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) Atal and Madan, partners with capitals of ₹ 3,00,000 and ₹ 2,00,000 respectively, share profits and losses in the ratio of 3 : 2. On the date of Shiv's admission, their Balance Sheet showed: Profit & Loss (Cr. Balance) ₹ 60,000, Reserves ₹ 5,50,000, Advertisement Suspense ₹ 10,000.

They admit Shiv as a partner for 1/5th share in the profits of the firm. Shiv brings ₹ 4,00,000 as capital.

What will be the value of firm's Goodwill?

(a) ₹ 7,00,000 (b) ₹ 6,00,000
(c) ₹ 6,50,000 (d) ₹ 5,00,000

(Application & Understanding) [1]

(ii) For valuation of Goodwill of a partnership firm at the time of its reconstitution, which one of the following items is/are added back to previous years' profit for calculating normal profit?

(a) Overvaluation of opening stock.
(b) Undervaluation of closing stock.
(c) Capital expenditure treated as revenue expense.
(d) All of the above. **(Evaluation)** [1]

(iii) *Read the following news item regarding issue of shares by TVS Supply Chain and answer the question that follows:*

TVS Supply Chain IPO subscribed 2.8 times.

(**Source:** *The Hindu, Business Line, 15 August, 2023*)

Which of the following options can TVS Supply Chain avail to deal with its over-subscribed shares?

I. Make *pro rata* allotment to all the applicants and refund the excess application money.

II. Not to allot any share to some applicants, full allotment to some of the applicants and *pro rata* allotment to the rest of the applicants.

III. Allot all shares applied for.

IV. Not to allot any shares to some applicants and make *pro rata* allotment to other applicants.

(a) II, III and IV (b) I, II and IV

(c) I, II and III (d) I, III and IV **(Application)** [1]

(iv) Following Journal Entry is passed in the books of ABC Ltd.:

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Debenture Application and Allotment A/c ...Dr.		2,37,500	
	Loss on Issue of Debentures A/c ...Dr.		37,500	
	To 9% Debentures A/c			2,50,000
	To Premium on Redemption of Debentures A/c			25,000

In the given case, 9% Debentures of ₹ 100 each have been issued at a discount of

(a) 5%. (b) 10%.

(c) 15%. (d) None of these.

(Application & Understanding) [1]

(v) **Assertion (A):** Vijay, a partner in a firm, had taken loan of ₹ 50,000 from the firm on 1st October, 2024 without an agreement. ₹ 1,500 will be charged as interest on loan even if the firm incurs loss in the year ended 31st March, 2025.

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?

(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. **(Evaluate)** [1]

(vi) Why is it necessary to calculate new profit shares even for old partners when a new partner is admitted? **(Understanding)** [1]

(vii) At the time of the dissolution of the partners' firm on 31st March, 2025, its Creditors and Bills Payable of ₹ 38,000 falling due after 1 month, was settled at a rebate of ₹ 190.

Calculate the per annum percentage of rebate at which Creditors and Bills Payable were settled. **(Application)** [1]

(viii) At the time of the dissolution of the partnership firm of Anil, Sunil and Vishal, its Balance Sheet showed Debit balance of Profit & Loss Account ₹ 30,000.

Give the Journal entry for accounting thereof. **(Recall)** [1]

(ix) In the annual report of a company for the year 2023-24, it was stated in the Notes to Accounts the *cost of development of software for self-use not yet ready for use at the end of the financial year*. It would be shown in its Balance Sheet under 'Intangible Assets under Development'.

Mention the main-head and sub-head under which it was shown in the Balance sheet of the company as at 31st March, 2024. **(Recall)** [1]

(x) What is meant by Redemption of Debentures by Lump-sum payment? **(Recall)** [1]

Question 2.

Arjun, Gagan and Hitesh are partners sharing profits in the ratio of 5 : 3 : 2. Goodwill is appearing in the books at ₹ 50,000. Vicky is admitted to the partnership. New profit-sharing ratio among Arjun, Gagan, Hitesh and Vicky being 3 : 3 : 2 : 2. Vicky brings ₹ 1,00,000 for capital and cash for his share of Goodwill. Goodwill of the firm is valued at ₹ 1,20,000.

You are required to pass necessary Journal entries for Goodwill. **(Application)** [3]

Or

Amit and Kartik are partners sharing profits and losses equally. They admit Saurabh for an equal share in the profits. For this purpose, goodwill of the firm was to be valued at four years' purchase of super profits.

The Balance Sheet of the firm on Saurabh's admission was as follows:

Liabilities		₹	Assets	₹
Capital A/cs:			Fixed Assets (Tangible)	75,000
Amit	90,000		Furniture	15,000
Kartik	50,000	1,40,000	Stock	30,000
Creditors		5,000	Debtors	20,000
General Reserve		20,000	Cash	50,000
Bills Payable		25,000		
		1,90,000		1,90,000

The normal rate of return is 12% p.a. Average profit of the firm for the last four years was ₹ 30,000. Calculate Saurabh's share of goodwill. **(Application)** [3]

Question 3.

On 1st April, 2024, Phoenix Ltd. issued 10,000, 9% Debentures of ₹ 100 each at a discount of 10%, redeemable at a premium of 5% after three years.

It has balance in Securities Premium Account of ₹ 90,000 and in Capital Reserve of ₹ 30,000.

You are required to pass necessary Journal entries for the year ended 31st March, 2025 (Ignoring Interest on Debentures). **(Application)** [3]

Or

Sony Ltd. issued 20,000, 8% Debentures of ₹ 100 each to be redeemed at par after five years. The issue price was payable as follows:

₹ 25 on Application payable on 1st May, 2024;

₹ 25 on Allotment payable on 1st July, 2024;

₹ 20 on First Call payable on 1st October, 2024;

Balance on Second and Final Call payable on 1st February, 2025.

All these debentures were subscribed and amounts due on them duly received.

One debentureholder holding 200 debentures, paid the amount of both the calls with allotment.

According to the Articles of Association of the company, interest @ 12% per annum is payable on calls-in-advance. The interest on calls-in-advance was paid by the company to the debentureholder on 1st February, 2025.

The company follows the financial year and closes its books accordingly.

You are required to prepare the following for the year 2024-25:

(i) **Interest on Calls-in-Advance Account.** [1]

(ii) **Second and Final Call Account.** **(Application & Understanding)** [2]

Question 4.

Piramal Ltd., an unlisted manufacturing company, had 40,000, 6% Debentures of ₹ 50 each due for redemption at par on 31st March, 2025. Debenture Redemption Reserve Account had the required amount in its credit as on that date.

Investment, as required under the law, made on 1st April, 2024, earning interest @ 5% per annum, was realised at 3% less as on the date of redemption and the debentures were redeemed on the due date.

Tax @ 10% on the interest was deducted at the source of the investment.

You are required to prepare the following for the year 2024-25:

(i) **Debenture Redemption Investment Account.**

(ii) **Interest on Debenture Redemption Investment Account.** **(Recall)** [3]

Question 5.

Arjun, Bhim and Nakul are partners sharing profits and losses in the ratio of 2 : 2 : 1 respectively. Bhim retired and gave his profit share to Arjun. Goodwill of the firm is valued at 2 years' purchase of super profits based on average profit 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 existed 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 pass the necessary Journal entries to adjust Goodwill and distribute profit. Show the working. **(Application)** [3]

Question 6.

Mars 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 Equity Shares.

During the year ended 31st March, 2025, the company:

(a) Allotted 1,000 Equity Shares at par to promoters to reimburse preliminary expenses.

(b) Issued 10,000 Equity Shares to the public on which till the date of the Balance Sheet as at 31st March, 2025, ₹ 80 had been called-up.

(c) 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.

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

(e) 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, 2025. **(Application)** [6]

Question 7.

Sandeep, Maheep and Amandeep were partners in a firm sharing profits in the ratio of 2 : 1 : 2. Their fixed capitals were : ₹ 2,00,000, ₹ 1,50,000 and ₹ 2,50,000 respectively. On 31st March, 2023, Maheep died. According to the agreement, the executors of a deceased partner were entitled to the following:

(i) Interest on capital from the first day of the accounting year till the date of his death @ 10% p.a.

(ii) His share of goodwill. Goodwill of the firm on Maheep's death was valued at ₹ 3,00,000.

(iii) His share in profit up to the date of death. Profit of the firm for the year ended 31st March, 2023 was ₹ 1,50,000 before providing for interest on capital.

Maheep's executor was paid the sum due in two equal annual instalments with interest @ 10% p.a.

You are required to:

(i) Prepare Maheep's Capital Account as on 31st March, 2023 to be presented his Executors' and [3]

(ii) His Executors' Account for the year ending 31st March, 2024 and 31st March, 2025. **(Understanding)** [3]

Or

Ravi, Ali and Siya are partners in a firm sharing profits in the ratio of 4 : 3 : 2. Ali retired from the firm on 31st March, 2025, when the capitals of the partners before necessary adjustments were:

Ravi	₹ 2,30,000
Ali	₹ 1,20,000
Siya	₹ 90,000

Adjustments:

(a) Firm's goodwill to be valued at ₹ 2,16,000.

(b) Loss on revaluation of assets and liabilities to be ₹ 27,000.

On the date of Ali's retirement, the firm had:

General Reserve of ₹ 63,000; and

Cash and Bank Balance of ₹ 1,86,000.

It was decided that Ali be paid through cash brought in by Ravi and Siya in such a manner so as to make their capitals proportionate to their new profit-sharing ratio and a minimum Cash & Bank Balance of ₹ 1,00,000 to be maintained in the reconstituted firm.

You are required to pass Journal entries to record the above transactions.

(Application) [6]

Question 8.

Sunny and Bobby were partners in a firm sharing profits and losses equally. Their Balance Sheet as at 31st March, 2025 was as follows:

Liabilities		₹	Assets		₹
Creditors		1,90,000	Bank		5,000
Employees' Provident Fund		1,25,000	Fixed Deposits		70,000
Loan by Mrs. Sunny		55,000	Stock		86,000
Loan by Bobby		85,000	Investments		1,04,000
Investment Fluctuation Reserve		30,000	Debtors	1,77,000	
Capitals:			*Less:* Provision for Doubtful Debts	12,000	1,65,000
Sunny	2,20,000		Land		3,80,000
Bobby	1,20,000	3,40,000	Loan to Sunny		15,000
		8,25,000			8,25,000

The firm was dissolved on 31st March, 2025. The assets were realised and the liabilities were paid as under:

(a) Sunny promised to pay Mrs. Sunny's Loan.

(b) Bobby took stock at 20% discount and 80% of the investments at 10% discount.

(c) Dharam, a debtor of ₹ 60,000 had to pay the amount due 2 months after the date of dissolution. He was allowed discount of 9% p.a. for paying immediately.

(d) Creditors were paid ₹ 1,75,000 in full settlement of their claim.

(e) 90% of Land realised ₹ 1,98,000 and remaining was realised at 85%.

(f) Balance investments were sold at 75% value and Fixed Deposits were realised at 110%.

(g) There was an old furniture which has been written off from the books. Bobby took it for ₹ 41,000 against his loan and balance was paid to him.

(h) Realisation expenses ₹ 20,000 were paid by Sunny on behalf of the firm.

You are required to prepare Realisation Account. **(Application)** [6]

Question 9.

Kartik and Varun are partners in a firm sharing profits in the ratio of 3 : 2. On 1st April, 2024, their fixed capitals were ₹ 3,00,000 and ₹ 2,50,000 respectively.

On 1st October, 2024, they decided that their total (fixed) capital should be ₹ 6,00,000 in their profit-sharing ratio. Accordingly, they introduced capital or withdrew excess capital.

The Partnership deed provided for the following:

(i) Interest on Capital @ 12% p.a.

(ii) Interest on Drawings @ 18% p.a.

(iii) Monthly salary of ₹ 2,000 to Kartik and a quarterly salary of ₹ 4,500 to Varun.

The drawings of Kartik and Varun during the year were as follows:

Date	Kartik (₹)	Varun (₹)
On 30th September, 2024	20,000	15,000
On 31st December, 2024	20,000	25,000

During the year ended 31st March, 2025, the firm earned net profit of ₹ 1,50,000. 10% of this profit was to be transferred to General Reserve.

You are required to prepare:

(i) Profit & Loss Appropriation Account. [5]

(ii) Partners' Capital Accounts. [2]

(iii) Partners' Current Accounts. **(Application)** [3]

Or

Niti, Aditi and John are in partnership sharing profits and losses in the ratio of 3 : 2 : 4. Their Capital Account balances as on 31st March, 2024 were:

Niti ₹ 1,70,000 (Cr.); Aditi ₹ 1,10,000 (Cr.) and John ₹ 1,22,000 (Cr.).

Following further information is provided:

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

(b) Niti, Aditi and John 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 @ 8% p.a.

(d) Niti is allowed commission @ 10% of net profit after charging such commission.

(e) During the year, Niti withdrew ₹ 2,000 at the beginning of every month, Aditi ₹ 1,750 at the end of every month and John ₹ 1,250 at the middle of every month.

Net Profit of the firm for the year ended 31st March, 2025 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 Niti's commission. **(Recall)** [1]

(iv) Prepare Profit & Loss Appropriation Account for the year ended 31st March, 2025. **(Recall)** [4]

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

Question 10.

Rockstar Ltd. issued Equity shares of ₹ 100 each at a premium of 20% payable as:

₹ 60 on Application and Allotment (including premium); ₹ 20 on First Call; ₹ 40 on Second and Final Call.

Following is an extract of the Journal of Rockstar Ltd.:

JOURNAL OF ROCKSTAR LTD.

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Share First Call A/c	...Dr.		2,80,000	
	To Share Capital A/c				2,80,000
	(Being the first call due on .?. shares @ ₹ 20 each)				
	Bank A/c	...Dr.		?	
	Calls-in-Arrears A/c	...Dr.		20,000	
	To Share First Call A/c				2,80,000
	(Being the first call received on .?. shares)				
	Share Capital A/c	...Dr.		?	
	To Shares Forfeited A/c				40,000
	To Calls-in-Arrears A/c				?
	(Being .?. shares of ₹ 100 each forfeited for non-payment of first call)				

	Share Second and Final Call A/c ...Dr.		5,20,000	
	To Share Capital A/c			5,20,000
	(Being the second and final call due on .?. shares @ ₹ 40 each)			
	Bank A/c ...Dr.		?	
	Calls-in-Arrears A/c ...Dr.		1,00,000	
	To Share Second and Final Call A/c			5,20,000
	(Being the second call received on .?. shares)			
	Share Capital A/c ...Dr.		?	
	To Shares Forfeited A/c			?
	To Calls-in-Arrears A/c			1,00,000
	(Being .?. shares of ₹ 100 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 @ ₹ 60 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 marked **'?'**, including the number of shares and narration, if any.

(Application) [10]

Or

Dreamers 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).

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 for ₹ 90 per share.

Excess Application Money was to be adjusted against other amounts due on shares.

You are required to:

(a) Pass 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) Logitech Ltd. has a Current Ratio of 3 : 1. To maintain this ratio at 4 : 1, management may

(a) pay a Current Liability. (b) sell Stock-in-trade at profit.

(c) sell Fixed Asset at Loss. (d) All of the above. **(Analysis)** [1]

(ii) Aditya Ltd. has provided following information:

Particulars	31st March, 2025 (₹)	31st March, 2024 (₹)
10% Bank Loan	NIL	1,00,000

Additional Information:

1. Equity Share Capital issued during the year ₹ 3,00,000.
2. 10% Bank Loan was repaid on 1st April, 2024.
3. Dividend received during the year was ₹ 20,000.
4. Dividend proposed for the year 2023-24 was ₹ 50,000 but only ₹ 20,000 was approved by the shareholders.

Find the Cash Flow from Financing Activities.

(a) ₹ 1,50,000 (b) ₹ 2,00,000
(c) ₹ 1,70,000 (d) ₹ 1,80,000 **(Analysis)** [1]

(iii) Following figures have been taken from the Balance Sheet of Metro Tyres Ltd. as at 31st March, 2025:

	(₹ in cr)
Current Liabilities	1530.25
Current Assets (including inventories of ₹ 396.15 cr)	2764.42

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

You are required to calculate the Short-term Solvency Ratio not based on Inventory. **(Application)** [1]

(iv) ITC Ltd. buys '24 Mantra Organic' brand of ₹ 472 crore in all cash deal.

(**Source:** *The Economic Times, 15th June, 2025*.)

What impact it has on Cash Flow Statement of a company? **(Analysis)** [1]

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

Online news aggregator, InShorts, saw its loss widen by over a third during the year ended March, 2023, to ₹ 309.7 crore, from ₹ 231.8 crore in fiscal year 2022, as expense rose faster than revenue. Advertisement income the company gets most of its ads on its app increased 4.3% to ₹ 947 crore. The remainder of its income came from support services. (**Source:** *Economic Times, November 26, 2023*.)

(a) Mention whether Advertising income is an operating income or a non-operating income for InShorts.

(b) What is the percentage increase in loss of InShorts in the fiscal year 2022-23 as compared to 2021-22? **(Application)** [1]

Question 12.

Complete the following Comparative Statement of Profit & Loss:

Particulars	31st March 2025 (₹)	31st March 2024 (₹)	Absolute Change (₹)	Percentage Change (%)
Revenue from Operations	20,00,000	16,00,000	?	?
Less: Employee Benefit Expenses	?	8,00,000	?	25%
Less: Other Expenses	?	2,00,000	(1,00,000)	?
Profit before Tax	?	6,00,000	?	50%
Tax @ 30%	?	?	90,000	?
Profit after Tax	?	4,20,000	2,10,000	?

(Analysis) [3]

Question 13.

Answer any *three* of the following questions:

(a) Name and calculate the Ratio which indicates the efficiency with which funds represented by inventories are being utilised and managed from the following information:

Purchases	₹ 90,000
Excess of opening inventory over closing inventory	₹ 10,000
Aggregate of opening inventory and closing inventory	₹ 50,000

(Application) [2]

(b) From the following particulars of Tanay Ltd., name and calculate the ratio which determines the efficiency with which Working Capital is utilised:

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]

(c) Name and calculate the ratio (up to two decimal places) which indicates the profitability from the following information:

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

(Application) [2]

(d) 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 following ratios?

(i) Proprietary Ratio;

(ii) Debt to Total Assets Ratio. **(Application)** [2]

Question 14.

From the following information of Growell Ltd., you are required to calculate company's Cash and Cash Equivalents as at 31st March, 2025, by preparing Cash Flow Statement (as per AS 3).

Information provided for the year 2024-25:

(i) Net Profit before tax was ₹ 6,63,000.

(ii) Tax of ₹ 2,80,000 was paid.

(iii) Assets and Liabilities consisted of the following:

Particulars	31st March, 2025 (₹)	31st March, 2024 (₹)
(a) Share Capital	25,00,000	20,00,000
(b) Bank Loan (Long-term)	...	7,00,000
(c) Sundry Creditors	13,52,000	15,00,000
(d) General Reserve	6,00,000	5,00,000
(e) Building	19,00,000	20,00,000
(f) Machinery	16,90,000	15,00,000
(g) Inventories	7,40,000	10,00,000
(h) Sundry Debtors	6,42,000	8,00,000
(i) Goodwill	50,000	...

(iv) Interim dividend of ₹ 2,30,000 was paid.

(v) Following assets of another company were purchased for ₹ 5,00,000 to be paid by issue of shares:
Inventories (Stock) : ₹ 2,00,000; Machinery : ₹ 2,50,000

(vi) Machinery was purchased for ₹ 80,000.

(vii) Depreciation on: Machinery ₹ 1,20,000 and Building was ₹ 1,00,000.

(viii) Loss on sale of Machinery was ₹ 2,000.

(ix) Cash and Cash Equivalents as on 31st March, 2024 was ₹ 5,000. **(Application)** [6]

Or

Read the following information provided by Garry Technologies Ltd., and answer the questions that follow:

Particulars	31st March, 2025 (₹)	31st March, 2024 (₹)
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
Unpaid/Unclaimed Dividend	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
Sundry Creditors	75,000	62,500
Unpaid Interest on Debentures	8,750	...
Investment in Land	5,00,000	5,00,000
Investment in Shares of ET Tech Ltd.	1,00,000	1,00,000

Additional Information:

During the year 2024–25, the company:

(i) Purchased Machinery for ₹ 6,00,000, payment made to vendor ₹ 1,00,000 and balance is outstanding.

(ii) Issued bonus shares to the shareholders at the beginning of the year in the ratio of 1 : 4.

(iii) Interest on borrowings for the year was ₹ 40,000.

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

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

(vi) ET Tech Ltd. declared dividend @ 10% on its shares during the year.

(vii) Dividend proposed of ₹ 50,000 in the year 2023–24 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 and what is the source of funds? [1]

(c) What is the Cash Flow from Operating Activities? [1]

(d) What is the Cash Flow from Investing Activities? [1]

(e) What is the Cash Flow from Financing Activities? [1]

(f) Dividend of ₹ 80,000 was proposed for the year 2024–25.

State with reason, for Proposed Dividend being not shown in the Cash Flow Statement for the year 2024–25. **(Application)** [1]

ANSWERS

SECTION A

Question 1.

(i) (d) ₹ 5,00,000.

Working Note:

		₹
A.	Net Worth (including goodwill) of the firm on the basis of Capital brought by Shiv (₹ 4,00,000 × 5/1)	20,00,000
B.	*Less:* Net worth (excluding goodwill) of new firm (Adjusted Capitals of Old Partners + Incoming Partner's Capital) [(₹ 3,00,000 + ₹ 2,00,000 + ₹ 5,50,000 + ₹ 60,000 – ₹ 10,000) + ₹ 4,00,000]	15,00,000
	Value of Firm's Goodwill (Hidden)	**5,00,000**

(ii) (d) All of the above.

(iii) (b) I, II and IV.

(iv) (a) 5%.

Working Note:

Amount of Discount on Issue of Debentures:	₹
Loss on Issue of Debentures	37,500
Less: Premium payable on Redemption of Debentures	25,000
Discount on Issue of Debentures	12,500

Percentage of Discount on Issue of Debentures = $\frac{₹\ 12,500}{₹\ 2,50,000} \times 100 = 5\%$.

(v) (d) Assertion (A) is incorrect and Reason (R) is correct.

Reason: In the absence of Partnership Deed, a partner who has taken loan from the firm will not be charged interest on his/her loan. Hence, Vijay will not be charged interest on his loan of ₹ 50,000.

(vi) When a new partner is admitted, he takes share in profits from the old partners. It reduces old partners' shares in profits. Hence, new profit shares for old partners are calculated.

(vii) Percentage of Rebate = 6%.

Working Note:

Let the percentage of rebate $= x$

$$₹\ 38,000 \times \frac{1}{12} \times \frac{x}{100} = ₹\ 190$$

$$95x = 570; \qquad x = \frac{570}{95} = 6\%.$$

(viii) JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Anil's Capital A/c	...Dr.		10,000	
	Sunil's Capital A/c	...Dr.		10,000	
	Vishal's Capital A/c	...Dr.		10,000	
	To Profit & Loss A/c				30,000
	(Being the debit balance of Profit & Loss Account transferred to Partners' Capital Accounts)				

(ix) **Heading :** Non-Current Assets
Sub-heading : Property, Plant and Equipment and Intangible Assets.

(x) Under this method, the company redeems the debentures by paying the whole amount in Lump-sum on maturity.

Question 2.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Arjun's Capital A/c ...Dr.		25,000	
	Gagan's Capital A/c ...Dr.		15,000	
	Hitesh's Capital A/c ...Dr.		10,000	
	To Goodwill A/c			50,000
	(Being existing goodwill written off in the old ratio)			
	Bank A/c ...Dr.		1,24,000	
	To Vicky's Capital A/c			1,00,000
	To Premium for Goodwill A/c (₹ 1,20,000 × 2/10)			24,000
	(Being the amount of goodwill and capital brought in by Vicky)			
	Premium for Goodwill A/c ...Dr.		24,000	
	To Arjun's Capital A/c			24,000
	(Being goodwill brought in by Vicky credited to Arjun only)			

Working Note:

Arjun's Sacrifice = 5/10 – 3/10 = 2/10

Gagan's Sacrifice = 3/10 – 3/10 = 0

Hitesh's Sacrifice = 2/10 – 2/10 = 0

Or

Capital Employed of Firm = ₹ 1,40,000 (Capital) + ₹ 20,000 (General Reserve) = ₹ 1,60,000

Normal Profit = Capital Employed × Normal Rate of Return

Normal Profit = ₹ 1,60,000 × 12/100 = ₹ 19,200

Average Profit = ₹ 30,000

Super Profit = Average Profit – Normal Profit
= ₹ 30,000 – ₹ 19,200 = ₹ 10,800

Firm's Goodwill = Super Profit × No. of Years' Purchase
= ₹ 10,800 × 4 = ₹ 43,200

Saurabh's Share of Goodwill = ₹ 43,200 × 1/3 = ₹ 14,400.

Question 3.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2024				
April 1	Bank A/c ...Dr.		9,00,000	
	To Debentures Application and Allotment A/c			9,00,000
	(Being the application money 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)			
2025 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 first from Securities Premium then from Statement of Profit & Loss and lastly from Capital Reserve.

Or

(i)

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

Date	Particulars	₹	Date	Particulars	₹
2025 Feb. 1	To Sundry Debentureholders' A/c (WN)	540	2025 March 31	By Statement of Profit & Loss	540
		540			540

Working Note:

Interest on First Call money @ 12% (From 1st July, 2024 to 1st October, 2024) = ₹ 4,000 $\times \frac{3}{12} \times \frac{12}{100}$ = ₹ 120

Interest on Second Call money @ 12% (From 1st July, 2024 to 1st Feb., 2025) = ₹ 6,000 $\times \frac{7}{12} \times \frac{12}{100}$ = ₹ 420

Total Interest on Calls-in-Advance = ₹ 120 + ₹ 420 = ₹ **540**.

(ii)

Dr. SECOND AND FINAL CALL ACCOUNT *Cr.*

Date	Particulars	₹	Date	Particulars	₹
2025 Feb. 1	To 8% Debentures A/c	6,00,000	2025 Feb. 1	By Bank A/c	5,94,000
				By Calls-in-Advance A/c	6,000
		6,00,000			6,00,000

Question 4.

(i)

Dr. DEBENTURE REDEMPTION INVESTMENT ACCOUNT *Cr.*

Date	Particulars	₹	Date	Particulars	₹
2024 April 1	To Bank A/c (15% of ₹ 20,00,000)	3,00,000	2025 March 31	By Bank A/c (₹ 3,00,000 *less* 3%)	2,91,000
				By Loss on Sale of Investment A/c (Transferred to Statement of Profit & Loss)	9,000
		3,00,000			3,00,000

(ii)

Dr. INTEREST ON DEBENTURE REDEMPTION INVESTMENT ACCOUNT *Cr.*

Date	Particulars	₹	Date	Particulars	₹
2025			2025		
March 31	To Statement of Profit & Loss	15,000	March 31	By Bank A/c [(5% of ₹ 3,00,000) – 10%]	13,500
				By TDS Collected A/c (10% of ₹ 15,000)	1,500
		15,000			15,000

Question 5.

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

$$= \frac{₹\ 50,000 + ₹\ 55,000 + ₹\ 60,000}{3} - ₹\ 30,000 = ₹\ 25,000$$

$$\text{Firm's Goodwill} = \text{Super Profit} \times \text{No. of Years' Purchase}$$

$$= ₹\ 25,000 \times 2 = ₹\ \mathbf{50,000}$$

$$\text{Bhim's Share of Goodwill} = ₹\ 50,000 \times \frac{2}{5} = ₹\ \mathbf{20,000}$$

Bhim retired and gave his profit share 2/5 (total) to Arjun, who is the only gaining partner.

JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Arjun's Capital A/c	...Dr.		30,000	
	Bhim's Capital A/c	...Dr.		30,000	
	Nakul's Capital A/c	...Dr.		15,000	
	To Goodwill A/c				75,000
	(Being the existing goodwill written off)				
	Arjun's Capital A/c	...Dr.		20,000	
	To Bhim's Capital A/c				20,000
	(Being the amount of Goodwill adjusted by debiting Arjun's (Gaining Partner) Capital A/c and crediting Bhim's (Retiring Partner) Capital A/c)				
	Profit & Loss Appropriation A/c	...Dr.		1,00,000	
	To Arjun's Capital A/c				80,000
	To Nakul's Capital A/c				20,000
	(Being profit distributed between Arjun and Nakul in the New Profit-sharing Ratio, *i.e.,* 4 : 1)				

Working Note:

New Profit-sharing Ratio of Arjun and Nakul:

$$\text{Arjun's New Profit Share} = \frac{2}{5} + \frac{2}{5}\text{ (Bhim's Share)} = \frac{4}{5}; \quad \text{Nakul's New Profit Share} = \frac{1}{5}$$

New Profit-sharing Ratio is 4 : 1.

Distribution of Profit:

$$\text{Arjun} = ₹\ 1,00,000 \times \frac{4}{5} = ₹\ \mathbf{80,000}; \quad \text{Nakul} = ₹\ 1,00,000 \times \frac{1}{5} \times ₹\ \mathbf{20,000}.$$

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**.

Note: As per Revised Syllabus for 2026, Capital Loss is to be written off first from Securities Premium than from Statement of Profit & Loss and lastly from Capital Reserve.

(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 MARS LTD. *as at 31st March, 2025*

Particulars	Note No.	Current Year (₹)
I. EQUITY AND LIABILITIES		
1. Shareholders' Funds		
Share Capital	1	28,50,000

Note to Accounts

Particulars	₹
1. Share Capital	
Authorised Capital	
60,000 Equity Shares of ₹ 100 each	60,00,000
Issued Capital	
30,500 Equity Shares of ₹ 100 each	30,50,000
(5,500 Equity Shares issued for consideration other than cash)	
Subscribed Capital	
Subscribed and fully paid-up	
20,500 Equity Shares of ₹ 100 each	20,50,000
(5,500 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	28,50,000

Question 7.

(i) *Dr.* MAHEEP'S CURRENT ACCOUNT *Cr.*

Liabilities	₹	Assets	₹
To Maheep's Capital A/c	1,02,000	By Interest on Capital A/c (₹ 1,50,000 × 10/100)	15,000
		By Sandeep's Current A/c (WN 1)	30,000
		By Amandeep's Current A/c (WN 1)	30,000
		By Profit & Loss Appropriation A/c (WN 2)	27,000
	1,02,000		1,02,000

Dr. MAHEEP'S CAPITAL ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Maheep's Executors' A/c	2,52,000	By Balance *b/d*	1,50,000
		By Maheep's Current A/c	1,02,000
	2,52,000		2,52,000

Dr. MAHEEP'S EXECUTORS' ACCOUNT *Cr.*

Date	Particulars	₹	Date	Particulars	₹
2023			2023		
March 31	To Balance *c/d*	2,52,000	March 31	By Maheep's Capital A/c	2,52,000
		2,52,000			2,52,000
2024			2023		
March 31	To Bank A/c (₹ 1,26,000 + ₹ 25,200)	1,51,200	April 1	By Balance *b/d*	2,52,000
March 31	To Balance *c/d*	1,26,000	2024		
			March 31	By Interest A/c (₹ 2,52,000 × 10/100)	25,200
		2,77,200			2,77,200
2025			2024		
March 31	To Bank A/c (₹ 1,26,000 + ₹ 12,600)	1,38,600	April 1	By Balance *b/d*	1,26,000
			2025		
			March 31	By Interest A/c (₹ 1,26,000 × 10/100)	12,600
		1,38,600			1,38,600

Working Notes:

1. Maheep's Share of Goodwill of ₹ 60,000 (₹ 3,00,000 × 1/5), which is to be adjusted between Sandeep and Amandeep in their gaining ratio, *i.e.,* 2 : 2 or 1 : 1.
2. *Calculation of Maheep's Share of Profit:*

   Profit for the year ended 31st March, 2023 = ₹ 1,50,000

   Profit after Interest on Capital = ₹ 1,50,000 – ₹ 15,000 = ₹ 1,35,000

   Maheep's Share of Profit = ₹ 1,35,000 × 1/5 = ₹ 27,000

   Maheep's Share of Profit will be adjusted through Profit & Loss Appropriation A/c (and not through Profit & Loss Suspense A/c) as Maheep died at the end of the year.
3. According to the Partnership Agreement, only deceased partner, *i.e.,* Maheep is to get interest on capital. Therefore, interest on capital will not be allowed to other partners.

Or

JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2025					
March 31	Ravi's Capital A/c (₹ 72,000 × 2/3)	...Dr.		48,000	
	Siya's Capital A/c (₹ 72,000 × 1/3)	...Dr.		24,000	
	To Ali's Capital A/c (₹ 2,16,000 × 3/9)				72,000
	(Being Ali's share of goodwill adjusted in the Capital accounts of gaining partners in their gaining ratio of 2 : 1)				
	Ravi's Capital A/c	...Dr.		12,000	
	Ali's Capital A/c	...Dr.		9,000	
	Siya's Capital A/c	...Dr.		6,000	
	To Revaluation A/c				27,000
	(Being loss on revaluation distributed among partners in their old profit-sharing ratio)				
	General Reserve A/c	...Dr.		63,000	
	To Ravi's Capital A/c				28,000
	To Ali's Capital A/c				21,000
	To Siya's Capital A/c				14,000
	(Being General Reserve distributed among partners in their old profit-sharing ratio)				
	Cash A/c	...Dr.		1,18,000	
	To Ravi's Capital A/c				62,000
	To Siya's Capital A/c				56,000
	(Being the amount brought by Ravi and Siya to meet the deficit)				
	Ali's Capital A/c	...Dr.		2,04,000	
	To Bank A/c				2,04,000
	(Being payment made to Ali)				

Working Notes:

1. *Adjusted Old Capitals*

	Ravi (₹)	Ali (₹)	Siya (₹)
Old Capital before Adjustments	2,30,000	1,20,000	90,000
Share of Goodwill	(48,000)	72,000	(24,000)
Share of Loss on Revaluation	(12,000)	(9,000)	(6,000)
Share of General Reserve	28,000	21,000	14,000
Net Amount of Capital	1,98,000	2,04,000	74,000

2. **Total Capital of New Firm** = ₹ 1,98,000 + ₹ 2,04,000 + ₹ 74,000 – ₹ 86,000* (Cash Available)
   = ₹ 3,90,000

   *Cash and Bank Balance Available – Cash and Bank Balance Required = ₹ 1,86,000 – ₹ 1,00,000 = ₹ 86,000

3. *Calculation of Actual Cash to be paid-off or Brought in*

	Ram (₹)	Siya (₹)
(a) New Capital (₹ 3,90,000 in the ratio of 2 : 1)	2,60,000	1,30,000
(b) Adjusted Old Capital	1,98,000	74,000
(c) Cash to be brought in (a – b)	62,000	56,000

Question 8.

