from Operating Activities** | | |
| Net Profit before Tax (WN 1) | | 3,75,000 |
| *Adjustment for Non-cash and Non-operating Items:* | | |
| Depreciation (WN 4) | 2,00,000 | |
| Loss on Sale of Machinery (WN 3) | 30,000 | |
| Goodwill Amortised | 1,50,000 | |
| Interest on Debentures | 1,25,000 | 5,05,000 |
| Operating Profit before Working Capital Changes | | 8,80,000 |
| *Change in Current Assets and Current Liabilities:* | | |
| Increase in Inventories | (6,25,000) | |
| Increase in Trade Payables | 1,00,000 | (5,25,000) |
| Cash Generated from Operations before tax | | 3,55,000 |
| *Less:* Tax paid | | 50,000 |
| *Cash Flow from Operating Activities* | | 3,05,000 |
| **B. Cash Flow from Investing Activities** | | |
| Purchase of Machinery (WN 3) | | (20,25,000) |
| Proceeds from Sale of Machinery | | 45,000 |
| *Cash Used in Investing Activities* | | (19,80,000) |
| **C. Cash Flow from Financing Activities** | | |
| Proceeds from Issue of Equity Shares | | 10,00,000 |
| Payment of Bank Overdraft | | (25,000) |
| Interest paid on Debentures | | (1,25,000) |
| Proceeds from Issue of Debentures | | 9,00,000 |
| *Cash Flow from Financing Activities* | | 17,50,000 |
| **D. Net Increase in Cash and Cash Equivalents (Cash and Bank) (A + B + C)** | | 75,000 |
| *Add:* Opening Cash and Cash Equivalents (Cash and Bank) | | 2,00,000 |
| **E. Cash and Cash Equivalents (Cash and Bank) at the end of the year** | | 2,75,000 |

***Working Notes:***

1. *Calculation of Net Profit before Tax:*

| | ₹ |
|---|---|
| Closing Balance of Statement of Profit and Loss | 12,50,000 |
| *Less:* Opening Balance of Statement of Profit and Loss | 10,00,000 |
| | 2,50,000 |
| *Add:* Provision for Tax (WN 2) | 1,25,000 |
| **Net Profit before Tax** | 3,75,000 |

2. *Dr.* PROVISION FOR TAX ACCOUNT *Cr.*

| Particulars | ₹ | Particulars | ₹ |
|---|---|---|---|
| To Bank A/c (Tax paid) | 50,000 | By Balance *b/d* | 75,000 |
| To Balance *c/d* | 1,50,000 | By Statement of Profit and Loss (Provision Made) (Balancing Figure) | **1,25,000** |
| | 2,00,000 | | 2,00,000 |

3. *Dr.* PLANT AND MACHINERY ACCOUNT *Cr.*

| Particulars | ₹ | Particulars | ₹ |
|---|---|---|---|
| To Balance *b/d* | 25,00,000 | By Bank A/c (Sale)* | 45,000 |
| To Bank A/c (Purchase)—Balancing Figure | **20,25,000** | By Accumulated Depreciation A/c | 50,000 |
| | | By Loss on Sale of Machinery A/c (Statement of Profit & Loss) | 30,000 |
| | | By Balance *c/d* | 44,00,000 |
| | 45,25,000 | | 45,25,000 |

*Book Value as on date of Sale = Cost – Accumulated Depreciation
= ₹ 1,25,000 – ₹ 50,000 – ₹ 75,000

Loss on Sale of Machinery = 40% of ₹ 75,000 = ₹ 30,000

Sale of Machinery = ₹ 75,000 – ₹ 30,000 = ₹ 45,000.

4. *Dr.* ACCUMULATED DEPRECIATION ACCOUNT *Cr.*

| Particulars | ₹ | Particulars | ₹ |
|---|---|---|---|
| To Plant and Machinery A/c (Transfer) | 50,000 | By Balance *b/d* | 2,50,000 |
| To Balance *c/d* | 4,00,000 | By Depreciation A/c (Balancing Figure) (Statement of Profit & Loss) | **2,00,000** |
| | 4,50,000 | | 4,50,000 |

***Or***

**(a) Calculation of Net Profit before Tax:**

| | ₹ |
|---|---|
| Balance as per Statement of Profit & Loss (Closing) | 5,00,000 |
| *Less:* Opening Balance as per Statement of Profit & Loss | 4,00,000 |
| | 1,00,000 |
| Interim Dividend (₹ 26,000 + ₹ 4,000) | 30,000 |
| Proposed Dividend (2022–23) paid | 50,000 |
| Provision for Tax (Current Year) | 2,00,000 |
| Net Profit before Tax | 3,80,000 |

**(b) Number of Bonus Shares Issued** $= \dfrac{1{,}50{,}000 \text{ Shares}}{4} = 37{,}500$ shares.

**(c) Cash from Operating Activities before Tax:**

| | ₹ |
|---|---|
| Net Profit before Tax (a) | 3,80,000 |
| *Add:* *Non-operating and Non-cash Items:* | |
| Interest on Borrowings | 40,000 |
| | 4,20,000 |
| *Less:* Dividend Received | 10,000 |
| *Operating Profit before Working Capital Changes* | 4,10,000 |
| *Add:* Increase in Trade Payables | 12,500 |
| | 4,22,500 |

**Note:** Securities Premium of ₹ 4,00,000 is utilised towards Bonus shares ₹ 3,75,000 and balance ₹ 25,000 is utilised to write-off Underwriting Commission.

**(d) Cash Flow from Investing Activities:**

| | ₹ |
|---|---|
| Dividend Received | 10,000 |
| Payment for Machinery Purchased [₹ 6,00,000 – ₹ 5,00,000 (Shares)] | (1,00,000) |
| Cash Used in Investing Activities | (90,000) |

**(e) Cash Flow from Financing Activities:**

| | ₹ |
|---|---|
| Interim Dividend Paid | (26,000) |
| Dividend Paid (2021–22) | (50,000) |
| Bank Loan | 1,25,000 |
| Payment of Underwriting Commission | (25,000) |
| Cash Credit | 20,000 |
| Interest paid on Borrowings (₹ 40,000 – ₹ 8,750) | (31,250) |
| Net Cash Flow from Financing Activities | 12,750 |

**Note:**

*Dr.* EQUITY SHARE CAPITAL ACCOUNT *Cr.*

| Particulars | ₹ | Particulars | ₹ |
|---|---|---|---|
| To Balance *c/d* | 23,75,000 | By Balance *b/d* | 15,00,000 |
| | | By Bonus to Shareholders | 3,75,000 |
| | | By Vendor | 5,00,000 |
| | 23,75,000 | | 23,75,000 |

**Note:** Equity Shares have not been issued for Cash.

**(f)** No effect is given to Proposed Dividend of ₹ 80,000 for the Current Year in the Cash Flow Statement as it is not provided for being a contingent liability.

**Question 14.**

(a) $$\text{Working Capital Turnover Ratio} = \frac{\text{Revenue from Operations}}{\text{Working Capital}}$$

$$= \frac{₹\ 24,00,000}{₹\ 6,00,000} = \textbf{4 Times}.$$

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

= ₹ 18,00,000 + ₹ 6,00,000 = ₹ 24,00,000.

Working Capital = Capital Employed – Non-current Assets

= ₹ 16,00,000 + ₹ 10,00,000 = ₹ 6,00,000.

(b) Let Cost of Revenue from Operations = ₹ 100

It means, Gross Profit = 25% of ₹ 100 = ₹ 25

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

= ₹ 100 + ₹ 25 = ₹ 125

$$\text{Cost of Revenue from Operations} = ₹\ 6,00,000 \times \frac{₹\ 100}{₹\ 125} = ₹\ 4,80,000$$

$$\text{Gross Profit} = ₹\ 4,80,000 \times \frac{25}{100} = ₹\ 1,20,000$$

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

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

(c) $$\text{Debt to Total Assets Ratio} = \frac{\text{Debt (Note 1)}}{\text{Total Assets (Note 2)}} = \frac{₹\ 16,00,000}{₹\ 32,00,000} = \textbf{0.5 : 1.}$$

**Notes:**

1. Debt = Long-term Borrowings + Long-term Provisions = ₹ 10,00,000 + ₹ 6,00,000 = ₹ 16,00,000.
2. Total Assets = Non-current Assets + Current Assets
   = ₹ 16,00,000 + ₹ 16,00,000 = ₹ 32,00,000.

(d) Statement showing the effect of various transactions on Current Ratio of 2 : 1.

| Transactions | Effect on Current Ratio | Reason |
|---|---|---|
| 1. | **Improve** | Current Assets are more than Current Liabilities and both the total Current Assets and Current Liabilities are decreased by the same amount. |
| 2. | **Decline** | Both the total Current Assets and Total Current Liabilities are increased by the same amount. |

❑❑❑❑

# Model Test Paper 2

**Time Allowed: 3 Hours** | **Max. Marks: 80**

***General Instructions:***

As per Model Test Paper 1

## SECTION A (60 Marks)

(*Answer **all** questions*)

**Question 1.**

**In sub-parts (i) to (iv) choose the correct options and sub-parts (v) to (x) answer the questions as instructed:**

(i) Manik and Rajesh started business on 1st July, 2023 with capitals of ₹ 2,00,000 and ₹ 1,00,000 respectively. Manik withdrew ₹ 3,600 per quarter in the beginning of every quarter and interest on drawings was calculated ₹ 540 for the year ended 31st March, 2024.

What is the rate of interest on drawings charged?

(a) 6% p.a.
(b) 8% p.a.
(c) 10% p.a.
(d) 12% p.a. **(Application)** [1]

(ii) On the date of admission of Ajay as a partner, Balance Sheet of the firm of Nita and Rita showed balance of ₹ 80,000 in Workmen Compensation Reserve.

Choose the correct option to record the effect of a Workmen Compensation Claim of ₹ 90,000.

(a) Revaluation Account to be credited with ₹ 10,000.
(b) Revaluation Account to be debited with ₹ 10,000.
(c) Capital Accounts of Nita and Rita to be debited with ₹ 90,000.
(d) Capital Accounts of Nita and Rita to be credited with ₹ 90,000.

**(Application)** [1]

(iii) Rachna Ltd. issued 40,000; 10% Debentures of ₹ 100 each at 10% premium to be redeemed at certain rate of premium. At the time of writing off 'Loss on issue of Debentures', Statement of Profit & Loss was debited with ₹ 2,00,000. At what rate of premium, these debentures are redeemed?

(a) 11%.
(b) 10%.
(c) 5%.
(d) 15%. **(Application)** [1]

(iv) Milton Ltd. forfeited 10,000 shares of ₹ 10 each for non-payment of final call of ₹ 3 per share and 7,000 of these shares were reissued @ ₹ 12 per share as fully paid-up. What is the minimum amount that company must collect on reissue of remaining 3,000 shares?

(a) ₹ 21,000.
(b) ₹ 9,000.
(c) ₹ 16,000.
(d) ₹ 30,000. **(Recall)** [1]

(v) **Assertion (A):** If at the time of retirement of a partner, goodwill exists in the books, it is written off among the remaining partners in their new profit-sharing ratio.

**Reason (R):** Goodwill existing in the Balance Sheet at the time of retirement is the purchased goodwill.

*In the context of above two statements, which of the following is correct?*

(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

(b) Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A).

(c) Assertion (A) is true but Reason (R) is false.

(d) Assertion (A) is false but Reason (R) is true. **(Evaluation)** [1]

(vi) Naresh, David and Aslam are partners sharing profits in the ratio of 5 : 3 : 7. On 1st April, 2024, Naresh gave notice to retire from the firm. David and Aslam decided to share future profits in the ratio of 2 : 3. Adjusted capital accounts of David and Aslam show a balance of ₹ 33,000 and ₹ 70,500 respectively. Total amount to be paid to Naresh is ₹ 90,500. This amount is to be paid by David and Aslam in such a manner that their capitals become proportionate to their new profit-sharing ratio.

**State the amount to be brought or to be paid to partners.**

**(Application)** [1]

(vii) At the time of dissolution of partnership, its Balance Sheet showed Investment of ₹ 17,000. Ashok, one of the partners, takes certain investment at ₹ 7,200 (being book value *less* 10%).

Sanjay, another partner, takes the remaining investment at 90% of book value *less* ₹ 100 allowance.

**Calculate the value of Investment at which it is taken by 'Sanjay'.**

**(Application)** [1]

(viii) How 'Debenture Redemption Reserve' is shown in the company's Balance Sheet?

**(Recall)** [1]

(ix) On 1st April, 2024, Fiza Ltd. issued 9% Debentures of ₹ 100 each amounting to ₹ 3,00,000 at a discount of 6% redeemable at a premium of 4%. It has a balance in Securities Premium Account of ₹ 13,000.

The debentures are to be redeemed equally over five instalments.

**You are required to prepare Loss on Issue of Debentures Account.**

**(Application)** [1]

(x) "Companies to invest in Securities specified in the Companies Act, 2013 read with rules before debentures are redeemed." (**Source:** *The Economic Times*)

**How will it affect redemption of debentures?** **(Application)** [1]

**Question 2.**

Parth, Harish and Garv were partners sharing profits in the ratio of 4 : 3 : 2. Harish died on 31st March, 2022. Amount payable to Harish's Executor on the date of death was determined as ₹ 3,30,000 without considering the following:

Unrecorded asset (Furniture) taken by Harish earlier ₹ 50,000.

Unrecorded liabilities undertaken to be paid by the executors of Harish ₹ 5,000.

**(i) What is the correct amount due to Harish's executors?**

**(ii) Prepare Harish's Executors Account till final settlement if he was paid ₹ 60,000 on 31st March, 2022 and balance was to be paid in two equal annual instalments starting from 31st March, 2023 together with interest as specified in Section 37 of the Indian Partnership Act. (Application)**

***Or***

Deepak, Gagan and Saurav are partners in a firm sharing profits and losses equally. On 31st March, 2021, Gagan retired. On that date, the capital of Gagan before adjustments was ₹ 1,00,000.

On Gagan's retirement, goodwill of the firm was valued at ₹ 1,14,000. Revaluation of assets and re-assessment of liabilities resulted in a gain (profit) of ₹ 6,000. General Reserve in the books of the firm was ₹ 30,000.

The amount payable to Gagan was transferred to his Loan Account. They agreed to pay Gagan two yearly instalments of ₹ 75,000 each including interest @ 10% p.a. on the outstanding balance during the first two years and the balance including interest in the third year.

**You are required to:**

**(i) Calculate the amount payable to Gagan.**

**(ii) Prepare Gagan's Loan Account till it is paid showing the working notes.**

**(Application)** [3]

**Question 3.**

On 1st April, 2023, Phoenix Ltd. took over the business of Venus Ltd. having assets of ₹ 25,00,000 and liabilities of ₹ 4,25,000 by:

(i) Issuing 20,000, 9% Debentures of ₹ 100 each at 5% premium redeemable at 10% premium after 4 years, and

(ii) Cheque for ₹ 1,25,000.

**You are required to pass the Journal entries (including writing off Capital Loss) in the books of Phoenix Ltd. (Application)**

***Or***

Youth Ltd. took loan of ₹ 15,00,000 from State Bank of India against the security of tangible assets. In addition to principal security, it issued 10,000, 11% Debentures of ₹ 100 each as collateral security.

**You are required to:**

**(i) Pass Journal entries for the above transactions, if the company decided to record the issue of 11% Debentures as collateral security, and**

**(ii) Show the presentation in the Balance Sheet of Youth Ltd.**

**(Application)** [3]

**Question 4.**

Tulip Finance Ltd. (a listed NBFC) redeemed its 6,000, 9% Debentures of ₹ 100 each at a premium of 5% in instalments as follows:

| *Date of Redemption* | *Debentures to be redeemed* |
|---|---|
| 31st March, 2022 | 3,000 |
| 31st March, 2023 | 1,500 |
| 31st March, 2024 | 1,500 |

**You are required to prepare for the year 2023–24:**

**(i) General Reserve Account.**

**(ii) Debentureholders' Account (Ignore Interest on Debentures).**

**(Application)** [3]

**Question 5.**

Alok and Neeraj are partners sharing profits and losses in the ratio of 3 : 2 on 1st April, 2024. They admitted Shyam as a partner for 1/5 share in profit on the following terms:

Goodwill of the firm to be valued on the basis of two years' purchase of average profit of the last four years.

Profits for the past four years of the firm of Alok and Neeraj are as follows:

| Year | Profits (₹) | Adjustment to be Made |
|---|---|---|
| 2020–21 | 1,42,500 | Two items were Ignored and to be accounted are:<br>Outstanding Expenses ₹ 7,500<br>Commission Earned ₹ 5,000 |
| 2021–22 | 1,85,000 | ... |
| 2022–23 | 2,30,000 | After including Lottery Income of ₹ 7,500. |
| 2023–24 | 2,90,000 | Personal Insurance Premium ₹ 45,000 paid for partner (Alok) wrongly debited to Firm's Account. |

**You are required to:**

**(i) Find the value of Goodwill of the firm.**

**(ii) Pass Journal entries for the treatment of goodwill on Shyam's admission into firm for 1/5 share of profit, assuming that he brings 50% of his share of goodwill and goodwill appears in the books at ₹ 50,000.**

**(Application)** [3]

**Question 6.**

Star & Sky Ltd. is a company with an authorised capital of ₹ 20,00,000 in Equity Shares of ₹ 10 each. It offered to public for subscription 1,00,000 shares at a premium of ₹ 1. Applications were received for 90,000 shares. The amount was payable as follows: on application ₹ 3 per share, ₹ 6 on allotment (including ₹ 1 premium) and balance on first & final call.

All the calls were made and amounts were received except allotment and call money on 5,000 shares held by Raman and call money on 4,000 shares held by Rahul.

Raman's shares were forfeited and out of these 60% shares were reissued for ₹ 12 per share as fully paid-up.

- *Company's books show:*

| | |
|---|---|
| General Reserve (1st April, 2023) | ₹ 90,000 |
| Surplus in Statement of Profit & Loss (1st April, 2023) | ₹ 25,000 |

- Profit for the year 2023–24 ₹ 1,06,400
- Directors decide to transfer 10% of the profit to General Reserve.

**As per Schedule III of the Companies Act, 2013, you are required to:**

**(i) Show how Share Capital will be shown in Balance Sheet of the Company. Also prepare 'Notes to Accounts' for the same.**

**(ii) Show the Reserves and Surplus in the Notes to Accounts. (Application)** [6]

**Question 7.**

Usha and Asha are partners in a firm sharing profits in the ratio of 3 : 2. Their Balance Sheet as at 31st March, 2024 was as follows:

BALANCE SHEET OF USHA AND ASHA

*as at 31st March, 2024*

| Liabilities | | ₹ | Assets | | ₹ |
|---|---|---|---|---|---|
| Creditors | | 32,000 | Cash at Bank | | 44,400 |
| General Reserve | | 18,000 | Debtors | 48,000 | |
| Capital A/cs: | | | *Less:* Provision for Doubtful Debts | 4,800 | 43,200 |
| Usha | 40,000 | | Stock | | 30,000 |
| Asha | 35,000 | 75,000 | Patents | | 7,400 |
| | | 1,25,000 | | | 1,25,000 |

Neelam is admitted into partnership for 1/5 share in the profits. Neelam is to bring ₹ 30,000 as her Capital and her share of Goodwill in cash subject to the following terms:

(i) Goodwill of the firm is valued at ₹ 50,000.

(ii) Stock to be reduced by 10% and Provision for Doubtful Debts be reduced by ₹ 2,400.

(iii) Patents are of nil value.

(iv) There was a claim against the firm for damages of ₹ 2,000. The claim has now been accepted.

(v) The partners have decided that General Reserve will continue in the books of new firm at its original value.

**You are required to pass the necessary Journal entries to give effect to the above arrangement. (Application)**

***Or***

Anil and Beena are partners in a firm with capital of ₹ 1,75,000 each. They shared profits in the ratio of 3 : 2. On 1st April, 2024, they admit Chahat as a new partner for 1/5 share in the profits of the firm. The new profit-sharing ratio will be 2 : 2 : 1. She brings ₹ 2,00,000 as her share of capital. Goodwill of the firm is based on Chahat's share in the profits and the capital contributed by her. At the time of Chahat's admission:

(i) The firm had a General Reserve of ₹ 3,00,000 out of which 1/3rd is to be transferred to Investments Fluctuation Reserve.

(ii) The firm had a Workmen Compensation Reserve of ₹ 30,000, a Claim of ₹ 10,000 to be adjusted against it. The balance of the reserve is not to be distributed.

(iii) Creditors of ₹ 40,000 are paid by Anil for which he is not to be reimbursed.

(iv) There is no change in the value of other assets and liabilities.

**You are required to pass necessary Journal entries at the time of Chahat's admission.** **(Application)** [6]

**Question 8.**

Sahil and Vikas were partners in a firm sharing profits and losses in the ratio of 3 : 2. They dissolved the firm on 31st March, 2024, when their Balance Sheet showed the following:

| Particulars | ₹ |
|---|---|
| Sahil's Capital | 1,00,000 |
| Vikas's Capital | 87,500 |
| Sahil's Current A/c | 7,500 (Dr.) |
| General Reserve | 55,000 |
| Loan by Sahil | 30,000 |

On the date of dissolution of the firm:

(a) The expenses of dissolution ₹ 5,000 were paid by Vikas on behalf of the firm.

(b) Sahil agreed to pay his wife's loan of ₹ 12,500 which she had given to the firm.

(c) Firm had an unrecorded asset valued at ₹ 5,000 which was accepted by unrecorded liability of ₹ 7,000, in full settlement of their claim.

(d) The dissolution realised a profit of ₹ 60,000 from the realisation of assets and settlement of liabilities.

**You are required to pass Journal entries to close the books of the firm (including the entries to show the final settlement of the amount due from the partners/due to the partners by the firm).** **(Application)** [6]

**Question 9.**

**(A)** Chetna, Disha and Palak are in partnership with capitals of ₹ 1,20,000 (Credit), ₹ 1,00,000 (Credit) and ₹ 8,000 (Debit) respectively as on 1st April, 2023. The Partnership Deed provides for the following:

(a) Partners are to be allowed interest on capital @ 5% p.a. and are to be charged interest on drawings (except salary) @ 6% p.a.

(b) Palak is entitled to salary of ₹ 8,000.

(c) Chetna is entitled to commission of 5% of the correct net profit of the firm.

(d) Disha is entitled to commission of 5% of the correct net profit after charging such commission.

(e) During the year, Chetna withdrew certain fixed amount at the beginning of every month. She was charged an interest of ₹ 390 at the end of the year, at the rate mentioned in the deed.

(f) Disha withdrew certain fixed amount at the end of every month, she was charged interest of ₹ 330 at the end of the year, at the rate mentioned in the deed.

(g) Palak withdrew only her salary.

Net Profit of the firm for the financial year 2023–24 was ₹ 1,05,000.

**You are required to:**

**(i) Calculate the drawings made by Chetna every month.** [1]

**(ii) Calculate the drawings made by Disha every month.** [1]

**(iii) Give Adjusting and Closing Entries of Interest on Drawings.** [2]

**(iv) Prepare Profit & Loss Appropriation Account for the year 2023–24.** [4]

**(Application)**

**(B)** Ayesha and Garima are partners sharing profits and losses in the ratio of 3 : 2 having capitals of ₹ 9,00,000 and ₹ 7,00,000 respectively.

As per Partnership Deed, interest on capital is to be provided @ 10% per annum.

During the year ended 31st March, 2024, the firm earned net profit of ₹ 1,44,000.

**You are required to calculate the interest on capital allowed to the partners in the year 2023–24.** **(Application)** [2]

***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 capitals @ 5% p.a.

(ii) Interest on drawings @ 12% p.a.

(iii) Interest on partners' loan @ 6% p.a.

(iv) Moli was allowed annual salary of ₹ 4,000; Bhola was allowed commission of 10% of net profit and Raj was guaranteed 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, 2023, Bhola gave loan of ₹ 1,00,000 to the firm.

Profit of the firm for the year ended 31st March, 2024 before interest on Bhola's loan was ₹ 3,06,000.

**You are required to:**

**(a) Prepare Profit & Loss Appropriation Account for the year ended 31st March, 2024.** **(Application)** [5]

**(b) Prepare Partners' Current Accounts if 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.** **(Application)** [3]

**(c) Give *adjusting entry* and *closing entry* for Drawings by Raj.** [2] **(Application)**

**Question 10.**

Tushar Ltd. invited applications for issuing 20,000 equity shares of ₹ 10 each at a premium of 20%.

The amount was payable as follows:

| | | |
|---|---|---|
| On Application | — | ₹ 5 per share |
| On Allotment | — | ₹ 4 per share (including premium) |
| On Call | — | Balance. |

Applications were received for 35,000 shares, out of which applications for 5,000 shares were rejected and remaining applicants were allotted shares on *pro rata* basis.

Simba an applicant of 1,500 shares did not pay allotment and call money. His shares were forfeited. At different intervals of time, out of these, 600 shares were reissued at a discount of ₹ 2 per share as fully paid-up and 400 shares as ₹ 8 paid-up for ₹ 9 per share.

**You are required to pass Journal entries in the books of the company to record the above transactions.** **(Application)** [10]

***Or***

**(A)** Following is an extract from the Journal of Bruno Ltd. You are required to complete the Journal entries filling-up the information represented by '?' which is missing from these Journal entries.

JOURNAL OF BRUNO LTD.

| Date | Particulars | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|
| | Share Capital A/c ...Dr. | | ? | |
| | Securities Premium A/c ...Dr. | | ? | |
| | To Share Forfeiture A/c | | | ? |
| | To Calls-in-Arrears A/c | | | ? |
| | (Being the forfeiture of 2,500 shares allotted to Vinay who had applied for 5,000 shares for non-payment of allotment and first call) | | | |
| | Bank A/c ...Dr. | | ? | |
| | Share Forfeiture A/c ...Dr. | | ? | |
| | To Share Capital A/c | | | ? |
| | (Being .?. forfeited shares reissued @ ₹ 7 per share as ₹ 9 paid) | | | |
| | Share Forfeiture A/c ...Dr. | | 6,000 | |
| | To Capital Reserve A/c | | | 6,000 |
| | (Being the gain on reissued shares transferred to Capital Reserve) | | | |

*Additional Information:*

Bruno Ltd. issued 50,000 Equity Shares of ₹ 10 each at 50% premium, payable:

On Application — ₹ 5 per share

On Allotment — ₹ 6 (including premium) per share

On first Call — ₹ 3 per share

Final call was not made.

**You are required to complete:**

**(a) The Journal entry for forfeiture of shares.** **(Understanding)**

**(b) The Journal entry for reissue of shares, showing the number of shares reissued by the company.** **(Application)** [8]

**(B)** Pushkar Ltd. invited applications for 40,000 shares of ₹ 10 each at a premium of 10% payable as follows:

On Application — ₹ 2 (1st January),

On Allotment — ₹ 4 (including premium) (1st April),

On First Call — ₹ 3 (1st June),

On Second & Final Call — ₹ 2 (1st August).

Applications were received for 36,000 shares and directors made allotment. One shareholder to whom 800 shares were allotted paid the total balance on his shares with allotment and another shareholder did not pay allotment and 1st call money on his 1,200 shares but which he paid with final call.

**You are required to calculate the amount of interest paid and received on Calls-in-Advance and Calls-in-Arrears as per Table F of the Companies Act, 2013 on 1st August and also pass adjusting entry in both the cases.** **(Application)** [2]

## SECTION B (20 Marks)

**Question 11.**

**In sub-parts (i) and (ii) choose the correct options and in sub-parts (iii) to (v) answer the questions as instructed:**

(i) Following information is taken from the Statement of Profit & Loss of ITC Ltd. for the year ended 31st March, 2024:

| Particulars | 31st March, 2024 (₹) | 31st March, 2023 (₹) |
|---|---|---|
| Earning per Equity Share (Face Value of ₹ 1.00 each) | 16.39 | 15.15 |

(**Source:** *ITC Ltd. Report and Accounts 2024*)

**Which of the following statement is not correct about Earning Per Share (EPS):**

(a) EPS measures the earning available to an equity shareholder on per share basis.

(b) Earning per Share (EPS) = $\dfrac{\text{Market Value of an Equity Share}}{\text{Price Earning Ratio}}$.

(c) EPS helps in evaluating the prevailing market price of share in the light of profit earning capacity.

(d) The more is the EPS, better is the performance and prospects of the company.

**(Application)** [1]

(ii) An extract of the Balance Sheet of Nova Ltd. shows:

| Particulars | 31st March, 2024 (₹) | 31st March, 2023 (₹) |
|---|---|---|
| Share Capital (Equity Shares @ ₹ 10 each) | 8,00,000 | 5,00,000 |
| Securities Premium | 70,000 | 1,70,000 |

During the year 2023–24, the company issued bonus shares at the beginning of the year in the ratio of 1 : 5 (one bonus share was issued for every five equity shares). The balance shares were issued for cash to the public.

**How many shares were issued for cash by the company?**

(a) 10,000 shares (b) 20,000 shares

(c) 15,000 shares (d) 30,000 shares **(Application)** [1]

(iii) Following information is obtained from Standalone Balance Sheet of ITC Ltd. as at 31st March, 2024:

| | | | (₹ in Crore) |
|---|---|---|---|
| (a) | • Equity Share Capital | 1,248.47 | |
| | • Other Equity (Reserves and Surplus) | 70,984.83 | 72,233.30 |
| (b) | Non-current Assets | | 51,256.93 |
| (c) | Current Assets | | 36,070.67 |

(**Source:** *Annual Report of ITC Ltd.*)

**You are required to calculate Proprietary Ratio of the company and comment on it.** **(Analysis)** [1]

(iv) The books of accounts of Daffodil Ltd. showed:

- Change in inventories of Stock-in-Trade (₹ 1,40,000).
- Opening Inventory of Stock-in-Trade ₹ 2,80,000.

**(a) You are required to give the formula used by the company to calculate change in inventories.** **(Recall)**

**(b) You have been provided with one component for calculating the change in inventories. Calculate the other component.** **(Analysis)** [1]

(v) "Schedule II of the Companies Act, 2013 changed bringing change in depreciation rates."

(**Source:** *Schedule II and the Companies Act, 2013.*)

*ABC* Ltd. charged depreciation at new rates.

**What will be the effect of it on its Cash Flow Statement?** [1]

**Question 12.**

Following is the Comparative Income Statement of Violet Ltd. for the years ending 31st March, 2024 and 31st March, 2023:

COMPARATIVE INCOME STATEMENT OF VIOLET LTD. *for the years ended 31st March, 2024 and 2023*

| Particulars | Note No. | 31st March, 2024 ₹ | 31st March, 2023 ₹ | Absolute Change (Increase/Decrease) ₹ | Percentage Change (Increase/Decrease) % |
|---|---|---|---|---|---|
| | | A | B | C = A – B | D = C/B × 100 |
| **I.** Revenue from Operations | | ?? | 7,098 | 364 | ?? |
| **II.** Expenses | | 8,998 | 7,931 | ?? | ?? |
| **III.** Net Profit | | ?? | (833) | (703) | ?? |

**You are required to present the Comparative Income Statement in its complete form after calculating the missing information represented by "??".**

**(Understanding)** [3]

**Question 13.**

**From the following Balance Sheets of Kinderjoy Ltd., you are required to prepare a Cash Flow Statement (as per AS–3) for the year 2023–24:**

**Kinderjoy Ltd.**
BALANCE SHEET *as at 31st March, 2024 and 31st March, 2023*

| Particulars | Note No. | 31st March, 2024 (₹) | 31st March, 2023 (₹) |
|---|---|---|---|
| **I. EQUITY AND LIABILITIES** | | | |
| **1. Shareholders' Funds** | | | |
| (a) Share Capital (Equity Shares @ ₹ 100 each) | | 14,00,000 | 10,00,000 |
| (b) Reserves and Surplus (Statement of Profit & Loss) | | 5,00,000 | 4,00,000 |
| **2. Non-Current Liabilities** | | | |
| Long-term Borrowings (10% Debentures) | | 5,00,000 | 1,40,000 |
| **3. Current Liabilities** | | | |
| (a) Trade Payables | | 1,00,000 | 60,000 |
| (b) Short-term Provisions (Provision for Tax) | | 80,000 | 60,000 |
| (c) Other Current Liabilities: Unclaimed Dividend | | 5,000 | ... |
| **Total** | | 25,85,000 | 16,60,000 |
| **II. ASSETS** | | | |
| **1. Non-Current Assets** | | | |
| *Property, Plant and Equipment and Intangible Assets:* | | | |
| (i) Property, Plant and Equipment | 1 | 16,00,000 | 9,00,000 |
| (ii) Intangible Assets (Goodwill) | | 1,40,000 | 2,00,000 |
| **2. Current Assets** | | | |
| (i) Current Investments | | 45,000 | 60,000 |
| (ii) Cash and Bank Balances (Cash at Bank) | | 8,00,000 | 5,00,000 |
| **Total** | | 25,85,000 | 16,60,000 |

**Note to Accounts**

| Particulars | 31st March, 2024 (₹) | 31st March, 2023 (₹) |
|---|---|---|
| **1. Property, Plant and Equipment** | | |
| Machinery | 17,60,000 | 10,00,000 |
| *Less:* Accumulated Depreciation | (1,60,000) | (1,00,000) |
| | 16,00,000 | 9,00,000 |

*Additional Information*:

(i) Tax paid during the year was ₹ 70,000.

(ii) During the year, a machine costing ₹ 1,40,000 (depreciation provided thereon ₹ 60,000) was sold at a loss of ₹ 30,000.

(iii) New Debentures have been issued on 1st July, 2023.

(iv) Proposed Dividend for the year ended 31st March, 2023 and 2024 were ₹ 20,000 and ₹ 30,000 respectively. **(Application)** [6]

***Or***

**Read the following information of Zee Ltd. and answer the questions that follow:**

| Particulars | 31st March, 2024 (₹) | 31st March, 2023 (₹) |
|---|---|---|
| Building | 1,90,000 | 2,00,000 |
| Machinery | 1,69,000 | 1,50,000 |
| Inventories | 74,000 | 1,00,000 |
| Trade Receivables | 64,200 | 80,000 |
| Goodwill | 5,000 | — |
| Cash and Bank Balance | 8,600 | 500 |
| Share Capital | 2,50,000 | 2,00,000 |
| General Reserve | 60,000 | 50,000 |
| Balance in Statement of Profit & Loss | 30,600 | 30,500 |
| Bank Loan (Term Loan) | — | 70,000 |
| Trade Payables | 1,35,200 | 1,50,000 |
| Provision for Tax | 35,000 | 30,000 |

*Additional Information:*

During the year ended 31st March, 2024:

(i) Interim dividend paid during the year amounted to ₹ 23,000.

(ii) Assets of another company were purchased for a consideration of ₹ 50,000 payable in shares. Following assets were purchased:
Inventory (Stock)—₹ 20,000; Machinery—₹ 25,000; Goodwill—₹ 5,000.

(iii) Machinery was purchased for ₹ 8,000.

(iv) Depreciation on machinery—₹ 12,000; and loss on sale of machinery ₹ 200.

(v) Income Tax provided during the year ₹ 33,000.

**(a) What is the company's Net Profit before Tax?** [1]

**(b) What amount of tax is paid by the company during the year?** [1]

**(c) State the amount of Operating Profit before Working Capital Change.** [1]

**(d) State the amount of Net Cash Flow from Operating Activities.** [1]

**(e) What is the Net Cash Flow from or Used in Investing Activities?** [1]

**(f) What is the Net Cash Flow from or Used in Financing Activities?** [1]

**Question 14.**

**Answer *any three* of the following questions:**

**(i) Calculate the Net Profit Ratio (up to two decimal places) from the following information:**

| Particulars | ₹ |
|---|---|
| Gross Profit | 80,000 |
| Salary and Rent | 30,000 |
| Interest on Debentures | 5,000 |
| Gain on Sale of Furniture | 2,000 |
| Revenue from Operations | 4,00,000 |

**(Application)**

**(ii) Calculate the Gross Profit Ratio (up to two decimal places) from the following information:**

| Particulars | ₹ |
|---|---|
| Opening Inventory | 80,000 |
| Closing Inventory | 1,00,000 |
| Revenue from Operations | 9,00,000 |
| Inventory Turnover Ratio | 8 Times |

**(Application)**

**(iii) Calculate Price Earnings Ratio from the following information:**

| | ₹ |
|---|---|
| Net Profit after Interest and Tax | 2,40,000 |
| 15% Preference Share Capital | 1,00,000 |
| Equity Share Capital (Face value ₹ 10 per share) | 5,00,000 |

**Note:** Market Value of an equity share is ₹ 40. **(Application)**

**(iv)** Net Profit Ratio 10%; Cost of Revenue from Operations ₹ 20,00,000; Gross Profit 25% above cost; 9% Debentures ₹ 18,00,000; Capital Employed ₹ 32,00,000.

**You are required to calculate Return on Investment (ROI).** [6]

**(Application)**

## ANSWERS

**Question 1.**

(i) (c) 10%

***Working Note:***

$$\text{Average Period} = \frac{\text{Time Left after First Drawing} + \text{Time Left after Last Drawing}}{2}$$

$$= \frac{9+3}{2} = 6 \text{ Months}$$

$$\text{Interest on Drawings} = \text{Total Drawings} \times \frac{\text{Rate of Interest}}{100} \times \text{Period}$$

Let the Rate of Interest $= x$

$$₹\,540 = ₹\,10{,}800 \times \frac{x}{100} \times \frac{6}{12}$$

$$₹\,540 = ₹\,54x$$

$$x = \frac{₹\,540}{₹\,54} = 10\%.$$

(ii) (b) The Revaluation Account to be debited with ₹ 10,000.

(iii) (d) 15%.

***Working Note:***

| | | ₹ |
|---|---|---|
| Securities Premium on Issue of debentures used for writing off Loss on Issue of Debentures (40,000 × ₹ 10) | = | 4,00,000 |
| Loss on Issue of Debentures written off from Statement of Profit & Loss | = | 2,00,000 |
| Total loss on Issue of Debentures or Premium on Redemption of Debentures | = | 6,00,000 |

**Rate or % of Premium on Redemption** $= \frac{₹\,6{,}00{,}000}{40{,}000} = ₹\,15$ *or* 15%.

(iv) (b) ₹ 9,000.

**Note:** Reissue price cannot be *less* than the amount unpaid on forfeited shares, therefore, 3,000 × ₹ 3 = ₹ 9,000.

(v) (d) Assertion (A) is false but Reason (R) is true.

(vi) Total capital of new firm = Adjusted capital of all partners

= ₹ 33,000 + ₹ 70,500 + ₹ 90,500 = ₹ 1,94,000.

CALCULATION OF AMOUNT TO BE PAID OR BROUGHT

| Particulars | David (₹) | Aslam (₹) |
|---|---|---|
| (a) New Capital (₹ 1,94,000 in the ratio of 2 : 3) | 77,600 | 1,16,400 |
| (b) Adjusted Old Capital | 33,000 | 70,500 |
| (c) Amount to be brought (a – b) | 44,600 | 45,900 |

(vii) Book Value of Investment taken by Ashok $= ₹\,7{,}200 \times \frac{100}{90} = ₹\,8{,}000$

Remaining Investment = ₹ 17,000 – ₹ 8,000 = ₹ 9,000

Book Value of Investment taken by Sanjay = 90% of ₹ 9,000 = ₹ 8,100

Agreed value of Investment taken by Sanjay = ₹ 8,100 – ₹ 100 = ₹ 8,000.

(viii) Debenture Redemption Reserve is shown under the head **'Shareholders' Funds'** and sub-head **'Reserves and Surplus'** in the Balance Sheet.

