MODEL TEST PAPER 19 (Solution)

PART A

1. It will be shown in the expenditure side (*i.e.*, Debit side) of Income and Expenditure Account.

2. New partner brings his share of Goodwill at the time of admission to compensate the sacrificing partners in their sacrificing ratio.

3. Since the amount of available profit is less than the amount of interest on capital payable, the available profit will be distributed in the ratio of interest on capital payable to Arti and Bharti, *i.e.*, ₹ 30,000 : ₹ 15,000 or 2 : 1. Thus,

Interest on Arti's Capital = ₹ 37,500 × 2/3 = ₹ 25,000;

Interest on Bharti's Capital = ₹ 37,500 × 1/3 = ₹ 12,500.

4. Amount of Profit to be transferred to DRR = 25% of Face Value of Outstanding Debentures *less* Existing Balance of DRR

= [₹ 50,00,000 × 25/100] – ₹ 2,50,000

= ₹ 10,00,000.

5. **Step 1** is to determine Total Capital of the New Firm as follows:

$$= \frac{\text{Adjusted Combined Capital of the Old Partners}}{\text{Combined Share of Profit of Old Partners}}$$

Step 2 is to determine New Partner's Proportionate Capital as follows:

$$= \text{Total Capital of the New Firm} \times \text{Share of Profit of the New Partner}$$

6.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Realisation A/c ...Dr.		5,500	
	To Dev's Capital A/c			5,500
	(Being the remuneration to Dev for dissolution work done, *i.e.*, 2% of (₹ 3,75,000* – ₹ 1,00,000))			

*₹ 3,82,500 – ₹ 7,500 (Cash at Bank).

Note: Entry for realisation expenses will not be passed assuming that Dev has paid the same out of his pocket.

7.

In the Books of Strong Ltd.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2017				
April 1	Bank A/c ...Dr.		4,50,000	
	To Debentures Application and Allotment A/c			4,50,000
	(Being the application money received for 5,000 debentures)			

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
April 1	Debentures Application and Allotment A/c	...Dr.		4,50,000	
	Loss on Issue of Debentures A/c*	...Dr.		75,000	
	To 10% Debentures A/c (5,000 × ₹ 100)				5,00,000
	To Premium on Redemption of Debentures A/c				25,000
	(Being 5,000, 10% Debentures of ₹ 100 each issued at discount of 10% redeemable at a premium of 5%)				
2018 March 31	Securities Premium Reserve A/c	...Dr.		75,000	
	To Loss on Issue of Debentures A/c				75,000
	(Being the loss on issue of debentures written-off)				

* Discount on Issue of Debentures of ₹ 50,000 (*i.e.*, ₹ 5,00,000 × 10/100) is also a loss on issue of debentures. So it is combined into one account under "Loss on Issue of Debentures Account".

Dr. LOSS ON ISSUE OF DEBENTURES ACCOUNT *Cr.*

Date	Particulars	₹	Date	Particulars	₹
2017			2018		
April 1	To 10% Debentures A/c	50,000	March 31	By Securities Premium Reserve A/c	75,000
April 1	To Premium on Redemption of Debentures A/c	25,000			
		75,000			75,000

8. JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2018 March 31	Rich's Capital A/c	...Dr.		12,00,000	
	Poor's Capital A/c	...Dr.		8,00,000	
	Wealthy's Capital A/c	...Dr.		5,00,000	
	To Profit and Loss A/c				25,00,000
	(Being the loss distributed among partners in the ratio of 12 : 8 : 5)				
	Rich's Capital A/c	...Dr.		5,00,000	
	Poor's Capital A/c	...Dr.		5,00,000	
	To Wealthy's Capital A/c				10,00,000
	(Being the deficiency of Wealthy's guaranteed profit borne by Rich and Poor equally)				

Working Note:

Calculation of New Profit-sharing Ratio:

Let the total share of profit be 1

Wealthy's Share = $\frac{1}{5}$; Remaining Share = $\frac{4}{5}$, which is shared by Rich and Poor in their Old Profit-Sharing Rato, *i.e.*, 3 : 2.

Rich's New Share = $\frac{3}{5} \times \frac{4}{5} = \frac{12}{25}$; Poor's New Share = $\frac{2}{5} \times \frac{4}{5} = \frac{8}{25}$

Hence, New Profit-sharing Ratio among Rich, Poor and Wealthy = $\frac{12}{25} : \frac{8}{25} : \frac{1}{5} = \frac{12}{25} : \frac{8}{25} : \frac{5}{25}$ or 12 : 8 : 5.