Dr. REALISATION ACCOUNT *Cr.*

Particulars		₹	Particulars		₹
To Fixed Deposits		70,000	By Provision for Doubtful Debts		12,000
To Stock		86,000	By Creditors		1,90,000
To Investments		1,04,000	By Employees' Provident Fund		1,25,000
To Debtors		1,77,000	By Loan by Mrs. Sunny		55,000
To Land		3,80,000	By Investment Fluctuation Reserve		30,000
To Sunny's Capital A/c (Loan taken over)		55,000	By Bank A/c:		
To Bank A/c:			Debtors (WN 1)	1,76,100	
Creditors	1,75,000		Land (WN 2)	2,30,300	
Employees' Provident Fund	1,25,000	3,00,000	Investments (WN 3)	15,600	
To Sunny's Capital A/c (Realisation Expenses)		20,000	Fixed Deposits	77,000	4,99,000
			(₹ 70,000 × 110/100)		
			By Bobby's Capital A/c (WN 4)		1,43,680
			By Bobby's Loan A/c (Furniture)		41,000
			By Bobby's Capital A/c (Loss)	48,160	
			By Sunny's Capital A/c (Loss)	48,160	96,320
		11,92,000			11,92,000

***Working Notes*:**

1. Discount to Debtor : ₹ 60,000 × 9/100 × 2/12 = ₹ 900

   Cash Received from Debtor = ₹ 60,000 – ₹ 900 = ₹ 59,100

   Cash Received from remaining Debtors = ₹ 1,77,000 – ₹ 60,000 = ₹ 1,17,000

   Total cash received from Debtors = ₹ 59,100 + ₹ 1,17,000 = ₹ 1,76,100

2. Land: ₹ 3,80,000 × 90/100 = ₹ 3,42,000

   A. Cash realised = ₹ 1,98,000

B. Remaining Land = ₹ 3,80,000 – ₹ 3,42,000	=	₹ 38,000
Less: Discount 15%	=	₹ 5,700
Amount Realised	=	₹ 32,300

   Total = ₹ 1,98,000 + ₹ 32,300 = ₹ 2,30,300

3. Investment Realised = (₹ 1,04,000 × 20/100) × 75/100 = ₹ 15,600

4. | | | |
   |---|---|---|
   | Stock = ₹ 86,000 – 20% of ₹ 86,000 | = | ₹ 68,800 |
   | Investment = (₹ 1,04,000 × 80/100) – 10% | = | ₹ 74,880 |
   | Total | = | ₹ 1,43,680 |

Question 9.

(i)

PROFIT & LOSS APPROPRIATION ACCOUNT
for the year ended 31st March, 2025

Dr. *Cr.*

Particulars		₹	Particulars		₹
To General Reserve A/c (₹ 1,50,000 × 10/100)		15,000	By Profit & Loss A/c		1,50,000
To Salary to Partners' A/c:			By Interest on Drawings (WN 4)		
Kartik's Current A/c (₹ 2,000 × 12)	24,000		Kartik's Current A/c	2,700	
Varun's Current A/c (₹ 4,500 × 4)	18,000	42,000	Varun's Current A/c	2,475	5,175
To Interest on Capital (WN 3)					
Kartik's Current A/c	39,600				
Varun's Current A/c	29,400	69,000			
To Kartik's Current A/c (Profit)	17,505				
To Varun's Current A/c (Profit)	11,670	29,175			
		1,55,175			1,55,175

(ii)

PARTNERS' CAPITAL ACCOUNTS

Dr. *Cr.*

Particulars	Kartik ₹	Varun ₹	Particulars	Kartik ₹	Varun ₹
To Bank A/c (WN 1 & 2)	...	10,000	By Balance *b/d*	3,00,000	2,50,000
To Balance *c/d*	3,60,000	2,40,000	By Bank A/c (WN 1 and 2)	60,000	...
	3,60,000	2,50,000		3,60,000	2,50,000

(iii)

PARTNERS' CURRENT ACCOUNTS

Dr. *Cr.*

Particulars	Kartik ₹	Varun ₹	Particulars	Kartik ₹	Varun ₹
To Drawings A/c	40,000	40,000	By Salary A/c	24,000	18,000
To Interest on Drawings A/c	2,700	2,475	By Interest on Capital A/c	39,600	29,400
To Balance *c/d*	38,405	16,595	By Profit & Loss Appropriation A/c (Profit)	17,505	11,670
	81,105	59,070		81,105	59,070

Working Notes:

1. *Calculation of New Capital:* ₹ 6,00,000 in the Ratio of 3 : 2

   Kartik's Capital $\frac{3}{5}$ of ₹ 6,00,000 = ₹ 3,60,000

   Varun's Capital $\frac{2}{5}$ of ₹ 6,00,000 = ₹ 2,40,000

2. Capital to be introduced by Kartik = ₹ 3,60,000 – ₹ 3,00,000 = ₹ 60,000
   Capital to be withdrawn by Varun = ₹ 2,50,000 – ₹ 2,40,000 = ₹ 10,000

3. *Calculation of Interest on Capital:*

Particulars	Kartik	Varun
Capital up to 30th September	₹ 3,00,000 × 12/100 × 6/12 = ₹ 18,000	₹ 2,50,000 × 12/100 × 6/12 = ₹ 15,000
From 1st October to 31st March	₹ 3,60,000 × 12/100 × 6/12 = ₹ 21,600	₹ 2,40,000 × 12/100 × 6/12 = ₹ 14,400
Total	₹ 39,600	₹ 29,400

4. *Calculation of Interest on Drawings:*

Particulars	Kartik	Varun
Drawings on 30th September	₹ 20,000 × 18/100 × 6/12 = ₹ 1,800	₹ 15,000 × 18/100 × 6/12 = ₹ 1,350
Drawings on 31st December	₹ 20,000 × 18/100 × 3/12 = ₹ 900	₹ 25,000 × 18/100 × 3/12 = ₹ 1,125
Total	₹ 2,700	₹ 2,475

Or

(i) Interest on Capital: ₹

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

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

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

Total **24,120**

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2025				
March 31	**(a) Adjusting Entry:**			
	Interest on Capital A/c ...Dr.		24,120	
	To Niti's Capital A/c			10,200
	To Aditi's Capital A/c			6,600
	To John'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: ₹

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

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

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

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. (₹)
2025 March 31	**Adjusting Entry**				
	Niti's Capital A/c	...Dr.		1,040	
	Aditi's Capital A/c	...Dr.		770	
	John'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 A/c)				

(iii) JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2025 March 31	**Adjusting Entry**				
	Niti's Commission A/c	...Dr.		20,000	
	To Niti's Capital A/c				20,000
	(Being the commission credited)				
	Closing Entry				
	Profit & Loss Appropriation A/c	...Dr.		20,000	
	To Niti's Commission A/c				20,000
	(Being Niti's Commission Account closed)				

(iv) PROFIT & LOSS APPROPRIATION ACCOUNT

Dr. *for the year ended 31st March, 2025* *Cr.*

Particulars		₹	Particulars		₹
To General Reserve		27,240	By Profit & Loss A/c (Net Profit)		2,20,000
To Salary:			By Interest on Drawings:		
Niti's Capital A/c (₹ 2,400 × 12)	28,800		Niti's Capital A/c	1,040	
Aditi's Capital A/c (₹ 1,600 × 12)	19,200		Aditi's Capital A/c	770	
John's Capital A/c (₹ 1,800 × 12)	21,600	69,600	John's Capital A/c	600	2,410
To Interest on Capital:					
Niti's Capital A/c	10,200				
Aditi's Capital A/c	6,600				
John's Capital A/c	7,320	24,120			
To Commission:					
Niti's Capital A/c (₹ 2,20,000 × 10/110)		20,000			
To Niti's Capital A/c (Profit) (₹ 81,450 × 3/9)	27,150				
To Aditi's Capital A/c (Profit) (₹ 81,450 × 2/9)	18,100				
To John'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. (₹)
2025					
March 31	Profit & Loss Appropriation A/c	...Dr.		81,450	
	To Niti's Capital A/c				27,150
	To Aditi's Capital A/c				18,100
	To John's Capital A/c				36,200
	(Being the transfer of profit)				

Question 10.

JOURNAL OF ROCKSTAR LTD.

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Share First Call A/c	...Dr.		2,80,000	
	To Share Capital A/c				2,80,000
	(Being the first call due on **14,000** shares @ ₹ 20 each)				
	Bank A/c	...Dr.		**2,60,000**	
	Calls-in-Arrears A/c	...Dr.		20,000	
	To Share First Call A/c				2,80,000
	(Being the first call received on **13,000** shares)				
	Share Capital A/c (1,000 × ₹ 60)	...Dr.		**60,000**	
	To Shares Forfeited A/c (1,000 × ₹ 40)				40,000
	To Calls-in-Arrears A/c (1,000 × ₹ 20)				**20,000**
	(Being **1,000** shares of ₹ 100 each forfeited for non-payment of first call)				
	Share Second and Final Call A/c	...Dr.		5,20,000	
	To Share Capital A/c				5,20,000
	(Being the second and final call due on **13,000** shares @ ₹ 40 each)				
	Bank A/c	...Dr.		**4,20,000**	
	Calls-in-Arrears A/c	...Dr.		1,00,000	
	To Share Second and Final Call A/c				5,20,000
	(Being the second call received on **10,500** shares)				
	Share Capital A/c (2,500 × ₹ 100)	...Dr.		**2,50,000**	
	To Shares Forfeited A/c (2,500 × ₹ 60)				**1,50,000**
	To Calls-in-Arrears A/c (2,500 × ₹ 40)				1,00,000
	(Being **2,500** shares of ₹ 100 each forfeited for non-payment of final call)				
	Bank A/c (1,500 × ₹ 60)	...Dr.		**90,000**	
	Shares Forfeited A/c (1,500 × ₹ 40)	...Dr.		**60,000**	
	To Share Capital A/c (1,500 × ₹ 100)				**1,50,000**
	(Being 1,500 forfeited shares, including those on which the first call was not received, reissued @ ₹ 60 per share fully called-up)				
	Share Forfeiture A/c	...Dr.		**10,000**	
	To Capital Reserve A/c				**10,000**
	(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	₹ 40,000	₹ 30,000 (₹ 1,50,000 × 500/2,500)
Less: Reissue discount	₹ 40,000	₹ 20,000
Gain on reissue to be transferred to Capital Reserve	Nil	₹ 10,000

Or

(a) JOURNAL OF DREAMERS 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 Money 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) All of the above.

(ii) (d) ₹ 1,80,000.

Working Note:

	₹
Proceeds from issue of Equity Shares	3,00,000
10% Bank Loan repaid	(1,00,000)
Dividend Paid	(20,000)
Cash Flow from Financing Activities	1,80,000

Note: Dividend received during the year is an Investing Activity.

(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.

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

$$= \frac{₹\ 2,764.42 - ₹\ 396.15}{₹\ 1,530.25} = \frac{₹\ 2,368.27}{₹\ 1,530.25} = \mathbf{1.55 : 1}.$$

(iv) Cash and Cash Equivalents will decline by ₹ 472 crore and in Cash Flow from Investing Activities, Cash Outflow will be ₹ 472 crore.

(v) (a) Advertising Income is an Operating Income.

(b) $\%\text{ increase in Loss} = \dfrac{\text{Increase in Loss}}{\text{Loss in 2021–22}} \times 100$

$$= \frac{₹\ 309.7 \text{ crore} - 231.8 \text{ crore}}{231.8 \text{ crore}} \times 100 = 33.6\%$$

Question 12.

COMPARATIVE STATEMENT OF PROFIT & LOSS

Particulars	Note No.	31st March, 2025 ₹	31st March, 2024 ₹	Absolute Change (Increase/Decrease) ₹	Percentage Change (Increase/Decrease) %
Revenue from Operations		20,00,000	16,00,000	**4,00,000 (1)**	**25 (2)**
Less: Employees Benefit Expenses		**10,00,000 (3)**	8,00,000	**2,00,000 (4)**	25
Less: Other Expenses		**1,00,000 (5)**	2,00,000	(1,00,000)	**(50) (6)**
Total		11,00,000	10,00,000	1,00,000	10
Profit Before Tax		**9,00,000 (7)**	6,00,000	**3,00,000 (8)**	50
Tax @30%		**2,70,000 (10)**	**1,80,000 (9)**	90,000	**50 (11)**
Profit After Tax		**6,30,000 (12)**	4,20,000	2,10,000	**50 (13)**

Working Notes:

1. ₹ 20,00,000 – ₹ 16,00,000 = ₹ 4,00,000
2. ₹ 4,00,000/₹ 16,00,000 × 100 = 25%
3. ₹ 8,00,000 + 25% of ₹ 8,00,000 = ₹ 10,00,000
4. ₹ 10,00,000 – ₹ 8,00,000 = ₹ 2,00,000
5. ₹ 2,00,000 – ₹ 1,00,000 = ₹ 1,00,000
6. $\dfrac{(₹\ 1,00,000)}{₹\ 2,00,000} \times 100 = (50\%)$
7. ₹ 6,00,000 + 50% of ₹ 6,00,000 = ₹ 9,00,000
8. ₹ 9,00,000 – ₹ 6,00,000 = ₹ 3,00,000
9. ₹ 6,00,000 × ₹ 30/100 = ₹ 1,80,000
10. ₹ 1,80,000 + ₹ 90,000 = ₹ 2,70,000
11. ₹ 90,000/₹ 1,80,000 × 100 = 50%
12. ₹ 4,20,000 + ₹ 2,10,000 = ₹ 6,30,000
13. ₹ 2,10,000/₹ 4,20,000 × 100 = 50%

Question 13.

(a) **Name of the Ratio:** Inventory Turnover Ratio

Calculation of Closing Inventory:

Opening Inventory – Closing Inventory = ₹ 10,000 ...(i)

Opening Inventory + Closing Inventory = ₹ 50,000 ...(ii)

Adding Eq. (i) and (ii)

$$2 \text{ Opening Inventory} = ₹\ 60,000$$

$$\text{Opening Inventory} = \frac{₹\ 60,000}{2} = ₹\ 30,000$$

$$\text{Closing Inventory} = ₹\ 50,000 - ₹\ 30,000 = ₹\ 20,000$$

$$\text{Cost of Revenue from Operations} = \text{Opening Inventory} + \text{Purchases} - \text{Closing Inventory}$$
$$= ₹\ 30,000 + ₹\ 90,000 - ₹\ 20,000 = ₹\ 1,00,000$$

Inventory Turnover Ratio

$$= \frac{\text{Cost of Revenue from Operations}}{\text{Average Inventory}\left(\dfrac{\text{Opening Inventory} + \text{Closing Inventory}}{2}\right)}$$

$$= \frac{₹\ 1,00,000}{\left(\dfrac{₹\ 30,000 + ₹\ 20,000}{2}\right)} = \textbf{4 Times}.$$

(b) **Name of the Ratio** = Working Capital Turnover Ratio

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

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

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.

(c) **Name of the Ratio** = Gross Profit Ratio

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

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

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

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

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

(d) (i) Proprietary Ratio will be *increased* because Shareholders' Funds and Total Assets both are increased.

(ii) Debt to Total Assets Ratio will be *decreased* because Debt remains unchanged but Total Assets are increased.

Question 14. CASH FLOW STATEMENT *for the year ended 31st March, 2025*

Particulars		₹	₹
A. Cash Flow from Operating Activities			
Net Profit before Tax (Given)		6,63,000	
Adjustment for Non-cash and Non-operating Items:			
Depreciation on: Machinery	1,20,000		
Building	1,00,000		
Loss on Sale of Machinery	2,000	2,22,000	
Operating Profit before Working Capital Changes		8,85,000	
Adjustments for Working Capital Changes:			
Decrease in Inventories (₹ 10,00,000 + ₹ 2,00,000 – ₹ 7,40,000)		4,60,000	
Decrease in Sundry Debtors (₹ 8,00,000 – ₹ 6,42,000)		1,58,000	
Decrease in Sundry Creditors (₹ 15,00,000 – ₹ 13,52,000)		(1,48,000)	
Cash Generated from Operating Activities		13,55,000	
Less: Tax paid		2,80,000	
Cash Flow from Operating Activities			10,75,000

B.	**Cash Flow from Investing Activities**		
	Proceeds from Sale of Machinery (WN 1)	18,000	
	Purchase of Machinery for Cash	(80,000)	
	Cash Used in Investing Activities		(62,000)
C.	**Cash Flow from Financing Activities**		
	Payment of Bank Loan	(7,00,000)	
	Payment of Interim Dividend	(2,30,000)	
	Cash Used in Investing Activities		(9,30,000)
D.	**Net Increase in Cash and Cash Equivalents (A + B + C)**		83,000
	Add: Cash and Cash Equivalents as on 31st March 2024		5,000
E.	**Cash and Cash Equivalents as on 31st March, 2025**		**88,000**

Working Notes:

1. *Dr.* MACHINERY ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Balance *b/d*	15,00,000	By Loss on Sale of Machinery	2,000
To Share Capital A/c (WN 2)	2,50,000	By Depreciation A/c	1,20,000
To Bank A/c (Purchase)	80,000	By Bank A/c (Sale)—(**Balancing Figure**)	**18,000**
		By Balance *c/d*	16,90,000
	18,30,000		18,30,000

2. *Dr.* SHARE CAPITAL ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Balance *c/d*	25,00,000	By Balance *b/d*	20,00,000
		By Stock A/c (Inventories)	2,00,000
		By Machinery A/c	2,50,000
		By Goodwill A/c (**Balancing Figure**)	**50,000**
	25,00,000		25,00,000

3. Purchase of assets of another company by issue of shares is a non-cash transaction, hence it is excluded from the Cash Flow Statement.

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 (2023–24) paid	50,000
Provision for Tax (Current Year)	2,00,000
Net Profit before Tax	**3,80,000**

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

The source is capitalisation of Securities Premium.

(c) Cash Flow from Operating Activities:

	₹
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 Sundry Creditors	12,500
Cash Flow from Operating Activities before Tax	4,22,500
Less: Tax Paid	1,50,000
Cash Flow from Operating Activities	**2,72,500**

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

(d) Cash Flow from Investing Activities:

	₹
Dividend Received	10,000
Payment for Machinery Purchased	(1,00,000)
Cash Used in Investing Activities	**(90,000)**

(e) Cash Flow from Financing Activities:

	₹
Proceeds from Issue of Shares	5,00,000
Interim Dividend Paid	(26,000)
Dividend Paid (2023–24)	(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)
Cash Flow from Financing Activities	**5,12,750**

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

(f) No effect is given to Proposed Dividend of ₹ 80,000 for the Current Year (2024–25) in the Cash Flow Statement as it is not provided for being a contingent liability.

❑❑❑❑

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) The salary due to a partner is closed by

(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. **(Understanding)** [1]

(ii) Luv and Kush are partners in a firm sharing profits in the ratio of 3 : 2. They admit Rishi as a partner for 1/4th share in profits. Following entry is passed at the time of Rishi's admission:

JOURNAL

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

New Profit-sharing ratio of Luv, Kush and Rishi will be

(a) 3 : 3 : 4. (b) 8 : 4 : 4.

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

(Understanding, Application) [1]

(iii) Godrej Ltd. issued 25,000; 9% Debentures of ₹ 100 each at a premium of 10%. Debentures are redeemable at a certain rate of premium after 4 years. After writing off Loss on Issue of Debentures, Securities Premium Account has balance of ₹ 50,000. At what rate of premium the debentures will be redeemed?

(a) 10%. (b) 8%.

(c) 7%. (d) 9%. **(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):** Capital Accounts when maintained by Fixed Capital Account Method, Capital and Current Account are maintained for every partner.

Reason (R): Fixed Capital Account Method is adopted to ensure that the balance in the Current Account of any partner is not negative at any point of time.

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) in the correct explanation for Assertion (A).

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

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

(d) Both Assertion (A) and Reason (R) are false. **(Understanding)** [1]

(vi) Geeta, Sunita and Anita were partners in a firm sharing profits in the ratio of 5 : 3 : 2. On 1st April, 2025, they admitted Yogita as a partner for 1/10th share in the profits. On Yogita's admission, Profit & Loss Account of the firm was showing a debit balance of ₹ 20,000 which was credited by the accountant of the firm to the Capital Accounts of Geeta, Sunita and Anita in their profit-sharing ratio.

Is the accounting correct? Give reason. (Application) [1]

(vii) Amount credited to a retiring partner's Capital Account is ₹ 2,01,000. He took investments at ₹ 58,000. He also took 20% of debtors. The amount transferred to his Loan Account is ₹ 1,23,000.

What is the total value of the debtors? (Analysis) [1]

(viii) At the time of the dissolution of the partnership firm of Sanjay and Mitali, its Balance Sheet showed Profit & Loss Account balance of ₹ 56,000 on the assets side of the Balance Sheet.

Give Journal entry to give effect to this item. (Understanding) [1]

(ix) *Read the following news item and answer the questions which follow:*

In a strong display of innovation, IIT Kanpur filed a total of 122 Intellectual Property Rights (IPR) applications in 2023. To date, it has 1,039 successful IPRs. The patents for inventions are from varied domains such as MedTech and Nano Technology.

(**Source (edited):** *Financial Express, 11 January, 2024*)

(a) Mention the *sub-head* under which patents would be shown in the Balance Sheet of a company prepared as per Schedule III of the Companies Act, 2013.

(b) Give *any one other* item under the same sub-head. (Understanding) [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.

Reyansh, Aayush and Sabhya were partners sharing profits in the ratio of 3 : 2 : 1. Aayush died on 31st March, 2023. Amount payable to Aayush's Executor on the date of death was determined as ₹ 3,30,000 without considering the following:

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

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

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

(ii) Prepare Aayush's Executors Account till final settlement if he was paid ₹ 60,000 on 31st March, 2023 and balance was to be paid in two equal annual instalments starting from 31st March, 2024 together with interest as specified in Section 37 of the Indian Partnership Act. **(Application)** [3]

Or

Gini, Bini and Mini are partners in a firm sharing profits and losses equally. On 31st March, 2022, Bini retired. On that date, the capital of Bini before adjustments was ₹ 1,00,000.

On Bini'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 Bini was transferred to her Loan Account. They agreed to pay Bini 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 Bini.

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

(Application) [3]

Question 3.

On 1st April, 2024, Vishesh Co. Ltd. made an issue, which was fully subscribed, of 8,000, 5% Debentures of ₹ 100 each a premium of 10% repayable at par at the end of 10 years. The debentures were allotted on 31st August, 2024, subscriptions being payable:

10% with Application;

50% (along with premium) on Allotment;

20% with First Call;

Balance on the Second and Final Call.

One debentureholder holding 200 debentures paid the First Call with Allotment.

You are required to prepare the Cash Book for the year 2024–25 to record the above issue of debentures. (Ignore interest on debentures). **(Understanding)** [3]

Or

On 1st April, 2024, Sony Ltd. took over business of Rare Earth Ltd. having assets of ₹ 25,00,000 and liabilities of ₹ 2,25,000 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 Sony Ltd. (Application) [3]

Question 4.

Alliance Ltd. (an unlisted construction company) issued ₹ 30,00,000, 9% Debentures of ₹ 100 each on 1st April, 2023. The debentures were redeemable at a premium of 5% on 30th June, 2025. The company transferred necessary amount to Debenture Redemption Reserve on 31st March, 2025 and purchase the required amount of Debenture Redemption Investments as per the provision of Companies Act, 2013.

You are required to pass necessary Journal entries starting from 31st March, 2025 regarding redemption of debentures. (Application) [3]

Question 5.

Hari and Krishan are partners sharing profit and losses equally. On 1st April, 2025, they admit Shyam as partner for 1/5 share. For this purpose, goodwill of the firm is to be valued at 3 years' purchase of last 5 years' average profit. The profits for the last five years were:

Year	2020–21	2021–22	2022–23	2023–24	2024–25
Profit/(Loss) (₹)	50,000	40,000	78,000	(25,000)	55,000

You are required to:

(i) Find the value of Goodwill of the firm after adjusting for the following:

(a) Profit of 2021–22 was calculated after charging ₹ 5,000 being abnormal loss of goods by fire.

(b) The firm had incurred ₹ 8,000 on normal repair of machinery on 1st April, 2022 but it was wrongly debited to Machinery Account. Depreciation was charged @ 10% p.a. on Straight Line Method.

(c) On 1st April, 2024, the firm had purchased furniture of ₹ 20,000 and it was debited to office expenses. Depreciation is to be charged on furniture @ 10% p.a. on Straight Line Method.

(ii) Pass Journal entries for the treatment of goodwill on Shyam's admission into firm, if he brings 50% of his share of goodwill in cash. (Application) [3]

Question 6.

Sun Light Ltd. provides the following information for the year ended 31st March, 2025:

(₹ in '000)

Sundry Creditors	40
Bills Payable	20
Bank Overdraft	10
Unpaid/Unclaimed Dividend	2
Outstanding Expenses	4
Calls-in-Advance	2
Interest accrued on Borrowings	24
Current maturities of 9% Debentures	40
Provision for Tax	240

(₹ in '000)

Particulars	Cost	Provision for Depreciation/Amortisation
Building	400	20
Plant and Equipment	200	40
Vehicles	50	10
Furniture and Fixtures	60	6
Brands	200	20
Computer Software	90	54

You are required to prepare the relevant Note to Account accompanying the Balance Sheet of Sunrise Ltd. as at 31st March, 2025. **(Application)** [6]

Question 7.

Krish, Vrish and Peter are partners sharing profits in the ratio of 3 : 2 : 1. Vrish retired from the firm on 31st March, 2025. On that date, Balance Sheet of the firm was as follows:

Liabilities		₹	Assets		₹
Sundry Creditors		29,200	Bank		7,600
Provision for Legal Damages		6,000	Furniture		41,000
General Reserve		12,000	Stock		9,000
Capital A/cs:			Premises		80,000
Krish	46,000		Sundry Debtors	6,000	
Vrish	30,000		*Less:* Provision for Doubtful Debts	400	5,600
Peter	20,000	96,000			
		1,43,200			1,43,200

Additional Information:

(a) Premises have appreciated by 20%, stock depreciated by 10% and Provision for Doubtful Debts was to be made 5% on debtors. Further, provision for legal damages is to be made of ₹ 1,200 and furniture to be brought up to ₹ 45,000.

(b) Goodwill of the firm be valued at ₹ 42,000.

(c) ₹ 26,000 from Vrish's Capital Account be transferred to his Loan Account and balance be paid through bank: if required, necessary loan may be taken from bank.

(d) New profit-sharing ratio of Krish and Peter is to be 5 : 1.

You are required to:

(i) Prepare Revaluation Account, and

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

Or

Pooja, Qureshi and Rose were partners in a firm sharing profits in the ratio of 5 : 3 : 2. Pooja died on 20th May, 2025. The Balance Sheet of the firm on that date was as follows:

Liabilities		₹	Assets	₹
Creditors		19,000	Machinery	41,000
General Reserve		20,000	Furniture	6,000
Loan from Pooja		7,000	Stock	9,000
Capital A/cs:			Debtors	15,000
Pooja	12,000		Cash	13,000
Qureshi	16,000			
Rose	10,000	38,000		
		84,000		84,000

According to the Partnership Deed, the deceased partner will be entitled to:

(i) Balance in Capital Account.

(ii) His/Her share in profit/loss on revaluation of assets and reassessment of liabilities which were as follows:

(a) Machinery is revalued at ₹ 45,000 and furniture at ₹ 7,000.

(b) A provision of 10% was to be made for Doubtful Debts.

(iii) Net amount payable to the deceased partner's executors was to be paid later.

You are required to prepare:

(a) Revaluation Account. **(Application)** [1]

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

(c) Pooja's Executor's Account. **(Application)** [1]

(d) Balance Sheet of Qureshi and Rose who will continue the firm having their capital balances in profit-sharing ratio. Surplus or deficit was to be transferrd to their respective Current Accounts. **(Application)** [2]

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, 2025, 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 to the firm.

(c) Firm had an unrecorded asset valued at ₹ 10,000 which was given against unrecorded liability of ₹ 14,000 in settlement.

(d) The dissolution realised 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 on dissolution. **(Application)** [6]

Question 9.

Jay, Vijay and Karan were partners of an architect firm sharing profits in the ratio of 2 : 2 : 1. Their partnership deed provided for the following:

(i) A monthly salary of ₹ 15,000 each to Jay and Vijay.

(ii) Karan was guaranteed a profit of ₹ 5,00,000 and Jay guaranteed that he will earn an annual fee of ₹ 2,00,000. Any deficiency arising because of guarantee to Karan will be borne by Jay and Vijay in the ratio of 3 : 2.

During the year ended 31st March, 2025, Jay earned fee of ₹ 1,75,000 and the profits of the firm amounted to ₹ 15,00,000.

You are required to:

(a) Prepare Profit & Loss Appropriation Account for the year ended 31st March, 2025. **(Application)** [5]

(b) Partners' Capital Accounts. **(Understanding)** [3]

(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 allowed @ 10% p.a.

For the year ended 31st March, 2025, the firm earned net profit of ₹ 1,44,000.

You are required to calculate interest on capital allowed to the partners in the year 2024–25. **(Application)** [2]

Or

David, Garry and Zenith are partners sharing profits and losses in the ratio of 1 : 2 : 2. On 31st March, 2024, their books showed following balances:

Partner	Capital Account	Current Account	Loan from Partner
David	₹ 5,00,000	₹ 2,50,000 (Cr.)	
Garry	₹ 10,00,000	₹ 1,25,000 (Dr.)	₹ 3,75,000
Zenith	₹ 15,00,000	₹ 3,75,000 (Cr.)	

On 1st April, 2024, they decided to adopt the *fluctuating* capital method of accounting, thereby transferring the current account balances to their capital accounts.

The Partnership Deed provided for the following:

- Partners are entitled to interest on capital @ 10% per annum.
- A monthly salary of ₹ 20,000, ₹ 15,000 and ₹ 10,000 to be allowed to David, Garry and Zenith.
- Interest on Loan taken from a partner to be allowed @ 10% per annum. Additional loan was taken from Garry on 1st October, 2024 amounting ₹ 1,25,000.

During the year ending 31st March, 2025, the firm earned a net profit of ₹ 12,50,000 before allowing interest on Garry's Loan.

For the year ending 31st March, 2025, you are required to:

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

(ii) **Prepare adjusting entry for Interest on Loan from Garry.** **(Application)** [1]

(iii) **Prepare Garry's Loan Account.** **(Application)** [2]

(iv) **Pass Journal entries for transferring the current account balances of partners to their capital accounts.** **(Application)** [1]

Question 10.

Libra 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 applications 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 maximum permissible discount as fully paid-up and 400 shares as ₹ 8 paid-up for ₹ 9 per share.

You are required to:

(A) Pass Journal entries in the books of the company to record the above transactions. **(Application)** [9]

(B) Prepare Forfeited Shares Account. **(Understanding)** [1]

Or

(A) Following is an extract from the Journal of Avtar Ltd.:

You are required to complete the Journal entries filling-up the information represented by '?' which is missing from these Journal entries and also prepare the Share Forfeiture Account.

JOURNAL OF AVTAR 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 600 shares allotted to Vinay who had applied for 1,500 shares for non-payment of call money)				
	Bank A/c	...Dr.		?	
	Share Forfeiture A/c	...Dr.		?	
	To Share Capital A/c				?
	(Being 400 forfeited shares reissued as fully paid-up for ₹ 9 per share)				
	Share Forfeiture A/c	...Dr.		?	
	To Capital Reserve A/c				?
	(Being the gain on reissued shares transferred to Capital Reserve)				
	Bank A/c	...Dr.		?	
	To Share Capital A/c				?
	To Securities Premium A/c				?
	(Being 100 shares reissued as fully paid-up for ₹ 11 per share)				
	Share Forfeiture A/c	...Dr.		?	
	To Capital Reserve A/c				?
	(Being the transfer of gain on reissue)				

Additional Information:

Avtar Ltd. forfeited 600 shares of ₹ 10 each issued at a premium of 30% to Vinay who had applied for 1,500 and paid application money of ₹ 5 (including ₹ 1 premium) for non-payment of first and final call money of ₹ 3 (including ₹ 1 premium). These forfeited shares were reissued at different intervals of time. **(Application)** [8]

(B) Rajan Ltd. invited applications for 4,00,000 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 and Final Call	—	₹ 2 (1st August).

Applications were received for 3,90,000 shares and allotment was made. Amit, a shareholder, holding 8,000 shares paid the balance amount on his shares with allotment money and Akhil, another shareholder holding 12,000 shares did not pay the allotment and first call money but paid it 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) Red Health, an ambulance aggregator has paid its employees only half their January salaries. The company has gone in for funding. In response to queries from *Mint*, Red Health's founder and CEO said, "Our funding round is closed and we are waiting money to be wired by this week. On the basis of that, and to manage our working capital, we had given a choice to our old employees to hold their salaries back."

(**Source (edited):** *Mint, 14 February, 2024*)

The original Current Ratio and Quick Ratio of Red Health are *more than one.*

Which one of the following will be correct for the month of January, 2024 if the company had held back the salaries of all its employees?

(a) Both Current Ratio and Quick Ratio will decrease.

(b) Both Current Ratio and Quick Ratio will increase.

(c) No change in Current Ratio and Quick Ratio.

(d) No change in the Current Ratio but the Quick Ratio will increase.

(Application) [1]

(ii) A company issued 20,000; 9% Debentures of ₹ 100 each at 10% Discount. These debentures were to be redeemed at 15% Premium at the end of 5 years. The balance in Securities Premium Account as on 31st March (Year end) was ₹ 3,70,000 and ₹ 1,00,000 in Capital Reserve Account. How this transaction will be shown in Cash Flow Statement?

(a) Added ₹ 1,30,000 under Operating Activities as Loss on Issue of Debentures written off and Inflow of ₹ 20,00,000 under Financing Activities.

(b) Added ₹ 5,00,000 under Operating Activities as Loss on Issue of Debentures written off and Inflow of ₹ 18,00,000 under Financing Activities.

(c) Added ₹ 1,30,000 under Operating Activities as Loss on Issue of Debentures written off and Inflow of ₹ 18,00,000 under Financing Activities.

(d) Added ₹ 5,00,000 under Operating Activities as Loss on Issue of Debentures written off and Inflow of ₹ 20,00,000 under Financing Activities. **(Application)** [1]

(iii) State one transaction involving an increase in Current Ratio and no change in Working Capital if Current Ratio is 2 : 1. **(Analysis)** [1]

(iv) The accountant of Smart Ltd. preparing Cash Flow Statement, added depreciation provided on fixed assets to Net Profit for calculating Cash Flow from Operating Activities.

Was he correct in doing so? Give reason. **(Analysis)** [1]

(v) **Oriental Aromatics Ltd.**

Public Notice – 51st ANNUAL GENERAL MEETING

Dividend and Book Closure

Members may note that the Board of Directors at its meeting held on May 30, 2023 has recommended a dividend of ₹ 0.5 per equity share (10%) of ₹ 5 each. The dividend, if declared at the AGM, will be paid, subject to deduction of Tax at Source (TDS), on or after Tuesday, August 22, 2023. (**Source:** *Financial Express, 05 July, 2023*)

State the treatment of this dividend in the Cash Flow Statement of Oriental Aromatics Ltd. for the year 2023–24, if the recommendation of the Board of Directors is approved by the shareholders. **(Analysis)** [1]

Question 12.

