MODEL TEST PAPER 13 (Solution)

PART A

1. Amount of Sports Materials Consumed is debited to Income and Expenditure Account.

2. Interest on Partner's Loan = ₹ 2,00,000 × 6/100 = ₹ 12,000.

Reason: When the Partnership Deed is silent, as per the Indian Partnership Act, 1932, interest on partner's loan is to be allowed @ 6% per annum even if there is a loss.

3. (*i*) Old partnership comes to an end and new partnership between/among the remaining partners (*i.e.*, partners other than the retiring partner) comes into existence.

(*ii*) The combined share of remaining partners increases.

4. Interest Accrued but not Due = ₹ 10,00,000 × 10/100 × 3/12 = ₹ 25,000;

It is shown under the Major Head: **Current Liabilities** and Sub-head: **Other Current Liabilities.**

5. A's New Share = Old Share – Share Sacrificed = $\frac{3}{6}-\frac{1}{6}=\frac{2}{6}$

Thus, New Profit-sharing Ratio of A, B, C and D = $\frac{2}{6}:\frac{2}{6}:\frac{1}{6}:\frac{1}{6}$ or 2 : 2 : 1 : 1.

6. *Calculation of B's Capital on 1st April, 2017:*

	₹
B's Capital on 31st March, 2018	8,000
Add: Drawings	3,000
	11,000
Less: Profit credited [1/2 (₹ 6,000 – ₹ 4,000)]	1,000
B's Capital on 1st April, 2017	10,000

Interest on Capital @ 5% p.a. = ₹ 10,000 × 5/100 = ₹ 500.

7. Average Profit = ₹ 75,000 + ₹ 5,000 (undervalued stock) = ₹ 80,000

Normal Profit = Capital Invested × Normal Rate of Return/100

= ₹ 7,00,000 × 7/100 = ₹ 49,000

Super Profit = Average Profit – Normal Profit

= ₹ 80,000 – ₹ 49,000 = ₹ 31,000

Goodwill = 5 × Super Profit

= ₹ 31,000 × 5 = ₹ 1,55,000.

8.

Dr. SUBSCRIPTION ACCOUNT Cr.

Date	Particulars	₹	Date	Particulars	₹
2017			2017		
March 31	To Outstanding Subscription A/c	40,000	March 31	By Advance Subscription A/c	12,000
2018			2018		
March 31	To Income and Expenditure A/c (200 × ₹ 1,000)	2,00,000	March 31	By Bank A/c	2,05,000
			March 31	By Outstanding Subscription A/c (Balancing Figure)	**53,000**
March 31	To Advance Subscription A/c	30,000			
		2,70,000			2,70,000

Alternative Method:

			₹
Subscription received during the year			2,05,000
Add:	Subscription received in advance (31.3.2017)		12,000
			2,17,000
Less:	Subscription received in advance (31.3.2018)	30,000	
	Subscription Outstanding (31.3.2017)	40,000	70,000
			1,47,000
Subscription Outstanding (31.3.2018) (Balancing Figure)			**53,000**
Subscription Due for the Year 2017–18 (200 × ₹ 1,000)			2,00,000

9. JOURNAL OF YOUNG INDIA LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Incorporation Costs A/c ...Dr.		2,00,000	
	To Promoters' A/c			2,00,000
	(Being the cost of company incorporation to be paid by issue of debentures)			
	Promoters' A/c ...Dr.		2,00,000	
	To 10% Debentures A/c			2,00,000
	(Being the issue of 2,000; 10% Debentures of ₹ 100 each at par to promoters)			
	Underwriting Commission A/c ...Dr.		1,00,000	
	To Underwriters' A/c			1,00,000
	(Being the underwriting commission due on shares)			
	Underwriters' A/c ...Dr.		1,00,000	
	To 10% Debentures A/c			1,00,000
	(Being the issue of 1,000; 10% Debentures of ₹ 100 each at par to underwriters)			

10. AN EXTRACT OF BALANCE SHEET OF ARVIND LTD.

as at...

