Model Test Paper 14

Answers

PART A

1. AN EXTRACT OF BALANCE SHEET *as at 31st March, 2019*

Liabilities	₹	Assets	₹
Capital Fund		Building-in-Progress	6,00,000
Opening Balance	20,00,000		

2. (*b*), (*a*), (*c*)

3. *B*'s Share of Goodwill = ₹ 60,000 × 2/5 = ₹ 24,000, which is contributed by *A* and *C* in their gaining ratio, *i.e.*, 2 : 1. Thus,

A's contribution = ₹ 24,000 × 2/3 = ₹ 16,000; and

C's contribution = ₹ 24,000 × 1/3 = ₹ 8,000.

4. it is not an external liability.

5. JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Interest on Capital A/c	...Dr.		18,000	
	To *X*'s Capital A/c				12,000
	To *Y*'s Capital A/c				6,000
	(Being interest on partners' capitals provided)				

6. JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	X's Capital A/c (₹ 5,000 × 3/5)	...Dr.		3,000	
	Y's Capital A/c (₹ 5,000 × 2/5)	...Dr.		2,000	
	To Goodwill A/c				5,000
	(Being the existing goodwill written off in old ratio)				

7. No. **Reason:** Securities Premium can be used for buy back of own shares.

8. No. **Reason:** On the basis of records, Debentures can be classified as: (*i*) Registered Debentures and (*ii*) Bearer Debentures.

9. all the partners (including outgoing partner), old

10. (*b*)

11. (*c*) *Calculation of Anju's Share in Profits:*

$$\text{Percentage of Profit to Sales (for the year 2018–19)} = \frac{\text{Profit}}{\text{Sales}} \times 100$$

$$= \frac{₹\ 90{,}000}{₹\ 6{,}00{,}000} \times 100 = 15\%$$

Estimated Profit till the date of Anju's death = ₹ 1,00,000 × 15% = ₹ 15,000

Anju's share in estimated Profit = ₹ 15,000 × 3/6 = ₹ 7,500.

12. (*b*) Average Profit = $\frac{₹ 1,70,000 + ₹ 2,00,000 + ₹ 2,30,000}{3}$ = ₹ 2,00,000

Less: Expected return (15% of ₹ 8,00,000)	₹ 1,20,000
Super Profit	₹ 80,000

Goodwill = ₹ 80,000 × 2 = ₹ 1,60,000.

13. (*c*) ₹ 22,000 [₹ 70,000 – (₹ 60,000 – (₹ 60,000 × 20/100))].

14. AN EXTRACT OF INCOME AND EXPENDITURE ACCOUNT
for the year ended 31st March, 2019

Dr. *Cr.*

Expenditure	₹	Income	₹
		By Subscription	8,00,000

AN EXTRACT OF BALANCE SHEET *as at 31st March, 2019*

Liabilities	₹	Assets		₹
Subscription Received in Advance (For 2019–20)	1,20,000	Subscription Outstanding:		
		for 2017–18 (₹ 1,20,000 – ₹ 1,00,000)	20,000	
		for 2018–19 (₹ 1,00,000 – ₹ 20,000)	80,000	1,00,000

Working Note:

Calculation of Subscription Income for 2018–19:	₹
Subscription received during 2018–19 for 2018–19	6,00,000
Add: Subscription received during 2017–18 for 2018–19	1,20,000
(Subscription received in advance on 31st March, 2018)	
Subscription outstanding for 2018–19	80,000
	8,00,000

Or

Dr. CREDITORS FOR STATIONERY ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Bank A/c	1,13,600	By Balance *b/d*	9,200
To Balance *c/d*	23,600	By Stock of Stationery A/c (Credit Purchase)	1,28,000
	1,37,200		1,37,200

Stationery consumed to be debited to Income and Expenditure Account

= ₹ 30,000 + ₹ 1,28,000 – ₹ 60,800

= ₹ **97,200.**

15. JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2019					
March 31	*E*'s Capital A/c	...Dr.		1,800	
	F's Capital A/c	...Dr.		4,200	
	To *G*'s Capital A/c				6,000
	(Being the deficiency met by guaranteeing partners)				