Following are the particulars of Richmond Ltd.:

Particulars	31st March, 2025 (₹)	31st March, 2024 (₹)
Revenue from Operations	5,00,000	4,00,000
Purchases of Stock-in-Trade	3,00,000	3,60,000
Opening inventory of Stock-in-Trade	1,40,000	1,00,000
Adjusted purchases of Stock-in-Trade	4,10,000	3,20,000

You are required to calculate the *absolute change* and *percentage change* of the following items at the end of the year 2024–25 *vis-a-vis* the closing amounts of the year 2023–24.

(i) **Revenue from Operations.**

(ii) **Purchases of Stock-in-Trade.**

(iii) **Closing inventory of Stock-in-Trade.** **(Analysis)** [3]

Question 13.

Answer *any three* of the following questions:

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

Particulars	
Revenue from Operations	₹ 20,00,000
Gross Profit	25%
Salary	₹ 75,000
Rent	₹ 12,000
Loss on Sale of Machinery	₹ 18,000
Depreciation	₹ 85,000
Interest on borrowing	₹ 10,000

(Application) [2]

(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) [2]

(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)** [2]

(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). **(Application)** [2]

Question 14.

Following is the Balance Sheet of Sreshtha Ltd. as at 31st March, 2025:

Sreshtha Ltd.
BALANCE SHEET *as at 31st March, 2025*

Particulars	Note No.	31st March, 2025 (₹)	31st March, 2024 (₹)
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(a) Share Capital (Equity Shares @ ₹ 100 each)		14,00,000	10,00,000
(b) Reserves and Surplus		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			
Cash and Bank Balances (Cash at Bank)		8,45,000	5,60,000
Total		25,85,000	16,60,000

Note to Accounts

Particulars	31st March, 2025 (₹)	31st March, 2024 (₹)
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) Fresh Debentures were issued at par on 1st July, 2024 against purchase of machinery.

(iv) Proposed Dividend for the year ended 31st March, 2024 and 2025 were ₹ 2,00,000 and ₹ 3,00,000 respectively.

You are required to Calculate:

(a) Cash Flow from Operating Activities. [2]

(b) Cash Flow from Investing Activities. [2]

(c) Cash Flow from Financing Activities. [1]

(d) Net increase in Cash and Cash Equivalents (Cash at Bank) (Application) [1]

Or

Following is the Balance Sheet of Sunstar Ltd. prepared as at 31st March, 2025:

Sunstar Ltd.

BALANCE SHEET *as at 31st March, 2025 and 31st March, 2024*

Particulars	Note No.	31st March, 2025 (₹)	31st March, 2024 (₹)
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 & 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			
(a) *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
(b) 10% Non-current Investments		1,60,000	60,000
2. Current Assets			
(a) Inventories		18,75,000	12,50,000
(b) Cash and Bank Balances (Cash at Bank)		1,15,000	1,40,000
Total		65,00,000	42,00,000

Notes to Accounts

Particulars	31st March, 2025 (₹)	31st March, 2024 (₹)
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.

(iv) At the end of the year, Non-current Investments costing ₹ 40,000 were sold at a profit of 25%.

You are required to Calculate:

(a) Cash Flow from Operating Activities. [2]

(b) Cash Flow from Investing Activities. [3]

(c) Cash Flow from Financing Activities. **(Application)** [1]

ANSWERS

SECTION A

Question 1.

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

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

Working Note:

Sacrificing Ratio of Luv and Kush = 10,000 : 5,000 or 2 : 1

$$\text{Profit Share taken by Rishi from Luv} = \frac{1}{4} \times \frac{2}{3} = \frac{2}{12}$$

$$\text{Profit Share taken by Rishi from Kush} = \frac{1}{4} \times \frac{1}{3} = \frac{1}{12}$$

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

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

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

$$\text{New Profit-sharing Ratio of Luv, Kush and Rishi} = \frac{26}{60} : \frac{19}{60} : \frac{1}{4} = \mathbf{26 : 19 : 15}.$$

(iii) (b) 8%.

Working Note:

(a) Premium on Issue of Debentures = 25,000 × ₹ 10 = ₹ 2,50,000

(b) Balance of Securities Premium Account after writing off Loss on Issue of Debentures = ₹ 50,000

(c) Loss on Issue of Debentures written off (a – b) = ₹ 2,50,000 – ₹ 50,000 = ₹ 2,00,000

$$\text{Rate of Premium on Redemption of Debentures} = \frac{₹\,2,00,000}{₹\,25,00,000} \times 100 = \mathbf{8\%}.$$

(iv) (b) ₹ 9,000.

Note: Reissue price cannot be *less* than the amount unpaid on forfeited shares, therefore, the company should collect (3,000 × ₹ 3) ₹ 9,000.

(v) (c) Assertion (A) is true and Reason (R) is false.

(vi) No, it is not correct because debit balance in Profit & Loss Account of the firm should have been transferred to the debit of Partners' Capital Accounts.

(vii)

Balance of Capital Account		₹ 2,01,000
Less: Investment taken	₹ 58,000	
Transferred to Loan	₹ 1,23,000	₹ 1,81,000
Debtors taken		₹ 20,000

$$\text{Total value of debtors} = ₹\,20,000 \times \frac{100}{20} = ₹\,\mathbf{1,00,000}.$$

(viii) JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Sanjay's Capital A/c	...Dr.		28,000	
	Mitali's Capital A/c	...Dr.		28,000	
	To Profit & Loss A/c				56,000
	(Being the loss transferred to Partners' Capital Accounts)				

(ix) (a) Property, Plant and Equipment and Intangible Assets—Intangible Assets.

(b) Computer Software and Mining Rights.

(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 Aayush	₹ 50,000
Less: Unrecorded liabilities assumed by executors of Aayush	₹ 5,000
	₹ 45,000
Less: Aayush's share of unrecorded assets and liabilities (₹ 45,000 × 2/6)	₹ 15,000
Net amount to be deducted from the amount due to Aayush	₹ 30,000

Therefore, amount due to Aayush's Executors = ₹ 3,30,000 – ₹ 30,000 = ₹ 3,00,000.

(ii)

Dr. AAYUSH'S EXECUTOR'S ACCOUNT *Cr.*

Date	Particulars	₹	Date	Particulars	₹
2023			2023		
March 31	To Bank A/c	60,000	March 31	By Aayush's Capital A/c	3,00,000
March 31	To Balance *c/d*	2,40,000			
		3,00,000			3,00,000
2024			2023		
March 31	To Bank A/c (₹ 1,20,000 + ₹ 14,400)	1,34,400	April 1	By Balance *b/d*	2,40,000
			2024		
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
2025			2024		
March 31	To Bank A/c (₹ 1,20,000 + ₹ 7,200)	1,27,200	April 1	By Balance *b/d*	1,20,000
			2025		
			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 Bini, which is transferred to her 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 Bini's Loan Account	1,50,000

(ii) *Dr.* BINI'S LOAN ACCOUNT *Cr.*

Date	Particulars	₹	Date	Particulars	₹
2022			2022		
March 31	To Balance *c/d*	1,50,000	March 31	By Bini's Capital A/c	1,50,000
2023			2022		
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	2023		
			March 31	By Interest A/c (₹ 1,50,000 × 10/100)	15,000
		1,65,000			1,65,000
2024			2023		
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	2024		
			March 31	By Interest A/c (₹ 90,000 × 10/100)	9,000
		99,000			99,000
2025			2024		
March 31	To Bank A/c (₹ 24,000 + ₹ 2,400)	26,400	April 1	By Balance *b/d*	24,000
			2025		
			March 31	By Interest A/c (₹ 24,000 × 10/100)	2,400
		26,400			26,400

Question 3.

Dr. CASH BOOK *Cr.*

Date	Particulars	₹	Date	Particulars	₹
2024			2025		
April 1	To Debentures Application A/c	80,000	March 31	By Balance *c/d*	8,80,000
Aug. 31	To Debentures Allotment A/c (8,000 × ₹ 40)	3,20,000			
Aug. 31	To Securities Premium A/c (8,000 × ₹ 10)	80,000			
Aug. 31	To Calls-in-Advance A/c (200 × ₹ 20)	4,000			
Aug. 31	To Debentures First Call A/c (7,800 × ₹ 20)	1,56,000			
Aug. 31	To Debentures Second and Final Call A/c (8,000 × ₹ 30)	2,40,000			
		8,80,000			8,80,000

Or

JOURNAL OF SONY LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2024				
April 1	Sundry Assets A/c ...Dr.		25,00,000	
	To Sundry Liabilities A/c			2,25,000
	To Capital Reserve A/c (Balancing Figure)			**50,000**
	To Rare Earth Ltd. (WN)			22,25,000
	(Being the Assets and liabilities taken over from Rare Earth Ltd.)			
	Rare Earth 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)			
2025				
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

Note: As per the Revised Syllabus, 2026, Capital Loss is written off first from Securities Premium then from Statement of Profit & Loss and lastly from Capital Reserve. Hence, Loss on Issue of Debentures is written off from Securities Premium (₹ 1,00,000) and balance from Statement of Profit & Loss.

Question 4.

JOURNAL OF ALLIANCE LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2025				
March 31	Surplus, *i.e.*, Balance in Statement of Profit & Loss A/c ...Dr.		3,00,000	
	To Debenture Redemption Reserve A/c (10% of ₹ 30,00,000)			3,00,000
	(Being the transfer of profit to Debenture Redemption Reserve)			
April 1	Debenture Redemption Investment A/c (15% of ₹ 30,00,000) ...Dr.		4,50,000	
	To Bank A/c			4,50,000
	(Being the investment made)			
June 30	Bank A/c ...Dr.		4,50,000	
	To Debenture Redemption Investment A/c			4,50,000
	(Being the investment encashed)			

June	30	9% Debentures A/c ...Dr.		30,00,000	
		Premium on Redemption of Debentures A/c ...Dr.		1,50,000	
		To Debentureholders' A/c			31,50,000
		(Being the amount due to debentureholders)			
June	30	Debentureholders' A/c ...Dr.		31,50,000	
		To Bank A/c			31,50,000
		(Being the payment made to debentureholders)			
June	30	Debenture Redemption Reserve ...Dr.		3,00,000	
		To General Reserve A/c			3,00,000
		(Being the transfer of Debenture Redemption Reserve to General Reserve after redemption of debentures)			

Question 5.

(i) Goodwill = Average Profit × Number of Years' Purchase

Total Profit = ₹ 50,000 + ₹ 45,000 (WN 1) + ₹ 70,800 (WN 2) – ₹ 24,200 (WN 3) + ₹ 73,800 (WN 4) = ₹ 2,15,400

$$\text{Average Profit} = \frac{\text{Total Profit}}{\text{Number of Years}} = ₹\ 2,15,400/5 = ₹\ 43,080$$

Goodwill = ₹ 42,760 × 3 = ₹ **1,29,240**.

Working Notes:

1. Abnormal loss of fire of ₹ 5,000 will be added in profit of 2021–22 to arrive at normal profit.
2. Expenses on normal repairs should have been debited to Profit & Loss Account. However, the expenses were capitalised and included in the value of machinery. Thus, ₹ 8,000 will be subtracted from the profits of 2022–23. Depreciation of ₹ 800 (₹ 8,000 × 10%) will be added. Thus, profit for the year is ₹ 78,000 – ₹ 8,000 + ₹ 800, *i.e.*, ₹ 70,800.
3. Adjusted loss of 2023–24 = – ₹ 25,000 + ₹ 800 (Depreciation) = – ₹ 24,200.
4. Capital Expenditure (Purchase of furniture) was wrongly charged as an expense. It will be added back in the profits of 2024–25. Depreciation of ₹ 2,000 (₹ 20,000 × 10/100) will be subtracted from the profits of 2024–25.

   ₹ 800 being depreciation on machine purchased in 2022–23 will be added.

   Revised profits of 2024–25 = ₹ 55,000 + ₹ 20,000 – ₹ 2,000 + ₹ 800 (Depreciation) = ₹ 73,800.

(ii) JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c ...Dr.		12,924	
	To Premium for Goodwill A/c (1,29,240 × 1/5) × 50/100			12,924
	(Being the amount brought by Shyam for 50% of his share of goodwill)			
	Premium for Goodwill A/c ...Dr.		12,924	
	Shyam's Current A/c ...Dr.		12,924	
	To Hari's Capital A/c			12,924
	To Krishan's Capital A/c			12,924
	(Being the goodwill adjusted on Shyam's admission)			

Question 6.

Notes to Accounts

Particulars			(₹ in '000)
1. Short-term Borrowings			
Current Maturity of 9% Debentures			40
Bank Overdraft			10
			50
2. Trade Payables			
Sundry Creditors			40
Bills Payables			20
			60
3. Other Current Liabilities			
Unpaid/Unclaimed Dividend			2
Outstanding Expenses			4
Calls-in-Advance			2
Interest Accrued on Borrowings			24
			32
4. Short-term Provisions			
Provision for Tax			240
5. Property, Plant and Equipment	Cost (₹)	Provision for Depreciation	Closing Written Down Value
Building	400	20	380
Plant and Equipment	200	40	160
Vehicles	50	10	40
Furniture and Fixture	60	6	54
	710	76	634
6. Intangible Assets			
Brands	200	20	180
Computer Software	90	54	36
	290	74	216

Question 7.

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

Particulars		₹	Particulars	₹
To Stock A/c		900	By Premises A/c	16,000
To Provision for Legal Damages A/c		1,200	By Provision for Doubtful Debts A/c	100
To Krish's Capital A/c (Gain)	9,000		By Furniture A/c	4,000
To Vrish's Capital A/c (Gain)	6,000			
To Peter's Capital A/c (Gain)	3,000	18,000		
		20,100		20,100

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

Particulars	Krish (₹)	Vrish (₹)	Peter (₹)	Particulars	Krish (₹)	Vrish (₹)	Peter (₹)
To Vrish's Capital A/c (WN 1 and 2)	14,000	...	...	By Balance *b/d*	46,000	30,000	20,000
				By General Reserve	6,000	4,000	2,000
To Vrish's Loan A/c	...	26,000	...	By Revaluation A/c (Gain)	9,000	6,000	3,000
To Bank A/c (WN 3)	...	28,000	...	By Krish's Capital A/c (WN 1 and 2)	...	14,000	...
To Balance *c/d*	47,000	...	25,000				
	61,000	54,000	25,000		61,000	54,000	25,000

Working Notes:

1. *Calculation of Gaining Ratio:*

   Krish's Gain $= \frac{5}{6} - \frac{3}{6} = \frac{2}{6}$; Peter's Gain $= \frac{1}{6} - \frac{1}{6} = 0$

   Zero indicates that Peter has not gained any additional share on Vrish's retirement.

2. As Krish is the only gaining partners, he will compensate the retiring partner (Vrish). Vrish's share of goodwill = ₹ 42,000 × 2/6 = ₹ 14,000.

3. Determination of amount of Bank Loan:

Dr. BANK ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Balance *b/d*	7,600	By Vrish' Capital A/c	28,000
To Bank Loan A/c (Balancing Figure)	**20,400**		
	28,000		28,000

Or

(a) *Dr.* REVALUATION ACCOUNT *Cr.*

Particulars		₹	Particulars	₹
To Provision for Doubtful Debts A/c		1,500	By Machinery A/c	4,000
To Pooja's Capital A/c (Gain)	1,750		By Furniture A/c	1,000
To Qureshi's Capital A/c (Gain)	1,050			
To Rose's Capital A/c (Gain)	700	3,500		
		5,000		5,000

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

Particulars	Pooja ₹	Qureshi ₹	Rose ₹	Particulars	Pooja ₹	Qureshi ₹	Rose ₹
To Pooja's Executors' A/c (Balancing Figure)	**30,750**	...	...	By Balance *b/d*	12,000	16,000	10,000
				By General Reserve	10,000	6,000	4,000
To Qureshi's Current A/c (WN 2)	...	**400**	...	By Pooja's Loan A/c	7,000	...	...
				By Revaluation A/c (Gain)	1,750	1,050	700
To Balance *c/d* (WN 1)	...	22,650	15,100	By Rose's Current A/c (WN 2)	...	...	**400**
	30,750	23,050	15,100		30,750	23,050	15,100

(c) *Dr.* POOJA'S EXECUTORS' ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Pooja's Executors' Loan A/c	30,750	By Pooja's Capital A/c	30,750
	30,750		30,750

(d) BALANCE SHEET OF QURESHI AND ROSE *as at 20th May, 2025*

Liabilities		₹	Assets		₹
Creditors		19,000	Machinery		45,000
Qureshi's Current A/c		400	Furniture		7,000
Pooja's Executor's Loan A/c		30,750	Stock		9,000
Capital A/cs:			Debtors	15,000	
Qureshi	22,650		*Less:* Provision for Doubtful Debts	1,500	13,500
Rose	15,100	37,750	Cash		13,000
			Rose's Current A/c		400
		87,900			87,900

Working Notes:

1. *Calculation of total capital of new firm after Pooja's Death:*

Particulars	₹
(a) Adjusted old capital of Qureshi (₹ 16,000 + ₹ 6,000 + ₹ 1,050)	23,050
(b) Adjusted old capital of Rose (₹ 10,000 + ₹ 4,000 + ₹ 700)	14,700
Total capital of new firm (a) + (b)	37,750

2. *Calculation of Current Account balance:*

Particulars	Qureshi (₹)	Rose (₹)
(a) New capital (₹ 37,750 in the ratio of 3 : 2)	22,650	15,100
(b) Adjusted old capital	23,050	14,700
(c) Current A/c balance [(a) – (b)]	400 (Cr.)	400 (Dr.)

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.

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) (Bal. Fig.)	**1,74,000**	**1,38,500**	By General Reserve A/c	33,000	22,000
			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) PROFIT & LOSS APPROPRIATION ACCOUNT

Dr. *for the year ended 31st March, 2025* *Cr.*

Particulars		₹	Particulars	₹
To Salary A/c:			By Profit & Loss A/c (Net Profit)	15,00,000
Jay's Capital A/c (₹ 15,000 × 12)	1,80,000		By Jay's Capital A/c (₹ 2,00,000 – ₹ 1,75,000) (Deficiency in earning guaranteed fees)	25,000
Vijay's Capital A/c (₹ 15,000 × 12)	1,80,000	3,60,000		
To Profit transferred to:				
Jay's Capital A/c	4,66,000			
Less: Deficiency in Karan's share	1,60,200	3,05,800		
Vijay's Capital A/c	4,66,000			
Less: Deficiency in Karan's share	1,06,800	3,59,200		
Karan's Capital A/c	2,33,000			
Add: Deficiency met by Jay	1,60,200			
Add: Deficiency met by Vijay	1,06,800	5,00,000		
		15,25,000		15,25,000

Dr. PARTNERS' CAPITAL ACCOUNTS Cr.

Particulars	Jay ₹	Vijay ₹	Karan ₹	Particulars	Jay ₹	Vijay ₹	Karan ₹
To Profit & Loss App. A/c (Deficiency)	25,000	...	...	By Salary A/c	1,80,000	1,80,000	...
				By Profit & Loss App. A/c (Profit)	3,05,800	3,59,200	5,00,000
To Balance *c/d*	4,60,800	5,39,200	5,00,000				
	4,85,800	5,39,200	5,00,000		4,85,800	5,39,200	5,00,000

Working Note:

Computation of divisible profit and its distribution among the partners:

Profit to be distributed = ₹ 15,00,000 – ₹ 3,60,000 + ₹ 25,000 = ₹ 11,65,000

Jay's share of Profit = ₹ 11,65,000 × $\frac{2}{5}$ = ₹ 4,66,000

Vijay's share of Profit = ₹ 11,65,000 × $\frac{2}{5}$ = ₹ 4,66,000

Karan's share of Profit = ₹ 11,65,000 × $\frac{1}{5}$ = ₹ 2,33,000

Karan's Deficiency = Guaranteed Profit – Karan's share of Profit
= ₹ 5,00,000 – ₹ 2,33,000
= ₹ 2,67,000 which is to be borne by Jay and Vijay in the ratio of 3 : 2

Deficiency to be borne by Jay = ₹ 2,67,000 × $\frac{3}{5}$ = ₹ 1,60,200;

Deficiency to be borne by Vijay = ₹ 2,67,000 × $\frac{2}{5}$ = ₹ 1,06,800.

(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. 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 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

(i)

Dr. PARTNERS' CAPITAL ACCOUNTS *Cr.*

Particulars	David ₹	Garry ₹	Zenith ₹	Particulars	David ₹	Garry ₹	Zenith ₹
To Garry's Current A/c	...	1,25,000	...	By Balance *b/d*	5,00,000	10,00,000	15,00,000
To Balance *c/d*	11,28,250	12,69,000	23,09,000	By David's Current A/c	2,50,000	...	...
				By Zenith's Current A/c	...	...	3,75,000
				By Interest on Capital A/c (WN 1)	75,000	87,500	1,87,500
				By Salary A/c	2,40,000	1,80,000	1,20,000
				By Profit & Loss App. A/c (Profit) (WN 3)	63,250	1,26,500	1,26,500
	11,28,250	13,94,000	23,09,000		11,28,250	13,94,000	23,09,000

Working Notes:

1. *Interest on Capital:* ₹

	₹
David = $\frac{10}{100}$ (₹ 5,00,000 + ₹ 2,50,000)	75,000
Garry = $\frac{10}{100}$ (₹ 10,00,000 – ₹ 1,25,000)	87,500
Zenith = $\frac{10}{100}$ (₹ 15,00,000 + ₹ 3,75,000)	1,87,500
Total	3,50,000

2. Interest on Garry's Loan $= \left(₹\,3,75,000 \times \frac{10}{100}\right) + \left(₹\,1,25,000 \times \frac{10}{100} \times 6/12\right)$

$= ₹\ 37,500 + ₹\ 6,250 = ₹\ 43,750.$

3. Divisible Profit = ₹ 12,50,000 – ₹ 3,50,000 (Interest on Capital) – ₹ 5,40,000 (Salary) – ₹ 43,750 (Interest on Loan)

= ₹ 3,16,250

David's Share = ₹ 3,16,250 × 1/5 = ₹ 63,250;

Garry's Share = ₹ 3,16,250 × 2/5 = ₹ 1,26,500;

Zenith's Share = ₹ 3,16,250 × 2/5 = ₹ 1,26,500.

(ii)

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Interest on Loan A/c ...Dr.		43,750	
	To Garry's Loan A/c			43,750
	(Being adjusting entry to provide for Interest on Loan)			

(iii) *Dr.* GARRY'S LOAN ACCOUNT *Cr.*

Date	Particulars	₹	Date	Particulars	₹
2025			2024		
March 31	To Balance *c/d*	5,43,750	April 1	By Balance *b/d*	3,75,000
			Oct. 1	By Bank A/c	1,25,000
			2025		
			March 31	By Interest on Loan A/c	43,750
		5,43,750			5,43,750

(iv) JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2024				
April 1	Garry's Capital A/c ...Dr.		1,25,000	
	To Garry's Current A/c			1,25,000
	(Being Current A/c balance transferred to Capital A/c of Partner)			
April 1	David's Current A/c ...Dr.		2,50,000	
	Zenith's Current A/c ...Dr.		3,75,000	
	To David's Capital A/c			2,50,000
	To Zenith's Capital A/c			3,75,000
	(Being Current A/c balances transferred to Capital A/cs of Partners)			

Question 10.

(A) JOURNAL OF LIBRA LTD.

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 (600 × ₹ 3) ...Dr.		1,800	
	Forfeited Shares A/c (600 × ₹ 7) ...Dr.		4,200	
	To Share Capital A/c			6,000
	(Being the forfeited shares reissued)			
	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 of 400 shares transferred to Capital Reserve)			

Working Notes:

1. Total No. of Shares allotted to Simba = $1{,}500 \times \frac{20{,}000}{30{,}000}$ = 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. *Maximum permissible discount on reissue of forfeited shares will be the amount credited to Forfeited Shares Account*. It means, reissue price should be at least the amount not received by the company on such forfeited shares. *In the given case:*

   Maximum permissible discount on 600 shares = $\frac{₹\ 7,000}{1,000} \times 600 = ₹\ 4,200$.

(B) *Dr.* FORFEITED SHARES ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Share Capital A/c	4,200	By Share Capital A/c	7,000
To Capital Reserve A/c	2,800		
	7,000		7,000

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, Forfeited Shares Account does not have balance.

Or

(A) JOURNAL OF AVTAR LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c (600 × ₹ 10) ...Dr.		**6,000**	
	Securities Premium A/c (1,800 – ₹ 1,500) (WN 1) ...Dr.		**300**	
	To Share Forfeiture A/c			**6,000**
	To Calls-in-Arrears A/c			**300**
	(Being the forfeiture of 600 shares allotted to Vinay who had applied for 1,500 shares for non-payment of allotment and first call (WN 1 and 2))			
	Bank A/c (400 × ₹ 9) ...Dr.		**3,600**	
	Share Forfeiture A/c (400 × ₹ 1) ...Dr.		**400**	
	To Share Capital A/c (400 × ₹ 10)			**4,000**
	(Being 400 forfeited shares reissued as fully paid-up for ₹ 9 per share)			
	Share Forfeiture A/c [(₹ 6,000 × 400/600) – ₹ 400] ...Dr.		**3,600**	
	To Capital Reserve A/c			**3,600**
	(Being the gain on reissued shares transferred to Capital Reserve)			
	Bank A/c (100 × ₹ 11) ...Dr.		**1,100**	
	To Share Capital A/c (100 × ₹ 10)			**1,000**
	To Securities Premium A/c (100 × ₹ 1)			**100**
	(Being 100 shares reissued as fully paid-up for ₹ 11 per share)			
	Share Forfeiture A/c (₹ 6,000 × 100/600) ...Dr.		**1,000**	
	To Capital Reserve A/c			**1,000**
	(Being the transfer of gain on reissue)			

Working Notes:

1. *Calculation of call money due but not received:*

	₹
Application Money received from Vinay (1,500 × ₹ 5)	7,500
Less: Application and Allotment money adjusted (600 × ₹ 10*)	6,000
Excess Application Money adjusted on call	1,500
Call Money due (600 × ₹ 3)	1,800
Less: Excess Application Money adjusted	1,500
Amount due but not received on call towards Securities Premium	300

*₹ 4 + 1 (Application Money) + ₹ 4 + ₹ 1 (Allotment Money).

2. *Dr.* SHARE FORFEITURE ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Share Capital A/c	400	By Share Capital A/c	6,000
To Capital Reserve A/c	3,600		
To Capital Reserve A/c	1,000		
To Balance *c/d*	**1,000**		
	6,000		6,000

(B) Calculation of Interest received on Calls-in-Arrears:

	₹
On ₹ 48,000 (*i.e.*, 12,000 × ₹ 4) for 4 months @ 10%	1,600
On ₹ 36,000 (*i.e.*, 12,000 × ₹ 3) for 2 months @ 10%	600
Total	2,200

Calculation of Interest paid on Calls-in-Advance:

	₹
On ₹ 24,000 (*i.e.*, 8,000 × ₹ 3) for 2 months @ 12%	480
On ₹ 16,000 (*i.e.*, 8,000 × ₹ 2) for 4 months @ 12%	640
Total	1,120

Adjusting Entry for Interest on Calls-in-Arrears:

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Sundry Members A/c ...Dr.		2,200	
	To Interest on Calls-in-Arrears A/c			2,200
	(Being the Interest on Calls-in-Arrears due)			

Adjusting Entry for Interest on Calls-in-Advance:

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Interest on Calls-in-Advance A/c ...Dr.		1,120	
	To Sundry Members A/c			1,120
	(Being the interest on Calls-in-Advance payable)			

SECTION B

Question 11.

(i) (c) No change in Current Ratio and Quick Ratio.

(ii) (c) Added ₹ 1,30,000 under Operating Activities as Loss on Issue of Debentures written off and Inflow of ₹ 18,00,000 under Financing Activities.

Note: As per the Revised Syllabus, Capital Loss is written off from first from Securities Premium, then from Statement of Profit & Loss and lastly from Capital Reserve.

The question does not specify how Capital Loss is written off. Hence, after writing off ₹ 3,70,000 from Securities premium balance loss is written off from Statement of Profit & Loss.

(iii) Payment to a Trade Creditor.

(iv) Yes, accountant is correct because depreciation is a non-cash expense.

(v) Payment of dividend will be shown as Outflow of Cash under Financing Activities in the Cash Flow Statement for the year 2023–24.

Question 12.

S. No.	Particulars	Absolute Change (₹)	Percentage Change (%)
(i)	Revenue from Operations	(5,00,000 – 4,00,000) = 1,00,000	$\frac{₹\ 1,00,000}{₹\ 4,00,000} \times 100 = 25\%$
(ii)	Purchase of Stock-in-Trade	(3,00,000 – 3,60,000) = (60,000)	$\frac{₹\ 60,000}{₹\ 3,60,000} \times 100 = (16.67\%)$
(iii)	Closing Inventory of Stock-in-Trade	(30,000 – 1,40,000) = (1,10,000)	$\frac{₹\ 1,10,000}{₹\ 1,40,000} \times 100 = (78.57\%)$

Working Notes:

Adjusted purchase of Stock-in-Trade = Opening Inventory of Stock-in-Trade + Purchases of Stock-in-Trade – Closing Inventory of Stock-in-Trade

Closing Inventory = (Opening Inventory + Purchases) – Adjusted Purchases

31st March, 2024 = (₹ 3,60,000 + ₹ 1,00,000) – ₹ 3,20,000 = ₹ 1,40,000 (Balancing Figure)

31st March, 2025 = (₹ 3,00,000 + ₹ 1,40,000) – ₹ 4,10,000 = ₹ 30,000 (Balancing Figure).

Question 13.

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

Net Profit = Gross Profit* – Indirect Expenses**

= ₹ 5,00,000 – ₹ 2,00,000 = ₹ 3,00,000

*Gross Profit = 25% of ₹ 20,00,000 = ₹ 5,00,000

**Indirect Expenses = Salary + Rent + Loss on Sale of Machinery + Depreciation + Interest on borrowing

= ₹ 75,000 + ₹ 12,000 + ₹ 18,000 + ₹ 85,000 + ₹ 10,000 = ₹ 2,00,000

$$\text{Net Profit Ratio} = \frac{₹\ 3,00,000}{₹\ 20,00,000} \times 100 = \mathbf{15\%}.$$

(ii) Gross Profit Ratio = $\dfrac{\text{Gross Profit}}{\text{Revenue from Operations}} \times 100 = \dfrac{₹\ 1,80,000}{₹\ 9,00,000} \times 100 = \mathbf{20\%}.$

Working Notes:

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

$$\text{Average Inventory} = \frac{\text{Opening Inventory} + \text{Closing Inventory}}{2}$$

$$= \frac{₹\ 80,000 + ₹\ 1,00,000}{2} = ₹\ 90,000$$

$$\text{Inventory Turnover Ratio (8 Times)} = \frac{\text{Cost of Revenue from Operations}}{\text{Average Inventory (₹ 90,000)}}$$

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) $\text{Earning Per Share} = \dfrac{\text{Net Profit after Tax and Preference Dividend}}{\text{Number of Equity Shares}}$

$$= \frac{₹\ 2,40,000 - ₹\ 15,000}{50,000} = \frac{₹\ 2,25,000}{50,000} = ₹\ 4.50 \text{ per share.}$$

Dividend on 15% Preference Shares = ₹ 15,000.

$$\text{Price Earning Ratio} = \frac{\text{Market Value of an Equity Share}}{\text{Earning Per Share (EPS)}}$$

$$= \frac{₹\ 40}{₹\ 4.50} = \mathbf{8.89\ Times.}$$

(iv) $\text{Return on Investment (ROI)} = \dfrac{\text{Net Profit before Interest and Tax}}{\text{Capital Employed}} \times 100$

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

$$\text{Return on Investment} = \frac{₹\ 4,12,000}{₹\ 32,00,000} \times 100 = \mathbf{12.88\%}.$$

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.

Question 14.

(a) Calculation of Cash Flow from Operating Activities.

CASH FLOW FROM OPERATING ACTIVITIES

Particulars	₹
Net Profit before Tax (WN 1)	3,90,000
Add: *Non-operating/Non-cash Items:*	
Depreciation on Machinery	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	6,41,000
Add: Increase in Trade Payables	40,000
Cash Generated from Operations before Tax	6,81,000
Less: Tax Paid	70,000
Cash Flow from Operating Activities	6,11,000

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, 2024)	2,00,000
Net Profit before Tax	3,90,000

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

(b) Calculation of Cash Flow from Investing Activities.

CASH FLOW FROM INVESTING ACTIVITIES

Particulars	₹
Purchase of Machinery (WN 1)	(5,40,000)
Proceeds from Sale of Machinery	50,000
Cash Used in Investing Activities	(4,90,000)

Working Notes:

1. *Dr.* MACHINERY ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Balance *b/d*	10,00,000	By Bank A/c (Sale)*	50,000
To 10% Debentures A/c (Vendor of Machinery)	3,60,000	By Accumulated Depreciation A/c	60,000
To Bank A/c (Purchase) (Balancing Figure)	**5,40,000**	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.

2. *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

(c) Calculation of Cash Flow from Financing Activities.

CASH FLOW FROM FINANCING ACTIVITIES

Particulars	₹
Proceeds from Issue of Equity Shares	4,00,000
Dividend Paid (₹ 2,00,000 – ₹ 5,000) (Unclaimed)	(1,95,000)
Interest on Debentures	(41,000)
Cash Flow from Financing Activities	1,64,000

(d) Calculation of Net Increase in Cash and Cash Equivalents.

Particulars	₹
A. Cash Flow from Operating Activities	6,11,000
B. Cash Used in Investing Activities	(4,90,000)
C. Cash Flow from Financing Activities	1,64,000
Net Increase in Cash and Cash Equivalents (A + B + C)	2,85,000

Or

(a) Calculation of Cash Flow from Operating Activities.

CASH FLOW FROM OPERATING ACTIVITIES

Particulars		₹
Cash Flow from Operating Activities		
Net Profit before Tax (WN 1)		3,75,000
Adjustment for Non-cash and Non-operating Items:		
Add: 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
		8,80,000
Less: Interest income on Non-current Investments (10% on ₹ 60,000)	6,000	
Profit on Sale of Non-current Investments (₹ 40,000 × 25%)	10,000	16,000
Operating Profit before Working Capital Changes		8,64,000
Adjusted for 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		3,39,000
Less: Tax Paid		50,000
Cash Flow from Operating Activities		**2,89,000**

(b) Calculation of Cash Flow from Investing Activities.

CASH FLOW FROM INVESTING ACTIVITIES

Particulars	₹
Cash Flow from Investing Activities	
Purchase of Machinery (WN 3)	(20,25,000)
Proceeds from Sale of Machinery	45,000
Purchase of Non-current Investments (WN 5)	(1,40,000)
Proceeds from Sale of Non-current Investments (WN 5)	50,000
Interest on Non-current Investment	6,000
Cash Used in Investing Activities	**(20,64,000)**

(c) Calculation of Cash Flow from Financing Activities.