Particulars	Note No.	₹
I. EQUITY AND LIABILITIES		
Shareholders' Funds		
Share Capital	1	42,00,000

Note to Accounts

Particulars	₹
1. Share Capital	
Authorised Capital	
60,000 Equity Shares of ₹ 150 each	90,00,000
Issued Capital	
30,000 Equity Shares of ₹ 150 each	45,00,000
Subscribed Capital	
Subscribed and Fully paid-up	
28,000 Equity Shares of ₹ 150 each	42,00,000

11. JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	X's Capital A/c ...Dr.		30,000	
	Y's Capital A/c ...Dr.		20,000	
	To Investments A/c			50,000
	(Being half of the investments taken over by partners in their profit-sharing ratio)			

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Investments A/c	...Dr.		12,500	
	To Revaluation A/c				12,500
	(Being the gain due to revaluation of investment recorded)				
	Revaluation A/c	...Dr.		12,500	
	To *X*'s Capital A/c				7,500
	To *Y*'s Capital A/c				5,000
	(Being the gain (profit) of revaluation distributed)				

Values:

(*i*) 'Reward and Recognition' for hard work and efforts made by *Z*.

(*ii*) 'Fairness' shown by the partners by allowing salary to *Z* for his extra efforts.

12. JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	X's Capital A/c	...Dr.		22,500	
	Z's Capital A/c	...Dr.		7,500	
	To *Y*'s Capital A/c				30,000
	(Being the share of goodwill of *Y* adjusted) (WN 1)				
	Profit and Loss Suspense A/c	...Dr.		20,000	
	To *Y*'s Capital A/c				20,000
	(Being the share of profit till date of death credited) (WN 2)				

Value: Sensitivity towards old age persons.

Working Notes:

1. *Calculation of Y's Share of Goodwill:*

   Goodwill of the Firm = ₹ 90,000

   Y's Share of Goodwill = ₹ 90,000 × 1/3 = ₹ 30,000, which will be contributed by *X* and *Z* in their gaining ratio, *i.e.*, 3 : 1.

2. Calculation of Y's Estimated share of Profit till date of death = ₹ 2,40,000 × 3/12 × 2/6 = ₹ 20,000.

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

Dr. *Cr.*

Expenditure		₹	Income		₹
To Salaries		12,000	By Entrance Fees		3,000
To Electric Charges		1,200	By Subscription	35,000	
To Other Expenses		5,250	*Add:* Outstanding Subscription	750	35,750
To Depreciation on:			By Accrued Interest on Fixed Deposit		250
Furniture (10% of ₹ 25,000)	2,500		By Refreshment		1,000
Utensils [15/100 (₹ 8,000 + ₹ 2,000)]	1,500	4,000	By Miscellaneous Income		3,200
To Consumable Stores (₹ 3,500 + ₹ 3,500 (WN 2) – ₹ 7,000)		Nil			
To Surplus (*i.e.*, excess of Income over Expenditure)		20,750			
		43,200			43,200

BALANCE SHEET *as on 31st March, 2018*

Liabilities		₹	Assets	₹
Subscription Received in Advance		750	Cash in Hand	21,500
Creditors		5,500	Utensils (₹ 8,000 + ₹ 2,000 – ₹ 1,500)	8,500
Capital Fund (WN 2) (1.4.2017)	58,500		Furniture (₹ 25,000 – ₹ 2,500)	22,500
Add: Surplus	20,750	79,250	Consumable Stores	7,000
			Subscription Outstanding	750
			Fixed Deposit	25,000
			Accrued Interest on Fixed Deposit	250
		85,500		85,500

Working Notes:

1. *Calculation of Capital Fund as on 1st April, 2017:*

BALANCE SHEET *as on 1st April, 2017*

Liabilities	₹	Assets	₹
Creditors	12,000	Cash in Hand	33,500
Capital Fund (Balancing Figure)	58,500	Utensils	8,000
		Furniture	25,000
		Consumable Stores	3,500
		Subscription Outstanding	500
	70,500		70,500

2. *Dr.* CREDITORS FOR CONSUMABLE STORES ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Bank A/c	10,000	By Balance *b/d*	12,000
To Balance *c/d*	5,500	By Purchases A/c (Balancing Figure)	3,500
	15,500		15,500