9. *Calculation of amount of Medicines to be debited to the Income and Expenditure Account for the year ended 31st March, 2018:*

Particulars		₹
Amount paid to Creditors for Medicines		20,00,000
Add: Opening Stock of Medicines (1st April, 2017)	2,47,000	
Closing Creditors for Medicines (31st March, 2018)	19,37,000	21,84,000
		41,84,000
Less: Closing Stock of Medicines (31st March, 2018)	3,69,000	
Opening Creditors for Medicines (1st April, 2017)	17,85,000	21,54,000
Amount of Medicines to be debited to Income and Expenditure Account		20,30,000

AN EXTRACT OF INCOME AND EXPENDITURE ACCOUNT

Dr. *for the year ended 31st March, 2018* *Cr.*

Expenditure	₹	Income	₹
To Medicines	20,30,000		

Alternative Method: Amount of medicines to be debited to Income and Expenditure Account can be determined by preparing the following two accounts:

Dr. CREDITORS FOR MEDICINES ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Bank A/c (Payment made during the year)	20,00,000	By Balance *b/d* (Opening Creditors)	17,85,000
To Balance *c/d* (Closing Creditors)	19,37,000	By Stock of Medicines A/c (Bal. Fig.) (Purchase)	21,52,000
	39,37,000		39,37,000

Dr. STOCK OF MEDICINES ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Balance *b/d* (Opening Stock 1st April, 2017)	2,47,000	By Income and Expenditure A/c (Bal. Fig.)	20,30,000
To Creditors for Medicines A/c	21,52,000	By Balance *c/d* (Closing Stock 31st March, 2018)	3,69,000
	23,99,000		23,99,000

10. AN EXTRACT OF BALANCE SHEET OF JAYANTI LTD.

as at ...

Particulars	Note No.	₹
I. EQUITY AND LIABILITIES		
Shareholders' Funds		
Share Capital	1	4,48,000

Note to Accounts

Particulars	₹
1. Share Capital	
Authorised Capital	
1,00,000 Equity Shares of ₹ 10 each	10,00,000
Issued Capital	
50,000 Equity Shares of ₹ 10 each	5,00,000
Subscribed Capital	
Subscribed and fully paid-up	
44,000 Equity Shares of ₹ 10 each	4,40,000
Add: Forfeited Shares A/c (1,000 Shares × ₹ 8)	8,000
	4,48,000

11.

Dr. JAIPAUL'S CAPITAL ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Goodwill A/c (₹ 3,00,000 × 2/5)	1,20,000	By Balance *b/d*	2,50,000
To Advertisement Expenditure A/c (₹ 50,000 × 2/5)	20,000	By General Reserve A/c (₹ 3,00,000 × 2/5)	1,20,000
To Jaipaul's Executors' A/c (Balancing Figure)	4,41,583	By Interest on Capital A/c (WN 1)	6,250
		By Profit and Loss Suspense A/c (WN 2)	13,333
		By Jassal's Capital A/c (WN 3)	1,28,000
		By Jyoti's Capital A/c (WN 3)	64,000
	5,81,583		5,81,583

Values: (*i*) Sympathy; (*ii*) Charity; (*iii*) Fulfilling social responsibility.

Working Notes:

1. *Interest on Jaipaul's Capital:*

   @ 12% on ₹ 2,50,000 for 2.5 months = $₹\ 2,50,000 \times \frac{2.5}{12} \times \frac{12}{100} = ₹\ 6,250.$

2. *Calculation of Jaipaul's Share of Profit (till the date of his death):*

   (*a*) Average Profit = $\frac{₹\ 1,50,000 + ₹\ 1,70,000 + ₹\ 1,90,000 + ₹\ 1,30,000}{4} = ₹\ 1,60,000.$

   (*b*) Profit up to date of Death = $₹\ 1,60,000 \times \frac{2.5}{12} = ₹\ 33,333$ (Approx.).

   (*c*) Jaipaul's Share of Profit = ₹ 33,333 × 2/5 = ₹ 13,333.

3. *Calculation of Jaipaul's Share of Goodwill:*

   (*a*) Average Profit (WN 2) = ₹ 1,60,000.