CASH FLOW FROM FINANCING ACTIVITIES

Particulars	₹
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**

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

5. *Dr.* NON-CURRENT INVESTMENT ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Balance *b/d*	60,000	By Bank A/c (Sale) (₹ 40,000 + ₹ 10,000)	50,000
To Bank A/c (Purchase)—Balancing Figure	**1,40,000**	By Balance *c/d*	1,60,000
To Statement of Profit & Loss (Profit on Sale)	10,000		
	2,10,000		2,10,000

❑❑❑❑

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) Geeta, Sunita and Anita are partners in a firm sharing profits in the ratio of 3 : 2 : 1. On 1st April, 2025, they admitted Yogita as a new partner on the following terms:

1. Goodwill of the firm is valued at ₹ 3,00,000. Yogita brings her share of premium for goodwill.
2. New profit-sharing ratio among Geeta, Sunita, Anita and Yogita was agreed to be 3 : 3 : 2 : 2.

Which of the following entries is correct entry on admission of Yogita?

(a) Premium for Goodwill A/c	...Dr.	₹ 60,000	
To Geeta's Capital A/c			₹ 36,000
To Sunita's Capital A/c			₹ 24,000
(b) Premium for Goodwill A/c	...Dr.	₹ 60,000	
To Sunita's Capital A/c			₹ 40,000
To Anita's Capital A/c			₹ 20,000
(c) Premium for Goodwill A/c	...Dr.	₹ 60,000	
To Geeta's Capital A/c			₹ 30,000
To Sunita's Capital A/c			₹ 20,000
To Anita's Capital A/c			₹ 10,000
(d) Anita's Capital A/c	...Dr.	₹ 10,000	
Premium for Goodwill A/c	...Dr.	₹ 60,000	
To Geeta's Capital A/c			₹ 60,000
To Sunita's Capital A/c			₹ 10,000

(Application) [1]

(ii) Goodwill of a firm at the time of its reconstitution is valued by deducting which of the following items to the previous year's profit to determine normal profit?

(a) Loss on sale of shares
(b) Insurance premium paid
(c) Undervaluation of closing stock
(d) Overvaluation of closing stock

(Understanding) [1]

(iii) Calls-in-advance is shown in the Company's Balance Sheet as

(a) Addition to subscribed but not fully paid capital.

(b) Addition to subscribed and fully paid capital.

(c) Other Non-current Liabilities.

(d) Other Current Liabilities. **(Recall)** [1]

(iv) Given below are two statements, one labelled Assertion (A) and other labelled as Reason (R):

Assertion (A): Transfer to Reserve is credited in Profit & Loss Appropriation Account.

Reason (R): Reserves are charge against the profit.

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) Both Assertion (A) and Reason (R) are false.

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

(v) Give the Journal entry to distribute 'Workmen Compensation Reserve' of ₹ 60,000 at the time of retirement of Sajjan, when a claim of ₹ 21,000 exists. The firm has three partners Rajat, Sajjan and Kavita. **(Application)** [1]

(vi) Moon Ltd., a listed NBFC, had outstanding 30,000, 8% Debentures of ₹ 100 each, due for redemption on 31st March, 2025.

As per the 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? **(Recall)** [1]

(vii) Why would an investor prefer to invest partly in shares and partly in debentures of a company? **(Understanding)** [1]

(viii) Ranjan, a partner of a dissolved firm, was to get as his remuneration 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]

(ix) If shares issued at premium are forfeited, at the time of forfeiture of shares, Securities Premium Account is not debited if premium has been received. **Defend or refute**.

(Application) [1]

(x) 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 profits. Capitals of Deepa and Pia, before crediting Revaluation Gain of ₹ 1,00,000, are ₹ 3,00,000 and ₹ 2,00,000 respectively.

It is decided that Charu will contribute 25% of the total capital of the firm.

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

Question 2.

Himanshu, Gagan and Naman are partners sharing profits and losses in the ratio of 3 : 2 : 1. On March 31, 2025, Naman retired. Various assets and liabilities of the firm on that date were as follows:

Cash ₹ 10,000, Building ₹ 1,00,000, Plant and Machinery ₹ 40,000, Stock ₹ 20,000, Debtors ₹ 20,000, Investments ₹ 50,000, Creditors ₹ 68,000, Workmen Compensation Reserve ₹ 12,000, Capital: Himanshu ₹ 90,000, Gagan ₹ 60,000, Naman ₹ 30,000.

The following was agreed among the partners on Naman's retirement:

(i) Building to be increased by 20%.

(ii) Plant and Machinery to be decreased by 10%.

(iii) Provision of 5% on debtors to be made for doubtful debts.

(iv) Stock was to be valued at ₹ 18,000 and Investment at ₹ 55,000.

(v) Unaccounted Accrued Income of ₹ 1,000 to be provided. Out of the total insurance premium paid, ₹ 6,000 are prepaid insurance. The amount was earlier debited to Profit & Loss Account.

(vi) Creditors include ₹ 5,000 due to Nikhil paid by Gagan privately for which he is not to be reimbursed.

(vii) Claim of ₹ 6,000 on account of Workmen's Compensation is to be provided.

You are required to:

(i) Prepare the Revaluation Account. [2]

(ii) Give Journal entry to distribute Workmen Compensation Reserve. [1]

(Application)

Question 3.

On 1st April, 2024, Parry India Ltd. took over assets of ₹ 8,00,000 and liabilities of ₹ 40,000 of Parag Ltd. for ₹ 7,00,000. Parry India Ltd. paid the purchase consideration to Parag Ltd. as follows:

(i) Gave a post-dated cheque payable after 3 months for ₹ 70,000, and

(ii) Issued 10% Debentures of ₹ 100 each at a discount of 10% to Parag Ltd. in satisfaction of the balance amount of purchase consideration.

The company decided to use Capital Reserve to write off Capital Loss.

You are required to pass the necessary Journal entries to record the above transaction in the books of Parry India Ltd. (including Writing off Discount on Issue of Debentures). **(Application)** [3]

Or

Sulabh Ltd. issued 10,000, 9% Debentures of ₹ 100 each on 1st April, 2024 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 after deducting TDS @ 10%.

You are required to pass Journal entries to record the transactions of interest on debentures for the year 2024–25. **(Application)** [3]

Question 4.

Jaypee Ltd., an unlisted Designing company, has 10,000; 10% Debentures of ₹ 100 each outstanding as on 31st March, 2024. These debentures are due for redemption on 31st March, 2025 at a premium of 10%. Debentures Redemption Reserve Account has balance of ₹ 1,00,000 on 31st March, 2024.

You are required to pass Journal entries for redemption of debentures and closure of Debenture Redemption Reserve (Ignore Debenture Redemption Investment).

(Application) [3]

Question 5.

Ramesh, Naren and Suresh were partners in a firm sharing profits in the ratio of 2 : 2 : 1. On 31st March, 2025, their Balance Sheet was as follows:

Liabilities		₹	Assets		₹
Creditors		1,00,000	Bank		90,000
General Reserve		30,000	Stock		70,000
Capital A/cs:			Debtors		40,000
Ramesh	3,00,000		Land and Building		5,00,000
Naren	3,00,000		Partners' Current A/cs:		
Suresh	1,30,000	7,30,000	Ramesh	64,000	
			Naren	64,000	
			Suresh	32,000	1,60,000
		8,60,000			8,60,000

Naren died on 1st July, 2025. The Partnership Deed provided for the following on death of a partner:

(i) Goodwill of the firm was to be valued at 2 years' purchase of the average profit of last 5 years. The profits for past years were: ₹ 50,000; ₹ 80,000; ₹ 1,10,000 ₹ 2,20,000 and Loss ₹ 1,60,000.

(ii) Naren's share of profit or loss till the date of his death was to be calculated on the basis of profit or loss for the year ending 31st March, 2025.

You are required to calculate the following:

(i) Goodwill of the firm and adjustment of Naren's share of goodwill at the time of his death. [1]

(ii) Naren's share in the Profit or Loss of the firm till the date of his death. [1]

(iii) Prepare Naren's Capital Account at the time of his death to be presented to his executors. **(Application)** [1]

Or

Kamal, Rahul and Neeraj were partners in a firm sharing profits and losses in the ratio of 5 : 3 : 2. On 31st March, 2025, their Balance Sheet was as follows:

Liabilities		₹	Assets	₹
Capital A/cs:			Land and Building	1,70,000
Kamal	1,20,000		Plant and Machinery	2,60,000
Rahul	1,20,000		Stock	1,00,000
Neeraj	1,20,000	3,60,000	Debtors	80,000
General Reserve		1,20,000	Cash	50,000
Sundry Creditors		1,80,000		
		6,60,000		6,60,000

On the above date, Rahul retired on the following terms:

(i) Goodwill of the firm was valued at ₹ 3,50,000.

(ii) There was *neither* Gain *nor* Loss on Revaluation of Assets and Reassessment of Liabilities.

(iii) Capital of the new firm was fixed at ₹ 2,10,000 and the same was to be adjusted in the profit-sharing ratio of the remaining partners. For this purpose, the required amount is to be brought or paid, as the case is.

(iv) Amount payable to Rahul is to be transferred to his loan account.

You are required to prepare Partners' Capital Accounts on Rahul's retirement.

(Application) [3]

Question 6.

Hoody Ltd.'s borrowings in the year 2024-25 were as follows:

On 1st April, 2024:	
Ten year, 10% Bank Loan from AZ Bank secured by primary security of land and building and 20,000, 6% Debentures of ₹ 100 each as Collateral Security. The issue of Debentures as Collateral Security was recorded in the books.	₹ 25,00,000
On 1st October, 2024:	
5,000, 8% Debentures of ₹ 100 each, redeemable at par were issued.	₹ 5,00,000

The terms of the borrowings were:

- The redemption of 8% Debentures to begin from 30th September, 2025.
- Interest on Bank Loan and Debentures to be paid *annually*.

Additional information:

In the year 2024-25, the company defaulted on the payment of the interest on bank loan.

You are required to show the above items in Notes to Accounts accompanying the Balance Sheet of Hoody Ltd. prepared as per Schedule III of the Companies Act, 2013, as at 31st March, 2025. **(Understanding and Application)** [6]

Question 7.

Vanshika and Shikha are partners in a firm sharing profits and losses in the ratio of 7 : 3. They admit Mansi as a partner, Vanshika gave 1/7th of her share and Shikha gave 1/3rd of her share, in favour of Mansi.

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	1,40,000

On the date of admission of Mansi, goodwill of the firm was valued at ₹ 7,50,000.

Goodwill existed in the books at ₹ 50,000.

You are required to:

(i) Calculate the new profit-sharing ratio and 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)** [6]

Or

Tushar and Kapil are partners sharing profits and losses in the ratio of 4 : 1. On 1st April, 2025, they admit Ajay as a third partner for 1/2 share in profits.

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

(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, 2025, 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 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.

Paresh, Rahul and Kamlesh are partners sharing profits in the ratio of 5 : 3 : 2. They dissolved the firm on 1st April, 2025 when their Balance Sheet was as follows:

Liabilities		₹	Assets	₹
Capital A/cs:			Building	2,00,000
Paresh	2,40,000		Plant	4,40,000
Rahul	1,72,000		Goodwill	2,00,000
Kamlesh	2,08,000	6,20,000	Stock	1,20,000
General Reserve		2,00,000	Debtors	1,00,000
Rahul's Loan		1,20,000	Accrued Interest	20,000
Creditors		2,60,000	Cash at Bank	1,20,000
		12,00,000		12,00,000

Following transactions took place at the time of dissolution:

(i) Paresh took building at book value and agreed to pay creditors.

(ii) Accrued interest was not collected whereas there was a contingent liability of ₹ 12,000 which was paid.

(iii) Other assets realised: Plant ₹ 5,00,000 and Stock ₹ 1,00,000.

(iv) Realisation expenses were to be borne by Paresh for which he is to get a credit of ₹ 12,000. Actual realisation expenses paid out of firm's Bank Account were ₹ 15,000.

(v) Rahul was entitled to receive interest on his loan to the firm @ 5% per annum for the whole year.

(vi) It was agreed that Rahul will use firm's name and pay ₹ 2,50,000.

You are required to prepare:

(i) Realisation Account.

(ii) Rahul's Loan Account. [6]

Question 9.

From the following information, prepare:

A. Profit & Loss Appropriation Account of P, Q and R for the year ended 31st March, 2025. **(Application)** [5]

B. The Capital and Current Accounts of Partners. **(Application)** [2 + 3]

Partners	Capital Account Balances (1st April, 2024)	Current Account Balances (1st April, 2024)	Drawings (31st March, 2025)
P	₹ 60,000	₹ 20,000 (Cr.)	₹ 40,000
Q	₹ 1,00,000	₹ 10,000 (Cr.)	₹ 48,000
R	₹ 1,60,000	₹ 10,000 (Cr.)	₹ 48,000

(i) Interest is credited @ 6% p.a. on capital and is charged on drawings at the same rate. Interest is *neither* credited *nor* charged on the balances of Current Accounts.

(ii) Each partner took at the end of each quarter 25% of his drawings.

(iii) P and Q were to be credited with salaries of ₹ 24,000 and ₹ 16,000 respectively.

(iv) On 1st October, 2024, *P* paid additional ₹ 20,000 as capital and *R* withdrew ₹ 20,000 from capital.

(v) Net profit before allowing interest on capital and salaries paid and before interest on drawings was ₹ 1,96,000.

Profits and Losses are shared amongst P, Q and R in 5 : 4 : 3.

Or

A. Sonu and Rajat started a partership firm on 1st April, 2024. They contributed ₹ 8,00,000 and ₹ 6,00,000 respectively as their capitals and decided to share profits and losses in the ratio of 3 : 2.

The Partnership Deed provided that Sonu was to be paid salary of ₹ 20,000 per month and Rajat commission of 5% of net sales. It also provided that interest on capital be allowed @ 8% p.a.

Sonu withdrew ₹ 20,000 on 1st December, 2024 and Rajat withdrew ₹ 5,000 at the end of each month.

Interest on drawings was charged @ 6% p.a.

Net profit as per Profit & Loss Account for the year ended 31st March, 2025 was ₹ 4,89,950.

Net Sales of the firm for the year ended 31st March, 2025 was ₹ 20,00,000.

You are required to pass necessary Journal entries for the above transactions in the books of Sonu and Rajat. **[Application]** [7]

B. Juhi, Riya and Pari are partners. Their fixed capitals as on 31st March, 2025 were: Juhi ₹ 50,000; Riya ₹ 1,00,000 and Pari ₹ 1,50,000. Profit for the year 2024-25 amounting to ₹ 60,000 was distributed.

Interest on capital was not credited @ 10% p.a. though there was such provision in the partnership deed.

You are required to pass the necessary adjusting entry. **[Application]** [3]

Question 10.

Sunfil Ltd. invited applications for 50,000 shares of ₹ 10 each at 20% premium, payable as under:

On Application	:	₹ 3 per share (1st January)
On Allotment	:	₹ 6 per share (including premium) (1st April)
On First and Final Call	:	₹ 3 per share (1st June)

Applications were received for 65,000 shares. Applications for 5,000 shares were refused allotment and *pro rata* allotment was made to the remaining applicants as follows:

Category A: Applicants of 40,000 shares were allotted 30,000 shares.

Category B: Applicants of 20,000 shares were allotted in full.

Vinod, a shareholder from *Category A*, who had applied for 1,200 shares did not pay the allotment and call money.

Vikas another shareholder from *Category A*, who had been allotted 900 shares did not pay the call.

Vikram, a shareholder from *Category B*, who had been allotted 1,000 shares, paid the call money due along with allotment.

The company forfeited shares on which both allotment and call money was not paid and paid interest on Calls-in-Advance to Vikram @ 12% per annum on the day of the final call.

You are required to:

(i) Pass Journal entries to record the above transactions in the company's books (including entries for interest on Calls-in-Advance). **[Application]** [9]

(ii) Prepare Calls-in-Arrears Account. **[Application]** [1]

Or

NM Co. Ltd. issued a prospectus inviting applications for 12,000 shares of ₹ 10 each at a premium of ₹ 1 per share.

Subscription was received for 30,000 shares. The company made *pro rata* allotment on 24,000 shares. A shareholder who had applied for 2,000 shares and was allotted 1,000 shares, after having paid ₹ 4 per share on application, did not pay the allotment money of ₹ 5 per share (including premium).

On his subsequent failure to pay the first call of ₹ 1 per share, his shares were forfeited.

These shares were reissued at the rate of ₹ 7 per share as ₹ 9 paid-up.

The company incurred ₹ 5,000 as share issue expenses.

Based on the information given above and the ledger accounts given below, answer the questions that follow:

Dr. SHARE ISSUE EXPENSES ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To **'?'**	**'?'**	By **'?'**	**'?'**

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

Particulars	₹	Particulars	₹
To Share Allotment A/c	**'?'**	By Share Capital A/c	**'?'**
To Share First Call A/c	**'?'**	By Securities Premium A/c	**'?'**

You are required to:

(i) Draw the ledger accounts given above filling-up the missing information represented by '?'. **[Understanding] [3]**

(ii) What is the balance left in the Securities Premium A/c after all the transactions relating to the shares have been completed by NM Co. Ltd? **[Analysis] [1]**

(iii) Give the Journal entries for:

(a) The amount due on allotment.

(b) The amount received on allotment.

(c) Transferring the net gain made on reissue of shares to Capital Reserve Account. **[Application] [6]**

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) Select the correct equation from the following:

(a) Capital Employed = Shareholders' Funds + Non-Current Liabilities

(b) Capital Employed = Share Capital + Reserves and Surplus + Long-term Borrowings + Long-term Provisions

(c) Capital Employed = Non-current Assets + Net Working Capital

(d) All of the above. [1]

(ii) Which of the following activities are Operating Activities for the purpose of preparing 'Cash Flow Statement'?

(i) Dividend and Interest received on securities.

(ii) Payment of employee benefit expenses.

(iii) Receipts from royalties and fees.

(iv) Issue of shares against purchase of machinery.

(a) (i), (ii) and (iii). (b) (ii), (iii) and (iv).

(c) (i), (ii) and (iv). (d) (ii) and (iii). [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, stating the Increase/ Decrease. **(Analysis)** [1]

(iv) Planet Ltd. has a Current Ratio of 3.5 : 1 and Quick Ratio of 2 : 1. The excess of Current Assets over Quick Assets represented by inventory is ₹ 24,000.

You are required to calculate Current Assets and Current Liabilities. **(Analysis)** [1]

(v) While preparing the Cash Flow Statement, the accountant of Red Hill Co. Ltd. was undecided about the impact of writing off discount on issue of debentures of ₹ 10,000 from Statement of Profit & Loss on company's Net Operating Profit before Working Capital Changes.

What should the accountant do to resolve this issue? Give a reason for your answer. **(Analysis)** [1]

Question 12.

From the following information, prepare Comparative Balance Sheet of HMSC Ltd.:

Particulars	31st March, 2025 (₹)	31st March, 2024 (₹)
Shareholders' Funds	44,40,000	24,00,000
Surplus, *i.e.,* Balance in Profit & Loss	10,00,000	7,00,000
Non-Current Liabilities	12,00,000	12,00,000
Current Liabilities	3,60,000	4,00,000
Non-Current Assets	50,40,000	28,00,000
Current Assets	9,60,000	12,00,000
Cash and Cash Equivalents	2,10,000	3,10,000

(Analysis) [3]

Question 13.

Answer *any three* of the following questions:

(i) **Calculate Gross Profit of Saturn Ltd. from the particulars given below:** [2]

Particulars	
Average Inventory	₹ 8,000
Inventory Turnover Ratio	6 Times
Selling Price	25% above cost

(ii) **Calculate Trade Receivables Turnover Ratio of Planet Ltd. from the particulars given below:** [2]

Particulars	₹
Revenue from Operations	3,60,000
Cash Revenue from Operations	90,000
Trade Receivables (Closing)	45,000
Provision for Doubtful Debts	10,000

(iii) **From the following details obtained from the financial statements of Jeev Ltd., calculate Interest Coverage Ratio:** [2]

Net Profit after Tax	₹ 1,20,000;
12% Long-term Debt	₹ 20,00,000;
Tax Rate	40%

(iv) **Calculate Earning Per Share (EPS) of Hemisphere Ltd. from the following information:** [2]

Profit before Tax	₹ 20,00,000
Tax Rate	35%
Equity Share Capital	₹ 30,00,000 (30,000 Equity Shares of ₹ 100 each)
10% Preference Share Capital	₹ 10,00,000 (1,00,000 Preference Shares of ₹ 10 each)

Question 14.

From the following Balance Sheet of Climax Ltd. as at 31st March, 2025, you are required to prepare Cash Flow Statement (as per AS-3) for the year 2024–25:

BALANCE SHEET OF CLIMAX LTD.
as at 31st March, 2025 and 31st March, 2024

Particulars	Note No.	31st March, 2025 (₹)	31st March, 2024 (₹)
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		12,000	16,000
(c) Current Investments		20,000	24,000
(d) 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 was ₹ 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 was ₹ 2,00,000.
3. Equity Shares were issued at a premium of 5% on 1st April, 2024.
4. Additional debentures were issued on 1st October, 2024 at a discount of 5%.

(Application) [6]

Or

From the following information of Vani Ltd., you are required to calculate company's Cash and Cash Equivalents as on 31st March, 2025 by preparing a Cash Flow Statement [as per AS-3 (Revised)].

Information relating to the year 2024-25:

(i) Net Profit before Tax was ₹ 13,80,000. Tax paid was ₹ 7,00,000.

(ii) Depreciation on Fixed Assets for the year was ₹ 3,15,000 whereas other expenses totalled ₹ 21,45,000.

(iii) Outstanding Expenses on 31st March, 2024 and 31st March, 2025 totalled ₹ 82,000 and ₹ 91,000 respectively.

(iv) Machinery ₹ 9,27,500 and furniture ₹ 1,00,000 were purchased.

(v) Closing inventory was higher than the opening inventory by ₹ 43,000.

(vi) Trade creditors on 31st March, 2025 exceeded those on 31st March, 2024 by ₹ 23,000.

(vii) A right issue was made of 2,000 equity shares of ₹ 250 each at a premium of ₹ 75 per share. The entire money was received along with application.

(viii) Dividend of ₹ 4,07,000 was paid during the year.

(ix) Cash in hand and at Bank as at 31st March, 2024 totalled ₹ 2,13,800.

(Application) [6]

ANSWERS

SECTION A

Question 1.

(i) (d)

Working Note:

Profit share sacrificed = Old profit share – New profit share

$$\text{Geeta's sacrifice} = \frac{3}{6} - \frac{3}{10} = \frac{6}{30}$$

$$\text{Sunita's sacrifice} = \frac{2}{6} - \frac{3}{10} = \frac{1}{30}$$

$$\text{Anita's sacrifice} = \frac{1}{6} - \frac{2}{10} = \left(\frac{1}{30}\right) \text{ being negative, it is a gain.}$$

Hence the entry for adjustment of goodwill will be:		₹	₹
Anita's Capital A/c (₹ 3,00,000 × 1/30)	...Dr.	10,000	
Premium for Goodwill A/c (₹ 3,00,000 × 2/10)	...Dr.	60,000	
To Geeta's Capital A/c (₹ 3,00,000 × 6/30)			60,000
To Sunita's Capital A/c (₹ 3,00,000 × 1/30)			10,000

(ii) (d) Overvaluation of closing stock.

(iii) (d) Other Current Liabilities.

(iv) (c) Both Assertion (A) and Reason (R) are false.

(v) JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Workmen Compensation Reserve A/c	...Dr.		60,000	
	To Workmen Compensation Claim A/c				21,000
	To Rajat's Capital A/c				13,000
	To Sajjan's Capital A/c				13,000
	To Kavita's Capital A/c				13,000
	(Being the transfer of Workmen Compensation Reserve to Workmen Compensation Claim Account and balance to Partners' Capital Accounts equally)				

(vi) A Listed NBFC is exempted from creating Debenture Redemption Reserve.

(vii) An investor would prefer to invest partly in shares because the market value of shares may increase resulting in better return on investment. He would invest partly in debentures because rate of return is fixed and it is a safe investment giving regular income.

(viii) 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 distribution to partners:

= ₹ 5,05,000 – ₹ 2,25,000 (Creditors) – ₹ 5,000 (Commission) = ₹ 2,75,000

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

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

(ix) The given statement is correct because securities premium once received cannot be utilised for purpose other than those mentioned under Section 52(2) of the Companies Act, 2013.

(x) Combined Adjusted Capital of Deepa and Pia = ₹ 3,00,000 + ₹ 2,00,000 + ₹ 1,00,000 (Gain)

= ₹ 6,00,000.

$$\text{Total Capital of the firm} = ₹\ 6{,}00{,}000 \times \frac{100}{75} = ₹\ 8{,}00{,}000$$

$$\text{Charu's Capital Contribution} = ₹\ 8{,}00{,}000 \times \frac{25}{100} = ₹\ 2{,}00{,}000.$$

Question 2.

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

Particulars		₹	Particulars	₹
To Plant and Machinery A/c		4,000	By Building A/c	20,000
To Provision for Doubtful Debts A/c		1,000	By Investment A/c	5,000
To Stock A/c		2,000	By Accrued Income A/c	1,000
To Himanshu's Capital A/c (Gain)	15,000		By Creditors A/c	5,000
To Gagan's Capital A/c (Gain)	10,000		By Prepaid Insurance A/c	6,000
To Naman's Capital A/c (Gain)	5,000	30,000		
		37,000		37,000

(ii) JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Workmen Compensation Reserve A/c ...Dr.		12,000	
	To Workmen Compensation Claim A/c			6,000
	To Himanshu's Capital A/c			3,000
	To Gagan's Capital A/c			2,000
	To Naman's Capital A/c			1,000
	(Being the Liability for Workmen Compensation claim accounted and surplus Workmen Compensation Reserve transferred to Partners' Capital Accounts in their old profit-sharing ratio)			

Question 3. JOURNAL OF PARRY INDIA LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2024				
April 1	Sundry Assets A/c ...Dr.		8,00,000	
	To Sundry Liabilities A/c			40,000
	To Parag Ltd.			7,00,000
	To **Capital Reserve A/c (Balancing Figure)**			**60,000**
	(Being the assets and liabilities taken over from Parag Ltd.)			

April 1	Parag Ltd. ...Dr.		7,00,000	
	Discount on Issue of Debentures A/c (7,000 × ₹ 10) ...Dr.		70,000	
	To Bank A/c			70,000
	To 10% Debentures A/c (7,000 × ₹ 100) (WN)			7,00,000
	(Being payment made through past-dated cheque of ₹ 70,000 and 7,000 Debentures of ₹ 100 each issued at 10% discount for settlement of purchase consideration)			
2025	Statement of Profit & Loss ...Dr.		10,000	
March 31	Capital Reserve A/c ...Dr.		60,000	
	To Discount on Issue of Debentures A/c			70,000
	(Being the discount on issue of debentures written off)			

Working Note:

No. of Debentures Issued = $\frac{₹\,6,30,000}{₹\,90}$ = **7,000**.

Or

JOURNAL OF SULABH LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2025				
March 31	Debentures' Interest A/c ...Dr.		90,000	
	To Debentureholders' A/c			81,000
	To TDS Payable A/c			9,000
	(Being the interest due for the year and TDS deducted @ 10%)			
March 31	Debentureholders' A/c ...Dr.		81,000	
	To Bank A/c			81,000
	(Being the payment of interest)			
March 31	TDS Payable A/c ...Dr.		9,000	
	To Bank A/c			9,000
	(Being the TDS deducted deposited)			
March 31	Statement of Profit & Loss ...Dr.		90,000	
	To Debentures Interest A/c			90,000
	(Being the interest on debentures charged to Statement of Profit & Loss)			

Question 4.

JOURNAL OF JAYPEE LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2025				
March 31	10% Debentures A/c ...Dr.		10,00,000	
	Premium on Redemption of Debentures A/c ...Dr.		1,00,000	
	To Debentureholders' A/c			11,00,000
	(Being the amount due to debentureholders on redemption)			
March 31	Debentureholders' A/c ...Dr.		11,00,000	
	To Bank A/c			11,00,000
	(Being the amount due to debentureholders paid)			
March 31	Debentures Redemption Reserve A/c ...Dr.		1,00,000	
	To General Reserve A/c			1,00,000
	(Being the DRR transferred to General Reserve)			

Note: Balance in DRR is ₹ 1,00,000 as on 31st March, 2024, which is 10% of outstanding debentures, *i.e.*, adequate as per Rule 18(7)(b) of the Companies (Share Capital and Debentures) Rules, 2014.

Question 5.

(i) Firm's Goodwill = [(₹ 50,000 + ₹ 80,000 + ₹ 1,10,000 + ₹ 2,20,000 – ₹ 1,60,000)/5] × 2
= ₹ 1,20,000.

Naren's Share of Goodwill = ₹ 1,20,000 × $\frac{2}{5}$ = ₹ 48,000, which is contributed by Ramesh and Suresh in their Gaining Ratio of 2 : 1

Ramesh's contribution = ₹ 48,000 × $\frac{2}{3}$ = ₹ 32,000 and

Suresh's contribution = ₹ 48,000 × $\frac{1}{3}$ = ₹ 16,000.

(ii) Naren's Share in Loss = ₹ 1,60,000 × $\frac{3}{12}$ × $\frac{2}{5}$ = ₹ 16,000.

(iii) *Dr.* NAREN'S CAPITAL ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Current A/c	64,000	By Balance *b/d*	3,00,000
To Profit & Loss Suspense A/c	16,000	By General Reserve (₹ 30,000 × 2/5)	12,000
To Naresh's Executor's A/c	**2,80,000**	By Ramesh's Capital A/c (Goodwill)	32,000
		By Suresh's Capital A/c (Goodwill)	16,000
	3,60,000		3,60,000

Or

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

Particulars	Kamal ₹	Rahul ₹	Neeraj ₹	Particulars	Kamal ₹	Rahul ₹	Neeraj ₹
To Rahul's Capital A/c	75,000	...	30,000	By Balance *b/d*	1,20,000	1,20,000	1,20,000
To Rahul's Loan A/c	...	**2,61,000**	...	By General Reserve A/c	60,000	36,000	24,000
To Cash A/c (Bal. Fig.)	...	...	**54,000**	By Kamal's Capital A/c (WN 1)	...	75,000	...
To Balance *c/d* (WN 2)	1,50,000	...	60,000	By Neeraj's Capital A/c (WN 1)	...	30,000	...
				By Cash A/c (Bal. Fig.)	**45,000**	...	...
	2,25,000	2,61,000	1,44,000		2,25,000	2,61,000	1,44,000

Working Notes:

1. Rahul's Share of Goodwill = ₹ 3,50,000 × $\frac{3}{10}$ = ₹ 1,05,000 to be contributed by:

   Kamal = ₹ 1,05,000 × $\frac{5}{7}$ = ₹ 75,000;

   Neeraj = ₹ 1,05,000 × $\frac{2}{7}$ = ₹ 30,000.

2. New capital of Kamal and Neeraj is to be in the ratio 5 : 2. Therefore,

   Kamal's Capital = ₹ 2,10,000 × $\frac{5}{7}$ = ₹ 1,50,000;

   Neeraj's Capital = ₹ 2,10,000 × $\frac{2}{7}$ = ₹ 60,000.

Question 6.

Notes to Accounts

Particulars		
1. Long-term Borrowings		
(a) On 1st April, 2024, ten year 10% loan from *AZ* Bank	25,00,000	
(b) On 1st October, 2024, 4,000, 8% Debentures of ₹ 100 each	4,00,000	29,00,000
(c) 20,000, 6% Debentures of ₹ 100 each	20,00,000	
Less: Debenture Suspense A/c	20,00,000	...
		29,00,000
2. Short-term Borrowings		
Current Maturities of Long-term Debts due on 30th September, 2025 (₹ 5,00,000 × 1/5)		1,00,000
3. Other Current Liabilities		
Interest accrued on Borrowings 10% of ₹ 25,00,000 (Interest due but not paid)	2,50,000	
Interest accrued but not due on 8% Debentures (8% of ₹ 5,00,000 for 6 months)	20,000	2,70,000

Question 7.

(i) New Share of Old Partner = Old Share – Share surrendered by old partners

$$\text{Share surrendered by Vanshika} = \frac{1}{7} \times \frac{7}{10} = \frac{1}{10}$$

$$\text{Share surrendered by Shikha} = \frac{1}{3} \times \frac{3}{10} = \frac{1}{10}$$

$$\text{Vanshika's New Profit Share} = \frac{7}{10} - \frac{1}{10} = \frac{6}{10}$$

$$\text{Shikha's New Profit Share} = \frac{3}{10} - \frac{1}{10} = \frac{2}{10}$$

$$\text{Manshi's Profit Share} = \frac{1}{10} + \frac{1}{10} = \frac{2}{10}$$

$$\text{New Profit-sharing Ratio of Vanshika, Shikha and Manshi} = \frac{6}{10} : \frac{2}{10} : \frac{2}{10} \text{ or } 3 : 1 : 1$$

$$\text{Sacrificing Ratio of Vanshika and Shikha} = \frac{1}{10} : \frac{1}{10} = 1 : 1.$$

(ii) JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Vanshika's Capital A/c (₹ 50,000 × 7/10)	...Dr.		35,000	
	Shikha's Capital A/c (₹ 50,000 × 3/10)	...Dr.		15,000	
	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 and Machinery A/c ...Dr.		1,40,000	
	To Provision for Doubtful Debts A/c (5% of ₹ 70,000)			3,500
	To Premium for Goodwill A/c (₹ 7,50,000 × 2/10)			1,50,000
	To Mansi's Capital A/c (Balancing Figure)			**1,40,000**
	(Being the Stock, Debtors, Plant and 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			75,000
	To Shikha's Capital A/c			75,000
	(Being Mansi's share of goodwill credited to sacrificing partners in their sacrificing ratio, *i.e.*, 1 : 1)			

Or

BALANCE SHEET OF TUSHAR AND KAPIL *as at 1st April, 2025*

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 × $\frac{400}{3} \times \frac{3}{100}$ = ₹ 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) × $\frac{2}{1}$ = ₹ 2,00,000.

Question 8.

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

Particulars		₹	Particulars		₹
To Building A/c		2,00,000	By Creditors A/c		2,60,000
To Plant A/c		4,40,000	By Paresh's Capital A/c (Building)		2,00,000
To Goodwill A/c		2,00,000	By Bank A/c:		
To Stock A/c		1,20,000	Plant	5,00,000	
To Debtors A/c		1,00,000	Stock	1,00,000	
To Accrued Interest A/c		20,000	Debtors	1,00,000	7,00,000
To Interest on Rahul's Loan A/c		6,000	By Rahul's Capital A/c		2,50,000
To Bank A/c (Contingent Liability)		12,000	(Firm's Name and Goodwill taken)		
To Paresh's Capital A/c (for Realisation Expenses)		12,000			
To Paresh's Capital A/c (Creditors paid)		2,60,000			
To Paresh's Capital A/c (Profit)	20,000				
To Rahul's Capital A/c (Profit)	12,000				
To Kamlesh's Capital A/c (Profit)	8,000	40,000			
		14,10,000			14,10,000

Notes:

1. Debtors are realised at Book Value being Tangible Assets.
2. Actual realisation expenses paid out of Firm's Bank Account will be debited to Paresh's Capital Account.
3. Agreed realisation expenses will be credited to Paresh's Capital Account and debited to Realisation Account.

(ii) *Dr.* RAHUL'S LOAN ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Bank A/c	1,26,000	By Balance *b/d*	1,20,000
		By Realisation A/c (Interest on Loan)	6,000
	1,26,000		1,26,000

Question 9.