14. (*a*)

PROFIT AND LOSS ACCOUNT
Dr. *for the year ended 31st March, 2018* *Cr.*

Particulars	₹	Particulars	₹
To Manager's Commission **(5% of ₹ 1,50,000)**	**7,500**	By Profit before Manager's Commission	**1,50,000**
To Net Profit transferred to Profit and Loss Appropriation A/c	**1,42,500**		
	1,50,000		1,50,000

PROFIT AND LOSS APPROPRIATION ACCOUNT
Dr. *for the year ended 31st March, 2018* *Cr.*

Particulars		₹	Particulars	₹
To *Y*'s Salary A/c		25,000	By Net Profit transferred from Profit and Loss A/c	**1,42,500**
To Interest on Capital A/cs:				
X	30,000			
Y	18,000	48,000		
To Profit transferred to:				
X's Capital A/c	**41,700**			
Y's Capital A/c	**27,800**	**69,500**		
		1,42,500		**1,42,500**

Dr. PARTNERS' CAPITAL ACCOUNTS *Cr.*

Particulars	*X* (₹)	*Y* (₹)	Particulars	*X* (₹)	*Y* (₹)
To Balance *c/d*	5,71,700	3,70,800	By Balance *b/d*	5,00,000	3,00,000
			By Profit and Loss Appropriation A/c:		
			Interest on Capital	30,000	18,000
			Salary	...	25,000
			Profit	**41,700**	**27,800**
	5,71,700	3,70,800		5,71,700	3,70,800

(*b*) Average Profit = ₹ 7,20,000/3 = ₹ 2,40,000
Normal Profit = **₹ 10,00,000** × 15/100 = **₹ 1,50,000**
Super Profit = Average Profit – Normal Profit
= ₹ 2,40,000 – **₹ 1,50,000** = **₹ 90,000**
Goodwill = **₹ 90,000** × 3 = ₹ 2,70,000.

15.

Dr. REALISATION ACCOUNT *Cr.*

Particulars	₹	Particulars		₹
To Land	1,20,000	By Creditors		65,000
To Machinery	65,000	By Bills Payable		35,000
To Goodwill	10,000	By Cash A/c (Assets Realised):		
To Stock	25,000	Land	96,000	
To Debtors	20,000	Machinery	35,000	
To Ram's Capital A/c (Creditors taken over)	55,250	Stock	18,750	
To Shyam's Capital A/c (Bills Payable taken over)	35,000	Debtors	12,500	
To Shyam's Capital A/c (Expenses)	1,750	Typewriter	3,000	1,65,250
To Cash A/c (Compensation)	3,000	By Loss transferred to:		
		Ram's Capital A/c	27,900	
		Shyam's Capital A/c	41,850	69,750
	3,35,000			3,35,000

Dr. PARTNERS' CAPITAL ACCOUNTS *Cr.*

Particulars	Ram (₹)	Shyam (₹)	Particulars	Ram (₹)	Shyam (₹)
To Realisation A/c	27,900	41,850	By Balance *b/d*	75,000	75,000
To Cash A/c (Balancing Figure)	1,02,350	69,900	By Realisation A/c	55,250	...
(Final Payment)			By Realisation A/c	...	35,000
			By Realisation A/c	...	1,750
	1,30,250	1,11,750		1,30,250	1,11,750

Dr. CASH ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Balance *b/d*	10,000	By Realisation A/c	3,000
To Realisation A/c	1,65,250	By Ram's Capital A/c (Final Payment)	1,02,350
(Assets Realised)		By Shyam's Capital A/c (Final Payment)	69,900
	1,75,250		1,75,250

Value: Philanthropy to Improve Environment.

16.