   (*b*) Value of Goodwill = ₹ 1,60,000 × 3 = ₹ 4,80,000.

   (*c*) Jaipaul's Share of Goodwill = ₹ 4,80,000 × 2/5 = ₹ 1,92,000, which will be contributed by Jassal and Jyoti in their gaining ratio, *i.e.*, 2 : 1.

12. JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Y's Current A/c ...Dr.		32,000	
	To *X*'s Current A/c			32,000
	(Being the adjustment entry recorded due to omission of interest on capital and salary to partners)			

Working Note: TABLE SHOWING THE ADJUSTMENT TO BE MADE

Particulars	*X*'s Current A/c		*Y*'s Current A/c		Firm	
	Dr. (₹)	Cr. (₹)	Dr. (₹)	Cr. (₹)	Dr. (₹)	Cr. (₹)
Share of Profit already Credited, now taken back	3,00,000	...	3,00,000	...	...	6,00,000
Amount which should have been credited:						
(*i*) Interest on Capital @ 12%	...	1,20,000	...	84,000	2,04,000	...
(*ii*) Salary of Partners	...	72,000	...	84,000	1,56,000	...
(*iii*) Share of Profit ₹ 2,40,000* in the ratio of 7 : 5	...	1,40,000	...	1,00,000	2,40,000	...
	3,00,000	3,32,000	3,00,000	2,68,000	6,00,000	6,00,000
Net Effect	Cr.—₹ 32,000		Dr.—₹ 32,000		NIL	

*₹ 6,00,000 – ₹ 2,04,000 – ₹ 1,56,000 = ₹ 2,40,000.

13. (*a*) (*i*) Goodwill (Capitalisation of Super Profit)

$$= \text{Super Profit} \times \frac{100}{\text{Normal Rate of Return}} = ₹\ 36,000 \times \frac{100}{10} = ₹\ 3,60,000.$$

(*ii*) Goodwill (Super Profit Method) = Super Profit × No. of Years' Purchase

$$= ₹\ 36,000 \times 3 = ₹\ 1,08,000.$$

Working Note:

Average Profit (given) = ₹ 2,00,000

Normal Profit = Capital Employed* × Normal Rate of Return/100

$$= ₹\ 16,40,000 \times \frac{10}{100} = ₹\ 1,64,000$$

Super Profit = Average Profit – Normal Profit

= ₹ 2,00,000 – ₹ 1,64,000 = ₹ 36,000.

*Capital Employed = Assets – External Liabilities = ₹ 20,00,000 – ₹ 3,60,000 = ₹ 16,40,000.

(*b*) JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	X's Capital A/c	...Dr.		12,000	
	Y's Capital A/c	...Dr.		8,000	
	To Investments A/c				20,000
	(Being half of the Investments taken over by old partners)				
	Investments A/c (₹ 30,000 – ₹ 20,000)	...Dr.		10,000	
	To Revaluation A/c				10,000
	(Being remaining half Investments valued at ₹ 30,000)				
	Revaluation A/c	...Dr.		10,000	
	To *X*'s Capital A/c				6,000
	To *Y*'s Capital A/c				4,000
	(Being the gain (profit) on Revaluation transferred to old partners in their old profit-sharing ratio)				

14. INCOME AND EXPENDITURE ACCOUNT

Dr. *for the year ended 31st March, 2018* *Cr.*

Expenditure		₹	Income		₹
To Salary	11,000		By Subscriptions	11,000	
Less: For 2016–17	1,000	10,000	*Less:* Outstanding in the Beginning	800	
To Office Expenses	4,400			10,200	
Less: For 2018–19	1,000	3,400	*Add:* Outstanding at the end	900	11,100
To Stationery:			By Locker Rent		2,000
Opening Stock	3,000		By Sale of Old Newspapers		2,000
Add: Purchases	700		By Entrance Fee		5,000
	3,700		By General Donation		4,000
Less: Closing Stock	1,000	2,700	By Interest on Fixed Deposit:		
To Loss on Sale of Sports Material		2,000	Received	400	
(₹ 5,000 – ₹ 3,000)			Accrued	400	800
To Depreciation on:			By Deficit		4,500
Building		5,000	(*i.e.*, Excess of Expenditure over Income)		
Furniture [10/100 (₹ 20,000 + ₹ 5,000)]		2,500			
Sports Equipments (Note 1)		2,800			
[10/100 (₹ 14,000 + ₹ 6,000 + ₹ 8,000)]					
To Tournament Expenses		1,000			
(₹ 16,000 – ₹ 15,000)					
		29,400			29,400

Notes:
1. Billiards Table has been treated as part of Sports Equipment.
2. Entrance Fees is of revenue nature.
3. Excess tournament expenses have been debited to Income and Expenditure Account.
4. Legacy donation is capitalised being donation for specific purpose.

