

## Answers

1. (A) New Profit-sharing Ratio of A, B and C is **13 : 5 : 6**.

<b>Working Note:</b>	A	B	C	
Old Profit-sharing Ratio	= 5/8	3/8	...	
Profit Share Sacrificed	= 1/12	2/12	$\left(\frac{1}{12} + \frac{2}{12}\right) = \left(\frac{3}{12}\right)$	
Balance Profit Share	= 52/96	20/96	24/96	
or	52	: 20	: 24	
or New Profit-sharing Ratio	= 13	: 5	: 6	

(B)

Sacrificing Ratio	Gaining Ratio
1. It is calculated to determine compensation receivable from the Gaining Partners as Premium for Goodwill or Goodwill.	It is calculated to determine amount payable to the sacrificing partner or partners as Premium for Goodwill or Goodwill.
2. It is calculated at the time of change in Profit-sharing Ratio, Admission of a Partner.	It is calculated at the time of Retirement and Death of a Partner.

- (C) New Profit-sharing Ratio of P and R is **7 : 3**.

<b>Working Note:</b>	P	Q	R	
Old Profit-sharing Ratio	5	3	2	
Profit Share Taken	$3/10 \times 2/3$	-3	$3/10 \times 1/3$	
	1/5	...	1/10	
New Profit Share	$5/10 + 1/5$		$2/10 + 1/10$	
	7/10	:	3/10	

New Profit-sharing Ratio = 7 : 3.

- (D) Profit Share of X is ₹ 35,000.

**Working Note:**

Profit for the year 2023-24 = ₹ 1,20,000.

Assuming, profit for the year 2024-25 (Year of Death) is same as 2023-24.

Profit for the period of 7 months up to 31st October, 2024 = ₹ 1,20,000 × 7/12 = ₹ 70,000

Profit Share of X = ₹ 70,000 × 5/10 = ₹ 35,000.

- (E) Causes of Dissolution of a Partnership Firm:

- (1) Business becoming non-profitable.
- (2) Business becoming unlawful.

## (F) JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Workmen Compensation Reserve A/c ...Dr. To Realisation A/c (Claim against the reserve transferred)		60,000	60,000
	Workmen Compensation Reserve A/c ...Dr. To S's Capital A/c To V's Capital A/c (Reserve in excess of the claim distributed in profit-sharing ratio)		60,000	40,000 20,000

## 2. (A) JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Plant and Machinery A/c ...Dr. Sundry Debtors A/c ...Dr. Furniture A/c ...Dr. Stock A/c ...Dr. Goodwill A/c (Balancing Figure) ...Dr. To Provision for Doubtful Debts A/c To Sundry Creditors A/c To Mr. B. Sengupta (Business of Mr. B. Sengupta taken over, Purchase consideration in excess of Net Assets debited to Goodwill A/c)		1,50,000 25,000 12,500 30,000 <b>5,000</b>	2,500 20,000 2,00,000
	Mr. B. Sengupta ...Dr. To Share Capital A/c (Shares issued towards purchase consideration)		2,00,000	2,00,000

(B) Amount called by the company to be paid by the shareholders but not received by the company by the due date is 'Calls-in-Arrears'.

Table 'F' of the Companies Act, 2013, specified interest to be charged on 'Calls-in-Arrears' @ 10% per annum.

## 3. (A) JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	A's Capital A/c ...Dr. B's Capital A/c ...Dr. To C's Capital A/c (Non-credit of Loan Interest, now rectified)		40,000 20,000	60,000

**Working Note:** TABLE SHOWING ADJUSTMENT

Particulars	A (₹)	B (₹)	C (₹)
I. Profit of ₹ 5,00,000 credited in 2 : 2 : 1 ratio	2,00,000	2,00,000	1,00,000
II. Profit of ₹ 5,00,000 should have been credited in the following manner:			
(i) Interest on Loan to B	...	20,000	...
(ii) Balance profit ₹ 4,80,000 in equal proportion	1,60,000	1,60,000	1,60,000
<b>Total</b>	1,60,000	1,80,000	1,60,000
III. Difference (I – II)	40,000 Dr.	20,000 Dr.	60,000 Cr.