Dr. REVALUATION ACCOUNT *Cr.*

Particulars		₹	Particulars	₹
To Machinery A/c		70,000	By Building A/c	1,90,000
To Provision for Doubtful Debts A/c		10,000	By Investment A/c	90,000
To Gain (Profit) transferred to:			By Accrued Income A/c	6,000
Usha's Capital A/c	82,400			
Asha's Capital A/c	1,23,600	2,06,000		
		2,86,000		2,86,000

Dr. PARTNERS' CAPITAL ACCOUNTS *Cr.*

Particulars	Usha ₹	Asha ₹	Neelam ₹	Particulars	Usha ₹	Asha ₹	Neelam ₹
To Goodwill A/c	12,000	18,000	...	By Balance *b/d*	3,75,000	1,25,000	...
To Partners' Current A/cs	3,59,400	1,01,600	...	By Cash A/c	...	...	5,00,000
To Balance *c/d*	2,00,000	3,00,000	5,00,000	By Revaluation A/c	82,400	1,23,600	...
				By General Reserve A/c	36,000	54,000	...
				By Workmen Compensation Reserve A/c	8,000	12,000	...
				By Premium for Goodwill A/c	70,000	1,05,000	...
	5,71,400	4,19,600	5,00,000		5,71,400	4,19,600	5,00,000

Dr. PARTNERS' CURRENT ACCOUNTS *Cr.*

Particulars	Usha ₹	Asha ₹	Neelam ₹	Particulars	Usha ₹	Asha ₹	Neelam ₹
To Balance *c/d*	3,59,400	1,01,600	...	By Partners' Capital A/cs	3,59,400	1,01,600	...
	3,59,400	1,01,600	...		3,59,400	1,01,600	...

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

Liabilities		₹	Assets	₹	₹
Creditors		1,20,000	Cash in Hand		7,15,000
Bills Payable		1,00,000	(₹ 40,000 + ₹ 5,00,000 + ₹ 1,75,000)		
Employees' Provident Fund		60,000	Sundry Debtors	2,00,000	
Usha's Current A/c		3,59,400	*Less:* Provision for Doubtful Debts	10,000	1,90,000
Asha's Current A/c		1,01,600	Investment		1,90,000
Capital A/cs:			Furniture		1,00,000
Usha	2,00,000		Machinery		2,40,000
Asha	3,00,000		Building		3,00,000
Neelam	5,00,000	10,00,000	Accrued Income		6,000
		17,41,000			17,41,000

Value: Responsibility towards nation.

Working Notes:

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

   Neelam's Share $= \frac{1}{2}$; Remaining Share $= 1 - \frac{1}{2} = \frac{1}{2}$, which will be shared by Usha and Asha in their Old ratio, *i.e.*, 2 : 3. Thus,

   Usha's New Share $= \frac{1}{2} \times \frac{2}{5} = \frac{2}{10}$

   Asha's New Share $= \frac{1}{2} \times \frac{3}{5} = \frac{3}{10}$

   Neelam's Share $= \frac{1}{2}$ or $\frac{5}{10}$

   Thus, New Profit-sharing Ratio of Usha, Asha and Neelam = 2 : 3 : 5.
2. *Adjustment of Capitals:*

   Neelam's Capital = ₹ 5,00,000 for $\frac{1}{2}$ share

   ∴ Total Capital of the New Firm = ₹ 10,00,000

It will be contributed by partners in their New Profit-sharing Ratio, Thus,

Usha's New Capital = ₹ 2,00,000

Asha's New Capital = ₹ 3,00,000

Neelam's Capital = ₹ 5,00,000

Usha's Existing Capital = ₹ 5,59,400 (After all adjustments)

∴ Usha's Current A/c (Cr.) = ₹ 5,59,400 – ₹ 2,00,000 – ₹ 3,59,400

Asha's Existing Capital = ₹ 4,01,600

∴ Asha's Current A/c (Cr.) = ₹ 4,01,600 – ₹ 3,00,000 = ₹ 1,01,600.