(A) PROFIT & LOSS APPROPRIATION ACCOUNT

Dr. *for the year ended 31st March, 2025* *Cr.*

Particulars		₹	Particulars		₹
To Interest on Capital A/c @ 6%:			By Profit & Loss A/c—Net Profit		1,96,000
P's Capital A/c	3,600		By Interest on Drawings A/c*:		
Q's Capital A/c	6,000		*P*'s Capital A/c	900	
R's Capital A/c	9,600	19,200	*Q*'s Capital A/c	1,080	
To Salary A/c			*R*'s Capital A/c	1,080	3,060
P's Capital A/c	24,000				
Q's Capital A/c	16,000	40,000			
To *P*'s Capital A/c (Profit)	58,275				
To *Q*'s Capital A/c (Profit)	46,620				
To *R*'s Capital A/c (Profit)	34,965	1,39,860			
		1,99,060			1,99,060

* *Interest on Drawings has been calculated as follows:*

$P = ₹\ 40{,}000 \times \frac{6}{100} \times \frac{4.5^{**}}{12} = ₹\ 900$

Q and R (as they have drawn equally) $= ₹\ 48{,}000 \times \frac{6}{100} \times \frac{4.5^{**}}{12} = ₹\ 1{,}080.$

$$^{**}\text{Average Period} = \frac{\text{Months Left after First Drawing + Months Left after Last Drawing}}{2}$$

$$= \frac{(9+0)}{2} = 4.5 \text{ Months.}$$

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

Date	Particulars	*P* (₹)	*Q* (₹)	*R* (₹)	Date	Particulars	*P* (₹)	*Q* (₹)	*R* (₹)
2024					2024				
Oct. 1	To Bank A/c (Withdrawn)	...	...	20,000	April 1	By Balance *b/d*	60,000	1,00,000	1,60,000
					Oct. 1	By Bank A/c (Additional Capital)	20,000	...	...
2025									
Mar. 31	To Balance *c/d*	80,000	1,00,000	1,40,000					
		80,000	1,00,000	1,60,000			80,000	1,00,000	1,60,000

Dr. PARTNERS' CURRENT ACCOUNT *Cr.*

Date	Particulars	*P* (₹)	*Q* (₹)	*R* (₹)	Date	Particulars	*P* (₹)	*Q* (₹)	*R* (₹)
2025					2024				
Mar. 31	To Drawings A/c (Combining of all quarters)	40,000	48,000	48,000	April 1	By Balance *b/d*	20,000	10,000	10,000
					2025				
					Mar. 31	By Salary A/c	24,000	16,000	...
Mar. 31	To Interest on Drawings A/c	900	1,080	1,080	Mar. 31	By Int. on Capital A/c	3,600	6,000	9,600
					Mar. 31	By Profit & Loss Appropriation A/c (Profit)	58,275	46,620	34,965
Mar. 31	To Balance *c/d*	64,975	29,540	5,485					
		1,05,875	78,620	54,565			1,05,875	78,620	54,565

Or

(A) JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2025				
March 31	Profit & Loss A/c ...Dr.		4,89,950	
	To Profit & Loss Appropriation A/c			4,89,950
	(Being the profit transferred from Profit & Loss Account to Profit & Loss Appropriation Account)			
March 31	Salary A/c (₹ 20,000 × 12) ...Dr.		2,40,000	
	To Sonu's Capital A/c			2,40,000
	(Being the salary credited to Sonu's Capital Account)			
March 31	Profit & Loss Appropriation A/c ...Dr.		2,40,000	
	To Salary A/c			2,40,000
	(Being the salary transferred to Profit & Loss Appropriation Account)			

March 31	Commission A/c (₹ 20,00,000 × 5%) ...Dr.		1,00,000	
	To Rajat's Capital A/c			1,00,000
	(Being the commission credited to Rajat's Capital Account)			
March 31	Profit & Loss Appropriation A/c ...Dr.		1,00,000	
	To Commission A/c			1,00,000
	(Being the commission transferred to Profit & Loss Appropriation Account)			
March 31	Interest on Capital A/c ...Dr.		1,12,000	
	To Sonu's Capital A/c (₹ 8,00,000 × 8%)			64,000
	To Rajat's Capital A/c (₹ 6,00,000 × 8%)			48,000
	(Being the interest on capital credited to Partners' Capital Accounts)			
March 31	Profit & Loss Appropriation A/c ...Dr.		1,12,000	
	To Interest on Capital A/c			1,12,000
	(Being the interest on capital transferred to Profit & Loss Appropriation Account)			
March 31	Sonu's Capital A/c (₹ 20,000 × 6/100 × 4/12) ...Dr.		400	
	Rajat's Capital A/c (₹ 60,000 × 6/100 × 5.5/12) ...Dr.		1,650	
	To Interest on Drawings A/c			2,050
	(Being the interest on drawings charged)			
March 31	Interest on Drawings A/c ...Dr.		2,050	
	To Profit & Loss Appropriation A/c			2,050
	(Being the interest on drawings transferred to Profit & Loss Appropriation Account)			
March 31	Profit & Loss Appropriation A/c ...Dr.		40,000	
	To Sonu's Capital A/c (₹ 40,000 × 3/5)			24,000
	To Rajat's Capital A/c (₹ 40,000 × 2/5)			16,000
	(Being the profit credited to Parters' Capital Accounts)			

(B) ADJUSTMENT TABLE

Particulars		Juhi (₹)	Riya (₹)	Pari (₹)	Total (₹)
I. Amount already credited by way of Share of Profit	(Dr.)	20,000	20,000	20,000	60,000
II. Amount which should have been credited by way of interest on capital	(Cr.)	5,000	10,000	15,000	30,000
Share of Profit (₹ 60,000 – ₹ 30,000)	(Cr.)	10,000	10,000	10,000	30,000
III. **Net Effect (I – II)**		5,000 (Dr.)	...	(5,000) (Cr.)	...

ADJUSTING JOURNAL ENTRY

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Juhi's Current A/c ...Dr.		5,000	
	To Pari's Current A/c			5,000
	(Being the interest on capital omitted to be provided, now adjusted)			

Question 10.

In the Books of Sunfil Ltd.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
Jan. 1	Bank A/c (65,000 × ₹ 3) ...Dr.		1,95,000	
	To Equity Shares Application A/c			1,95,000
	(Being the application money received for 65,000 shares)			
April 1	Equity Shares Application A/c ...Dr.		1,95,000	
	To Equity Share Capital A/c (50,000 × ₹ 3)			1,50,000
	To Equity Shares Allotment A/c (10,000 × ₹ 3)			30,000
	To Bank A/c (5,000 × ₹ 3)			15,000
	(Being the application money adjusted)			
	Equity Shares Allotment A/c ...Dr.		3,00,000	
	To Equity Share Capital A/c (50,000 × ₹ 4)			2,00,000
	To Securities Premium A/c (50,000 × ₹ 2)			1,00,000
	(Being the shares allotment money due)			
	Bank A/c (WN 2 and 3) ...Dr.		2,68,500	
	Calls-in-Arrears A/c (WN 2) ...Dr.		4,500	
	To Equity Shares Allotment A/c			2,70,000
	To Calls-in-Advance A/c (1,000 × ₹ 3)			3,000
	(Being the allotment money received except on 900 shares and Calls-in-Advance received on 1,000 shares)			
June 1	Equity Shares First and Final Call A/c (50,000 × ₹ 3) ...Dr.		1,50,000	
	To Equity Share Capital A/c			1,50,000
	(Being the first and final call due)			
	Bank A/c (47,200 × ₹ 3) ...Dr.		1,41,600	
	Calls-in-Arrears A/c (1,800 × ₹ 3) ...Dr.		5,400	
	Calls-in-Advance A/c (1,000 × ₹ 3) ...Dr.		3,000	
	To Equity Shares First and Final Call A/c			1,50,000
	(Being the money received on first and final call except on 900 shares and advance received earlier adjusted)			
	Interest on Calls-in-Advance A/c (₹ 3,000 × 2/12 × 12/100) ...Dr.		60	
	To Sundry Members' A/c			60
	(Being the interest allowed on Calls-in-Advance)			
	Sundry Members' A/c ...Dr.		60	
	To Bank A/c			60
	(Being the interest paid)			
	Equity Share Capital A/c (900 × ₹ 10) ...Dr.		9,000	
	Securities Premium A/c (900 × ₹ 2) ...Dr.		1,800	
	To Forfeited Shares A/c (1,200 × ₹ 3)			3,600
	To Calls-in-Arrears A/c (₹ 4,500 + ₹ 2,700)			7,200
	(Being 900 shares of Vinod forfeited for non-payment of allotment and call money)			
Mar. 31	Statement of Profit & Loss ..Dr.		60	
	To Interest on Calls-in-Advance A/c			60
	(Being the interest on Calls-in-Advance Account transferred to Statement of Profit & Loss)			

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

Date	Particulars	₹	Date	Particulars	₹
	To Equity Shares Allotment A/c	4,500		By Securities Premium A/c	1,800
	To Equity Shares First and Final Call A/c	5,400		By Equity Share Capital A/c	5,400
				By Balance *c/d*	2,700
		9,900			9,900

Working Notes:

1. *Calculation of Number of Shares Allotted to Vinod:*

Shares Applied = 1,200

$$\text{Shares Allotted} = \frac{30{,}000}{40{,}000} \times 1{,}200 = 900 \text{ shares.}$$

2. *Calculation of Allotment Money not paid by Vinod:*

		₹
(*a*)	Excess Application money Received [(1,200 – 900) × ₹ 3)	900
(*b*)	Allotment money due on 900 Shares	5,400
	Less: Excess Application Adjusted (*a*)	900
	Amount not paid on allotment (Calls-in-Arrears)	4,500

3. *Calculation of Amount Received on Allotment:*

A.	Total Allotment Money due (50,000 × ₹ 6)		3,00,000
	Less: Allotment Money already received	30,000	
	Allotment Money not Paid by Vinod (WN 2)	4,500	34,500
			2,65,500
B.	Calls-in-Advance (1,000 × ₹ 3)		3,000
C.	Total amount received on Allotment (*A* + *B*)		2,68,500

Or

(i) **In the Books of NM Co.**

Dr. SHARE ISSUE EXPENSES ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To **Bank A/c**	**5,000**	By **Securities Premium A/c**	**5,000**

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

Particulars	₹	Particulars	₹
To Shares Allotment A/c (WN 4)	**1,000**	By Share Capital A/c	**1,000**
To Shares First Call A/c (WN 5)	**1,000**	By Securities Premium A/c	**1,000**
	2,000		2,000

(ii) *Dr.* SECURITIES PREMIUM ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Calls-in-Arrears A/c	1,000	By Shares Allotment A/c	12,000
To Share Issue Expenses A/c	5,000		
To Balance *c/d*	**6,000**		
	12,000		12,000

(iii) JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
(a)	Shares Allotment A/c (12,000 × ₹ 5)	...Dr.		60,000	
	To Share Capital A/c (12,000 × ₹ 4)				48,000
	To Securities Premium A/c (12,000 × ₹ 1)				12,000
	(Being the allotment money due)				
(b)	Bank A/c	...Dr.		11,000	
	Calls-in-Arrears A/c	...Dr.		1,000	
	To Shares Allotment A/c				12,000
	(Being the remaining allotment money received (WN 1, 2, 3 and 4)				
	On Forfeiture of 1,000 shares				
(c) (i)	Share Capital A/c (1,000 × ₹ 9)	...Dr.		9,000	
	Securities Premium A/c	...Dr.		1,000	
	To Forfeited Shares A/c (2,000 × ₹ 4)				8,000
	To Calls-in-Arrears A/c				2,000
	(Being the forfeiture of 1,000 shares for non payment of first call)				
(ii)	Bank A/c (1,000 × ₹ 7)	...Dr.		7,000	
	Forfeited Shares A/c (1,000 × ₹ 2)	...Dr.		2,000	
	To Share Capital A/c (1,000 × ₹ 9)				9,000
	(Being 1,000 forfeited shares reissued at the rate of ₹ 7 per share ₹ 9 paid-up)				
(iii)	Forfeited Shares A/c (₹ 8,000 – ₹ 2,000)	...Dr.		6,000	
	To Capital Reserve A/c				6,000
	(Being the transfer of net gain on reissue of shares to Capital Reserve)				

Working Notes:

1. JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Share Application A/c (30,000 × ₹ 4)	...Dr.		1,20,000	
	To Share Capital A/c (12,000 × ₹ 4)				48,000
	To Share Allotment A/c (12,000 × ₹ 4)				48,000
	To Bank A/c (6,000 × ₹ 4)				24,000
	(Being the application money adjusted)				

2. Number of Shares allotted to $A = \frac{12,000}{24,000} \times 2,000 = 1,000$ Shares.

3. *Calculation of the amount due but not received from A:*

		₹
A.	Application Money received on shares applied (2,000 × ₹ 4)	8,000
B.	*Less:* Application Money due on shares allotted (1,000 × ₹ 4)	4,000
C.	Excess Application Money (A – B)	4,000
D.	Allotment Money due on shares allotted (1,000 × ₹ 5)	5,000
E.	Allotment Money due but not received (D – C) = ₹ 5,000 – ₹ 4,000 = ₹ 1,000	1,000

4. *Calculation of Allotment Money received later:*

	₹
Total Allotment Money due (12,000 × ₹ 5)	60,000
Less: Excess Application Money adjusted against Allotment Money	48,000
	12,000
Less: Allotment Money not received (WN 3)	1,000
Total Allotment Money Received	11,000

5. *For First Call Money received:*

		₹	₹
Bank A/c (11,000 × ₹ 2)	...Dr.	22,000	
Call-in-Arrears A/c (1,000 × ₹ 2)	...Dr.	2,000	
To Shares First Call A/c			24,000

SECTION B

Question 11.

(i) (d) All of the above.

(ii) (d) (ii) and (iii).

(iii) (a) **Percentage Change** = $\frac{\text{Absolute Change}}{\text{Net Profit of Previous Year}} \times 100$

(b) **Percentage Change** = $\frac{₹\ 20421.97 - ₹\ 18,753.31}{₹\ 18,753.31} \times 100$ = **8.89% (Increase).**

(iv) Current Ratio = $\frac{\text{Current Assets (CA)}}{\text{Current Liabilities (CL)}} = 3.5$

Current Assets = 3.5 CL

Quick Ratio = $\frac{\text{Quick Assets}}{\text{Current Liabilities}} = 2$

Liquid Assets = 2 CL

Liquid Assets = Current Assets – Inventory

Or 2 CL = 3.5 CL – ₹ 24,000

1.5 CL = ₹ 24,000

i.e., CL or Current Liabilities = ₹ 24,000/1.5 = ₹ **16,000**.

Current Assets = ₹ 16,000 × 3.5 = ₹ **56,000**.

(v) Discount on Issue of Debentures ₹ 10,000, is a Non-cash and Non-operating Item, thus, it should be added to Net Profit before Tax for calculation of Net Operating Profit before Working Capital Changes.

Question 12.

HMSC Ltd.
COMPARATIVE BALANCE SHEET *as at 31st March, 2025*

Particulars	Note No.	31st March, 2025 ₹	31st March, 2024 ₹	Absolute Change (Increase/Decrease) ₹	Percentage Change (Increase/Decrease) %
I. EQUITY AND LIABILITIES					
1. Shareholders' Funds		44,40,000	24,00,000	20,40,000	85
2. Non-Current Liabilities		12,00,000	12,00,000	...	...
3. Current Liabilities		3,60,000	4,00,000	(40,000)	(10)
Total		60,00,000	40,00,000	20,00,000	50
II. ASSETS					
1. Non-Current Assets		50,40,000	28,00,000	22,40,000	80
2. Current Assets		9,60,000	12,00,000	(2,40,000)	(20)
Total		60,00,000	40,00,000	20,00,000	50

Note: Surplus, *i.e.*, Balance in Statement of Profit & Loss and Cash and Cash Equivalents will not be shown as they are included in Shareholders' Funds and Current Assets respectively.

Question 13.

(i) $$\text{Inventory Turnover Ratio} = \frac{\text{Cost of Revenue from Operations}}{\text{Average Inventory}}$$

$$6 = \frac{\text{Cost of Revenue from Operations}}{₹\ 8{,}000}$$

Cost of Revenue from Operations = ₹ 8,000 × 6 = ₹ 48,000

Selling Price (Revenue from Operations) = ₹ 48,000 + 25% of ₹ 48,000 = ₹ 60,000

Gross Profit = Revenue from Operations – Cost of Revenue from Operations
= ₹ 60,000 – ₹ 48,000 = ₹ 12,000

(ii) $$\text{Trade Receivables Turnover Ratio} = \frac{\text{Credit Revenue from Operations}}{\text{Average Trade Receivables}}$$

Credit Revenue from Operations = Revenue from Operations – Cash Revenue from Operations
= ₹ 3,60,000 – ₹ 90,000 = ₹ 2,70,000

Gross Trade Receivable = Net Closing Trade Receivables + Provision for Doubtful Debts (WN 1)
= ₹ 45,000 + ₹ 10,000 = ₹ 55,000.

$$\text{Trade Receivables Turnover Ratio} = \frac{₹\ 2{,}70{,}000}{₹\ 55{,}000\ (\text{WN 2})} = \mathbf{4.9\ Times}.$$

Working Notes:

1. Provision for Doubtful Debts is added in net Net Closing Trade Receivable for calculating Gross Trade Receivables.
   Reason: Provision for Doubtful Debts is not deducted from opening and closing debtors as the purpose is not to ascertain the realisable value of Trade Receivables.
2. As Opening Trade Receivables are not given. Closing Trade Receivable is taken as Average Trade Receivables.

(iii) $$\text{Interest Coverage Ratio} = \frac{\text{Net Profit before Interest and Tax}}{\text{Interest on Long-term Debt}}$$

$$= \frac{₹\ 4{,}40{,}000}{₹\ 2{,}40{,}000} = \mathbf{1.83\ Times}.$$

Interest on Long-term Debt = 12% of ₹ 20,00,000 = ₹ 2,40,000

Calculation of Net Profit before Interest and Tax:

Net Profit after Tax = ₹ 1,20,000

Let Net Profit before Tax* = ₹ 100; Tax = ₹ 40; Net Profit after Tax = ₹ 60

$$\text{Net Profit before Tax} = ₹\ 1,20,000 \times \frac{₹\ 100}{₹\ 60} = ₹\ 2,00,000.$$

Net Profit before Interest and Tax = Net Profit before Tax* + Interest on Long-term Debts
= ₹ 2,00,000 + ₹ 2,40,000 = ₹ 4,40,000.

**Net Profit before Tax shows Net Profit after Interest but before Tax.*

(iv) $$\text{Earning Per Share} = \frac{\text{Net Profit after Tax} - \text{Preference Dividend}}{\text{Number of Equity Shares}}$$

$$= \frac{(₹\ 20,00,000 - ₹\ 7,00,000) - (₹\ 1,00,000)}{30,000}$$

$$= \frac{₹\ 12,00,000}{30,000} = ₹\ \mathbf{40}.$$

Question 14.

CASH FLOW STATEMENT OF CLIMAX LTD. *for the year ended 31st March, 2025*

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 Machinery		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	4,000	
Decrease in Current Investments	4,000	
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

CASH FLOW STATEMENT OF VANI LTD. *for the year ended 31st March, 2025*

Particulars		₹	₹
A. Cash Flow from Operating Activities			
Net Profit before Tax (Given)		13,80,000	
Add: Non-cash items (Depreciation on Fixed Assets)		3,15,000	
Operating Profit before Working Capital Changes		16,95,000	
Changes in Current Assets & Current Liabilities:			
Increase in Inventory		(43,000)	
Increase in Trade Creditors		23,000	
Increase in Outstanding Expenses		9,000	
Cash Generated from Operations		16,84,000	
Less: Tax Paid		7,00,000	
Cash Flow from Operating Activities			**9,84,000**
B. Cash Flow from Investing Activities			
Purchase of Fixed Assets: Machinery	9,27,500		
Furniture	1,00,000	(10,27,500)	
Net Cash used in Investing Activities			**(10,27,500)**
C. Cash Flow from Financing Activities			
Proceeds from Issue of Equity Shares		5,00,000	
Securities Premium received		1,50,000	
Dividend Paid		(4,07,000)	
Cash Flow from Financing Activities			**2,43,000**
D. Net Increase in Cash and Cash Equivalents (A + B + C)			1,99,500
Add: Cash and Cash Equivalents on 31st March, 2024			2,13,800
E. Cash and Cash Equivalents on 31st March, 2025			**4,13,300**

❑❑❑❑

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) Anoop, Ekansh and Pushkar were partners in a firm sharing profits and losses in the ratio of 5 : 3 : 2. They admit Vipul as a partner for 1/5 share in future profits. Vipul agreed to contribute proportionate capital. On the date of admission, capitals of Anoop, Ekansh and Pushkar after all adjustments were: ₹ 1,20,000; ₹ 80,000 and ₹ 1,00,000 respectively, the amount of capital brought by Vipul will be

(a) ₹ 75,000. (b) ₹ 60,000.

(c) ₹ 65,000. (d) ₹ 70,000. **(Application)** [1]

(ii) **Assertion (A):** Salary allowed to a partner is transferred to Profit & Loss Appropriation Account.

Reason (R): Salary allowed to a partner as per provision in the Partnership Deed is appropriation of profit.

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

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

(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). **(Analysis)** [1]

(iii) Tulsi Ltd. forfeited certain number of shares on which ₹ 7 per share were received. It reissued 6,000 shares for ₹ 7 each as ₹ 10 paid-up. Balance in Forfeited Shares Account is ₹ 28,000. Number of shares forfeited were

(a) 15,000. (b) 8,000.

(c) 10,000. (d) 12,000. **(Application)** [1]

(iv) Diksha Ltd. issued 40,000, 9% Debentures of ₹ 100 each at a discount of 10%, redeemable at a premium of 10%. 'Discount on Issue of Debentures' and 'Premium on Redemption of Debentures' were accounted for through ' Loss on Issue of Debentures Account'. It has balance in Securities Premium and Capital Reserve of ₹ 4,00,000 each. Loss on Issue of Debentures written off from Statement of Profit & Loss will be

(a) ₹ 8,00,000. (b) ₹ 2,000.

(c) ₹ 4,00,000. (d) NIL. **(Application)** [1]

(v) Which of the following is not true?

Purchased goodwill

(a) may arise on purchase of a business.

(b) is not shown in the Balance Sheet.

(c) is recognised in the books of account.

(d) is amortised over its expected useful life. **(Understanding)** [1]

(vi) What does a new partner get against his contribution of self-generated goodwill of the firm? **(Understanding)** [1]

(vii) On dissolution of the firm of Mohan and Sohan, sundry assets were of ₹ 1,17,000. Mohan took part of sundry assets at ₹ 72,000 (being 10% *less* 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. **(Application)** [1]

(viii) Following information is provided by a firm at the time of dissolution of the firm:

Partners' Capital: ₹ 6,00,000; Sundry Creditors ₹ 1,40,000; Cash and Bank Balance ₹ 32,000 and Profit & Loss A/c (Dr.) ₹ 28,000.

You are required to calculate the amount realised from the sale of assets when realisation expenses and loss on realisation were ₹ 20,000 and ₹ 1,00,000 respectively. **(Understanding)** [1]

(ix) ITC Ltd. acquired 100% shares of a company for ₹ 60 crore in all cash deal.

(**Source:** *Business Standard, 17th April, 2025*)

State the Main Head and Sub-head under which it will be shown in Balance Sheet of ITC Ltd. as at 31st March, 2026. **(Recall)** [1]

(x) Explain how capital losses are written off. **(Understanding)** [1]

Question 2.

Bhumi and Chhavi were partners in a firm sharing profit and loss in the ratio of 5 : 3. Their Balance Sheet as at 1st April, 2025 was as follows:

Liabilities		₹	Assets	₹
Capitals:			Machinery	3,80,000
Bhumi	3,20,000		Furniture	50,000
Chhavi	3,40,000	6,60,000	Debtors	2,30,000
General Reserve		80,000	Stock	1,50,000
Bank Loan		60,000	Cash	50,000
Creditors		60,000		
		8,60,000		8,60,000

Aditi was admitted in the firm with 1/3 share in profits on the following terms:

(i) Aditi will bring ₹ 3,00,000 as her capital.

(ii) Aditi will bring her share of goodwill premium in cash.

(iii) Goodwill of the firm was valued on the basis of two years' purchase of average profits of the last three years. Average profits of the last three years were ₹ 60,000.

(iv) Machinery was revalued at ₹ 4,60,000.

(v) The capitals of Bhumi and Chhavi were adjusted on the basis of Aditi's capital by opening Current Accounts.

You are required to prepare Partners' Capital Accounts. **(Application)** [3]

Or

Sarthak and Vansh were partners sharing profits and losses in the ratio of 3 : 2. Their Balance Sheet as at 1st April, 2025 was:

Liabilities		₹	Assets	₹
Sundry Creditors		30,000	Cash at Bank	80,000
General Reserve		70,000	Sundry Debtors	90,000
Capital Accounts:			Machinery	60,000
Sarthak	80,000		Goodwill	10,000
Vansh	60,000	1,40,000		
		2,40,000		2,40,000

They admit Raj as a partner with 1/5 share in the profits. Raj brings in ₹ 70,000 as his capital. He is unable to bring amount for his share of goodwill. Partners decided to value goodwill on admission on the basis of Raj's share in the profits and capital contribution made by him to the firm.

You are required to give the necessary Journal entries for the adjustment of goodwill. **(Application)** [3]

Question 3.

On 1st April, 2024, IFB Ltd. invited applications for issuing 10,000; 9% Debentures of ₹ 100 each at a discount of 6%. The entire amount was payable with application. Applications for 12,000 debentures were received. Debentures were allotted on '*pro rata*' basis to all the applicants. Excess money received with applications was refunded.

The company had ₹ 10,000 in its Securities Premium Account.

You are required to:

(i) Pass necessary Journal entries for issue of debentures and for writing off 'Discount on Issue of Debentures'.

(ii) Prepare Discount on Issue of Debentures Account. **(Application)** [3]

Or

Pass necessary Journal entries for the issue of debentures in the following cases:

(i) Issued ₹ 75,00,000, 9% Debentures of ₹ 100 each at a premium of 10% redeemable at a premium of 5% after 3 years.

(ii) Issued 8,000, 9% Debentures of ₹ 100 each at a discount of 6% redeemable at a premium of 3% after 5 years. **(Understanding)** [3]

Question 4.

Pluto Ltd. an unlisted (Non-NBFC or HFC) company, has 7,500; 9% Debentures of ₹ 100 each outstanding as on 31st March, 2024. These debentures are due for redemption on 31st March, 2025. The Debenture Redemption Reserve has balance of ₹ 25,000 on 31st March, 2024.

You are required to pass Journal entries to complete the Redemption of Debentures. **(Application)** [3]

Question 5.

Anu, Benu and Sara are partners in a firm sharing profits and losses in the ratio of 4/9 : 2/9 : 1/3. Anu retired from the firm on 1st April, 2025. She gives half of her share to Benu and the remaining half to Sara.

On Anu's retirement, it is decided that goodwill of the firm be valued at two years' purchase of the average profit of the preceding four years, which were as follows:

Year	Profit
2021–22	₹ 40,000 (Including gain from speculation ₹ 4,000)
2022–23	₹ 80,000 (Excluding repairs of machinery ₹ 6,000)
2023–24	₹ 1,10,000
2024–25	₹ 40,000 (Loss)

You are required to calculate:

(i) The new profit-sharing ratio of the remaining partners in the reconstituted firm. [1]

(ii) The firm's goodwill on the date of Anu's retirement (Show the workings clearly with the formula). **(Application)** [2]

Question 6.

A. Atishyokti Ltd. company was registered with an authorised capital of ₹ 20,00,000 divided into 2,00,000 equity shares of ₹ 10 each, payable ₹ 3 on application, ₹ 6 on allotment (including ₹ 1 premium) and balance on call. The company offered 80,000 shares for public subscription. The amount was called and duly received except allotment and call money on 5,000 shares held by Manish and call money on 4,000 shares held by Alok. Manish's shares were forfeited and out of these 3,000 shares were reissued for ₹ 9 per share as fully paid-up.

You are required to show *Share Capital* in the books of the company. Also prepare Notes to Accounts. **(Application)** [4]

B. From the following information, prepare relevant Note to Accounts: (₹ in '000)

Particulars	Cost (₹)	Provision for Depreciation/Amortisation (₹)
Building	800	40
Plant and Equipment	400	80
Vehicles	100	20
Furniture and Fixtures	120	12
Brands	400	40
Computer Software	180	108

(Application) [2]

Question 7.

Uma, Nikita and Aman were partners in a firm sharing profits and losses in the ratio of 2 : 1 : 1. They closed their books on 31st March every year. Uma died on 31st July, 2024, when the Balance Sheet of the firm was as follows:

Liabilities		₹	Assets	₹
Sundry Creditors		30,000	Cash at Bank	84,000
Loan from Uma		10,000	Fixed Assets	78,000
General Reserve		24,000	Goodwill	24,000
Capital Accounts:				
Uma	54,000			
Nikita	34,000			
Aman	34,000	1,22,000		
		1,86,000		1,86,000

According to the terms of their partnership deed, a deceased partner is entitled to:

(a) Interest on capital @ 5% per annum.

(b) Salary of ₹ 2,500 per month.

Profit of the firm for the period of 4 months up to 31st July, 2024 was determined at ₹ 60,000.

Firm's non-purchased goodwill on the date of Uma's death was valued at ₹ 12,000.

The amounts due to Uma were transferred to her Executor's Loan Account.

You are required to prepare:

(i) Uma's Capital Account; and [5]

(ii) Uma's Loan Account. **(Application)** [1]

Or

Haba, Goba and Boba were partners sharing profits and losses in the ratio of 5 : 3 : 2. On 31st March, 2025, the Balance Sheet of the firm was as under:

Liabilities		₹	Assets	₹
Sundry Creditors		26,500	Bank	10,000
Employees' Provident Fund		3,500	Sundry Debtors	65,000
Workmen Compensation Reserve		15,000	Stock	55,000
Capital Accounts:			Fixed Assets	1,25,000
Haba	1,10,000			
Goba	56,000			
Boba	44,000	2,10,000		
		2,55,000		2,55,000

Goba retires on the same date. For the purpose, following adjustments were agreed:

(a) Goodwill be valued at ₹ 75,000.

(b) Fixed assets be appreciated by 20% and stock be reduced to ₹ 50,000.

(c) Out of the amount of insurance which was debited to Profit & Loss Account, ₹ 5,000 to be carried forward as an unexpired insurance.

(d) Provision of ₹ 5,000 be made for outstanding legal charges.

(e) Goba be paid by amount brought by Haba and Boba which make their capitals proportionate to their new profit-sharing ratio. New profit-sharing ratio between Haba and Boba to be 3/5 : 2/5.

You are required to prepare:

(i) Partners' Capital Accounts. [5]

(ii) Balance Sheet of the new firm. **(Application)** [1]

Question 8.

Mihir and Farhan were partners in a firm sharing profits and losses equally. They dissolved the firm on 31st March 2025.

On this date, the Balance Sheet of their firm, apart from the realisable assets and outside liabilities, showed the following:

Particulars	₹
Mihir's Capital	60,000 (Cr.)
Farhan's Capital	20,000 (Dr.)
Workmen Compensation Reserve	12,000
Profit & Loss Account	6,000 (Cr.)
Bank Account	'?'

On the date of dissolution:

(a) Realisation of assets and settlement of liabilities resulted in loss of ₹ 10,000.

(b) Amount paid towards liabilities exceeded the amount realised from the sale of assets by ₹ 8,000.

(c) Stock of ₹ 3,000 was taken by Farhan.

(d) Mihir discharged the Bills Payable, recorded in the books at ₹ 5,000, at a rebate of ₹ 100.

You are required to prepare as on the date of dissolution of the firm:

(i) Partners' Capital Accounts.

(ii) Bank Account to determine its balance at bank as shown in the Balance Sheet as at 31st March 2025, represented by '?'. **(Application)** [6]

Question 9.

A. Jay, Vijay and Karan are partners with capitals of ₹ 1,20,000 (Credit), ₹ 1,00,000 (Credit), and ₹ 8,000 (Debit) respectively on 1st April, 2024. Their Partnership Deed provided the following:

(a) 7.5% of Net Profit to be transferred to General Reserve.

(b) Partners are entitled to Interest on Capital @ 5% p.a. and are to be charged Interest on Drawings @ 6% p.a.

(c) Karan is entitled to salary of ₹ 7,000.

(d) Jay is entitled to commission of 10% of the net profit before any appropriation.

(e) Vijay is also entitled to a commission of 8% of the net profit before charging interest on drawing but after all appropriations.

During the year, Jay withdrew ₹ 1,000 at the beginning of every month. Vijay ₹ 1,000 during the month and Karan ₹ 1,000 at the end of every month.

On 1st June, 2024, Karan advanced loan of ₹ 6,00,000.

The Manager is entitled to commission of 10% of net profit after charging such commission.

Net profit of the firm for the year ended on 31st March, 2025 before providing for any of the above adjustment was ₹ 1,62,000.

You are required to prepare Profit & Loss Appropriation Account for the year ended on 31st March, 2025. **(Application)** [7]

B. Cheese and Slice are equal partners. Their capitals as on 1st April, 2024 were ₹ 50,000 and ₹ 1,00,000 respectively. After the accounts for the financial year ending 31st March, 2025 have been prepared, it is observed that interest on capital @ 6% per annum and salary to Cheese @ ₹ 5,000 per annum, as provided in the partnership deed have not been credited to the partners' capital accounts before distribution of profits.

You are required to give necessary rectifying entries using Profit & Loss Adjustment Account. **(Application)** [3]

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, 2024.

Their partnership deed provides the following:

(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 commission @ 5% of net profit *after* charging his commission.

(d) Ravi to be allowed commission of ₹ 10,000.

Additional information:

During the year ended 31st March, 2025:

- Tanuj withdrew ₹ 6,000 at the end of every quarter.
- Net Profit of the firm was ₹ 84,000.
- Firm's divisible profit was ₹ 46,360.
- On 1st October, 2024, Ravi withdrew ₹ 20,000 from his capital.

You are required to do the following:

(i) Pass the Journal entries to account: [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, 2025, ₹ 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 2024–25.

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 Drawings was:
Mohan ₹ 250, Vijay ₹ 200 and Anil ₹ 150.

You are required to make the necessary correction through a Journal entry.

(Application) [4]

Question 10.

Roxy Ltd. issued 1,00,000 Equity Shares of ₹ 10 each at a premium of ₹ 3 per share payable with application money. While passing the Journal entries related to issue, some blanks are left.

You are required to complete these blanks.