(ix)

*Dr.* LOSS ON ISSUE OF DEBENTURES ACCOUNT *Cr.*

| Date | Particulars | ₹ | Date | Particulars | ₹ |
|---|---|---|---|---|---|
| 2024 | | | 2025 | | |
| April 1 | To 9% Debentures A/c (6% of ₹ 3,00,000) | 18,000 | March 31 | By Securities Premium A/c | 13,000 |
| | To Premium on Redemption of Debentures A/c (4% of ₹ 3,00,000) | 12,000 | March 31 | By Statement of Profit & Loss | 17,000 |
| | | 30,000 | | | 30,000 |

(x) The investment in specified securities is realised on redemption of debentures. Hence, company will have to ensure bank balance (85%) is available before their redemption.

**Question 2.**

(i)

| | |
|---|---|
| Unrecorded assets (Furniture) taken over by Harish | ₹ 50,000 |
| *Less:* Unrecorded liabilities assumed by executors of Harish | ₹ 5,000 |
| | ₹ 45,000 |
| *Less:* Harish's share of unrecorded assets and liabilities (₹ 45,000 × 3/9) | ₹ 15,000 |
| Net amount to be deducted from the amount due to Harish | ₹ 30,000 |

Therefore, amount due to Harish's Executors = ₹ 3,30,000 – ₹ 30,000 = ₹ 3,00,000.

(ii)

*Dr.* HARISH'S EXECUTOR'S ACCOUNT *Cr.*

| Date | Particulars | ₹ | Date | Particulars | ₹ |
|---|---|---|---|---|---|
| 2022 | | | 2022 | | |
| March 31 | To Bank A/c | 60,000 | March 31 | By Harish's Capital A/c | 3,00,000 |
| March 31 | To Balance *c/d* | 2,40,000 | | | |
| | | 3,00,000 | | | 3,00,000 |
| 2023 | | | 2022 | | |
| March 31 | To Bank A/c (₹ 1,20,000 + ₹ 14,400) | 1,34,400 | April 1 | By Balance *b/d* | 2,40,000 |
| | | | 2023 | | |
| March 31 | To Balance *c/d* | 1,20,000 | March 31 | By Interest A/c (₹ 2,40,000 × 6/100) | 14,400 |
| | | 2,54,400 | | | 2,54,400 |
| 2024 | | | 2023 | | |
| March 31 | To Bank A/c (₹ 1,20,000 + ₹ 7,200) | 1,27,200 | April 1 | By Balance *b/d* | 1,20,000 |
| | | | 2024 | | |
| | | | March 31 | By Interest A/c (₹ 1,20,000 × 6/100) | 7,200 |
| | | 1,27,200 | | | 1,27,200 |

**Note:** Under Section 37(1) of Indian Partnership Act, 1932, if the amount due to a deceased partner is not settled and the business is carried on, the legal representative of a deceased partner at his option is entitled to receive *either* interest @ 6% p.a. till the amount is paid or share of the profit which has been earned by using the amount due to him.

***Or***

(*i*) *Calculation of amount payable to Gagan, which is transferred to his Loan Account:*

| | ₹ |
|---|---|
| Capital Balance | 1,00,000 |
| Share in Profit on Revaluation (₹ 6,000 × 1/3) | 2,000 |
| Share in Firm's Goodwill (₹ 1,14,000 × 1/3) | 38,000 |
| Share in General Reserve (₹ 30,000 × 1/3) | 10,000 |
| Amount transferred to Gagan's Loan Account | 1,50,000 |

(*ii*) *Dr.* GAGAN'S LOAN ACCOUNT *Cr.*

| Date | Particulars | ₹ | Date | Particulars | ₹ |
|---|---|---|---|---|---|
| 2021 | | | 2021 | | |
| March 31 | To Balance *c/d* | 1,50,000 | March 31 | By Gagan's Capital A/c | 1,50,000 |
| 2022 | | | 2021 | | |
| March 31 | To Bank A/c (₹ 60,000 + ₹ 15,000) | 75,000 | April 1 | By Balance *b/d* | 1,50,000 |
| March 31 | To Balance *c/d* | 90,000 | 2022 | | |
| | | | March 31 | By Interest A/c (₹ 1,50,000 × 10/100) | 15,000 |
| | | 1,65,000 | | | 1,65,000 |
| 2023 | | | 2022 | | |
| March 31 | To Bank A/c (₹ 66,000 + ₹ 9,000) | 75,000 | April 1 | By Balance *b/d* | 90,000 |
| March 31 | To Balance *c/d* | 24,000 | 2023 | | |
| | | | March 31 | By Interest A/c (₹ 90,000 × 10/100) | 9,000 |
| | | 99,000 | | | 99,000 |
| 2024 | | | 2023 | | |
| March 31 | To Bank A/c (₹ 24,000 + ₹ 2,400) | 26,400 | April 1 | By Balance *b/d* | 24,000 |
| | | | 2024 | | |
| | | | March 31 | By Interest A/c (₹ 24,000 × 10/100) | 2,400 |
| | | 26,400 | | | 26,400 |

**Question 3**

JOURNAL OF PHOENIX LTD.

| Date | Particulars | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|
| 2023 | | | | |
| April 1 | Sundry Assets A/c ...Dr. | | 25,00,000 | |
| | **Goodwill A/c (Balancing Figure)** ...Dr. | | **1,50,000** | |
| | To Sundry Liabilities A/c | | | 4,25,000 |
| | To Venus Ltd. (WN) | | | 22,25,000 |
| | (Being the Assets and liabilities taken over from Venus Ltd.) | | | |
| | Venus Ltd. ...Dr. | | 22,25,000 | |
| | Loss on Issue of Debentures A/c (20,000 × ₹ 10) ...Dr. | | 2,00,000 | |
| | To 9% Debentures A/c | | | 20,00,000 |
| | To Securities Premium A/c (20,000 × ₹ 5) | | | 1,00,000 |
| | To Premium on Redemption of Debentures A/c (20,000 × ₹ 10) | | | 2,00,000 |
| | To Bank A/c | | | 1,25,000 |
| | (Being the purchase consideration discharged by issue of 9% Debentures and cheque) | | | |
| 2024 | | | | |
| March 31 | Securities Premium A/c ...Dr. | | 1,00,000 | |
| | Statement of Profit & Loss (₹ 2,00,000 – ₹ 1,00,000) ...Dr. | | 1,00,000 | |
| | To Loss on Issue of Debentures A/c | | | 2,00,000 |
| | (Being the loss on issue of debentures written off) | | | |

***Working Note:***

*Calculation of Purchase Consideration:*

| | | ₹ |
|---|---|---|
| Debentures Issued (20,000 × ₹ 105) | = | 21,00,000 |
| Payment by Cheque | = | 1,25,000 |
| Purchase Consideration | = | 22,25,000 |

***Or***

(i) JOURNAL

| Date | Particulars | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|
| | Bank A/c ...Dr. | | 15,00,000 | |
| | To Bank Loan A/c | | | 15,00,000 |
| | (Being the loan taken from State Bank of India) | | | |
| | Debenture Suspense A/c ...Dr. | | 10,00,000 | |
| | To 11% Debentures A/c | | | 10,00,000 |
| | (Being 10,000, 11% Debentures of ₹ 100 each issued as collateral security for a loan from State Bank of India) | | | |

(ii)

**Youth Ltd.**

BALANCE SHEET (Extract) *as at ...*

| Particulars | Note No. | ₹ |
|---|---|---|
| **I. EQUITY AND LIABILITIES** | | |
| **1. Non-current Liabilities** | | |
| Long-term Borrowings | 1 | 15,00,000 |

**Note to Accounts**

| Particulars | | ₹ |
|---|---|---|
| **1. Long-term Borrowings** | | |
| *Secured Loan* from State Bank of India | | 15,00,000 |
| 10,000, 11% Debentures of ₹ 100 each | 10,00,000 | |
| *Less:* Debentures Suspense A/c | 10,00,000 | ... |
| | | 15,00,000 |

## Question 4

(i) *Dr.* GENERAL RESERVE ACCOUNT *Cr.*

| Date | Particulars | ₹ | Date | Particulars | ₹ |
|---|---|---|---|---|---|
| 2024 | | | 2023 | | |
| March 31 | To Balance *c/d* | 60,000 | April 1 | By Balance *b/d* (₹ 30,000 + ₹ 15,000) | 45,000 |
| | | | 2024 | | |
| | | | March 31 | By Debenture Redemption Reserve A/c (₹ 60,000 – ₹ 45,000) | 15,000 |
| | | 60,000 | | | 60,000 |

(ii) *Dr.* DEBENTUREHOLDERS' ACCOUNT *Cr.*

| Date | Particulars | ₹ | Date | Particulars | ₹ |
|---|---|---|---|---|---|
| 2024 | | | 2024 | | |
| March 31 | To Bank A/c | 1,57,500 | March 31 | By 9% Debentures A/c | 1,50,000 |
| | | | | By Premium on Redemption of Debentures A/c | 7,500 |
| | | 1,57,500 | | | 1,57,500 |

**Question 5.**

(i) *Calculation of Adjusted Profits:*

| Year | Adjustment (₹) | Adjusted Profit (₹) |
|---|---|---|
| 2020–21 | [1,42,500 – 7,500 + 5,000] | 1,40,000 |
| 2021–22 | 1,85,000 | 1,85,000 |
| 2022–23 | [2,30,000 – 7,500] | 2,22,500 |
| 2023–24 | [2,90,000 + 45,000] | 3,35,000 |
| | | Total 8,82,500 |

$$\text{Average Profit} = \frac{₹\ 8,82,500}{4} = ₹\ 2,20,625$$

$$\text{Firm's Goodwill} = \text{Average Profit} \times \text{No. of Year's Purchase}$$

$$= ₹\ 2,20,625 \times 2 = ₹\ \mathbf{4,41,250}$$

$$\text{Shyam's Share of Goodwill} = ₹\ 4,41,250 \times \frac{1}{5} = ₹\ 88,250.$$

(ii) JOURNAL

| Date | Particulars | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|
| | Alok's Capital A/c ...Dr. | | 30,000 | |
| | Neeraj's Capital A/c ...Dr. | | 20,000 | |
| | To Goodwill A/c | | | 50,000 |
| | (Being the existing goodwill written off in old ratio) | | | |
| | Premium for Goodwill A/c ...Dr. | | 44,125 | |
| | Shyam's Current A/c ...Dr. | | 44,125 | |
| | To Alok's Capital A/c (₹ 88,250 × 3/5) | | | 52,950 |
| | To Neeraj's Capital A/c (₹ 88,250 × 2/5) | | | 35,300 |
| | (Being the goodwill adjusted on Shyam's admission) | | | |

**Question 6.**

**Star & Sky Ltd.**

BALANCE SHEET (Extract) *as at ...*

| Particulars | Note No. | Current Year (₹) |
|---|---|---|
| **I. EQUITY AND LIABILITIES** | | |
| **1. Shareholders' Funds** | | |
| (*a*) Share Capital | 1 | 8,78,000 |

**Notes to Accounts**

| Particulars | | ₹ |
|---|---|---|
| **1. Share Capital** | | |
| **Authorised Capital** | | |
| 2,00,000 Equity Shares of ₹ 10 each | | 20,00,000 |
| **Issued Capital** | | |
| 1,00,000 Equity Shares of ₹ 10 each | | 10,00,000 |
| **Subscribed Capital** | | |
| **Subscribed and Fully Paid** | | |
| 84,000 Equity Shares of ₹ 10 each | | 8,40,000 |
| **Subscribed but Not Fully Paid** | | |
| 4,000 equity shares of ₹ 10 each | 40,000 | |
| *Less:* Calls-in-Arrears (4,000 × ₹ 2) | 8,000 | 32,000 |
| Forfeited Shares A/c (2,000 Equity Shares @ ₹ 3 each) | | 6,000 |
| | | 8,78,000 |
| **2. Reserves and Surplus** | | |
| Capital Reserve (Gain on reissue of forfeited shares) (3,000 × ₹ 3) | | 9,000 |
| Securities Premium (3,000 × ₹ 2) | | 6,000 |
| General Reserve (₹ 90,000 + ₹ 10,640) | | 1,00,640 |
| *Surplus: Balance in Statement of Profit & Loss:* | | |
| Opening Balance | 25,000 | |
| *Add:* Profit for the period | 1,06,400 | |
| | 1,31,400 | |
| *Less:* Transfer to General Reserve (10% of ₹ 1,06,400) | 10,640 | 1,20,760 |
| | | 2,36,400 |

## Question 7.

JOURNAL

| Date | Particulars | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|
| 2024 | | | | |
| April 1 | Bank A/c ...Dr. | | 40,000 | |
| | To Neelam's Capital A/c | | | 30,000 |
| | To Premium for Goodwill A/c (₹ 50,000 × 1/5) | | | 10,000 |
| | (Being the Capital and Premium for Goodwill brought by Neelam) | | | |
| | Premium for Goodwill A/c ...Dr. | | 10,000 | |
| | To Usha's Capital A/c | | | 6,000 |
| | To Asha's Capital A/c | | | 4,000 |
| | (Being the premium for goodwill credited to the Capital Accounts of Usha and Asha in the sacrificing ratio 3 : 2) (WN) | | | |
| | Neelam's Capital A/c (₹ 18,000 × 1/5) ...Dr. | | 3,600 | |
| | To Usha's Capital A/c (₹ 3,600 × 3/5) | | | 2,160 |
| | To Asha's Capital A/c (₹ 3,600 × 2/5) | | | 1,440 |
| | (Being Neelam's share in General Reserve adjusted) | | | |
| | Revaluation A/c ...Dr. | | 12,400 | |
| | To Stock A/c | | | 3,000 |
| | To Patents A/c | | | 7,400 |
| | To Claim for Damages A/c | | | 2,000 |
| | (Being the decrease in value of assets and increase in liability recorded) | | | |
| | Provision for Doubtful Debts A/c ...Dr. | | 2,400 | |
| | To Revaluation A/c | | | 2,400 |
| | (Being the provision for Doubtful Debts reduced) | | | |
| | Usha's Capital A/c ...Dr. | | 6,000 | |
| | Asha's Capital A/c ...Dr. | | 4,000 | |
| | To Revaluation A/c (₹ 12,400 – ₹ 2,400) | | | 10,000 |
| | (Being the loss on revaluation transferred to Old Partners' Capital Accounts in their old profit-sharing ratio) | | | |

***Working Note:***

Neelam's share of Goodwill = ₹ 50,000 × 1/5 = ₹ 10,000, credited to Usha and Asha in their sacrificing ratio, *i.e.*, 3 : 2.

***Or***

JOURNAL

| Date | Particulars | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|
| 2024 | | | | |
| April 1 | General Reserve A/c ...Dr. | | 3,00,000 | |
| | To Investments Fluctuation Reserve A/c | | | 1,00,000 |
| | To Anil's Capital A/c | | | 1,20,000 |
| | To Beena's Capital A/c | | | 80,000 |
| | (Being 1/3rd of General Reserve transferred to Investments Fluctuation Reserve A/c and the balance transferred to old partners in their profit-sharing ratio) | | | |

| | | | | |
|---|---|---|---|---|
| | Workmen Compensation Reserve A/c ...Dr. | | 10,000 | |
| | To Workmen Compensation Claim A/c | | | 10,000 |
| | (Being the Workmen Compensation Claim met out of the reserve) | | | |
| | Chahat's Current A/c (₹ 20,000 × 1/5) ...Dr. | | 4,000 | |
| | To Amit's Capital A/c | | | 4,000 |
| | (Being the balance of Workmen Compensation Reserve adjusted through the old Partners' Capital Accounts in Sacrificing Ratio) (WN 3) | | | |
| | Creditors A/c ...Dr. | | 40,000 | |
| | To Revaluation A/c | | | 40,000 |
| | (Being the gain on creditor being paid by Anil privately for which he is not to be reimbursed) | | | |
| | Revaluation A/c ...Dr. | | 40,000 | |
| | To Anil's Capital A/c | | | 24,000 |
| | To Beena's Capital A/c | | | 16,000 |
| | (Being the gain on revaluation distributed) | | | |
| | Bank A/c ...Dr. | | 2,42,000 | |
| | To Chahat's Capital A/c | | | 2,00,000 |
| | To Premium for Goodwill A/c | | | 42,000 |
| | (Being the capital and premium for goodwill contributed by Chahat) (WN) | | | |
| | Premium for Goodwill A/c ...Dr. | | 42,000 | |
| | To Anil's Capital A/c | | | 42,000 |
| | (Being the premium for goodwill credited to Anil's Capital A/c) (WN 3) | | | |

***Working Notes:***

1. *Calculation of Hidden Goodwill of the firm:*

   A. Total Capital of New Firm based on Chahat's Capital = ₹ $2,00,000 \times \frac{5}{1}$ ₹ 10,00,000

   B. Net Worth (excluding goodwill) of New Firm:

| | Capital (₹) | + | General Reserve (₹) | + | Revaluation Gain (₹) | | ₹ |
|---|---|---|---|---|---|---|---|
| Anil | 1,75,000 | + | 1,20,000 | + | 24,000 | = | 3,19,000 |
| Beena | 1,75,000 | + | 80,000 | + | 16,000 | = | 2,71,000 |
| Chahat | 2,00,000 | + | ... | + | ... | = | 2,00,000 |
| | | | | | | | 7,90,000 |

   C. Hidden Goodwill = (A – B) = ₹ 10,00,000 – ₹ 7,90,000 = 2,10,000

2. Chahat's Share of Goodwill = ₹ 2,10,000 × $\frac{1}{5}$ = ₹ 42,000.

3. *Calculation of Sacrificing Ratio = Old Profit Share – New Profit Share*

   Anil's sacrifice = 3/5 – 2/5 = 1/5

   Beena's sacrifice = 2/5 – 2/5 = 0

   As only Anil has sacrificed, he is entitled to the entire share of premium for goodwill brought in by Chahat.

**Question 8.**

JOURNAL

| Date | Particulars | | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|---|
| | Sahil's Capital A/c | ...Dr. | | 7,500 | |
| | To Sahil's Current A/c | | | | 7,500 |
| | (Being Sahil's Current A/c closed) | | | | |
| | Loan by Sahil A/c | ...Dr. | | 30,000 | |
| | To Bank A/c | | | | 30,000 |
| | (Being the Sahil's Loan paid) | | | | |
| | General Reserve A/c | ...Dr. | | 55,000 | |
| | To Sahil's Capital A/c | | | | 33,000 |
| | To Vikas's Capital A/c | | | | 22,000 |
| | (Being the General Reserve credited to Partners' Capital Accounts in their profit-sharing ratio, *i.e.*, 3 : 2) | | | | |
| | Realisation A/c | ...Dr. | | 5,000 | |
| | To Vikas's Capital A/c | | | | 5,000 |
| | (Being the realisation expenses paid by Vikas) | | | | |
| | Realisation A/c | ...Dr. | | 12,500 | |
| | To Sahil's Capital A/c | | | | 12,500 |
| | (Being Sahil's wife's loan discharged by Sahil) | | | | |
| | Realisation A/c | ...Dr. | | 60,000 | |
| | To Sahil's Capital A/c | | | | 36,000 |
| | To Vikas's Capital A/c | | | | 24,000 |
| | (Being the profit on realisation transferred to the Capital Accounts of partners) | | | | |
| | Sahil's Capital A/c | ...Dr. | | 1,74,000 | |
| | Vikas's Capital A/c | ...Dr. | | 1,38,500 | |
| | To Bank A/c | | | | 3,12,500 |
| | (Being the partners' Capital Accounts settled) (WN 2) | | | | |

***Working Notes:***

1. If an asset (recorded or unrecorded) is given in payment of a liability (recorded or unrecorded), then no entry is passed for such payment. So, no entry will be passed for unrecorded asset accepted by unrecorded liability.

2. *Dr.* PARTNERS' CAPITAL ACCOUNTS *Cr.*

| Particulars | Sahil ₹ | Vikas ₹ | Particulars | Sahil ₹ | Vikas ₹ |
|---|---|---|---|---|---|
| To Sahil's Current A/c | 7,500 | ... | By Balance *b/d* | 1,00,000 | 87,500 |
| To Bank A/c (Final Payment) | **1,74,000** | **1,38,500** | By General Reserve A/c | 33,000 | 22,000 |
| (Bal. Fig.) | | | By Realisation A/c | 12,500 | 5,000 |
| | | | By Realisation A/c | 36,000 | 24,000 |
| | 1,81,500 | 1,38,500 | | 1,81,500 | 1,38,500 |

**Question 9.**

**(A)** (i) Let the total Drawings made by Chetna = $x$

$$\text{Interest on Drawings} = \text{Total Drawings} \times \frac{\text{Rate of Interest}}{100} \times \text{Period}$$

$$₹\,390 = x \times \frac{6}{100} \times \frac{6.5^*}{12}$$

$$6.5x = ₹\,78{,}000$$

$$x\ (\text{Total Drawings}) = \frac{₹\,78{,}000}{6.5} = ₹\,12{,}000$$

$$\text{Monthly Drawing} = \frac{₹\,12{,}000}{12} = ₹\,1{,}000$$

$$^*\textbf{Average Period} = \frac{\text{Time Left After 1st Drawing} + \text{Time Left After Last Drawing}}{2}$$

$$= \frac{12\text{ Months} + 1\text{ Month}}{2} = 6.5\text{ Months.}$$

(ii) Let the total Drawings made by Disha = $x$

$$\text{Interest on Drawings} = \text{Total Drawings} \times \frac{\text{Rate of Interest}}{100} \times \text{Period}$$

$$₹\,330 = x \times \frac{6}{100} \times \frac{5.5^*}{12}$$

$$5.5x = ₹\,66{,}000$$

$$x\ (\text{Total Drawings}) = \frac{₹\,66{,}000}{5.5} = ₹\,12{,}000$$

$$\text{Monthly Drawings} = \frac{₹\,12{,}000}{12} = ₹\,1{,}000$$

$$^*\textbf{Average Period} = \frac{11+0}{2} = 5.5\text{ months.}$$

(iii) JOURNAL

| Date | Particulars | | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|---|
| | **Adjusting Entry to Charge Interest on Drawings** | | | | |
| | Chetna's Capital A/c | ...Dr. | | 390 | |
| | Disha's Capital A/c | ...Dr. | | 330 | |
| | To Interest on Drawings A/c | | | | 720 |
| | (Being the interest on drawings charged) | | | | |
| | **Closing Entry** | | | | |
| | Interest on Drawings A/c | ...Dr. | | 720 | |
| | To Profit & Loss Appropriation A/c | | | | 720 |
| | (Being the interest on drawings transferred to Profit & Loss Appropriation Account) | | | | |

(iv) PROFIT & LOSS APPROPRIATION ACCOUNT
*Dr.* *for the year ended 31st March, 2024* *Cr.*

| Particulars | | ₹ | Particulars | | ₹ |
|---|---|---|---|---|---|
| To Interest on Capital: | | | By Profit & Loss A/c (Net Profit) | | 1,05,000 |
| Chetna | 6,000 | | By Interest on Drawings: | | |
| Disha | 5,000 | 11,000 | Chetna | 390 | |
| To Partner's Salary A/c (Palak) | | 8,000 | Disha | 330 | 720 |
| To Commission A/c (Chetna) (5/100 × ₹ 1,05,000) | | 5,250 | | | |
| To Commission A/c (Disha) (5/105 × ₹ 1,05,000) | | 5,000 | | | |
| To Chetna's Capital A/c (Profit) | | 25,490 | | | |
| To Disha's Capital A/c (Profit) | | 25,490 | | | |
| To Palak's Capital A/c (Profit) | | 25,490 | | | |
| | | 1,05,720 | | | 1,05,720 |

**(B)** *Interest on Capital Due:*

**Ayesha** = ₹ 9,00,000 × $\frac{10}{100}$ = ₹ 90,000; **Garima** = ₹ 7,00,000 × $\frac{10}{100}$ = ₹ 70,000

Total Interest on Capital = ₹ 90,000 + ₹ 70,000 = ₹ 1,60,000. However, total distributable profit is ₹ 1,44,000. Thus, total profit of ₹ 1,44,000 will be distributed between Ayesha and Garima in the ratio of their interest on capital, *i.e.*, in the ratio of 90,000 and 70,000, *i.e.*, in the ratio of 9 : 7.

*Interest on Capital Allowed:*

**Ayesha** = ₹ 1,44,000 × $\frac{9}{16}$ = ₹ 81,000; **Garima** = ₹ 1,44,000 × $\frac{7}{16}$ = ₹ 63,000.

***Or***

(a) PROFIT & LOSS APPROPRIATION ACCOUNT
*Dr.* *for the year ended 31st March, 2024* *Cr.*

| Particulars | | ₹ | Particulars | | ₹ |
|---|---|---|---|---|---|
| To Interest on Capital A/cs: | | | By Profit & Loss A/c | 3,06,000 | |
| Moli's Current A/c (₹ 5,00,000 × 5/100) | 25,000 | | (Profit as per Profit & Loss A/c) | | |
| Bhola's Current A/c (₹ 8,00,000 × 5/100) | 40,000 | | *Less:* Interest on Bhola's Loan | 6,000 | 3,00,000 |
| Raj's Current A/c (₹ 4,00,000 × 5/100) | 20,000 | 85,000 | By Interest on Drawings: (WN) | | |
| To Salary: Moli's Current A/c | | 4,000 | Moli's Current A/c | 1,800 | |
| To Commission: Bhola's Current A/c | | 30,000 | Bhola's Current A/c | 3,300 | |
| (₹ 3,00,000 × 10/100) | | | Raj's Current A/c | 2,400 | 7,500 |
| To Moli's Current A/c (Profit) | 56,550 | | | | |
| *Less:* Guarantee | (37,300) | 19,250 | | | |
| To Bhola's Current A/c (Profit) | 56,550 | | | | |
| *Less:* Guarantee | (37,300) | 19,250 | | | |
| To Raj's Current A/c (Profit) | 75,400 | | | | |
| *Add:* From Moli | 37,300 | | | | |
| *Add:* From Bhola | 37,300 | 1,50,000 | | | |
| | | 3,07,500 | | | 3,07,500 |

***Working Note:***

*Calculation of Interest on Drawings:*

(a) *Interest on Moli's Drawings:* ₹ 40,000 (*i.e.*, ₹ 10,000 × 4 instalments) × $\frac{4.5}{12}$ months* × $\frac{12}{100}$ = ₹ 1,800.

(b) *Interest on Bhola's Drawings:* ₹ 60,000 (*i.e.*, ₹ 5,000 × 12 months) × $\frac{5.5}{12}$ months* × $\frac{12}{100}$ = ₹ 3,300.

(c) *Interest on Raj's Drawings:* ₹ 80,000 (*i.e.*, ₹ 40,000 × 2 instalments) × $\frac{3}{12}$ months* × $\frac{12}{100}$ = ₹ 2,400.

*Average period = $\frac{\text{Months Left after First Drawing} + \text{Months Left after Last Drawing}}{2}$

(a) Average period in case of Moli = $\frac{9+0}{2}$ = 4.5 Months.

(b) Average period in case of Bhola = $\frac{11+0}{2}$ = 5.5 Months.

(c) Average period in case of Raj = $\frac{6+0}{2}$ = 3 Months.

Average period for the calculation of interest on drawings is applied if uniform amount is withdrawn at regular interval.

(b)

*Dr.* PARTNERS' CURRENT ACCOUNTS *Cr.*

| Particulars | Moli ₹ | Bhola ₹ | Raj ₹ | Particulars | Moli ₹ | Bhola ₹ | Raj ₹ |
|---|---|---|---|---|---|---|---|
| To Drawings A/c | 40,000 | 60,000 | 80,000 | By Interest on Capital A/c | 25,000 | 40,000 | 20,000 |
| To Interest on Drawings A/c | 1,800 | 3,300 | 2,400 | By Salary A/c | 4,000 | ... | ... |
| To Balance *c/d* | 6,450 | 25,950 | 87,600 | By Commission A/c | ... | 30,000 | ... |
| | | | | By Profit & Loss Appropriation A/c (Profit) | 19,250 | 19,250 | 1,50,000 |
| | 48,250 | 89,250 | 1,70,000 | | 48,250 | 89,250 | 1,70,000 |

(c)

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| Date | Particulars | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|
| 2023 | | | | |
| Sept. 30 | Raj's Drawings A/c ...Dr. | | 40,000 | |
| | To Bank A/c | | | 40,000 |
| | (Being the drawings made by Raj) | | | |
| 2024 | | | | |
| March 31 | Raj's Drawings A/c ...Dr. | | 40,000 | |
| | To Bank A/c | | | 40,000 |
| | (Being the drawings made by Raj) | | | |
| March 31 | Raj's Capital A/c ...Dr. | | 80,000 | |
| | To Raj's Drawings A/c | | | 80,000 |
| | (Being the drawing account closed by transfer to capital account) | | | |

**Question 10.**

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| Date | Particulars | | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|---|
| | Bank A/c (35,000 × ₹ 5) | ...Dr. | | 1,75,000 | |
| | To Shares Application A/c | | | | 1,75,000 |
| | (Being the application money received) | | | | |
| | Shares Application A/c | ...Dr. | | 1,75,000 | |
| | To Share Capital A/c (20,000 × ₹ 5) | | | | 1,00,000 |
| | To Shares Allotment A/c (10,000 × ₹ 5) | | | | 50,000 |
| | To Bank A/c (5,000 × ₹ 5) | | | | 25,000 |
| | (Being the application money utilised) | | | | |
| | Shares Allotment A/c | ...Dr. | | 80,000 | |
| | To Share Capital A/c | | | | 40,000 |
| | To Securities Premium A/c | | | | 40,000 |
| | (Being the allotment money due with premium) | | | | |
| | Bank A/c | ...Dr. | | 28,500 | |
| | Calls-in-Arrears A/c (WN 1) | ...Dr. | | 1,500 | |
| | To Shares Allotment A/c | | | | 30,000 |
| | (Being the allotment money received except from Simba) | | | | |
| | Shares First and Final Call A/c | ...Dr. | | 60,000 | |
| | To Share Capital A/c | | | | 60,000 |
| | (Being the call money due) | | | | |
| | Bank A/c | ...Dr. | | 57,000 | |
| | Calls-in-Arrears A/c (1,000 × ₹ 3) | ...Dr. | | 3,000 | |
| | To Shares First and Final Call A/c | | | | 60,000 |
| | (Being the call money received except of Simba) | | | | |
| | Share Capital A/c | ...Dr. | | 10,000 | |
| | Securities Premium A/c (WN 2) | ...Dr. | | 1,500 | |
| | To Forfeited Shares A/c | | | | 7,000 |
| | To Calls-in-Arrears A/c | | | | 4,500 |
| | (Being Simba's shares forfeited) | | | | |
| | **On Reissue of 600 Shares** | | | | |
| | Bank A/c | ...Dr. | | 4,800 | |
| | Forfeited Shares A/c | ...Dr. | | 1,200 | |
| | To Share Capital A/c | | | | 6,000 |
| | (Being the forfeited shares reissued) | | | | |
| | Forfeited Shares A/c | ...Dr. | | 3,000 | |
| | To Capital Reserve A/c (WN 3) | | | | 3,000 |
| | (Being the gain on reissue transferred to Capital Reserve) | | | | |
| | **On Reissue of 400 Shares** | | | | |
| | Bank A/c (400 × ₹ 9) | ...Dr. | | 3,600 | |
| | To Share Capital A/c (400 × ₹ 8) | | | | 3,200 |
| | To Securities Premium A/c (400 × ₹ 1) | | | | 400 |
| | (Being 400 shares reissued as ₹ 8 paid-up for ₹ 9 per share) | | | | |
| | Forfeited Shares A/c (₹ 7,000/1,000 × 400) | ...Dr. | | 2,800 | |
| | To Capital Reserve A/c | | | | 2,800 |
| | (Being the gain on reissue transferred to Capital Reserve) | | | | |

***Working Notes:***

1. Total No. of Shares allotted to Simba = $1{,}500 \times \dfrac{20{,}000}{30{,}000}$ = 1,000 shares.

| | |
|---|---|
| *Amount due but not received on allotment from Simba:* | ₹ |
| (a) Application money received on shares applied (1,500 × ₹ 5) | 7,500 |
| (b) *Less:* Application money due on allotted shares (1,000 × ₹ 5) | 5,000 |
| (c) Excess Application money adjusted on allotment | 2,500 |
| (d) Allotment money due on shares allotted (1,000 × ₹ 4) | 4,000 |
| *Less:* Excess application money adjusted (*c*) | 2,500 |
| Allotment money due but not received | 1,500 |

2. Excess Application Money adjusted on allotment of Simba shares is ₹ 2,500 (WN 1). Out of this amount ₹ 2,000 (*i.e.*, 1,000 × ₹ 2) is adjusted towards share capital and balance amount ₹ 500 is adjusted towards Securities Premium. Amount due towards Securities Premium on Allotment from Simba = 1,000 × ₹ 2 = ₹ 2,000. However, only ₹ 500 has been adjusted to Securities Premium from excess application money. The balance of ₹ 1,500 is due from Simba, which will be debited to Securities Premium Account on forfeiture of shares.

3. *Calculation of gain on reissue of forfeited shares transferred to Capital Reserve:*

| | |
|---|---|
| | ₹ |
| Amount forfeited on 600 shares $\left(\dfrac{₹\ 7{,}000}{1{,}000} \times 600\right)$ | 4,200 |
| *Less:* Reissue discount (600 × ₹ 2) | 1,200 |
| Amount transferred to Capital Reserve | 3,000 |

**Important Note:** When all the forfeited shares are reissued, the credit balance left in the Forfeited Shares Account is a capital gain, therefore, it is transferred to Capital Reserve. In other words, after reissue of all the forfeited shares, no credit balance left in the Forfeited Shares Account.

*Dr.* FORFEITED SHARES ACCOUNT *Cr.*

| Particulars | ₹ | Particulars | ₹ |
|---|---|---|---|
| To Share Capital A/c | 1,200 | By Share Capital A/c | 7,000 |
| To Capital Reserve A/c | 3,000 | | |
| To Capital Reserve A/c | 2,800 | | |
| | 7,000 | | 7,000 |

***Or***

**(A)** JOURNAL OF BRUNO LTD.

| Date | Particulars | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|
| | Share Capital A/c ...Dr. | | **22,500** | |
| | Securities Premium A/c ...Dr. | | **2,500** | |
| | To Share Forfeiture A/c | | | **15,000** |
| | To Calls-in-Arrears A/c | | | **10,000** |
| | (Being the forfeiture of 2,500 shares allotted to Vinay who had applied for 5,000 shares for non-payment of allotment and first call) (WN 1 & 2) | | | |

| | | | | |
|---|---|---|---|---|
| | Bank A/c ...Dr. | | **10,500** | |
| | Share Forfeiture A/c ...Dr. | | **3,000** | |
| | To Share Capital A/c | | | **13,500** |
| | (Being **1,500** forfeited shares reissued @ ₹ 7 per share as ₹ 9 paid) | | | |
| | Share Forfeiture A/c ...Dr. | | 6,000 | |
| | To Capital Reserve A/c | | | 6,000 |
| | (Being the gain on reissued shares transferred to Capital Reserve) | | | |

***Working Notes:***

1. *Calculation of Calls-in-Arrears (Allotment & 1st Call money not paid by Vinay.* ₹

| | ₹ |
|---|---|
| Excess Application money adjusted on allotment (2,500 × ₹ 5) | 12,500 |
| Amount due on Allotment (2,500 × ₹ 6) | 15,000 |
| *Less:* Excess Application money adjusted on allotment | 12,500 |
| Amount not paid on Allotment | 2,500* |

*Excess application money ₹ 12,500 adjusted towards Share Capital and ₹ 2,500 (2,500 × ₹ 1) securities and remaining for ₹ 10,000 for Securities Premium.

Securities Premium not received = (2,500 × ₹ 5) – ₹ 10,000 = ₹ 2,500.

2. **Calls-in-Arrears** = ₹ 2,500 (Securities Premium) + ₹ 7,500 (1st Call) = ₹ 10,000.
3. **No. of Shares Reissued:**

$$\text{Amount Forfeited per Share} = \frac{₹\,15{,}000}{2{,}500} = ₹\,6 \text{ per share}$$

$$\text{Loss on Reissue of Forfeited Shares} = ₹\,2 \text{ per share}$$

$$\text{Gain on Reissue transferred to Capital Reserve} = ₹\,6 - ₹\,2 = ₹\,4$$

$$\text{No. of Shares reissued} = \frac{\text{Capital Reserve}}{\text{Gain on Re-issue Per Share}}$$

$$= \frac{₹\,6{,}000}{₹\,4} = 1{,}500 \text{ shares.}$$

**(B) Calculation of Interest received on Calls-in-Arrears:**

| | ₹ |
|---|---|
| On ₹ 4,800 (*i.e.*, ₹ 1,200 × ₹ 4) for 4 months @ 10% | 160 |
| On ₹ 3,600 (*i.e.*, 1,200 × ₹ 3) for 2 months @ 10% | 60 |
| | 220 |

**Calculation of Interest paid on Calls-in-Advance:**

| | ₹ |
|---|---|
| On ₹ 2,400 (*i.e.*, 800 × ₹ 3) for 2 months @ 12% | 48 |
| On ₹ 1,600 (*i.e.*, 800 × ₹ 2) for 4 months @ 12% | 64 |
| | 112 |

**Adjusting Entry for Calls-in-Arrears:**

| Date | Particulars | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|
| | Sundry Members A/c ...Dr. | | 220 | |
| | To Interest on Calls-in-Arrears A/c | | | 220 |
| | (Being the Interest on Calls-in-Arrears due) | | | |

**Adjusting Entry for Calls-in-Advance:**

| Date | Particulars | | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|---|
| | Interest on Calls-in-Advance A/c | ...Dr. | | 112 | |
| | To Sundry Members A/c | | | | 112 |
| | (Being the interest on Calls-in-Advance payable) | | | | |

## SECTION B

**Question 11.**

(i) (b) is not correct as the formulae for calculating EPS is

$$\text{Earning Per Share (EPS)} = \frac{\text{Net Profit after Tax and Preference Dividend}}{\text{Number of Equity Shares}}$$

(ii) (b) 20,000 shares.

***Working Note:***

No. of Bonus Shares Issued = $\frac{₹\,5,00,000}{5}$ = ₹ 1,00,000 *or* 10,000 shares

Therefore, number of shares issued to public for cash = ₹ 3,00,000 (8,00,000 – ₹ 5,00,000) – ₹ 1,00,000 = ₹ 2,00,000 *or* 20,000 shares.

*Alternatively:*

₹ 1,00,000 of Securities Premium used for issuing bonus shares.

So, remaining ₹ 2,00,000 capital issued for cash. No. of shares = ₹ 2,00,000 ÷ ₹ 10 = 20,000 shares.

(iii) $$\text{Proprietary Ratio} = \frac{\text{Shareholders' Funds/Equity}}{\text{Total Assets}}$$

$$= \frac{₹\,72,233.30}{₹\,87,327.60} = 0.83 : 1 \text{ or } 82.71\%.$$

***Working Notes:***

1. Shareholders' Funds/Equity = Equity Share Capital + Other Equity (Reserves and Surplus)
   = ₹ 1,248.47 + ₹ 70,984.83 = ₹ 72,233.30
2. Total Assets = Non-current Assets + Current Assets
   = ₹ 51,256.93 + ₹ 36,070.67 = ₹ 87,327.60

**Comment:** A higher ratio indicates sound financial position from long-term point of view, because it means that large proportion of total assets has been financed by the equity and company is *less* dependent on external source of finance.

(iv) (a) *Change in Inventories of Raw Materials, Finished Goods, Work-in-Progress and Stock-in-Trade refers to the difference between the Opening and Closing balance of Inventories of Raw Materials, Finished Goods, Work-in-Progress and Stock-in-Trade.*

**Change-in-Inventories** = Opening Inventory of Stock-in-Trade – Closing Inventory of Stock-in-Trade

(b) **Change-in-Inventories** = Opening Inventory – Closing Inventory

(₹ 1,40,000) = ₹ 2,80,000 – Closing Inventory

**Closing Inventory** = ₹ 2,80,000 + ₹ 1,40,000 = ₹ 4,20,000.

(v) *No Flow* because depreciation does not affect cash, it being non-cash expense.

