MODEL TEST PAPER 11 (Solution)

PART A

1. Revaluation Account is prepared at the time of admission of a partner because of the following two reasons:

(*i*) To show the assets and liabilities at their current (revised) values.

(*ii*) To ensure that no partner is at an advantage or disadvantage due to change in the value of assets and amount of liabilities.

2. It is *credited to* Income and Expenditure Account.

3. A firm is termed as reconstituted when (*Any two*):

(*i*) Profit-sharing ratio among the partners changes;

(*ii*) There is admission of a partner;

(*iii*) There is retirement of a partner; and

(*iv*) There is death of a partner.

4. JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	A's Capital A/c ...Dr.		80,000	
	B's Capital A/c ...Dr.		2,20,000	
	To *C*'s Capital A/c			3,00,000
	(Being *C*'s share of goodwill adjusted by debiting gaining partners in their gaining ratio)			

Working Notes:

1. Amount payable in excess of amount due to retiring partner reflects *C*'s share of goodwill. Thus, *C*'s share of goodwill = ₹11,50,000 – ₹ 8,50,000 = ₹ 3,00,000, which will be contributed by *A* and *B* in their gaining ratio, *i.e.*, 4 : 11 (WN 2).

2. *Calculation of Gaining Ratio:*
   Gain of a partner = New share – Old share
   A gains = 1/3 – 2/10 = 4/30; *B* gains = 2/3 – 3/10 = 11/30
   Thus, Gaining Ratio of *A* and *B* = 4/30 : 11/30 = 4 : 11.

5. ***Value of Equality***, as company has made equitable distribution of wealth.

6. X's Share of Profit $= \dfrac{₹\ 36{,}000}{₹\ 3{,}00{,}000} \times ₹\ 1{,}00{,}000 \times \dfrac{2}{5} = ₹\ 4{,}800.$

7. JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2018	**Case I**			
April 1	Investment Fluctuation Reserve A/c ...Dr.		12,500	
	To *A*'s Capital A/c			5,000
	To *B*'s Capital A/c			7,500
	(Being the Investment Fluctuation Reserve distributed)			

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Case II			
	Investment Fluctuation Reserve A/c ...Dr.		12,500	
	To Investments A/c			7,500
	To *A*'s Capital A/c			2,000
	To *B*'s Capital A/c			3,000
	(Being the excess reserve distributed after adjusting fall in value of investments)			
	Case III			
	Investment Fluctuation Reserve A/c ...Dr.		12,500	
	To *A*'s Capital A/c			5,000
	To *B*'s Capital A/c			7,500
	(Being the Investment Fluctuation Reserve appropriated)			
	Investments A/c ...Dr.		25,000	
	To Revaluation A/c			25,000
	(Being the increase in value of investments recorded)			
	Revaluation A/c ...Dr.		25,000	
	To *A*'s Capital A/c			10,000
	To *B*'s Capital A/c			15,000
	(Being the gain (profit) on revaluation distributed)			

8. JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Building A/c ...Dr.		3,00,000	
	Plant and Machinery A/c ...Dr.		1,00,000	
	Stock A/c ...Dr.		2,00,000	
	Sundry Debtors A/c ...Dr.		1,00,000	
	To Sundry Creditors A/c			80,000
	To *Y* Ltd.			6,00,000
	To Capital Reserve A/c (Balancing Figure)			20,000
	(Being the business of *Y* Ltd. purchased)			
	Y Ltd. ...Dr.		60,000	
	To Bank A/c			60,000
	(Being 10% payment made to *Y* Ltd. by cheque)			
	Y Ltd. ...Dr.		5,40,000	
	To 10% Debentures A/c			4,50,000
	To Securities Premium Reserve A/c			90,000
	(Being 4,500; 10% Debentures issued at 20% premium for the balance) (Note)			

Note: No. of Debentures to be Issued = $\frac{₹\,5,40,000}{₹\,120}$ = 4,500 Debentures.

9.

Dr. SUBSCRIPTION ACCOUNT *Cr.*

Date	Particulars	₹	Date	Particulars	₹
2017			2017		
March 31	To Outstanding Subscription A/c	10,800	March 31	By Advance Subscription A/c	6,000
2018				By Bank A/c	30,000
March 31	To Income and Expenditure A/c (39 × ₹ 600)	23,400	2018		
			March 31	By Outstanding Subscription A/c	5,400
March 31	To Advance Subscription A/c (Balancing Figure)	**7,200**			
		41,400			41,400

Note: Subscription outstanding as on 31st March, 2018 includes the amount of subscription due as on that date. It means, it also includes "Subscriptions still in arrears for the year 2016–17 ₹ 4,200". So, this adjustment is given just to create confusion.