15.

JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
(*i*)	Realisation A/c	...Dr.		20,000	
	To Bank A/c				20,000
	(Being the creditor Mohan paid off)				
(*ii*)	Bank A/c	...Dr.		4,000	
	To Realisation A/c				4,000
	(Being the balance paid by Sohan)				
(*iii*)	Realisation A/c	..Dr.		10,500	
	To Bharat's Capital A/c				10,500
	(Being an unrecorded liability paid by Bharat)				
(*iv*)	Bank A/c	...Dr.		64,000	
	To Realisation A/c				64,000
	(Being the debtors realised)				
(*v*)	Bharat's Capital A/c	...Dr.		10,000	
	Bhushan's Capital A/c	...Dr.		6,000	
	Amitabh's Capital A/c	...Dr.		4,000	
	To Realisation A/c				20,000
	(Being the transfer of Loss on Realisation)				
(*vi*)	Bhushan's Loan A/c	...Dr.		70,000	
	To Bank A/c				70,000
	(Being Bhushan's Loan repaid)				

16.

Dr. REVALUATION ACCOUNT *Cr.*

Particulars		₹	Particulars	₹
To Machinery A/c		70,000	By Building A/c	2,80,000
To Outstanding Rent A/c		4,000	By Provision for Doubtful Debts A/c (WN 4)	5,000
To Claim for Damages A/c		5,000		
To Gain (Profit) transferred to:				
Karim's Capital A/c (2/5)	82,400			
Rehman's Capital A/c (3/5)	1,23,600	2,06,000		
		2,85,000		2,85,000

Dr. PARTNERS' CAPITAL ACCOUNTS *Cr.*

Particulars	Karim ₹	Rehman ₹	Naval ₹	Particulars	Karim ₹	Rehman ₹	Naval ₹
To Profit and Loss A/c	16,000	24,000	...	By Balance *b/d*	3,75,000	1,25,000	...
To Karim's Current A/c (Bal. Fig.)	3,59,400	...	...	By Workmen Compensation Reserve A/c	16,000	24,000	...
To Rehman's Current A/c (Bal. Fig.)	...	1,01,600	...	By General Reserve A/c	32,000	48,000	...
				By Revaluation A/c (Gain)	82,400	1,23,600	...
To Balance *c/d* (WN 3)	2,00,000	3,00,000	5,00,000	By Bank A/c	...	...	5,00,000
				By Premium for Goodwill A/c	70,000	1,05,000	
	5,75,400	4,25,600	5,00,000		5,75,400	4,25,600	5,00,000

Dr. PARTNERS' CURRENT ACCOUNTS Cr.

Particulars	Karim ₹	Rehman ₹	Particulars	Karim ₹	Rehman ₹
To Balance *c/d*	3,59,400	1,01,600	By Karim's Capital A/c	3,59,400	...
			By Rehman's Capital A/c	...	1,01,600
	3,59,400	1,01,600		3,59,400	1,01,600

BALANCE SHEET OF NEW FIRM
as at ...

Liabilities		₹	Assets	₹
Creditors		1,20,000	Cash in Hand	40,000
Bills Payable		1,60,000	Cash at Bank (₹ 5,00,000 + ₹ 1,75,000)	6,75,000
Claim for Damages		5,000	Sundry Debtors	2,05,000
Outstanding Rent		4,000	Furniture	2,00,000
Capital A/cs:			Machinery	2,40,000
Karim	2,00,000		Building	3,90,000
Rehman	3,00,000			
Naval	5,00,000	10,00,000		
Current A/cs:				
Karim	3,59,400			
Rehman	1,01,600	4,61,000		
		17,50,000		17,50,000

Value: (*a*) Reward for hardwork, (*b*) Value of social justice.