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Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	.?. ...Dr.		?	
	To .?.			?
	(Being the application money received for 1,40,000 shares @ ₹ 6 per share including premium)			
	Equity Shares Application A/c ...Dr.		?	
	To .?.			?
	To .?.			?
	To .?.			?
	To .?.			?
	(Being the application money transferred to Share Capital Account, Securities Premium Account, refunded for 20,000 shares for rejected applications and balance adjusted towards money due on allotment as shares were allotted on *pro rata* basis)			

	..?. ...Dr.		?	
	To ..?.			?
	(Being the allotment money due @ ₹ 4 per share)			
	..?. ...Dr.		?	
	To ..?.			?
	(Being the balance allotment amount received)			
	..?. ...Dr.		?	
	To ..?.			?
	(Being the first and final call money due)			
	..?. ...Dr.		?	
	Calls-in-Arrears A/c ...Dr.		3,000	
	To ..?.			?
	(Being the first and final call money received)			
	..?. ...Dr.		?	
	To ..?.			?
	To ..?.			?
	(Being the shares forfeited on which first and final call was not received)			
	..?. ...Dr.		?	
	..?. ...Dr.		1,500	
	To ..?.			?
	(Being 500 forfeited shares reissued)			
	..?. ...Dr.		?	
	To ..?.			?
	(Being the ..?.)			

[10]

Or

Paras Ltd. issued 40,000 Equity Shares of ₹ 10 each at a premium of ₹ 1 per share payable:

On Application	₹ 3
On Allotment	₹ 4 (Including premium)
On First and Final Call	Balance

Application Money received was ₹ 1,80,000. *Pro rata* allotment was made to the applicants of 50,000 shares and applications for remaining 10,000 shares were refused allotment.

One shareholder who had applied for 500 shares did not pay the allotment money and his shares were forfeited. The company was able to immediately reissue all the forfeited shares at ₹ 5 per share.

Three months later, the First and Final Call was made to all the shareholders.

You are required to:

(i) Pass Journal entries to account the above transactions in the books of the company. [9]

(ii) Prepare the Calls-in-Arrears Account. [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) Bharti Airtel reported net income of ₹ 1,450 crore in the fourth quarter of 2024, compared to ₹ 1,411 crore in the fourth quarter of 2023.

Its share capital (₹ 10 per share) is ₹ 2,900 crore.

(**Source:** *Financial Express, 15 January, 2025*)

What is the EPS of the company on 31st December, 2024?

(a) ₹ 5 (b) ₹ 0.75

(c) ₹ 1.50 (d) ₹ 1.75 **(Application)** [1]

(ii) Prayas Ltd. earned profit of ₹ 1,75,000 after considering the following:

A. Goodwill written off ₹ 6,000. B. Depreciation on furniture ₹ 3,400.

C. Loss on sale of building ₹ 89,000. D. Gain on sale of land ₹ 4,250.

Operating profit before working capital change will be

(a) ₹ 2,25,149. (b) ₹ 2,69,150.

(c) ₹ 2,35,160. (d) ₹ 2,53,145. **(Application)** [1]

(iii) Is it correct to say that values of previous year are taken as base for comparison in case of Common-size Balance Sheet? **(Understanding)** [1]

(iv) Aditya Sunrise Ltd. provides you the following information:

Particulars	31st March, 2025 (₹)	31st March, 2024 (₹)
10% Bank Loan	Nil	1,00,000

Additional Information:

1. Equity share capital issued during the year ₹ 3,00,000 including Bonus Shares of ₹ 2,00,000.
2. 10% bank loan was repaid on 1st April, 2024.
3. Dividend received during the year was ₹ 40,000.
4. Dividend proposed for the year 2023–24 was ₹ 50,000 but it was not approved by the shareholders.

Calculate Cash Flow from Financing Activities. **(Understanding)** [1]

(v) Nestle board approves 1 : 1 bonus share issue, stock up 1% in morning trade on 26th June, 2025. (**Source:** *The Hindu*)

What will be the effect of this decision on its Debt to Equity Ratio?

(Application) [1]

Question 12.

Following are the particulars of Richmond Ltd.:

Particulars	2024–25 (₹)	2023–24 (₹)
Revenue from Operations	50,00,000	40,00,000
Purchases	36,00,000	30,00,000
Change in Inventory	14,00,000	8,00,000
Other Expenses	5,00,000	4,00,000
Other Income	2,50,000	2,00,000
Income Tax Rate 40%		

You are required to prepare Comparative Statement of Profit & Loss.

(Application) [3]

Question 13.

Answer any *three* of the following questions:

(i) Net profit after interest and tax: ₹ 3,00,000; 10% Debentures of ₹ 100 each: ₹ 5,00,000; Capital employed ₹ 40,00,000 and Tax Rate @ 40%.

Calculate Return on Investment. **(Application)** [2]

(ii)

Average Inventory	₹ 80,000
Inventory Turnover Ratio	6 times
Selling price	25% above cost

On the basis of above information, determine the amount of Gross Profit and Revenue from Operations. **(Application)** [2]

(iii) *For the year 2024–25:*

- 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.

(Application) [2]

(iv) Revenue from Operations ₹ 10,00,000, Gross Profit Ratio 25%, Operating Ratio 90%, Operating Expenses ₹ 1,00,000, Non-operating Expenses ₹ 5,000, Non-operating Income ₹ 55,000.

You are required to calculate Net Profit Ratio. **(Application)** [2]

Question 14.

From the following Balance Sheet of Halogen Ltd., you are required to prepare a Cash Flow Statement (as per AS-3) for the year 2024–25:

Halogen Ltd.

BALANCE SHEET *as at 31st March, 2024 and 31st March, 2025*

Particulars	Note No.	31st March, 2025 (₹)	31st March, 2024 (₹)
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(a) Share Capital		6,50,000	4,50,000
(b) Reserves and Surplus	1	4,20,000	2,40,000
2. Current Liabilities			
(a) Trade Payables		1,10,000	87,000
(b) Short-term Provisions	2	3,50,000	3,00,000
Total		15,30,000	10,77,000
II. ASSETS			
1. Non-Current Assets			
Property, Plant and Equipment and Intangible Assets:			
—Property, Plant and Equipment		8,30,000	4,67,000
2. Current Assets			
(a) Inventories (Stock)		1,30,000	1,10,000
(b) Trade Receivables		1,95,000	1,80,000
(c) Cash and Bank Balances (Cash at Bank)		3,75,000	3,20,000
Total		15,30,000	10,77,000

Notes to Accounts

Particulars	31st March, 2025 (₹)	31st March, 2024 (₹)
1. Reserves and Surplus		
General Reserve	2,75,000	1,50,000
Surplus, *i.e.*, Balance in Statement of Profit & Loss	1,45,000	90,000
	4,20,000	2,40,000
2. Short-term Provisions		
Provision for Tax	3,50,000	3,00,000

Additional Information:

(a) Depreciation on property, plant and equipment for the year 2024-25 was ₹ 1,47,000.

(b) An interim dividend ₹ 70,000 has been paid to the shareholders during the year.

(Understanding) [6]

Or

Read the following information of Bruno Ltd. and answer the questions that follows:

Particulars	31st, March 2025 (₹)	31st, March 2024 (₹)
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 2024–25:

(a) Part 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) Proposed dividend for the year ended 31st March, 2024 was @ 15%. However, it was not approved by the shareholders in the Annual General Meeting (AGM).

(e) ₹ 15,000 were paid towards interest on debentures.

(f) Issued bonus shares to the shareholders at the beginning of the year in the ratio of 1 : 5 by capitalising the Securities Premium.

(g) Land was purchased on 2nd April, 2024 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 are 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]

ANSWERS

SECTION A

Question 1.

(i) (a) ₹ 75,000.

Working Note:

$$\text{Vipul's profit share} = \frac{1}{5}$$

$$\text{Remaining Profit Share} = 1 - \frac{1}{5} = \frac{4}{5}$$

Combined capital of old partners = ₹ 1,20,000 + ₹ 80,000 + ₹ 1,00,000 = ₹ 3,00,000

$$\text{Total capital of new firm} = ₹\ 3,00,000 \times \frac{5}{4} = ₹\ 3,75,000$$

$$\text{Capital brought by Vipul} = ₹\ 3,75,000 \times \frac{1}{5} = ₹\ 75,000.$$

(ii) (d) Both Assertion (A) and Reason (R) are correct, and Reason (R) is the correct explanation of Assertion (A).

(iii) (c) 10,000 shares.

Working Note:

Forfeited Shares reissued (Stated)	6,000 shares
Forfeited Shares (Not yet reissued) (₹ 28,000/₹ 7)	4,000 shares
Number of Shares Forfeited	**10,000 shares**

(iv) (c) ₹ 4,00,000.

Working Note:

Capital Loss is written off first from Securities Premium, ₹ 4,00,000 in this case and then from Statement of Profit & Loss ₹ 4,00,000 (₹ 8,00,000 – ₹ 4,00,000).

(v) (b) is not shown in the Balance Sheet.

(vi) Right to share in the future profits of the firm.

(vii) Sundry assets taken by Mohan = ₹ 72,000

Book value = ₹ 72,000 × 100/90 = ₹ 80,000

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) *Sundry Assets realised ₹ 6,00,000, calculated as follows:*

Dr. REALISATION ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Sundry Assets (WN)	6,80,000	By Sundry Creditors	1,40,000
To Bank A/c (Payment of Liabilities)	1,40,000	By Bank A/c (Sale of Assets—Balancing Figure)	**6,00,000**
To Bank A/c (Expenses)	20,000	By Loss transferred to Partners' Capital A/cs	1,00,000
	8,40,000		8,40,000

Working Note:

BALANCE SHEET *as at ...*

Liabilities	₹	Assets	₹
Sundry Creditors	1,40,000	Cash and Bank	32,000
Capital	6,00,000	Sundry Assets (Balancing Figure)	**6,80,000**
		Profit & Loss	28,000
	7,40,000		7,40,000

(ix) It will be shown under **Main Head:** *Non-current Assets* and **Sub-head:** *Non-current Investments* in the Balance Sheet as at 31st March, 2026.

(x) Capital losses are written off as follows in the given order:
 (a) First from Securities Premium,
 (b) Thereafter from Statement of Profit & Loss, and
 (c) Lastly from Capital Reserve.

Question 2.

Dr. PARTNERS' CAPITAL ACCOUNTS *Cr.*

Particulars	Bhumi ₹	Chhavi ₹	Aditi ₹	Particulars	Bhumi ₹	Chhavi ₹	Aditi ₹
To Current A/c (Bal. Fig.)	**70,000**	**1,90,000**	...	By Balance *b/d*	3,20,000	3,40,000	...
To Balance *c/d* (WN 3, 4)	3,75,000	2,25,000	3,00,000	By Revaluation A/c (WN 1)	50,000	30,000	...
				By General Reserve A/c	50,000	30,000	...
				By Bank A/c	...	...	3,00,000
				By Premium for Goodwill A/c (5 : 3) (WN 2)	25,000	15,000	...
	4,45,000	4,15,000	3,00,000		4,45,000	4,15,000	3,00,000

Working Notes:

1. *Dr.* REVALUATION ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Bhumi's Capital A/c (Profit 5/8)	50,000	By Machinery A/c (₹ 4,60,000 – ₹ 3,80,000)	80,000
To Chhavi's Capital A/c (Profit 3/8)	30,000		
	80,000		80,000

2. Aditi's Share of Goodwill = (₹ 60,000 × 2) × 1/3 = ₹ 40,000.

3. *New Profit-sharing Ratio:*

 Let total profit = 1
 Aditi's profit share = 1/3
 Remaining share of old partners = 1 – 1/3 = 2/3
 Bhumi's New Profit Share = 2/3 × 5/8 = 10/24
 Chhavi's New Profit Share = 2/3 × 3/8 = 6/24

 Hence, New Profit-sharing Ratio = 10/24 : 6/24 : 1/3 or 10 : 6 : 8 or 5 : 3 : 4.

4. Total Capital of New firm on the basis of Aditi's Capital = ₹ 3,00,000 × 3/1 = ₹ 9,00,000
 Bhumi's Capital = ₹ 9,00,000 × 5/12 = ₹ 3,75,000
 Chhavi's Capital = ₹ 9,00,000 × 3/12 = ₹ 2,25,000.

Or

JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Sarthak's Capital A/c	...Dr.		6,000	
	Vansh's Capital A/c	...Dr.		4,000	
	To Goodwill A/c				10,000
	(Being the existing goodwill written off)				
	Bank A/c	...Dr.		70,000	
	To Raj's Capital A/c				70,000
	(Being the amount of Capital brought in by Raj)				
	Raj's Current A/c	...Dr.		16,000	
	To Sarthak's Capital A/c				9,600
	To Vansh's Capital A/c				6,400
	(Being the goodwill credited to sacrificing partners in their sacrificing ratio of 3 : 2)				

Working Notes:

1. *Calculation of Hidden Goodwill:*

		₹
(a)	Net worth of New firm on the basis of Raj's Capital (₹ 70,000 × 5/1)	3,50,000
(b)	Total existing capital of Sarthak, Vansh and Raj (₹ 1,16,000 + ₹ 84,000 + ₹ 70,000) (WN 2)	(2,70,000)
	Firm's Goodwill (a – b)	**80,000**

Raj's share of Goodwill (₹ 80,000 × 1/5) = ₹ **16,000**.

2. *Calculation of Adjusted Capital at the time of Raj's admission:*

Dr. PARTNERS' CAPITAL ACCOUNTS *Cr.*

Particulars	Sarthak (₹)	Vansh (₹)	Particulars	Sarthak (₹)	Vansh (₹)
To Goodwill A/c	6,000	4,000	By Balance *b/d*	80,000	60,000
To Balance *c/d*	1,16,000	84,000	By General Reserve A/c	42,000	28,000
	1,22,000	88,000		1,22,000	88,000

Question 3.

(i) JOURNAL OF IFB LTD.

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2024					
April 1	Bank A/c (12,000 × ₹ 94)	Dr.		11,28,000	
	To Debentures Application and Allotment A/c				11,28,000
	(Being the application money received on 12,000 debentures)				
	Debentures Application and Allotment A/c	Dr.		11,28,000	
	Discount on Issue of Debentures A/c (10,000 × ₹ 6)	Dr.		60,000	
	To 9% Debentures A/c (10,000 × ₹ 100)				10,00,000
	To Bank A/c (2,000 × ₹ 94)				1,88,000
	(Being the application money transferred to Debentures A/c and Surplus refunded)				
2025					
March 31	Securities Premium A/c	...Dr.		10,000	
	Statement of Profit & Loss (₹ 60,000 – ₹ 10,000)	...Dr.		50,000	
	To Discount on issue of Debentures A/c				60,000
	(Being the discount on issue of debentures written off)				

(ii) *Dr.* DISCOUNT ON ISSUE OF DEBENTURES ACCOUNT *Cr.*

Date	Particulars	₹	Date	Particulars	₹
2024			2025		
April 1	To 9% Debentures A/c	60,000	March 31	By Securities Premium A/c	10,000
				By Statement of Profit & Loss (₹ 60,000 – ₹ 10,000)	50,000
		60,000			60,000

> **Note: Writing off Discount/Loss on Issue of Debentures or Capital Loss**
> Capital Loss shall be written off as follows:
> (a) First from Securities Premium,
> (b) Thereafter from Statement of Profit & Loss, and
> (c) Lastly from Capital Reserve.

Or

JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
(i)	Bank A/c (75,000 × ₹ 110)	...Dr.		82,50,000	
	To Debentures Application and Allotment A/c				82,50,000
	(Being the debenture applications received on 75,000 debentures @ ₹ 110 per debenture)				
	Debentures Application and Allotment A/c	Dr.		82,50,000	
	Loss on Issue of Debentures A/c (75,000 × ₹ 5)	Dr.		3,75,000	
	To 9% Debentures A/c (75,000 × ₹ 100)				75,00,000
	To Securities Premium A/c (75,000 × ₹ 10)				7,50,000
	To Premium on Redemption of Debentures A/c (75,000 × ₹ 5)				3,75,000
	(Being 75,000 debentures issued at a premium of 10% redeemable at a premium of 5%)				
	Securities Premium A/c	...Dr.		3,75,000	
	To Loss on Issue of Debentures A/c				3,75,000
	(Being the Loss on Issue of Debentures written off)				
(ii)	Bank A/c (8,000 × ₹ 94)	...Dr.		7,52,000	
	To Debentures Application and Allotment A/c				7,52,000
	(Being the debenture application money received)				
	Debentures Application and Allotment A/c	...Dr.		7,52,000	
	Loss on Issue of Debentures A/c	...Dr.		72,000	
	To 9% Debentures A/c (8,000 × ₹ 100)				8,00,000
	To Premium on Redemption of Debentures A/c (8,000 × ₹ 3)				24,000
	(Being the debentures issued at par and redeemable at a premium of 3%)				
	Statement of Profit & Loss (Finance Cost)	...Dr.		72,000	
	To Loss on Issue of Debentures A/c				72,000
	(Being the loss on Issue of Debentures written off)				

Question 4.

JOURNAL OF PLUTO LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2024				
March 31	Surplus, *i.e.*, Balance in Statement of Profit & Loss A/c ...Dr.		50,000	
	To Debentures Redemption Reserve A/c			50,000
	(Being the balance amount transferred to DRR) (Note)			
April 1	Debentures Redemption Investment A/c ...Dr.		1,12,500	
	To Bank A/c			1,12,500
	(Being the investment made of a sum equal to 15% of the nominal (face) value of debentures to be redeemed, *i.e.*, ₹ 7,50,000)			
2025				
March 31	Bank A/c ...Dr.		1,12,500	
	To Debentures Redemption Investment A/c			1,12,500
	(Being the debentures redemption investment realised)			
March 31	9% Debentures A/c ...Dr.		7,50,000	
	To Debentureholders' A/c			7,50,000
	(Being the amount due to debentureholders on redemption)			
March 31	Debentureholders' A/c ...Dr.		7,50,000	
	To Bank A/c			7,50,000
	(Being the amount due to debentureholders paid)			
March 31	Debentures Redemption Reserve A/c ...Dr.		75,000	
	To General Reserve A/c			75,000
	(Being the DRR transferred to General Reserve)			

Note: Balance in DRR is ₹ 25,000 as on 31st March, 2024. ₹ 50,000 is further transferred from Surplus, *i.e.*, Balance in Statement of Profit & Loss to make DRR equal to ₹ 75,000, *i.e.*, 10% of ₹ 7,50,000.

Question 5.

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

	Benu	Sara
A. Their existing profit share	2/9	1/3
B. Profit share surrendered by Anu	$\frac{4}{9} \times \frac{1}{2} = \frac{4}{18}$	$\frac{4}{9} \times \frac{1}{2} = \frac{4}{18}$
C. New profit share of remaining partners (A + B)	$\frac{2}{9} + \frac{4}{18} = \frac{8}{18}$	$\frac{1}{3} + \frac{4}{18} = \frac{10}{18}$

D. New Profit-sharing ratio of Benu and Sara = $\frac{8}{18} : \frac{10}{18}$ = 4 : 5.

(ii) **Firm's Goodwill on the date of Anu's retirement**

Calculation of Average Adjusted Profits:

Year	Profit	Adjusted Profit (₹)
2021–22	(₹ 40,000 – ₹ 4,000)	36,000
2022–23	(₹ 80,000 – ₹ 6,000)	74,000
2023–24		1,10,000
2024–25		(40,000)
	Total	1,80,000

$$\text{Average Adjusted Profit} = \frac{₹\ 1,80,000}{4} = ₹\ 45,000$$

Goodwill = Average Adjusted Profit × No. of Years' purchase

= ₹ 45,000 × 2 = ₹ **90,000**.

Question 6.

A. BALANCE SHEET OF ATISHYOKTI LTD. (EXTRACT) *as at ...*

Particulars	Note No.	₹
I. EQUITY AND LIABILITIES		
1. Shareholders' Funds		
Share Capital	1	7,78,000

Note to Accounts

Particulars		₹
1. Share Capital		
Authorised Capital		
2,00,000 Equity Shares of ₹ 10 each		20,00,000
Issued Capital		
80,000 Equity Shares of ₹ 10 each		8,00,000
Subscribed Capital		
Subscribed and fully paid-up		
74,000 Equity Shares of ₹ 10 each (WN 1)		7,40,000
Subscribed but not fully paid-up		
4,000 Equity Shares of ₹ 10 each	40,000	
Less: Calls-in-Arrears (4,000 × ₹ 2) (WN 2)	(8,000)	32,000
Forfeited Shares Account (2,000 Equity Shares @ ₹ 3) (WN 3)		6,000
		7,78,000

Working Notes:

1. As 2,000 shares have been forfeited and call money is not received on 4,000 shares. Subscribed and fully paid-up capital will be shown with the remaining 74,000 shares.
2. Calls-in-Arrears relates to 4,000 shares held by Alok, on which he has not paid call money of ₹ 2 per share.
3. Forfeited Shares Account relates to 2,000 shares earlier held by Manish, which were forfeited. He has paid ₹ 3 per share on such shares.

B. 1. *Property, Plant and Equipment:* (₹ in '000)

Particulars	Building	Plant and Equipment	Vehicles	Furniture and Fixtures
Cost	800	400	100	120
Less: Provision for Depreciation	40	80	20	12
Closing WDV	760	320	80	108

2. *Intangible Assets:* (₹ in '000)

Particulars	Brands	Computer Software
Cost	400	180
Less: Provision for Amortisation	40	108
Closing WDV	360	72

Question 7.

(i) *Dr.* UMA'S CAPITAL ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Goodwill A/c (Written off)	12,000	By Balance *b/d*	54,000
(₹ 24,000 × 2/4)		By General Reserve A/c (₹ 24,000 × 2/4)	12,000
To Uma's Executor's Loan A/c (Bal. Fig.)	**95,350**	By Salary A/c (₹ 2,500 × 4)	10,000
		By Nikita's Capital A/c (Goodwill)	3,000
		(₹ 6,000 × 1/2)	
		By Aman's Capital A/c (Goodwill)	3,000
		(₹ 6,000 × 1/2)	
		By Interest on Capital A/c	900
		(₹ 54,000 × 5/100 × 4/12)	
		By Profit & Loss Appropriation A/c	24,450
	1,07,350		1,07,350

(ii) *Dr.* UMA'S LOAN ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Uma's Executor's Loan A/c	10,200	By Balance *b/d*	10,000
		By Interest on Loan A/c (₹ 10,000 × 6/100 × 4/12)	200
	10,200		10,200

Or

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

Particulars	Haba (₹)	Goba (₹)	Boba (₹)	Particulars	Haba (₹)	Goba (₹)	Boba (₹)
To Goba's Capital A/c (WN 2)	7,500	...	15,000	By Balance *b/d*	1,10,000	56,000	44,000
To Bank A/c	...	89,000	...	By Workmen Compensation			
To Balance *c/d* (WN 2)	1,47,000	...	98,000	Reserve A/c	7,500	4,500	3,000
				By Revaluation A/c (WN 1)	10,000	6,000	4,000
				By Haba's Capital A/c (WN 2)	...	7,500	...
				By Boba's Capital A/c (WN 2)	...	15,000	...
				By Bank A/c (WN 5)	27,000	...	62,000
	1,54,500	89,000	1,13,000		1,54,500	89,000	1,13,000

(ii) BALANCE SHEET *as at 1st April, 2025*

Liabilities	₹	Assets	₹
Haba's Capital	1,47,000	Fixed Assets	1,50,000
Boba's Capital	98,000	Stock	50,000
Sundry Creditors	26,500	Sundry Debtors	65,000
Provision for Outstanding Legal Charges	5,000	Prepaid Insurance	5,000
Employees' Provident Fund	3,500	Bank	10,000
	2,80,000		2,80,000

Working Notes:

1. *Dr.* REVALUATION ACCOUNT *Cr.*

Particulars		₹	Particulars	₹
To Stock A/c		5,000	By Fixed Assets A/c (₹ 1,25,000 × 20/100)	25,000
To Provision for Outstanding Legal Charges		5,000	By Prepaid Insurance	5,000
To Haba's Capital A/c (Profit)	10,000			
To Goba's Capital A/c (Profit)	6,000			
To Boba's Capital A/c (Profit)	4,000	20,000		
		30,000		30,000

2. (a) Gain of a partner = New Profit share – Old Profit share

Haba's gain = 3/5 – 5/10 = 1/10; Boba's gain = 2/5 – 2/10 = 2/10

Thus, gaining ratio of Haba and Boba = 1/10 : 2/10 = 1 : 2.

(b) Goba's share of goodwill = ₹ 75,000 × 3/10 = ₹ 22,500, which is borne by Haba and Goba in their gaining ratio, *i.e.*, 1 : 2. Haba's share = ₹ 22,500 × 1/3 = ₹ 7,500 and Boba's share = ₹ 22,500 × 2/3 = ₹ 15,000.

3. Amount payable to Goba (Partners' Capital Accounts) is ₹ 89,000.

4. Total capital of new firm = Adjusted old capitals of Haba and Boba + Shortage of cash

= (₹ 1,20,000 + ₹ 36,000*) + ₹ 89,000 = ₹ 2,45,000

Haba's new capital = ₹ 2,45,000 × 3/5 = ₹ 1,47,000

Boba's new capital = ₹ 2,45,000 × 2/5 = ₹ 98,000.

5. *Calculation of actual cash to be paid off or brought in by Haba and Boba:*

	Haba (₹)	*Boba* (₹)
(a) New capital (₹ 2,45,000 in the ratio of 3 : 2)	1,47,000	98,000
(b) Adjusted old capital* (₹ 1,10,000 + ₹ 10,000 + ₹ 7,500 – ₹ 7,500 = ₹ 1,20,000), (₹ 44,000 + ₹ 4,000 + ₹ 3,000 – ₹ 15,000 = ₹ 36,000)	1,20,000	36,000
(c) Amount to be brought (a – b)	27,000	62,000

Question 8.

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

Particulars	Mihir (₹)	Farhan (₹)	Particulars	Mihir (₹)	Farhan (₹)
To Balance *b/d*	...	20,000	By Balance *b/d*	60,000	...
To Realisation A/c (Loss)	5,000	5,000	By Workmen Compensation Reserve (₹ 12,000 – ₹ 4,000)	4,000	4,000
To Realisation A/c (Stock)	...	3,000	By Profit & Loss A/c	3,000	3,000
To Bank A/c (Balancing Figure)	**66,900**	...	By Realisation A/c (Bills Payable discharged)	4,900	...
			By Bank A/c (Balancing Figure)	...	**21,000**
	71,900	28,000		71,900	28,000

(ii)

Dr. BANK ACCOUNT Cr.

Particulars	₹	Particulars	₹
To Balance *b/d* (Balancing Figure)	**53,900**	By Liabilities A/c (Excess)	8,000
To Farhan's Capital A/c (Amount brought)	21,000	By Mihir's Capital A/c (Amount paid)	66,900
	74,900		74,900

Question 9.

A.

PROFIT & LOSS APPROPRIATION ACCOUNT
for the year ended 31st March, 2025

Dr. Cr.

Particulars		₹	Particulars		₹
To General Reserve A/c		9,000	By Profit & Loss A/c (Net Profit)		1,20,000
(₹ 1,20,000 × 7.5%)			By Interest on Drawings:		
To Interest on Capital:			Jay (₹ 12,000 × 6.5/12 × 6/100)	390	
Jay (₹ 1,20,000 × 5/100)	6,000		Vijay (₹ 12,000 × 6/12 × 6/100)	360	
Vijay (₹ 1,00,000 × 5/100)	5,000	11,000	Karan (₹ 12,000 × 5.5/12 × 6/100)	330	1,080
To Salary A/c (Karan)		7,000			
To Commission A/c (Jay)		12,000			
(10% of ₹ 1,20,000)					
To Commission A/c (Vijay)		6,480			
8/100 (₹ 1,20,000 – ₹ 9,000 – ₹ 11,000 – ₹ 7,000 – ₹ 12,000)					
To Jay's Capital A/c (Profit)	25,200				
To Vijay's Capital A/c (Profit)	25,200				
To Karan's Capital A/c (Profit)	25,200	75,600			
		1,21,080			1,21,080

Working Note:

PROFIT & LOSS ACCOUNT
for the year ended 31st March, 2025

Dr. Cr.

Particulars	₹	Particulars	₹
To Interest on Karan's Loan A/c	30,000	By Net Profit before Adjustments	1,62,000
(₹ 6,00,000 × 10/12 × 6/100)			
To Manager's Commission A/c	12,000		
10/110 (₹ 1,62,000 – ₹ 30,000)			
To Net Profit transferred to Profit & Loss Appropriation A/c	1,20,000		
	1,62,000		1,62,000

Note: Interest on Partner's Loan and Manager's commission are charge against the profit and not appropriation of profits. Hence, these are debited to Profit & Loss Account.

B.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Profit & Loss Adjustment A/c ...Dr.		9,000	
	To Cheese's Capital A/c			3,000
	To Slice's Capital A/c			6,000
	(Being the interest on capital omitted earlier, now provided)			
	Profit & Loss Adjustment A/c ...Dr.		5,000	
	To Cheese's Capital A/c			5,000
	(Being the salary omitted earlier, now allowed)			
	Cheese's Capital A/c ...Dr.		7,000	
	Slice's Capital A/c ...Dr.		7,000	
	To Profit & Loss Adjustment A/c			14,000
	(Being the loss on adjustment transferred to Partners' Capital Accounts)			

Or

A. (i)

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2024 (a)				
Oct. 1	Ravi's Capital A/c ...Dr.		20,000	
	To Bank A/c			20,000
	(Being the permanent withdrawal of capital)			
2025 (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) *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. (₹)
2025				
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.

In the Books of Roxy Ltd.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c ...Dr.		**8,40,000**	
	To **Equity Shares Application A/c**			**8,40,000**
	(Being the application money received for 1,40,000 shares @ ₹ 6 per share including premium)			
	Equity Shares Application A/c ...Dr.		**8,40,000**	
	To **Equity Share Capital A/c (1,00,000 × ₹ 3)**			**3,00,000**
	To **Securities Premium A/c (1,00,000 × ₹ 3)**			**3,00,000**
	To **Bank A/c (20,000 × ₹ 6)**			**1,20,000**
	To **Equity Shares Allotment A/c (Balancing Figure)**			**1,20,000**
	(Being the application money transferred to Share Capital Account, Securities Premium Account, refunded for 20,000 shares for rejected applications and balance adjusted towards money due on allotment as shares were allotted on *pro rata* basis)			

	Equity Shares Allotment A/c ...Dr. To **Equity Share Capital A/c** (Being the allotment money due @ ₹ 4 per share)		**4,00,000**	 **4,00,000**
	Bank A/c (₹ 4,00,000 – ₹ 1,20,000) ...Dr. To **Equity Shares Allotment A/c** (Being the balance allotment amount received)		**2,80,000**	 **2,80,000**
	Equity Shares First and Final Call A/c (1,00,000 × ₹ 3) ...Dr. To **Equity Share Capital A/c** (Being the first and final call money due)		**3,00,000**	 **3,00,000**
	Bank A/c ...Dr. Calls-in-Arrears A/c (1,000 × ₹ 3) ...Dr. To **Equity Shares First and Final Call A/c** (Being the first and final call money received)		**2,97,000** 3,000	 **3,00,000**
	Equity Share Capital A/c (1,000 × ₹ 10) ...Dr. To **Forfeited Shares A/c (1,000 × ₹ 7)** To **Calls-in-Arrears A/c (1,000 × ₹ 3)** (Being the shares forfeited on which first and final call was not received)		**10,000**	 **7,000** **3,000**
	Bank A/c ...Dr. **Forfeited Shares A/c** ...Dr. To **Equity Share Capital A/c** (Being 500 forfeited shares reissued)		**3,500** 1,500	 **5,000**
	Forfeited Shares A/c ...Dr. To **Capital Reserve A/c** **(Being the gain on reissue of forfeited shares transferred to Capital Reserve Account)**		**2,000**	 **2,000**

Note: *Calculation of amount transferred to Capital Reserve:*

	₹
Balance in Forfeited Shares Account	7,000
Less: Amount to be retained in respect of 500 shares not yet reissued	(3,500)
Discount allowed on reissue	(1,500)
Transferred to Capital Reserve	2,000

Or

(i) **In the Books of Paras Ltd.**

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c (60,000 × ₹ 3) ...Dr. To Shares Application A/c (Being the application money received on 60,000 shares @ ₹ 3 per share)		1,80,000	 1,80,000
	Shares Application A/c ...Dr. To Share Capital A/c (40,000 × ₹ 3) To Shares Allotment A/c (10,000 × ₹ 3) To Bank A/c (10,000 × ₹ 3) (Being the application money adjusted and surplus refunded)		1,80,000	 1,20,000 30,000 30,000
	Shares Allotment A/c (40,000 × ₹ 4) ...Dr. To Share Capital A/c (40,000 × ₹ 3) To Securities Premium A/c (40,000 × ₹ 1) (Being the allotment money due @ ₹ 4 per share)		1,60,000	 1,20,000 40,000

	Bank A/c (WN 3) ...Dr.		1,28,700	
	Calls-in-Arrears A/c (WN 2) ...Dr.		1,300	
	To Shares Allotment A/c			1,30,000
	(Being the allotment money received			
	Share Capital A/c (400 × ₹ 6) ...Dr.		2,400	
	Securities Premium A/c (400 × ₹ 1) ...Dr.		400	
	To Forfeited Shares A/c			1,500
	To Calls-in-Arrears A/c			1,300
	(Being 400 shares forfeited due to non-payment of allotment money)			
	Bank A/c (400 × ₹ 5) ...Dr.		2,000	
	Forfeited Shares A/c (400 × ₹ 1) ...Dr.		400	
	To Share Capital A/c (400 × ₹ 6)			2,400
	(Being 400 shares reissued for ₹ 5 per share as ₹ 6 called-up) (WN 4)			
	Shares First and Final Call A/c ...Dr.		1,60,000	
	To Share Capital A/c			1,60,000
	(Being the first and final call money due on 40,000 shares @ ₹ 4 per share)			
	Bank A/c ...Dr.		1,60,000	
	To Shares First and Final Call A/c			1,60,000
	(Being the first and final call received on 40,000 shares @ ₹ 4 per share)			

(ii)

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

Particulars	₹	Particulars	₹
To Shares Allotment A/c	1,300	By Share Capital A/c	900
		By Securities Premium A/c	400
	1,300		1,300

Working Notes:

1. Total Number of Shares allotted to Defaulter = $\frac{40,000}{50,000} \times 500 =$ **400 shares**.

2. *Amount not received from Defaulter on Allotment:*

		₹
(a)	Application money received on shares applied (500 × ₹ 3)	1,500
(b)	*Less:* Application money due on shares allotted (400 × ₹ 3)	1,200
(c)	Excess application money adjusted on allotment	300

(d) Allotment money due on shares allotted (400 × ₹ 4) = 1,600

(e) Allotment money due but not received (₹ 1,600 – ₹ 300) = 1,300*

*Out of ₹ 1,300, ₹ 900 is a part of share capital and ₹ 400 for Securities Premium.

3. *Calculation of amount received on allotment:*

		₹
(a)	Total allotment money due	1,60,000
(b)	*Less:* Allotment money already received	(30,000)
		1,30,000
(c)	*Less:* Allotment money due but not received (WN 2)	1,300
	Amount received on allotment	1,28,700

4. When the forfeited shares are not fully called-up and they are reissued and reissue price is not stated, it is assumed that reissue price is the called-up value of shares. In this case, it will be ₹ 6 per share.

SECTION B

Question 11.

(i) (a) ₹ 5.