Or

Dr. REVALUATION ACCOUNT *Cr.*

Particulars		₹	Particulars	₹
To Provision for Doubtful Debts A/c		4,000	By Building A/c	40,000
To Machinery A/c		20,000		
To Gain (Profit) transferred to:				
Keshav's Capital A/c	8,000			
Nirmal's Capital A/c	4,000			
Pankaj's Capital A/c	4,000	16,000		
		40,000		40,000

Dr. PARTNERS' CAPITAL ACCOUNTS *Cr.*

Particulars	Keshav ₹	Nirmal ₹	Pankaj ₹	Particulars	Keshav ₹	Nirmal ₹	Pankaj ₹
To Nirmal's Capital A/c	24,000	...	12,000	By Balance *b/d*	1,60,000	80,000	80,000
To Bank A/c	...	1,30,000	...	By General Reserve A/c	20,000	10,000	10,000
To Bank A/c (Bal. Fig.)	4,000	...	2,000	By Revaluation A/c	8,000	4,000	4,000
To Balance *c/d* (WN 3)	1,60,000	...	80,000	By Keshav's Capital A/c	...	24,000	...
				By Pankaj's Capital A/c	...	12,000	...
	1,88,000	1,30,000	94,000		1,88,000	1,30,000	94,000

Dr. BANK ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Balance *b/d*	28,000	By Nirmal's Capital A/c	1,30,000
To Balance *c/d*	1,08,000	By Keshav's Capital A/c	4,000
(Bank Overdraft)		By Pankaj's Capital A/c	2,000
	1,36,000		1,36,000

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

Liabilities		₹	Assets		₹
Bank Overdraft		1,08,000	Debtors	40,000	
Creditors		42,000	*Less:* Provision for Doubtful Debts	6,000	34,000
Capital A/cs:			Stock		36,000
Keshav	1,60,000		Machinery		80,000
Pankaj	80,000	2,40,000	Building		2,40,000
		3,90,000			3,90,000

Values: 1. Social Justice and Support. 2. Financial Support.

Working Notes:

1. Unless agreed otherwise gaining ratio of continuing partners will be same as their old profit-sharing ratio. Thus, Gaining Ratio = 2 : 1.
2. Nirmal's Share of Goodwill ₹ 36,000 will be contributed by Keshav and Pankaj in their gaining ratio, *i.e.*, 2 : 1.
3. Total Capital of the New Firm = ₹ 2,40,000;

$$\text{Keshav's Capital in New Firm} = ₹\ 2,40,000 \times \frac{2}{3} = ₹\ 1,60,000;$$

$$\text{Pankaj's Capital in New Firm} = ₹\ 2,40,000 \times \frac{1}{3} = ₹\ 80,000.$$

17. (*a*) JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	...Dr.		1,20,000	
	To Shares Application A/c				1,20,000
	(Being the application money received for 60,000 shares)				
	Shares Application A/c	...Dr.		1,20,000	
	To Share Capital A/c				80,000
	To Shares Allotment A/c				16,000
	To Bank A/c (12,000 × ₹ 2)				24,000
	(Being the adjustment of application money)				
	Shares Allotment A/c	...Dr.		80,000	
	To Share Capital A/c				80,000
	(Being the allotment money due)				
	Bank A/c	...Dr.		73,440	
	Calls-in-Arrears A/c	...Dr.		2,560	
	To Shares Allotment A/c				64,000
	To Calls-in-Advance A/c (2,000 × ₹ 6)				12,000
	(Being the allotment money received except on 1,600 shares along with Calls-in-Advance on 2,000 shares)				
	Shares First Call A/c	...Dr.		80,000	
	To Share Capital A/c				80,000
	(Being first call money due)				
	Bank A/c	...Dr.		72,800	
	Calls-in-Arrears A/c (1,600 × ₹ 2)	...Dr.		3,200	
	Calls-in-Advance A/c (2,000 × ₹ 2)	...Dr.		4,000	
	To Shares First Call A/c				80,000
	(Being the first call money received except on 1,600 shares and advance adjusted)				
	Shares Second and Final Call A/c	...Dr.		1,60,000	
	To Share Capital A/c				1,60,000
	(Being the second and final call due)				
	Bank A/c	...Dr.		1,45,600	
	Calls-in-Arrears A/c (1,600 × ₹ 4)	...Dr.		6,400	
	Calls-in-Advance A/c (2,000 × ₹ 4)	...Dr.		8,000	
	To Shares Second and Final Call A/c				1,60,000
	(Being the call money received)				

Working Notes:

1. *Calculation of Allotment money not received from R:*

$$\text{Number of Shares Applied by } R = \frac{48,000}{40,000} \times 1,600 = 1,920 \text{ shares}.$$

Excess Application Money = 320 × ₹ 2 = ₹ 640.