Working Notes:

1. Unless agreed otherwise, sacrificing ratio of old partners will be same as their old profit-sharing ratio.
2. *Calculation of New Profit-sharing Ratio:*

   Let, Total Profit = 1; Naval's Share = $\frac{1}{2}$

   Remaining Profit = $1-\frac{1}{2}=\frac{1}{2}$, which will be shared by Karim and Rehman in their old profit-sharing, *i.e.*, 2 : 3. Thus,

   Karim's New Share = $\frac{2}{5}\times\frac{1}{2}=\frac{2}{10}$; Rehman's New Share = $\frac{3}{5}\times\frac{1}{2}=\frac{3}{10}$; Naval's Share = $\frac{1}{2}$ or $\frac{5}{10}$

   Hence, New Profit-sharing Ratio of Karim, Rehman and Naval = $\frac{2}{10}:\frac{3}{10}:\frac{5}{10}=2:3:5$.

3. *Total Capital of the New firm and New Capitals of Partners:*

   Total Capital of New firm on the basis of Naval's Capital = ₹ 5,00,000 × $\frac{2}{1}$ = ₹ 10,00,000

   Karim's Capital = ₹ 10,00,000 × $\frac{2}{10}$ = ₹ 2,00,000; Rehman's Capital = ₹ 10,00,000 × $\frac{3}{10}$ = ₹ 3,00,000;

   Naval's Capital = ₹ 5,00,000.

4. **'All Debtors are Good'** means *Provision for Doubtful Debts* is no longer required and hence should be credited to Revaluation Account.

Or

Dr. REVALUATION ACCOUNT *Cr.*

Particulars		₹	Particulars	₹
To Building A/c		1,00,000	By Land A/c	3,20,000
To Furniture A/c		30,000		
To Gain (Profit) transferred to:				
Lalit's Capital A/c	95,000			
Mohan's Capital A/c	47,500			
Nath's Capital A/c	47,500	1,90,000		
		3,20,000		3,20,000

Dr. PARTNERS' CAPITAL ACCOUNTS *Cr.*

Particulars	Lalit ₹	Mohan ₹	Nath ₹	Particulars	Lalit ₹	Mohan ₹	Nath ₹
To Nath's Capital A/c (Goodwill)	1,00,000	50,000	...	By Balance *b/d*	6,00,000	4,80,000	4,80,000
				By Lalit's Capital A/c (Goodwill)	...	...	1,00,000
To Nath's Loan A/c	...	...	8,37,500				
To Mohan's Current A/c (Bal. Fig.)	...	1,20,000	...	By Mohan's Capital A/c (Goodwill)	...	...	50,000
To Balance *c/d* (WN 3) (Adjusted capital)	10,35,000	5,17,500	...	By General Reserve A/c	2,20,000	1,10,000	1,10,000
				By Workmen Compensation Reserve A/c	1,00,000	50,000	50,000
				By Revaluation A/c (Gain)	95,000	47,500	47,500
				By Lalit's Current A/c (Bal. Fig.)	1,20,000	...	...
	11,35,000	6,87,500	8,37,500		11,35,000	6,87,500	8,37,500

BALANCE SHEET OF LALIT AND MOHAN
as at 1st April, 2018

Liabilities		₹	Assets		₹
Capital A/cs:			Land		11,20,000
Lalit	10,35,000		Building		5,00,000
Mohan	5,17,500	15,52,500	Furniture		2,10,000
Nath's Loan A/c		8,37,500	Debtors	4,00,000	
Workmen Compensation Claim		1,60,000	*Less:* Provision for Doubtful Debts	20,000	3,80,000
Creditors		2,40,000	Stock		4,40,000
Mohan's Current A/c		1,20,000	Lalit's Current A/c		1,20,000
			Cash		1,40,000
		29,10,000			29,10,000

Value: Financial support.

Working Notes:

1. Old Ratio = 2 : 1 : 1
2. New Ratio = 2 : 1
3. *Calculation of Adjusted Capitals of Lalit and Mohan:*

	₹
Capital of Lalit before adjustment	9,15,000
Capital of Mohan before adjustment	6,37,500
Total Capital of the New Firm	15,52,500

Lalit's Adjusted Capital = ₹ 15,52,500 × 2/3 = ₹ 10,35,000

Mohan's Adjusted Capital = ₹ 15,52,500 × 1/3 = ₹ 5,17,500.