**Question 12.**

COMPARATIVE INCOME STATEMENT OF VIOLET LTD.
*for the years ended 31st March, 2024 and 2023*

| Particulars | Note No. | 31st March, 2024 ₹ | 31st March, 2023 ₹ | Absolute Change (Increase/Decrease) ₹ | Percentage Change (Increase/Decrease) % |
|---|---|---|---|---|---|
| | | A | B | C = A – B | D = C/B × 100 |
| **I.** Revenue from Operations | | **7,462** | 7,098 | 364 | **5.13** |
| **II.** Expenses | | 8,998 | 7,931 | **1,067** | **13.45** |
| **III.** Net Profit (I–II) | | **(1,536)** | **(833)** | **(703)** | **(84.39)** |

**Question 13.**

**Kinderjoy Ltd.**
CASH FLOW STATEMENT *for the year ended 31st March, 2024*

| Particulars | ₹ | ₹ |
|---|---|---|
| **A. Cash Flow from Operating Activities** | | |
| Net Profit before Tax (WN 1) | 2,10,000 | |
| *Add: Non-operating/Non-cash Items:* | | |
| Depreciation on Machinery (WN 5) | 1,20,000 | |
| Goodwill written off | 60,000 | |
| Interest on Debentures (WN 3) | 41,000 | |
| Loss on Sale of Machinery | 30,000 | |
| *Operating Profit before Working Capital Changes* | 4,61,000 | |
| *Add:* Increase in Trade Payables | 40,000 | |
| Decrease in Current Investments | 15,000 | |
| *Cash Generated from Operations before Tax* | 5,16,000 | |
| *Less:* Tax Paid | 70,000 | |
| *Cash Flow from Operating Activities* | | 4,46,000 |
| **B. Cash Flow from Investing Activities** | | |
| Purchase of Machinery | (9,00,000) | |
| Proceeds from Sale of Machinery | 50,000 | |
| *Cash Used in Investing Activities* | | (8,50,000) |
| **C. Cash Flow from Financing Activities** | | |
| Proceeds from Issue of Equity Shares | 4,00,000 | |
| Dividend Paid (₹ 20,000 – ₹ 5,000) (Unclaimed) | (15,000) | |
| Proceeds from Issue of Debentures | 3,60,000 | |
| Interest on Debentures (WN 3) | (41,000) | |
| *Cash Flow from Financing Activities* | | 7,04,000 |
| **D. Net Increase in Cash and Cash Equivalents (Cash and Bank)** | | 3,00,000 |
| *Add:* Opening Cash and Cash Equivalents (Cash and Bank) | | 5,00,000 |
| **E. Closing Cash and Cash Equivalents (Cash and Bank)** | | 8,00,000 |

***Working Notes:***

1. *Calculation of Net Profit before Tax:*

| | ₹ |
|---|---|
| Closing Balance of Surplus, *i.e.*, Balance in Statement of Profit & Loss | 5,00,000 |
| *Less:* Opening Balance of Surplus, *i.e.*, Balance in Statement of Profit & Loss | 4,00,000 |
| Profit for the Year | 1,00,000 |
| *Add:* Provision for Tax (WN 2) | 90,000 |
| Proposed Dividend (Proposed Dividend for the year 31st March, 2023) | 20,000 |
| Net Profit before Tax | 2,10,000 |

2. *Dr.* PROVISION FOR TAX ACCOUNT *Cr.*

| Particulars | ₹ | Particulars | ₹ |
|---|---|---|---|
| To Bank A/c (Tax Paid) | 70,000 | By Balance *b/d* | 60,000 |
| To Balance *c/d* | 80,000 | By Statement of Profit & Loss (Provision Made) (Balancing Figure) | **90,000** |
| | 1,50,000 | | 1,50,000 |

3. *Interest on Debentures:*

| | ₹ |
|---|---|
| ₹ 1,40,000 × 10/100 × 3/12 | 3,500 |
| ₹ 5,00,000 × 10/100 × 9/12 | 37,500 |
| | 41,000 |

4. *Dr.* MACHINERY ACCOUNT *Cr.*

| Particulars | ₹ | Particulars | ₹ |
|---|---|---|---|
| To Balance *b/d* | 10,00,000 | By Bank A/c (Sale)* | 50,000 |
| To Bank A/c (Purchase) (Balancing Figure) | **9,00,000** | By Accumulated Depreciation A/c | 60,000 |
| | | By Statement of Profit & Loss (Loss) | 30,000 |
| | | By Balance *c/d* | 17,60,000 |
| | 19,00,000 | | 19,00,000 |

*Sale Value of Machine = Book Value on the date of sale – Loss on Sale of Machine
= (₹ 1,40,000 – ₹ 60,000) – ₹ 30,000 = ₹ 50,000.

5. *Dr.* ACCUMULATED DEPRECIATION ACCOUNT *Cr.*

| Particulars | ₹ | Particulars | ₹ |
|---|---|---|---|
| To Machinery A/c (Transfer) | 60,000 | By Balance *b/d* | 1,00,000 |
| To Balance *c/d* | 1,60,000 | By Statement of Profit & Loss (Depreciation) (Balancing Figure) | **1,20,000** |
| | 2,20,000 | | 2,20,000 |

***Or***

**(a) Calculation of Net Profit before Tax**

| | ₹ |
|---|---|
| Surplus, *i.e.*, Balance in Statement of Profit & Loss (Closing) | 30,600 |
| *Less:* Surplus, *i.e.*, Balance in Statement of Profit & Loss (Opening) | 30,500 |
| Profit during the year | 100 |
| *Add:* Provision for Tax | 33,000 |
| Transfer to General Reserve (₹ 60,000 – ₹ 50,000) | 10,000 |
| Interim Dividend | 23,000 |
| **Net Profit before Tax** | 66,100 |

**(b)** Tax paid during the year is ₹ 28,000.

*Dr.* PROVISION FOR TAX ACCOUNT *Cr.*

| Particulars | ₹ | Particulars | ₹ |
|---|---|---|---|
| To Bank A/c (Tax Paid) (Balance Figure) | **28,000** | By Balance *b/d* | 30,000 |
| To Balance *c/d* | 35,000 | By Statement of Profit & Loss (Provision Made) | 33,000 |
| | 63,000 | | 63,000 |

**(c) Calculation of Operating Profit before Working Capital Change:**

| | ₹ |
|---|---|
| Net Profit before Tax (a) | 66,100 |
| *Add:* Loss on Sale of Machinery | 200 |
| **Adjustment for Depreciation:** (₹ 10,000 on Building + ₹ 12,000 on Machinery) | 22,000 |
| **Operating Profit before Working Capital Changes** | 88,300 |

**(d) Calculation of Net Cash Flow from Operating Activities**

| | ₹ |
|---|---|
| Operating Profit before Working Capital Changes (c): | 88,300 |
| *Add:* Decrease in Stock [(₹ 74,000 – ₹ 20,000) – ₹ 1,00,000] | 46,000 |
| Decrease in Trade Receivable (₹ 80,000 – ₹ 64,200) | 15,800 |
| | 1,50,100 |
| *Less:* Decrease in Trade Payables | 14,800 |
| Cash Generated from Operating Activities | 1,35,300 |
| *Less:* Tax Paid (a) | 28,000 |
| **Net Cash Flow from Operating Activities** | 1,07,300 |

**(e) Cash Flow from Investing Activities**

| | ₹ |
|---|---|
| Proceeds from Sale of Machinery (WN) | 1,800 |
| Purchase of Machinery for Cash | (8,000) |
| Purchase of Goodwill | (5,000) |
| **Net Cash Used in Investing Activities** | (11,200) |

***Working Note:***

*Dr.* MACHINERY ACCOUNT *Cr.*

| Particulars | ₹ | Particulars | ₹ |
|---|---|---|---|
| To Balance *b/d* | 1,50,000 | By General Reserve A/c (Loss on Sale) | 200 |
| To Share Capital | 25,000 | By Depreciation A/c | 12,000 |
| To Bank A/c | 8,000 | By Bank A/c (Sale of Machinery) (Bal. Fig.) | **1,800** |
| | | By Balance *c/d* | 1,69,000 |
| | 1,83,000 | | 1,83,000 |

**(f) Cash Flow from Financing Activities**

| | ₹ |
|---|---|
| Payment of Bank Loan | (70,000) |
| Payment of Dividend | (23,000) |
| **Net Cash Used or Outflow In Financing Activities** | (93,000) |

**Note:** Shares are issued for purchase of assets, *i.e.*, non-cash transactions not for Cash. So, increase in Share Capital will not affect Cash Flow Statement.

*Dr.* SHARE CAPITAL ACCOUNT *Cr.*

| Particulars | ₹ | Particulars | ₹ |
|---|---|---|---|
| To Balance *c/d* | 2,50,000 | By Balance *b/d* | 2,00,000 |
| | | By Stock A/c | 20,000 |
| | | By Machinery A/c | 25,000 |
| | | By Goodwill A/c | 5,000 |
| | 2,50,000 | | 2,50,000 |

**Question 14.**

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

$$= \frac{₹\ 47,000}{₹\ 4,00,000} \times 100 = \mathbf{11.75\%.}$$

$$\text{Net Profit} = \text{Gross Profit} + \text{Other Income} - \text{Indirect Expenses}$$

$$= ₹\ 80,000 + ₹\ 2,000 - ₹\ 30,000 - ₹\ 5,000 = ₹\ \mathbf{47,000.}$$

(ii) $$\text{Gross Profit Ratio} = \frac{\text{Gross Profit}}{\text{Revenue from Operations}} \times 100 = \frac{₹\ 1,80,000}{₹\ 9,00,000} \times 100 = \mathbf{20\%.}$$

***Working Notes:***

1. $$\text{Inventory Turnover Ratio} = \frac{\text{Cost of Revenue from Operations}}{\text{Average Inventory}} = \text{... Times}$$

$$\text{Average Inventory} = \frac{\text{Opening Inventory} + \text{Closing Inventory}}{2}$$

$$= \frac{₹\ 80,000 + ₹\ 1,00,000}{2} = ₹\ 90,000$$

$$\text{Inventory Turnover Ratio (8 Times)} = \frac{\text{Cost of Revenue from Operations}}{\text{Average Inventory (₹ 90,000)}}$$

Cost of Revenue from Operations = ₹ 90,000 × 8 = ₹ 7,20,000.

2. Gross Profit = Revenue from Operations – Cost of Revenue from Operations
= ₹ 9,00,000 – ₹ 7,20,000 = ₹ **1,80,000.**

(iii) $$\text{Earning Per Share} = \frac{\text{Net Profit after Tax and Preference Dividend}}{\text{Number of Equity Shares}}$$

$$= \frac{₹\ 2,40,000 - ₹\ 15,000}{50,000} = \frac{₹\ 2,25,000}{50,000} = ₹\ 4.50 \text{ per share.}$$

Dividend on 15% Preference Shares = ₹ 15,000.

$$\text{Price Earning Ratio} = \frac{\text{Market Value of an Equity Share}}{\text{Earning Per Share (EPS)}}$$

$$= \frac{₹\ 40}{₹\ 4.50} = 8.89 \text{ Times.}$$

(iv) $$\text{Return on Investment (ROI)} = \frac{\text{Net Profit before Interest and Tax}}{\text{Capital Employed}} \times 100$$

Net Profit = Revenue from Operations (WN 1) × Net Profit Ratio
= 25,00,000 × 10% = ₹ 2,50,000

Net Profit before Interest and Tax = Net Profit + Interest on Debentures
= ₹ 2,50,000 + ₹ 1,62,000 (= 9% of ₹ 18,00,000) = ₹ 4,12,000

$$\text{Return on Investment} = \frac{₹\ 4,12,000}{₹\ 32,00,000} \times 100 = 12.88\%.$$

***Working Notes:***

1. Revenue from Operations = ₹ 20,00,000 + 25% of ₹ 20,00,000 = ₹ 25,00,000.
2. 9% Debentures is not added separately as it is already included in capital employed.

❑❑❑❑

# Model Test Paper 3

**Time Allowed: 3 Hours** **Max. Marks: 80**

***General Instructions:***

As per Model Test Paper 1

## SECTION A (60 Marks)

(*Answer **all** questions*)

**Question 1.**

***In sub-parts (i) to (iv) choose the correct options and in sub-parts (v) to (x) answer the questions as instructed.***

(i) Ramesh and Mahesh were partners in a firm sharing profits in the ratio of 4 : 3. Suresh was admitted for 1/3rd share in the profits. On the date of Suresh's admission, the Balance Sheet of Ramesh and Suresh showed balance of ₹ 4,200 in Profit & Loss Account shown on the Assets side of Balance Sheet and a General Reserve of ₹ 42,000. The final effect on Ramesh's Capital Account will be

(a) Increase of ₹ 21,600. (b) Increase of ₹ 16,200.

(c) Increase of ₹ 26,400. (d) Increase of ₹ 19,800.

**(Understanding)** [1]

(ii) Rohit and Mohit share profits and losses equally. They admit Rahul as an equal partner and goodwill of the firm was valued as ₹ 60,000. Rahul is to bring ₹ 40,000 as his capital and the necessary amount towards his share of goodwill.

What will be the effect of goodwill in the Partners' Capital Accounts?

(a) Rohit's and Mohit's Capital Accounts credited with ₹ 10,000 each.

(b) All Partners' Capital Accounts credited with ₹ 20,000 each.

(c) Only Rahul's Capital Account credited with ₹ 20,000.

(d) Final effect will be nil in each partner. **(Application)** [1]

(iii) CreditAccess Grameen Ltd., a listed NBFC-MFI (Micro Finance Institution), is all set to enter the bond market next week to raise up to ₹ 1,000 crore in non-convertible debentures, as it looks to diversify its liability profile.

(**Source:** *Economic Times, 20 August, 2023*)

**(Application)**

According to the provisions of the Companies Act, 2013, what is the maximum amount of these non-convertible debentures which CreditAccess Grameen Ltd. will redeem out of its capital?

(a) ₹ 100 crore (b) ₹ 150 crore

(c) ₹ 900 crore (d) ₹ 1,000 crore [1]

(iv) Gokul Ltd. forfeited 1,000 shares of ₹ 10 each (₹ 8 called-up) for non-payment of allotment money of ₹ 5 per share including ₹ 2 as premium. Out of these, few shares were reissued to Ramesh at ₹ 7 per share as ₹ 8 called-up and ₹ 3,200 were transferred to Capital Reserve. Number of shares reissued were

(a) 500 Shares. (b) 600 shares.

(c) 700 shares. (d) 800 shares. **(Understanding)** [1]

(v) Aruna, Karuna, Varuna and Swarna are partners sharing profits in the ratio of 4 : 3 : 2 : 1. Karuna retired from the firm.

Varuna retains her original share in the reconstituted firm. Karuna gave 2/5th of her share to Aruna and the remaining to Swarna.

**What is the new profit-sharing ratio of the remaining or continuing partners in the reconstituted firm?** **(Application)** [1]

(vi) **Assertion (A):** Profit and Loss Account's credit balance in the Balance Sheet at the time of retirement is distributed among all the partners in their old ratio.

**Reason (R):** Accumulated profits existing on retirement had been earned by all the partners of the firm.

*In the context of above two statements, which of the following is correct?*

(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

(b) Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A).

(c) Assertion (A) is true but Reason (R) is false.

(d) Assertion (A) is false but Reason (R) is true. **(Application)** [1]

(vii) Creditors in the Balance Sheet before dissolution were ₹ 2,00,000. Half of the creditors accepted furniture of ₹ 1,20,000 at an agreed value of 10% *less* than the book value and cash of ₹ 8,000 in settlement of their claim. Remaining creditors were paid at a discount of 5%.

**Calculate the amount by which Bank Account will be credited in Realisation Account for payment to creditors.** **(Application)** [1]

(viii) Ashwin and Jayant are in partnership sharing profits equally. On 30th September, 2023, Tanveer joined the partnership and it was agreed that all three partners shall share profits equally. In the year ended 31st March, 2024, profit amounted to ₹ 3,00,000 for the year, after charging bad debts of ₹ 30,000 which it was agreed to be borne equally by Ashwin and Jayant. Calculate Ashwin's share of profit for the year ended 31st March, 2024. **(Application)** [1]

(ix) The Annual Report of ITC Ltd., for the financial year 2021–22, showed *claims against the company not acknowledged as debts of ₹ 880.58 crores including third party claims arising from disputes relating to contracts aggregating ₹ 29.22 crores*.

(**Source:** *Annual Report of ITC Ltd. 2021–22*)

**Mention the heading and the sub-heading under which this item would have been shown in the Notes to Accounts accompanying the Balance Sheet of ITC Ltd. as at 31st March, 2022.** [1]

(x) Raghu and Rishu are in partnership sharing profits and losses in the ratio of 3 : 2. Their capitals before adjustments are ₹ 69,000 and ₹ 51,000 respectively. Firm's Goodwill ₹ 50,000, Loss on Revaluation of Assets and Liabilities ₹ 5,000, General Reserve ₹ 15,000. They admit Rishabh as a partner who has to contribute adequate capital to acquire 1/5th share of profits to be sacrificed equally by Raghu and Rishu.

**Calculate the amount of capital to be brought in by Rishabh**. **(Application)** [1]

**Question 2.**

Chander and Damini are partners in a firm sharing profits in the ratio of 3 : 2. They admitted Elina as a partner and agreed on new profit-sharing ratio as 3 : 3 : 2. At the time of admission of Elina, Debtors and Provision for Doubtful Debts were ₹ 95,000 and ₹ 10,000 respectively, ₹ 7,500 of the debtors became bad. A provision of 5% is to be required on Sundry Debtors for doubtful debts.

**You are required to pass the necessary Journal entries.** **(Application)**

***Or***

Ashok, Bhim and Chetan were partners in a firm sharing profits in the ratio of 3 : 2 : 1. Dheeraj was admitted in the firm for 1/4th share in profits, which he got 3/16th from Ashok and 1/16th from Bhim.

Total capital of the firm as agreed was ₹ 1,20,000 and Dheeraj brought cash equivalent to 1/4th of total capital as his capital. Capitals of other partners also had to be adjusted in their profit-sharing ratio by bringing or paying cash.

Capitals of Ashok, Bhim and Chetan after all adjustments for revaluation of assets and reassessment of liabilities were ₹ 40,000; ₹ 35,000 and ₹ 30,000 respectively.

**You are required to:**

**(a) Calculate the new capitals of Ashok, Bhim and Chetan; and**

**(b) Pass the necessary Journal entries for the above transactions.**

**(Recall, Application)** [3]

**Question 3.**

Metlife Ltd. issued 5,000, 10% Debentures of ₹ 100 each on 1st April, 2023 at par redeemable at a premium of 10% after five years. The issue was fully subscribed. According to the terms of issue, interest on debentures is payable annually on 31st March. TDS is deducted @ 10%.

**You are required to pass Journal entries to record the transactions of interest on debentures *only* for the year 2023–24.** **(Application)** [3]

**Question 4.**

Jaypee Ltd., an unlisted Interior Designing company, has 3,000; 10% Debentures of ₹ 100 each outstanding as on 31st March, 2023. These debentures are due for redemption on 31st March, 2024 at a premium of 10%. Debentures Redemption Reserve Account has balance of ₹ 30,000 on 31st March, 2023.

**You are required to pass Journal entries for redemption of debentures and closure of Debenture Redemption Reserve (Ignore Debenture Redemption Investment).**

**(Application)**

***Or***

Axis Marketing Ltd. has 10,000, 8% Debentures of ₹ 100 each outstanding for redemption as follows:

On 30th September, 2023 — 5,000 Debentures

On 31st March, 2024 — Balance Debentures

You are required to:

(i) Determine the amount to be invested in specified securities and also the date by which investment should be made and when the investment should be realised.

(ii) Prepare Debentureholders' Account and Debenture Redemption Investment Account.

**(Understanding)** [3]

**Question 5.**

**Calculate goodwill of a firm on the basis of three years' purchase of the weighted average profit of the last four years.** Profits of these four years ended 31st March, were:

| Year Ended | 31st March, 2021 | 31st March, 2022 | 31st March, 2023 | 31st March, 2024 |
|---|---|---|---|---|
| Profit (₹) | 4,04,000 | 4,96,000 | 4,00,000 | 6,00,000 |

The weights assigned to each year ended 31st March are: 2021—1; 2022—2; 2023—3 and 2024—4.

You are provided with following additional information:

(i) On 31st March, 2023, a major plant repair was undertaken for ₹ 1,20,000 which was accounted as expense. It is to be capitalised for goodwill calculation subject to adjustment of depreciation @ 10% p.a. on Reducing Balance Method.

(ii) Closing Stock for the year ended 31st March, 2022 was overvalued by ₹ 48,000.

**(Application)** [3]

**Question 6.**

The following balances have been extracted from the books of Venus Ltd. as at 31st March, 2024:

| Particulars | ₹ | Particulars | ₹ |
|---|---|---|---|
| Equity Share Capital (25,000 shares of ₹ 100 each) | 25,00,000 | Underwriting Commission | 50,000 |
| Securities Premium | 5,00,000 | Capital Advances | 2,75,000 |
| Calls-in-Arrears @ ₹ 10 per share | 1,00,000 | General Reserve | 1,75,000 |
| 9% Debentures | 12,50,000 | Statement of Profit & Loss (Dr.) | 25,000 |
| Fixed Deposit | 5,00,000 | Unpaid Dividend | 60,000 |
| Premium on Redemption of Debentures | 50,000 | Uncalled Liability on Partly Paid Shares | 20,00,000 |

You are required to show the above items in Notes to Accounts accompanying the Balance Sheet of Venus Ltd. prepared as per Schedule III of the Companies Act, 2013 as at 31st March, 2024. **(Application)** [6]

**Question 7.**

Param and Dharam are partners sharing profits and losses in the ratio of 5 : 3. They admitted Vijay as a new partner for 1/3rd share in profits. Vijay is to contribute ₹ 20,000 as his capital. Balance Sheet of Param and Dharam on 1st April, 2024, the date of Vijay's admission, was as follows:

| Liabilities | | ₹ | Assets | | ₹ |
|---|---|---|---|---|---|
| Capital A/cs: | | | Building | | 25,000 |
| Param | 50,000 | | Machinery | | 30,000 |
| Dharam | 35,000 | 85,000 | Stock | | 15,000 |
| General Reserve | | 16,000 | Debtors | 20,000 | |
| Creditors | | 27,000 | *Less:* Provision for Doubtful Debts | 1,500 | 18,500 |
| | | | Cash at Bank | | 39,500 |
| | | 1,28,000 | | | 1,28,000 |

Other terms agreed upon were:

(i) Goodwill of the firm was valued on the basis of 2 years' purchase of average profits of the preceding three years. The profits of the last 3 years are:

| Year | 2021–22 | 2022–23 | 2023–24 |
|---|---|---|---|
| Profit (₹) | 15,000 | 10,000 | 7,000 (Loss) |

(ii) Building were to be valued at ₹ 35,000 and Machinery at ₹ 25,000.

(iii) Provision for Doubtful Debts was found to be in excess by ₹ 400.

(iv) Stock is found undervalued by ₹ 1,000.

(v) Capitals of the partners be adjusted on the basis of Vijay's contribution of capital in the firm. Excess or shortfall, if any, to be transferred to Current Accounts.

**You are required to prepare:**

**(a) Partners' Capital Accounts.**

**(b) Balance Sheet of the new firm.**

***Or***

**A.** Chetna, Disha and Fhalak are partners sharing profits in the ratio of 4 : 3 : 2. Disha retires and her capital after making adjustments for reserves and profit on revaluation stands at ₹ 92,800. Chetna and Fhalak agreed to pay her some amount in full settlement of her claim.

The Journal entry for the treatment of goodwill is given below:

JOURNAL

| Date | Particulars | | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|---|
| | Chetna's Capital A/c | ...Dr. | | 3,900 | |
| | Fhalak's Capital A/c | ...Dr. | | 3,300 | |
| | To Disha's Capital A/c | | | | 7,200 |
| | (Being the adjustment of goodwill on retirement) | | | | |

**You are required to calculate:**

**(i) The amount agreed to be paid to Disha.**

**(ii) New Profit-sharing Ratio of Chetna and Fhalak.** [3]

**B.** Nirmala, Divisha and Sara were partners in a firm sharing profits and losses in the ratio of 3 : 4 : 3. Books are closed on 31st March every year. Sara died on 1st February, 2024. As per the partnership deed. Sara's executors are entitled to her share of profit till the date of death on the basis of sales turnover. Sales for the year ended 31st March, 2023 was ₹ 10,00,000 and profit for the same year was ₹ 1,20,000. Sales show a positive trend of 20% and percentage of profit earning is reduced by 2%.

**Journalise the transaction along with the working notes.** [3]

**Question 8.**

Sidharth and Raunak were partners sharing profits in the ratio of 2 : 1. They dissolved their firm on 31st March, 2024.

On this date, the Balance Sheet of the firm besides realisable assets and outside liabilities, showed following balances:

| | ₹ |
|---|---|
| Sidharth's Capital | 1,20,000 (Cr.) |
| Raunak's Capital | 60,000 (Dr.) |
| Profit & Loss Account | 30,000 (Dr.) |
| Rounak's Loan to the firm | 45,000 |
| General Reserve | 21,000 |

On the date of dissolution of firm:

(a) Raunak's loan was repaid by the firm along with interest of ₹ 1,500.

(b) Expenses of dissolution amounting to ₹ 3,000 were to be borne by Sidharth. These were paid by the firm on his behalf.

(c) Firm had an unrecorded asset of ₹ 6,000 which was taken by Raunak while Sidharth discharged an unrecorded liability of ₹ 9,000.

(d) The dissolution resulted in a loss of ₹ 90,000 from the realisation of assets and settlement of liabilities.

**You are required to prepare:**

**(i) Partners' Capital Accounts.**

**(ii) Raunak's Loan Account.** [6]

**Question 9.**

**A.** Krishna, Sandeep and Karim are partners in a firm sharing profits and losses in the ratio of 3 : 2 : 1. They had capitals of ₹ 3,00,000 (Credit), ₹ 2,00,000 (Credit) and ₹ 40,000 (Debit) respectively as on 1st April, 2023.

Their Partnership Deed provides as follows:

(i) Interest on Capital is to be allowed @ 5% p.a. to the partners with credit balance.

(ii) Interest on Drawings is to be charged @ 6% p.a.

(iii) Krishna is to get annual salary of ₹ 25,720 together with commission of 10% on net profit after charging his own commission.

(iv) Sandeep is to get salary of ₹ 7,500 per quarter.

(v) Each partner withdrew ₹ 500 in the middle of each month and Karim withdrew an additional ₹ 4,000 on 30th June, 2023.

(vi) Karim is to get rent of ₹ 1,000 per month for the use of his premises by the firm.

Profit for the year 2023–24 before making any of the above adjustments was ₹ 2,32,000.

**You are required to:**

**(a) Prepare Profit & Loss Appropriation Account of the firm for the year 2023–24.** [4]

**(b) Pass adjusting and closing entries for Interest on Capital.** [2]

**(c) Pass Adjusting and closing entries for Interest on Drawings.** **(Application)** [2]

**B.** Suman, Harish and Meeta are partners. Their Fixed Capitals on 31st March, 2024 were:

Suman : ₹ 50,000
Harish : ₹ 1,00,000; and
Meeta : ₹ 1,50,000

Profit for the year 2023–24 amounting to ₹ 60,000 was distributed.

Interest on capital was credited @ 10% per annum though there was no such provision in the Partnership Deed.

**You are required to pass the necessary adjusting entry.** **(Application)** [2]

***Or***

**A.** Tanuj and Ravi are partners in a business with capital balances of ₹ 1,50,000 and ₹ 1,00,000 respectively on 1st April, 2023.

Their partnership deed contains the following clauses:

(a) Interest on capital to be allowed @ 10% per annum.

(b) Interest on drawings to be charged @ 4% per annum.

(c) Tanuj to be allowed a commission @ 5% of the profit *after* charging his commission.

(d) Ravi to be allowed commission of ₹ 10,000.

*Additional information:*

During the year 2023–24:

- Tanuj withdrew ₹ 6,000 at the end of every quarter.
- Profit of the firm was ₹ 84,000.
- The firm's divisible profit was ₹ 46,360.
- On 1st October, 2022, Ravi withdrew ₹ 20,000 from his capital.

**You are required to do the following:**

**(i) Pass the Journal entries to record:** [3]

**(a) The withdrawal made by Ravi.**

**(b) The distribution of the divisible profits between the partners.**

**(c) The adjusting entry for commission due to Ravi.**

**(ii) Calculate the interest on capital allowed to:** [1]

**(a) Tanuj**

**(b) Ravi**

**(iii) Calculate the commission allowed to Tanuj.** [1]

**(iv) Calculate the interest on drawings charged from Tanuj.** [1]

**(Application)**

**B.** Mohan, Vijay and Anil are partners, the balances in their Capital Accounts being ₹ 30,000; ₹ 25,000 and ₹ 20,000 respectively. In arriving at these figures, the profit for the year ended 31st March, 2024, ₹ 24,000 had already been credited to partners in the proportion in which they share profit.

Their drawings were: Mohan ₹ 5,000, Vijay ₹ 4,000 and Anil ₹ 3,000 during 2023–24.

Subsequently the following omissions were noticed and it was decided to bring them into account:

(i) Interest on capital at 10% per annum.

(ii) Interest on Drawing was:

Mohan ₹ 250, Vijay ₹ 200 and Anil ₹ 150.

**You are required to make the necessary correction through a Journal entry.**

**(Application)** [4]

**Question 10.**

**A.** Grand Hotels Ltd. issued 10,000 Equity shares of ₹ 10 each at a premium of ₹ 3 per share payable as:

On Application—₹ 4; On Allotment—₹ 5; On First Call—₹ 2. The balance as and when decided by the company.

Applications were received for 12,000 shares. The company made *pro rata* allotment to all the applicants.

One shareholder who was allotted 900 shares paid balance issue amount with allotment while another shareholder who had applied for 1,200 shares, did not pay the allotment money and on his subsequent failure to pay the first call his shares were forfeited. Of the forfeited shares, 800 were reissued at ₹ 7 per share.

**You are required to prepare:**

**(i) Shares Allotment Account,** [2]

**(ii) Securities Premium Account,** [2]

**(iii) Shares Forfeiture Account, and** [2]

**(iv) Calls-in-Arrears Account.** **(Application)** [2]

**B.** Zee Ltd. offered 20,000 shares of ₹ 100 each at a premium of 10% payable as follows:

| | |
|---|---|
| On Application | ₹ 20 (1st January) |
| On Allotment | ₹ 40 (including premium) (1st April) |
| On 1st Call | ₹ 30 (1st June) |
| On Second & Final Call | ₹ 20 (1st August) |

Applications were received for 18,500 shares and the directors made allotment.

One shareholder to whom 400 shares were allotted paid the total balance on his holdings with allotment money and another shareholder did not pay allotment and first call money on his 600 shares but which he paid with final call.

**You are required to calculate the amount of interest paid and received on Calls-in-Advance and Calls-in-Arrears respectively on 1st August. (Application)** [2]

***Or***

**A.** Roxy Ltd. issued Equity Shares of ₹ 10 each payable as:

₹ 4 on Application and Allotment; ₹ 2 on First Call; ₹ 4 on Second and Final Call. Following is an extract of the Journal of Roxy Ltd.:

JOURNAL OF ROXY LTD. (AN EXTRACT)

| Date | Particulars | | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|---|
| | Share First Call A/c | ...Dr. | | 28,000 | |
| | To Share Capital A/c | | | | 28,000 |
| | (Being the first call due on .?. shares @ ₹ 2 each) | | | | |
| | Bank A/c | ...Dr. | | ? | |
| | Calls-in-Arrears A/c | ...Dr. | | 2,000 | |
| | To Share First Call A/c | | | | 28,000 |
| | (Being the first call received on .?. shares) | | | | |
| | Share Capital A/c | ...Dr. | | ? | |
| | To Shares Forfeited A/c | | | | 4,000 |
| | To Calls-in-Arrears A/c | | | | ? |
| | (Being .?. shares of ₹ 10 each forfeited for non-payment of first call) | | | | |
| | Share Second and Final Call A/c | ...Dr. | | 52,000 | |
| | To Share Capital A/c | | | | 52,000 |
| | (Being the second and final call due on .?. shares @ ₹ 4 each) | | | | |
| | Bank A/c | ...Dr. | | ? | |
| | Calls-in-Arrears A/c | ...Dr. | | 10,000 | |
| | To Share Second and Final Call A/c | | | | 52,000 |
| | (Being the second call received on .?. shares) | | | | |
| | Share Capital A/c | ...Dr. | | ? | |
| | To Shares Forfeited A/c | | | | ? |
| | To Calls-in-Arrears A/c | | | | 10,000 |
| | (Being .?. shares of ₹ 10 each forfeited for non-payment of final call) | | | | |
| | Bank A/c | ...Dr. | | ? | |
| | Shares Forfeited A/c | ...Dr. | | ? | |
| | To Share Capital A/c | | | | ? |
| | (Being 1,500 forfeited shares, including those on which the first call was not received, reissued @ ₹ 6 per share fully called-up) | | | | |
| | Share Forfeiture A/c | ...Dr. | | ? | |
| | To Capital Reserve A/c | | | | ? |
| | (Being the .? ) | | | | |

**You are required to complete the Journal entries by filling-up the missing information represented by '?', including the number of shares and narration, if any. (Application)** [9]

**B.** Savi Ltd. forfeited 50 shares of ₹ 100 each issued at a premium of 10%, on which allotment money of ₹ 30 per share (including premium) and first and final call of ₹ 40 per share were not received.

**What is the minimum amount per share at which the company can reissue these shares?** **(Understanding)** [1]

## SECTION B (20 Marks)

**Question 11.**

***In sub-parts (i) and (ii) choose the correct options and in sub-parts (iii) to (v) answer the questions as instructed.***

(i) Debt-Equity Ratio of Surya Ltd. is 2 : 1. Which of the following will result in *decrease* in this ratio?

(a) Issue of debentures for cash of ₹ 1,00,000.

(b) Issue of debentures of ₹ 5,00,000 to vendors from whom machinery was purchased.

(c) Goods purchased on credit of ₹ 1,00,000.

(d) Issue of Equity Shares of ₹ 2,00,000. [1]

(ii) **Assertion (A):** Change in the value of goodwill is always classified as a financing activity.

**Reason (R):** Decrease in the value of goodwill indicates that the amount is amortised.

*In the context of above two statements, which of the following is correct?*

(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

(b) Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A).

(c) Assertion (A) is true but Reason (R) is false.

(d) Assertion (A) is false but Reason (R) is true. [1]

(iii) Following information is taken from the Statement of Profit & Loss of ITC Ltd. for the year ended 31st March, 2024:

| Particulars | For the year ended 31st March, 2024 (₹ in crore) | For the year ended 31st March, 2023 (₹ in crore) |
|---|---|---|
| Profit (Net Profit) for the Year | 20421.97 | 18753.31 |

**You are required to:** (**Source:** *Annual Report of ITC Ltd.*)

**(a) Give the formula to calculate the percentage change in net profit of the company as compared to 31st March, 2023.**

**(b) Calculate the percentage change in the Net Profit of ITC Ltd. for the year ended 31st March, 2024 to 31st March, 2023, mentioning the Increase/ Decrease.** **(Analysis)** [1]

(iv) Arun Birla owns a business and gives the following figures for two successive years:

| Particulars | Year I (₹) | Year II (₹) |
|---|---|---|
| Revenue from Operations | 60,000 | 1,20,000 |
| Gross Profit | 15,000 | 24,000 |

Arun speaks very high of his manager who has increased the profits from ₹ 15,000 to ₹ 24,000 and described him 'dynamically successful'.

**Do you agree with him? If not, why?** **(Analysis)** [1]

(v) When is 'Interest received' a Financing Activity? **(Understanding)** [1]

**Question 12.**

**From the following data, prepare a Comparative Balance Sheet of Palms Ltd. as at 31st March, 2024: (All calculations up to two decimal places)**

| Particulars | 31st March, 2024 (₹) | 31st March, 2023 (₹) |
|---|---|---|
| Shareholders' Funds | 22,20,000 | 12,00,000 |
| Non-current Liabilities | 6,00,000 | 6,00,000 |
| Current Liabilities | 1,80,000 | 2,00,000 |
| Non-current Assets | 25,20,000 | 14,00,000 |
| Current Assets | 4,80,000 | 6,00,000 |

**(Application)** [3]

**Question 13.**

**From the following Balance Sheet of Jazz Ltd., you are required to prepare Cash Flow Statement (as per AS-3) for the year 2023–24:**

BALANCE SHEET OF JAZZ LTD.
*as at 31st March, 2024 and 31st March, 2023*

| Particulars | Note No. | 31st March, 2024 (₹) | 31st March, 2023 (₹) |
|---|---|---|---|
| **I. EQUITY AND LIABILITIES** | | | |
| **1. Shareholders' Funds** | | | |
| (a) Share Capital | | 7,00,000 | 6,00,000 |
| (b) Reserves and Surplus | | 2,00,000 | 1,10,000 |
| (Surplus, *i.e.*, Balance in Statement of Profit & Loss) | | | |
| **2. Non-Current Liabilities** | | | |
| Long-term Borrowings (10% Debentures) | | 3,00,000 | 2,00,000 |
| **3. Current Liabilities** | | | |
| Trade Payables | | 30,000 | 25,000 |
| **Total** | | 12,30,000 | 9,35,000 |

| | | | |
|---|---|---|---|
| **II. ASSETS** | | | |
| **1. Non-Current Assets** | | | |
| *Property, Plant and Equipment and Intangible Assets:* | | | |
| Property, Plant and Equipment | | 11,00,000 | 8,00,000 |
| **2. Current Assets** | | | |
| (a) Inventories | | 70,000 | 60,000 |
| (b) Trade Receivables | | 32,000 | 40,000 |
| (c) Cash and Bank Balance (Cash at Bank) | | 28,000 | 35,000 |
| **Total** | | 12,30,000 | 9,35,000 |

*Additional Information:*

1. Interim Dividend paid during the year amount to ₹ 90,000.
2. During the year, a piece of machinery of the book value of ₹ 80,000 was sold for ₹ 65,000. Depreciation provided on machinery during the year amounted to ₹ 2,00,000.
3. Equity Shares were issued at a premium of 5% on 1st April, 2023.
4. Additional debentures were issued on 1st October, 2023 at a discount of 5%.

**(Application)**

***Or***

**Read the following information of Abhipra Ltd., and answer the questions that follow:**

| Particulars | 31st, March 2023 (₹) | 31st, March 2022 (₹) |
|---|---|---|
| Trade Receivables | 85,000 | 1,00,000 |
| Provision for Tax | 75,000 | 50,000 |
| Furniture (at book value) | 6,00,000 | 8,00,000 |
| General Reserve | 2,50,000 | 2,00,000 |
| 10% Debentures | 2,00,000 | 1,50,000 |
| Goodwill | 3,00,000 | 3,50,000 |
| Trade Payables | 1,05,000 | 1,25,000 |
| Balance of Statement of Profit & Loss (Cr.) | 6,50,000 | 6,00,000 |
| Securities Premium | ... | 2,20,000 |
| Share Capital (Equity Shares of ₹ 100 each) | 25,00,000 | 15,00,000 |

*Additional Information:*

During the year 2022–23:

(a) A piece of furniture costing ₹ 1,50,000 (accumulated depreciation ₹ 15,000) was sold for ₹ 1,25,000.

(b) Tax of ₹ 45,000 was paid.

(c) Paid underwriting commission ₹ 20,000.

(d) Interim Dividend of ₹ 20,000 was paid.

(e) The company paid ₹ 15,000 as interest on debentures.

(f) Issued bonus shares to the shareholders at the beginning of the year in the ratio of 1 : 5 (that is 1 bonus share for every 5 shares held) by capitalising the Securities Premium.

(g) Land was purchased on 2nd April, 2022 for ₹ 5 lakh for which the company issued 4,000 Equity Shares of ₹ 100 each at a premium of 25%.