	₹
Allotment Money Due on 1,600 Shares	3,200
Less: Excess Application Money to be Adjusted	640
Amount due on Allotment but not Paid by *R*	2,560

2. *Calculation of Money Received on Allotment:*

Total Allotment Money Due	80,000
Less: Already Adjusted	16,000
	64,000
Less: Not Paid by *R*	2,560
	61,440
Add: Calls-in-Advance Received from *S*	12,000
Amount Received on Allotment	73,440

(*b*) JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Before Redemption of Debentures			
	Surplus, *i.e.*, Balance in Statement of Profit and Loss A/c ...Dr.		3,00,000	
	To Debentures Redemption Reserve A/c (25% × ₹ 12,00,000)			3,00,000
	(Being the transfer of profit to Debentures Redemption Reserve)			
	Debentures Redemption Investment A/c (15% of ₹ 12,00,000) ...Dr.		1,80,000	
	To Bank A/c			1,80,000
	(Being the investment made @ 15% of the face value of the debentures)			
	On Redemption of Debentures			
	Bank A/c ...Dr.		1,80,000	
	To Debentures Redemption Investment A/c			1,80,000
	(Being the investment encashed)			
	10% Debentures A/c ...Dr.		12,00,000	
	To Debentureholders' A/c			12,00,000
	(Being the amount due to debentureholders on redemption)			
	Debentureholders' A/c ...Dr.		12,00,000	
	To Bank A/c			12,00,000
	(Being the amount due to debentureholders paid)			
	Debentures Redemption Reserve A/c ...Dr.		3,00,000	
	To General Reserve A/c			3,00,000
	(Being the transfer of Debentures Redemption Reserve to General Reserve on the redemption of all the debentures)			

Or

(*a*) JOURNAL OF PETROMAX LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c ...Dr.		2,76,000	
	To Shares Application A/c			2,76,000
	(Being the application money received for 92,000 shares)			
	Shares Application A/c ...Dr.		2,76,000	
	To Share Capital A/c			1,50,000
	To Shares Allotment A/c			90,000
	To Bank A/c			36,000
	(Being the application money adjusted)			

	Shares Allotment A/c ...Dr.		2,50,000	
	To Share Capital A/c			1,50,000
	To Securities Premium Reserve A/c			1,00,000
	(Being the allotment money due)			
	Bank A/c ...Dr.		1,57,200	
	Calls-in-Arrears A/c ...Dr.		6,000	
	To Shares Allotment A/c			1,60,000
	To Calls-in-Advance A/c (800 × ₹ 4)			3,200
	(Being the allotment money received except on 1,500 shares along with advance)			
	Shares First Call A/c ...Dr.		1,00,000	
	To Share Capital A/c			1,00,000
	(Being the first call due)			
	Bank A/c ...Dr.		95,400	
	Calls-in-Arrears A/c (1,500 × ₹ 2) ...Dr.		3,000	
	Calls-in-Advance A/c (800 × ₹ 2) ...Dr.		1,600	
	To Shares First Call A/c			1,00,000
	(Being the first call received except on 1,500 shares and advance adjusted)			
	Shares Second and Final Call A/c ...Dr.		1,00,000	
	To Share Capital A/c			1,00,000
	(Being the shares second and final call due)			
	Bank A/c ...Dr.		95,400	
	Calls-in-Arrears A/c ...Dr.		3,000	
	Calls-in-Advance A/c ...Dr.		1,600	
	To Shares Second and Final Call A/c			1,00,000
	(Being the call money received except on 1,500 shares and advance adjusted)			

Working Notes:

1. *Calculation of Allotment money due but not paid by Suresh:*

Shares Allotted to Suresh = 1,500

Excess Application Money = 500 × ₹ 3 = ₹ 1,500

	₹
Allotment Money Due on 1,500 Shares	7,500
Less: Excess application Money Adusted	1,500
Amount due on allotment but not Paid by Suresh	6,000