17. JOURNAL OF RUCHI LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c ...Dr.		6,00,000	
	To Equity Shares Application A/c			6,00,000
	(Being the application money received for 2,40,000 equity shares @ ₹ 2.50 each)			
	Equity Shares Application A/c ...Dr.		6,00,000	
	To Equity Share Capital A/c (1,00,000 × ₹ 2.50)			2,50,000
	To Bank A/c (40,000 × ₹ 2.50)			1,00,000
	To Equity Shares Allotment A/c (₹ 6,00,000 – ₹ 2,50,000 – ₹ 1,00,000)			2,50,000
	(Being the application money adjusted and surplus refunded)			
	Equity Shares Allotment A/c ...Dr.		4,50,000	
	To Equity Share Capital A/c			2,50,000
	To Securities Premium Reserve A/c			2,00,000
	(Being the allotment money due on 1,00,000 shares)			
	Bank A/c ...Dr.		1,99,200	
	To Equity Shares Allotment A/c			1,99,200
	(Being the allotment money received except for 400 shares) (WN 1 and 2)			
	Equity Shares First and Final Call A/c ...Dr.		5,00,000	
	To Equity Share Capital A/c			5,00,000
	(Being the call money due on 1,00,000 shares)			
	Bank A/c ...Dr.		4,98,000	
	To Equity Shares First and Final Call A/c			4,98,000
	(Being the call money received except on 400 shares)			
	Equity Share Capital A/c (400 × ₹ 10) ...Dr.		4,000	
	Securities Premium Reserve A/c (400 × ₹ 2) ...Dr.		800	
	To Equity Shares Allotment A/c			800
	To Equity Shares First and Final Call A/c			2,000
	To Forfeited Shares A/c			2,000
	(Being 400 shares forfeited for non-payment of allotment and call money)			
	Bank A/c (320 × ₹ 8) ...Dr.		2,560	
	Forfeited Shares A/c (320 × ₹ 2) ...Dr.		640	
	To Equity Share Capital A/c			3,200
	(Being 320 forfeited shares reissued at ₹ 8 per share as fully paid-up)			
	Forfeited Shares A/c ...Dr.		960	
	To Capital Reserve A/c (WN 3)			960
	(Being the gain on reissue transferred to Capital Reserve)			

Value: Value of equitable distribution of wealth is affected by rejecting the applications for 40,000 shares.

Working Notes:

1. *Calculation of allotment money not paid by Renu:*

(*i*) Number of Shares allotted to Renu = $\frac{1,00,000}{2,00,000} \times 800 = 400$ Shares.

	₹
(*ii*) Application money paid by Renu (800 × ₹ 2.50)	2,000
(*iii*) Amount due on allotment (400 × ₹ 4.50)	1,800
Less: Excess application money to be adjusted on allotment (400 × ₹ 2.50)	1,000
Allotment money due but not paid by Renu	800

2. *Calculation of total amount received on allotment:*

	₹
Total allotment money due	4,50,000
Less: Excess application money adjusted on allotment	2,50,000
	2,00,000
Less: Allotment money due but not paid by Renu (WN 1)	800
	1,99,200

3. *Calculation of gain on reissue of shares:*

(*i*) Amount forfeited on reissued shares $= \frac{\text{Total amount forfeited}}{\text{No. of shares forfeited}} \times$ No. of shares reissued

$$= \frac{₹2,000}{400} \times 320 = ₹\ 1,600$$

(*ii*) *Less:* Discount allowed on reissue = 320 × ₹ 2 = ₹ 640

(*iii*) Gain on reissue to be transferred to Capital Reserve ((*i*) – (*ii*)) = ₹ 960

Or

JOURNAL OF SHAKTI LTD.

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Shares Application A/c	...Dr.		3,00,000	
	To Share Capital A/c (50,000 × ₹ 3)				1,50,000
	To Securities Premium Reserve A/c (50,000 × ₹ 2)				1,00,000
	To Shares Allotment A/c (10,000 × ₹ 5)				50,000
	(Being the application money adjusted)				
	Shares Allotment A/c	...Dr.		2,00,000	
	To Share Capital A/c				2,00,000
	(Being the share allotment made due on 50,000 shares)				
	Calls-in-Arrears A/c	...Dr.		2,100	
	To Shares Allotment A/c				2,100
	(Being the amount not received on allotment transferred to Calls-in-Arrears Account)				
	Shares First and Final Call A/c	...Dr.		1,50,000	
	To Share Capital A/c				1,50,000
	(Being the first and final call made due on 50,000 shares)				