## (B) JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Y's Capital A/c (₹ 6,00,000 × 1/6) To X's Capital A/c (Goodwill adjusted at the time of change in profit-sharing ratio)	...Dr.	1,00,000	1,00,000

**Working Notes:**

1. Sacrifice/Gain	X	Y	Z
Old Profit-sharing Ratio	3	2	1
New Profit-sharing Ratio	2	3	1
Sacrifice/(Gain)	<u>1/6 (Sacrifice)</u>	<u>1/6 (Gain)</u>	...

## 2. Value of Goodwill:

$$\begin{aligned} \text{Average Profit of Five Years} &= ₹ 2,80,000 + ₹ 3,00,000 + ₹ 3,20,000 + ₹ 3,30,000 - ₹ 2,30,000 \\ &= ₹ 10,00,000 \\ &= ₹ 10,00,000/5 = ₹ 2,00,000 \end{aligned}$$

$$\text{Value of Goodwill} = ₹ 2,00,000 \times 3 = ₹ 6,00,000$$

(C) Capital brought by 'O' for 1/5th share is ₹ 50,000. Therefore, Total Capital of New Firm is ₹ 50,000 × 5 = ₹ 2,50,000.

	M (₹)	N (₹)
Existing Capitals	1,00,000	1,00,000
Capitals after 'O' Admission	1,25,000	75,000
	<u>25,000</u>	<u>(25,000)</u>

Thus, 'M' will bring ₹ 25,000 as capital and 'N' will be paid ₹ 25,000 out of capital.

<b>Working Note:</b>	M	N	O
Old Profit Share	3/5	2/5	...
Share Sacrificed	- 1/10	- 1/10	1/5
Remaining Share	<u>6-1</u> 10	<u>4-1</u> 10	...
New Profit Share	5/10	3/10	2/10
Capitals	<u>₹ 1,25,000</u>	<u>₹ 75,000</u>	<u>₹ 50,000</u>

(D) (1) Due amount is paid in lumpsum on death.

(2) Due amount is paid in instalments as is agreed either paying interest or part of profit share.

## (E) JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	B's Capital A/c (₹ 90,000 × 1/6) D's Capital A/c (₹ 90,000 × 1/6) To C's Capital A/c (₹ 90,000 × 2/6) [Goodwill amount adjusted debiting Gaining Partners (A and D) Capital Accounts and crediting Retiring Partner (C) Capital Account]	...Dr. ...Dr.	15,000 15,000	30,000

**Working Note:**

Sacrificing/(Gaining) Ratio	A	B	C	D
Old Profit-sharing Ratio	2/6	1/6	2/6	1/6
New Profit-sharing Ratio	1/3	1/3	...	1/3
	$\frac{2-2}{6}$	$\frac{1-2}{6}$		$\frac{1-2}{6}$
Gain	Nil	-1/6 (G)		-1/6 (G)

- (F) (i) **Authorised Capital** is the maximum amount of capital that can be issued for subscription. It is specified in the Memorandum of Association of the company separately for Equity Shares and Preference Shares.
- (ii) **Reserve Capital** is the capital out of Subscribed Capital resolved by the company to be called at the time of winding up of the company.
- (iii) **Minimum Subscription** is the amount which a company must receive before allotment of shares. SEBI has fixed the minimum subscription at 90% of the Issued Capital.

4. (A)

**Books of 'X' Ltd.**

## JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c ...Dr. To Shares Application A/c		2,10,000	2,10,000
	Shares Application A/c ...Dr. To Share Capital A/c To Shares Allotment A/c To Bank A/c		2,10,000	1,50,000 30,000 30,000
	Shares Allotment A/c ...Dr. To Share Capital A/c To Securities Premium A/c		3,00,000	2,00,000 1,00,000
	Bank A/c ...Dr. To Shares Allotment A/c To Calls-in-Advance A/c		2,73,000	2,70,000 3,000

- (B) Forfeiture of Shares means cancelling the shares held by the shareholder for non-payment of amount due on Shares.