**(i) How many bonus shares have been issued by the company to the shareholders?** [1]

**(ii) What is the company's Net Profit before Tax?** [1]

**(iii) What is the amount of Operating Profit before Working Capital Changes?** [1]

**(iv) What is the amount of Cash Flow from Operating Activities after tax is paid?** [1]

**(v) What is the Net Cash Flow from or Used in Investing Activities?** [1]

**(vi) State the amount of Net Cash Flow from or Used in Financing Activities.** [1]

**Question 14.**

**Answer *any three* of the following questions:**

(i) Operating Cost ₹ 8,50,000; Gross Profit Ratio 20%; Operating Expenses ₹ 50,000.
**Calculate Operating Profit Ratio.** **(Application)**

(ii) Capital Employed ₹ 10,00,000; interest on Long-term Borrowings @ 10% ₹ 60,000.

**Compute 'Debt to Equity Ratio'.**

(iii) Karishma Ltd.'s profit after interest and tax was ₹ 1,00,000. Its Current Assets were ₹ 4,00,000; Current Liabilities ₹ 2,00,000; Fixed Assets ₹ 6,00,000 and 10% Long-term Debt ₹ 4,00,000. The rate of tax was 20%.

**Calculate 'Return on Investment' of Karishma Ltd.**

(iv) *For the year 2023–24:*

- The Interest Coverage Ratio of 'Srestha Ltd.' is 8 Times.
- Its 10% Long-term Borrowing is ₹ 4,00,000.

**(a) You are required to give the formula used by the company to calculate 'Interest Coverage Ratio'.**

**(b) You have been provided with two components for calculating the Interest Coverage Ratio. Calculate the remaining component.** [6]

## ANSWERS

### SECTION A

**Question 1.**

(i) (a) Increase of ₹ 21,600.
4/7 [₹ 42,000(General Reserve) – ₹ 4,200 (Profit & Loss A/c)] = ₹ **21,600**.

(ii) (a) Rohit's and Mohit's Account credited with ₹ 10,000 each.

(iii) (d) ₹ 1,000 crore.

**Explanation:** Listed NBFC is not required to transfer profit to DRR. It means, it can redeem debentures out of capital.

(iv) (d) 800 shares.

***Working Note:***

| | | ₹ |
|---|---|---|
| Amount forfeited per share | = | 5 |
| *Less:* Discount on Reissue per share | = | 1 |
| Gain on Reissue per share | = | 4 |

$$\text{No. of Shares Reissued} = \frac{\text{Capital Reserve}}{\text{Gain on reissue per share}} = \frac{₹\,3,200}{₹\,4} = 800 \text{ shares.}$$

(v) Share given by Karuna to Aruna = $\frac{3}{10} \times \frac{2}{5} = \frac{6}{50}$

Share given by Karuna to Swarna = $\frac{3}{10} \times \frac{3}{5} = \frac{9}{50}$

New Profit Share = Old Profit Share + Profit Share Acquired

Aruna's New Profit Share = $\frac{4}{10} + \frac{6}{50} = \frac{20+6}{50} = \frac{26}{50}$

Varuna's New Profit Share = $\frac{2}{10}$ (Unchanged)

Swarna's New Profit Share = $\frac{1}{10} + \frac{9}{50} = \frac{5+9}{50} = \frac{14}{50}$

New Profit-sharing Ratio = 26 : 10 : 14.

(vi) (a) Both Assertion (A) and Reason (R) are correct, and Reason (R) is the correct explanation of Assertion (A).

(vii) Bank Account will be credited in Realisation Account by ₹ 1,03,000.

***Working Note:***

| | | ₹ |
|---|---|---|
| (i) Cash paid to 50% creditors | = | 8,000 |
| (ii) Remaining creditors were paid at a discount of 5% (₹ 1,00,000 – 5% of ₹ 1,00,000) | = | 95,000 |
| Total amount paid to Creditors | | 1,03,000 |

(viii) Ashwin's Total Share of Profit = ₹ 1,22,500.

***Working Note:***

Profit before charging bad debts = ₹ 3,00,000 + ₹ 30,000 = ₹ 3,30,000

Profit before and after the admission of Tanveer = 1/2 of ₹ 3,30,000 = ₹ 1,65,000 each

| *Ashwin's Total Share of Profit:* | | ₹ |
|---|---|---|
| 1/2 of (₹ 1,65,000 – ₹ 30,000) | = | 67,500 |
| 1/3 of ₹ 1,65,000 | = | 55,000 |
| | | 1,22,500 |

(ix) Claims against the company not acknowledged as debts are **Contingent Liabilities.** Such liabilities are those liabilities which may or may not arise because they are dependent on happening of some event in future which is not under the control of the enterprise.

*Contingent Liability is not recorded in the books of accounts* but is disclosed in the **Notes to Accounts** for the information of users of financial statements.

(x) **Total Adjusted Capital of Old Partners**

| Particulars | Raghu (₹) | Rishu (₹) |
|---|---|---|
| Old Capital before Adjustment | 69,000 | 51,000 |
| *Add:* Share of Goodwill | 5,000 | 5,000 |
| *Less:* Share of Loss on Revaluation | (3,000) | (2,000) |
| *Add:* Share of General Reserve | 9,000 | 6,000 |
| Adjusted Capital | 80,000 | 60,000 |

**Calculation of Total Capital of New Firm:**

Total Share of Old Partners = $1 - \frac{1}{5} = \frac{4}{5}$

Combined Capitals of Raghu and Rishu for 4/5 share = ₹ 80,000 + ₹ 60,000 = ₹ 1,40,000

Total Capital of New Firm = ₹ 1,40,000 × $\frac{5}{4}$ = ₹ 1,75,000

**Rishabh's Capital for 1/5 Share** = ₹ 1,75,000 × $\frac{1}{5}$ = ₹ **35,000**.

**Question 2.**

JOURNAL

| Date | Particulars | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|
| | Bad Debts A/c ...Dr. | | 7,500 | |
| | To Debtors A/c | | | 7,500 |
| | (Being the Bad Debts written-off) | | | |
| | Provision for Doubtful Debts A/c ...Dr. | | 7,500 | |
| | To Bad Debts A/c | | | 7,500 |
| | (Being the Bad Debts transferred to Provision for Doubtful Debts A/c) | | | |
| | Revaluation A/c ...Dr. | | 1,875 | |
| | To Provision for Doubtful Debts A/c [5%(₹ 95,000 – ₹ 7,500) – (₹ 10,000 – ₹ 7,500)] | | | 1,875 |
| | (Being the Provision for Doubtful Debts made to be 5% of Debtors) | | | |
| | Chander's Capital A/c ...Dr. | | 1,125 | |
| | Damini's Capital A/c ...Dr. | | 750 | |
| | To Revaluation A/c | | | 1,875 |
| | (Being the Loss on Revaluation transferred to partners in their old profit-sharing ratio) | | | |

*Or*

(a) *Calculation of New Capitals of Ashok, Bhim and Chetan and New Profit-sharing Ratio:*

Ashok's New Profit Share = 3/6 – 3/16 = 15/48; Bhim's New Profit Share = 2/6 – 1/16 = 13/48; Chetan's Profit Share = 1/6; Dheeraj's Profit Share = 1/4

New Profit-sharing Ratio of Ashok, Bhim, Chetan and Dheeraj = 15 : 13 : 8 : 12.

∴ *New Capitals of* Ashok, Bhim *and* Chetan *are:*

Ashok = ₹ 1,20,000 × 15/48 = ₹ 37,500; Bhim = ₹ 1,20,000 × 13/48 = ₹ 32,500;

Chetan = ₹ 1,20,000 × 1/6 = ₹ 20,000; Dheeraj = ₹ 1,20,000 × 1/4 = ₹ 30,000.

| *Calculation of Amount brought or paid:* | Ashok (₹) | Bhim (₹) | Chetan (₹) |
|---|---|---|---|
| Existing Capital | 40,000 | 35,000 | 30,000 |
| Required Capital | 37,500 | 32,500 | 20,000 |
| Amount Withdrawn | 2,500 | 2,500 | 10,000 |

(b) JOURNAL

| Date | Particulars | | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|---|
| | Cash/Bank A/c | ...Dr. | | 30,000 | |
| | To Dheeraj's Capital A/c | | | | 30,000 |
| | (Being the amount brought by Dheeraj as his capital) | | | | |
| | Ashok's Capital A/c | ...Dr. | | 2,500 | |
| | Bhim's Capital A/c | ...Dr. | | 2,500 | |
| | Chetan's Capital A/c | ...Dr. | | 10,000 | |
| | To Cash/Bank A/c | | | | 15,000 |
| | (Being the amounts withdrawn by partners to adjust their capitals in the new ratio) | | | | |

**Question 3.** JOURNAL OF METLIFE LTD.

| Date | Particulars | | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|---|
| 2024 | | | | | |
| March 31 | Debentures' Interest A/c | ...Dr. | | 50,000 | |
| | To Debentureholders' A/c | | | | 45,000 |
| | To TDS Payable A/c | | | | 5,000 |
| | (Being the interest due for the year and TDS deducted @ 10%) | | | | |
| March 31 | Debentureholders' A/c | ...Dr. | | 45,000 | |
| | To Bank A/c | | | | 45,000 |
| | (Being the payment of interest) | | | | |
| March 31 | TDS Payable A/c | ...Dr. | | 5,000 | |
| | To Bank A/c | | | | 5,000 |
| | (Being the TDS deducted deposited) | | | | |

**Question 4.**

JOURNAL OF JAYPEE LTD.

| Date | Particulars | | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|---|
| 2024 | | | | | |
| March 31 | 10% Debentures A/c | ...Dr. | | 3,00,000 | |
| | Premium on Redemption of Debentures A/c | ...Dr. | | 30,000 | |
| | To Debentureholders' A/c | | | | 3,30,000 |
| | (Being the amount due to debentureholders on redemption) | | | | |
| March 31 | Debentureholders' A/c | ...Dr. | | 3,30,000 | |
| | To Bank A/c | | | | 3,30,000 |
| | (Being the amount due to debentureholders paid) | | | | |
| March 31 | Debentures Redemption Reserve A/c | ...Dr. | | 30,000 | |
| | To General Reserve A/c | | | | 30,000 |
| | (Being the DRR transferred to General Reserve) | | | | |

**Note:** Balance in DRR is ₹ 30,000 as on 31st March, 2023, which is 10% of outstanding debentures, *i.e.*, adequate as per Rule 18(7)(b) of the Companies (Share Capital and Debentures) Rules, 2014.

***Or***

(a) Investment should be made by Axis Marketing Ltd. on or before 30th April, 2023 of ₹ 1,50,000 being 15% of ₹ 10,00,000. The investment should be realised as follows:

On 30th September, 2023 — ₹ 75,000, and

On 31st March, 2024 — ₹ 75,000.

(b)

*Dr.* DEBENTUREHOLDERS' ACCOUNT *Cr.*

| Date | Particulars | ₹ | Date | Particulars | ₹ |
|---|---|---|---|---|---|
| 2023 | | | 2023 | | |
| Sept. 30 | To Bank A/c | 5,00,000 | Sept. 30 | By 8% Debentures A/c | 5,00,000 |
| 2024 | | | 2024 | | |
| March 31 | To Bank A/c | 5,00,000 | March 31 | By 8% Debentures A/c | 5,00,000 |
| | | 10,00,000 | | | 10,00,000 |

*Dr.* DEBENTURE REDEMPTION INVESTMENT ACCOUNT *Cr.*

| Date | Particulars | ₹ | Date | Particulars | ₹ |
|---|---|---|---|---|---|
| 2023 | | | 2023 | | |
| April 30 | To Bank A/c | 1,50,000 | Sept. 30 | By Bank A/c | 75,000 |
| | | | 2024 | | |
| | | | March 31 | By Bank A/c | 75,000 |
| | | 1,50,000 | | | 1,50,000 |

**Question 5.**

CALCULATION OF ADJUSTED PROFIT

| Particulars | 31st March, 2021 (₹) | 31st March, 2022 (₹) | 31st March, 2023 (₹) | 31st March, 2024 (₹) |
|---|---|---|---|---|
| Given Profits | 4,04,000 | 4,96,000 | 4,00,000 | 6,00,000 |
| *Add:* Capital Expenditure on Plant | ... | ... | 1,20,000 | ... |
| | 4,04,000 | 4,96,000 | 5,20,000 | 6,00,000 |
| *Less:* Unprovided Depreciation on Plant | ... | ... | ... | 12,000 |
| | 4,04,000 | 4,96,000 | 5,20,000 | 5,88,000 |
| *Less:* Overvaluation of Closing Stock | ... | 48,000 | ... | ... |
| | 4,04,000 | 4,48,000 | 5,20,000 | 5,88,000 |
| *Add:* Overvaluation of Opening Stock | ... | ... | 48,000 | ... |
| Adjusted Profits | 4,04,000 | 4,48,000 | 5,68,000 | 5,88,000 |

CALCULATION OF WEIGHTED PROFIT

| Year Ended | Profits (₹) | Weights | Weighted Profit (₹) |
|---|---|---|---|
| 31st March, 2021 | 4,04,000 | 1 | 4,04,000 |
| 31st March, 2022 | 4,48,000 | 2 | 8,96,000 |
| 31st March, 2023 | 5,68,000 | 3 | 17,04,000 |
| 31st March, 2024 | 5,88,000 | 4 | 23,52,000 |
| Total | | 10 | 53,56,000 |

$$\text{Weighted Average Profit} = \frac{\text{Total of Weighted Profit}}{\text{Total of Weights}} = \frac{₹\ 53,56,000}{10} = ₹\ 5,35,600$$

$$\text{Goodwill} = \text{Weighted Average Profit} \times \text{Number of Years' Purchase}$$
$$= ₹\ 5,35,600 \times 3 = ₹\ 16,06,800.$$

**Notes***:*

1. Depreciation on Plant for the year ending 31st March, 2024 = ₹ 1,20,000 × 10/100 = ₹12,000.
2. Closing Stock of the year ended 31st March, 2022 will become Opening Stock of the year ended 31st March, 2023.

**Question 6.**

**Notes to Accounts**

| Particulars | | ₹ |
|---|---|---|
| **1. Share Capital** | | |
| **Authorised Capital** | | |
| ... Equity Shares of ₹ 100 each | | ... |
| **Issued Capital** | | |
| ... Equity Shares of ₹ 100 each | | ... |
| **Subscribed Capital** | | |
| **Subscribed and fully paid-up** | | |
| 15,000 Equity Shares of ₹ 100 each | | 15,00,000 |
| **Subscribed but not fully paid-up** | | |
| 10,000 Equity Shares of ₹ 100 each | 10,00,000 | |
| *Less:* Calls-in-Arrears | 1,00,000 | 9,00,000 |
| | | 24,00,000 |

| | | |
|---|---|---|
| **2. Reserves and Surplus** | | |
| Securities Premium | 5,00,000 | |
| *Less:* Underwriting Commission | (50,000) | |
| | 4,50,000 | |
| General Reserve | 1,75,000 | |
| Statement of Profit & Loss | (25,000) | 6,00,000 |
| | | 6,00,000 |
| **3. Long-term Borrowings** | | |
| 9% Debentures | 12,50,000 | |
| Premium on Redemption of Debentures | 50,000 | |
| Fixed Deposits | 5,00,000 | 18,00,000 |
| | | 18,00,000 |
| **4. Long-term Loans and Advances** | | |
| Capital Advances | | 2,75,000 |
| **5. Other Current Liabilities** | | |
| Unpaid Dividend | | 60,000 |

**Contingent Liabilities & Capital Commitments: Capital Commitments**

Uncalled Liability on Partly Paid Shares = ₹ 20,00,000

**Question 7.**

(a) *Dr.* PARTNERS' CAPITAL ACCOUNTS *Cr.*

| Particulars | Param ₹ | Dharam ₹ | Vijay ₹ | Particulars | Param ₹ | Dharam ₹ | Vijay ₹ |
|---|---|---|---|---|---|---|---|
| To Current A/c (Transfer) —Balancing Figure | 41,500 | 29,900 | ... | By Balance *b/d* | 50,000 | 35,000 | ... |
| | | | | By General Reserve A/c | 10,000 | 6,000 | ... |
| To Balance *c/d* (WN 4) | 25,000 | 15,000 | 20,000 | By Revaluation A/c (WN 1) | 4,000 | 2,400 | ... |
| | | | | By Bank A/c | ... | ... | 20,000 |
| | | | | By Vijay's Current A/c (Goodwill) (WN 2) | 2,500 | 1,500 | ... |
| | 66,500 | 44,900 | 20,000 | | 66,500 | 44,900 | 20,000 |

(b) BALANCE SHEET OF THE NEW FIRM *as at 1st April, 2024*

| Liabilities | | ₹ | Assets | | ₹ |
|---|---|---|---|---|---|
| Capital A/cs: | | | Building | | 35,000 |
| Param | 25,000 | | Machinery | | 25,000 |
| Dharam | 15,000 | | Stock | | 16,000 |
| Vijay | 20,000 | 60,000 | Debtors | 20,000 | |
| Current A/cs: | | | *Less:* Provision for Doubtful Debts | 1,100 | 18,900 |
| Param | 41,500 | | Vijay's Current A/c | | 4,000 |
| Dharam | 29,900 | 71,400 | Cash at Bank (₹ 39,500 + ₹ 20,000) | | 59,500 |
| Creditors | | 27,000 | | | |
| | | 1,58,400 | | | 1,58,400 |

***Working Notes:***

1. *Dr.* REVALUATION ACCOUNT *Cr.*

| Particulars | ₹ | Particulars | ₹ |
|---|---|---|---|
| To Machinery A/c | 5,000 | By Building A/c | 10,000 |
| To Param's Capital A/c (Profit) | 4,000 | By Provision for Doubtful Debts A/c | 400 |
| To Dharam's Capital A/c (Profit) | 2,400 | By Stock A/c | 1,000 |
| | 11,400 | | 11,400 |

2. Goodwill = Average Profit × No. of Years' Purchase

Total Profits = ₹ 15,000 + ₹ 10,000 – ₹ 7,000 = ₹ 18,000

Average Profit = Total Profits/Number of Years = ₹ 18,000/3 = ₹ 6,000

Goodwill = ₹ 6,000 × 2 = ₹ 12,000.

Vijay's Share of Goodwill = ₹ 12,000 × 1/3 = ₹ **4,000**

Credited to Param and Dharam in their sacrificing ratio, *i.e.*, 5 : 3.

3. *Calculation of New Profit-sharing Ratio:*

Vijay is entitled to 1/3rd share in profit so balance of profit = 1 – 1/3 = 2/3. It will be shared by Param and Dharam in 5 : 3.

Param's new profit share = 2/3 × 5/8 = 10/24

Dharam's new profit share = 2/3 × 3/8 = 6/24

New Profit-sharing Ratio of Param, Dharam and Vijay = 10/24 : 6/24 : 1/3
= 10 : 6 : 8 or **5 : 3 : 4**.

4. *Calculation of Capital of Param and Dharam on the basis of Vijay's Capital:*

Vijay's share = 1/3; Vijay's capital = ₹ 20,000

Based on Vijay's capital, total capital of the firm will be = (₹ 20,000 × 3/1) = ₹ 60,000

∴ Param's capital in the new firm = ₹ 60,000 × 5/12 = ₹ **25,000**

Dharam's capital in the new firm = ₹ 60,000 × 3/12 = ₹ **15,000**.

***Or***

**A.** (i) Amount to be paid to Disha = ₹ 92,800 + ₹ 7,200 = ₹ 1,00,000

(ii) *Calculation of New Profit-sharing Ratio of Chetna and Fhalak:*

New Profit Share = Old Profit Share + Profit Share Gained

Chetna's New Profit Share = 4/9 + [(3,900/7,200) × 3/9] = 5/8

Fhalak's New Profit Share = 2/9 + [(3,300/7,200) × 3/9] = 3/8

New Profit-sharing Ratio of Chetna and Fhalak = 5/8 : 3/8 = **5 : 3**.

**B.** JOURNAL

| Date | | Particulars | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|---|
| 2024 | | | | | |
| Feb. | 1 | Profit & Loss Suspense A/c ...Dr. | | 30,000 | |
| | | To Sara's Capital A/c | | | 30,000 |
| | | (Sara's share of profit allowed till the date of her death) | | | |

***Working Note:***

Profit % to sales turnover for the year ended 31st March, 2023 = $\frac{₹1,20,000}{₹10,00,000} \times 100 =$ ₹ 12%

Estimated sales for the year ended 31st March, 2024 = ₹ 10,00,000 + *20% of ₹ 10,00,000 = ₹ 12,00,000
*As sales show a positive trend of 20%.

Estimated sales till 1st February, 2024 = ₹ 12,00,000 × $\frac{10}{12}$ = ₹ 10,00,000

Profit percentage (12 – 2*) = 10%

*As profit earning is reduced by 2%.

Profit amount till 1st February, 2024 = 10% of ₹ 10,00,000 = ₹ 1,00,000

Sara's share of profit till 1st February, 2024 = $\frac{₹1,00,000 \times 3}{10}$ = ₹ **30,000**.

### Question 8.

(i) *Dr.* PARTNERS' CAPITAL ACCOUNTS *Cr.*

| Particulars | Sidharth ₹ | Raunak ₹ | Particulars | Sidharth ₹ | Raunak ₹ |
|---|---|---|---|---|---|
| To Balance *b/d* | ... | 60,000 | By Balance *b/d* | 1,20,000 | ... |
| To Profit & Loss A/c | 20,000 | 10,000 | By General Reserve A/c | 14,000 | 7,000 |
| To Realisation A/c (Unrecorded Assets) | ... | 6,000 | By Realisation A/c | 9,000 | ... |
| To Bank A/c (Realisation Expenses) | 3,000 | ... | —Unrecorded Liability | | |
| To Realisation A/c (Loss) | 60,000 | 30,000 | By Bank A/c—Balancing Figure | ... | 99,000 |
| To Bank A/c (Final Payment)—Bal. Fig. | 60,000 | ... | | | |
| | 1,43,000 | 1,06,000 | | 1,43,000 | 1,06,000 |

(ii) *Dr.* RAUNAK'S LOAN ACCOUNT *Cr.*

| Particulars | ₹ | Particulars | ₹ |
|---|---|---|---|
| To Bank A/c | 46,500 | By Balance *b/d* | 45,000 |
| | | By Realisation A/c (Interest) | 1,500 |
| | 46,500 | | 46,500 |

**Question 9.**

A.

(a) *Dr.* PROFIT & LOSS APPROPRIATION ACCOUNT *for the year ended 31st March, 2024* *Cr.*

| Particulars | | ₹ | Particulars | | ₹ |
|---|---|---|---|---|---|
| To Interest on Capital A/c: (WN 2) | | | By Balance *b/d:* | | |
| Krishna's Capital A/c | 15,000 | | Profit | 2,32,000 | |
| (₹ 3,00,000 × 5/100) | | | *Less:* Rent to Karim (WN 1) | 12,000 | 2,20,000 |
| Sandeep's Capital A/c | 10,000 | | By Interest on Drawings A/c: | | |
| (₹ 2,00,000 × 5/100) | | 25,000 | Krishna's Capital A/c | 180 | |
| To Salary A/c: | | | (₹ 6,000 × 6/100 × 6/12) | | |
| Krishna's Capital A/c | 25,720 | | Sandeep's Capital A/c | 180 | |
| Sandeep's Capital A/c | 30,000 | 55,720 | (₹ 6,000 × 6/100 × 6/12) | | |
| To Commission A/c: | | | Karim's Capital A/c | 360 | 720 |
| Krishna's Capital A/c | | 20,000 | [(₹ 6,000 × 6/100 × 6/12) + (₹ 4,000 × 6/100 × 9/12)] | | |
| (₹ 2,20,000 × 10/110) | | | | | |
| To Krishna's Capital A/c (Profit) | | 60,000 | | | |
| To Sandeep's Capital A/c (Profit) | | 40,000 | | | |
| To Karim's Capital A/c (Profit) | | 20,000 | | | |
| | | 2,20,720 | | | 2,20,720 |

***Working Notes:***

1. Rent of ₹ 12,000 payable to Karim for use of the premises is a *charge against profit* and not an appropriation of profit. Therefore, such rent is to be deducted from the profit to determine net profit.
2. Interest on Capital will not be allowed to Karim as his capital has a debit balance.

(b) JOURNAL

| Date | Particulars | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|
| | **Adjusting Entry:** | | | |
| | Interest on Capital A/c ...Dr. | | 25,000 | |
| | To Krishna's Capital A/c | | | 15,000 |
| | To Sandeep's Capital A/c | | | 10,000 |
| | (Being the interest on capital allowed) | | | |
| | **Closing Entry:** | | | |
| | Profit & Loss Appropriation A/c ...Dr. | | 25,000 | |
| | To Interest on Capital A/c | | | 25,000 |
| | (Being the interest on capital transferred to Profit & Loss Appropriation Account) | | | |

(c) JOURNAL

| Date | Particulars | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|
| | **Adjusting Entry:** | | | |
| | Krishna's Capital A/c ...Dr. | | 180 | |
| | Sandeep's Capital A/c ...Dr. | | 180 | |
| | Karim's Capital A/c ...Dr. | | 360 | |
| | To Interest on Drawings A/c | | | 720 |
| | (Being the interest on drawings charged) | | | |
| | **Closing Entry:** | | | |
| | Interest on Drawings A/c ...Dr. | | 720 | |
| | To Profit & Loss Appropriation A/c | | | 720 |
| | (Being the interest on drawings transferred to Profit & Loss Appropriation A/c) | | | |

B.

(i) ADJUSTMENT TABLE

| Particulars | Suman (₹) | Harish (₹) | Meeta (₹) | Total (₹) |
|---|---|---|---|---|
| I. Amount already Credited by way of Interest on Capital | 5,000 | 10,000 | 15,000 | 30,000 |
| II. Amount which should have been Credited by way of Share of Profit | 10,000 | 10,000 | 10,000 | 30,000 |
| III. **Net Effect** | 5,000 Cr. | ... | (5,000) Dr. | ... |

(ii) ADJUSTMENT JOURNAL ENTRY

| Date | Particulars | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|
| | Meeta's Current A/c ...Dr. | | 5,000 | |
| | To Suman's Current A/c | | | 5,000 |
| | (Being the interest on Capital wrongly provided, now adjusted) | | | |

***Or***

**A.** (i) JOURNAL

| Date | Particulars | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|
| 2022 (i) (a) | | | | |
| Oct. 1 | Ravi's Capital A/c ...Dr. | | 20,000 | |
| | To Bank A/c | | | 20,000 |
| | (Being the permanent withdrawal of capital) | | | |
| 2023 (b) | | | | |
| March 31 | Profit & Loss Appropriation A/c ...Dr. | | 46,360 | |
| | To Tanuj's Capital A/c | | | 23,180 |
| | To Ravi's Capital A/c | | | 23,180 |
| | (Being the divisible profit transferred to Partners' Capital Accounts) | | | |
| (c) | Ravi's Commission A/c ...Dr. | | 10,000 | |
| | To Ravi's Capital A/c | | | 10,000 |
| | (Being the commission due) | | | |

(ii) (a) Interest on Tanuj's Capital = ₹ 1,50,000 × 10/100 = ₹ 15,000.

(b) Interest on Ravi's Capital = ₹ 1,00,000 × 10/100 × 6/12 = ₹ 5,000

₹ 80,000 × 10/100 × 6/12 = ₹ 4,000

₹ 9,000

(iii) *Calculation of commission allowed to Tanuj:*

Commission = ₹ 84,000 × 5/105 = ₹ 4,000.

(iv) Interest on Tanuj's Drawings = ₹ 24,000 × 4.5/12 × 4/100 = ₹ 360.

**B. Calculation of Opening Capitals and Interest on Capitals**

| Particulars | Mohan (₹) | Vijay (₹) | Anil (₹) |
|---|---|---|---|
| Closing Capital | 30,000 | 25,000 | 20,000 |
| *Add:* Drawings | 5,000 | 4,000 | 3,000 |
| *Less:* Share of Profit Credited | (8,000) | (8,000) | (8,000) |
| Opening Capital | 27,000 | 21,000 | 15,000 |
| Interest @ 10% | 2,700 | 2,100 | 1,500 |

**Calculation of Revised Profits:**

Revised Profits = Given Profit + Interest on Drawings – Interest on Capitals

= ₹ 24,000 + (₹ 250 + ₹ 200 + ₹ 150) – (₹ 2,700 + ₹ 2,100 + ₹ 1,500)

= **₹ 18,300.**

ADJUSTMENT TABLE

| Particulars | Mohan (₹) | Vijay (₹) | Anil (₹) |
|---|---|---|---|
| I. **Amount Already Credited** | 8,000 | 8,000 | 8,000 |
| II. **Amount which should have been Credited** | | | |
| Interest on Capital | 2,700 | 2,100 | 1,500 |
| Share of Proft (₹ 18,300 in 1 : 1 : 1) | 6,100 | 6,100 | 6,100 |
| Interest on Drawings | (250) | (200) | (150) |
| | 8,550 | 8,000 | 7,450 |
| III. **Amount to be Adjusted (I – II)** | 550 | ... | (550) |

ADJUSTMENT JOURNAL ENTRY

| Date | Particulars | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|
| 2024 | | | | |
| April 1 | Anil's Capital A/c ...Dr. | | 550 | |
| | To Mohan's Capital A/c | | | 550 |
| | (Being the adjusting entry to rectify the errors) | | | |

**Question 10.**

**A.**

(i) *Dr.* SHARES ALLOTMENT ACCOUNT *Cr.*

| Particulars | ₹ | Particulars | ₹ |
|---|---|---|---|
| To Share Capital A/c (10,000 × ₹ 2) | 20,000 | By Shares Application A/c (WN 1) | 8,000 |
| To Securities Premium A/c (10,000 × ₹ 3) | 30,000 | By Bank A/c (WN 3) | 37,800 |
| | | By Calls-in-Arrears A/c (WN 2) | 4,200 |
| | 50,000 | | 50,000 |

(ii) *Dr.* SECURITIES PREMIUM ACCOUNT *Cr.*

| Particulars | ₹ | Particulars | ₹ |
|---|---|---|---|
| To Calls-in-Arrears A/c (1,000 × ₹ 3) | 3,000 | By Shares Allotment A/c (10,000 × ₹ 3) | 30,000 |
| To Balance *c/d* | 27,000 | | |
| | 30,000 | | 30,000 |

(iii) *Dr.* SHARES FORFEITURE ACCOUNT *Cr.*

| Particulars | ₹ | Particulars | ₹ |
|---|---|---|---|
| To Share Capital A/c (Discount on reissue of 800 shares) | 800 | By Share Capital A/c (1,200 × ₹ 4) | 4,800 |
| To Capital Reserve A/c (WN 4) | 3,040 | | |
| To Balance *c/d* (₹ 4,800/1,000 × 200) | 960 | | |
| | 4,800 | | 4,800 |

(iv) *Dr.* CALLS-IN-ARREARS ACCOUNT *Cr.*

| Particulars | ₹ | Particulars | ₹ |
|---|---|---|---|
| To Shares Allotment A/c | 4,200 | By Share Capital A/c | 3,200 |
| To Shares First Call A/c | 2,000 | By Securities Premium A/c | 3,000 |
| | 6,200 | | 6,200 |

***Working Notes:***

1. Excess application money adjusted on allotment = (12,000 – 10,000) × ₹ 4 = ₹ 8,000.
2. *Amount not received from defaulter shareholders (Calls-in-Arrears):*

   (i) Shares allotted to him = $\frac{10,000}{12,000} \times 1,200 = 1,000$

   (ii) Application money received = 1,200 × ₹ 4 = ₹ 4,800

   (iii) Application money due on shares allotted = 1,000 × ₹ 4 = ₹ 4,000

   (iv) Excess Application money adjusted on allotment = ₹ 4,800 – ₹ 4,000 = ₹ 800

   (v) Allotment money due on shares allotted = 1,000 × ₹ 5 = ₹ 5,000

   (vi) Allotment money due but not received (Calls-in-Arrears) = ₹ 5,000 – ₹ 800 = ₹ 4,200.

3. *Calculation of amount received on allotment:*

| | ₹ |
|---|---|
| Total allotment money due (10,000 × ₹ 5) | 50,000 |
| *Less:* Excess application money adjusted (WN 1) | 8,000 |
| | 42,000 |
| *Less:* Allotment money due but not received (WN 2) | 4,200 |
| Amount received on Allotment | 37,800 |

4. *Calculation of amount transferred to Capital Reserve:*

| | |
|---|---|
| Amount forfeited on reissued shares (₹ 4,800/1,000 × 800) | 3,840 |
| *Less:* Reissue Discount (800 × ₹ 1) | 800 |
| Gain on reissue transferred to Capital Reserve | 3,040 |

**B. Calculation of Interest on Calls-in-Advance**

| | ₹ |
|---|---|
| On ₹ 12,000 (*i.e.*, 400 × ₹ 30) for 2 months @ 12% p.a. | = 240 |
| On ₹ 8,000 (i.e., 400 × ₹ 20) for 4 months @ 12% p.a. | = 320 |
| Total | 560 |

**Calculation of Interest on Calls-in-Arrears**

| | |
|---|---|
| On ₹ 24,000 (*i.e.*, 600 × ₹ 40) for 4 months @ 10% p.a. | 800 |
| On ₹ 18,000 (*i.e.*, 600 × ₹ 30) for 2 months @ 10% p.a. | 300 |
| Total | 1,100 |

***Or***

**A.** JOURNAL OF ROXY LTD. (AN EXTRACT)

| Date | Particulars | | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|---|
| | Share First Call A/c | ...Dr. | | 28,000 | |
| | To Share Capital A/c | | | | 28,000 |
| | (Being the first call due on **14,000** shares @ ₹ 2 each) | | | | |
| | Bank A/c | ...Dr. | | **26,000** | |
| | Calls-in-Arrears A/c | ...Dr. | | 2,000 | |
| | To Share First Call A/c | | | | 28,000 |
| | (Being the first call received on **13,000** shares) | | | | |
| | Share Capital A/c (1,000 × ₹ 6) | ...Dr. | | **6,000** | |
| | To Shares Forfeited A/c (1,000 × ₹ 4) | | | | 4,000 |
| | To Calls-in-Arrears A/c (1,000 × ₹ 2) | | | | **2,000** |
| | (Being **1,000** shares of ₹ 10 each forfeited for non-payment of first call) | | | | |
| | Share Second and Final Call A/c | ...Dr. | | 52,000 | |
| | To Share Capital A/c | | | | 52,000 |
| | (Being the second and final call due on **13,000** shares @ ₹ 4 each) | | | | |
| | Bank A/c | ...Dr. | | **42,000** | |
| | Calls-in-Arrears A/c | ...Dr. | | 10,000 | |
| | To Share Second and Final Call A/c | | | | 52,000 |
| | (Being the second call received on **10,500** shares) | | | | |

| Date | Particulars | | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|---|
| | Share Capital A/c (2,500 × ₹ 10) | ...Dr. | | **25,000** | |
| | To Shares Forfeited A/c (2,500 × ₹ 6) | | | | **15,000** |
| | To Calls-in-Arrears A/c (2,500 × ₹ 4) | | | | 10,000 |
| | (Being **2,500** shares of ₹ 10 each forfeited for non-payment of final call) | | | | |
| | Bank A/c (1,500 × ₹ 6) | ...Dr. | | **9,000** | |
| | Shares Forfeited A/c (1,500 × ₹ 4) | ...Dr. | | **6,000** | |
| | To Share Capital A/c (1,500 × ₹ 10) | | | | **15,000** |
| | (Being 1,500 forfeited shares, including those on which the first call was not received, reissued @ ₹ 6 per share fully called-up) | | | | |
| | Share Forfeiture A/c | ...Dr. | | **1,000** | |
| | To Capital Reserve A/c | | | | **1,000** |
| | (Being the **gain on reissue of 1,500 shares transferred to Capital Reserve)** (WN) | | | | |

***Working Note:***

*Calculation of Gain on Reissue transferred to Capital Reserve:*

| | **1,000 shares** | **500 shares** |
|---|---|---|
| **Amount forfeited on reissued shares** | ₹ 4,000 | ₹ 3,000 (₹ 15,000 × 500/2,500) |
| *Less:* Reissue discount | ₹ 4,000 | ₹ 2,000 |
| Gain on reissue to be transferred to Capital Reserve | Nil | 1,000 |

**B.** 50 forfeited shares can be reissued @ ₹ 60 per share.

**Note:** Reissue price cannot be less than the amount unpaid on forfeited shares. In other words, reissue price should be at least the amount not received by the company on such forfeited shares.

## SECTION B

**Question 11.**

(i) (d) Issue of Equity Shares of ₹ 2,00,000.

(ii) (b) Assertion (A) is false but Reason (R) is true.

(iii) (a) **Percentage Change** $= \dfrac{\text{Absolute Change}}{\text{Net Profit of Previous Year}} \times 100$

(b) **Percentage Change** $= \dfrac{₹\ 20421.97 - ₹\ 18{,}753.31}{₹\ 18{,}753.31} \times 100 = 8.89\%$ (Increase).

(iv)

| Gross Profit Ratio | Year I | Year II |
|---|---|---|
| $\dfrac{\text{Gross Profit}}{\text{Revenue from Operations}} \times 100$ | $\dfrac{₹\ 15{,}000}{₹\ 60{,}000} \times 100 = 25\%$ | $\dfrac{₹\ 24{,}000}{₹\ 1{,}20{,}000} \times 100 = 20\%$ |

An absolute increase in Figure of profit from ₹ 15,000 to ₹ 24,000 is due to increase in Revenue from Operations and not due to any extra efficiency on part of manager. Actually there is a fall in Gross Profit Ratio which apparently reflects inefficient purchase/production and/or sales operations.

(v) Interest received on Calls-in-Arrears by a company is Financing Activity.