Working Note:

Net Income for Fourth Quarter of 2024 = ₹ 1,450 Crore

Share Capital = ₹ 2,900 Crore

$$\text{EPS} = \frac{\text{Net Profit after Tax and Preference Dividend}}{\text{No. of Equity Shares}}$$

$$= \frac{₹\ 1{,}450\ \text{Cr.}}{290\ \text{Cr.}} = ₹\ 5.$$

(ii) (b) ₹ 2,69,150.

Working Note:

Operating profit before working capital change:

= ₹ 1,75,000 + ₹ 6,000 + ₹ 3,400 + ₹ 89,000 – ₹ 4,250 = ₹ 2,69,150.

(iii) No, it is not correct. In case of Common-size Balance Sheet, **Total Assets/Total Equity and Liabilities** are taken as base for comparison, *i.e.*, each item is expressed as percentage to total assets/total equity and liabilities.

(iv) *Calculation of Cash Flow from Financing Activities:*

Particulars	₹
Proceeds from Equity Shares Issued (₹ 3,00,000 – ₹ 2,00,000)	1,00,000
10% Bank Loan repaid	(1,00,000)
Cash Flow from Financing Activities	**Nil**

(v) Debt to Equity Ratio will not change.

Reason: Issue of bonus shares is an issue of additional shares by the company out of its accumulated earnings and reserves to the existing shareholders in proportion to the shares held by them. It means, it reduces reserves and surplus and increase share capital by the same amount, *i.e.*, there is no change in equity.

Question 12.

COMPARATIVE STATEMENT OF PROFIT & LOSS
for the year ended 31st March, 2025 and 2024

Particulars	Note No.	31st March, 2025 ₹	31st March, 2024 ₹	Absolute Change (Increase/Decrease) ₹	Percentage Change (Increase/Decrease) %
I. Revenue from Operations		50,00,000	40,00,000	10,00,000	25.00
Add: Other Income		2,50,000	2,00,000	50,000	25.00
II. Total Income		52,50,000	42,00,000	10,50,000	25.00
III. *Less:* Expenses:					
(*a*) Purchases		36,00,000	30,00,000	6,00,000	20.00
(*b*) Change in Inventory		14,00,000	8,00,000	6,00,000	75.00
(*c*) Other Expenses		5,00,000	4,00,000	1,00,000	25.00
IV. Total Expenses		55,00,000	42,00,000	13,00,000	30.95
V. Profit before Tax (II – III)		(2,50,000)	...	(2,50,000)	...
VI. *Less:* Tax		...	...	...	...
VII. Profit After Tax (V – VI)		(2,50,000)	...	(2,50,000)	...

Note: Tax will *neither* be levied in the year 2023–24 (because of zero profit) *nor* in 2024–25 (because of loss).

Question 13.

(i) Profit before Tax = ₹ 3,00,000 × 100/60 = ₹ 5,00,000.

Profit before Interest and Tax = ₹ 5,00,000 + (Interest: ₹ 5,00,000 × 10/100) = ₹ 5,50,000.

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

$$= \frac{₹\ 5{,}50{,}000}{₹\ 40{,}00{,}000} \times 100 = \mathbf{13.75\%}.$$

(ii)
$$\text{Inventory Turnover Ratio} = \frac{\text{Cost of Revenue from Operations}}{\text{Average Inventory}}$$

$$6 = \frac{\text{Cost of Revenue from Operations}}{₹\ 80{,}000}$$

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

Gross Profit = 25/100 × ₹ 4,80,000 = ₹ **1,20,000**.

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

= ₹ 4,80,000 + ₹ 1,20,000 = ₹ **6,00,000**.

(iii) (a)
$$\text{Interest Coverage Ratio} = \frac{\text{Net Profit before Interest and Tax}}{\text{Fixed Interest Charges*}}$$

*Fixed interest charge includes interest on only long-term borrowings.

(b)
$$8 = \frac{\text{Net Profit before Interest and Tax}}{₹\ 40{,}000\ \text{(Interest on Long-term Borrowings)}}$$

Net Profit before Interest and Tax = ₹ 40,000 × 8 = ₹ **3,20,000**.

(iv) Operating Profit Ratio = 100 – Operating Ratio = 100 – 90% = 10%.

$$\text{Operating Profit} = ₹\ 10{,}00{,}000 \times \frac{10}{100} = ₹\ 1{,}00{,}000$$

Net Profit = Operating Profit + Non-operating Income – Non-operating Expenses.

= ₹ 1,00,000 + ₹ 55,000 – ₹ 5,000 = ₹ 1,50,000.

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

$$= \frac{₹\ 1{,}50{,}000}{₹\ 10{,}00{,}000} \times 100 = \mathbf{15\%}.$$

Question 14.

CASH FLOW STATEMENT OF HALOGEN LTD. *for the year ended 31st March, 2025*

Particulars		₹	₹
I. Cash Flow from Operating Activities			
Net Profit before Tax (WN 1)		6,00,000	
Add: Deprecation on Property, Plant and Equipment (WN 2)		1,47,000	
Operating Profit before Working Capital Changes		7,47,000	
Add: Decrease in Current Assets and Increase in Current Liabilities:			
Increase in Trade Payables		23,000	
		7,70,000	
Less: Increase in Current Assets and Decrease in Current Liabilities:			
Increase in Inventories	(20,000)		
Increase in Trade Receivables	(15,000)	(35,000)	
Cash Generated from Operating Activities			7,35,000
Less: Tax Paid			3,00,000
Cash Flow from Operating Activities			**4,35,000**
II. Cash Flow from Investing Activities			
Purchase of Property, Plant and Equipment (WN 2)		(5,10,000)	
Cash Used in Investing Activities			**(5,10,000)**
III. Cash Flow from Financing Activities			
Cash proceeds from Issue of Shares (₹ 65,000 – ₹ 45,000)		2,00,000	
Interim Dividend paid during the year		(70,000)	
Cash Flow from Financing Activities			**1,30,000**
IV. Net Increase in Cash and Cash Equivalents (Cash at Bank) (I + II + III)			**55,000**
Add: Opening Cash and Bank Balance			3,20,000
V. Closing Cash and Bank Balance			**3,75,000**

Working Notes:

1. *Calculation of Net Profit before Tax:*

	₹
Closing Balance of Surplus, *i.e.*, Balance in Statement of Profit & Loss	1,45,000
Less: Opening Balance of Surplus, *i.e.*, Balance in Statement of Profit & Loss	(90,000)
Profit for the year	55,000
Add: Provision for Tax	3,50,000
Transfer to General Reserve (₹ 2,75,000 – ₹ 1,50,000)	1,25,000
Interim Dividend paid during the year	70,000
Net Profit before Tax	6,00,000

2. *Dr.* PROPERTY, PLANT AND EQUIPMENT *Cr.*

Particulars	₹	Particulars	₹
To Balance *b/d*	4,67,000	By Depreciation A/c	1,47,000
To Bank A/c (Purchase) (Balancing Figure)	**5,10,000**	By Balance *c/d*	8,30,000
	9,77,000		9,77,000

Or

(i) No. of Bonus Shares issued = $\frac{15,000 \text{ shares}}{5}$ = **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
Provision for Tax (WN)	70,000
Net Profit before Tax	**1,70,000**

Working 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 (As per point (ii))		1,70,000
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 (WN)	65,000	1,40,000
Operating Profit before Working Capital Changes		**3,10,000**

Working 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 (As per point (iii))	3,10,000
Add: Decrease in Trade Receivables	15,000
	3,25,000
Less: Decrease in Trade Payables	20,000
Cash Generated from Operations	3,05,000
Less: Tax Paid	45,000
Cash Flow from Operating Activities	**2,60,000**

(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 (WN 1)	3,00,000
Interest on Debentures paid	(15,000)
Underwriting Commission Paid	(20,000)
Cash Flow from Financing Activities	**3,15,000**

Working Notes:

1. *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

2. The proposed dividend was not approved by the shareholders. As it was *neither* appropriated out of profit *nor* paid during the year, it will not be considered while preparing Cash Flow Statement.

*Bonus shares will not be shown in the Cash Flow Statement because there is no cash inflow.

**Shares issued to vendor will not be shown under Finance Activities in the Cash Flow Statement because there is no cash inflow.

❑❑❑❑

Model Test Paper 5

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) Mohan, Mayank and Madan are partners sharing profits and losses in the ratio of 5 : 3 : 2. Extract of their Balance Sheet is as follows:

Liabilities	₹	Assets	₹
		Machinery	4,00,000

If the value of machinery in the Balance Sheet is undervalued by $33\frac{1}{3}$ % on Mayank's retirement, find the value of machinery to be shown in the new Balance Sheet of the reconstituted firm.

(a) ₹ 4,40,000 (b) ₹ 4,80,000

(c) ₹ 3,20,000 (d) ₹ 6,00,000 **(Application)** [1]

(ii) Anita and Babita are partners sharing profits and losses in the ratio of 5 : 3. They admit Savita for 3/10 share of profit, half of which was gifted by Anita and remaining share is taken by Savita equally from Anita and Babita.

The new profit-sharing ratio of Anita, Babita and Savita will be

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

(c) 2 : 5 : 3. (d) 1 : 6 : 3. **(Application)** [1]

(iii) *SK* Ltd. forfeited 3,000 shares of ₹ 10 each, on which only ₹ 5 per share (including ₹ 1 premium) has been paid. Out of these, few shares were reissued at a discount of ₹ 1 per share and ₹ 6,000 was transferred to Capital Reserve. How many shares were reissued?

(a) 3,000 shares (b) 1,000 shares

(c) 2,000 shares (d) 1,500 shares **(Application)** [1]

(iv) Hari Ltd. issued 10,000, 9% Debentures of ₹ 100 each at a discount of 10%, redeemable at a premium of ₹ 10 each. It has balance in Securities Premium of ₹ 50,000 and in Capital Reserve of ₹ 40,000. It decided to write off Loss from Capital Reserve also to the extent of available balance. Loss written off from Statement of Profit & Loss is

(a) ₹ 1,60,000. (b) ₹ 1,10,000.

(c) ₹ 1,50,000. (d) ₹ 90,000. **(Application)** [1]

(v) Match the following:

Column I	*Column II*
A. Interest on Drawings.	(i) Credit Side, Profit & Loss Account.
B. Commission to a Partner.	(ii) Credit Side, Profit & Loss Appropriation Account.
C. Interest on Partner's Loan.	(iii) Debit Side, Profit & Loss Appropriation Account.
D. Sales of Goods.	(iv) Debit Side, Profit & Loss Account.

Codes:

(a)	A	B	C	D	(b)	A	B	C	D
	(i)	(ii)	(iii)	(iv)		(i)	(iv)	(ii)	(iii)
(c)	A	B	C	D	(d)	A	B	C	D
	(ii)	(iii)	(iv)	(i)		(iv)	(iii)	(ii)	(i)

(Understanding) [1]

(vi) If new partner has to bring proportionate capital which is not given, how is it determined? **(Recall)** [1]

(vii) All the partners want to dissolve the firm. *Y*, a partner, wants that his loan of ₹ 50,000 must be paid before the payment of capitals to the partners. But *X*, another partner, wants that capital be paid before the payment of *Y*'s Loan. Decide. **(Evaluation)** [1]

(viii) At the time of dissolution, Machinery exists at ₹ 10,00,000 and accumulated depreciation for the machinery at ₹ 6,00,000 in the Balance Sheet of a firm. This machine is taken by a creditor of ₹ 5,40,000 at 5% below the net value. The balance amount of the creditor was paid through bank.

By what amount should the Bank Account be credited for this transaction? **(Application)** [1]

(ix) Under which head and sub-head will the following items be shown in the Balance Sheet of a Company as per Schedule III, Part I of the Companies Act, 2013?

(a) Unclaimed Dividend. (b) Investment in Shares in State Bank of India. **(Understanding)** [1]

(x) Punjab National Bank issued 6,000, 10% Debentures of ₹ 100 each at a premium of 5% on 1st June, 2024. The debentures were redeemable on 31st August, 2025.

You are required to pass the necessary Journal entries for Redemption of Debentures. **(Application)** [1]

Question 2.

Ajay and Bijoy are two partners sharing profits and losses in the ratio of 2 : 1.

BALANCE SHEET OF AJAY AND BIJOY (EXTRACT) *as at 31st March, 2025*

Liabilities	₹	Assets	₹
Workmen Compensation Reserve	12,000		

Additional information:

(i) On 1st April, 2025, they admitted Sujay as a partner for 1/4 share in the profits.

(ii) Workmen Compensation Claim of ₹ 6,000 was payable as on that date. It was decided that balance be carried forward in the Balance Sheet.

You are required to give the accounting treatment of Workmen Compensation Reserve on the date of Sujay's admission. **(Evaluation)** [3]

Or

Gita and Mita are partners in a firm sharing profits and losses in the ratio of 3 : 2. An extract of their Balance Sheet as at 31st March, 2025 is as follows:

BALANCE SHEET OF GITA AND MITA (EXTRACT)
as at 31st March, 2025

Liabilities	₹	Assets		₹
Creditors	1,50,000	Plant and Machinery		12,00,000
		Sundry Debtors	15,00,000	
		Less: Provision for Doubtful Debts	(1,50,000)	13,50,000

On the admission of Rita as a partner for 1/4 share in the profits, assets and liabilities of the firm were revalued as follows:

(i) Creditors include an amount of ₹ 50,000 received as commission from Ajay. The necessary adjustment to be made.

(ii) Creditors include ₹ 10,000 due to Nikhil paid by partner Gita privately for which she is not to be reimbursed.

(iii) Machinery is overvalued by ₹ 2,00,000.

(iv) Out of the total insurance premium paid, ₹ 60,000 is prepaid insurance and debited to Profit & Loss Account.

(v) ₹ 2,00,000 for damages claimed by a customer had been disputed by the firm. It was agreed at 70% by a compromise between the customer and the firm and was paid.

(vi) Provision for Doubtful Debts to be increased to ₹ 2,00,000.

(vii) An office equipment purchased on 1st July, 2023 for ₹ 3,00,000 was debited to General Expenses Account. It is now to be brought into the books on 31st March, 2025 charging depreciation @ 10% p.a. on Written Down Value Method.

You are required to prepare the Revaluation Account. **(Application)** [3]

Question 3.

On 1st July, 2024, Hind Ltd. issued 9% Debentures of ₹ 200 each at a premium of 10% redeemable at 25% premium to meet long-term funds requirement. It received ₹ 1,65,00,000 as application money. 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, 2025 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)** [3]

Or

Surya Ltd. issued 1,000; 10% Debentures of ₹ 100 each credited as fully paid to the promoters for their services. It also issued 10,000, 10% Debentures of ₹ 100 each at par payable along with application. Subscription was received for 90% of issued debentures. Allotment was made.

You are required to Journalise these transactions. **(Application)** [3]

Question 4.

Sunflower Ltd., an unlisted manufacturing company, had 20,000, 8% Debentures of ₹ 100 each due for redemption on 31st March, 2025. On this date, the company had the required amount of ₹ 2,00,000 in its Debenture Redemption Reserve.

Debenture Redemption Investment, which was purchased on 30th April, 2024, was realised at 105% on the date of redemption of debentures and the debentures were redeemed.

You are required to pass Journal entries in the books of the company for the year 2024–25. (Ignore interest on Debenture). **(Application)** [3]

Question 5.

Raj, Uday and Alok are partners sharing profits and losses in the ratio of 14 : 5 : 6. Uday retired and gave 1/5 of his share in favour of Raj.

Goodwill of the firm is valued at 2 years' purchase of Super Profits based on average of last 3 years.

Profits for the last 3 years are: ₹ 50,000, ₹ 55,000, ₹ 60,000. Normal profits for similar firm are ₹ 30,000.

Goodwill existed in the books of the firm at ₹ 75,000. Profit for the first year after Uday's retirement was ₹ 1,00,000.

Give the necessary Journal entries to adjust goodwill and to distribute profits. **(Understanding)** [3]

Question 6.

Following Balances have been extracted from the books of Vishesh Ltd. as at 31st March, 2025:

Particulars	₹
Share Capital (Equity shares of ₹ 100 each)	10,00,000
Calls-in-Arrears (1,000 shares @ ₹ 20 per share)	20,000
Calls-in-Advance	12,500
Surplus in Statement of Profit and Loss (Cr.)	12,50,000
Sundry Creditors	1,00,000
Bills Receivables	30,000
Land and Building (at Net Value)	16,00,000
Sundry Debtors	40,000
Investment in Government Bonds	50,000
Provision for Doubtful Debts	15,000
General Reserve	3,00,000
Provision for Tax	1,50,000
Goodwill	4,50,000
Current Maturity of 12% Debentures	3,00,000
Bank Overdraft	1,00,000
Outstanding Expenses	10,000
Unpaid Dividend	26,000

Additional Information:

- Accumulated depreciation on Land and Building is ₹ 4,00,000.
- ₹ 2,00,000 to be transferred to General Reserve.

You are required to:

(i) Prepare the Notes to Accounts of each of the following:

(a) Reserves and Surplus; [2]

(b) Trade Receivables; [1]

(c) Short-term Borrowings; [1]

(d) Short-term Provisions. [½]

(ii) Give the amount for each of the following:

(a) Subscribed Capital; [½]

(b) Current Liabilities; [½]

(c) Non-Current Assets. **(Application)** [½]

Question 7.

Following was the Balance Sheet of Lisa, Monika and Nisha who share profits in the ratio of 1 : 2 : 2 as on 31st March, 2025:

Liabilities		₹	Assets		₹
Capital A/cs:			Building		30,000
Lisa	10,000		Machinery		20,000
Monika	20,000		Investments		10,000
Nisha	20,000	50,000	Stock		10,000
Bank Loan		30,000	Debtors	10,000	
Investment Fluctuation Reserve		3,000	*Less:* Provision for Doubtful Debts	2,000	8,000
General Reserve		5,000	Cash at Bank		20,000
Sundry Creditors		10,000			
		98,000			98,000

Nisha died on 30th June, 2025. Her account was to be settled under the following terms:

(i) Goodwill is to be calculated at 2 years' purchase on the basis of the average profit of last 5 years.

(ii) Profit from April to June, 2025 is to be calculated on the basis of average profit of 3 years.

(iii) Profits for the years ended on 31st March, are:
2021: ₹ 8,000; 2022: ₹ 7,000; 2023: ₹ 10,000; 2024: ₹ 14,000; and 2025 loss ₹ 12,000.

(iv) During 2024–25, a cycle costing ₹ 4,000 was purchased and debited to Travelling Expenses Account on which depreciation is charged @ 25%. Other values agreed on assets are:
Stock ₹ 12,000; Building ₹ 35,000; and Machinery ₹ 25,000.
Investment is valued at ₹ 8,000. All Debtors are good.

(v) Lisa and Monika decide to share future profits and losses in the ratio of 2 : 1.

You are required to pass Journal entries for:

(a) Adjustment of Goodwill. [2]

(b) Revaluation of Assets and Reassessment of Liabilities. [1]

(c) Reserves and Accumulated Profit. [1]

(d) Correct recording of Cycle through Partners' Capital Accounts. [1]

(e) Nisha's share of profit for April to June, 2025. **(Application)** [1]

Or

Rajat and Ravi are partners in a firm sharing profits and losses in the ratio of 7 : 3. Their Balance Sheet as at 31st March, 2025 is:

Liabilities		₹	Assets	₹
Sundry Creditors		6,00,000	Cash in Hand	3,60,000
General Reserve		3,00,000	Cash at Bank	9,00,000
Capital A/cs:			Sundry Debtors	4,40,000
Rajat	10,00,000		Furniture	3,00,000
Ravi	8,00,000	18,00,000	Stock	5,00,000
			Advertisement Suspense A/c	1,00,000
			Goodwill	1,00,000
		27,00,000		27,00,000

On 1st April, 2025, they admit Rohan on the following terms:

(i) Goodwill is valued at ₹ 4,00,000 and Rohan is to bring necessary amount as premium for goodwill and ₹ 6,00,000 as capital for 1/4 share in profits.

(ii) Stock is to be reduced by 40% and furniture is to be reduced to 40%.

(iii) Capitals of the partners shall be proportionate to their profit-sharing ratio taking Rohan's Capital as base. Adjustments of capitals to be made by cash.

You are required to prepare:

(a) Revaluation Account, [1]

(b) Partners' Capital Accounts, and [3]

(c) Cash/Bank Account. **(Application)** [2]

Question 8.

Following is the Balance Sheet of Prachi, Ritika and Ishita sharing profits and losses in 5 : 3 : 2 as at 31st March, 2025:

Liabilities		₹	Assets	₹
Sundry Creditors		10,000	Bank	9,000
Investment Fluctuation Reserve		4,500	Stock	5,500
Capital A/cs:			Investments	15,000
Prachi	40,000		Furniture	37,000
Ritika	30,000	70,000	Ishita's Capital	18,000
		84,500		84,500

The firm was dissolved on 31st March, 2025 and the following transactions were entered into:

(i) Prachi took investment for ₹ 12,500.

(ii) Stock and furniture realised at ₹ 41,500.

(iii) Old furniture completely written off was taken by Ritika for ₹ 3,000.

(iv) Compensation paid to employees amounted to ₹ 8,000. This liability was not provided for in books.

(v) Prachi was deputed to realise assets and to pay the liabilities. She was paid ₹ 1,000 as commission for her services. Realisation expenses were ₹ 1,000.

You are required to prepare:

Realisation Account, Partners' Capital Accounts and Bank Account to close the books of the firm. **(Application)** [6]

Question 9.

Tim and Leena started partnership business on 1st July, 2024, with fixed capital contributions of ₹ 3,00,000 and ₹ 2,50,000 respectively.

On 1st January, 2025, they decided that:

The total *fixed* capital of the firm to be ₹ 6,00,000 contributed by the partners in the profit-sharing ratio. Accordingly on 1st January 2025, Tim and Leena introduced or withdrew capital.

Their partnership deed had following clauses:

(a) Interest on capital to be allowed @ 10% per annum to both the partners.

(b) Rent @ ₹ 2,000 per month to Tim for the use of his premises for business purposes.

(c) 10% of the Profit to be transferred to General Reserve.

(d) Profit-sharing ratio of the partners to be 3 : 2.

Profit of the firm for the first year of the partnership *after* considering all charges against profits was ₹ 1,50,000.

You are required to pass Journal entries for the year 2024–25. (Understanding) [10]

Or

A. Amit and Vijay started a partnership business on 1st April, 2025. Their capital contributions were ₹ 2,00,000 and ₹ 1,50,000 respectively. The partnership deed provided:

(i) Interest on capital at 10% p.a.

(ii) Amit to get a salary of ₹ 2,000 p.m. and Vijay ₹ 3,000 p.m.

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

The profit for the year ended 31st March, 2026 before making above appropriations was ₹ 71,300.

Interest on Drawings amounted to ₹ 2,200 for Amit and ₹ 2,500 for Vijay.

You are required to prepare Profit & Loss Appropriation Account for the year ended 31st March, 2026. **(Application)** [6]

B. The Capital Accounts of Alka and Archana showed credit balances of ₹ 4,00,000 and ₹ 3,00,000 respectively, after taking into account drawings and net profit of ₹ 2,00,000. The drawings of the partners during the year 2024–25 were:

(i) Alka withdrew ₹ 10,000 at the end of each quarter.

(ii) Archana's drawings were:

Date	₹
31st May, 2024	8,000
1st November, 2024	7,000
1st February, 2025	5,000

Calculate interest on partners' capitals @ 10% p.a. and interest on partners' drawings @ 6% p.a. for the year ended 31st March, 2025.

(Understanding) [2]

C. Umang, Rajat and Ekant are partners sharing profits and losses in the ratio of 3 : 2 : 1. After the final accounts have been prepared, it was noticed that interest on drawings @ 5% p.a. was not charged.

Drawings of the partners were ₹ 15,000; ₹ 12,600 and ₹ 12,000 respectively.

You are required to pass the necessary adjusting Journal entry.

(Application) [2]

Question 10.

S India Ltd. issued for public subscription 50,000 Equity Shares of ₹ 10 each at a premium of ₹ 2 per share payable as under:

On Application	—	₹ 2 per share
On Allotment	—	₹ 5 per share (Including premium)
On First and Final Call	—	₹ 5 per share

Applications were received for 60,000 shares. Allotment was made on *pro rata* basis to all the applicants. Money overpaid on application was applied towards amount due on allotment.

Mohan to whom 500 shares were allotted did not pay the allotment and call money.

Sohan to whom 2,000 shares were allotted did not pay the first and final call.

Shares of both Mohan and Sohan were forfeited. All the forfeited shares of Sohan were reissued at ₹ 7 per share as fully paid.

Pass Journal entries in the books of *S.* India Ltd. to record the above transactions.

(Application) [10]

Or

'Spark Ltd.' invited applications for allotting 1,200 Equity Shares of ₹ 100 each at a premium of ₹ 30 per share. The amount was payable as follows:

On Application and Allotment	—	₹ 60 per share (Including premium);
On First Call	—	₹ 40 per share;
On Second and Final Call	—	The balance.

Applications for 1,800 shares were received and *pro rata* allotment was made to all the applicants. Excess money received with applications was to be adjusted towards amount due on first call.

All calls were made and were duly received except the first call and second and final call on 12 shares allotted to Vishu. His shares were forfeited. The forfeited shares were reissued at the maximum permissible discount.

You are required to pass necessary Journal entries for the above transactions in the company's books. **(Application)** [10]

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) Which of the following transactions involves an increase in Debt-Equity Ratio and Current Ratio remaining unchanged?

(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) An example of an activity which is classified as Operating Activity in case of all enterprises is:

(a) Payment of wages, salaries to employees.

(b) Purchase of Goodwill.

(c) Payment of Dividend on Shares.

(d) Payment of Interest on Long-term Borrowings. **(Analysis)** [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) Aditya Sunrise Ltd. provides the following information:

Date	31st March, 2025 (₹)	31st March, 2024 (₹)
10% Bank Loan	Nil	1,00,000

Additional information:

(i) Equity share capital issued during the year ₹ 3,00,000.

(ii) 10% bank loan was repaid on 1st April, 2024.

(iii) Dividend received during the year was ₹ 20,000.

(iv) Dividend proposed for the year 2023–24 was ₹ 50,000 but only ₹ 20,000 was approved by the shareholders.

You are required to calculate the Cash Flow from Financing Activities.

(Application) [1]

(v) 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:

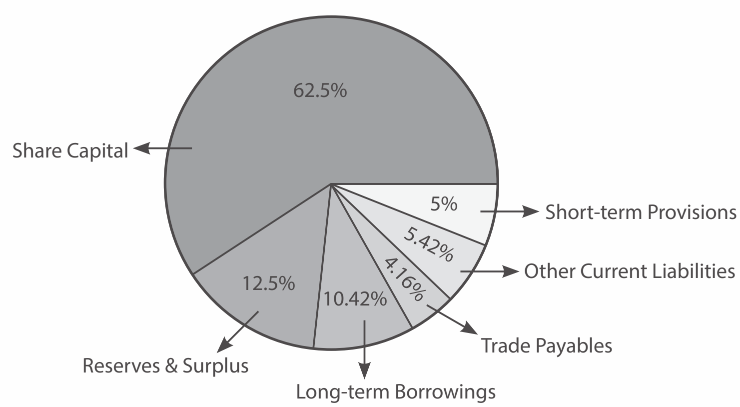
(a) The formula to calculate the percentage change in net profit of the company.

(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]

Question 12.

The pie chart below shows the Equity and Liabilities of Riverside Ltd. as at 31st March, 2025:



You are required to prepare the Equity and Liabilities side of Common-size Statement of Riverside Ltd. as at 31st Match, 2025 when the total of Equity and Liabilities side is ₹ 24,00,000. **(Application)** [3]

Question 13.

Answer *any three* of the following questions:

(i) Calculate the Current Ratio of Saturn Ltd. from the following information:

Particulars	₹
Working Capital	1,20,000
Total Debts	2,60,000
Non-current Liabilities	2,00,000

(Application) [2]

(ii) Calculate Inventory Turnover Ratio from the following information:

Particulars	₹
Purchases	90,000
Excess of Opening Inventory Over Closing Inventory	10,000
Average Inventory	25,000

(Application) [2]

(iii) For the year 2024–25:

- Operating Profit Ratio of Star Ltd. was 65%.
- Revenue from Operations was ₹ 5,00,000.

(a) You are required to give the formula used by the company to calculate the Operating Profit Ratio.

(b) You have been provided with two components for calculating the Operating Profit Ratio. Calculate the remaining component. (Application) [2]

(iv) For the year 2024–25, the Return on Investment of Bruno Ltd. was 25%; its Capital Employed being ₹ 62,50,000.

(a) You are required to give the formula used by Bruno 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) [2]

Question 14.

From the following Balance Sheet of Neon Ltd., prepare Cash Flow Statement for the year 2024–25:

Particulars	Note No.	31st March, 2025 (₹)	31st March, 2024 (₹)
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(a) Share Capital	1	7,00,000	4,00,000
(b) Reserves and Surplus	2	4,00,000	1,20,000
2. Non-Current Liabilities			
Long-term Borrowings (9% Debentures)		3,50,000	2,50,000
3. Current Liabilities			
(a) Trade Payables		1,65,000	1,70,000
(b) Short-term Provisions (Provision for Tax)		50,000	60,000
Total		16,65,000	10,00,000

II. ASSETS			
1. Non-Current Assets			
(a) *Property, Plant and Equipment and Intangible Assets:*			
—Property, Plant and Equipment (Machinery)		8,13,000	5,40,000
(b) Non-current Investments		2,50,000	1,00,000
2. Current Assets			
(a) Trade Receivables		1,09,000	80,000
(b) Current Investments		1,60,000	60,000
(b) Cash and Bank Balances (Cash at Bank)		3,33,000	2,20,000
Total		16,65,000	10,00,000

Notes to Accounts

Particulars	31st March, 2025 (₹)	31st March, 2024 (₹)
1. Share Capital		
Equity Share Capital	4,00,000	2,00,000
6% Preference Share Capital	3,00,000	2,00,000
	7,00,000	4,00,000
2. Reserves and Surplus		
Surplus, *i.e.*, Balance in Statement of Profit & Loss	4,00,000	1,20,000

Additional Information:

(i) A part of machinery costing ₹ 1,00,000 on which depreciation charged was ₹ 40,000 was sold for ₹ 50,000.

(ii) During the year, ₹ 80,000 depreciation was charged on machinery.

(iii) Proposed Dividends on equity shares for the years ended 31st March, 2024 and 2025 were ₹ 60,000 and ₹ 75,000 respectively.

(iv) Company issued the shares (both Equity and Preference) and Debentures on 31st March, 2025. **(Application)** [6]

Or

Sun and Moon Ltd. give following information for the year ended 31st March, 2025:

		(₹ in lakh)
(i)	Net Profit before tax	36,000
(ii)	Dividend paid	10,202
(iii)	Income tax paid	5,100
(iv)	Book value of machinery sold	222
	Loss on sale of asset	48

(v)	Depreciation	24,000
(vi)	Book value of investment sold	33,318
	Gain on sale of investment	130
(vii)	Interest income from investments	3,000
(viii)	Interest expenses	12,000
(ix)	Interest paid	13,042
(x)	Increase in working capital (Excluding Cash and Bank Balance)	67,290
(xi)	Purchase of Machinery	22,092
(xii)	Expenditure on construction	41,688
(xiii)	Long-term Borrowing from Bank	55,884
(xiv)	Provision for Income Tax debited in Statement of Profit & Loss	6,000
(xv)	Cash and Cash Equivalents (Cash at Bank) on 1st April, 2024	6,000

You are required to calculate the company's Cash and Cash Equivalents as on 31st March, 2025, by preparing a Cash Flow Statement (as per AS-3).

(Application) [6]

ANSWERS

SECTION A

Question 1.

(i) (d) ₹ 6,00,000.

Working Note:

The value of $33\frac{1}{3}\%$ means $\frac{100}{300}$, *i.e.,* $\frac{1}{3}$. If Machinery is undervalued by $33\frac{1}{3}\%$, it means the given value ₹ 4,00,000 is $\frac{2}{3}\left(1-\frac{1}{3}\right)$ of the actual value. Thus, value of machinery to be shown in the new Balance Sheet will be ₹ 4,00,000 × $\frac{3}{2}$ = ₹ 6,00,000.

(ii) (b) 4 : 3 : 3.

Working Note:

$$\text{Share gifted by Anita} = \frac{1}{2}\times\frac{3}{10}=\frac{3}{20}$$

$$\text{Share taken by Savita: from Anita} = \frac{1}{2}\times\frac{3}{20}=\frac{3}{40}$$

$$\text{Share taken by Savita: from Babita} = \frac{1}{2}\times\frac{3}{20}=\frac{3}{40}$$

$$\text{Anita's New Profit Share} = \frac{5}{8}-\frac{3}{20}-\frac{3}{40}=\frac{16}{40}$$

$$\text{Babita's New Profit Share} = \frac{3}{8}-\frac{3}{40}=\frac{12}{40}$$

$$\text{New Profit-sharing Ratio of Anita, Babita and Savita} = \frac{16}{40}:\frac{12}{40}:\frac{3}{10} = 16:12:12 = \mathbf{4:3:3}.$$

(iii) (c) 2,000 shares.

Working Note:

- Amount paid on forfeited shares (excluding premium) = ₹ 4 per share.
- Reissue discount = ₹ 1 per share.

Gain on reissue transferred to Capital Reserve (per share) = ₹ 4 – ₹ 1 = ₹ 3

$$\text{Number of shares reissued} = \frac{\text{Capital Reserve}}{\text{Gain on Reissue per Share}} = \frac{₹\ 6{,}000}{₹\ 3} = \textbf{2,000 shares.}$$

(iv) (b) ₹ 1,10,000.

(v) (c) A–(ii), B–(iii), C–(iv), D–(i).

(vi) **Step 1:** Total capital of new firm

= Total adjusted capitals of old partners × Reciprocal of profit share of old partners.

Step 2: New partner's proportionate capital

= Total capital of new firm × Profit share of new partner.

(vii) *Y* is correct as per Section 48 of Indian Partnership Act, 1932, loan by partner is paid before repayment of capital.

(viii) Book value of machinery = ₹ 10,00,000 – ₹ 6,00,000 = ₹ 4,00,000

Value of machinery taken by creditor = ₹ 4,00,000 – 5% of ₹ 4,00,000 = ₹ 3,80,000

Amount paid to creditor = ₹ 5,40,000 – ₹ 3,80,000 = ₹ **1,60,000**.

Hence, Bank Account should be credited by ₹ 1,60,000.

