ANSWERS

SECTION A

Question 1.

(*i*) (*a*) ₹ 75,000.

Working Note:

$$\text{Vipul's profit share} = \frac{1}{5}$$

$$\text{Remaining Profit Share} = 1 - \frac{1}{5} = \frac{4}{5}$$

$$\text{Combined capital of old partners} = ₹\ 1,20,000 + ₹\ 80,000 + ₹\ 1,00,000 = ₹\ 3,00,000$$

$$\text{Total capital of new firm} = ₹\ 3,00,000 \times \frac{5}{4} = ₹\ 3,75,000$$

$$\text{Capital brought by Vipul} = ₹\ 3,75,000 \times \frac{1}{5} = ₹\ 75,000.$$

(*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. (₹)
2025					
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)				
2026					
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	₹
2025			2026		
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. (₹)
2025				
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)			
2026				
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, 2025. ₹ 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 (₹)
2022–23	(₹ 40,000 – ₹ 4,000)	36,000
2023–24	(₹ 80,000 – ₹ 6,000)	74,000
2024–25		1,10,000
2025–26		(40,000)
	Total	1,80,000

$$\text{Average Adjusted Profit} = \frac{₹\ 1,80,000}{4} = ₹\ 45,000$$

$$\text{Goodwill} = \text{Average Adjusted Profit} \times \text{No. of Years' purchase}$$

$$= ₹\ 45,000 \times 2 = ₹\ \mathbf{90,000}.$$

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, 2026*

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

Dr. *for the year ended 31st March, 2026* 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

Dr. *for the year ended 31st March, 2026* 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. (₹)
2025 (*a*)					
Oct. 1	Ravi's Capital A/c	...Dr.		20,000	
	To Bank A/c				20,000
	(Being the permanent withdrawal of capital)				
2026 (*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. (₹)
2026				
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.		**4,00,000**	
	To **Equity Share Capital A/c**			**4,00,000**
	(Being the allotment money due @ ₹ 4 per share)			
	Bank A/c (₹ 4,00,000 – ₹ 1,20,000) ...Dr.		**2,80,000**	
	To **Equity Shares Allotment A/c**			**2,80,000**
	(Being the balance allotment amount received)			
	Equity Shares First and Final Call A/c (1,00,000 × ₹ 3) ...Dr.		**3,00,000**	
	To **Equity Share Capital A/c**			**3,00,000**
	(Being the first and final call money due)			
	Bank A/c ...Dr.		**2,97,000**	
	Calls-in-Arrears A/c (1,000 × ₹ 3) ...Dr.		3,000	
	To **Equity Shares First and Final Call A/c**			**3,00,000**
	(Being the first and final call money received)			
	Equity Share Capital A/c (1,000 × ₹ 10) ...Dr.		**10,000**	
	To **Forfeited Shares A/c (1,000 × ₹ 7)**			**7,000**
	To **Calls-in-Arrears A/c (1,000 × ₹ 3)**			**3,000**
	(Being the shares forfeited on which first and final call was not received)			
	Bank A/c ...Dr.		**3,500**	
	Forfeited Shares A/c ...Dr.		1,500	
	To **Equity Share Capital A/c**			**5,000**
	(Being 500 forfeited shares reissued)			
	Forfeited Shares A/c ...Dr.		**2,000**	
	To **Capital Reserve A/c**			**2,000**
	(Being the gain on reissue of forfeited shares transferred to Capital Reserve Account)			

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.		1,80,000	
	To Shares Application A/c			1,80,000
	(Being the application money received on 60,000 shares @ ₹ 3 per share)			
	Shares Application A/c ...Dr.		1,80,000	
	To Share Capital A/c (40,000 × ₹ 3)			1,20,000
	To Shares Allotment A/c (10,000 × ₹ 3)			30,000
	To Bank A/c (10,000 × ₹ 3)			30,000
	(Being the application money adjusted and surplus refunded)			
	Shares Allotment A/c (40,000 × ₹ 4) ...Dr.		1,60,000	
	To Share Capital A/c (40,000 × ₹ 3)			1,20,000
	To Securities Premium A/c (40,000 × ₹ 1)			40,000
	(Being the allotment money due @ ₹ 4 per share)			

	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*) (*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, 2025 = (₹ 3,60,000 + ₹ 1,00,000) – ₹ 3,20,000 = ₹ 1,40,000 (Balancing Figure)

31st March, 2026 = (₹ 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 $= \dfrac{\text{Gross Profit}}{\text{Revenue from Operations}} \times 100 = \dfrac{₹\ 1,80,000}{₹\ 9,00,000} \times 100 = 20\%$.

Working Notes:

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

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

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

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

Cost of Revenue from Operations = ₹ 90,000 × 8 = ₹ 7,20,000.

2. Gross Profit = Revenue from Operations – Cost of Revenue from Operations
= ₹ 9,00,000 – ₹ 7,20,000 = ₹ **1,80,000.**

(*iii*) 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.

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

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

(*iv*) 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

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

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, 2025)	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 (Cash at Bank):

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 (Cash at Bank) (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