10. JOURNAL OF STRONG LTD.

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2017 March 31	Surplus, *i.e.*, Balance in Statement of Profit and Loss A/c	...Dr.		9,65,000	
	To Debentures Redemption Reserve A/c (Note)				9,65,000
	(Being the transfer of profit to Debentures Redemption Reserve as required under Section 71(4) of the Companies Act, 2013 read with Rule 18(7))				
April 30	Debentures Redemption Investment A/c	...Dr.		3,00,000	
	To Bank A/c				3,00,000
	(Being the investment made of a sum equal to 15% of the nominal value of debentures)				
2018 Oct. 1	Bank A/c	...Dr.		3,00,000	
	To Debentures Redemption Investment A/c				3,00,000
	(Being the investment made as required by the Companies Act, 2013, now encashed)				
Oct. 1	9% Debentures A/c	...Dr.		20,00,000	
	Premium on Redemption of Debentures A/c	....Dr.		1,00,000	
	To Debentureholders' A/c				21,00,000
	(Being the amount due to debentureholders on redemption)				
Oct. 1	Debentureholders' A/c	...Dr.		21,00,000	
	To Bank A/c				21,00,000
	(Being the amount due to debentureholders paid)				
Oct. 1	Debentures Redemption Reserve A/c	...Dr.		20,00,000	
	To General Reserve A/c				20,00,000
	(Being the Debentures Redemption Reserve transferred to General Reserve)				

Note: As debentures are redeemable fully out of profits, an amount equal to the Nominal (Face) Value of debentures to be redeemed will be transferred to Debentures Redemption Reserve.

Particulars	₹
Debentures Redemption Reserve (DRR) required (100% of ₹ 20,00,000)	20,00,000
Less: Existing Balance of DRR	10,35,000
Amount to be transferred to DRR	9,65,000

11. (*i*) *Calculation of Gaining Ratio:* Gain of a Partner = New Share – Old Share

$$A\text{'s Gain} = \frac{5}{8} - \frac{4}{9} = \frac{13}{72};\quad C\text{'s Gain} = \frac{3}{8} - \frac{2}{9} = \frac{11}{72}$$

$$\text{Thus, Gaining Ratio of } A \text{ and } C = \frac{13}{72} : \frac{11}{72} = 13 : 11.$$

(*ii*)

Dr. PARTNERS' CAPITAL ACCOUNTS *Cr.*

Particulars	*A* (₹)	*B* (₹)	*C* (₹)	Particulars	*A* (₹)	*B* (₹)	*C* (₹)
To *B*'s Capital A/c (Goodwill)	39,000	...	33,000	By Balance *b/d*	2,19,500	1,14,000	1,16,500
				By *A*'s Capital A/c	...	39,000	...
To Revaluation A/c (Loss)	12,000	9,000	6,000	By *C*'s Capital A/c	...	33,000	...
To Cash/Bank A/c (Bal. Fig.)	21,500	...	...	By General Reserve A/c	28,000	21,000	14,000
				By Cash/Bank A/c (Bal. Fig.)	...	...	13,500
To *B*'s Loan A/c	...	1,98,000	...				
To Balance *c/d**	1,75,000	...	1,05,000				
	2,47,500	2,07,000	1,44,000		2,47,500	2,07,000	1,44,000

*New Capital (₹ 2,80,000 in the ratio of 5 : 3) *A* ₹ 1,75,000 and *C* ₹ 1,05,000.

Values: (*i*) Social welfare or community welfare, (*ii*) Development of infrastructure in rural areas.

12.

PROFIT AND LOSS ACCOUNT
for the year ended 31st March, 2018

Dr. Particulars	₹	Particulars	₹ *Cr.*
To Interest on *Z*'s Loan A/c (₹ 5,00,000 × 6/100 × 6/12)	15,000	By Profit before Adjustments	2,37,000
To Manager's Salary A/c (₹ 2,000 × 12)	24,000		
To Manager's Commission A/c [10/110 (₹ 2,37,000 – ₹ 15,000 – ₹ 24,000)]	18,000		
To Net Profit transferred to Profit and Loss Appropriation A/c	1,80,000		
	2,37,000		2,37,000