PROFIT AND LOSS APPROPRIATION ACCOUNT

Dr. *for the year ended 31st March, 2019* *Cr.*

Particulars		₹	Particulars	₹
To Profit transferred to Capital A/cs:			By Profit and Loss A/c (Net Profit)	2,70,000
E	1,51,200			
Less: Deficiency of *G*'s Share	1,800	1,49,400		
F	64,800			
Less: Deficiency of *G*'s Share	4,200	60,600		
G	54,000			
Add: Deficiency met by *E*	1,800			
Deficiency met by *F*	4,200	60,000		
		2,70,000		2,70,000

Working Note:

Let the Total Share of Profit be 1

G's Share $= \frac{1}{5}$; Remaining Share $= \frac{4}{5}$, which will be shared by *E* and *F* in their old ratio, *i.e.*, 7 : 3.

E's New Share $= \frac{7}{10} \times \frac{4}{5} = \frac{28}{50}$; *F*'s New Share $= \frac{3}{10} \times \frac{4}{5} = \frac{12}{50}$; *G*'s Share $= \frac{1}{5}$ *or* $\frac{10}{50}$

Thus, New Profit-sharing Ratio of *E*, *F* and *G* $= \frac{28}{50} : \frac{12}{50} : \frac{10}{50}$ = 28 : 12 : 10 or 14 : 6 : 5.

G's Actual Share of Profit = ₹ 2,70,000 $\times \frac{5}{25}$ = ₹ 54,000

G's Guaranteed Profit = ₹ 60,000

Deficiency in *G*'s Share of Profit = ₹ 6,000, which will be contributed by *E* and *F* in their agreed ratio, *i.e.*, 3 : 7.

Thus, *E* will contribute $= \frac{3}{10}$ of ₹ 6,000 = ₹ 1,800; *F* will contribute $= \frac{7}{10}$ of ₹ 6,000 = ₹ 4,200.

16.

ADJUSTING ENTRY

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2019 April 1	Kala's Capital A/c ...Dr.		8,400	
	To Mala's Capital A/c			8,400
	(Being the adjustment entry for Accumulated Profits, Losses and Reserves)			

Working Notes:

1. *Calculation of Net Effect of Accumulated Profits, Losses and Reserves:*

	₹
General Reserve	28,000
Contingencies Reserve	3,000
Profit and Loss A/c (Cr.)	9,000
Advertisement Suspense A/c (Dr.)	(12,000)
Net Effect	28,000

₹ 28,000 will be adjusted as the gain or sacrifice of partners.

2. *Calculation of Sacrifice/Gain of each Partner:*

Old Ratio = 5 : 3 : 2

New Ratio = 2 : 3 : 5

Mala's Sacrifice/Gain = 5/10 – 2/10 = 3/10 (Sacrifice)

Neela's Sacrifice/Gain = 3/10 – 3/10 = 0

Kala's Sacrifice/Gain = 2/10 – 5/10 = (3/10) (Gain)

∴ Kala's Gain = ₹ 28,000 × 3/10 = ₹ 8,400

Mala's Sacrifice = ₹ 28,000 × 3/10 = ₹ 8,400.

17. First Method *(When Journal entry is not passed):*

Note to Accounts

Particulars	₹
1. Long-term Borrowings	
Loan from IDBI Bank	4,00,000
(Secured by issue of 5,000; 9% Debentures of ₹ 100 each as Collateral Security)	

Second Method *(When Journal entry is passed):*

Note to Accounts

Particulars		₹
1. Long-term Borrowings		
Loan from IDBI Bank		4,00,000
5,000; 9% Debentures of ₹ 100 each issued as Collateral Security	5,00,000	
Less: Debentures Suspense A/c	5,00,000	...
		4,00,000

18.

Dr. MANU'S CAPITAL ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Loan to Manu A/c	40,000	By Balance *b/d*	65,000
To Manu's Executors' A/c	1,07,167	By General Reserve A/c	8,000
(Balancing Figure)		By Interest on Capital A/c	2,167
		By Profit and Loss Suspense A/c (WN 2)	32,000
		By Rani's Capital A/c (WN 1)	28,000
		By Adi's Capital A/c (WN 1)	12,000
	1,47,167		1,47,167

Working Notes:

1. *Calculation and Adjustment of Goodwill:*

Goodwill = Super Profit × Number of Years' Purchase

= ₹ 70,000 × 2 = ₹ 1,40,000

Manu's Share of Goodwill = $\frac{4}{14}$ of ₹ 1,40,000 = ₹ 40,000, which will be contributed by Rani and Adi in their gaining ratio, *i.e.*, 7 : 3.