	Calls-in Arrears A/c ...Dr. To Shares First and Final Call A/c (Being the amount not received on first and final call transferred to Calls-in-Arrears Account)		2,100	2,100
	Share Capital A/c ...Dr. To Calls-in-Arrears A/c To Forfeited Shares A/c (Being 700 shares of Mr. Sharma forfeited due to non-payment of allotment and first and final call)		7,000	4,200 2,800
	Forfeited Shares A/c ...Dr. To Share Capital A/c (Being 700 forfeited shares reissued @ ₹ 9 per share)		700	700
	Forfeited Shares A/c ...Dr. To Capital Reserve A/c (Being the balance in Forfeited Shares A/c transferred to Capital Reserve upon reissue)		2,100	2,100

Dr. CASH BOOK (BANK COLUMN ONLY) *Cr.*

Particulars	₹	Particulars	₹
To Shares Application A/c (75,000 × ₹ 5)	3,75,000	By Shares Application A/c (15,000 × ₹ 5)	75,000
To Shares Allotment A/c (WN 1 and 2)	1,47,900	By Balance *c/d*	6,02,100
To Shares First and Final Call A/c (50,000 × ₹ 3) – (700 × ₹ 3)	1,47,900		
To Share Capital A/c (700 × ₹ 9)	6,300		
	6,77,100		6,77,100

Value: Value of equitable distribution of wealth is affected by rejecting the applications.

Working Notes:

1. *Calculation of allotment money due but not received from Mr. Sharma:*

(*i*) Number of shares applied by Mr. Sharma $= \frac{60,000}{50,000} \times 700 = 840$ Shares.

(*ii*) Application money received = 840 × ₹ 5 = ₹ 4,200
Less: Application money required = 700 × ₹ 5 = ₹ 3,500
Excess application money to be adjusted on allotment = ₹ 700

(*iii*) Money due from Mr. Sharma on allotment (700 × ₹ 4) = ₹ 2,800
Less: Excess application money to be adjusted as per (*ii*) = ₹ 700
Allotment money due but not received = ₹ 2,100

2. *Calculation of allotment money received later on:*

Total allotment money due =		₹ 2,00,000
(*i*) *Less:* Excess Application money adjusted at application stage =	₹ 50,000	
(*ii*) Allotment money due but not received from Mr. Sharma (WN 1) =	₹ 2,100	₹ 52,100
Allotment money received		₹ 1,47,900

PART B

18. (*i*) Cash Purchases.
(*ii*) Cash paid to Trade Payables.

19. ₹ 10,00,000 (Used).

Note: *L* & *T* Finance Ltd. is a financial company. Hence, Loan (₹ 5,00,000), purchase of shares (₹ 8,00,000), profit on sale of shares (₹ 25,000) and dividend (₹ 5,000) are its Operating Activities.

20. (*a*) Sub-heads under the head 'Current Assets' (*Any two*):

(*i*) Current Investments.

(*ii*) Inventories.

(*iii*) Trade Receivables.

(*iv*) Cash and Cash Equivalents.

(*v*) Short-term Loans and Advances.

(*vi*) Other Current Assets.

(*b*) *Objectives of Financial Analysis:*

(*i*) *To determine Liquidity* (*short-term solvency*), *i.e.*, ability of the enterprise to meet its short-term financial obligations as and when they become due.

(*ii*) *To determine Long-term solvency*, *i.e.*, ability of the enterprise to pay the interest regularly and to repay the principal on maturity.

(*iii*) *To determine Profitability* of the enterprise.

21. Gross Profit (GP) = 25% of ₹ 6,00,000 = ₹ 1,50,000.

Cost of Revenue from Operations = Revenue from Operations – Gross Profit

= ₹ 6,00,000 – ₹ 1,50,000 = ₹ 4,50,000.

$$\text{Inventory Turnover Ratio} = \frac{\text{Cost of Revenue from Operations}}{\text{Average Inventory}}$$

$$4 = \frac{₹\ 4{,}50{,}000}{\text{Average Inventory}}$$

$$\text{Average Inventory} = \frac{₹\ 4{,}50{,}000}{4} = ₹\ 1{,}12{,}500$$

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

Let the Opening Inventory = x, Closing Inventory = x + ₹ 40,000

$$₹\ 1{,}12{,}500 = \frac{x + x + ₹\ 40{,}000}{2}$$

$$x + x + ₹\ 40{,}000 = ₹\ 2{,}25{,}000$$

$$2x = ₹\ 1{,}85{,}000$$

$$x = \frac{₹\ 1{,}85{,}000}{2} = ₹\ 92{,}500 \text{ (Opening Inventory)}$$

Closing Inventory = ₹ 92,500 + ₹ 40,000 = ₹ 1,32,500

$$\text{Quick Ratio} = \frac{\text{Quick Assets}}{\text{Current Liabilities}} = \frac{\text{Quick Assets}}{₹\ 80{,}000} = 0.75$$