PROFIT AND LOSS APPROPRIATION ACCOUNT
for the year ended 31st March, 2018

Dr. Particulars		₹	Particulars		₹ *Cr.*
To General Reserve A/c (10% of ₹ 1,80,000)		18,000	By Net Profit (as per Profit and Loss A/c)		1,80,000
To Interest on Capital A/cs:			By Interest on Drawings A/cs:		
X	15,000		*X* (₹ 36,000 × 6.5/12 × 6/100)	1,170	
Y	12,500	27,500	*Y* (₹ 36,000 × 6/12 × 6/100)	1,080	
To *Z*'s Salary A/c		60,000	*Z* (₹ 36,000 × 5.5/12 × 6/100)	990	3,240
To *X*'s Remuneration A/c (10% of ₹ 1,80,000)		18,000			
To *Y*'s Commission A/c [10/110(₹ 1,80,000 – ₹ 18,000 – ₹ 27,500 – ₹ 60,000 – ₹ 18,000)]		5,136			
To Profit transferred to:					
X's Capital A/c	18,201				
Y's Capital A/c	18,201				
Z's Capital A/c	18,202	54,604			
		1,83,240			1,83,240

Note: Interest on Partner's Loan, Manager's Salary and Commission are charge against profit and not appropriations of profits. Hence, these items have been debited to Profit and Loss Account and not to Profit and Loss Appropriation Account.

13.

INCOME AND EXPENDITURE ACCOUNT
for the year ended 31st March, 2018

Dr. Expenditure		₹	Income		₹ *Cr.*
To Salaries		31,500	By Subscriptions	60,000	
To Postage		1,250	*Add:* Outstanding (2017–18) (WN 1)	15,000	75,000
To Rent		9,000			
To Printing and Stationery		14,000	By Entrance Fees		1,100
To Sports Material Consumed:			By Sale of Old Magazines		450
Opening Stock	3,000		By Accrued Interest on Investments (₹ 70,000 × 10/100 × 9/12)		5,250
Add: Purchases	11,500				
	14,500				
Less: Closing Stock	4,500	10,000			
To Miscellaneous Expenses		3,100			
To Depreciation on Furniture (₹ 20,000 × 6/12 × 10/100)		1,000			
To Surplus, *i.e.*, excess of Income over Expenditure		11,950			
		81,800			81,800

BALANCE SHEET
as on 31st March, 2018

Liabilities		₹	Assets		₹
Subscription Received in Advance		1,800	Cash in Hand		5,000
Donation for Billiards Table		90,000	Cash at Bank		22,000
Capital Fund	38,200		Subscription Receivable:		
Add: Surplus	11,950	50,150	2016–17	1,200	
			2017–18	15,000	16,200
			10% Investment		70,000
			Accrued Interest on Investments		5,250
			Sports Materials		4,500
			Furniture	20,000	
			Less: Depreciation	1,000	19,000
		1,41,950			1,41,950

Working Notes:

1. Subscription Due for 2017–18 (250 × ₹ 300) ₹ 75,000

   Less: Received for 2017–18 ₹ 60,000

   Subscription Outstanding/Receivable for 2017–18 ₹ 15,000

2. Specific donation (Donations for Billiards Table) will be shown on the Liabilities side of the Balance Sheet.

14.

Dr. REALISATION ACCOUNT *Cr.*

Particulars		₹	Particulars		₹
To Sundry Assets—Transfer			By Provision for Doubtful Debts A/c		1,000
Stock		5,000	By Creditors A/c		88,000
Debtors		20,000	By *A's* Capital A/c (Stock)		**4,000**
Fixed Assets		40,000	By Bank A/c:		
To Bank A/c (Creditors)		**88,000**	Debtors	18,800	
To *A's* Capital A/c (Realisation Expenses)		3,000	Fixed Assets	64,000	82,800
To Gain (Profit) transferred to:					
A's Capital A/c	**15,840**				
B's Capital A/c	3,960	19,800			
		1,75,800			1,75,800

Dr. PARTNERS' CAPITAL ACCOUNTS *Cr.*

Particulars	*A* ₹	*B* ₹	Particulars	*A* ₹	*B* ₹
To Bank A/c (Realisation Expenses)	1,000	...	By Balance *b/d*	10,000	30,000
To Advertisement Suspense A/c	**400**	100	By General Reserve A/c	8,000	**2,000**
To Realisation A/c (Stock)	4,000	...	By Realisation A/c (Expenses)	3,000	...
To Bank A/c	**31,440**	**35,860**	By Realisation A/c (Gain)	15,840	**3,960**
	36,840	35,960		36,840	35,960

Dr. BANK ACCOUNT *Cr.*

Particulars		₹	Particulars	₹
To Balance *b/d*		73,500	By Realisation A/c	88,000
To Realisation A/c:			By *A's* Capital A/c	**1,000**
Debtors	**18,800**		By *A's* Capital A/c	31,440
Fixed Assets	**64,000**	**82,800**	By *B's* Capital A/c	35,860
		1,56,300		1,56,300

Values: Social responsibility and promotion of education.