Forfeited Shares can be reissued at a discount but discount allowed cannot be more than the amount forfeited on the reissued shares.

Balance in Forfeited Shares Account is transferred to 'Capital Reserve' after the reissue of shares.

5. (A)

REVALUATION ACCOUNT			
Dr.		Cr.	
Particulars	₹	Particulars	₹
To Ram's Capital A/c (Profit)	8,000	By Land and Building A/c	10,000
To Shyam's Capital A/c (Profit)	8,000	By Provision for Doubtful Debts A/c	1,000
		By Investments A/c (Unrecorded)	5,000
	16,000		16,000

PARTNERS' CAPITAL ACCOUNTS							
Dr.				Cr.			
Particulars	Ram (₹)	Shyam (₹)	Jadu (₹)	Particulars	Ram (₹)	Shyam (₹)	Jadu (₹)
To Balance <i>c/d</i>	57,000	61,000	59,000	By Balance <i>b/d</i>	39,000	43,000	...
				By General Reserve A/c	5,000	5,000	...
				By Revaluation A/c	8,000	8,000	...
				By Premium for Goodwill A/c	5,000	5,000	...
				By Cash A/c	...	...	59,000
	57,000	61,000	59,000		57,000	61,000	59,000

(B)

REVALUATION ACCOUNT			
Dr.		Cr.	
Particulars	₹	Particulars	₹
To Stock A/c	6,000	By Building A/c	5,200
To Debtors A/c	1,000	By Creditors A/c	2,000
To Plant A/c	3,000	By Loss transferred to:	
		<i>P</i> 's Capital A/c	1,600
		<i>Q</i> 's Capital A/c	800
		<i>R</i> 's Capital A/c	400
	10,000		10,000

PARTNERS' CAPITAL ACCOUNTS							
Dr.				Cr.			
Particulars	<i>P</i> (₹)	<i>Q</i> (₹)	<i>R</i> (₹)	Particulars	<i>P</i> (₹)	<i>Q</i> (₹)	<i>R</i> (₹)
To <i>P</i> 's Capital A/c	...	16,000	8,000	By Balance <i>b/d</i>	60,000	40,000	30,000
To Revaluation A/c	1,600	800	400	By General Reserve A/c	12,000	6,000	3,000
To <i>P</i> 's Loan A/c	94,400	...	...	By <i>P</i> 's Capital A/c	16,000	...	...
To Balance <i>c/d</i>	...	29,200	24,600	By <i>R</i> 's Capital A/c	8,000	...	...
	96,000	46,000	33,000		96,000	46,000	33,000

(C)

Dr. Z's EXECUTORS' ACCOUNT Cr.

Date	Particulars	₹	Date	Particulars	₹
2025			2025		
July 1	To Cash/Bank A/c	3,600	June 30	By Z's Capital A/c	19,600
Dec. 31	To Cash/Bank A/c (₹ 4,000 + ₹ 800)	4,800	Dec. 31	By Interest A/c	800
2026			2026		
March 31	To Balance <i>c/d</i>	12,300	March 31	By Interest Accrued but Not Due A/c	300
		20,700			20,700
2026			2026		
June 30	To Cash/Bank A/c (₹ 4,000 + ₹ 600)	4,600	April 1	By Balance <i>b/d</i>	12,300
Dec. 31	To Cash/Bank A/c (₹ 4,000 + ₹ 400)	4,400	June 30	By Interest A/c	300
2027			Dec. 31	By Interest A/c	400
March 31	To Balance <i>c/d</i>	4,100	2027		
		13,100	March 31	By Interest Accrued but Not Due A/c	100
2027			2027		
June 30	To Cash/Bank A/c (₹ 4,000 + ₹ 200)	4,200	April 1	By Balance <i>b/d</i>	4,100
		4,200	June 30	By Interest A/c	100
		4,200			4,200

(D)

Dr. REALISATION ACCOUNT Cr.