Thus, Rani's Contribution = $\frac{7}{10}$ × ₹ 40,000 = ₹ 28,000; Adi's Contribution = $\frac{3}{10}$ × ₹ 40,000 = ₹ 12,000.

2. *Calculation of Manu's Share of Profit:*

$$\text{Manu's Share of Profit} = \frac{₹\,2,24,000}{₹\,8,00,000} \times ₹\,4,00,000 \times \frac{4}{14} = ₹\,32,000.$$

Or

JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2019					
April 1	Realisation A/c	...Dr.		2,60,000	
	To Goodwill A/c				80,000
	To Building A/c				80,000
	To Stock A/c				60,000
	To Debtors A/c				40,000
	(Being the assets transferred)				
	Creditors A/c	...Dr.		50,000	
	Workmen Compensation Reserve A/c	...Dr.		80,000	
	To Realisation A/c				1,30,000
	(Being the liabilities transferred)				
	Bank A/c	...Dr.		85,000	
	To Realisation A/c				85,000
	(Being the stock and debtors realised)				
	Realisation A/c	...Dr.		80,000	
	To Bank A/c				80,000
	(Being the workmen compensation claim paid)				
	Surjit's Capital A/c	...Dr.		75,000	
	Rani's Capital A/c	...Dr.		50,000	
	To Realisation A/c				1,25,000
	(Being the loss on realisation transferred)				
	Surjit's Capital A/c	...Dr.		5,000	
	Rani's Capital A/c	...Dr.		20,000	
	To Bank A/c				25,000
	(Being the final payment made)				

19. JOURNAL OF JAYPEE CONSTRUCTION LTD.

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2018					
March 31	Surplus, *i.e.*, Balance in Statement of Profit and Loss A/c	...Dr.		75,000	
	To Debentures Redemption Reserve A/c				75,000
	(Being the profit transferred to Debentures Redemption Reserve) (Note 2)				
April 1	Debentures Redemption Investment A/c	...Dr.		1,50,000	
	To Bank A/c				1,50,000
	(Being the investment made equal to 15% of nominal (face) value of debentures to be redeemed)				

2019				
March 31	Bank A/c ...Dr.		1,65,000	
	To Debentures Redemption Investment A/c			1,50,000
	To Interest Earned A/c			15,000
	(Being the investment encashed along with interest)			
	8% Debentures A/c ...Dr.		10,00,000	
	To Debentureholders' A/c			10,00,000
	(Being the amount due to debentureholders on redemption)			
	Debentureholders' A/c ...Dr.		10,00,000	
	To Bank A/c			10,00,000
	(Being the payment made to debentureholders)			
	Debentures Redemption Reserve A/c ...Dr.		2,50,000	
	To General Reserve A/c			2,50,000
	(Being the Debentures Redemption Reserve transferred to General Reserve)			

Notes: 1. Interest on Debentures have been ignored.

	₹
2. *DRR required (25% of ₹ 10,00,000)	2,50,000
Less: Existing Balance of DRR	1,75,000
Transferred to DRR	75,000

Or

(*a*) JOURNAL OF ALKA LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c ...Dr.		25,00,000	
	To Debentures Application A/c			25,00,000
	(Being the application money received for 5,000 debentures @ ₹ 500 each)			
	Debentures Application A/c ...Dr.		25,00,000	
	To 10% Debentures A/c			25,00,000
	(Being the allotment of 5,000; 10% Debentures of ₹ 1,000 each)			
	Debentures Allotment A/c ...Dr.		20,00,000	
	Loss on Issue of Debentures A/c ...Dr.		7,50,000	
	To 10% Debentures A/c			25,00,000
	To Premium on Redemption of Debentures A/c			2,50,000
	(Being the allotment money due)			
	Bank A/c ...Dr.		20,00,000	
	To Debentures Allotment A/c			20,00,000
	(Being the allotment money received)			

(*b*) JOURNAL OF AKHIL LTD.