Working Notes:

1. *A's* Share in Profit is 4/5 and Share in General Reserve = ₹ 8,000
   So, Total amount of General Reserve = ₹ 8,000 × 5/4 = ₹ 10,000
   B's Share in General Reserve = ₹ 10,000 × 1/5 = ₹ 2,000.
2. *B's* Share in Profit is 1/5 and his share in Advertisement Suspense A/c (Loss) = ₹ 100.
   So, Total Advertisement Suspense A/c (Loss) = ₹ 100 × 5 = ₹ 500.
   A's Share in Advertisement Suspense A/c (Loss) = ₹ 500 × 4/5 = ₹ 400.
3. Amount realised from Assets = ₹ 18,800 + ₹ 64,000 = ₹ 82,800.

15.

Dr. ROBERT'S CAPITAL ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Robert's Executor's A/c (Balancing Figure)	3,42,000	By Balance *b/d*	3,00,000
		By Workmen Compensation Reserve A/c	2,500
		By Revaluation A/c (WN 1)	2,000
		By Ram's Capital A/c (WN 2)	12,000
		By Rahim's Capital A/c (WN 2)	18,000
		By Profit and Loss Suspense A/c (WN 2)	7,500
	3,42,000		3,42,000

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

Date	Particulars	₹	Date	Particulars	₹
2018 March 31	To Balance *c/d*	3,59,100	2017 Sept. 30	By Robert's Capital A/c	3,42,000
			2018 March 31	By Interest A/c (₹ 3,42,000 × 10/100 × 6/12)	17,100
		3,59,100			3,59,100
2018 Sept. 30	To Bank A/c [(₹ 3,42,000 × 1/2) + ₹ 17,100 + ₹ 17,100]	2,05,200	2018 April 1	By Balance *b/d*	3,59,100
			Sept. 30	By Interest A/c (₹ 3,42,000 × 10/100 × 6/12)	17,100
2019 March 31	To Balance *c/d*	1,79,550	2019 March 31	By Interest A/c (₹ 1,71,000 × 10/100 × 6/12)	8,550
		3,84,750			3,84,750
2019 Sept. 30	To Bank A/c	1,88,100	2019 April 1	By Balance *b/d*	1,79,550
			Sept. 30	By Interest A/c (₹ 1,71,000 × 10/100 × 6/12)	8,550
		1,88,100			1,88,100

Values:

(*i*) Value of Social Responsibility; (*ii*) Sympathy and Kindness; (*iii*) Tribal area's welfare.

Working Notes:

1. *Share of Robert in Gain (Profit) on Revaluation:*

	₹
Gain in Value of Land	25,000
Loss in Value of Stock	(8,000)
Loss due to Provision for Doubtful Debts	(5,000)
Net Gain	12,000

Robert's Share in Gain (Profit) on Revaluation = ₹ 12,000 × 1/6 = ₹ 2,000.

2. *Share of Robert in Goodwill:*

$$\text{Goodwill} = \text{Average Profit} \times \text{Number of Years' Purchase}$$

$$= \left(\frac{₹\ 45{,}000 + ₹\ 90{,}000 + ₹\ 1{,}35{,}000}{3}\right) \times 2 = ₹\ 1{,}80{,}000$$

Robert's Share of Goodwill = ₹ 1,80,000 × 1/6 = ₹ 30,000.

It is to be contributed by Ram and Rahim in their Gaining Ratio, *i.e.*, 2 : 3.

3. *Share of Profit till date of death:*

Average Profit = ₹ 90,000

Profit for 6 months till date of death = ₹ 45,000

Robert's Share of Profit = ₹ 45,000 × 1/6 = ₹ 7,500.

16.