(ix)

Main Head	Sub-Head
(a) Current Liabilities	Other Current Liabilities
(b) Non-current Assets	Non-current Investments

(x) A banking company is not required to create Debenture Redemption Reserve (DRR).So, *neither* DRR will be created *nor* Debenture Redemption Investment (DRI) will be made.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2025				
August 31	10% Debentures A/c ...Dr.		6,00,000	
	To Debentureholders' A/c			6,00,000
	(Being the amount due to debentureholders on redemption)			
	Debentureholders' A/c ...Dr.		6,00,000	
	To Bank A/c			6,00,000
	(Being the amount due to debentureholders paid)			

Question 2.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2025				
April 1	Workmen Compensation Reserve A/c ...Dr.		6,000	
	To Workmen Compensation Claim A/c			6,000
	(Being the amount of claim adjusted from Reserve)			
April 1	Sujay's Current A/c [1/4 (₹ 12,000 – ₹ 6,000)] ...Dr.		1,500	
	To Ajay's Capital A/c (₹ 1,500 × 2/3)			1,000
	To Bijoy's Capital A/c (₹ 1,500 × 1/3)			500
	(Being the balance Workmen Compensation Reserve carried forward and adjustment made through Current and Capital Accounts)			

Or

Dr. REVALUATION ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Machinery A/c	2,00,000	By Creditors' A/c (Commission from Ajay)	50,000
To Claim for Damages A/c (₹ 2,00,000 × 70/100)	1,40,000	By Creditors A/c (Paid by Gita privately)	10,000
To Provision for Doubtful Debts A/c	50,000	By Prepaid Insurance Premium	60,000
		By Office Equipment A/c (WN)	2,49,750
		By Gita's Capital A/c (₹ 20,250 × 3/5)—Loss	12,150
		By Mita's Capital A/c (₹ 20,250 × 2/5)—Loss	8,100
	3,90,000		3,90,000

Working Note:

Value of office equipment as on 1st July, 2023	₹ 3,00,000
Less: Depreciation for 2023–24 (9 Months)	₹ 22,500
	₹ 2,77,500
Less: Depreciation for 2024–25 (1 Year)	₹ 27,750
Book value on 31st March, 2025	₹ 2,49,750

Question 3.

(i) JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2024 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 9% 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*, 9% Debentures of ₹ 200 each allotted, redeemable at 25% premium)			
2025 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
	(Being the 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	₹
2024 July 1	To 7% Debentures A/c	37,50,000	2025 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 SURYA LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Goodwill A/c/Incorporation Expenses A/c ...Dr.		1,00,000	
	To Promoters' A/c			1,00,000
	(Being the cost of company's incorporation to be paid to promoters)			
	Promoters' A/c ...Dr.		1,00,000	
	To 10% Debentures A/c			1,00,000
	(Being 1,000, 10% Debentures allotted to promoters)			
	Bank A/c ...Dr.		9,00,000	
	To Debentures Application and Allotment A/c			9,00,000
	(Being the application money received on 9,000 debentures)			
	Debentures Application and Allotment A/c ...Dr.		9,00,000	
	To 10% Debentures A/c			9,00,000
	(Being the allotment of 9,000; 10% Debentures of ₹ 100 each)			
	Statement of Profit & Loss ...Dr.		1,00,000	
	To Goodwill A/c/Incorporation Expenses A/c			1,00,000
	(Being the incorporation expenses written off)			

Question 4.

JOURNAL OF SUNFLOWER LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2024				
April 30	Debenture Redemption Investment A/c ...Dr.		3,00,000	
	To Bank A/c			3,00,000
	(Being the investment made) (WN)			
2025				
March 31	Bank A/c ...Dr.		3,15,000	
	To Debenture Redemption Investment A/c			3,00,000
	To Gain on Sale of Investment A/c			15,000
	(Being the investment realised) (WN)			
March 31	8% Debentures A/c ...Dr.		20,00,000	
	To Debentureholders' A/c			20,00,000
	(Being the amount due on redemption)			
March 31	Debentureholders' A/c ...Dr.		20,00,000	
	To Bank A/c			20,00,000
	(Being the amount due to debentureholders' paid)			
March 31	Debenture Redemption Reserve A/c ...Dr.		2,00,000	
	To General Reserve A/c			2,00,000
	(Being the transfer of Debenture Redemption Reserve to General Reserve on the redemption of debentures)			
March 31	Gain on Sale of Investment A/c ...Dr.		15,000	
	To Statement of Profit & Loss			15,000
	(Being the gain on sale of investment transferred to Statement of Profit & Loss)			

Working Note:

Debenture Redemption Investment made @ 15% of the face value of debentures = 15% of ₹ 20,00,000 = ₹ 3,00,000.

Realised value of Debenture Redemption Investment = 105% of ₹ 3,00,000 = ₹ 3,15,000.

Question 5.

JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Raj's Capital A/c (₹ 75,000 × 14/25)	...Dr.		42,000	
	Uday's Capital A/c (₹ 75,000 × 5/25)	...Dr.		15,000	
	Alok's Capital A/c (₹ 75,000 × 6/25)	...Dr.		18,000	
	To Goodwill A/c				75,000
	(Being the existing goodwill written off in old ratio)				
	Raj's Capital A/c (₹ 10,000 × 1/5)	...Dr.		2,000	
	Alok's Capital A/c (₹ 10,000 × 4/5)	...Dr.		8,000	
	To Uday's Capital A/c (₹ 50,000 × 1/5)				10,000
	(Being Uday's share of goodwill adjusted in the Capital Accounts of gaining partners in their gaining ratio of 1 : 4)				
	Profit & Loss Appropriation A/c	...Dr.		1,00,000	
	To Raj's Capital A/c (₹ 1,00,000 × 3/5)				60,000
	To Alok's Capital A/c (₹ 1,00,000 × 2/5)				40,000
	(Being the profits distributed among Raj and Alok in their new profit-sharing ratio)				

Working Notes:

1. *Calculation of New Profit-sharing Ratio:*

		Raj		*Alok*
Their old share	=	$\frac{14}{25}$		$\frac{6}{25}$
Share given by Uday	=	$\frac{1}{5}\times\frac{1}{5}=\frac{1}{25}$		$\frac{4}{5}\times\frac{1}{5}=\frac{4}{25}$
Their new profit share	=	$\frac{14}{25}+\frac{1}{25}=\frac{15}{25}$		$\frac{6}{25}+\frac{4}{25}=\frac{10}{25}$
Their Gaining Ratio	=	$\frac{1}{25}:\frac{4}{25}$	=	1 : 4

Their new profit-sharing ratio = $\frac{15}{25}:\frac{10}{25}$ = 15 : 10 or 3 : 2.

2. *Calculation of Goodwill:*
   (i) Average Profit = (₹ 50,000 + ₹ 55,000 + ₹ 60,000)/3 = ₹ 55,000.
   (ii) Super Profit = ₹ 55,000 – ₹ 30,000 = ₹ 25,000.
   (iii) Goodwill = ₹ 25,000 × 2 = ₹ 50,000.
   (iv) Uday's Share of Goodwill = ₹ 50,000 × 5/25 = ₹ 10,000.

Question 6.

(i) (a) **Notes to Accounts**

Particulars		₹
Reserves and Surplus		
General Reserve:		
Opening Balance	3,00,000	
Add: Transfer from Surplus, *i.e.*, Balance in Statement of Profit & Loss	2,00,000	5,00,000
Surplus, *i.e.*, Balance in Statement of Profit & Loss Profit for the Year	12,50,000	
Less: Transfer to General Reserve	(2,00,000)	10,50,000
		15,50,000

(b)

Particulars		₹
Trade Receivables		
Sundry Debtors	40,000	
Bills Receivables	30,000	
	70,000	
Less: Provision for Doubtful Debts	15,000	55,000

(c)

Particulars	₹
Short-term Borrowings	
Current Maturity of 12% Debentures	3,00,000
Bank Overdraft	1,00,000
	4,00,000

(d)

Particulars	₹
Short-term Provision	
Provision for Tax	1,50,000
	1,50,000

(ii) (a) Subscribed Capital = ₹ 10,00,000 – ₹ 20,000 = ₹ 9,80,000.

(b) Current Liabilities = ₹ 12,500 (Calls-in-Advance) + ₹ 1,00,000 (Sundry Creditors) + ₹ 1,50,000 (Provision for Tax) + ₹ 4,00,000 (Short-term Borrowings) + ₹ 10,000 (Outstanding Expenses) + ₹ 26,000 (Unpaid Dividend)

= ₹ 6,98,500.

(c) Non-current Assets = Land and Building + Investment in Government Bonds + Goodwill

= ₹ 16,00,000 + ₹ 50,000 + ₹ 4,50,000 = ₹ 21,00,000.

Question 7.

JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2025					
June 30	Lisa's Capital A/c (₹ 12,000 × 7/15)	...Dr.		5,600	
(a)	To Monika's Capital A/c (₹ 12,000 × 1/15)				800
	To Nisha's Capital A/c (₹ 12,000 × 2/5)				4,800
	(Being the adjustment of goodwill) (WN)				
(b) (i)	Stock A/c	...Dr.		2,000	
	Building A/c	...Dr.		5,000	
	Machinery A/c	...Dr.		5,000	
	Provision for Doubtful Debts A/c*	...Dr.		2,000	
	To Revaluation A/c				14,000
	(Being the increase in the value of assets)				

(ii)	Revaluation A/c ...Dr.		14,000	
	To Lisa's Capital A/c			2,800
	To Monika's Capital A/c			5,600
	To Nisha's Capital A/c			5,600
	(Being the distribution of profit on revaluation in the profit-sharing ratio)			
(c) (i)	Investment Fluctuation Reserve A/c ...Dr.		3,000	
	To Investment A/c			2,000
	To Lisa's Capital A/c			200
	To Monika's Capital A/c			400
	To Nisha's Capital A/c			400
	(Being the value of investment brought up to market value and surplus IFR transferred to partners in their old ratio)			
(ii)	General Reserve A/c ...Dr.		5,000	
	To Lisa's Capital A/c			1,000
	To Monika's Capital A/c			2,000
	To Nisha's Capital A/c			2,000
	(Being the General Reserve transferred to old partners Capital Accounts in their old ratio)			
(d)	Cycle A/c (₹ 4,000 – ₹ 1,000) ...Dr.		3,000	
	To Lisa's Capital A/c			600
	To Monika's Capital A/c			1,200
	To Nisha's Capital A/c			1,200
	(Being the cost less depreciation value of Cycle recorded in the books)			

(e) *Ascertainment of Nisha's Share of Profit for April to June, 2025:*

Total profit for 3 years = ₹ 10,000 + ₹ 14,000 – ₹ 9,000 (WN) = ₹ 15,000

Average Profit = ₹ 15,000/3 = ₹ 5,000

3 Months' profit = ₹ 5,000 × 3/12 = ₹ 1,250

Nisha's share = ₹ 1,250 × 2/5 = ₹ **500**.

Working Notes:

1. *Calculation of Value of Goodwill:*

(A) Average Profit = $\dfrac{₹\ 8{,}000 + ₹\ 7{,}000 + ₹\ 10{,}000 + ₹\ 14{,}000 - ₹\ 9{,}000}{5}$ = ₹ 6,000.

*Loss 2024–25—₹ 12,000; *Less:* Cost of Cycle—₹ 4,000; *Add* Depreciation 25% = ₹ 1,000. Therefore, actual loss of 2024–25 = ₹ 9,000.

Goodwill (2 years' purchase of Average Profit) = ₹ 6,000 × 2 = ₹ 12,000.

(B) *Calculation of Gaining Ratio:*

Gain (Sacrifice) of a Partner = New profit share – Old profit share

Lisa's Gain = $\frac{2}{3} - \frac{1}{5} = \frac{7}{15}$; Monika's Sacrifice = $\frac{1}{3} - \frac{2}{5} = \frac{1}{15}$

Only Lisa is gaining partner. Monica also sacrificed her 1/15 share in favour of Lisa who is required to compensate Nisha and Monica for it.

***'All Debtors are good'** means Provision for Doubtful Debts is no longer required and hence is credited to Revaluation Account.

Or

(a) *Dr.* REVALUATION ACCOUNT *Cr.*

Particulars	₹	Particulars		₹
To Stock A/c (₹ 5,00,000 × 40/100)	2,00,000	By Rajat's Capital A/c (Loss)	2,66,000	
To Furniture A/c (₹ 3,00,000 × 60/100)	1,80,000	By Ravi's Capital A/c (Loss)	1,14,000	3,80,000
	3,80,000			3,80,000

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

Particulars	Rajat ₹	Ravi ₹	Rohan ₹	Particulars	Rajat ₹	Ravi ₹	Rohan ₹
To Revaluation A/c (Loss)	2,66,000	1,14,000	...	By Balance *b/d*	10,00,000	8,00,000	...
To Goodwill A/c	70,000	30,000	...	By Cash A/c	...	...	6,00,000
(Written off)				By Reserve A/c	2,10,000	90,000	...
To Advertisement	70,000	30,000	...	By Premium for Goodwill A/c	70,000	30,000	...
Suspense A/c				By Cash A/c (Bal. Fig.)	**3,86,000**	...	...
To Cash A/c (Bal. Fig.)	...	**2,06,000**	...				
To Balance *c/d* (WN 3)	12,60,000	5,40,000	6,00,000				
	16,66,000	9,20,000	6,00,000		16,66,000	9,20,000	6,00,000

(c) *Dr.* CASH/BANK ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Balance *b/d*	3,60,000	By Ravi's Capital A/c	2,06,000
To Premium for Goodwill A/c	1,00,000	By Balance *c/d*	**12,40,000**
To Rohan's Capital A/c	6,00,000		
To Rajat's Capital A/c	3,86,000		
	14,46,000		14,46,000

Working Notes:

1. *New profit-sharing Ratio:*

Let total share = 1

Remaining share for old partners = 1 – 1/4 = 3/4

Rajat's new profit share = 7/10 × 3/4 = 21/40

Ravi's new profit share = 3/10 × 3/4 = 9/40

Hence, New Profit-sharing Ratio = 21 : 9 : 10.

2. *Incoming Partner's Share of Goodwill* = ₹ 40,000 × 1/4 = ₹ 10,000.

3. *Total capital of new firm* = ₹ 60,000 × 4/1 = ₹ 2,40,000.

Rajat's new capital = ₹ 2,40,000 × 21/40 = ₹ 1,26,000.

Ravi's new capital = ₹ 2,40,000 × 9/40 = ₹ 54,000.

Question 8.

Dr. REALISATION ACCOUNT *Cr.*

Particulars		₹	Particulars		₹
To Furniture		37,000	By Sundry Creditors		10,000
To Stock		5,500	By Investment Fluctuation Reserve		4,500
To Investments		15,000	By Prachi's Capital A/c (Investment)		12,500
To Bank A/c (Payments):			By Bank A/c (Stock and Furniture)		41,500
Creditors	10,000		By Ritika's Capital A/c (Old Furniture)		3,000
Workmen Compensation	8,000		By Prachi's Capital A/c (Loss)	3,000	
Realisation Expenses	1,000	19,000	By Ritika's Capital A/c (Loss)	1,800	
To Prachi's Capital A/c (Commission)		1,000	By Ishita's Capital A/c (Loss)	1,200	6,000
		77,500			77,500

Dr. PARTNERS' CAPITAL ACCOUNTS *Cr.*

Particulars	Prachi ₹	Ritika ₹	Ishita ₹	Particulars	Prachi ₹	Ritika ₹	Ishita ₹
To Balance *b/d*	...	...	18,000	By Balance *b/d*	40,000	30,000	...
To Realisation A/c (Assets)	12,500	3,000	...	By Realisation A/c (Commission)	1,000	...	...
To Realisation A/c (Loss)	3,000	1,800	1,200	By Bank A/c (Cash brought)	...	...	**19,200**
To Bank A/c (Final Payment)	**25,500**	**25,200**	...				
	41,000	30,000	19,200		41,000	30,000	19,200

Dr. BANK ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Balance *b/d*	9,000	By Realisation A/c (Liabilities paid)	19,000
To Realisation A/c (Stock and Furniture)	41,500	By Prachi's Capital A/c (Final payment)	25,500
To Ishita's Capital A/c	19,200	By Ritika's Capital A/c (Final payment)	25,200
	69,700		69,700

Question 9.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2024				
July 1	Bank A/c ...Dr.		5,50,000	
	To Tim's Capital A/c			3,00,000
	To Leena's Capital A/c			2,50,000
	(Being the capital contributed by partners)			
2025				
Jan. 1	Bank A/c [(₹ 6,00,000 × 3/5) – ₹ 3,00,000] ...Dr.		60,000	
	To Tim's Capital A/c			60,000
	(Being the capital introduced for adjustment of capital)			

Jan. 1	Leena's Capital A/c [(₹ 6,00,000 × 2/5) – ₹ 2,50,000]	...Dr.		10,000	
	To Bank A/c				10,000
	(Being the excess capital withdrawn)				
2025					
March 31	Rent A/c	...Dr.		18,000	
	To Tim's Current A/c				18,000
	(Being the rent provided)				
March 31	Profit & Loss A/c	...Dr.		18,000	
	To Rent A/c				18,000
	(Being the rent transferred to Profit & Loss A/c)				
March 31	Profit & Loss A/c	...Dr.		1,50,000	
	To Profit & Loss Appropriation A/c				1,50,000
	(Being the transfer of net profit to Profit & Loss Appropriation Account)				
March 31	Interest on Capital A/c	...Dr.		42,500	
	To Tim's Current A/c				24,000
	To Leena's Current A/c				18,500
	(Being the interest on capital provided)				
March 31	Profit & Loss Appropriation A/c	...Dr.		42,500	
	To Interest on Capital A/c				42,500
	(Being the transfer of interest on capital to Profit & Loss Appropriation A/c)				
March 31	Profit & Loss Appropriation A/c	...Dr.		15,000	
	To General Reserve A/c				15,000
	(Being the transfer Profit to General Reserve)				
March 31	Profit & Loss Appropriation A/c (WN 2)	...Dr.		92,500	
	To Tim's Current A/c (₹ 92,500 × 3/5)				55,500
	To Leena's Current A/c (₹ 92,500 × 2/5)				37,000
	(Being the transfer of Profit to Current Accounts)				

Working Notes:

1. *Calculation of Interest on Capital:*

   Tim: = (₹ 3,00,000 × 10/100 × 6/12) + (₹ 3,60,000 × 10/100 × 3/12)
   = ₹ 15,000 + ₹ 9,000 = ₹ 24,000.

   Leena: = (₹ 2,50,000 × 10/100 × 6/12) + (₹ 2,40,000 × 10/100 × 3/12)
   = ₹ 12,500 + ₹ 6,000 = ₹ 18,500.

2. *Divisible Profit* = ₹ 1,50,000 – ₹ 42,500 – ₹ 15,000 = ₹ 92,500.

Or

A. PROFIT & LOSS APPROPRIATION ACCOUNT
for the year ending 31st March, 2026

Dr. *Cr.*

Particulars		₹	Particulars		₹
To Interest on Capital (WN):			By Profit & Loss A/c (Profit)		71,300
Amit	16,000		(Profit before Adjustments)		
Vijay	12,000	28,000	By Interest on Drawings:		
To Salary:			Amit	2,200	
Amit	19,200		Vijay	2,500	4,700
Vijay	28,800	48,000			
		76,000			76,000

Working Notes:

1.

Appropriations	Amit (₹)	Vijay (₹)	Total (₹)
Interest on Capital	20,000	15,000	35,000
Salary	24,000	36,000	60,000
			95,000

2. Divisible profits = ₹ 76,000.
3. Appropriations : ₹ 95,000 are more than the divisible profit : ₹ 76,000. So, profit is divided in the ratio of items of appropriations as follows:

Ratio between Interest on Capital and Salary = 35,000 : 60,000 = 7 : 12

(i) For Interest on Capital = ₹ 76,000 × 7/19 = ₹ 28,000

Partners Claim: Amit = ₹ 28,000 × ₹ 20,000/ ₹ 35,000 = ₹ 16,000

Vijay = ₹ 28,000 × 15,000/ ₹ 35,000 = ₹ 12,000

(ii) For Salary = ₹ 76,000 × 12/19 = ₹ 48,000

Amit = ₹ 48,000 × ₹ 24,000/ ₹ 60,000 = ₹ 19,200

Vijay = ₹ 48,000 × ₹ 36,000/ ₹ 60,000 = ₹ 28,800.

B. CALCULATION OF OPENING CAPITAL AND INTEREST ON CAPITAL

Particulars	Alka (₹)	Archana (₹)
Closing Capitals	4,00,000	3,00,000
Add: Drawings already debited	40,000	20,000
Less: Profit	(1,00,000)	(1,00,000)
Opening Capital	3,40,000	2,20,000
Interest on Capital @ 10% p.a.	3,40,000 × 10/100 = 34,000	2,20,000 × 10/100 = 22,000

Alka's Interest on Drawings = ₹ 40,000 × 6/100 × 4.5/12 = ₹ 900.

ARCHANA'S INTEREST ON DRAWINGS

Particulars	Amount (₹)	Months (₹)	Product (₹)
31st May, 2024	8,000	10	80,000
1st November, 2024	7,000	5	35,000
1st February, 2025	5,000	2	10,000
Total Drawings	20,000		1,25,000

Archana's Interest on Drawings = ₹ 1,25,000 × 6/100 × 1/12 = ₹ 625.

C. *Since date of drawings are not given, interest will be charged for 6 months:*

Umang:	₹ 15,000 × 6/12 × 5/100	=	₹ 375
Rajat:	₹ 12,600 × 6/12 × 5/100	=	₹ 315
Ekant:	₹ 12,000 × 6/12 × 5/100	=	₹ 300
Total Interest		=	₹ 990

ADJUSTMENT TABLE

Particulars		Umang (₹)	Rajat (₹)	Ekant (₹)	Total (₹)
A. Interest on Drawings	(Dr.)	375	315	300	990
B. Division of ₹ 990 in 3 : 2 : 1	(Cr.)	495	330	165	990
C. **Difference (A – B)**		120 (Cr.)	15 (Cr.)	135 (Dr.)	...

ADJUSTMENT JOURNAL ENTRY

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Ekant's Capital A/c	...Dr.		135	
	To Umang's Capital A/c				120
	To Rajat's Capital A/c				15
	(Being the omission of interest on drawings rectified)				

Question 10.

JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	...Dr.		1,20,000	
	To Equity Shares Application A/c				1,20,000
	(Being the application money received on 60,000 shares @ ₹ 2 per share)				
	Equity Shares Application A/c	...Dr.		1,20,000	
	To Equity Share Capital A/c (50,000 × ₹ 2)				1,00,000
	To Equity Shares Allotment A/c (10,000 × ₹ 2)				20,000
	(Being the application money adjusted)				
	Equity Shares Allotment A/c (50,000 × ₹ 5)	...Dr.		2,50,000	
	To Equity Share Capital A/c (50,000 × ₹ 3)				1,50,000
	To Securities Premium A/c (50,000 × ₹ 2)				1,00,000
	(Being the allotment money due)				
	Bank A/c	...Dr.		2,27,700	
	Calls-in-Arrears A/c (WN 1)	...Dr.		2,300	
	To Equity Shares Allotment A/c				2,30,000
	(Being the allotment money received except on 500 shares)				
	Equity Shares First and Final Call A/c	...Dr.		2,50,000	
	To Equity Share Capital A/c (50,000 × ₹ 5)				2,50,000
	(Being the first and final call money due)				

	Bank A/c ...Dr.		2,37,500	
	Calls-in-Arrears A/c (2,500 × ₹ 5) ...Dr.		12,500	
	To Equity Shares First and Final Call A/c			2,50,000
	(Being the first and final call money received)			
	Equity Share Capital A/c (500 × ₹ 10) ...Dr.		5,000	
	Securities Premium A/c (500 × ₹ 2) ...Dr.		1,000	
	To Forfeited Shares A/c (600 × ₹ 2)			1,200
	To Calls-in-Arrears A/c (₹ 2,300 + ₹ 2,500)			4,800
	(Being 500 shares of Mohan forfeited for non-payment of allotment and call)			
	Equity Share Capital A/c (2,000 × ₹ 10) ...Dr.		20,000	
	To Forfeited Shares A/c (2,000 × ₹ 5)			10,000
	To Calls-in-Arrears A/c (2,000 × ₹ 5)			10,000
	(Being 2,000 shares of Sohan forfeited for non-payment of call money)			
	Bank A/c (2,000 × ₹ 7) ...Dr.		14,000	
	Forfeited Shares A/c (2,000 × ₹ 3) ...Dr.		6,000	
	To Equity Share Capital A/c			20,000
	(Being 2,000 shares of Sohan reissued @ ₹ 7 fully paid)			
	Forfeited Shares A/c ...Dr.		4,000	
	To Capital Reserve A/c (₹ 10,000 – ₹ 6,000)			4,000
	(Being the transfer of gain on reissue to Capital Reserve)			

Working Notes:

1. (a) Number of shares applied by Mohan = 500 × 60,000/50,000 = 600 shares.

   (b) Excess Application Money received (600 shares – 500 shares) × ₹ 2 = ₹ 200.

   (c) *Net amount not received on allotment:*

	₹
Total amount due on allotment (500 × ₹ 5)	2,500
Less: Already received (b)	200
Allotment money not received	2,300

Or

JOURNAL OF SPARK LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c (1,800 × ₹ 60) ...Dr.		1,08,000	
	To Equity Shares Application and Allotment A/c			1,08,000
	(Being the application money received)			
	Equity Shares Application and Allotment A/c ...Dr.		1,08,000	
	To Equity Share Capital A/c (1,200 × ₹ 30)			36,000
	To Securities Premium A/c (1,200 × ₹ 30)			36,000
	To Calls-in-Advance A/c (600 × ₹ 60)			36,000
	(Being the application money adjusted)			

	Equity Shares First Call A/c (1,200 × ₹ 40) ...Dr. To Equity Share Capital A/c (Being the first call money due)		48,000	48,000
	Bank A/c ...Dr. Calls-in-Arrears A/c (WN) ...Dr. Calls-in-Advance A/c ...Dr. To Equity Shares First Call A/c (Being the first call money received except on 12 shares and advance adjusted)		11,880 120 36,000	48,000
	Equity Shares Second and Final Call A/c (1,200 × ₹ 30) ...Dr. To Equity Shares Capital A/c (Being the second and final call money due)		36,000	36,000
	Bank A/c ...Dr. Calls-in-Arrears A/c (12 × ₹ 30) ...Dr. To Equity Shares Second and Final Call A/c (Being the second and final call money received except on 12 shares)		35,640 360	36,000
	Equity Share Capital A/c (12 × ₹ 100) ...Dr. To Forfeited Shares A/c [(₹ 1,080 – 360 (Premium)] To Calls-in-Arrears A/c (WN 2) (Being 12 shares forfeited due to non-payment of call money)		1,200	720 480
	Bank A/c ...Dr. Forfeited Shares A/c (WN 3) ...Dr. To Equity Share Capital A/c (Being forfeited 12 shares reissued for ₹ 40 per share fully paid; ₹ 720 of forfeited shares Account fully utilised)		480 720	1,200

Working Notes:

1. *Calculation of unpaid amount on first call money from Vishu:*
   - Number of shares applied by Vishu = $\frac{1,800}{1,200} \times 12$ = **18 Shares**.
   - Application and Allotment Money received at the time of application (18 × ₹ 60) = ₹ 1,080
     Less: Application and Allotment Money on shares allotted (12 × ₹ 60) = ₹ 720
     Excess Application and Allotment Money to be adjusted on first call = ₹ 360
   - First call money due (12 × ₹ 40) = ₹ 480
     Money received in advance = ₹ 360
     Unpaid first call money = ₹ 120
2. *Total amount due but not paid by Vishu:*

		₹
Second and final call money due but not paid (12 × ₹ 30)	=	360
First call money due but not paid (WN 1)	=	120
Total money due but not paid	=	480

3. Maximum discount on reissue of forfeited shares is equal to the forfeited amount of these shares credited to Forfeited Shares Account. Forfeited amount in the given cost is ₹ 720. So, the maximum discount on reissue will be ₹ 720.

SECTION B

Question 11.

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

(ii) (a) Payment of wages, salaries to employees.

(iii) The ratio will reduce, *i.e.,* decrease.

Reason: Total equity increases while debt remains unchanged.

(iv) *Calculation of Cash Flow from Financing Activities:*

Particulars	₹
Proceeds from Issue of Equity Shares	3,00,000
Payment of Bank Loan	(1,00,000)
Payment of Proposed Dividend	(20,000)
Cash Flow from Financing Activities	**1,80,000**

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

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

Question 12.

EQUITY AND LIABILITIES SIDE OF COMMON-SIZE STATEMENT
as at 31st March, 2025

Particulars	Absolute Amount (₹)	Percentage of Balance Sheet Total
1. Shareholders' Funds		
(*a*) Share Capital	15,00,000	62.50
(*b*) Reserves and Surplus	3,00,000	12.50
2. Non-Current Liabilities		
Long-term Borrowings	2,50,080	10.42
3. Current Liabilities		
(*a*) Trade Payables	99,840	4.16
(*b*) Other Current Liabilities	1,30,080	5.42
(*c*) Short-term Provisions	1,20,000	5.00
Total	24,00,000	100.00

Question 13.

(i) Current Liabilities = Total Debts – Non-current Liabilities

= ₹ 2,60,000 – ₹ 2,00,000 = ₹ 60,000.

Current Assets = Current Liabilities + Working Capital

= ₹ 60,000 + ₹ 1,20,000 = ₹ 1,80,000.

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}} = \frac{₹\ 1,80,000}{₹\ 60,000} = \mathbf{3:1}.$$

(ii) Opening Inventory – Closing Inventory = ₹ 10,000 (Eq.i)

Opening Inventory + Closing Inventory = ₹ 50,000 (Eq.ii)

Adding: Equation (i) and (ii)

2 Opening Inventory = ₹ 60,000

Opening Inventory = ₹ 60,000/2 = ₹ 30,000

Closing Inventory = ₹ 30,000 – ₹ 10,000 = ₹ 20,000

Cost of Revenue from Operations = Opening Inventory + Purchases – Closing Inventory

= ₹ 30,000 + ₹ 90,000 – ₹ 20,000 = ₹ 1,00,000

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

$$= \frac{₹\ 1,00,000}{₹\ 25,000} = \mathbf{4\ Times.}$$

(iii) (a) $\text{Operating Profit Ratio} = \frac{\text{Net Operating Profit}}{\text{Revenue from Operations}} \times 100.$

(b) Net Operating Profit (Remaining Component) = ₹ 3,25,000, calculated as follows:

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

$$\frac{65}{100} = \frac{x}{₹\ 5,00,000}$$

$$x = \frac{₹\ 5,00,000 \times 65}{100} = ₹\ \mathbf{3,25,000}.$$

(iv) (a) $\text{Return on Investment (ROI)} = \frac{\text{Net Profit before Interest and Tax}}{\text{Capital Employed}} \times 100.$

(b) $\frac{25}{100} = \frac{\text{Net Profit before Interest and Tax}}{₹\ 62,50,000}$

Net Profit before Interest and Tax = ₹ 62,50,000/4 = ₹ **15,62,500**.

Question 14.

CASH FLOW STATEMENT *for the year ended 31st March, 2025*

Particulars	₹	₹
A. Cash Flow from Operating Activities		
Net Profit before Tax (WN 1)	4,02,000	
Add: Depreciation	80,000	
Interest on Debentures (₹ 2,50,000 × 9/100)	22,500	
Loss on Sale of Machinery (WN 2)	10,000	
Operating Profit before Working Capital Changes	5,14,500	
Less: *Increase in Current Assets and Decrease in Current Liabilities:*		
Trade Payables	(5,000)	
Current Investments	(1,00,000)	
Trade Receivables	(29,000)	
Cash Generated from Operations	3,80,500	
Less: Tax paid	60,000	
Cash Flow from Operating Activities		**3,20,500**
B. Cash Flow from Investing Activities		
Proceeds from Sale of Machinery (WN 2)	50,000	
Purchase of Machinery (WN 2)	(4,13,000)	
Purchase of Non-current Investments (₹ 2,50,000 – ₹ 1,00,000)	(1,50,000)	
Cash Used in Investing Activities		**(5,13,000)**
C. Cash Flow from Financing Activities		
Proceeds from Issue of Equity Shares (₹ 4,00,000 – ₹ 2,00,000)	2,00,000	
Proceeds from Issue of 6% Preference Shares (₹ 3,00,000 – ₹ 2,00,000)	1,00,000	
Proceeds from Issue of 9% Debentures (₹ 3,50,000 – ₹ 2,50,000)	1,00,000	
Interest paid on Debentures (₹ 2,50,000 × 9/100)	(22,500)	
Dividend paid on Equity Shares	(60,000)	
Preference Dividend paid during the year	(12,000)	
Cash Flow from Financing Activities		**3,05,500**
D. Net Increase in Cash and Cash Equivalents (A + B + C)		1,13,000
Add: Opening Balance of Cash and Cash Equivalents (Cash at Bank)		2,20,000
E. Closing Balance of Cash and Cash Equivalents (Cash at Bank)		**3,33,000**

Working Notes:

1. *Calculation of Net Profit before Tax:*

	₹
Closing Balance of Surplus, *i.e.*, Balance in Statement of Profit & Loss	4,00,000
Less: Opening Balance of Surplus, *i.e.*, Balance in Statement of Profit & Loss	(1,20,000)
Profit for the year	2,80,000
Add: Provision for Tax	50,000
Proposed Dividend of Equity Share	60,000
Preference Dividend paid during the year (₹ 2,00,000 × 6/100)	12,000
Net Profit before Tax	4,02,000

2. *Dr.* MACHINERY ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Balance *b/d*	5,40,000	By Bank A/c (Sale)	50,000
To Bank A/c (Balancing Figure)—Purchase	**4,13,000**	By Depreciation A/c	80,000
		By Statement of Profit & Loss A/c (Loss)	10,000*
		By Balance *c/d*	8,13,000
	9,53,000		9,53,000

*Loss on Sale of Machinery = Book value – Sale value = (₹ 1,00,000 – ₹ 40,000) – ₹ 50,000 = ₹ 10,000.

Or

CASH FLOW STATEMENT *for the year ended 31st March, 2025* (₹ in lakh)

Particulars	₹	₹
A. Cash Flow from Operating Activities		
Net Profit before Tax	36,000	
Add: *Non-cash Expenses:*		
Depreciation	24,000	
Loss on Sale of Machinery	48	
Interest Expenditure	12,000	
	72,048	
Less: *Non-cash Income:*		
Gain on Sale of Investment	(130)	
Interest Income from Investments	(3,000)	
Operating Profit before Working Capital Change	68,918	
Less: Increase in Working Capital	67,290	
Cash Generated from Operations	1,628	
Less: Income Tax Paid	5,100	
Net Cash Used in Operating Activities		**(3,472)**
B. Cash Flow from Investing Activities		
Proceeds from Sale of Machinery (₹ 222 – ₹ 48)	174	
Proceeds from Sale of Investments (₹ 33,318 + ₹ 130)	33,448	
Interest Income from Investments	3,000	
Purchase of Machinery	(22,092)	
Expenditure on Construction Work (Capital Work-in-Progress)	(41,688)	
Net Cash Used in Investing Activities		**(27,168)**
C. Cash Flow from Financing Activities		
Long-term Borrowings raised	55,884	
Interest Paid	(13,042)	
Dividend Paid	(10,202)	
Net Cash Flow from Financing Activities		**32,640**
D. Net Increase in Cash and Cash Equivalents (A + B + C)		2,000
Add: Opening Cash and Cash Equivalents (1st April, 2024)		6,000
E. Cash and Cash Equivalents (Cash at Bank) as on 31st March, 2025		**8,000**

❑❑❑❑