Quick Assets = ₹ 80,000 × 0.75 = ₹ 60,000

Current Assets = Quick Assets + Inventory (Closing)

= ₹ 60,000 + ₹ 1,32,500 = ₹ 1,92,500.

22. (*a*)

		31st March, 2017	31st March, 2018
Debt to Equity Ratio = $\frac{\text{Debt}}{\text{Equity}}$	=	$\frac{₹\ 15,00,000}{₹\ 10,00,000}$	= $\frac{₹\ 16,50,000}{₹\ 13,00,000}$
	=	1.5 : 1	= 1.27 : 1

(*b*) ***Values** communicated by the company to the society:*

- Recognition to Hard work.
- Honesty.
- Participation of Workers in Company's Profits.
- Reward and Recognition.

23. **Star Ltd.**

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

Particulars	₹	₹
I. Cash Flow from Operating Activities		
Net Profit before Tax and Extraordinary Items (WN 1)	3,00,000	
Add: *Non-cash and Non-operating charges:*		
Goodwill amortised	10,000	
Depreciation on Machinery (WN 4)	1,29,000	
Interest on 12% Debentures (12% of ₹ 5,00,000)	60,000	
Less: Gain on Sale of Machinery	(4,000)	
Operating Profit before Working Capital changes	4,95,000	
Less: *Increase in Current Assets:*		
Stock-in-Trade	62,000	
Cash Generated from Operations	4,33,000	
Less: Tax Paid	70,000	
Cash Flow from Operating Activities		3,63,000
II. Cash Flow from Investing Activities		
Purchase of Machinery (WN 3)	(5,00,000)	
Purchase of Non-current Investment	(25,000)	
Sale of Machinery (WN 3)	92,000	
Cash Used in Investing Activities		(4,33,000)
III. Cash Flow from Financing Activities		
Issue of Share Capital	1,00,000	
Redemption of 12% Debentures	(50,000)	
Interest on 12% Debentures (12% of ₹ 5,00,000)	(60,000)	
Increase in Bank Overdraft	1,00,000	
Cash Flow from Financing Activities		90,000
IV. Net Increase in Cash and Cash Equivalents (I + II + III)		20,000
Add: *Opening Balance of Cash and Cash Equivalents:*		
Current Investments	60,000	
Cash and Cash Equivalents	60,000	1,20,000
		1,40,000
V. Cash and Cash Equivalents at the end:		
Current Investments	50,000	
Cash and Cash Equivalents	90,000	1,40,000

Working Notes:

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

	₹
Closing Balance of Surplus, *i.e.*, Balance in Statement of Profit and Loss	2,00,000
Less: Opening Balance of Surplus, *i.e.*, Balance in Statement of Profit and Loss	(50,000)
	2,50,000
Add: Provision for tax made during the year (WN 2)	50,000
Net Profit before Tax and Extraordinary Items	3,00,000

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

Particulars	₹	Particulars	₹
To Bank A/c (Tax paid)	70,000	By Balance *b/d*	90,000
To Balance *c/d*	70,000	By Statement of Profit and Loss (Balancing Figure)—Provision made	50,000
	1,40,000		1,40,000

3. *Dr.* MACHINERY ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Balance *b/d*	8,21,000	By Accumulated Depreciation A/c	30,000
To Gain (Profit) on Sale of Machinery A/c (Statement of Profit and Loss)	4,000	By Bank A/c (Sale: Balancing Figure)	92,000
		By Balance *c/d*	12,03,000
To Bank A/c (Purchase)	5,00,000		
	13,25,000		13,25,000

4. *Dr.* ACCUMULATED DEPRECIATION ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Machinery A/c	30,000	By Balance *b/d*	1,01,000
To Balance *c/d*	2,00,000	By Depreciation A/c (Balancing Figure)	1,29,000
	2,30,000		2,30,000