Dr. REVALUATION ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Machinery A/c	2,000	By Building A/c	5,000
To Provision for Doubtful Debts A/c	3,000	By Bad Debts Recovered A/c (WN 1)	3,500
To Cash A/c	3,500		
	8,500		8,500

Dr. PARTNERS' CAPITAL ACCOUNTS *Cr.*

Particulars	*A* ₹	*B* ₹	*C* ₹	Particulars	*A* ₹	*B* ₹	*C* ₹
To Goodwill A/c	6,667	3,333	...	By Balance *b/d*	50,000	32,000	...
To Partners' Current A/cs (Balancing Figure)	2,000	8,000	...	By Cash A/c	...	...	30,000
				By General Reserve A/c	4,000	2,000	...
To Balance *c/d* (WN 3)	60,000	30,000	30,000	By Workmen Compensation Reserve A/c	6,667	3,333	...
				By Premium for Goodwill A/c	8,000	4,000	...
	68,667	41,333	30,000		68,667	41,333	30,000

BALANCE SHEET OF *A*, *B* AND *C as at 1st April, 2018*

Liabilities		₹	Assets		₹
Sundry Creditors		20,000	Cash (₹ 2,000 + ₹ 30,000 + ₹ 12,000 – ₹ 3,500)		40,500
Bills Payable		19,000	Sundry Debtors	50,000	
A's Current A/c		2,000	*Less:* Provision for Doubtful Debts	3,000	47,000
B's Current A/c		8,000	Stock		10,000
Capital A/cs:			Machinery		23,000
A	60,000		Building		45,000
B	30,000		Bills Receivable (*X*)		3,500
C	30,000	1,20,000			
		1,69,000			1,69,000

Working Notes:

1. *Adjustment (iv) will be recorded as follows:*

		₹	₹
Bills Receivable A/c	...Dr.	3,500	
To Bad Debts Recovered A/c			3,500
Bad Debts Recovered A/c	...Dr.	3,500	
To Revaluation A/c			3,500

2. *Calculation of New Profit-sharing Ratio:*
Let the total Share of Profit be 1

C's share = 1/4; Remaining Share = $1 - \frac{1}{4} = \frac{3}{4}$, which will be shared by *A* and *B* in their Old Profit-sharing Ratio, *i.e.*, 2 : 1. Thus,

A's New Share = $2/3 \times 3/4 = 2/4$; *B*'s New Share = $1/3 \times 3/4 = 1/4$

Thus, New Profit-sharing Ratio of *A*, *B* and *C* = 2/4 : 1/4 : 1/4 or 2 : 1 : 1.

3. *Adjustment of Capitals:*

C's Capital for 1/4 share = ₹ 30,000

Total Capital of New Firm = ₹ 1,20,000, which is contributed by *A*, *B* and *C* in their New Profit-sharing Ratio. Thus,

A's New Capital = ₹ 1,20,000 × 2/4 = ₹ 60,000;

B's New Capital = ₹ 1,20,000 × 1/4 = ₹ 30,000;

C's New Capital = ₹ 1,20,000 × 1/4 = ₹ 30,000.

Or

Dr. REVALUATION ACCOUNT *Cr.*

Particulars		₹	Particulars	₹
To Stock A/c		1,800	By Creditors A/c	3,900
To Furniture A/c		1,500		
To Gain (Profit) transferred to:				
A's Capital A/c	240			
B's Capital A/c	240			
C's Capital A/c	120	600		
		3,900		3,900

Dr. PARTNERS' CAPITAL ACCOUNTS *Cr.*

Particulars	*A* ₹	*B* ₹	*C* ₹	Particulars	*A* ₹	*B* ₹	*C* ₹
To Goodwill A/c	4,000	4,000	2,000	By Balance *b/d*	40,000	40,000	30,000
To *B*'s Capital A/c	4,400	...	4,400	By General Reserve A/c	2,400	2,400	1,200
To Cash A/c	...	49,840	...	By Workmen Compensation Reserve A/c	2,400	2,400	1,200
To Balance *c/d*	62,760	...	41,840	By Revaluation A/c	240	240	120
				By *A*'s Capital A/c	...	4,400	...
				By *C*'s Capital A/c	...	4,400	...
				By Cash A/c (WN 3)	26,120	...	15,720
	71,160	53,840	48,240		71,160	53,840	48,240

BALANCE SHEET OF NEW FIRM
as at 1st April, 2018

Liabilities		₹	Assets		₹
Creditors		26,100	Cash in Hand		10,000
Bills Payable		16,000	(₹ 18,000 + ₹ 26,120 + ₹ 15,720 – ₹ 49,840)		
Capital A/cs:			Debtors	25,000	
A	62,760		*Less:* Provision for Doubtful Debts	3,000	22,000
C	41,840	1,04,600	Stock		16,200
			Furniture		28,500
			Machinery		70,000
		1,46,700			1,46,700

Working Notes:

1. *Calculation of Gaining Ratio:*

	A	*B*	*C*
I. New Share	3/5	...	2/5
II. Old Share	2/5	2/5	1/5
III. Gain/(Sacrifice) (I – II)	1/5 (Gain)	(2/5) (Sacrifice)	1/5 (Gain)

Thus, Gaining Ratio of *A* and *C* = 1 : 1.