2. *Calculation of Amount Received on Allotment:*

Total Allotment Money Due	2,50,000
Less: Already Adjusted	90,000
	1,60,000
Less: Not Paid by Suresh	6,000
	1,54,000
Add: Calls Paid in Advance by Chander	3,200
Amount Received	1,57,200

(*b*) JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Before Redemption of Debentures			
	Surplus, *i.e.*, Balance in Statement of Profit and Loss A/c ...Dr.		10,00,000	
	To Debentures Redemption Reserve A/c (25% × ₹ 40,00,000)			10,00,000
	(Being the transfer of profit to Debentures Redemption Reserve)			
	Debentures Redemption Investment A/c ...Dr.		6,00,000	
	To Bank A/c			6,00,000
	(Being the investment made @ 15% of the face value of the debentures)			

	On Redemption of Debentures			
	Bank A/c ...Dr. To Debentures Redemption Investment A/c (Being the investment encashed)		6,00,000	 6,00,000
	9% Debentures A/c ...Dr. Premium on Redemption of Debentures A/c ...Dr. To Debentureholders' A/c (Being the amount due to debentureholders on redemption)		40,00,000 12,00,000	 52,00,000
	Debentureholders' A/c ...Dr. To Bank A/c (Being the amount due to debentureholders paid)		52,00,000	 52,00,000
	Debentures Redemption Reserve A/c ...Dr. To General Reserve A/c (Being the transfer of Debentures Redemption Reserve to General Reserve on the redemption of all the debentures)		10,00,000	 10,00,000

PART B

18.

	₹
Cash payment to acquire Plant and Machinery (WN)	(1,50,000)
Cash receipts from Sale of Plant and Machinery	25,000
Cash Used in Investing Activities	(1,25,000)

Working Note:

Dr. PLANT AND MACHINERY ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Balance *b/d*	3,60,000	By Bank A/c (Sale) (₹ 20,000 + 25% of ₹ 20,000)	25,000
To Statement of Profit and Loss (Profit)	5,000	By Depreciation A/c	40,000
To Bank A/c (Purchase)—Balancing Figure	1,50,000	By Balance *c/d*	4,50,000
	5,15,000		5,15,000

19. *No Flow.*

Reason: Sale of Marketable Securities at par means it is only movement between items of Cash or Cash Equivalents.

20. (*a*)

S. No.	Items	Major Heads	Sub-heads
(*i*)	Long-term Borrowings	Non-current Liabilities	Long-term Borrowings
(*ii*)	Trade Payables	Current Liabilities	Trade Payables
(*iii*)	Provision for Tax	Current Liabilities	Short-term Provisions
(*iv*)	Securities Premium Reserve	Shareholders' Funds	Reserves and Surplus
(*v*)	Patents	Non-current Assets	Fixed Assets—Intangible Assets
(*vi*)	Accrued Incomes	Current Assets	Other Current Assets

(*b*) A payable shall be classified as a 'Trade Payable' if it is in respect of the amount due on account of goods purchased or services received in the normal course of business.

21. 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**		17,50,000	20,00,000	2,50,000	14.29
II. **Expenses**					
(*a*) Purchases of Stock-in-Trade		8,25,000	10,00,000	1,75,000	21.21
(*b*) Change in Inventories of Stock-in-Trade		1,50,000	1,70,000	20,000	13.33
(*c*) Other Expenses		7,700	11,500	3,800	49.35
Total Expenses		9,82,700	11,81,500	1,98,800	20.23
III. **Net Profit (I – II)**		7,67,300	8,18,500	51,200	6.67