### Question 12.

COMPARATIVE BALANCE SHEET OF PALMS LTD. *as at 31st March, 2024*

| Particulars | Note No. | 31st March, 2024 ₹ | 31st March, 2023 ₹ | Absolute Change (Increase/Decrease) ₹ | Percentage Change (Increase/Decrease) % |
|---|---|---|---|---|---|
| **I. EQUITY AND LIABILITIES** | | | | | |
| **1. Shareholders' Funds** | | 22,20,000 | 12,00,000 | 10,20,000 | 85.00 |
| **2. Non-Current Liabilities** | | 6,00,000 | 6,00,000 | ... | 0.00 |
| **3. Current Liabilities** | | 1,80,000 | 2,00,000 | (20,000) | (10.00) |
| **Total** | | 30,00,000 | 20,00,000 | 10,00,000 | 50.00 |
| **II. ASSETS** | | | | | |
| **1. Non-Current Assets** | | 25,20,000 | 14,00,000 | 11,20,000 | 80.00 |
| **2. Current Assets** | | 4,80,000 | 6,00,000 | (1,20,000) | (20.00) |
| **Total** | | 30,00,000 | 20,00,000 | 10,00,000 | 50.00 |

### Question 13.

**Jazz Ltd.**

CASH FLOW STATEMENT *for the year ended 31st March, 2024*

| Particulars | ₹ | ₹ |
|---|---|---|
| **I. Cash Flow from Operating Activities** | | |
| Net Profit before Tax (WN 1) | | 1,80,000 |
| *Adjustment for Non-cash and Non-0perating Items:* | | |
| Interest on Debentures [(10% × ₹ 2,00,000 × 6/12) + (10% × ₹ 3,00,000 × 6/12)] | | 25,000 |
| Depreciation | | 2,00,000 |
| Loss on Sale of Machine | | 15,000 |
| Operating Profit before Working Capital Changes | | 4,20,000 |
| *Changes in Current Assets & Current Liabilities:* | | |
| Increase in Inventories | (10,000) | |
| Decrease in Trade Receivables | 8,000 | |
| Increase in Trade Payables | 5,000 | 3,000 |
| *Cash Flow from Operating Activities* | | 4,23,000 |
| **II. Cash Flow from Investing Activities** | | |
| Proceeds from Sale of Machinery | | 65,000 |
| Purchase of Machinery (WN 2) | | (5,80,000) |
| *Cash Used in Investing Activities* | | (5,15,000) |
| **III. Cash Flow from Financing Activities** | | |
| Proceeds from Issue of Shares [(₹ 1,00,000 + ₹ 5,000 (Premium)] | | 1,05,000 |
| Proceeds from Issue of Debentures [(₹ 1,00,000 – ₹ 5,000 (Discount)] | | 95,000 |
| Interest on Debentures | | (25,000) |
| Interim Dividend Paid | | (90,000) |
| *Cash Flow from Financing Activities* | | 85,000 |
| **IV. Net Decrease in Cash and Cash Equivalents: Cash and Bank (I + II + III)** | | (7,000) |
| *Add:* Opening Cash and Cash Equivalents: Cash and Bank | | 35,000 |
| **V. Closing Cash and Cash Equivalents: Cash and Bank** | | 28,000 |

***Working Notes:***

1. *Calculation of Net Profit before Tax:*

| | ₹ |
|---|---|
| Closing Balance of Surplus, *i.e.*, Balance in Statement of Profit & Loss | 2,00,000 |
| *Less:* Opening Balance of Surplus, *i.e.*, Balance in Statement of Profit & Loss | 1,10,000 |
| | 90,000 |
| *Add:* Interim Dividend paid | 90,000 |
| Net Profit before Tax | 1,80,000 |

2. *Dr.* PROPERTY, PLANT AND EQUIPMENT (MACHINERY) ACCOUNT *Cr.*

| Particulars | ₹ | Particulars | ₹ |
|---|---|---|---|
| To Balance *b/d* | 8,00,000 | By Bank A/c (Sale) | 65,000 |
| To Bank A/c (Purchase) (Balancing Figure) | 5,80,000 | By Statement of Profit & Loss (Loss) | 15,000 |
| | | By Depreciation A/c | 2,00,000 |
| | | By Balance *c/d* | 11,00,000 |
| | 13,80,000 | | 13,80,000 |

3. Discount on issue of debentures of ₹ 5,000 has been adjusted from Securities Premium as per Section 52(2) of the Companies Act, 2013.

***Or***

(i) No. of Bonus Shares issued $= \dfrac{15{,}000 \text{ shares}}{5} = 3{,}000$ shares

**Note:** Securities Premium available = ₹ 2,20,000 + ₹ 1,00,000 (Shares issued to Vendor)
= ₹ 3,20,000
Securities Premium used = ₹ 3,00,000 (Bonus Shares) + ₹ 20,000 for writing off underwriting commission.

(ii) *Calculation of Net Profit before Tax:*

| | ₹ |
|---|---|
| Closing Surplus, *i.e.*, Balance in Statement of Profit & Loss | 6,50,000 |
| *Less:* Opening Surplus, *i.e.*, Balance in Statement of Profit & Loss | 6,00,000 |
| | 50,000 |
| *Add:* Transfer to General Reserve | 50,000 |
| Interim Dividend Paid | 20,000 |
| Provision for Tax (Note) | 70,000 |
| **Net Profit before Tax** | 1,90,000 |

**Note:**

*Dr.* PROVISION FOR TAX ACCOUNT *Cr.*

| Particulars | ₹ | Particulars | ₹ |
|---|---|---|---|
| To Bank A/c (Tax Paid) | 45,000 | By Balance *b/d* | 50,000 |
| To Balance *c/d* | 75,000 | By Statement of Profit & Loss (Bal. Fig.) (Provision Made) | **70,000** |
| | 1,20,000 | | 1,20,000 |

(iii) **Calculation of Operating Profit before Working Capital Changes**

| | | | ₹ |
|---|---|---|---|
| Net Profit before Tax (ii) | | | 1,90,000 |
| *Add: Non-cash and Non-operating Expenses:* | | | |
| | Goodwill amortised | 50,000 | |
| | Loss on Sale of Furniture | 10,000 | |
| | Interest on Debentures | 15,000 | |
| | Depreciation on Furniture (Note) | 65,000 | 1,40,000 |
| **Operating Profit before Working Capital Changes** | | | 3,30,000 |

**Note:**

*Dr.* FURNITURE ACCOUNT *Cr.*

| Particulars | ₹ | Particulars | ₹ |
|---|---|---|---|
| To Balance *b/d* | 8,00,000 | By Bank A/c (Sale) | 1,25,000 |
| | | By Loss on Sale of Furniture A/c (Statement of Profit & Loss) | 10,000 |
| | | By Depreciation A/c (Balancing Figure) | **65,000** |
| | | By Balance *c/d* | 6,00,000 |
| | 8,00,000 | | 8,00,000 |

(iv)

| | | ₹ |
|---|---|---|
| | Operating Profit before Working Capital Changes (iii) | 3,30,000 |
| *Add:* | Decrease in Trade Receivables | 15,000 |
| | | 3,45,000 |
| *Less:* | Decrease in Trade Payables | 20,000 |
| | Cash Generated from Operations | 3,25,000 |
| *Less:* | Tax Paid | 45,000 |
| | **Cash Flow from Operating Activities** | 2,80,000 |

(v)

| | ₹ |
|---|---|
| *Cash Flow from Investing Activities:* | |
| Proceeds from Sale of Furniture | 1,25,000 |

**Note:** Purchase of land by issuing 4,000 equity shares will not be shown because there will be no outflow or inflow of cash.

(vi)

| *Cash Flow from Financing Activities:* | ₹ |
|---|---|
| Proceeds from Issue of 10% Debentures | 50,000 |
| Proceed from Issue of Shares (Note) | 3,00,000 |
| Interim Dividend paid | (20,000) |
| Interest on Debentures paid | (15,000) |
| Underwriting Commission Paid | (20,000) |
| **Cash Flow from Financing Activities** | 2,95,000 |

**Note:**

Dr. SHARE CAPITAL ACCOUNT Cr.

| Particulars | ₹ | Particulars | ₹ |
|---|---|---|---|
| To Balance *c/d* | 25,00,000 | By Balance *b/d* | 15,00,000 |
| | | By Bonus to Shareholders' A/c | 3,00,000 |
| | | By Vendor's A/c | 4,00,000 |
| | | By Bank A/c (Balancing Figure) | 3,00,000 |
| | 25,00,000 | | 25,00,000 |

**Question 14.**

(i) Cost of Revenue from Operations = Operating Cost – Operating Expenses

= ₹ 8,50,000 – ₹ 50,000 = ₹ 8,00,000.

Operating Profit = Revenue from Operations – Operating Cost

= ₹ 10,00,000 – ₹ 8,50,000 = ₹ 1,50,000

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

= ₹ 8,00,000 + (₹ 8,00,000 × 25*/100) = ₹ 10,00,000

*Gross profit ratio 20% means gross profit on cost will be 25% on cost.

$$\text{Operating Profit Ratio} = \frac{\text{Operating Profit}}{\text{Revenue from Operations}} \times 100$$

$$= \frac{₹\ 1,50,000}{₹\ 10,00,000} \times 100 = \mathbf{15\%}.$$

(ii) $$\text{Long-term Borrowings} = \frac{\text{Interest on Long-term Borrowings}}{\text{Rate of Interest}} \times 100$$

$$= \frac{₹\ 60,000}{10} \times 100 = ₹\ 60,00,000$$

Equity = Capital Employed – Long-term Borrowings

= ₹ 10,00,000 – ₹ 6,00,000 = ₹ 4,00,000

$$\text{Debt to Equity Ratio} = \frac{\text{Debt}}{\text{Equity}} = \frac{₹\ 6,00,000}{₹\ 4,00,000} = \mathbf{1.5 : 1}.$$

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

$$= \frac{₹\ 1,65,000}{₹\ 8,00,000} \times 100 = \mathbf{20.63\%}.$$

***Working Notes:***

1. *Calculation of Net Profit before Interest and Tax:*

| | ₹ |
|---|---|
| Profit after Interest and Tax (Given) | 1,00,000 |
| Profit after Interest but before Tax (₹ 1,00,000 × 100/80) | 1,25,000 |
| *Add:* Interest on Long-term Debt (10% of ₹ 4,00,000) | 40,000 |
| Net Profit before Interest and Tax | 1,65,000 |

2. Capital Employed = Current Assets + Fixed Assets – Current Liabilities
   = ₹ 4,00,000 + ₹ 6,00,000 – ₹ 2,00,000 = ₹ 8,00,000.

(iv) (a) $\text{Interest Coverage Ratio} = \dfrac{\text{Net Profit before Interest and Tax}}{\text{Fixed Interest Charges*}}$

*Fixed interest charge includes interest on only long-term borrowings.

(b) $8 = \dfrac{\text{Net Profit before Interest and Tax}}{₹\ 40{,}000\ \text{(Interest on Long-term Borrowings)}}$

Net Profit before Interest and Tax = ₹ 40,000 × 8 = ₹ **3,20,000**.

❑❑❑❑

# Model Test Paper 4

**Time Allowed: 3 Hours** **Max. Marks: 80**

***General Instructions:***

As per Model Test Paper 1

## SECTION A (60 Marks)

(*Answer **all** questions*)

**Question 1.**

**In sub-parts (i) to (iv) choose the correct options and in sub-parts (v) to (x) answer the questions as instructed.**

(i) Choose the correct order in which a partnership firm, at the time of its dissolution, will apply the amount realised from the sale of its assets, including any amount contributed by the partners, towards the payment of:

**P** Partners' Loan.

**Q** Firm's debts.

**R** Balance of partners' capital.

**S** Surplus divided amongst the partners in their profit-sharing ratio.

(a) P, Q, R, S. (b) Q, P, S, R.

(c) S, P, Q, R. (d) Q, P, R, S. [1]

(ii) Choose the correct option to match the entries (items) in Column I with entries (items) in Column II:

| Column I | Column II |
|---|---|
| (A) Gaining Ratio | 1. The ratio in which all partners (including incoming partner) share the future profits. |
| (B) Old Profit-sharing Ratio | 2. The ratio in which the old partners sacrifice their profit share in favour of new partner. |
| (C) Sacrificing Ratio | 3. The ratio in which the remaining partners take the retiring partner's share. |
| (D) New Profit-sharing Ratio | 4. The ratio in which partners share profits and losses before reconstitution of firm. |

**Codes:**

| (a) | A | B | C | D | (b) | A | B | C | D |
|---|---|---|---|---|---|---|---|---|---|
| | 3 | 4 | 1 | 2 | | 1 | 3 | 2 | 4 |
| (c) | A | B | C | D | (d) | A | B | C | D |
| | 3 | 4 | 2 | 1 | | 2 | 3 | 4 | 1 |

[1]

(iii) Youth Ltd. issued 10,00,000, 9% Debentures of ₹ 10 each at 10% Discount redeemable at a premium. Loss on Issue of Debentures of ₹ 20,00,000 was written off from Securities Premium and Statement of Profit & Loss equally. Redemption value of each debenture is

(a) ₹ 12. (b) ₹ 11.

(c) ₹ 10. (d) ₹ 13. [1]

(iv) Tulip Ltd. allotted 45,000 Equity Shares of ₹ 10 each to the public. The first and final call of ₹ 2 per share was not received on 1,000 shares, which were forfeited by the company. Later, 600 of the forfeited shares were reissued at ₹ 7 as fully paid-up.

**What is the Subscribed Capital of the company?**

(a) ₹ 4,49,200 (b) ₹ 4,50,000.
(c) ₹ 4,40,000. (d) ₹ 4,46,000. [1]

(v) **Assertion (A):** Capital Account of a partner maintained under Fixed Capital Accounts Method does not show a 'Debit Balance' in spite of losses year after year.

**Reason (R):** All transactions relating to loss or profit, drawings, salaries, etc. are shown in the Current Account and not in the Capital Account in case of fixed capitals.

*In the context of above two statements, which of the following is correct?*

(a) Assertion (A) is correct but Reason (R) is wrong.
(b) Both Assertion (A) and Reason (R) are correct, but Reason (R) is not the correct explanation of Assertion (A).
(c) Both Assertion (A) and Reason (R) are incorrect.
(d) Both Assertion (A) and Reason (R) are correct, and Reason (R) is the correct explanation of Assertion (A). [1]

(vi) Deepa and Pia are partners in a firm. They admit Charu as a partner with 1/5th share in the profits of the firm. Charu brings ₹ 4,00,000 as her share of capital. Calculate the value of Charu's share of goodwill on the basis of her capital. Given that combined capital of Deepa and Pia after all adjustments is ₹ 10,00,000. [1]

(vii) At the time of dissolution of a firm, creditors are ₹ 70,000; firm's capital is ₹ 1,20,000, Cash Balance is ₹ 10,000. Other assets realised ₹ 1,50,000.

**You are required to calculate Gain/Loss in the Realisation Account.** [1]

(viii) Shree Ltd., a listed NBFC, had outstanding 50,000, 9% Debentures of ₹ 100 each.

**As per provisions of the Companies Act, 2013, what amount, if any, does the company need to transfer to Debenture Redemption Reserve, before it can redeem the debentures?** [1]

(ix) "Demand for bigger cars accelerates sale of wider tyres".

(**Source:** *Economic Times, 24 August, 2023*)

Metro Tyres Ltd., an existing car tyres manufacturing company has set-up additional manufacturing line meeting the funds requirement by issuing 1,00,000, 9% Debentures of ₹ 100 each, redeemable after 5 years.

**State the impact of it on Balance Sheet of the company.** [1]

(x) On 1st April, 2023, Smart Ltd. issued 5,000, 9% Debentures of ₹ 100 each as follows:

(a) For Cash at a discount of 5% ₹ 2,50,000 (Nominal)
(b) To a vendor for ₹ 1,35,000 in satisfaction of his claim ₹ 1,50,000 (Nominal)
(c) To a Banker for a loan of ₹ 90,000 as Collateral Security ₹ 1,00,000 (Nominal)

The interest on these debentures was to be paid annually on 31st March every year by the company.

**You are required to pass Journal entry for the payment of interest on debentures by the company on 31st March, 2024.** [1]

**Question 2.**

The Balance Sheet of Hari, Jacob and James as at 31st, March, 2023, stood as follows:

| Liabilities | | ₹ | Assets | ₹ |
|---|---|---|---|---|
| Capital A/cs: | | | Fixed Assets | 3,50,000 |
| Hari | 3,40,000 | | Debtors | 2,50,000 |
| Jacob | 1,90,000 | | Bank | 1,50,000 |
| James | 2,20,000 | 7,50,000 | | |
| | | 7,50,000 | | 7,50,000 |

Jacob died on 30th June, 2023.

His drawings from 1st April, 2023, up to the date of his death amounted to ₹ 1,00,000.

According to the partnership deed, Jacob was:

(a) To be charged with interest on drawings @ 4% per annum.

(b) Entitled to his share of interim profits for which his capital account was credited with ₹ 1,10,000.

(c) Entitled to his share in the non-purchased goodwill of the firm.

The firm's non-purchased goodwill on the date of Jacob's death had no value.

The final amount due to Jacob by the firm was transferred to his executor's loan account.

**You are required to prepare the Interim Balance Sheet of the reconstituted firm as at 30th June, 2023. (Application)**

***Or***

Arjun, Bhim and Nakul are partners sharing profits in the ratio of 14 : 5 : 6. Bhim retired and gave his 5/25th share to Arjun.

Goodwill of the firm is valued at 2 years' purchase of super profits based on average profits of last 3 years. Profits for the last 3 years are ₹ 50,000, ₹ 55,000 and ₹ 60,000 respectively. Normal profit for the similar firm is ₹ 30,000.

Goodwill exists in the books of the firm at ₹ 75,000. Profit for the first year after Bhim's retirement was ₹ 1,00,000.

**You are required to give necessary Journal entries to adjust Goodwill and distribute profit showing your workings. (Application)** [3]

**Question 3.**

Neon Ltd. purchased assets of ₹ 18,00,000 and took over liabilities of ₹ 2,00,000 of Zenith Ltd. for a purchase consideration of ₹ 15,00,000.

Neon Ltd. paid half amount by issue of equity shares of ₹ 100 each at a premium of 20% and balance half by issuing 10% Debentures of ₹ 100 each at par redeemable at a premium of 10%.

**Pass necessary Journal entries for the above transactions in the books of Neon Ltd. (including writing off Loss on Issue of Debentures).**

***Or***

On 1st April, 2023, Harbour Ltd. issued 50,000, 6% Debentures of ₹ 100 each to the public at a discount of 5% to be redeemed after three years at a premium of 7%.

On 31st December, 2023 the company also issued 1,00,000 Equity Shares of ₹ 10 each at a premium of ₹ 2 per share.

Both the issues were fully subscribed.

**You are required to prepare the following accounts for the year 2023–24 in the books of Harbour Ltd.:**

**(i) 6% Debentures Account.**

**(ii) Loss on issue of Debentures Account.** [3]

**Question 4.**

On 1st April, 2023, Resorts Ltd. (a listed construction company) had 60,000, 5% Debentures of ₹ 100 each due for redemption at par on 31st March, 2024.

As per the law, investment was made in a fixed deposit of a bank on 30th April, 2023, earning interest @ 5% per annum.

Tax @ 10% was deducted by the bank on the interest.

**You are required to pass necessary Journal entries in the *year of redemption of debentures*, including entries for interest on Debenture Redemption Investment. (Ignore the interest on Debentures)** **(Application)** [3]

**Question 5.**

Anita, Asha and Amrit are partners in a firm sharing profits in the ratio of 2 : 2 : 1 respectively. Asha died on 31st March, 2024. Anita and Amrit decided to share future profits in the ratio of 1 : 1.

On the date of Asha's death, it was decided to value goodwill of the firm on the basis of 3 years' purchase of average super profit. Average net profit earned by firm is ₹ 1,22,500 per annum.

Remuneration of the partners' considered as management cost, is estimated to be ₹ 22,500 p.a.

On the date of death, firm had assets of ₹ 5,50,000 including cash of ₹ 50,000. Its creditors were ₹ 2,00,000.

Normal Rate of Return in the industry is 20%.

**You are required to:**

**(i) Calculate the value of goodwill of the firm.** [2]

**(ii) Pass Journal entry for adjusting Asha's Share of Goodwill.** [1]

**(Application)**

**Question 6.**

Following balances have been extracted from the books of Meadow Ltd. as at 31st March, 2024:

| Particulars | ₹ | Particulars | ₹ |
|---|---|---|---|
| Capital Reserve | 1,20,000 | Bank Overdraft | 40,000 |
| Plant and Machinery (at cost) | 6,00,000 | Bills Receivables | 20,000 |
| Land and Building | 6,80,000 | Patents | 80,000 |
| Statement of Profit & Loss (Dr.) | 1,70,000 | Sundry Debtors | 90,000 |
| Short-term Loans and Advances | 50,000 | Provision for Doubtful Debts | 10,000 |
| Cash and Bank Balances | 1,60,000 | Inventories | 30,000 |
| Trade Payables | 90,000 | Calls-in-Arrears | 20,000 |
| Forfeited Shares | 40,000 | Share Capital | 12,00,000 |
| Accumulated Depreciation on Plant and Machinery | 1,00,000 | 5% Debentures (1/5 of the debentures to be redeemed on 31st March, 2025) | 3,00,000 |

*Additional Information:*

- The company had issued 1,25,000 Equity Shares of ₹ 10 each to public which were all applied and allotted. These shares were fully called-up by the company.
- There were Calls-in-Arrears @ ₹ 2 per share on 15,000 shares out of which 5,000 shares were forfeited by the company.

**You are required to:**

**(i) Show the Share Capital in the Notes to Accounts.**

**(ii) Give the amount for each of the following:**

**(a) Short-term Borrowings.**

**(b) Current Assets.**

**(c) Property, Plant and Equipment and Intangible Assets.**

**(i) Property, Plant and Equipment.** **(Application)** [6]

**Question 7.**

Adit and Shiv were partners sharing profits and losses in the ratio of 5 : 4. They dissolved their partnership firm on 31st March, 2024, when their Balance Sheet showed the following balances:

| Particulars | ₹ |
|---|---|
| Adit's Capital | 40,000 |
| Shiv's Capital | 30,000 |
| Adit's Current A/c (Cr.) | 3,000 |
| Shiv's Current A/c (Dr.) | 6,000 |
| Loan by the firm to Shiv | 22,000 |
| Profit & Loss A/c (Dr.) | 4,500 |

On the date of dissolution of the firm:

(a) The firm incurred a loss of ₹ 18,000 on realisation of assets and settlement of liabilities.

(b) The expenses of dissolution of ₹ 3,000, to be borne by Shiv, were paid by the firm on his behalf.

(c) The firm had furniture of ₹ 15,000. Adit took over some pieces of the furniture at ₹ 9,000 (being 10% *less* than the book value). Shiv took over the remaining furniture at 80% of its book value.

**You are required to prepare the Partners' Capital Accounts.** **(Application)** [6]

**Question 8.**

Raghu and Rishu are partners sharing profits in the ratio of 3 : 2. Their Balance Sheet as at 31st March, 2024 was as follows:

| Liabilities | | ₹ | Assets | | ₹ |
|---|---|---|---|---|---|
| Creditors | | 76,000 | Cash in Hand | | 80,000 |
| General Reserve | | 30,000 | Debtors | 42,000 | |
| Capital A/cs: | | | *Less:* Provision for Doubtful Debts | 7,000 | 35,000 |
| Raghu | 1,35,000 | | Stock | | 28,000 |
| Rishu | 90,000 | 2,25,000 | Building | | 98,000 |
| | | | Machinery | | 85,000 |
| | | | Advertisement Expenditure (Deferred Revenue) | | 5,000 |
| | | 3,31,000 | | | 3,31,000 |

Rishabh was admitted on that date for 1/4th share of profit on the following terms:

(i) Rishabh will bring ₹ 1,00,000 as his share of capital, but was not able to bring Premium for Goodwill to compensate the sacrificing partners.

(ii) Goodwill of the firm is valued at ₹ 1,20,000.

(iii) Machinery was undervalued by ₹ 15,000. Building was to be brought up to ₹ 1,08,000.

(iv) All debtors are good.

(v) Capital Accounts of the partners will be adjusted on the basis of Rishabh's Capital in their profit-sharing ratio by Opening Current Accounts.

**You are required to prepare:**

**(a) Revaluation Account.**

**(b) Partners' Capital Accounts.**

***Or***

Mitu and Ritu are partners sharing profits and losses in the ratio of 2 : 3. An extract of their Balance Sheet as at 31st March, 2024, is given below:

BALANCE SHEET OF MITU AND RITU (AN EXTRACT) *as at 31st March, 2024*

| Liabilities | ₹ | Assets | ₹ |
|---|---|---|---|
| Workmen Compensation Reserve | 30,000 | Investments (Market Value ₹ 76,000) | 80,000 |
| General Reserve | 40,000 | Sundry Debtors | 1,00,000 |
| Investment Fluctuation Reserve | 10,000 | Profit & Loss A/c | 55,000 |

On 1st April, 2024, they admit Nitu as a new partner for 1/5 share in the profits on the following terms regarding the treatment of the reserves and the accumulated losses:

(a) Accumulated losses, if any, to be written off.

(b) A Workmen Compensation Claim of ₹ 10,000 to be adjusted against the Workmen Compensation Reserve. The balance of the reserve is *not* to be distributed.

(c) Provision for doubtful debts to be created to the extent of 10% of the debtors.

**You are required to pass necessary Journal entries to record the above adjustments at the time of Nitu's admission. (Application)** [6]

**Question 9.**

Mohan and Sohan are partners in a firm, sharing profits and losses in the ratio of 3 : 2. Their fixed capitals as on 1st April, 2023, were ₹ 15,00,000 and ₹ 10,00,000 respectively.

Their Partnership Deed provides for the following:

(i) Partners are to be allowed interest on their capitals @ 10% per annum.

(ii) They are to be charged interest on drawings @ 4% per annum.

(iii) Mohan is to get salary of ₹ 5,000 per month.

(iv) Sohan is to get commission @ 5% of the corrected net profit of the firm before charging such commission.

(v) Mohan is to get rent of ₹ 7,500 per month for the use of his premises by the firm.

Mohan withdrew a fixed amount in the beginning of every month on which he was charged interest of ₹ 3,250, at the rate mentioned in the deed.

Sohan withdrew a fixed amount at the end of every month on which he was charged interest of ₹ 2,750, at the rate mentioned in the deed.

On 31st March, 2024, Sohan introduced further capital of ₹ 5,00,000.

Profit for the year ended 31st March, 2024, before providing for any of the above was ₹ 10,00,000.

**You are required to:**

**(i) Calculate the drawings made by Mohan every month. (Application)** [1]

**(ii) Calculate the drawings made by Sohan every month. (Application)** [1]

**(iii) Pass the Journal entry for capital introduced by Sohan. (Application)** [1]

**(iv) Pass the adjusting entry and closing entry for Sohan's Commission.** [2]

**(v) Pass the Journal entry for transfer of credit balance (being profit) of Profit & Loss Appropriation A/c.** [1]

**(vi) Prepare the Profit & Loss Appropriation Account of the firm for the year 2023–24.** **(Application)** [4]

***Or***

(a) Capitals of Kajal, Neerav and Alisha as on 31st March, 2024 were ₹ 90,000, ₹ 3,30,000 and ₹ 6,60,000 respectively. Profit of ₹ 1,80,000 for the year ended 31st March, 2024 was distributed in the ratio of 4 : 1 : 1 after allowing Interest on Capital @ 10% p.a. During the year, each partner withdrew ₹ 3,60,000. The Partnership Deed was silent as to profit-sharing ratio but provided for interest on capital @ 12%.

**You are to required to pass the necessary adjustment entry showing the working clearly.** [5]

(b) Raman and Rohit are partners in a firm. The terms of the Partnership Deed are as given under:

(i) Interest on capital will be allowed @ 5% per annum.
(ii) Interest on drawings will be charged @ 4% per annum.
(iii) Each partner will be given a salary of ₹ 10,000 per month.
(iv) Partners will share profits and losses in the ratio of 2 : 1.

Following are the particulars of the capitals and drawings of the partners:

| | Raman (₹) | Rohit (₹) |
|---|---|---|
| Capital (1st April, 2023) | 6,00,000 | 5,00,000 |
| Drawings (made on 1st June, 2023) | ... | 90,000 |

Raman had taken a loan of ₹ 1,00,000 from the firm on which interest of ₹ 2,000 was due by him to the firm.

During the year 2023–24, firm had made a profit of ₹ 7,70,000 *before* taking into account any interest, salaries and manager's salary of ₹ 1,80,000.

**(i) You are required to prepare Profit & Loss Appropriation Account for the year ended 31st March, 2024.** [3]

**(ii) Pass adjusting entry and closing entry for drawing by Rohit.** [2]

**Question 10.**

Royal Ltd. issued 1,00,000 shares of ₹ 10 each payable as: ₹ 2 on application, ₹ 3 on allotment, ₹ 3 on first call and ₹ 2 on second and final call.

Applications were received for 1,50,000 shares and shares were allotted on a *pro rata* basis to the applicants of 1,20,000 shares. All shareholders paid the allotment money except one shareholder who was allotted 2,000 shares. These shares were forfeited. The first call was made after the shares were forfeited. The forfeited shares were reissued @ ₹ 9 per share as ₹ 8 paid-up after first call.

The second and final call was not yet made.

**You are required to:**

**(i) Prepare the Cash Book to record the above issue of shares.** [3]

**(ii) Pass Journal entries in the Journal Proper.** **(Application)** [7]

***Or***

**A.** Gama Ltd. issued 20,000 Equity Shares of ₹ 10 each to the public, payable as follows:

₹ 2 on Application
₹ 3 on Allotment (on 1st November, 2022)
₹ 5 on First and Final Call (on 1st March, 2023)

Applications were received for 25,000 shares. Applications for 20,000 shares were accepted and refunded the balance application money.

One shareholder who was allotted 30 shares paid the first and final call with allotment.

Another shareholder did not pay his allotment on 20 shares when due but paid it with the first and final call along with interest on Calls-in-Arrears.

The directors of the company charged interest on Calls-in-Arrears at the rate specified in Table F of the Companies Act, 2013. No interest was allowed on Calls-in-Advance.

**You are required to pass Journal entries to record the above transactions in the books of Gama Ltd. (Application)** [7]

**B.** Bharat Ltd. issued to public for subscription 40,000 shares of ₹ 100 each at par payable as ₹ 2 each on Application, Allotment and First Call and the balance on Final Call.

Applications were received for 60,000 shares and allotment was made *pro rata* to 80% of applicants.

Vijay to whom 1,600 shares were allotted paid only the Application Money and Raj who had applied for 2,400 shares paid the entire call money due along with allotment.

**You are required to calculate:**

**(i) Allotment money due but not received from Vijay.** [2]

**(ii) Calls-in-Advance Received from Raj.** [1]

## SECTION B (20 Marks)

**Question 11.**

***In sub-parts (i) and (ii) choose the correct options and in sub-parts (iii) to (v) answer the questions as instructed.***

(i) Two basic measures of Long-term solvency are:

(a) Inventory Turnover Ratio and Current Ratio.

(b) Debt to Total Assets Ratio and Proprietary Ratio.

(c) Gross Profit Ratio and Operating Ratio.

(d) Current Ratio and Quick Ratio. **(Application)** [1]

(ii) While preparing its Cash Flow Statement, which of the following will be classified by a company as its Cash Outflow from Investing Activities?

**P** Investment in Government Securities.

**Q** Deposits having maturity of six months.

**R** Proceeds from redemption of liquid mutual fund units.

**S** Proceeds from bank deposits with original maturity of less than three months.

(a) P and Q. (b) R and S.

(c) Only P. (d) Only R. **(Recall)** [1]

(iii) Current Assets and Current Liabilities of a firm are ₹ 5,00,000 and ₹ 3,00,000 respectively. The firm is interested in maintaining Current Ratio of 2 : 1 by paying a part of the Current Liabilities.

**Determine the amount of Current Liabilities that should be paid, so that Current Ratio at the level of 2 : 1 may be maintained. (Application)** [1]

(iv) "Vodafone UK may offer ₹ 2,000 cr Equity Top-up to VI".

(**Source:** *Economic Times, 2nd July, 2024*)

**What will be the effect of this decision of Vodafone on its Debt-Equity Ratio.** [1] **(Application)**

(v) Following information is taken from Audited consolidated Cash Flow Statement for the year ended 31st March, 2024 of Reliance Industries Ltd.:

(₹ in crore)

| Particulars | Year ended 31st March, 2024 | Year ended 31st March, 2023 |
|---|---|---|
| Net Cash Flow from Operating Activities | 1,58,788 | 1,15,032 |

**You are required to comment on increase in Cash Flow from Operating Activities during 2023–24.** **(Analysis)** [1]

**Question 12.**

From the information extracted from the Statement of Profit & Loss of Zee Ltd. for the year ended 31st March, 2024, prepare a Common-size Statement of Profit & Loss:

| Particulars | Note No. | 2023–24 |
|---|---|---|
| Revenue from Operations | | ₹ 8,00,000 |
| Gross Profit | | 60% |
| Other Expenses | | ₹ 2,20,000 |
| Tax Rate | | 50% |

**(Application)** [3]

**Question 13.**

From the following Balance Sheets of Halogen Ltd., you are required to prepare a Cash Flow Statement (as per AS 3) for the year 2023–24:

BALANCE SHEET OF HALOGEN LTD. *as at 31st March, 2024 and 31st March, 2023*

| Particulars | Note No. | 31st March, 2024 (₹) | 31st March, 2023 (₹) |
|---|---|---|---|
| **I. EQUITY AND LIABILITIES** | | | |
| **1. Shareholders' Funds** | | | |
| (a) Share Capital (Equity Shares @ ₹ 10 each) | | 4,50,000 | 4,00,000 |
| (b) Reserves and Surplus (Statement of Profit & Loss) | | 1,06,000 | (20,000) |
| **2. Non-Current Liabilities** | | | |
| Long-term Borrowings (15% Debentures) | | 6,00,000 | 4,00,000 |
| **3. Current Liabilities** | | | |
| Short-term Provisions (Provision for Tax) | | 50,000 | 70,000 |
| **Total** | | 12,06,000 | 8,50,000 |
| **II. ASSETS** | | | |
| **1. Non-Current Assets** | | | |
| *Property, Plant and Equipment and Intangible Assets:* | | | |
| —Property, Plant and Equipment | 1 | 4,80,000 | 7,00,000 |
| **2. Current Assets** | | | |
| (a) Current Investments | | 2,56,000 | 10,000 |
| (b) Cash and Bank Balance (Cash at Bank) | | 4,70,000 | 1,40,000 |
| **Total** | | 12,06,000 | 8,50,000 |

**Note to Accounts**

| Particulars | 31st March, 2024 (₹) | 31st March, 2023 (₹) |
|---|---|---|
| **1. Property, Plant and Equipment** | | |
| Plant and Machinery | 7,42,000 | 9,00,000 |
| *Less:* Accumulated Depreciation | (2,62,000) | (2,00,000) |
| | 4,80,000 | 7,00,000 |

*Additional Information:*

During the year 2023–24, the company:

(i) Issued additional debentures on 1st October, 2023.

(ii) Sold Plant and Machinery, the book value of which was ₹ 1,20,000 (accumulated depreciation ₹ 38,000), for ₹ 50,000. **(Application)** [6]

***Or***

Read the following information of Blue Bell Ltd., and answer the questions that follow:

| Particulars | 31st, March, 2024 (₹) | 31st, March, 2023 (₹) |
|---|---|---|
| Share Capital (Equity Shares of ₹ 10 each) | 6,00,000 | 5,00,000 |
| Securities Premium | ... | 1,10,000 |
| Surplus, *i.e.*, Balance in Statement of Profit & Loss | 1,00,000 | 1,75,000 |
| 6% Debentures | 3,00,000 | 2,00,000 |
| Short-term Provision—Provision for Tax | 50,000 | 25,000 |
| Property, Plant & Equipment (Machinery) | 5,00,000 | 3,00,000 |
| Non-Current Investments | 2,00,000 | 1,40,000 |
| Goodwill | 80,000 | 20,000 |

*Additional Information:*

During the year 2023–24:

(a) Machinery costing ₹ 1,00,000 on which depreciation charged was ₹ 70,000 was sold at a profit of 20% on book value, Depreciation charged during the year was ₹ 70,000.

(b) Issued bonus shares to the shareholders at the beginning of the year in the ratio of 1 : 5 (that is 1 bonus share for every 5 shares held) by Capitalising Securities Premium.

(c) New Debentures were issued on 1st April, 2023, at a discount of 10%. The discount was written-off from Securities Premium.

(d) The company declared and paid interim dividend of ₹ 48,000.

(e) Non-current investment costing ₹ 60,000 was sold at a profit of 20%.

(f) Income tax ₹ 45,000 was provided.

**(i) How many bonus shares have been issued by the company to the shareholders?** [1]

**(ii) Compute the amount of Net Profit before Tax.** [1]

**(iii) State the amount of Plant and Machinery purchased during the year.** [1]

**(iv) How will the increase in the amount of goodwill be treated while preparing Cash Flow Statement?** [1]

**(v) What is the Net Cash Flow from or Used in Investing Activities?** [1]

**(vi) State the amount of tax paid during the year.** **(Application)** [1]

**Question 14.**

***Answer* any three *of the following questions:*** [6]

(i) **From the following particulars of Hind Ltd., calculate the preference dividend paid by the company:**

| Particulars | |
|---|---|
| Net Profit before Tax | ₹ 20,00,000 |
| Equity Shares of ₹ 10 each (Market Value ₹ 15) | ₹ 40,00,000 |
| Tax Rate | 30% |
| Earning Per Share | ₹ 2.75 |

**(Application)**

(ii) **Calculate the Current Ratio (up to two decimal places) of Windlas Biotech Ltd. from the following extract of its Annual Report of 2021–22:**

| Particulars | ₹ (in millions) |
|---|---|
| Opening Inventory of consumables (raw materials) | 264.79 |
| Closing Inventory of consumables (raw materials) | 389.85 |
| Opening Inventory of finished goods and work-in-progress | 149.82 |
| Closing Inventory of finished goods and work-in-progress | 197.24 |
| Current Assets (Other than inventory of consumables and of finished goods and work-in-progress) | 3,229.23 |
| Current Liabilities | 936.52 |

(**Source:** *Annual Report 2021–22 of Windlas Biotech Ltd.*)
**(Application)**

(iii) For the year 2022–23, the Return on Investment of Yolo Ltd. was 20%; its Capital Employed being ₹ 50,00,000.

(a) **You are required to give the formula used by Yolo Ltd., to calculate the Return on Investment.**

(b) **You have been provided with two components for calculating Return on Investment. Calculate the missing third component.** **(Application)**

(iv) **Calculate the Working Capital Turnover Ratio of Moonlight Ltd., (up to two decimal places) from the following particulars:**

| Particulars | |
|---|---|
| Cash | ₹ 10,00,000 |
| Short-term Loans and Advances | ₹ 3,00,000 |
| Inventory | ₹ 2,00,000 |
| Trade Payables | ₹ 5,00,000 |
| Cost of Revenue from Operations | ₹ 12,00,000 |
| Gross Profit on Cost of Revenue from Operations | 25% |

**(Application)**

## ANSWERS

### SECTION A

**Question 1.**

(i) (d) Q, P, R, S

(ii) (c) A–3, B–4, C–2, D–1.

(iii) (b) ₹ 11.

***Working Note:***

Premium payable on redemption of debentures is ₹ 10,00,000, *i.e.*, ₹ 20,00,000 – ₹ 10,00,000 (Discount). Thus, redemption value of each debenture is ₹ 11 (₹ 10 + ₹ 1). Premium payable on redemption per debenture is ₹ 1, *i.e.*, ₹ 10,00,000/10,00,000.

(iv) (d) ₹ 4,46,000.

(v) (d) Both Assertion (A) and Reason (R) are correct and Reason (R) is the correct explanation of Assertion (A).

(vi) (a) Total capital of the new firm on the basis of Charu's capital (₹ 4,00,000 × 5/1) = ₹ 20,00,000

(b) Actual total capital of the firm (₹ 10,00,000 + ₹ 4,00,000) = ₹ 14,00,000

(c) Hidden Goodwill (a – b) (₹ 20,00,000 – ₹ 14,00,000) = ₹ 6,00,000

Charu's share of goodwill = ₹ 6,00,000 × 1/5 = ₹ **1,20,000.**

(vii) *Calculation of Gain/Loss in Realisation Account:*

Book Value of Other Assets = (Creditors + Capital) – Cash Balance
= (₹ 70,000 + ₹ 1,20,000) – ₹ 10,000 = ₹ 1,80,000

Gain/Loss in Realisation Account = Other Assets – Assets Realised
= (₹ 1,80,000 (Other Assets) – ₹ 1,50,000 (Assets Realised = ₹ **30,000 (Loss).**

(viii) *Nil*, because amount is not transferred to Debenture Redemption Reserve by a listed NBFC.

(ix) It will increase Non-current Liabilities (Long-term Borrowings) and Non-current Assets under Property, Plant and Equipment and Intangible Assets: Property, Plant and Equipment.

(x) JOURNAL

| Date | Particulars | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|
| 2024 | | | | |
| March 31 | Debentureholders' A/c | | 36,000 | |
| | To Bank A/c | | | 36,000 |
| | (Being the interest paid to debentureholders) | | | |

**Notes:**

1. *Interest payable on Debentures* = $\frac{9}{100}$ × (₹ 2,50,000 + ₹ 1,50,000) = ₹ 36,000.
2. Interest on Debentures is calculated on Nominal/Face value of Debentures not on the Issue Price.
3. Interest is not payable on Debentures issued as collateral security.