2. *Adjustment of Goodwill:*

B's Share of Goodwill = 2/5 × ₹ 22,000 = ₹ 8,800, which will be contributed by *A* and *C* in their gaining ratio, *i.e.*, 2 : 2 or 1 : 1.

Thus, *A*'s contribution = 1/2 of ₹ 8,800 = ₹ 4,400;

C's contribution = 1/2 of ₹ 8,800 = ₹ 4,400.

3. *Adjustment of Capitals:*

	₹
A's Existing Capital (After all Adjustments)	36,640
C's Existing Capital (After all Adjustments)	26,120
Amount Payable to *B*	49,840
Balance Required	10,000
	1,22,600
Less: Existing Cash in Hand	18,000
Required Capital of *A* and *C*	1,04,600

Amount brought by *A* = (₹ 1,04,600 × 3/5) – ₹ 36,640 = ₹ 26,120

Amount brought by *C* = (₹ 1,04,600 × 2/5) – ₹ 26,120 = ₹ 15,720.

17. JOURNAL OF *PQ* LTD.

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	...Dr.		3,80,000	
	To Equity Shares Application A/c				3,80,000
	(Being the application money received for 1,90,000 shares)				
	Equity Shares Application A/c	...Dr.		3,80,000	
	To Equity Share Capital A/c				2,00,000
	To Equity Shares Allotment A/c				1,00,000
	To Bank A/c (40,000 × ₹ 2)				80,000
	(Being the application money adjusted)				

Equity Shares Allotment A/c ...Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c (Being the allotment money due)			4,00,000	 2,00,000 2,00,000
Bank A/c ...Dr. Calls-in-Arrears A/c ...Dr. To Equity Shares Allotment A/c (Being the allotment money received except on 3,000 shares)			2,91,000 9,000	 3,00,000
Equity Share Capital A/c ...Dr. Securities Premium Reserve A/c ...Dr. To Calls-in-Arrears A/c To Forfeited Shares A/c (Being 1,000 shares of Asha forfeited for non-payment of allotment money)			4,000 2,000	 3,000 3,000
Equity Shares First Call A/c ...Dr. To Equity Share Capital A/c (Being the first call money due on 99,000 shares)			4,95,000	 4,95,000
Bank A/c ...Dr. Calls-in-Arrears A/c (6,000 × ₹ 5) ...Dr. To Equity Shares First Call A/c (Being the first call money received except on 6,000 shares)			4,65,000 30,000	 4,95,000
Equity Share Capital A/c ...Dr. Securities Premium Reserve A/c ...Dr. To Calls-in-Arrears A/c To Forfeited Shares A/c (Being 2,000 shares of Mohan forfeited for non-payment of allotment and first call)			18,000 4,000	 16,000 6,000
Equity Shares Second and Final Call A/c ...Dr. To Equity Share Capital A/c (Being the second and final call due on 97,000 shares)			97,000	 97,000
Bank A/c ...Dr. Calls-in-Arrears A/c ...Dr. To Equity Shares Second and Final Call A/c (Being the second and final call received except on 4,000 shares)			93,000 4,000	 97,000
Equity Share Capital A/c ...Dr. To Calls-in-Arrears A/c To Forfeited Shares A/c (Being 4,000 shares of Sohan forfeited for non-payment of both the calls)			40,000	 24,000 16,000
Bank A/c ...Dr. Forfeited Shares A/c ...Dr. To Equity Share Capital A/c (Being the reissue of forfeited shares at ₹ 8 per share)			56,000 14,000	 70,000
Forfeited Shares A/c ...Dr. To Capital Reserve A/c (Being the gain on reissue transferred to Capital Reserve)			11,000	 11,000

Dr. FORFEITED SHARES ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Equity Share Capital A/c	14,000	By Equity Share Capital A/c	3,000
To Capital Reserve A/c	11,000	By Equity Share Capital A/c	6,000
		By Equity Share Capital A/c	16,000
	25,000		25,000

Working Notes:

1. *Calculation of Amount not paid by Asha on Allotment:*

Allotted Shares to Asha = 1,000

$$\text{Applied Shares by Asha} = \frac{1,50,000}{1,00,000} \times 1,000 = 1,500$$

Excess Application Money = 500 × ₹ 2 = ₹ 1,000.