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

$$\text{For 2016–17} = \frac{₹\ 7,67,300}{₹\ 17,50,000} \times 100 = 43.85\%$$

$$\text{For 2017–18} = \frac{₹\ 8,18,500}{₹\ 20,00,000} \times 100 = 40.93\%.$$

22. (*a*) Cost of Revenue from Operations = ₹ 6,00,000

Gross Profit = 1/3 of Cost = ₹ 2,00,000

Revenue from Operations = ₹ 6,00,000 + ₹ 2,00,000 = ₹ 8,00,000

Let, Credit Revenue from Operations = ₹ 100

Cash Revenue from Operations = ₹ 25

Total Revenue from Operations = ₹ 125

If Total Revenue is ₹ 125, Credit Revenue from Operations = ₹ 100

If Total Revenue is ₹ 1, Credit Revenue from Operations = $\frac{₹\ 100}{₹\ 125}$

If Total Revenue is ₹ 8,00,000, Credit Revenue from Operations

$$= \frac{₹\ 100}{₹\ 125} \times ₹\ 8,00,000 = ₹\ 6,40,000$$

$$\text{Trade Receivables Turnover Ratio} = \frac{\text{Credit Revenue from Operations}}{\text{Average Trade Receivables}}$$

$$= \frac{₹\ 6,40,000}{₹\ 2,00,000} = 3.2 \text{ Times.}$$

Average Trade Receivables

$$= \frac{\text{Opening Trade Receivables} + \text{Closing Trade Receivables}}{2}$$

$$= \frac{₹\ 2,10,000 + ₹\ 1,90,000}{2} = ₹\ 2,00,000.$$

(*b*) (*i*) No Change : Both Purchases and Closing Stock increase, as a result cost of goods sold remains unchanged.

(*ii*) No Change : Both Purchases and Closing Stock decrease, as a result cost of goods sold remains unchanged.

(*iii*) No Change : Loss on Sale of Machinery does not affect Operating Cost.

(*iv*) Increase : Operating Cost increases due to increase in office and selling expenses.

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

Particulars		₹	₹
A. Cash Flow from Operating Activities			
Closing Surplus, *i.e.*, Balance in Statement of Profit and Loss		1,75,000	
Less: Opening Surplus, *i.e.*, Balance in Statement of Profit and Loss		1,00,000	
		75,000	
Add: Provision for Tax (WN 2)		25,000	
Interim Dividend Paid		55,000	
Net Profit before Tax and Extraordinary Items		1,55,000	
Adjustment for: Non Cash and Non-operating Items:			
Loss on Sale of Equipment		6,000	
Patents Amortised		2,500	
Depreciation		9,000	
Operating Profit before Working Capital Changes		1,72,500	
Less: Increase in Current Assets and Decrease in Current Liabilities:			
Trade Payables	1,500		
Inventories	40,000		
Trade Receivables	20,000	61,500	
Cash Generated from Operations		1,11,000	
Less: Tax paid		15,000	
Cash Flow from Operating Activities			96,000
B. Cash Flow from Investing Activities			
Purchase of Equipment		(50,000)	
Purchase of Non-current Investments		(47,500)	
Proceeds from Sale of Equipment (WN 3)		35,000	
Cash Used in Investing Activities			(62,500)
C. Cash Flow from Financing Activities			
Proceeds from Issue of Shares		1,00,000	
Repayment of Bank Loan		(25,000)	
Payment of Interim Dividend		(55,000)	
Cash Flow from Financing Activities			20,000
D. Net Increase in Cash and Cash Equivalents (A + B + C)			53,500
Add: Opening Cash and Cash Equivalents			75,000
E. Closing Cash and Cash Equivalents			1,28,500

Working Notes:

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

Particulars	₹	Particulars	₹
To Bank A/c	15,000	By Balance *b/d*	15,000
To Balance *c/d*	25,000	By Statement of Profit and Loss (Bal. Fig.)	25,000
	40,000		40,000

2. *Dr.* EQUIPMENT ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Balance *b/d*	2,50,000	By Depreciation A/c	9,000
To Bank A/c (Purchase)	50,000	By Bank A/c (Sale)—Balancing Figure	35,000
		By Loss on Sale of Equipment A/c (Statement of Profit and Loss)	6,000
		By Balance *c/d*	2,50,000
	3,00,000		3,00,000

3. Since the shareholders have not declared dividend for the year ended 31st March, 2017, it is not accounted and paid. Hence, adjustment for Proposed Dividend will not be made.