**Question 2.**

BALANCE SHEET OF HARI AND JAMES *as at 30th June, 2023/1st July, 2023*

| Liabilities | | ₹ | Assets | ₹ |
|---|---|---|---|---|
| Capital A/cs: | | | Fixed Assets | 3,50,000 |
| Hari | 3,40,000 | | Debtors | 2,50,000 |
| James | 2,20,000 | 5,60,000 | Bank [₹ 1,50,000 – ₹ 1,00,000 (Drawings)] | 50,000 |
| Jacob's Executor's Loan (WN 1 & 2) | | 1,99,500 | Profit & Loss Suspense A/c | 1,09,500* |
| | | 7,59,500 | | 7,59,500 |

| *Profit & Loss Suspense A/c:* | ₹ |
|---|---|
| James's Share of Profit (Interim) | 1,10,000 |
| *Less:* Interest on Drawings $\left(₹\,1{,}00{,}000 \times \frac{1.5^{**}}{12} \times \frac{4}{100}\right)$ | 500 |
| | 1,09,500 |

**Average Period = $\frac{3}{2}$ = 1.5 months.

***Working Notes:***

1. *Dr.* JACOB'S CAPITAL ACCOUNT *Cr.*

| Particulars | ₹ | Particulars | ₹ |
|---|---|---|---|
| To Drawings A/c—Bank | 1,00,000 | By Balance *b/d* | 1,90,000 |
| To Profit & Loss Suspense A/c (Interest on Drawings) | 500 | By Profit & Loss Suspense A/c (Share of Profit) | 1,10,000 |
| To Jacob's Executor's A/c | 1,99,500 | | |
| | 3,00,000 | | 3,00,000 |

2. *Dr.* JACOB'S EXECUTOR'S ACCOUNT *Cr.*

| Particulars | ₹ | Particulars | ₹ |
|---|---|---|---|
| To Balance *c/d* | 1,99,500 | By Jacob's Capital A/c | 1,99,500 |

***Or***

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| Date | Particulars | | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|---|
| | Arjun's Capital A/c | ...Dr. | | 42,000 | |
| | Bhim's Capital A/c | ...Dr. | | 15,000 | |
| | Nakul's Capital A/c | ...Dr. | | 18,000 | |
| | To Goodwill A/c | | | | 75,000 |
| | (Being the existing Goodwill written-off) | | | | |

| | | | | |
|---|---|---|---|---|
| | Arjun's Capital A/c ...Dr.<br>To Bhim's Capital A/c (WN)<br>(Being the goodwill adjusted on Bhim's retirement (WN 1)) | | 10,000 | <br>10,000 |
| | Profit & Loss Appropriation A/c ...Dr.<br>To Arjun's Capital A/c<br>To Nakul's Capital A/c<br>(Being the profit distributed in new ratio, *i.e.*, 19 : 6) (WN 2) | | 1,00,000 | <br>76,000<br>24,000 |

***Working Notes:***

1. *Value of Firm's Goodwill:*
   - Average Profit $= \dfrac{₹ 50,000 + ₹ 55,000 + ₹ 60,000}{3} = ₹ 55,000$
   - Super Profit = Average Profit – Normal Profit
     = ₹ 55,000 – ₹ 30,000 = ₹ 25,000
   - Goodwill = Super Profit × 2
     = ₹ 25,000 × 2 = ₹ 50,000
   - Bhim's Share in Goodwill $= ₹ 50,000 \times \dfrac{5}{25} = ₹ 10,000$
   - Arjun is only gaining partner so his Capital Account is debited for adjustment of goodwill.
2. *Calculation of New-profit Sharing Ratio:*

   Arjun's New Profit Share $= \dfrac{14}{25} + \dfrac{5}{25} = \dfrac{19}{25}$

   Nakul's New Profit Share $= \dfrac{6}{25}$

   New Profit-sharing Ratio is 19 : 6.

## Question 3.

JOURNAL OF NEON LTD.

| Date | Particulars | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|
| | Sundry Assets A/c ...Dr.<br>To Sundry Liabilities A/c<br>To Zenith Ltd.<br>To Capital Reserve A/c (Bal. Fig.)<br>(Being the purchase of business from Zenith Ltd.) | | 18,00,000 | <br>2,00,000<br>15,00,000<br>1,00,000 |
| | Zenith Ltd. ...Dr.<br>To Equity Share Capital A/c (6,250 × ₹ 100)<br>To Securities Premium A/c (6,250 × ₹ 20)<br>(Being the part payment made to Vendor by issue of 6,250 equity shares at a premium of 20%) | | 7,50,000 | <br>6,25,000<br>1,25,000 |
| | Zenith Ltd. ...Dr.<br>Loss on Issue of Debentures A/c ...Dr.<br>To 10% Debentures A/c<br>To Premium on Redemption of Debentures A/c<br>(Being the issue of 7,500 Debentures of ₹ 100 each redeemable at 10% premium) | | 7,50,000<br>75,000 | <br><br>7,50,000<br>75,000 |
| | Securities Premium A/c ...Dr.<br>To Loss on issue of Debentures A/c<br>(Being the loss on issue of debentures written off) | | 75,000 | <br>75,000 |

**Notes:** 1. No of Equity Shares to be Issued $= \dfrac{₹ 7,50,000}{₹ 120} = 6,250$ shares.

2. No of Debentures to be Issued $= \dfrac{₹ 7,50,000}{₹ 100} = 7,500$ Debentures.

***Or***

(i) *Dr.* 6% DEBENTURES ACCOUNT *Cr.*

| Date | Particulars | ₹ | Date | Particulars | ₹ |
|---|---|---|---|---|---|
| 2024 | | | 2023 | | |
| March 31 | To Balance *c/d* | 50,00,000 | April 1 | By Debentures Application and Allotment A/c | 47,50,000 |
| | | | | By Discount on Issue of Debentures A/c | 2,50,000 |
| | | 50,00,000 | | | 50,00,000 |

(ii) *Dr.* LOSS ON ISSUE OF DEBENTURES ACCOUNT *Cr.*

| Date | Particulars | ₹ | Date | Particulars | ₹ |
|---|---|---|---|---|---|
| 2023 | | | 2024 | | |
| April 1 | To 6% Debentures A/c | 2,50,000 | March 31 | By Securities Premium A/c | 2,00,000 |
| April 1 | To Premium on Redemption of Debentures A/c | 3,50,000 | March 31 | By Statement of Profit & Loss | 4,00,000 |
| | | 6,00,000 | | | 6,00,000 |

## Question 4.

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| Date | Particulars | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|
| 2023 | | | | |
| April 30 | Debenture Redemption Investment (DRI) A/c ...Dr. | | 9,00,000 | |
| | To Bank A/c (15% of ₹ 60,00,000) | | | 9,00,000 |
| | (Being the debenture redemption investment made in a fixed deposit) | | | |
| 2024 | | | | |
| March 31 | Bank A/c [₹ 41,250 – ₹ 4,125 (TDS)] ...Dr. | | 37,125 | |
| | Tax Collected (Receivables) A/c ...Dr. | | 4,125 | |
| | To Interest on Debenture Redemption Investment A/c | | | 41,250 |
| | (₹ 9,00,000 × 11/12 × 5/100) | | | |
| | (Being the interest received on debenture redemption investment) | | | |
| March 31 | Bank A/c ...Dr. | | 9,00,000 | |
| | To Debenture Redemption Investment A/c | | | 9,00,000 |
| | (Being the debenture redemption investment matured) | | | |
| March 31 | 5% Debentures A/c ...Dr. | | 60,00,000 | |
| | To Debentureholders' A/c | | | 60,00,000 |
| | (Being the amount due to Debentureholders) | | | |
| March 31 | Debentureholders' A/c ...Dr. | | 60,00,000 | |
| | To Bank A/c | | | 60,00,000 |
| | (Being 5% Debentures redeemed) | | | |
| March 31 | Interest on Debenture Redemption Investment A/c ...Dr. | | 41,250 | |
| | To Statement of Profit & Loss | | | 41,250 |
| | (Being interest on debenture redemption investment transferred to Statement of Profit & Loss) | | | |

**Question 5.**

(i) **Calculation of Value of Firm's Goodwill:**

Capital Employed = All Assets (other than goodwill, fictitious Assets and non-trade investments) – Outside Liabilities

= ₹ 5,50,000 – ₹ 2,00,000 = ₹ 3,50,000

Normal Profit = Capital Employed × Normal Rate of Return

$= ₹\ 3{,}50{,}000 \times \frac{20}{100} = ₹\ 70{,}000$

Average Profit for Goodwill = ₹ 1,22,500 – ₹ 22,500 (Partner's Remuneration)

= ₹ 1,00,000

Super Profit = Average Profit – Normal Profit

= ₹ 1,00,000 – ₹ 70,000 = ₹ 30,000

Value of Firm's Goodwill = Super Profit × No. of Years' Purchase

= ₹ 30,000 × 3 = ₹ 90,000.

(ii) Asha's Share in Firm's Goodwill $= ₹\ 90{,}000 \times \frac{2}{5} = ₹\ 36{,}000.$

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| Date | Particulars | | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|---|
| | Anita's Capital A/c (₹ 36,000 × 1/4) | ...Dr. | | 9,000 | |
| | Amrit's Capital A/c (₹ 36,000 × 3/4) | ...Dr. | | 27,000 | |
| | To Asha's Capital A/c | | | | 36,000 |
| | (Being Asha's share of goodwill adjusted in the Capital Accounts of gaining partners in their gaining ratio of 1 : 3) (WN) | | | | |

***Working Note:***

*Calculation of Gaining Ratio:*

Anita's gain $= \frac{1}{2} - \frac{2}{5} = \frac{5-4}{10} = \frac{1}{10}$ ; Amrit's gain $= \frac{1}{2} - \frac{1}{5} = \frac{5-2}{10} = \frac{3}{10}$ ; Gaining Ratio = 1 : 3.

**Question 6.**

(i) **Note to Accounts**

| Particulars | | ₹ |
|---|---|---|
| **1. Share Capital** | | |
| **Authorised Capital** | | |
| ... Equity Shares of ₹ 10 each | | ... |
| **Issued Capital** | | |
| 1,25,000 Equity Shares of ₹ 10 each | | 12,50,000 |
| **Subscribed Capital** | | |
| **Subscribed and Fully Paid-up** | | |
| 1,10,000 Equity Shares of ₹ 10 each | | 11,00,000 |
| **Subscribed but not Fully Paid-up** | | |
| 10,000 Equity Shares of ₹ 10 each | 1,00,000 | |
| *Less:* Calls-in-Arrears (10,000 × ₹ 2) | 20,000 | 80,000 |
| Forfeited Shares Account (5,000 × ₹ 8) | | 40,000 |
| | | 12,20,000 |

(ii) (a) *Short-term Borrowings:*

| | ₹ |
|---|---|
| Bank overdraft | 40,000 |
| Current Maturities of Long-term Debts (1/5 of Debentures = ₹ 3,00,000 × 1/5) | 60,000 |
| | 1,00,000 |

(b) *Current Assets:*

| | ₹ | ₹ |
|---|---|---|
| Inventories | | 30,000 |
| *Trade Receivables:* | | |
| Sundry Debtors | 90,000 | |
| *Less:* Provision for Doubtful Debts | 10,000 | |
| | 80,000 | |
| Bill Receivables | 20,000 | 1,00,000 |
| Cash and Bank Balances | | 1,60,000 |
| Short-term Loans and Advances | | 50,000 |
| | | 3,40,000 |

(c) *Property, Plant and Equipment and Intangible Assets:*

| | | |
|---|---|---|
| *Property, Plant and Equipment:* | | |
| Plant and Machinery (at cost) | 6,00,000 | |
| *Less:* Accumulated Depreciation | 1,00,000 | 5,00,000 |
| Land and Building | | 6,80,000 |
| | | 11,80,000 |

**Question 7.**

*Dr.* PARTNERS' CAPITAL ACCOUNTS *Cr.*

| Particulars | Adit ₹ | Shiv ₹ | Particulars | Adit ₹ | Shiv ₹ |
|---|---|---|---|---|---|
| To Shiv's Current A/c | ... | 6,000 | By Balance *b/d* | 40,000 | 30,000 |
| To Loan to Shiv | ... | 22,000 | By Adit's Current A/c | 3,000 | ... |
| To Profit & Loss A/c | 2,500 | 2,000 | By Cash/Bank A/c | ... | 15,000 |
| To Realisation A/c (Loss) | 10,000 | 8,000 | (Cash Brought in) | | |
| To Cash/Bank A/c (Expenses) | ... | 3,000 | | | |
| To Realisation A/c (Furniture) (WN) | 9,000 | 4,000 | | | |
| To Cash/Bank A/c (Final Payment) | 21,500 | ... | | | |
| | 43,000 | 45,000 | | 43,000 | 45,000 |

***Working Notes:***

1. Let book value of furniture taken by Adit = $x$

   It means $x$ – 10% of $x$ = ₹ 9,000 *or* 90% of $x$ = ₹ 9,000;

   $x = ₹\ 9{,}000 \times \frac{100}{90} = ₹\ 10{,}000;$

2. Furniture taken over by Shiv = (₹ 15,000 – ₹ 10,000) × $\frac{80}{100}$ = ₹ 4,000.

**Question 8.**

(a) *Dr.* REVALUATION ACCOUNT *Cr.*

| Particulars | | ₹ | Particulars | ₹ |
|---|---|---|---|---|
| To Raghu's Capital A/c (Profit) | 19,200 | | By Plant and Machinery A/c | 15,000 |
| To Rishu's Capital A/c (Profit) | 12,800 | 32,000 | By Building A/c | 10,000 |
| | | | By Provision for Doubtful Debts A/c | 7,000 |
| | | 32,000 | | 32,000 |

(b) *Dr.* PARTNERS' CAPITAL ACCOUNTS *Cr.*

| Particulars | Raghu ₹ | Rishu ₹ | Rishabh ₹ | Particulars | Raghu ₹ | Rishu ₹ | Rishabh ₹ |
|---|---|---|---|---|---|---|---|
| To Advertisement Exp. A/c | 3,000 | 2,000 | ... | By Balance *b/d* | 1,35,000 | 90,000 | ... |
| To Current A/cs (Bal. Fig.) | 7,200 | 4,800 | ... | By Cash A/c | ... | ... | 1,00,000 |
| To Balance *c/d* (WN) | 1,80,000 | 1,20,000 | 1,00,000 | By General Reserve A/c | 18,000 | 12,000 | ... |
| | | | | By Revaluation A/c | 19,200 | 12,800 | ... |
| | | | | By Rishabh's Current A/c (Goodwill) | 18,000 | 12,000 | ... |
| | 1,90,200 | 1,26,800 | 1,00,000 | | 1,90,200 | 1,26,800 | 1,00,000 |

***Working Note:***

*Calculation of Partners' New Capitals:*

$$\text{Total Capital of the Firm} = \frac{\text{Capital of the New Partner (Rishabh)}}{\text{Share of Profit of Rishabh}}$$

$$= \frac{₹\,1,00,000}{1/4} = ₹\,1,00,000 \times \frac{4}{1} = ₹\,4,00,000.$$

New Capital of Raghu & Rishu for 3/4th share will be = ₹ 4,00,000 – ₹ 1,00,000 = ₹ 3,00,000.

$$\text{Raghu's New Capital} = ₹\,3,00,000 \times \frac{3}{5} = ₹\,1,80,000.$$

$$\text{Rishu's New Capital} = ₹\,3,00,000 \times \frac{2}{5} = ₹\,1,20,000.$$

***Or***

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| Date | Particulars | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|
| | Mitu's Capital A/c ...Dr. | | 22,000 | |
| | Ritu's Capital A/c ...Dr. | | 33,000 | |
| | To Profit & Loss A/c | | | 55,000 |
| | (Being the accumulated loss written off) | | | |
| | Workmen Compensation Reserve A/c ...Dr. | | 10,000 | |
| | To Workmen Compensation Claim A/c | | | 10,000 |
| | (Being the workmen compensation claim met out of the reserve) | | | |
| | Nitu's Current A/c (₹ 20,000 × 1/5) ...Dr. | | 4,000 | |
| | To Mitu's Capital A/c | | | 1,600 |
| | To Ritu's Capital A/c | | | 2,400 |
| | (Being the balance of workmen compensation reserve adjusted through the old partners' capital accounts in the sacrificing ratio) | | | |

| | | | | |
|---|---|---|---|---|
| | Investment Fluctuation Reserve A/c ...Dr. | | 10,000 | |
| | To Investments A/c (₹ 80,000 – ₹ 76,000) | | | 4,000 |
| | To Mitu's Capital A/c | | | 2,400 |
| | To Ritu's Capital A/c | | | 3,600 |
| | (Being the loss in value of investment met from investment fluctuation reserve and balance distributed to the old partners in old profit-sharing ratio) | | | |
| | General Reserve A/c ...Dr. | | 40,000 | |
| | To Mitu's Capital A/c | | | 16,000 |
| | To Ritu's Capital A/c | | | 24,000 |
| | (Being the general reserve distributed to the old partners in the old profit-sharing ratio) | | | |
| | Revaluation A/c ...Dr. | | 10,000 | |
| | To Provision for Doubtful Debts A/c | | | 10,000 |
| | (Being the Provision for Doubtful Debts created) | | | |
| | Mitu's Capital A/c ...Dr. | | 4,000 | |
| | Ritu's Capital A/c ...Dr. | | 6,000 | |
| | To Revaluation A/c | | | 10,000 |
| | (Being the revaluation loss distributed) | | | |

**Question 9.**

(i) Let Total Drawings of Mohan = $x$

$$\text{Interest on Drawings} = \text{Total Drawings} \times \frac{\text{Rate of Interest}}{100} \times \frac{6.5^*}{12}$$

$$₹\ 3{,}250 = x \times \frac{4}{100} \times \frac{6.5}{12}$$

$$6.5x = ₹\ 9{,}75{,}000; \qquad x = \frac{₹\ 9{,}75{,}000}{6.5} = ₹\ 1{,}50{,}000$$

$$\text{Monthly Drawing} = \frac{₹\ 1{,}50{,}000}{12} = ₹\ \mathbf{12{,}500.}$$

$$\text{*Average Period} = \frac{\text{Months Left After First Drawing} + \text{Months Left after Last Drawing}}{2}$$

$$= \frac{12+1}{2} = 6.5 \text{ months.}$$

(ii) Let Total Drawings of Sohan = $x$

$$\text{Interest on Drawings} = \text{Total Drawings} \times \frac{\text{Rate of Interest}}{100} \times \frac{5.5}{12}$$

$$₹\ 2{,}750 = x \times \frac{4}{100} \times \frac{5.5}{12}$$

$$5.5x = ₹\ 8{,}25{,}000$$

$$x = \frac{₹\ 8{,}25{,}000}{5.5} = ₹\ 1{,}50{,}000$$

$$\text{Monthly Drawing} = \frac{₹\ 1{,}50{,}000}{12} = ₹\ \mathbf{12{,}500.}$$

(iii) JOURNAL

| Date | Particulars | | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|---|
| 2024 | | | | | |
| March 31 | Bank A/c | ...Dr. | | 5,00,000 | |
| | To Sohan's Capital A/c | | | | 5,00,000 |
| | (Being the further capital introduced) | | | | |

(iv) JOURNAL

| Date | Particulars | | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|---|
| | **Adjusting Entry** | | | | |
| | Sohan's Commission A/c | ...Dr. | | 45,500 | |
| | To Sohan's Current A/c | | | | 45,500 |
| | (Being the commission allowed) | | | | |
| | **Closing Entry** | | | | |
| | Profit & Loss Appropriation A/c | ...Dr. | | 45,500 | |
| | To Sohan's Commission A/c | | | | 45,500 |
| | (Being the commission transferred to Profit & Loss Appropriation A/c) | | | | |

(v) JOURNAL

| Date | Particulars | | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|---|
| | Profit & Loss Appropriation A/c | ...Dr. | | 5,60,500 | |
| | To Mohan's Current A/c | | | | 3,36,300 |
| | To Sohan's Current A/c | | | | 2,24,200 |
| | (Being the profit credited to partners' current accounts) | | | | |

(vi) PROFIT & LOSS APPROPRIATION ACCOUNT

*Dr.* *for the year ended 31st March, 2024* *Cr.*

| Particulars | | ₹ | Particulars | | ₹ |
|---|---|---|---|---|---|
| To Interest on Capital A/cs: | | | By Profit & Loss A/c (WN) | | 9,10,000 |
| Mohan's Current A/c | 1,50,000 | | (₹ 10,00,000 – ₹ 90,000) | | |
| Sohan's Current A/c | 1,00,000 | 2,50,000 | By Interest on Drawings A/cs: | | |
| To Salary A/c (Mohan's Current A/c) | | 60,000 | Mohan's Current A/c | 3,250 | |
| To Commission A/c (Sohan's Current A/c) | | 45,500 | Sohan's Current A/c | 2,750 | 6,000 |
| (5/100 × ₹ 9,10,000) | | | | | |
| To Mohan's Current A/c (Profit) | | 3,36,300 | | | |
| (₹ 5,60,500 × 3/5) | | | | | |
| To Sohan's Current A/c (Profit) | | 2,24,200 | | | |
| (₹ 5,60,500 × 2/5) | | | | | |
| | | 9,16,000 | | | 9,16,000 |

***Working Note:***

Rent is a charge against profit. Hence, it is to be debited to Profit & Loss Account. Therefore, Profit is reduced by ₹ 90,000 (*i.e.*, ₹ 7,500 × 12). Rent payable to Mohan is credited to Mohan's Current Account.

(a) ***Or***

**Calculation of Interest on Capital already Provided & Opening Capital**

| Particulars | Kajal (₹) | Neerav (₹) | Alisha (₹) |
|---|---|---|---|
| Closing Capital | 90,000 | 3,30,000 | 6,60,000 |
| *Add:* Drawings already Debited | 3,60,000 | 3,60,000 | 3,60,000 |
| | 4,50,000 | 6,90,000 | 10,20,000 |
| *Less:* Profit | 1,20,000 | 30,000 | 30,000 |
| Closing Capital *plus* Interest | 3,30,000 | 6,60,000 | 9,90,000 |
| *Less:* Interest on Capital 10/110 | 30,000 | 60,000 | 90,000 |
| **Opening Capital** | 3,00,000 | 6,00,000 | 9,00,000 |

ADJUSTMENT TABLE

| Particulars | Kajal (₹) | Neerav (₹) | Alisha (₹) |
|---|---|---|---|
| **I. Amount Already Credited** | | | |
| Interest on Capital @ 10% | 30,000 | 60,000 | 90,000 |
| Share of Profit | 1,20,000 | 30,000 | 30,000 |
| | 1,50,000 | 90,000 | 1,20,000 |
| **II. Amount which should have been credited** | | | |
| Interest on Capital @ 12% | 36,000 | 72,000 | 1,08,000 |
| Share of Profit (1 : 1) | 48,000 | 48,000 | 48,000 |
| (*i.e.*, ₹ 1,50,000 + ₹ 90,000 + ₹ 1,20,000 – ₹ 36,000 – ₹ 72,000 – ₹ 1,08,000) | 84,000 | 1,20,000 | 1,56,000 |
| **Difference (I–II)** | 66,000 | 30,000 | 36,000 |
| | Dr. | Cr. | Cr. |

ADJUSTMENT ENTRY

| Date | Particulars | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|
| 2024 | | | | |
| April 1 | Kajal's Capital A/c ...Dr. | | 66,000 | |
| | To Neerav's Capital A/c | | | 30,000 |
| | To Alisha's Capital A/c | | | 36,000 |
| | (Being the adjustment entry passed) | | | |

(b) (i) PROFIT & LOSS APPROPRIATION ACCOUNT

Dr. *for the year ended 31st March, 2024* Cr.

| Particulars | | ₹ | Particulars | ₹ |
|---|---|---|---|---|
| To Interest on Capital A/cs: | | | By Profit & Loss A/c (Net Profit) (WN) | 5,92,000 |
| Raman's Capital A/c | | | By Interest on Drawings A/c: | |
| (₹ 6,00,000 × 5/100) | 30,000 | | Rohit's Capital A/c | 3,000 |
| Rohit's Capital A/c | | | (₹ 90,000 × 10/12 × 4/100) | |
| (₹ 5,00,000 × 5/100) | 25,000 | 55,000 | | |
| To Partners' Salary A/c: | | | | |
| Raman's Capital A/c | 1,20,000 | | | |
| Rohit's Capital A/c | 1,20,000 | 2,40,000 | | |
| To Raman's Capital A/c: | | | | |
| (Profit: ₹ 3,00,000 × 2/3) | | 2,00,000 | | |
| To Rohit's Capital A/c: | | | | |
| (Profit: ₹ 3,00,000 × 1/3) | | 1,00,000 | | |
| | | 5,95,000 | | 5,95,000 |

***Working Note:***

*Dr.* PROFIT & LOSS ACCOUNT *for the year ended 31st March, 2024* *Cr.*

| Particulars | ₹ | Particulars | ₹ |
|---|---|---|---|
| To Manager's Salary A/c | 1,80,000 | By Profit before Interest, Partners' Salaries and | |
| To Profit transferred to Profit & Loss | | Manager's Salary (Given) | 7,70,000 |
| Appropriation A/c (Balancing Figure) | 5,92,000 | By Interest on Raman's Loan A/c | 2,000 |
| | 7,72,000 | | 7,72,000 |

(ii) JOURNAL

| Date | Particulars | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|
| | Rohit's Drawings A/c ...Dr. | | 90,000 | |
| | To Bank A/c | | | 90,000 |
| | (Being the drawings made by Rohit) | | | |
| | Rohit's Capital A/c ...Dr. | | 90,000 | |
| | To Rohit's Drawings A/c | | | 90,000 |
| | (Being the drawings account closed by transfer to capital account) | | | |

## Question 10.

(i) **In the Books of Royal Ltd.**

*Dr.* CASH BOOK (BANK COLUMN ONLY) *Cr.*

| Particulars | ₹ | Particulars | ₹ |
|---|---|---|---|
| To Shares Application A/c (1,50,000 × ₹ 2) | 3,00,000 | By Shares Application A/c (30,000 × ₹ 2) | 60,000 |
| To Shares Allotment A/c (WN 2) | 2,54,800 | By Balance *c/d* | 8,06,800 |
| To Shares First Call A/c | 2,94,000 | | |
| To Share Capital A/c | 16,000 | | |
| To Securities Premium A/c | 2,000 | | |
| | 8,66,800 | | 8,66,800 |

(ii) JOURNAL

| Date | Particulars | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|
| | Shares Application A/c ...Dr. | | 2,40,000 | |
| | To Share Capital A/c | | | 2,00,000 |
| | To Shares Allotment A/c | | | 40,000 |
| | (Being the application money adjusted) | | | |
| | Shares Allotment A/c ...Dr. | | 3,00,000 | |
| | To Share Capital A/c | | | 3,00,000 |
| | (Being the allotment money due on 1,00,000 shares) | | | |
| | Calls-in-Arrears A/c ...Dr. | | 5,200 | |
| | To Shares Allotment A/c (WN 1) | | | 5,200 |
| | (Being the allotment money not received) | | | |

| | | | | |
|---|---|---|---|---|
| | Share Capital A/c ...Dr. | | 10,000 | |
| | To Calls-in-Arrears A/c | | | 5,200 |
| | To Forfeited Shares A/c | | | 4,800 |
| | (Being 2,000 shares forfeited for non-payment of allotment money) (WN 1) | | | |
| | Shares First Call A/c ...Dr. | | 2,94,000 | |
| | To Share Capital A/c | | | 2,94,000 |
| | (Being the First call money due on 98,000 shares) | | | |
| | Forfeited Shares A/c ...Dr. | | 4,800 | |
| | To Capital Reserve A/c | | | 4,800 |
| | (Being the transfer of gain on reissue to Capital Reserve) (WN 3) | | | |

***Working Notes:***

1. 1,00,000 shares were issued to the applicants for 1,20,000 shares. It means Ratio of allotment = 5 : 6
   A shareholder who was allotted 2,000 shares had applied for = 6/5 × 2,000 = 2,400 shares

| | ₹ |
|---|---|
| Total application money paid by shareholder on 2,400 shares applied for @ ₹ 2 per share | 4,800 |
| *Less:* Application money on 2,000 shares allotted transferred to Share Capital | 4,000 |
| Excess Application Money to be adjusted against Shares Allotment | 800 |
| Allotment money due on 2,000 shares @ ₹ 3 per share | 6,000 |
| *Less:* Excess Application Money to be adjusted against Shares Allotment | 800 |
| Allotment money in arrears | 5,200 |

2. *Calculation of allotment money received:*

| | ₹ |
|---|---|
| Allotment money due (Gross) | 3,00,000 |
| *Less:* Excess Application money to be adjusted (20,000 × ₹ 2) | 40,000 |
| | 2,60,000 |
| *Less:* Allotment money in arrears (WN 1) | 5,200 |
| Amount received on allotment | 2,54,800 |

3. Shares have been forfeited before the first call. Called-up amount up to allotment is ₹ 5 per share. Shares have been reissued before the second call for ₹ 9 as ₹ 8 paid-up. It means ₹ 8 is as Share Capital Account and ₹ 1 as Securities Premium. Discount has not been allowed on the reissue of forfeited shares. Therefore, amount forfeited on these shares is a gain and is transferred to Capital Reserve.

***Or***

**A.** JOURNAL OF GAMA LTD.

| Date | Particulars | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|
| | Bank A/c (25,000 × ₹ 2) ...Dr. | | 50,000 | |
| | To Shares Application A/c | | | 50,000 |
| | (Being the application money received) | | | |
| | Shares Application A/c ...Dr. | | 50,000 | |
| | To Share Capital A/c (20,000 × ₹ 2) | | | 40,000 |
| | To Bank A/c (5,000 × ₹ 2) | | | 10,000 |
| | (Being the applications money adjusted and the surplus refunded) | | | |

| | | | | | |
|---|---|---|---|---|---|
| 2022 | | | | | |
| Nov. 1 | Shares Allotment A/c (20,000 × ₹ 3) ...Dr. | | 60,000 | |
| | To Share Capital A/c | | | 60,000 |
| | (Being the allotment money due on 20,000 shares) | | | |
| Nov. 1 | Bank A/c (19,980 × ₹ 3) + (₹ 150) ...Dr. | | 60,090 | |
| | Calls-in-Arrears A/c (20 × ₹ 3) ...Dr. | | 60 | |
| | To Shares Allotment A/c | | | 60,000 |
| | To Calls-in-Advance A/c (30 × ₹ 5) | | | 150 |
| | (Being the allotment money received except on 20 shares and Calls-in-Advance received on 30 shares) | | | |
| 2023 | | | | |
| March 1 | Shares First and Final Call A/c (20,000 × ₹ 5) ...Dr. | | 1,00,000 | |
| | To Share Capital A/c | | | 1,00,000 |
| | (Being the first call money due on 20,000 shares) | | | |
| March 1 | Bank A/c ...Dr. | | 99,910 | |
| | Calls-in-Advance A/c ...Dr. | | 150 | |
| | To Shares First and Final Call A/c | | | 1,00,000 |
| | To Calls-in-Arrears A/c | | | 60 |
| | (Being the first and final call received and Calls-in-Advance and Calls-in-Arrear adjusted) | | | |
| | Sundry Members A/c ...Dr. | | 2 | |
| | To Interest on Calls-in-Arrears A/c (₹ 60 × 4/12 × 10/100) | | | 2 |
| | (Being the interest on Calls-in-Arrears due) | | | |
| | Bank A/c ...Dr. | | 2 | |
| | To Sundry Members A/c | | | 2 |
| | (Being the interest on Calls-in-Arrears received) | | | |

**B.** (i) **Calculation of allotment money due but not received from Vijay:**

I. Shares applied by Vijay = (48,000/40,000) × 1,600 = 1,920 shares

| | | |
|---|---|---|
| Application money received (1,920 × ₹ 2) | = | ₹ 3,840 |
| *Less:* Application money due (1,600 × ₹ 2) | = | ₹ 3,200 |
| Excess Application money adjusted on allotment | = | ₹ 640 |

II. Allotment money due (1,600 × ₹ 2) = ₹ 3,200

III. Allotment money due but not received from Vijay (₹ 3,200 – ₹ 640) = ₹ **2,560**

(ii) **Calculation of Calls-in-Advance Received from Raj:**

- No of shares allotted to Raj = (40,000/48,000) × 2,400 = **2,000 shares**
- Calls-in-Advance = 2,000 × ₹ 6 = ₹ **12,000**.

## SECTION B

**Question 11.**

(i) (b) Debt to Total Assets Ratio and Proprietary Ratio.

(ii) (a) P and Q.

**Explanation:** R is cash inflow and S is Cash and Cash Equivalents.

(iii) Let the amount paid towards Current Liabilities = $x$

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}} = \frac{5{,}00{,}000 - x}{3{,}00{,}000 - x} = 2$$

$$₹\ 6{,}00{,}000 - 2x = ₹\ 5{,}00{,}000 - x$$

$$₹\ 6{,}00{,}000 - ₹\ 5{,}00{,}000 = 2x - x$$

*i.e.*, $x$ (Amount paid towards Current Liabilities) = ₹ 1,00,000.

(iv) Debt-Equity Ratio will **decrease**.

**Reason:** Equity is increased by the amount of share capital issued but Debt remains unchanged.

(v) Increase in cash generated from operating activities ₹ **43,756** crore is a **good sign**. The company can maintain its operating capabilities, pay dividends, repay loans and make new investments.

**Question 12.**

**ZEE Ltd.**
COMMON-SIZE INCOME STATEMENT OF PROFIT & LOSS
*for the year ended 31 March, 2024*

| Particulars | Absolute Amounts | Percentage of Revenue from Operations |
|---|---|---|
| | 31st March, 2024 (₹) | 31st March, 2024 (%) |
| **I.** Revenue from Operations | 8,00,000 | 100.00 |
| **II. Expenses** | | |
| (a) Cost of Revenue from Operations | 3,20,000 | 40.00 |
| (b) Other Expenses | 2,20,000 | 27.50 |
| **Total Expenses** | 5,40,000 | 67.50 |
| **III. Profit before Tax (I – II)** | 2,60,000 | 32.50 |
| **IV.** *Less:* Tax @ 50% | 1,30,000 | 16.25 |
| **V. Profit after Tax (III – IV)** | 1,30,000 | 16.25 |

**Note:** Cost of Revenue from Operations = Revenue from Operations – Gross Profit.
= ₹ 8,00,000 – 60% of ₹ 8,00,000 = ₹ 3,20,000.

**Question 13.**

**HALOGEN Ltd.**

CASH FLOW STATEMENT *for the year ended 31st March, 2024*

| Particulars | ₹ | ₹ |
|---|---|---|
| **I. Cash Flow from Operating Activities** | | |
| Net Profit before Tax (WN 1) | | 1,76,000 |
| *Add: Non-cash and Non-operating Items:* | | |
| Depreciation | 1,00,000 | |
| Interest on Debentures [(₹ 4,00,000 × 15/100) + (₹ 2,00,000 × 15/100 × 6/12)] | 75,000 | |
| Loss on Sale of Machinery | 70,000 | 2,45,000 |
| Operating Profit before Working Capital Changes | | 4,21,000 |
| *Less:* Increase in Current Investments | | 2,46,000 |
| Cash Generated from Operations | | 1,75,000 |
| *Less:* Tax Paid | | 70,000 |
| *Cash Flow from Operating Activities* | | 1,05,000 |
| **B. Cash Flow from Investing Activities** | | |
| Sale of Plant and Machinery | | 50,000 |
| **C. Cash Flow from Financing Activities** | | |
| Proceeds from Issue of Shares | 50,000 | |
| Proceeds from Issue of Debentures | 2,00,000 | |
| Payment of Interest | (75,000) | 1,75,000 |
| **D. Net Increase in Cash and Cash Equivalents (Cash and Bank Balance) (A + B + C)** | | 3,30,000 |
| *Add:* Opening Cash and Bank balances | | 1,40,000 |
| **E. Closing Cash and Bank Balances** | | 4,70,000 |

***Working Notes:***

1. *Calculation of Net Profit before Tax:*

| | ₹ |
|---|---|
| Closing Surplus, *i.e.*, Balance in Statement of Profit & Loss (31st March, 2024) | 1,06,000 |
| *Less:* Opening Surplus, *i.e.*, Balance in Statement of Profit & Loss (31st March, 2023) | (20,000) |
| Net Profit for the Year | 1,26,000 |
| *Add:* Provision for Tax | 50,000 |
| *Net Profit before Tax* | 1,76,000 |

2. *Dr.* PLANT AND MACHINERY ACCOUNT *Cr.*

| Particulars | ₹ | Particulars | ₹ |
|---|---|---|---|
| To Balance *b/d* | 9,00,000 | By Bank A/c (Sale) | 50,000 |
| | | By Accumulated Depreciation A/c | 38,000 |
| | | By Statement of Profit & Loss (Loss on Sale)* | 70,000 |
| | | By Balance *c/d* | 7,42,000 |
| | 9,00,000 | | 9,00,000 |

*Loss on Sale of Machinery = Book Value – Sales Value

= ₹ 1,20,000 – ₹ 50,000 = ₹ 70,000.

3. *Dr.* ACCUMULATED DEPRECIATION ACCOUNT *Cr.*

| Particulars | ₹ | Particulars | ₹ |
|---|---|---|---|
| To Plant and Machinery A/c | 38,000 | By Balance *b/d* | 2,00,000 |
| To Balance *c/d* | 2,62,000 | By Depreciation A/c (Current Year) (Balancing Figure) | **1,00,000** |
| | 3,00,000 | | 3,00,000 |

***Or***

(i) No. of Bonus Shares Issued = $\dfrac{50{,}000 \text{ Shares (Existing)}}{5} = 10{,}000$ shares.

(ii) **Computation of Net Profit before Tax:**

| | | ₹ |
|---|---|---|
| Closing Balance of Surplus, *i.e.*, Balance in Statement of Profit & Loss | | 1,00,000 |
| *Less:* Opening Balance of Surplus, *i.e.*, Balance in Statement of Profit & Loss | | 1,75,000 |
| Net Profit/(Loss) for the Year | | (75,000) |
| *Add:* Provision for Tax | 45,000 | |
| Interim Dividend | 48,000 | 93,000 |
| **Net Profit before Tax** | | 18,000 |

(iii) Plant & Machinery purchased: ₹ 3,00,000 (WN).

***Working Note:***

*Dr.* MACHINERY ACCOUNT *Cr.*

| Particulars | ₹ | Particulars | ₹ |
|---|---|---|---|
| To Balance *b/d* | 3,00,000 | By Bank A/c (Sale) (₹ 30,000 + ₹ 6,000) | 36,000 |
| To Gain (Profit) on Sale of Machinery A/c (Statement of Profit & Loss) | 6,000 | By Depreciation A/c | 70,000 |
| To Bank A/c (Purchase) (Balancing Figure) | **3,00,000** | By Balance *c/d* | 5,00,000 |
| | 6,06,000 | | 6,06,000 |

(iv) Increase in the amount of Goodwill of ₹ 60,000 is a *purchased* Goodwill, it will be shown under **Investing Activities** as **Outflow of Cash**.

(v) **Cash Flow from Investing Activities:**

| | ₹ |
|---|---|
| Purchase of Machinery (III) | (3,00,000) |
| Purchase of Non-current Investment (WN) | (1,20,000) |
| Purchase of Goodwill | (60,000) |
| Proceeds from Sale of Machinery (III) | 36,000 |
| Proceeds from Sale of Non-Current Investment (WN) | 72,000 |
| **Cash Used in Investing Activities** | (3,72,000) |

(vi) Tax paid during the year: ₹ 20,000 (WN).

***Working Note:***

*Dr.* PROVISION FOR TAX ACCOUNT *Cr.*

| Particulars | ₹ | Particulars | ₹ |
|---|---|---|---|
| To Bank A/c (Tax Paid) (Balancing Figure) | **20,000** | By Balance *b/d* | 25,000 |
| To Balance *c/d* | 50,000 | By Statement of Profit & Loss (Provision Made) | 45,000 |
| | 70,000 | | 70,000 |

**Question 14.**

(i) $$\text{Earning Per Share} = \frac{\text{Net Profit after Tax} - \text{Preference Dividend}}{\text{Number of Equity Shares}}$$

$$₹\ 2.75 = \frac{₹\ 14{,}00{,}000^{*} - \text{Preference Dividend}}{4{,}00{,}000}$$

Preference Dividend = ₹ 14,00,000 – ₹ 11,00,000 (4,00,000 × 2.75) = ₹ **3,00,000**

*₹ 20,00,000 – 30% of ₹ 20,00,000 = ₹ 14,00,000.