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	...Dr.		10,00,000	
	To Debentures Application and Allotment A/c				10,00,000
	(Being the amount received)				
	Debentures Application and Allotment A/c	...Dr.		10,00,000	
	Loss on Issue of Debentures A/c	...Dr.		1,00,000	
	To 6% Debentures A/c				10,00,000
	To Premium on Redemption of Debentures A/c				1,00,000
	(Being the debentures issued)				
	Underwriting Commission A/c	...Dr.		30,000	
	To Bhaskar				30,000
	(Being the commission due to underwriter)				
	Bhaskar	...Dr.		30,000	
	To 6% Debentures A/c				30,000
	(Being 300 debentures issued to underwriter)				
	Statement of Profit and Loss (Finance Cost)	...Dr.		1,30,000	
	To Loss on Issue of Debentures A/c				1,00,000
	To Underwriting Commission A/c				30,000
	(Being the loss and underwriting commission written off)				

20. **Megha Amusement Club**

Dr. INCOME AND EXPENDITURE ACCOUNT *for the year ended 31st March, 2019* *Cr.*

Expenditure		₹	Income		₹
To Salaries		12,000	By Subscriptions	61,100	
To Sports Equipment:			*Add:* Due (31st March, 2019)	560	
Opening (1st April, 2018)	21,800		Advance (1st April, 2018)	80	
Add: Purchases	46,785			61,740	
	68,585		*Less:* Due (1st April, 2018)	480	
Less: Closing (31st March, 2019)	29,700	38,885		61,260	
To Stationery		1,220	*Less:* Advance (31st March, 2019)	40	61,220
To Maintenance of Ground		6,000	By Admission Fees		350
To Prizes		1,060	By Interest on Investments		9,000
To Depreciation on Building		4,000			
To Surplus		7,405			
(*i.e.*, Excess of Income Over Expenditure)					
		70,570			70,570

BALANCE SHEET *as at 31st March, 2019*

Liabilities		₹	Assets	₹
Subscription Received in Advance		40	Cash in Hand	380
Capital Fund	2,16,550		Cash at Bank	17,355
Add: Surplus	7,405	2,23,955	Investments*	1,00,000
			Subscription Due	560
			Sports Equipment	29,700
			Building	76,000
		2,23,995		2,23,995

* Interest on investments ₹ 9,000 received in 2018–19 shows an investment in the beginning of 2018–19. The rate of interest is 9%.

So, the value of Investments = 100/9 × ₹ 9,000 = ₹ 1,00,000.

21.

Dr. REVALUATION ACCOUNT *Cr.*

Particulars	₹	Particulars		₹
To Stock A/c	5,000	By Bad Debts Recovered A/c		4,000
To Furniture A/c	1,000	By Loss transferred to:		
To Machinery A/c	6,000	Ram's Capital A/c	9,000	
To Provision for Doubtful Debts A/c	3,000	Mohan's Capital A/c	6,000	15,000
To Cash A/c (Revaluation Expenses)	4,000			
	19,000			19,000

Dr. PARTNERS' CAPTIAL ACCOUNTS *Cr.*

Particulars	Ram (₹)	Mohan (₹)	Sohan (₹)	Particulars	Ram (₹)	Mohan (₹)	Sohan (₹)
To Goodwill A/c	6,000	4,000	...	By Balance *b/d*	1,35,000	1,25,000	...
To Revaluation A/c (Loss)	9,000	6,000	...	By Workmen Compensation Reserve A/c	6,000	4,000	...
To Balance *c/d*	1,62,000	1,43,000	1,52,500	By General Reserve A/c	18,000	12,000	...
				By Premium for Goodwill A/c	18,000	12,000	...
				By Cash A/c (WN 1)	...	...	1,52,500
	1,77,000	1,53,000	1,52,500		1,77,000	1,53,000	1,52,500