	₹
Allotment Money due on 1,000 shares	4,000
Less: Excess Application Money	1,000
Amount due on Allotment not paid by Asha	3,000

2. *Calculation of Allotment money Not paid by Mohan:*

Applied Shares by Mohan = 3,000

$$\text{Allotted Shares to Mohan} = \frac{1,00,000}{1,50,000} \times 3,000 = 2,000$$

∴ He paid excess application money on 1,000 shares = 1,000 × 2 = ₹ 2,000.

	₹
Allotment Money due on 2,000 shares	8,000
Less: Excess Application Money	2,000
Amount due on Allotment but not paid by Mohan	6,000

3. *Calculation of Amount received on Allotment:*

		₹
Amount Due on Allotment (1,00,000 × ₹ 4)		4,00,000
Less: Excess Application Money to be adjusted		1,00,000
		3,00,000
Less: Amount due on Allotment but not paid by:		
Asha (WN 1)	3,000	
Mohan (WN 2)	6,000	9,000
		2,91,000

Or

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Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c ...Dr.		9,00,000	
	To Equity Shares Application A/c			9,00,000
	(Being the application money received for 3,00,000 shares)			
	Equity Shares Application A/c ...Dr.		9,00,000	
	To Equity Share Capital A/c			6,00,000
	To Equity Shares Allotment A/c			3,00,000
	(Being the application money adjusted)			

Particulars		Dr. (₹)	Cr. (₹)
Equity Shares Allotment A/c ...Dr. To Equity Share Capital A/c (Being the allotment money due)		10,00,000	 10,00,000
Bank A/c ...Dr. Calls-in-Arrears A/c ...Dr. To Equity Shares Allotment A/c (Being the allotment money received except on 3,000 shares)		6,88,000 12,000	 7,00,000
Equity Share Capital A/c ...Dr. To Calls-in-Arrears A/c To Forfeited Shares A/c (Being 3,000 shares of Bajaj forfeited for non-payment of allotment)		24,000	 12,000 12,000
Equity Shares First and Final Call A/c ...Dr. To Equity Share Capital A/c (Being first and final call due on 1,97,000 shares)		3,94,000	 3,94,000
Bank A/c ...Dr. Calls-in-Arrears A/c ...Dr. To Equity Shares First and Final Call A/c (Being the call money received except on 1,000 shares)		3,92,000 2,000	 3,94,000
Equity Share Capital A/c ...Dr. To Calls-in-Arrears A/c To Forfeited Shares A/c (Being 1,000 shares of Sharma forfeited for non-payment of call)		10,000	 2,000 8,000
Bank A/c ...Dr. Forfeited Shares A/c ...Dr. To Equity Share Capital A/c (Being 3,500 shares reissued)		28,000 7,000	 35,000
Forfeited Shares A/c ...Dr. To Capital Reserve A/c (Being the gain on reissued shares transferred)		9,000	 9,000

Dr. FORFEITED SHARES ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Equity Share Capital A/c	7,000	By Equity Share Capital A/c	12,000
To Capital Reserve A/c	9,000	By Equity Share Capital A/c	8,000
To Balance *c/d*	4,000		
	20,000		20,000

Working Notes:

1. *Calculation of Allotment Money Not paid by Bajaj:*

Shares Allotted to Bajaj = 3,000

$$\text{Shares Applied by Bajaj} = \frac{2,00,000}{1,50,000} \times 3,000 = 4,000$$

Excess Application Money = 1,000 × ₹ 3 = ₹ 3,000

	₹
Allotment Money due on 3,000 shares	15,000
Less: Excess Application Money Adjusted	3,000
Amount due on allotment but not paid by Bajaj	12,000

	₹
2. *Amount transferred to Capital Reserve:*	
Amount forfeited on 3,000 Bajaj's shares	12,000
Amount forfeited on 500 Sharma's shares $\left(\frac{500}{1,000} \times ₹\ 8,000\right)$	4,000
	16,000
Less: Loss on reissue (3,500 × ₹ 2)	7,000
Amount transferred to Capital Reserve	9,000

PART B

18. (*b*), (*c*) and (*d*).

19. Payment of Interest on Bank Overdraft.

20. (*a*) 1. Non-Current Assets;

2. Current Assets.

(*b*) Both Operating Profit Ratio and Operating Ratio are complementary to each other and thus, if one of such ratio is deducted from 100 another ratio may be obtained.