(ii) Current Assets = Closing inventory of consumables + Closing inventory of finished goods and Work-in-Progress + Current Assets (Other than inventory of consumables and finished goods and Work-in-Progress)

= ₹ 389.85 + ₹ 197.24 + ₹ 3229.23 = ₹ 3816.32 (Millions).

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}} = \frac{₹\ 3816.32\ \text{(Millions)}}{₹\ 936.52\ \text{(Millions)}} = \mathbf{4.08 : 1}.$$

(iii) (a) $$\text{Return on Investment (ROI)} = \frac{\text{Net Profit before Interest, Tax and Dividend}}{\text{Capital Employed}} \times 100.$$

(b) $$\frac{20}{100} = \frac{\text{Net Profit before Interest, Tax and Dividend}}{₹\ 50{,}00{,}000}$$

Net Profit before Interest, Tax and Dividend = ₹ 50,00,000/5 = ₹ **10,00,000**.

(iv) $$\text{Working Capital Turnover Ratio} = \frac{\text{Revenue from Operations}}{\text{Working Capital}}$$

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

= ₹ 12,00,000 + 25% of ₹ 12,00,000 = ₹ 15,00,000

Working Capital = Current Assets (Cash + Short-term Loans and Advances + Inventory) – Current Liabilities (Trade Payables)

= ₹ 15,00,000 – ₹ 5,00,000 = ₹ 10,00,000

$$\text{Working Capital Turnover Ratio} = \frac{₹\ 15{,}00{,}000}{₹\ 10{,}00{,}000} = \mathbf{1.5\ Times}.$$

❑❑❑❑

# Model Test Paper 5

SCS sultan chand

**Time Allowed: 3 Hours** **Max. Marks: 80**

***General Instructions:***
As per Model Test Paper 1

## SECTION A (60 Marks)
(*Answer **all** questions*)

**Question 1.**

***In sub-parts (i) to (iv) choose the correct options and in sub-parts (v) to (x) answer the questions as instructed.***

(i) Arun, Varun and Vijay are partners in a firm sharing profits and losses in the ratio of 3 : 2 : 1. Extract of Balance Sheet is as follows:

| Liabilities | ₹ | Assets | ₹ |
|---|---|---|---|
| | | Machinery | 40,000 |

If the value of machinery in the Balance Sheet is overvalued by $33\frac{1}{3}$ % on Arun's retirement, find the value of machinery to be shown in the new Balance Sheet.

(a) ₹ 44,000 (b) ₹ 48,000
(c) ₹ 32,000 (d) ₹ 30,000 **(Application)** [1]

(ii) Raman and Rohit are partners sharing profits and losses in the ratio of 3 : 2. They admit Saloni into partnership for 1/4 share. At the time of admission, 'Investment Fluctuation Reserve' is ₹ 4,000 and investment is ₹ 20,000 in the books. Following Journal entry is passed on admission of Saloni':

JOURNAL

| Date | Particulars | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|
| | Investment Fluctuation Reserve A/c ...Dr. | | 4,000 | |
| | To Raman's Capital A/c | | | 1,800 |
| | To Rohit's Capital A/c | | | 1,200 |
| | To Investment A/c | | | 1,000 |

Market value of the investment is

(a) ₹ 16,000. (b) ₹ 24,000.
(c) ₹ 18,000. (d) ₹ 19,000. **(Understanding)** [1]

(iii) If 10,000 shares of ₹ 10 each were forfeited for non-payment of final call money of ₹ 3 per share out of which 7,000 shares were reissued @ ₹ 11 per share as fully paid-up, amount transferred to Capital Reserve will be

(a) Nil. (b) ₹ 49,000.
(c) ₹ 56,000. (d) ₹ 70,000. **(Application)** [1]

SCS sultan chand

(iv) Vanya Ltd. issued 80,000, 10% Debentures of ₹ 100 each at certain rate of discount and were to be redeemed at 20% premium. Existing balance of Securities Premium before issuing the debentures was ₹ 25,00,000 and after writing off Loss on Issue of Debentures, the balance in Securities Premium was ₹ 5,00,000. At what rate of discount, these debentures were issued?

(a) 10% (b) 5%

(c) 25% (d) 15% **(Application)** [1]

(v) Lalit and Madhur are partners sharing profits and losses in the ratio of 7 : 3. Lalit gives 1/7 from his share and Madhur gives 1/3rd of her share to Neena, a new partner.

**Calculate the new profit-sharing ratio.** **(Application)** [1]

(vi) **Assertion (A):** Commission to partner is transferred to the debit of Profit & Loss Appropriation Account.

**Reason (R):** Commission to partner is a charge against profit.

*In the context of above two statements, which of the following is correct?*

(a) Assertion (A) is correct but Reason (R) is wrong.

(b) Both Assertion (A) and Reason (R) are correct, but Reason (R) is not the correct explanation of Assertion (A)

(c) Both Assertion (A) and Reason (R) are incorrect.

(d) Both Assertion (A) and Reason (R) are correct, and Reason (R) is the correct explanation of Assertion (A). **(Evaluate)** [1]

(vii) On dissolution of the firm sundry assets were of ₹ 1,17,000. Mohan took part of sundry assets at ₹ 88,000 (being 10% higher than the book value). Sohan took remaining sundry assets at 80% of the book value.

**You are required to calculate the amount by which Realisation Account will be credited.** [1]

(viii) Distinguish between 'Securities Premium' and 'Premium on Redemption of Debentures' on the basis of disclosure in Balance Sheet. **(Understanding)** [1]

(ix) On 1st April, 2021, Anderson Ltd. (an unlisted food processing company) invited applications for issuing ₹ 7,50,000, 9% Debentures of ₹ 500 each at a premium of 4% redeemable in two equal annual instalments starting from the end of third year.

Applications for 2,000 Debentures were received and the debentures were allotted on *pro rata* basis to all the applicants.

**How much amount will the company transfer from Debenture Redemption Reserve to General Reserve on 31st March, 2024?** **(Recall)** [1]

(x) "Listed companies are exempt from Debenture Redemption Reserve."

(**Source:** *The Hindustan Times.*)

**What impact it will have on reserves of a company?** **(Understanding)** [1]

**Question 2.**

Sudha, Rahim and Kartik are partners in a firm. Rahim retired and his claim including his capital and share of goodwill was ₹ 60,000.

There was unrecorded furniture estimated at ₹ 3,000, half of which was given to meet unrecorded liability of ₹ 6,000 in settlement of claim of ₹ 3,000 and remaining half was given to Rahim at a discount of 10% in part satisfaction of his claim. Balance of Rahim's claim was discharged by cheque.

**You are required to give the necessary Journal entries to record this arrangement. (Application)**

***Or***

On 1st April, 2021, Anish started a business with a capital of ₹ 3,00,000.

During the three years ending 31st March, 2024, the results of his business were:

| Year | | ₹ |
|---|---|---|
| 2021–22 | Loss | 20,000 |
| 2022–23 | Profit | 34,000 |
| 2023–24 | Profit | 46,000 |

From the year 2021–22 to the year 2023–24, Anish withdrew ₹ 30,000 from the firm for his personal use.

On 1st Apil, 2024, he admitted Danish into partnership on the following terms:

(a) Goodwill of the firm to be valued at two years' purchase of the average profits of the last three years.

(b) Danish to have 1/4 share in the future profits.

(c) Danish's capital to be equal to 1/4 of Anish's capital determined on 1st April, 2024, after the goodwill compensation has been taken into account.

**You are required to give:**

**(i) Formula to calculate goodwill by the Average Profit Method.**

**(ii) Value of self-generated goodwill of the firm.**

**(iii) Danish's capital contribution.** **(Application)** [3]

**Question 3.**

On 1st July, 2023, Fit India Ltd. issued 7% Debentures at a premium of 10% redeemable at 25% premium to meet long-term funds requirement of ₹ 1,65,00,000. The issue price was payable along with application. Balance in Securities Premium Account after the issue of debentures is ₹ 25,00,000. Loss for the year ended 31st March, 2024 is ₹ 10,00,000.

**You are required to:**

**(i) Pass Journal entries for issue of Debentures (including writing off Loss on Issue of Debentures), and**

**(ii) Prepare Loss on Issue of Debentures Account.** **(Application)**

***Or***

On 1st June, 2023, Paragon Ltd. issued 12,000; 10% Debentures of ₹ 100 each at a premium of 10% and redeemable at a premium of 5% after six years.

Interest was payable on 31st March every year.

**You are required to record the Journal entries for the year ending 31st March, 2024. (Ignore Writing off Capital Loss)** **(Application)** [3]

**Question 4.**

Shikhar Ltd., an unlisted Non-NBFC/HFC, has 30,000; 9% Debentures of ₹ 100 each due for redemption on 31st March, 2024.

Debenture Redemption Reserve has a balance of ₹ 3,00,000 on 31st March, 2023.

The Company invested the funds as required by law in the specific securities on 30th April, 2023 earning interest @ 10% p.a.

**You are required to pass necessary Journal entries for redemption of debentures on 31st March, 2024.** [3]

**Question 5.**

Dinesh, Alvin and Pramod are partners in a firm sharing profits and losses in the ratio of 5 : 3 : 2. Their Balance Sheet as at 31st March, 2024 was as follows:

| Liabilities | ₹ | Assets | ₹ |
|---|---|---|---|
| Sundry Creditors | 60,000 | Debtors | 15,000 |
| General Reserve | 40,000 | Fixed Assets | 67,000 |
| Capital A/cs: | | Investments | 40,000 |
| Dinesh | 30,000 | Cash in Hand | 61,500 |
| Alvin | 40,000 | Deferred Revenue Expenditure | 14,000 |
| Pramod | 30,000 | Dinesh's Loan Account | 2,500 |
| | 2,00,000 | | 2,00,000 |

Dinesh died on 1st July, 2024, the executors of Dinesh are entitled to:

(i) His share of goodwill. Goodwill of the firm is valued at ₹ 50,000.

(ii) His share of profit up to his date of death on the basis of actual sales till date of death. Sales for the year ended 31st March, 2024 was ₹ 12,00,000 and profit for that year was ₹ 2,40,000. Sales shows a growth trend of 20% and percentage of profit earning remains the same.

(iii) Investments were sold at par. Half of the amount due to Dinesh was paid to his executors and for the balance, they accepted a bills payable.

**Prepare Dinesh's Capital Account and Dinesh's Executor's Account.**

**(Application)** [3]

**Question 6.**

The following information is extracted from the books of Vivan Ltd. as at 31st March, 2024:

| Particulars | ₹ | Particulars | ₹ |
|---|---|---|---|
| Closing Stock of Materials | 39,80,000 | Bills Receivable | 20,00,000 |
| Closing Stock of Work-in-Progress | 2,00,00,000 | Cash Balance | 4,00,000 |
| Closing Stock of Finished Goods | 4,00,00,000 | Bank Balance | 16,00,000 |
| Loose Tools | 12,00,000 | Cheques/Draft on Hand | 4,00,000 |
| Stores and Spares | 8,00,000 | Prepaid Expenses | 2,00,000 |
| Sundry Debtors | 80,00,000 | Interest Accrued on Investments | 2,00,000 |
| Provision for Doubtful Debts | 8,00,000 | Provision for Tax | 5,00,000 |

*Additional Information:*

(i) Bill Discounted but not yet matured ₹ 2,00,000.

(ii) 30,000 shares of Lotus Ltd. of ₹ 100 each ₹ 80 paid-up held as investments.

**You are required to show the above in Notes to Accounts accompanying the Balance Sheet of Vivan Ltd. prepared as per Schedule III of the Companies Act, 2013 as at 31st March, 2024.** **(Application)** [6]

**Question 7.**

Annie and Bonnie are partners sharing profits and losses in the ratio of 3 : 2. On 31st March, 2024, their Balance Sheet was follows:

| Liabilities | ₹ | Assets | | ₹ |
|---|---|---|---|---|
| Capital A/cs: | | Machinery | | 10,000 |
| Annie | 10,000 | Building | | 8,000 |
| Bonnie | 8,000 | Debtors | 12,000 | |
| General Reserve | 15,000 | *Less:* Provision for Doubtful Debts | 1,000 | 11,000 |
| Workmen Compensation Reserve | 5,000 | Stock | | 12,000 |
| Creditors | 12,000 | Cash | | 9,000 |
| | 50,000 | | | 50,000 |

They admit Carl into partnership on 1st April, 2024 for 1/5 share of profits on the following terms:

(i) Provision for Doubtful Debts to be increased by ₹ 2,000.

(ii) Value of building to be increased to ₹ 18,000.

(iii) Value of stock to be increased by ₹ 4,400.

(iv) Workmen Compensation Claim of ₹ 2,000 to be adjusted against Workmen Compensation Reserve. The balance of the reserve is not to be disturbed.

(v) Carl brought his share of goodwill ₹ 10,000 in cash. He is to bring further cash as would make his capital equal to 20% of the total capital of the reconstituted firm, after revaluation and adjustments are given effect.

**You are required to:**

**(a) Pass Journal entries for capital brought by Carl, adjustment of Goodwill General Reserve and Workmen Compensation Reserve.**

**(b) Prepare Revaluation Account.** **(Application)** [6]

***Or***

**A.** Akul and Bakul were partners in a firm sharing profits equally. On 31st March, 2024, their Balance Sheet was as follows:

| Liabilities | | ₹ | Assets | | ₹ |
|---|---|---|---|---|---|
| Sundry Creditors | | 21,000 | Cash at Bank | | 20,000 |
| General Reserve | | 15,000 | Sundry Debtors | 22,000 | |
| Capital A/cs: | | | *Less:* Provision for Doubtful Debts | (1,000) | 21,000 |
| Akul | 45,000 | | Stock | | 10,000 |
| Bakul | 40,000 | 85,000 | Machinery | | 60,000 |
| | | | Goodwill | | 10,000 |
| | | 1,21,000 | | | 1,21,000 |

Chandan was to be taken as a partner for 1/4 share in profits, with effect from 1st April, 2024, on the following terms:

(i) Goodwill of the firm to be valued at ₹ 20,000.

(ii) Chandan to bring ₹ 50,000 as his capital. He was unable to bring his share of goodwill.

(iii) General Reserve was not to be distributed. For this, it was decided that Chandan would compensate the old partners through his Current Account.

(iv) Loss on revaluation of assets and reassessment of liabilities was ₹ 8,500.

**You are required to prepare Partners' Capital Accounts.**

**B.** Sanjana and Alok are partners sharing profits and losses in the ratio of 3 : 2. On 31st March, they admitted Nidhi as a new partner who acquired 1/5 of her share from Sanjana and 4/25th share from Alok.

Goodwill of the firm is to be valued by the Super Profit Method on the basis of the following information:

(a) BALANCE SHEET OF SANJANA AND ALOK (An Extract) *as at 31st March, 2024*

| Liabilities | | ₹ | Assets | ₹ |
|---|---|---|---|---|
| Creditors | | 5,000 | Current A/c: | |
| Reserve Fund | | 60,000 | Alok | 10,000 |
| Capital A/cs: | | | | |
| Sanjana | 3,60,000 | | | |
| Alok | 2,40,000 | 6,00,000 | | |
| Current A/c: | | | | |
| Sanjana | | 50,000 | | |

(b) Normal Rate of Return is 20%.

(c) Average Profit of the firm for last four years is ₹ 2,00,000.

**You are required to calculate:**

**(i) New Profit-sharing Ratio and Sacrificing Ratio of the partners.**

**(ii) Value of the goodwill of the firm at four year's purchase of the Super Profit.**

**(Application)** [6]

**Question 8.**

Param and Dharam were partners in a firm sharing profits and losses in the ratio of 3 : 2. The firm was dissolved on 31st March, 2025. The Balance Sheet of the firm as at 31st March, 2025 was as under:

BALANCE SHEET *as at 31st March, 2025*

| Liabilities | | ₹ | Assets | | ₹ |
|---|---|---|---|---|---|
| Creditors | | 80,000 | Cash at Bank | | 6,000 |
| Mrs. Param's Loan | | 40,000 | Debtors | 34,000 | |
| Dharam's Loan | | 24,000 | *Less:* Provision for Doubtful Debts | 4,000 | 30,000 |
| Investment Fluctuation Reserve | | 8,000 | Bills Receivable | | 37,400 |
| Capital A/cs: | | | Investments | | 30,600 |
| Param | 42,000 | | Building | | 1,20,000 |
| Dharam | 42,000 | 84,000 | Goodwill | | 4,000 |
| | | | Profit & Loss A/c | | 8,000 |
| | | 2,36,000 | | | 2,36,000 |

Following was agreed:

(i) Param agreed to pay his wife's loan.

(ii) Debtors realised ₹ 24,000.

(iii) Dharam took all investments at ₹ 27,000.

(iv) Building realised ₹ 1,52,000.

(v) Creditors were payable after 3 months. They were paid immediately at 10% discount.

(vi) Bills Receivable were settled at a loss of ₹ 1,400.

(vii) Realisation expenses were ₹ 2,500.

**You are required to prepare:**

**(a) Realisation Account.**

**(b) Partners' Capital Accounts.**

**(c) Bank Account.** **(Application)** [6]

**Question 9.**

Ram, Shyam and Mohan are partners in a firm sharing profits and losses in the ratio of 2 : 2 : 1. They started business on 1st October, 2023 with ₹ 3,00,000; ₹ 2,00,000 and ₹ 1,50,000 respectively as their capitals.

During the year ended 31st March, 2024, Ram withdrew ₹ 1,000 in the beginning of each month, Mohan withdrew ₹ 2,000 at the end of each month while Shyam withdrew ₹ 9,000 during the period of six months.

Their Partnership Deed provides that:

(i) Partners are allowed interest on capital @ 5% p.a.

(ii) Interest on drawings is charged @ 6% p.a.

(iii) Mohan is to get salary of ₹ 2,500 per month.

(iv) Ram is to get commission @ 5% of the net profit of the firm.

(v) Shyam is to get commission of 5% of the net profit of the firm after charging such commission.

During the period ended 31st March, 2024, profit of the firm was ₹ 10,35,000 after charging Mohan's salary which had been debited to Wages and Salaries Account.

**You are required to:**

**(a) Prepare Profit & Loss Appropriation Account of the firm.** [6]

**(b) Give adjusting and closing entry for Shyam's commission.** [2]

**(c) Give rectifying and closing entry for Mohan's salary.** **(Application)** [2]

***Or***

Arun, Varun and Karan are partners in a firm sharing profits and losses in the ratio of 2 : 2 : 1. Their capitals are ₹ 10,00,000, ₹ 15,00,000 and ₹ 5,00,000 respectively.

After final accounts for the year ended on 31st March, 2024 were prepared, following balances of Partners' Current Accounts were determined:

Arun—₹ 1,40,000; Varun—₹ 1,60,000 and Karan—₹ 1,00,000.

Subsequently, following errors were noticed on 1st April, 2024:

(i) Interest on Capital @ 10% p.a. had been allowed to the partners, although there was no provision for it in the partnership deed.

(ii) Salary of ₹ 64,000 p.a. to Arun and ₹ 80,000 p.a. to Varun was not allowed to them, despite provision being there in the partnership deed for the same.

(iii) Commission of ₹ 8,000 per month was not allowed to Karan, despite provision being there for such commission in the partnership deed.

**You are required to prepare Partners' Current Accounts on 1st April, 2024 after rectifying the above errors.** **(Application)** [10]

**Question 10.**

**A.** Garvit Ltd. invited applications for issue of 20,000 Equity shares of ₹ 10 each at a premium of ₹ 1 per share, payable as follows:

| | |
|---|---|
| On Application | ₹ 3; |
| On Allotment | Balance (including premium). |

Applications were received for 30,000 shares and *pro rata* allotment was made to the remaining applicants after refunding application money to applicants for 5,000 shares.

Ramesh, who was allotted 3,000 shares, did not pay the allotment money and his shares were forfeited.

Out of these forfeited shares, 1,000 shares were reissued as fully paid @ ₹ 8 per share.

**You are required to pass the necessary Journal entries to record the above transactions.** **(Application)** [6]

**B.** Mevanca Ltd. offered 20,000 shares of ₹ 100 each payable as follows:

| | | |
|---|---|---|
| On Application | — | ₹ 20; |
| On Allotment | — | ₹ 30; |
| On First and Final Call | — | ₹ 50 (3 months after allotment). |

Applications were received for 24,000 shares. Shares were allotted refusing allotment to applications for 4,000 shares.

One shareholder to whom 400 shares were allotted paid the first and final call with allotment money and another shareholder did not pay allotment money on his 600 shares which he paid with first and final call.

Company charges and allows interest on Calls-in-Arrears and Calls-in-Advance according to the *Table 'F'* of the Companies Act, 2013.

**You are required to:**

**(i) Give the *adjusting entry* and *closing entry* for Interest on Calls-in-Arrears.** [2]

**(ii) Give the *adjusting entry* and *closing entry* for Interest on Calls-in-Advance.** [2]

***Or***

Climax Ltd. invited applications for issuing Equity Shares of ₹ 100 each. The issue was oversubscribed. The company allotted 10,000 shares to all the applicants making a *pro rata* allotment in the ratio of 5 : 4.

The face value of the shares was payable in three instalments.

**Based on the information given above and the following extracts of Ledger Accounts and Cash Book (Bank Column), answer the questions that follow:**

*Dr.* CASH BOOK (BANK COLUMN) (EXTRACT) *Cr.*

| Particulars | ₹ | Particulars | ₹ |
|---|---|---|---|
| To Shares Applications A/c | 3,25,000 | By Shares Application A/c | 12,500 |
| To Shares Allotment A/c | ... | (Applications for 500 shares were rejected) | |
| | | By Balance *c/d* | ... |

*Dr.* SHARE CAPITAL ACCOUNT (AN EXTRACT) *Cr.*

| Particulars | ₹ | Particulars | ₹ |
|---|---|---|---|
| | | By Shares Application A/c | ... |
| | | By Shares Allotment A/c | 4,50,000 |
| | | By Shares Final Call A/c | ... |

*Dr.* CALLS-IN-ARREARS ACCOUNT (EXTRACT) *Cr.*

| Particulars | ₹ | Particulars | ₹ |
|---|---|---|---|
| To Shares Allotment A/c | 3,100 | | |

**(i) What are the number of shares applied?** [1]

**(ii) What is the amount payable per share with application?** [1]

**(iii) What is the amount payable per share with first and final call?** [1]

**(iv)** Climax Ltd. did not receive the allotment money and call money due from the shareholder Shiva, who had applied for 100 shares.

**What is the amount received by Climax Ltd. with allotment** [1]

**(v)** Climax Ltd. forfeited Shiva's shares after the final call. It reissued 50% of the forfeited shares as fully paid-up @ ₹ 120 per share.

**Give the Journal entries passed by the company for:**

**(a) Forfeiture of these shares.** [2]

**(b) Reissue of the forfeited shares.** **(Application)** [3]

## SECTION B (20 Marks)

**Question 11.**

***In sub-parts (i) and (ii) choose the correct options and in sub-parts (iii) to (v) answer the questions as instructed.***

(i) "*L* & *T* Ltd. to buy-back equity of ₹ 1,000 crores."

(**Source:** *The Economic Times, 21 July, 2023.*)

**What impact it will have on Debt to Equity Ratio of the company if Debt to Equity Ratio is 1 : 1?**

(a) Increase. (b) Decrease.

(c) No effect. (d) None of these. **(Analysis)** [1]

(ii) Match the following activities of a manufacturing concern while preparing Cash Flow Statement:

(i) Purchase of software (1) Operating Activities.

(ii) Payment of interest on debentures (2) Financing Activities

(iii) Purchase of stock-in-trade (3) Investing Activities

(a) (i) – 3, (ii) – 2, (iii) – 1 (b) (i) – 1, (ii) – 2, (iii) – 3

(c) (i) – 3, (ii) – 1, (iii) – 2 (d) (i) – 2, (ii) – 3, (iii) – 1 **(Recall)** [1]

(iii) "Zomato's All-new ESOP (Employee Stock Option Plan) proposal gets shareholders' nod".

(**Source:** *The Economic Times, 3rd July, 2024.*)

**What impact it will have on Proprietary Ratio of the company?**

(iv) Inventory Turnover Ratio of Sanjiv Ltd. is 3 Times.

**State, giving reason, whether the ratio will *improve*, *decline*, or *does not change* because of increase in the value of Closing Inventory by ₹ 50,000.** [1]

(v) Are 'Assets purchased and consideration paid by issue of shares' shown in the Cash Flow Statement?

**Give reason in support of your answer.** [1]

**Question 12.**

**From the following information, prepare Comparative Balance Sheet:**

| Particulars | 31st March, 2024 (₹) | 31st March, 2023 (₹) |
|---|---|---|
| Share Capital | 30,00,000 | 22,50,000 |
| Reserves and Surplus | 3,00,000 | 4,00,000 |
| Long-term Borrowings | 9,00,000 | 6,00,000 |
| Short-term Borrowings | 3,00,000 | 2,00,000 |
| Property, Plant and Equipment and Intangible Assets— Property, Plant and Equipment | 30,00,000 | 22,50,000 |
| Cash and Bank Balances | 15,00,000 | 12,00,000 |

[3]

**Question 13.**

**You are required to prepare a Cash Flow Statement (as per AS–3) for the year ended 31st March, 2024 from the following Balance Sheet and additional information:**

BALANCE SHEET OF STAR LTD *as at 31st March, 2024*

| Particulars | Note No. | 31st March, 2024 (₹) | 31st March, 2023 (₹) |
|---|---|---|---|
| **I. EQUITY AND LIABILITIES** | | | |
| **1. Shareholders' Funds** | | | |
| (a) Share Capital | | 5,00,000 | 4,00,000 |
| (b) Reserves and Surplus | 1 | 3,20,000 | 2,50,000 |
| **2. Non-Current Liabilities** | | | |
| Long-term Borrowings | 2 | 2,00,000 | 1,00,000 |
| **3. Current Liabilities** | | | |
| Trade Payables | | 1,80,000 | 1,50,000 |
| **Total** | | 12,00,000 | 9,00,000 |
| **II. ASSETS** | | | |
| **1. Non-Current Assets** | | | |
| (a) *Property, Plant and Equipment and Intangible Assets:* | | | |
| Property, Plant and Equipment | 3 | 7,00,000 | 5,00,000 |
| (b) Non-Current Investments | | 70,000 | 50,000 |
| **2. Current Assets** | | | |
| (a) Inventories | | 90,000 | 1,50,000 |
| (b) Current Investments | | 1,20,000 | 70,000 |
| (c) Cash and Bank Balances | | 2,20,000 | 1,30,000 |
| **Total** | | 12,00,000 | 9,00,000 |

**Notes to Accounts**

| Particulars | 31st March, 2024 (₹) | 31st March, 2023 (₹) |
|---|---|---|
| **1. Reserves and Surplus** | | |
| Securities Premium | 5,000 | ... |
| General Reserve | 1,00,000 | 80,000 |
| Surplus, *i.e.*, Balance in Statement of Profit & Loss | 2,15,000 | 1,70,000 |
| | 3,20,000 | 2,50,000 |
| **2. Long-term Borrowings** | | |
| 10% Debentures | 2,00,000 | 1,00,000 |
| **3. Property, Plant and Equipment** | | |
| Machinery (Cost) | 8,50,000 | 6,10,000 |
| *Less:* Accumulated Depreciation | 1,50,000 | 1,10,000 |
| | 7,00,000 | 5,00,000 |

*Additional Information*:

(i) Machinery costing ₹ 1,00,000 (Accumulated Depreciation ₹ 70,000) was sold at a loss of 20%.

(ii) Equity Shares were issued at a premium of 15% on 1st April, 2023.

(iii) Additional debentures were issued on 1st October, 2023 at a discount of 10%. The company wrote off the discount on issue of debentures from Securities Premium Reserve.

(iv) Interim Dividend paid during the year was ₹ 25,000. **(Application)** [6]

***Or***

**A. Read the following information of Popular Ltd., and answer the questions that follow:**

| Particulars | 31st March, 2024 (₹) | 31st March, 2023 (₹) |
|---|---|---|
| Equity Share Capital | 90,00,000 | 60,00,000 |
| 11% Debentures | 30,00,000 | 50,00,000 |
| Machinery (at cost) | 28,00,000 | 20,00,000 |
| Accumulated Depreciation on Machinery | 90,000 | 60,000 |

*Additional Information:*

(i) During the year, a machine costing ₹ 4,00,000 was sold at a gain of ₹ 30,000.

(ii) Depreciation charged on machinery during the year was ₹ 50,000.

(iii) Interest paid on 11% Debentures amounted to ₹ 5,50,000.

(iv) Dividend of ₹ 3,00,000 was paid on equity shares.

(v) Debentures were redeemed on 31st March, 2024.

**(a) State the Book Value of Machinery sold.** [1]

**(b) State the amount of machinery purchased during the year.** [1]

**(c) State the amount of Cash Flow from Investing Activities.** [1]

**(d) State the amount of Cash Flow from Financing Activities.** [1]

**B.** Bharat Ltd. earned profit of ₹ 1,00,000 after charging depreciation of ₹ 20,000 on assets and transfer to General Reserve of ₹ 30,000. Goodwill amortised was ₹ 7,000 and gain on sale of machinery was ₹ 3,000.

*Additional Information* (*Change in the value of Current Assets and Current Liabilities*):

At the end of the year, Trade Receivables showed an increase of ₹ 3,000; Trade Payables showed increase of ₹ 6,000.

Prepaid Expenses increased by ₹ 200 and Outstanding Expenses decreased by ₹ 2,000.

**Calculate Cash Flow from Operating Activities.** **(Analysis)** [2]

**Question 14.**

**Answer *any three* of the following questions:**

(i) **Calculate Liquid Ratio from the following (up to two decimal places):**

| | | |
|---|---|---|
| Current Assets | ₹ 1,26,000 | |
| Inventories | ₹ 2,000 | |
| Current Ratio | 3 : 2 | **(Application)** [2] |

(ii) Current Ratio of a company is 2 : 1. State whether the Current Ratio will *improve, decline or will not change* in the following cases:

(a) Bill Receivable of ₹ 2,000 endorsed to a creditor is dishonoured.

(b) ₹ 8,000 cash collected from Debtors of ₹ 8,500 in full and final settlement.

**(Application)** [2]

(iii) Market value of an Equity Share of Quick Ltd. is ₹ 40. Earning Per Share of the company is ₹ 4.50.

**Calculate the Price Earning Ratio of the company.** **(Application)** [2]

(iv) **Calculate Operating Profit Ratio from the following information:**

| | | |
|---|---|---|
| Operating Cost | ₹ 8,50,000 | |
| Gross Profit Ratio | 20 % | |
| Operating Expenses | ₹ 50,000 | **(Application)** [2] |

## ANSWERS

### SECTION A

**Question 1.**

(i) (d) ₹ 30,000.

***Working Note:***

Machinery is overvalued by $33\frac{1}{3}$% means the given value ₹ 40,000 is $133\frac{1}{3}$% of the actual value. Thus, value of machinery to be shown in the new Balance Sheet will be ₹ 40,000 × $\frac{100}{133\,1/3}$, *i.e.*, ₹ 30,000.

(ii) (d) ₹ 19,000.

***Working Note:*** ₹ 20,000 (Book value) – ₹ 1,000 = ₹ 19,000.

(iii) (b) ₹ 49,000.

**Note:** 7,000 shares have been reissued at a premium of ₹ 1. Thus, amount forfeited on 7,000 shares, *i.e.*, ₹ 7 per share will be transferred to Capital Reserve.

(iv) (b) 5%.

***Working Note:***

Amount of Premium Payable @ ₹ 20 = ₹ 16,00,000 (80,000 × ₹ 20)

Total Loss written off from Securities Premium = ₹ 20,00,000

Amount of Discount on Issue = ₹ 20,00,000 – ₹ 16,00,000 = ₹ 4,00,000

Rate of Discount = $\frac{₹\,4,00,000}{₹\,80,00,000} \times 100 = 5\%$.

(v) New profit share of old partner = Old Profit Share – Share sacrificed

Profit share sacrificed by Lalit = 1/7

Profit share sacrificed by Madhur = 1/3 × 3/10 = 1/10

Lalit's New Profit Share = $\frac{7}{10} - \frac{1}{7} = \frac{49-10}{70} = \frac{39}{70}$

Madhur's New Profit Share = $\frac{3}{10} - \frac{1}{10} = \frac{2}{10}$ or $\frac{14}{70}$

Neena's Profit Share = 1/7 + 1/10 = 17/70

New Profit-sharing Ratio of Lalit, Madhur and Neena = 39 : 14 : 17.

(vi) (a) Assertion (A) is correct but Reason (R) is wrong.

(vii) (i) Sundry assets taken by Mohan = ₹ 88,000

Book value = ₹ 88,000 × 100/110 = ₹ 80,000

(ii) Book value of remaining assets = ₹ 1,17,000 – ₹ 80,000 = ₹ 37,000

Sundry assets taken by Sohan = ₹ 37,000 × 80/100 = ₹ 29,600

Realisation Account will be credited with = ₹ 72,000 + ₹ 29,600 = ₹ 1,01,600.

(viii) 'Securities Premium' is a reserve and is shown under the head **'Shareholders' Funds'** and sub-head **'Reserves and Surplus'** in the Balance Sheet.

'Premium on Redemption of Debentures' is a liability and is shown in the Balance Sheet under the **Equity and Liabilities** part as **'Long-term Borrowings'**.

(ix) Debenture Redemption Reserve created is equal to 10% of the nominal (face) value of debentures, *i.e.*, 10% of ₹ 7,50,000 = ₹ 75,000.

*31st March, 2024:* Transfer of proportionate amount of DRR to General Reserve = ₹ 37,500, *i.e.*, 1/2 of ₹ 75,000.

(x) Listed companies will have higher free reserves since Debenture Redemption Reserve is not a free reserve but is a specific reserve.

**Question 2.**

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| Date | Particulars | | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|---|
| | Furniture A/c | ...Dr. | | 1,350 | |
| | To Revaluation A/c | | | | 1,350 |
| | (Being the unrecorded furniture recorded) | | | | |
| | Revaluation A/c | ...Dr. | | 3,000 | |
| | To Unrecorded Liability A/c | | | | 3,000 |
| | (Being the unrecorded liability recorded) | | | | |
| | Sudha's Capital A/c | ...Dr. | | 550 | |
| | Rahim's Capital A/c | ...Dr. | | 550 | |
| | Kartik's Capital A/c | ...Dr. | | 550 | |
| | To Revaluation A/c | | | | 1,650 |
| | (Being the transfer of loss on revaluation) | | | | |
| | Rahim's Capital A/c | ...Dr. | | 59,450 | |
| | To Furniture A/c | | | | 1,350 |
| | To Bank A/c | | | | 58,100 |
| | (Being Rahim's claim settled) | | | | |

***Or***

(i) Goodwill = Average Profit × Number of Years' Purchase.

(ii) Value of self-generated goodwill $= \dfrac{-₹\ 20,000 + ₹\ 34,000 + ₹\ 46,000}{3} \times 2$

$=$ **₹ 40,000.**

(iii) Danish's Capital Contribution = ₹ 3,40,000 × $\frac{1}{4}$ = ₹ **85,000.**

***Working Note:***

| | ₹ |
|---|---|
| *Determination of Anish's Capital on 1st April, 2024:* | |
| Opening Capital on 1st April, 2021 | 3,00,000 |
| *Profit during 1st April, 2021 to 31st March, 2024:* (– ₹ 20,000 + ₹ 34,000 + ₹ 46,000) | 60,000 |
| Drawing during 2021–24 | (30,000) |
| Goodwill Compensation (₹ 40,000 × 1/4) | 10,000 |
| Capital on 1st April, 2024 | **3,40,000** |

**Question 3.**

(i) JOURNAL

| Date | Particulars | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|
| 2023 | | | | |
| July 1 | Bank A/c ...Dr. | | 1,65,00,000 | |
| | To Debentures Application and Allotment A/c | | | 1,65,00,000 |
| | (Being the Application money received) | | | |
| | Debentures Application and Allotment A/c ...Dr. | | 1,65,00,000 | |
| | Loss on Issue of Debentures A/c ...Dr. | | 37,50,000 | |
| | To 7% Debentures A/c | | | 1,50,00,000 |
| | To Securities Premium A/c | | | 15,00,000 |
| | To Premium on Redemption of Debentures A/c | | | 37,50,000 |
| | (Being 75,000*, 7% Debentures of ₹ 200 each allotted redeemable at 25% premium) | | | |
| 2024 | | | | |
| March 31 | Securities Premium A/c ...Dr. | | 25,00,000 | |
| | Statement of Profit & Loss (Finance Cost) ...Dr. | | 12,50,000 | |
| | To Loss on Issue of Debentures A/c | | | 37,50,000 |
| | (Loss on issue of debentures written off) | | | |

*No of Debentures to be issued = ₹ 1,65,00,000/₹ 220 = 75,000 Debentures.

(ii)

*Dr.* LOSS ON ISSUE OF DEBENTURES ACCOUNT *Cr.*

| Date | Particulars | ₹ | Date | Particulars | ₹ |
|---|---|---|---|---|---|
| 2023 | | | 2024 | | |
| July 1 | To 7% Debentures A/c | 37,50,000 | March 31 | By Securities Premium A/c | 25,00,000 |
| | | | | By Statement of Profit & Loss (Finance Cost) | 12,50,000 |
| | | 37,50,000 | | | 37,50,000 |

***Or***

JOURNAL OF PARAGON LTD.

| Date | Particulars | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|
| 2023 | | | | |
| June 1 | Bank A/c (12,000 × ₹ 110) ...Dr. | | 13,20,000 | |
| | To Debentures Application and Allotment A/c | | | 13,20,000 |
| | (Being the application money received) | | | |
| June 1 | Debentures Application and Allotment A/c ...Dr. | | 13,20,000 | |
| | Loss on Issue of Debentures A/c ...Dr. | | 60,000 | |
| | To 10% Debentures A/c | | | 12,00,000 |
| | To Securities Premium A/c (12,000 × ₹ 10) | | | 1,20,000 |
| | To Premium on Redemption of Debentures A/c (12,000 × ₹ 5) | | | 60,000 |
| | (Being the issue of 12,000, 10% Debentures at 10% premium, redeemable at 5% premium) | | | |
| 2024 | | | | |
| March 31 | Debenture Interest A/c (₹ 12,00,000 × 10/100 × 10/12) ...Dr. | | 1,00,000 | |
| | To Debentureholders' A/c | | | 1,00,000 |
| | (Being the interest due on debentures) | | | |
| March 31 | Debentureholders' A/c ...Dr. | | 1,00,000 | |
| | To Bank A/c | | | 1,00,000 |
| | (Being the interest paid to debentureholders) | | | |
| March 31 | Statement of Profit & Loss ...Dr. | | 1,00,000 | |
| | To Debenture Interest A/c | | | 1,00,000 |
| | (Being the interest on debentures charged from Statement of Profit & Loss) | | | |

**Question 4.**

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| Date | Particulars | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|
| 2024 | | | | |
| March 31 | Bank A/c ...Dr. | | 4,91,250 | |
| | To Debenture Redemption Investment A/c | | | 4,50,000 |
| | To Interest Earned A/c (₹ 4,50,000 × 10/100 × 11/12) | | | 41,250 |
| | (Being the investment bearing 10% p.a. encashed) | | | |
| March 31 | 9% Debentures A/c ...Dr. | | 30,00,000 | |
| | To Debentureholders' A/c | | | 30,00,000 |
| | (Being the amount due to debentureholders) | | | |
| March 31 | Debentureholders' A/c ...Dr. | | 30,00,000 | |
| | To Bank A/c | | | 30,00,000 |
| | Being the payment made to debentureholders) | | | |
| March 31 | Debenture Redemption Reserve A/c ...Dr. | | 3,00,000 | |
| | To General Reserve A/c | | | 3,00,000 |
| | (Being the transfer of Debenture Redemption Reserve to General Reserve on the redemption of the debentures) | | | |
| March 31 | Interest Earned A/c ...Dr. | | 41,250 | |
| | To Statement of Profit & Loss | | | 41,250 |
| | (Being the interest earned on DRI transferred to Statement of Profit & Loss) | | | |

**Question 5.**

*Dr.* DINESH'S CAPITAL ACCOUNT *Cr.*

| Particulars | ₹ | Particulars | ₹ |
|---|---|---|---|
| To Deferred Revenue Expenditure A/c (WN 3) | 7,000 | By Balance *b/d* | 30,000 |
| To Dinesh's Loan A/c | 2,500 | By General Reserve A/c (₹ 40,000 × 5/10) | 20,000 |
| To Dinesh's Executor's A/c (Balancing Figure) | **1,01,500** | By Alwin's Capital A/c (Goodwill) (WN 1) | 15,000 |
| | | By Pramod's Capital A/c (Goodwill) (WN 1) | 10,000 |
| | | By Profit & Loss Suspense A/c (WN 2) (Share of Profit) | 36,000 |
| | 1,11,000 | | 1,11,000 |

*Dr.* DINESH'S EXECUTOR'S ACCOUNT *Cr.*

| Particulars | ₹ | Particulars | ₹ |
|---|---|---|---|
| To Cash A/c | 50,750 | By Dinesh's Capital A/c | 1,01,500 |
| To Bills Payable A/c | 50,750 | | |
| | 1,01,500 | | 1,01,500 |

***Working Notes:***

1. Dinesh's Share of Goodwill = ₹ 50,000 × 5/10 = ₹ 25,000, which is contributed by Alvin and Pramod in their gaining ratio, *i.e.*, 3 : 2.