Particulars	₹	Particulars	₹
To Plant and Machinery A/c	35,000	By Provision for Doubtful Debts A/c	5,000
To Land and Building A/c	30,000	By Sundry Creditors A/c	47,000
To Joint Life Policy A/c	40,000	By Joint Life Policy Reserve A/c	23,000
To Stock A/c	25,000	By Bank A/c (Joint Life Policy)	33,000
To Debtors A/c	45,000	By Y's Capital A/c (Machinery)	3,000
To Cash/Bank A/c:		By Cash/Bank A/c:	
Sundry Creditors	45,000	Land and Building	25,000
Realisation Expenses	2,500	Stock	8,000
		Debtors	17,000
		Plant and Machinery	15,000
		By Loss transferred to:	
		X's Capital A/c	18,600
		Y's Capital A/c	18,600
		Z's Capital A/c	9,300
	2,22,500		46,500
	2,22,500		2,22,500

6. (A)

## JOURNAL OF JOY LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c (1,50,000 × ₹ 3) ...Dr.		4,50,000	
	To Shares Application A/c			4,50,000
	Shares Application A/c ...Dr.		4,50,000	
	To Share Capital A/c (1,00,000 × ₹ 3)			3,00,000
	To Shares Allotment A/c (50,000 × ₹ 3)			1,50,000
	Shares Allotment A/c ...Dr.		6,00,000	
	To Share Capital A/c (1,00,000 × ₹ 4)			4,00,000
	To Securities Premium A/c (1,00,000 × ₹ 2)			2,00,000
	Bank A/c ...Dr.		4,50,000	
	To Shares Allotment A/c			4,50,000
	Shares First and Final Call A/c (1,00,000 × ₹ 3) ...Dr.		3,00,000	
	To Share Capital A/c			3,00,000
	Bank A/c (90,000 × ₹ 3) ...Dr.		2,70,000	
	To Shares First and Final Call A/c			2,70,000

(B)

## JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c (500 × ₹ 10) ...Dr.		5,000	
	Securities Premium A/c (500 × ₹ 2) ...Dr.		1,000	
	To Forfeited Shares A/c (500 × ₹ 3)			1,500
	To Shares Allotment A/c (500 × ₹ 5)*			2,500
	To Shares Final Call A/c (500 × ₹ 4)*			2,000
	*If Calls-in-Arrears Account is maintained, Calls-in-Arrears A/c will be debited by ₹ 4,500.			
	Bank A/c (300 × ₹ 9) ...Dr.		2,700	
	Forfeited Shares A/c (300 × ₹ 1) ...Dr.		300	
	To Share Capital A/c			3,000
	Forfeited Shares A/c (300 × ₹ 2) ...Dr.		600	
	To Capital Reserve A/c			600

7. (A) (a) It facilitates determining Cash Flow from Operating, Investing and Financing Activities.

(b) Helps in assessing Liquidity and Solvency position.

(i) Cash Flow from Financing Activities.

(ii) Cash Flow from Investing Activities.

(iii) Cash Flow from Financing Activities.

(B)

**R Ltd.**

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

Particulars	₹
<b>I. Cash Flow from Operating Activities</b>	
<i>Net Profit before Tax and Extraordinary Items:</i>	
Closing Surplus, i.e., Balance in Statement of Profit & Loss	1,15,000
<i>Less: Opening Balance</i>	50,000
	65,000
<i>Add: Increase in Current Liabilities and Decrease in Current Assets:</i>	
Trade Payables	1,25,000
Trade Receivables	75,000
	2,00,000
	2,65,000
<i>Less: Increase in Current Assets</i>	
Bills Receivables	50,000
Inventories	50,000
	1,00,000
<i>Cash Flow from Operating Activities</i>	1,65,000
<b>II. Cash Flow from Investing Activities</b>	
Purchase of Buildings	(80,000)
<i>Cash Used in Investing Activities</i>	(80,000)
<b>III. Net Increase in Cash and Cash Equivalents (I + II)</b>	85,000
<i>Add: Opening Cash and Cash Equivalents</i>	1,50,000
<b>IV. Closing Cash and Cash Equivalents</b>	2,35,000

**Note:** There is no flow of cash in financing activities.