These are calculated as follows:

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

$$\text{Operating Ratio} = \frac{\text{Cost of Revenue from Operations + Operating Expenses}}{\text{Revenue from Operations}} \times 100$$

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

$$= \frac{₹\ 4,00,000}{₹\ 20,000} = 20 \text{ Times.}$$

$$\text{Revenue from Operations} = ₹\ 3,20,000 \times \frac{100}{80} = ₹\ 4,00,000$$

$$\text{Working Capital} = \text{Capital Employed} - \text{Non-current Assets}$$

$$= ₹\ 1,00,000 - ₹\ 80,000 = ₹\ 20,000.$$

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

$$= \frac{₹\ 1,00,000}{₹\ 2,50,000} \times 100 = 40\%.$$

Gross Profit = Revenue from Operations – Cost of Revenue from Operations (or) (Revenue + Closing Inventory) – (Opening Inventory + Net Purchases + Wages)

= ₹ 2,90,000 – ₹ 1,90,000 = ₹ 1,00,000.

22. COMPARATIVE STATEMENT OF PROFIT AND LOSS
for the years ended 31st March, 2017 and 2018

Particulars	Note No.	31st March, 2017 ₹	31st March, 2018 ₹	Absolute Change ₹	Percentage Change %
I. **Revenue from Operations**		12,00,000	16,80,000	4,80,000	40.00
II. **Expenses**					
(*a*) Cost of Materials Consumed		6,00,000	13,44,000	7,44,000	124.00
(*b*) Other Expenses		1,20,000	1,68,000	48,000	40.00
Total Expenses		7,20,000	15,12,000	7,92,000	110.00
III. **Profit before Tax (I – II)**		4,80,000	1,68,000	(3,12,000)	(65.00)
Less: Tax		2,40,000	84,000	(1,56,000)	(65.00)
IV. **Profit after Tax**		2,40,000	84,000	(1,56,000)	(65.00)

23. CASH FLOW STATEMENT *for the year ended 31st March, 2018*

Particulars	₹	₹
A. Cash Flow from Operating Activities		
Net Profit before Tax and Extraordinary Activities (WN 1)	48,000	
Add: Non Cash and Non-operating Expenses:		
Depreciation on Plant and Machinery (WN 3)	50,000	
Interest on Debentures	7,500	
Premium on Redemption of Debentures	2,500	
Less: Gain (Profit) on Sale of Machinery	(13,000)	
Operating Profit before Working Capital Changes	95,000	
Add: Increase in Current Liabilities:		
Trade Payables	60,000	
	1,55,000	
Less: Increase in Current Assets:		
Inventories	(20,000)	
Trade Receivables	(60,000)	
Cash Generated from Operations	75,000	
Less: Tax paid	(25,000)	
Cash Flow from Operating Activities		50,000
B. Cash Flow from Investing Activities		
Purchase of Machinery	(3,15,000)	
Proceeds from Sale of Machinery	28,000	
Proceeds from Sale of Non-current Investments	25,000	
Cash Used in Investing Activities		(2,62,000)
C. Cash Flow from Financing Activities		
Proceeds from Issue of Shares	3,25,000	
Redemption of Debentures (Including premium)	(27,500)	
Bank Overdraft Paid	(8,000)	
Interest on Debentures Paid	(7,500)	
Cash Flow from Financing Activities		2,82,000
D. Net Increase in Cash and Cash Equivalents (A + B + C)		70,000
Add: Cash and Cash Equivalents		20,000
E. Closing Cash and Cash Equivalents		90,000

Working Notes:

1. *Net Profit before Tax and Extraordinary Items:*

	₹
Closing Surplus, *i.e.*, Balance in Statement of Profit and Loss	40,000
Less: Opening Surplus, *i.e.*, Balance in Statement of Profit and Loss	30,000
Profit during the year	10,000
Add: Provision for Tax	25,000
Transfer to General Reserve	13,000
Net Profit before Tax and Extraordinary Items	48,000

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

Particulars	₹	Particulars	₹
To Balance *b/d*	4,10,000	By Bank A/c (Sale Proceeds)	28,000
To Gain (Profit) on Sale of Machinery A/c	13,000	By Accumulated Depreciation A/c	20,000
(₹ 28,000 – ₹ 15,000)		By Balance *c/d*	6,90,000
To Bank A/c (Bal. Fig.) (Purchase)	3,15,000		
	7,38,000		7,38,000

3. *Dr.* ACCUMULATED DEPRECIATION ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Plant and Machinery A/c	20,000	By Balance *b/d*	60,000
To Balance *c/d*	90,000	By Statement of Profit and Loss (Bal. Fig.)	50,000
	1,10,000		1,10,000

4. *Dr.* NON-CURRENT INVESTMENTS ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Balance *b/d*	70,000	By Bank A/c (₹ 20,000 + 25% of ₹ 20,000)	25,000
To Capital Reserve A/c	5,000	By Balance *c/d*	50,000
	75,000		75,000