BALANCE SHEET *as at 1st April, 2019*

Liabilities		₹	Assets		₹
Capital A/cs:			Cash (WN 2)		2,82,500
Ram	1,62,000		Debtors	30,000	
Mohan	1,43,000		*Less:* Provision for Doubtful Debts	3,000	27,000
Sohan	1,52,500	4,57,500	Stock (₹ 50,000 – ₹ 5,000)		45,000
Creditors		30,000	10% Government Bonds		20,000
Bills Payable		10,000	Furniture		9,000
			Machinery		1,14,000
		4,97,500			4,97,500

Working Notes:

1. *Calculation of Sohan's Capital:*

	₹
Capital of Ram after all adjustments	1,62,000
Capital of Mohan after all adjustments	1,43,000
Combined Capital for 2/3rd Share	3,05,000

$$\text{Capital of New Firm} = ₹\,3,05,000 \times \frac{3}{2} = ₹\,4,57,500$$

$$\text{Sohan's Capital in New Firm} = \frac{1}{3} \text{ of } ₹\,4,57,500 = ₹\,1,52,500.$$

2. *Dr.* CASH ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Balance *b/d*	1,00,000	By Revaluation A/c	4,000
To Bad Debts Recovered A/c	4,000	By Balance *c/d*	2,82,500
To Premium for Goodwill A/c	30,000		
To Sohan's Capital A/c	1,52,500		
	2,86,500		2,86,500

Or

Dr. REVALUATION ACCOUNT *Cr.*

Particulars		₹	Particulars	₹
To Vehicles A/c		19,000	By Stock A/c	24,000
To Gain (Profit) transferred to:			By Building A/c	25,000
X's Capital A/c	15,000			
Y's Capital A/c	10,000			
Z's Capital A/c	5,000	30,000		
		49,000		49,000

Dr. PARTNERS' CAPTIAL ACCOUNTS *Cr.*

Particulars	*X* (₹)	*Y* (₹)	*Z* (₹)	Particulars	*X* (₹)	*Y* (₹)	*Z* (₹)
To Profit and Loss A/c	22,500	15,000	7,500	By Balance *b/d*	2,40,000	2,00,000	1,60,000
To *Y*'s Capital A/c	15,000	...	35,000	By Revaluation A/c (Gain)	15,000	10,000	5,000
To *Y*'s Loan A/c	...	2,45,000	...				
To Balance *c/d* (WN 3)	3,60,000	...	2,40,000	By *X*'s Capital A/c	...	15,000	...
				By *Z*'s Capital A/c	...	35,000	...
				By Cash A/c (Bal. Fig.)	1,42,500	...	1,17,500
	3,97,500	2,60,000	2,82,500		3,97,500	2,60,000	2,82,500

BALANCE SHEET OF THE NEW FIRM *as at 1st April, 2019*

Liabilities		₹	Assets	₹
Capital A/cs:			Cash	2,75,000
X	3,60,000		Debtors	70,000
Z	2,40,000	6,00,000	Stock	2,54,000
Y's Loan		2,45,000	Vehicles	1,71,000
Bills Payable		80,000	Building	2,75,000
Creditors		1,20,000		
		10,45,000		10,45,000

Working Notes:

1. *Calculation of Gaining Ratio:*

	X	*Y*	*Z*
I. New Share	3/5	—	2/5
II. Old Share	3/6	2/6	1/6
III. Gain/(Sacrifice) (I – II)	3/30	–2/6	7/30

Thus, Gaining Ratio of *X* and *Z* = $\frac{3}{30}:\frac{7}{30} = 3:7$.

2. *Adjustment of Goodwill:*

Y's Share of Goodwill = $\frac{2}{6}$ × ₹ 1,50,000 = ₹ 50,000, which will be contributed by *X* and *Z* in their gaining ratio.

Thus, *X*'s Contribution = $\frac{3}{10}$ of ₹ 50,000 = ₹ 15,000;

Z's Contribution = $\frac{7}{10}$ of ₹ 50,000 = ₹ 35,000.

3. *Adjustment of Capital:*

Total Capital of New Firm = ₹ 6,00,000, which will be contributed by *X* and *Z* in their new ratio, *i.e.*, 3 : 2.

Thus, *X*'s Capital in New Firm = $\frac{3}{5}$ of ₹ 6,00,000 = ₹ 3,60,000;

Z's Capital in New Firm = $\frac{2}{5}$ of ₹ 6,00,000 = ₹ 2,40,000.