   Alvin's contribution = ₹ 25,000 × 3/5 = ₹ 15,000.

   Pramod's contribution = ₹ 20,000 × 3/5 = ₹ 10,000.

2. Date of death = 1st July, 2024

   Period from 31st March, 2024 to 1st July, 2024 = 3 months.

$$\text{Sale (April to June 2024)} = ₹\ 3{,}60{,}000 \left(₹\ 12{,}00{,}000 \times \frac{20}{100} \times \frac{3}{12}\right)$$

$$\text{Profit percentage of previous year} = 20\% \left(\frac{₹\ 2{,}40{,}000}{₹\ 12{,}00{,}000} \times 100\right)$$

$$\text{Profit for the period} = ₹\ 3{,}60{,}000 \times \frac{20}{100} = ₹\ 72{,}000$$

$$\text{Profit Share of Dinesh} = ₹\ 72{,}000 \times \frac{5}{10}$$

$$= ₹\ 36{,}000.$$

3. Deferred Revenue Expenditure is fictitious asset. Dinesh's capital will be debited by the amount based on profit-sharing ratio.

**Question 6.**

**Notes to Accounts**

| Particulars | | ₹ |
|---|---|---|
| **1. Short-term Provisions** | | |
| Provision for Tax | | 5,00,000 |
| **2. Non-current Investments** | | |
| 30,000 shares of Lotus Ltd. of ₹ 100 each, ₹ 80 paid-up | | 24,00,000 |
| **3. Inventories** | | |
| Closing Stock of Materials | | 39,80,000 |
| Closing Stock of Work-in-Progress | | 2,00,00,000 |
| Closing Stock of Finished Goods | | 4,00,00,000 |
| Loose Tools | | 12,00,000 |
| Stock and Spares | | 8,00,000 |
| | | 6,59,80,000 |
| **4. Trade Receivables** | | |
| Sundry Debtors | 80,00,000 | |
| Provision for Doubtful Debts | (8,00,000) | 72,00,000 |
| Bills Receivables | | 20,00,000 |
| | | 92,00,000 |
| **5. Cash and Cash Equivalents** | | |
| Cash Balance | | 4,00,000 |
| Bank Balance | | 16,00,000 |
| Cheques/Draft on hand | | 4,00,000 |
| | | 24,00,000 |
| **6. Other Current Assets** | | |
| Prepaid Expenses | | 2,00,000 |
| Interest Accrued on Investments | | 2,00,000 |
| | | 4,00,000 |

**Contingent Liabilities and Commitments:**

(i) *Contingent Liabilities:* Bill Discounted but not yet matured = ₹ 2,00,000

(ii) *Commitments:*

Uncalled Liability on partly paid shares (30,000 shares of Lotus Ltd. of ₹ 100 each ₹ 80 paid-up) = ₹ 6,00,000.

**Question 7.**

(a) JOURNAL

| Date | Particulars | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|
| | Cash A/c ...Dr. | | 24,000 | |
| | To Carl's Capital A/c | | | 14,000 |
| | To Premium for Goodwill A/c | | | 10,000 |
| | (Being the premium for goodwill brought by Carl) (WN) | | | |

| | | | | |
|---|---|---|---|---|
| | Premium for Goodwill A/c ...Dr. | | 10,000 | |
| | To Annie's Capital A/c | | | 6,000 |
| | To Bonnie's Capital A/c | | | 4,000 |
| | (Being the premium divided among sacrificing partners in sacrificing ratio) | | | |
| | General Reserve A/c ...Dr. | | 15,000 | |
| | To Annie's Capital A/c | | | 9,000 |
| | To Bonnie's Capital A/c | | | 6,000 |
| | (Being the General Reserve distributed among partners) | | | |
| | Workmen Compensation Reserve (WCR) A/c ...Dr. | | 2,000 | |
| | To Workmen Compensation Claim A/c | | | 2,000 |
| | (Being the Workmen Compensation Claim met out of Workmen Compensation Reserve divided among partners) | | | |
| | Carl's Current A/c (₹ 3,000 × 1/5) ...Dr. | | 600 | |
| | To Annie's Capital A/c | | | 360 |
| | To Bonnie's Capital A/c | | | 240 |
| | (Being the balance of Workmen Compensation adjusted through old partners' Capital Accounts in the sacrificing ratio) | | | |

(b)

1. *Dr.* REVALUATION ACCOUNT *Cr.*

| Particulars | | ₹ | Particulars | ₹ |
|---|---|---|---|---|
| To Provision for Doubtful Debts A/c | | 2,000 | By Building A/c | 10,000 |
| To Annie's Capital A/c (Profit) | 7,440 | | By Stock A/c | 4,400 |
| To Bonnie's Capital A/c (Profit) | 4,960 | 12,400 | | |
| | | 14,400 | | 14,400 |

***Working Note:***

*Calculation of Carl's Capital in New Firm:*

*Dr.* PARTNERS' CAPITAL ACCOUNTS *Cr.*

| Particulars | Annie ₹ | Bonnie ₹ | Carl ₹ | Particulars | Annie ₹ | Bonnie ₹ | Carl ₹ |
|---|---|---|---|---|---|---|---|
| To Balance *c/d* | 32,800 | 23,200 | 14,000 | By Balance *b/d* | 10,000 | 8,000 | ... |
| | | | | By Revaluation A/c | 7,440 | 4,960 | ... |
| | | | | By Carl's Current A/c (Adjustment of WCR) | 360 | 240 | ... |
| | | | | By General Reserve A/c | 9,000 | 6,000 | ... |
| | | | | By Premium for Goodwill A/c | 6,000 | 4,000 | ... |
| | | | | By Cash A/c* | ... | ... | 14,000 |
| | 32,800 | 23,200 | 14,000 | | 32,800 | 23,200 | 14,000 |

*Total capital of new firm (₹ 32,800 + ₹ 23,200) × 5/4 = ₹ 70,000
Carl's Capital = ₹ 70,000 × 1/5 = ₹ 14,000.

***Or***

(A)

Dr. PARTNERS' CAPITAL ACCOUNTS Cr.

| Particulars | Akul ₹ | Bakul ₹ | Chandan ₹ | Particulars | Akul ₹ | Bakul ₹ | Chandan ₹ |
|---|---|---|---|---|---|---|---|
| To Goodwill A/c | 5,000 | 5,000 | ... | By Balance *b/d* | 45,000 | 40,000 | ... |
| To Revaluation A/c (Loss) | 4,250 | 4,250 | ... | By Bank A/c | ... | ... | 50,000 |
| To Balance *c/d* | 40,125 | 35,125 | 50,000 | By Chandan's Current A/c (Goodwill) | 2,500 | 2,500 | ... |
| | | | | By Chandan's Current A/c (General Reserve) | 1,875 | 1,875 | ... |
| | 49,375 | 44,375 | 50,000 | | 49,375 | 44,375 | 50,000 |

**Note:** As General Reserve is not to be distributed, gaining partner/incoming partner Chandan will compensate Akul and Bakul in their sacrificing ratio, *i.e.*, 1 : 1 Chandan's Current Account will be debited by ₹ 3,750 (= ₹ 15,000 × 1/4) and Akul's and Bakul's Capital Accounts will be credited by ₹ 1,875 each.

(B) (i) *Calculation of Share of Incoming Partner (Nidhi):*

Since Nidhi acquired 1/5 of her share from Sanjana, it means, she acquired 4/5 (*i.e.*, 1 – 1/5) of her share from Alok

if 4/5th share = 4/25

1 share = 4/25 × 5/4 = 1/5

*Calculation of New Share:*

*Share acquired by Nidhi:* from Sanjana = 1/5 × 1/5 = 1/25

from Alok = 4/25

$$\text{Sanjana's New Profit Share} = \frac{3}{5} - \frac{1}{25} = \frac{15-1}{25} = \frac{14}{25}$$

$$\text{Alok's New Profit Share} = \frac{2}{5} - \frac{4}{25} = \frac{10-4}{25} = \frac{6}{25}$$

New Profit-sharing Ratio of Sanjana, Alok and Nidhi = 14/25 : 6/25 : 1/5

= 14 : 6 : 5.

Sacrificing Ratio of Sanjana and Alok = 1/25 : 4/25 = 1 : 4.

(ii) *Valuation of Goodwill:*

Capital Employed = Capital of Sanjana and Alok + Reserve Fund + Current A/c: Sanjana – Current A/c: Alok

= ₹ 6,00,000 + ₹ 60,000 + ₹ 50,000 – ₹ 10,000 = ₹ 7,00,000.

Normal Profit = 20% (Normal Rate of Return) × Capital Employed: ₹ 7,00,000

= ₹ 1,40,000.

Super Profit = Average Profit – Normal Profit

= ₹ 2,00,000 – ₹ 1,40,000 = ₹ 60,000.

Goodwill = Super Profit × No. of Years Purchases

= ₹ 60,000 × 4 = ₹ 2,40,000.

**Question 8.**

(a)

*Dr.* REALISATION ACCOUNT *Cr.*

| Particulars | ₹ | Particulars | | ₹ |
|---|---|---|---|---|
| To Goodwill A/c | 4,000 | By Investment Fluctuation Reserve A/c | | 8,000 |
| To Building A/c | 1,20,000 | By Provision for Doubtful Debts A/c | | 4,000 |
| To Investments A/c | 30,600 | By Creditors | | 80,000 |
| To Debtors A/c | 34,000 | By Mrs. Param's Loan A/c | | 40,000 |
| To Bill Receivable A/c | 37,400 | By Bank A/c (Assets realised): | | |
| To Param's Capital A/c (Wife's Loan) | 40,000 | Debtors | 24,000 | |
| To Bank A/c (Creditors) (WN) | 78,000 | Building | 1,52,000 | |
| To Bank A/c (Realisation Expenses) | 2,500 | Bill Receivable | 36,000 | 2,12,000 |
| To Param's Capital A/c (Profit) | 14,700 | By Dharam's Capital A/c (Investments) | | 27,000 |
| To Dharam's Capital A/c (Profit) | 9,800 | | | |
| | 3,71,000 | | | 3,71,000 |

(b)

*Dr.* PARTNERS' CAPITAL ACCOUNTS *Cr.*

| Particulars | Param ₹ | Dharam ₹ | Particulars | Param ₹ | Dharam ₹ |
|---|---|---|---|---|---|
| To Realisation A/c | ... | 27,000 | By Balance *b/d* | 42,000 | 42,000 |
| To Profit & Loss A/c | 4,800 | 3,200 | By Realisation A/c | 40,000 | ... |
| To Bank A/c (Final Payment) (Balancing Figure) | **91,900** | **21,600** | By Realisation A/c (Profit) | 14,700 | 9,800 |
| | 96,700 | 51,800 | | 96,700 | 51,800 |

(c)

*Dr.* BANK ACCOUNT *Cr.*

| Particulars | ₹ | Particulars | ₹ |
|---|---|---|---|
| To Balance *b/d* | 6,000 | By Realisation A/c (Creditors) | 78,000 |
| To Realisation A/c (Assets) | 2,12,000 | By Realisation A/c (Expenses) | 2,500 |
| | | By Dharam's Loan A/c | 24,000 |
| | | By Param's Capital A/c | 91,900 |
| | | By Dharam's Capital A/c | 21,600 |
| | 2,18,000 | | 2,18,000 |

***Working Note:***

Discount on Creditors = ₹ 80,000 × $\frac{10}{100} \times \frac{3}{12}$ = ₹ 2,000.

Payment to Creditors = ₹ 80,000 – ₹ 2,000 = ₹ 78,000.

**Question 9.**

(a)

PROFIT & LOSS APPROPRIATION ACCOUNT

*for the half year ended on 31st March, 2024*

*Dr.* *Cr.*

| Particulars | | ₹ | Particulars | | ₹ |
|---|---|---|---|---|---|
| To Interest on Capital A/cs: | | | By Profit & Loss A/c (Correct Net Profit) | | 10,50,000 |
| Ram's Capital A/c | 7,500 | | (₹ 10,35,000 + ₹ 15,000 (Mohan's Salary)) | | |
| (₹ 3,00,000 × 5/100 × 6/12) | | | By Interest on Drawings A/cs: (WN) | | |
| Shyam's Capital A/c | 5,000 | | Ram's Capital A/c | 105 | |
| (₹ 2,00,000 × 5/100 × 6/12) | | | Shyam's Capital A/c | 135 | |
| Mohan's Capital A/c | 3,750 | 16,250 | Mohan's Capital A/c | 150 | 390 |
| (₹ 1,50,000 × 5/100 × 6/12) | | | | | |
| To Salary A/c (Mohan's Capital A/c) | | 15,000 | | | |
| To Commission A/c (Ram's Capital A/c) | | 52,500 | | | |
| [5/100 of (₹ 10,35,000 + ₹ 15,000)] | | | | | |
| To Commission A/c (Shyam's Capital A/c) | | 50,000 | | | |
| [5/105 of (₹ 10,35,000 + ₹ 15,000)] | | | | | |
| To Ram's Capital A/c (Profit) | 3,66,656 | | | | |
| (₹ 9,16,640 × 2/5) | | | | | |
| To Shyam's Capital A/c (Profit) | 3,66,656 | | | | |
| (₹ 9,16,640 × 2/5) | | | | | |
| To Mohan's Capital A/c (Profit) | 1,83,328 | 9,16,640 | | | |
| (₹ 9,16,640 × 1/5) | | | | | |
| | | 10,50,390 | | | 10,50,390 |

***Working Note:*** *Interest on Drawings is calculated on the basis of Average Period.*

$$\text{Average Period} = \frac{\text{Time left after first drawings} + \text{Time left after last drawings}}{2}$$

$$\text{Average Period for Ram} = \frac{6+1}{2} = 3.5 \text{ months;}$$

Average Period for Shyam = 3 months; Average Period for Mohan = 2.5 months.

$$\text{Interest on Drawings: Ram} = ₹\,6{,}000 \times \frac{6}{100} \times \frac{7}{2} \times \frac{1}{12} = ₹\,105$$

$$\text{Shyam} = ₹\,9{,}000 \times \frac{6}{100} \times \frac{3}{12} = ₹\,135\text{; Mohan} = ₹\,12{,}000 \times \frac{6}{100} \times \frac{5}{2} \times \frac{1}{12} = ₹\,150.$$

(b)

JOURNAL

| Date | Particulars | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|
| | **Adjusting Entry:** | | | |
| | Shyam's Commission A/c ...Dr. | | 50,000 | |
| | To Shyam's Capital A/c | | | 50,000 |
| | (Being Shyam's commission adjusted) | | | |
| | **Closing Entry:** | | | |
| | Profit & Loss Appropriation A/c ...Dr. | | 50,000 | |
| | To Shyam's Commission A/c | | | 50,000 |
| | (Being Shyam's commission transferred to Profit & Loss Appropriation A/c) | | | |

(c) JOURNAL

| Date | Particulars | | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|---|
| | **Rectification Entry:** | | | | |
| | Salary A/c (Partner's) | ...Dr. | | 15,000 | |
| | To Wages and Salaries A/c | | | | 15,000 |
| | (Being the partner's salary wrongly debited to Wages and Salaries A/c, now rectified) | | | | |
| | **Closing Entry:** | | | | |
| | Profit & Loss Appropriation A/c | ...Dr. | | 15,000 | |
| | To Salary A/c (Partner's) | | | | 15,000 |
| | (Being the salary to partner transferred to Profit & Loss Appropriation A/c) | | | | |

***Or***

*Dr.* PARTNERS' CURRENT ACCOUNTS *Cr.*

| Particulars | Arun ₹ | Varun ₹ | Karan ₹ | Particulars | Arun ₹ | Varun ₹ | Karan ₹ |
|---|---|---|---|---|---|---|---|
| To Interest on Capital A/c | 1,00,000 | 1,50,000 | 50,000 | By Balance *b/d* | 1,40,000 | 1,60,000 | 1,00,000 |
| To Balance *c/d* | 1,28,000 | 1,14,000 | 1,58,000 | By Salary A/c (Profit & Loss Adj. A/c) | 64,000 | 80,000 | ... |
| | | | | By Commission A/c (Profit & Loss Adj. A/c) | ... | ... | 96,000 |
| | | | | By Profit & Loss Adj. A/c (WN) | 24,000 | 24,000 | 12,000 |
| | 2,28,000 | 2,64,000 | 2,08,000 | | 2,28,000 | 2,64,000 | 2,08,000 |

***Working Note:***

*Dr.* PROFIT & LOSS ADJUSTMENT ACCOUNT *as on 1st April, 2024* *Cr.*

| Particulars | | ₹ | Particulars | ₹ |
|---|---|---|---|---|
| To Salary A/c: | | | By Arun's Current A/c (Interest on Capital) | 1,00,000 |
| Arun's Current A/c | 64,000 | | By Varun's Current A/c (Interest on Capital) | 1,50,000 |
| Varun's Current A/c | 80,000 | 1,44,000 | By Karan's Current A/c (Interest on Capital) | 50,000 |
| To Commission A/c: | | | | |
| Karan's Current A/c | | 96,000 | | |
| To Arun's Current A/c (Profit) | | 24,000 | | |
| To Varun's Current A/c (Profit) | | 24,000 | | |
| To Karan's Current A/c (Profit) | | 12,000 | | |
| | | 3,00,000 | | 3,00,000 |

**Note:** *Above solution is based on Rectification of Errors by adjusting and closing Journal entries.*

*Alternative Solution:*

JOURNAL

| Date | Particulars | | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|---|
| | Arun's Current A/c | ...Dr. | | 12,000 | |
| | Varun's Current A/c | ...Dr. | | 46,000 | |
| | To Karan's Current A/c | | | | 58,000 |
| | (Being the adjusting entry passed) | | | | |

Dr. PARTNERS' CURRENT ACCOUNTS Cr.

| Particulars | Arun ₹ | Varun ₹ | Karan ₹ | Particulars | Arun ₹ | Varun ₹ | Karan ₹ |
|---|---|---|---|---|---|---|---|
| To Karan's Current A/c | 12,000 | 46,000 | ... | By Balance *b/d* | 1,40,000 | 1,60,000 | 60,000 |
| To Balance *c/d* | 1,28,000 | 1,14,000 | 1,18,000 | By Arun's Current A/c | ... | ... | 12,000 |
| | | | | By Karan's Current A/c | ... | ... | 46,000 |
| | 1,40,000 | 1,60,000 | 1,18,000 | | 1,40,000 | 1,60,000 | 1,18,000 |

ADJUSTMENT TABLE

| Particulars | | Arun ₹ | Varun ₹ | Karan ₹ | Total ₹ |
|---|---|---|---|---|---|
| I. *Amount already credited:* | | | | | |
| Interest on Capital | Dr. | 1,00,000 | 1,50,000 | 50,000 | 3,00,000 |
| II. *Amount which should have been credited:* | | | | | |
| Salary | | 64,000 | 80,000 | ... | 1,44,000 |
| Commission | | ... | ... | 96,000 | 96,000 |
| Share of profit (₹ 3,00,000 – ₹ 1,44,000 – ₹ 96,000 in 2 : 2 : 1 ratio) | | 24,000 | 24,000 | 12,000 | 60,000 |
| | Cr. | 88,000 | 1,04,000 | 1,08,000 | 3,00,000 |
| III. Net Effect (I – II) | | 12,000 Dr. | 46,000 Dr. | 58,000 Cr. | ... |

**Question 10.**

**A.** **In the Books of Garvit Ltd.**

JOURNAL

| Date | Particulars | | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|---|
| | Bank A/c | ...Dr. | | 90,000 | |
| | To Equity Shares Application A/c | | | | 90,000 |
| | (Being the Shares application money received on 30,000 shares) | | | | |
| | Equity Shares Application A/c | ...Dr. | | 90,000 | |
| | To Equity Share Capital A/c | | | | 60,000 |
| | To Equity Shares Allotment A/c | | | | 15,000 |
| | To Bank A/c | | | | 15,000 |
| | (Being the Shares allotted and application money adjusted) | | | | |
| | Equity Shares Allotment A/c | ...Dr. | | 1,60,000 | |
| | To Equity Share Capital A/c | | | | 1,40,000 |
| | To Securities Premium A/c | | | | 20,000 |
| | (Being the Allotment money due) | | | | |
| | Bank A/c (WN 1) | ...Dr. | | 1,23,250 | |
| | Calls-in-Arrears A/c (WN 1) | ...Dr. | | 21,750 | |
| | To Equity Shares Allotment A/c | | | | 1,45,000 |
| | (Being the Allotment money received except on 3,000 shares) | | | | |

| | | | | |
|---|---|---|---|---|
| | Equity Share Capital A/c ...Dr. | | 30,000 | |
| | Securities Premium A/c ...Dr. | | 3,000 | |
| | To Calls-in-Arrears A/c | | | 21,750 |
| | To Share Forfeiture A/c | | | 11,250 |
| | (Being 3,000 shares forfeited for non-payment of allotment money) | | | |
| | Bank A/c ...Dr. | | 8,000 | |
| | Share Forfeiture A/c ...Dr. | | 2,000 | |
| | To Equity Share Capital A/c | | | 10,000 |
| | (Being 1,000 forfeited shares reissued @ ₹ 8 per share) | | | |
| | Share Forfeiture A/c (WN 2) ...Dr. | | 1,750 | |
| | To Capital Reserve A/c | | | 1,750 |
| | (Being the Gain related to reissued shares transferred to Capital Reserve) | | | |

***Working Notes:***

1. *Calculation of amount received on allotment:*

Shares allotted to Ramesh = 3,000; Shares applied by Ramesh = $\frac{25,000}{20,000} \times 3,000 = 3,750$.

| | ₹ |
|---|---|
| Excess application money received from Ramesh = 750 × ₹ 3 = ₹ 2,250. | |
| Allotment money due from him (3,000 × ₹ 8) | 24,000 |
| *Less:* Excess application money already received | 2,250 |
| Allotment Money due but not paid by him | 21,750 |
| Total Allotment Money due | 1,60,000 |
| *Less:* Adjusted from Shares Application | 15,000 |
| | 1,45,000 |
| *Less:* Amount Unpaid by Ramesh | 21,750 |
| Net Amount Received | 1,23,250 |

2. *Calculation of Amount to be transferred to Capital Reserve:*

| | ₹ |
|---|---|
| Amount Forfeited on 3,000 shares | 11,250 |
| Amount Forfeited on 1,000 shares (₹ 11,250/3,000 × 1,000) | 3,750 |
| *Less:* Discount on Reissue @ ₹ 2 per share | 2,000 |
| Gain on reissue of shares transferred to Capital Reserve | 1,750 |

**B.** (i) On ₹ 18,000 (*i.e.*, 600 × ₹ 30) for 3 months @ 10% p.a. = ₹ 450.

JOURNAL

| Date | Particulars | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|
| | Sundry Members' A/c ...Dr. | | 450 | |
| | To Interest on Calls-in-Arrears A/c | | | 450 |
| | (Being the interest charged on Calls-in-Arrears @ 10% p.a.) | | | |
| | Interest on Calls-in-Arrears A/c ...Dr. | | 450 | |
| | To Statement of Profit & Loss | | | 450 |
| | (Being the interest on Calls-in Arrears transferred to Statement of Profit & Loss) | | | |

(ii) On ₹ 20,000 (*i.e.*, 400 × ₹ 50) for 3 months @ 12% p.a. = ₹ 600.

JOURNAL

| Date | Particulars | | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|---|
| | Interest on Calls-in-Advance A/c | ...Dr. | | 600 | |
| | To Sundry Members' A/c | | | | 600 |
| | (Being the interest allowed on Calls-in-Advance @ 12% p.a.) | | | | |
| | Statement of Profit & Loss (Finance Cost) | ...Dr. | | 600 | |
| | To Interest on Calls-in-Advance A/c | | | | 600 |
| | (Being the interest on Calls-in-Advance transferred to Statement of Profit & Loss) | | | | |

***Or***

(i) Number of applied shares = 13,000 shares.

***Working Note:***

No. of applied shares = [(10,000 × 5/4) + 500 (applications rejected)]
= 12,500 + 500 = 13,000 shares.

(ii) Application money per share = ₹ 3,25,000/13,000 = ₹ 25 per share.

(iii) Amount payable per share with first and final call
= ₹ 100 (Nominal or Face Value) – ₹ 25 (on application) – ₹ 45 (on allotment = ₹ 4,50,000/10,000) = ₹ **30 per share.**

(iv) (a) *Calculation of the amount due to Shiva but not received on allotment:*

| | | | ₹ |
|---|---|---|---|
| A. | Application Money received on shares applied (100 × ₹ 25) | = | 2,500 |
| B. | *Less:* Application Money due on shares allotted (80 × ₹ 25) | = | 2,000 |
| | Excess Application Money adjusted on allotment | | 500 |
| C. | Allotment Money due on shares allotted (80 × ₹ 45) | = | 3,600 |
| | *Less:* Excess Application Money adjusted (B) | = | 500 |
| | Allotment Money not paid by Shiva | | 3,100 |

(b) *Calculation of Allotment Money received later:*

| | ₹ | ₹ |
|---|---|---|
| Total Allotment Money due (10,000 × ₹ 45) | | 4,50,000 |
| *Less:* Allotment Money received on application stage (2,500 × ₹ 25) | 62,500 | |
| Allotment Money not received (a) | 3,100 | 65,600 |
| Amount received on allotment | | 3,84,400 |

(v)

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| Date | Particulars | | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|---|
| (a) | Share Capital A/c (80 × ₹ 100) | ...Dr. | | 8,000 | |
| | To Forfeited Shares A/c (100 × ₹ 25) | | | | 2,500 |
| | To Calls-in-Arrears A/c (₹ 3,100 + ₹ 2,400) | | | | 5,500 |
| | (Being shares forfeited for non-payment of allotment and call money) | | | | |
| (b) | Bank A/c (40 × ₹ 120) | ...Dr. | | 4,800 | |
| | To Share Capital A/c (40 × ₹ 100) | | | | 4,000 |
| | To Securities Premium A/c (40 × ₹ 20) | | | | 800 |
| | (Being the reissue of 40 shares as fully paid-up) | | | | |
| | Forfeited Shares A/c | ...Dr. | | 1,250 | |
| | To Capital Reserve A/c (₹ 2,500 × 40/80) | | | | 1,250 |
| | (Being the transfer of gain on reissue of 40 shares) | | | | |

## SECTION B

**Question 11.**

(i) (a) Increase because debt is unchanged whereas equity will decrease.

(ii) (a) (i) – 3; (ii) – 2; (iii) – 1.

(iii) ESOP will **improve** the Proprietary Ratio. Proprietary Ratio measures the proportion of total assets which have been financed by the shareholders. A high ratio indicates sound financial position from long-term point of view, because it means that a large proportion of total assets have been financed by the equity and company is *less* dependent on external sources of finance.

(iv) Inventory Turnover Ratio will **decline** because the amount of average inventory will increase, whereas, Cost of Revenue from Operations will fall.

(v) 'Assets purchased against issue of shares' are not shown in Cash Flow Statement as the transaction does not result in flow of Cash and Cash Equivalents.

**Question 12.**

COMPARATIVE BALANCE SHEET
*as at 31st March, 2024 and 2023*

| Particulars | Note No. | 31st March, 2024 ₹ | 31st March, 2023 ₹ | Absolute Change (Increase/Decrease) ₹ | Percentage Change (Increase/Decrease) % |
|---|---|---|---|---|---|
| | | A | B | C = A – B | D = C/B × 100 |
| **I. EQUITY AND LIABILITIES** | | | | | |
| **1. Shareholders' Funds** | | | | | |
| (a) Share Capital | | 30,00,000 | 22,50,000 | 7,50,000 | 33.33 |
| (b) Reserves and Surplus | | 3,00,000 | 4,00,000 | (1,00,000) | (25.00) |
| **2. Non-Current Liabilities** | | | | | |
| Long-term Borrowings | | 9,00,000 | 6,00,000 | 3,00,000 | 50.00 |
| **3. Current Liabilities** | | | | | |
| Short-term Borrowings | | 3,00,000 | 2,00,000 | 1,00,000 | 50.00 |
| **Total** | | 45,00,000 | 34,50,000 | 10,50,000 | 30.43 |
| **II. ASSETS** | | | | | |
| **1. Non-Current Assets** | | | | | |
| *Property, Plant and Equipment and Intangible Assets:* | | | | | |
| —Property, Plant and Equipment | | 30,00,000 | 22,50,000 | 7,50,000 | 33.33 |
| **2. Current Assets** | | | | | |
| Cash and Bank Balances | | 15,00,000 | 12,00,000 | 3,00,000 | 25.00 |
| **Total** | | 45,00,000 | 34,50,000 | 10,50,000 | 30.43 |

**Question 13.**

CASH FLOW STATEMENT (AS PER AS-3) *for the year ended 31st March, 2024*

| Particulars | ₹ | ₹ |
|---|---|---|
| **A. Cash Flow from Operating Activities** | | |
| Net Profit before Tax (WN 1) | 90,000 | |
| *Add:* Depreciation on Machinery (WN 3) | 1,10,000 | |
| Loss on Sale of Machinery (WN 2) | 6,000 | |
| Interest on Debentures [(₹ 1,00,000 × 10/100 × 6/12) + (₹ 2,00,000 × 6/12 × 10/100)] | 15,000 | |
| Operating Profit before Working Capital Changes | 2,21,000 | |
| *Add: Decrease in Current Assets and Increase in Current Liabilities:* | | |
| Inventories | 60,000 | |
| Trade Payables | 30,000 | |
| | 3,11,000 | |
| *Less: Increase in Current Assets:* | | |
| Current Investments | 50,000 | |
| *Cash Flow from Operating Activities* | | 2,61,000 |
| **B. Cash Flow from Investing Activities** | | |
| Purchase of Machinery (WN 2) | (3,40,000) | |
| Purchase of Non-Current Investments | (20,000) | |
| Sale of Machinery (WN 2) | 24,000 | |
| *Cash Used in Investing Activities* | | (3,36,000) |
| **C. Cash Flow from Financing Activities** | | |
| Proceeds from Issue of Equity Shares [₹ 1,00,000 + ₹ 15,000 (Premium)] | 1,15,000 | |
| Proceeds from Issue of Debentures [₹ 1,00,000 – ₹ 10,000 (Discount)] | 90,000 | |
| Interim Dividend Paid | (25,000) | |
| Interest on Debentures Paid | (15,000) | |
| *Cash Flow from Financing Activities* | | 1,65,000 |
| **D. Net Increase in Cash and Cash Equivalents (Cash and Bank) (A + B + C)** | | 90,000 |
| *Add:* Opening Balance of Cash and Cash Equivalents (Cash and Bank) | | 1,30,000 |
| **E. Closing Balance of Cash and Cash Equivalents (Cash and Bank)** | | 2,20,000 |

***Working Notes:***

1. *Calculation of Net Profit before Tax:*

| Particulars | ₹ |
|---|---|
| Surplus, *i.e.,* Balance in Statement of Profit & Loss (Closing) | 2,15,000 |
| *Less:* Surplus, *i.e.,* Balance in Statement of Profit & Loss (Opening) | 1,70,000 |
| Profit for the Year | 45,000 |
| *Add:* Transfer to General Reserve (₹ 1,00,000 – ₹ 80,000) | 20,000 |
| Interim Dividend Paid | 25,000 |
| Net Profit before Tax | 90,000 |

2. *Dr.* MACHINERY ACCOUNT *Cr.*

| Particulars | ₹ | Particulars | ₹ |
|---|---|---|---|
| To Balance *b/d* | 6,10,000 | By Accumulated Depreciation A/c | 70,000 |
| To Bank A/c (Purchase)— (Balancing Figure) | **3,40,000** | By Bank A/c (Sale Proceeds)* | 24,000 |
| | | By Loss on Sale of Machinery A/c (Statement of Profit & Loss) | 6,000 |
| | | By Balance *c/d* | 8,50,000 |
| | 9,50,000 | | 9,50,000 |

| | ₹ |
|---|---|
| *Book value of Machinery on the date of sale (₹ 1,00,000 – ₹ 70,000) | 30,000 |
| *Less:* Loss on Sale of Machinery (20% of ₹ 30,000) | 6,000 |
| Sale Proceeds | 24,000 |

3. *Dr.* ACCUMULATED DEPRECIATION ACCOUNT *Cr.*

| Particulars | ₹ | Particulars | ₹ |
|---|---|---|---|
| To Machinery A/c (Transfer) | 70,000 | By Balance *b/d* | 1,10,000 |
| To Balance *c/d* | 1,50,000 | By Statement of Profit & Loss (Depreciation Provided) (Balancing Figure) | 1,10,000 |
| | 2,20,000 | | 2,20,000 |

4. Discount on Issue of Debentures has been adjusted from Securities Premium as per Section 52(2) of the Companies Act, 2013. The balance of ₹ 5,000 in Securities Premium is after writing off Discount on Issue of Debentures of ₹ 10,000.

***Or***

**A.** (a) Book Value of Machine Sold = Cost – Accumulated Depreciation

= ₹ 4,00,000 – ₹ 20,000 (WN 2) = ₹ 3,80,000

Sale Value of Machine Sold = Book Value + Gain on Sale

= ₹ 3,80,000 + ₹ 30,000 = ₹ 4,10,000.

(b) *The Amount of machinery purchased = ₹ 12,00,000 (WN 1)*

***Working Notes:***

1. *Dr.* MACHINERY ACCOUNT *Cr.*

| Particulars | ₹ | Particulars | ₹ |
|---|---|---|---|
| To Balance *b/d* | 20,00,000 | By Bank A/c (Sale) (WN a) | 4,10,000 |
| To Statement of Profit & Loss (Gain on Sale) | 30,000 | By Accumulated Depreciation A/c | 20,000 |
| To Bank A/c (Balancing Figure) (Purchase) | **12,00,000** | By Balance *c/d* | 28,00,000 |
| | 32,30,000 | | 32,30,000 |

2. *Dr.* ACCUMULATED DEPRECIATION ACCOUNT *Cr.*

| Particulars | ₹ | Particulars | ₹ |
|---|---|---|---|
| To Machinery A/c (Transfer) (Balancing Figure) | **20,000** | By Balance *b/d* | 60,000 |
| To Balance *c/d* | 90,000 | By Statement of Profit & Loss | 50,000 |
| | 1,10,000 | | 1,10,000 |

(c) CALCULATION OF CASH FLOW FROM INVESTING ACTIVITIES

| Particulars | ₹ |
|---|---|
| **Cash Flow from Investing Activities** | |
| Purchase of Machinery | (12,00,000) |
| Proceeds from Sale of Machinery | 4,10,000 |
| **Cash Used in Investing Activities** | (7,90,000) |

(d) CALCULATION OF CASH FLOW FROM FINANCING ACTIVITIES

| Particulars | |
|---|---|
| **Cash Flow from Financing Activities** | |
| Proceeds from Issue of Equity Shares (₹ 90,00,000 – ₹ 60,00,000) | 30,00,000 |
| Redemption of Debentures (₹ 50,00,000 – ₹ 30,00,000) | (20,00,000) |
| Interest on Debentures | (5,50,000) |
| Dividend paid on Equity Shares | (3,00,000) |
| **Cash Flow from Financing Activities** | 1,50,000 |

B. CALCULATION OF CASH FLOW FROM OPERATING ACTIVITIES

| Particulars | | ₹ |
|---|---|---|
| Net Profit before Tax (Net Profit + Transfer to Reserve) | | 1,30,000 |
| *Adjustment of Non-cash and Non-operating Items:* | | |
| Depreciation | 20,000 | |
| Goodwill Amortised | 7,000 | |
| Gain on Sale of Machine | (3,000) | 24,000 |
| Operating Profit before Working Capital Changes | | 1,54,000 |
| *Change in Current Assets and Current Liabilities:* | | |
| Increase in Trade Payables | 6,000 | |
| Increase in Trade Receivables | (3,000) | |
| Increase in Prepaid Expenses | (200) | |
| Decrease in Outstanding Expenses | (2,000) | 800 |
| **Cash Flow from Operating Activities** | | 1,54,800 |

**Question 14.**

(i) $$\text{Liquid Ratio} = \frac{\text{Quick Assets}}{\text{Current Liabilities}} = \frac{₹\ 1,24,000}{₹\ 84,000} = \mathbf{1.48 : 1.}$$

Current Ratio = 3 : 2, Current Assets = ₹ 1,26,000

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Hence, Current Liabilities = ₹ 1,26,000 × 2/3 = ₹ **84,000**

Quick Assets = Current Assets – Inventories

= ₹ 1,26,000 – ₹ 2,000 = ₹ **1,24,000.**

(ii) (a) *Decline*. It will increase Debtors and Creditors by the same amount, *i.e.*, ₹ 2,000. As a result, Current Ratio will decline.

(b) *Decline*. Current Assets will decrease by ₹ 500, whereas Current Liabilities will remain same. As a result, Current Ratio will decline.

(iii) $$\text{Price Earning Ratio} = \frac{\text{Market Value of an Equity Share}}{\text{Earning Per Share (EPS)}} = \frac{₹\ 40}{₹\ 4.50} = \mathbf{8.89\ Times.}$$

(iv) Cost of Revenue from Operations = Operating Cost – Operating Expenses

= ₹ 8,50,000 – ₹ 50,000 = ₹ 8,00,000.

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

= ₹ 8,00,000 + ₹ (₹ 8,00,000 × 25*/100) = ₹ **10,00,000.**

Operating Profit = Revenue from Operations – Operating Cost

= ₹ 10,00,000 – ₹ 8,50,000 = ₹ **1,50,000.**

$$\text{Operating Profit Ratio} = \frac{\text{Operating Profit}}{\text{Revenue from Operations}} \times 100$$

$$= \frac{₹\ 1,50,000}{₹\ 10,00,000} \times 100 = \mathbf{15\%.}$$

*Gross Profit Ratio 20% means Gross Profit = 20% of Sale.

So, Cost will be = 100 – 20 = ₹ 80

∴ Gross Profit on Cost = 20/80 = 1/4 or 25/100.

❑❑❑❑