22. **In the Books of Moonlight Ltd.**

JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	...Dr.		1,20,000	
	To Equity Shares Application A/c				1,20,000
	(Being the application money received for 60,000 shares)				
	Equity Shares Application A/c	...Dr.		1,20,000	
	To Equity Share Capital A/c				1,00,000
	To Equity Shares Allotment A/c				20,000
	(Being the application money adjusted)				
	Equity Shares Allotment A/c	...Dr.		2,50,000	
	To Equity Share Capital A/c				1,50,000
	To Securities Premium Reserve A/c				1,00,000
	(Being the allotment money due on 50,000 shares)				
	Bank A/c	...Dr.		2,27,700	
	To Equity Shares Allotment A/c				2,27,700
	Or				
	Bank A/c	...Dr.		2,27,700	
	Calls-in-Arrears A/c	...Dr.		2,300	
	To Equity Shares Allotment A/c				2,30,000
	(Being the allotment money received except on 500 shares)				
	Equity Shares First and Final Call A/c	...Dr.		2,50,000	
	To Equity Share Capital A/c				2,50,000
	(Being the first and final call due on 50,000 shares)				
	Bank A/c	...Dr.		2,37,500	
	To Equity Shares First and Final Call A/c				2,37,500

	Or			
	Bank A/c ...Dr.		2,37,500	
	Calls-in-Arrears A/c ...Dr.		12,500	
	To Equity Shares First and Final Call A/c			2,50,000
	(Being the first and final call received except on 2,500 shares)			
	Equity Share Capital A/c ...Dr.		25,000	
	Securities Premium Reserve A/c ...Dr.		1,000	
	To Forfeited Shares A/c (₹ 1,200 + ₹ 10,000)			11,200
	To Equity Shares Allotment A/c			2,300
	To Equity Shares First and Final Call A/c			12,500
	Or			
	Equity Share Capital A/c ...Dr.		25,000	
	Securities Premium Reserve A/c ...Dr.		1,000	
	To Forfeited Shares A/c			11,200
	To Calls-in-Arrears A/c			14,800
	(Being 2,500 shares forfeited for non-payment of allotment money on 500 shares and call on 2,500 shares)			
	Bank A/c ...Dr.		14,000	
	Forfeited Shares A/c ...Dr.		6,000	
	To Equity Share Capital A/c			20,000
	(Being 2,000 shares reissued @ ₹ 7 per share as fully paid)			
	Forfeited Shares A/c ...Dr.		4,000	
	To Capital Reserve A/c			4,000
	(Being the gain on 2,000 reissued shares transferred to Capital Reserve)			

Or

In the Books of Sunshine Ltd.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c ...Dr.		30,00,000	
	To Equity Shares Application A/c			30,00,000
	(Being the application money received for 75,000 shares)			
	Equity Shares Application A/c ...Dr.		30,00,000	
	To Equity Share Capital A/c			9,00,000
	To Securities Premium Reserve A/c			3,00,000
	To Equity Shares Allotment A/c			12,00,000
	To Bank A/c (15,000 × ₹ 40)			6,00,000
	(Being the allotment money adjusted and refunded the application money on 15,000 shares)			
	Equity Shares Allotment A/c ...Dr.		15,00,000	
	To Equity Share Capital A/c			12,00,000
	To Securities Premium Reserve A/c			3,00,000
	(Being the allotment due on 30,000 shares)			
	Bank A/c ...Dr.		2,90,000	
	To Equity Shares Allotment A/c			2,90,000

Or			
Bank A/c ...Dr.		2,90,000	
Calls-in-Arrears A/c ...Dr.		10,000	
To Equity Shares Allotment A/c			3,00,000
(Being the allotment money received except on 1,000 shares)			
Equity Shares First and Final Call A/c ...Dr.		9,00,000	
To Equity Share Capital A/c			9,00,000
(Being the first and final call due on 30,000 shares)			
Bank A/c ...Dr.		8,40,000	
To Equity Shares First and Final Call A/c			8,40,000
Or			
Bank A/c ...Dr.		8,40,000	
Calls-in-Arrears A/c ...Dr.		60,000	
To Equity Shares First and Final Call A/c			9,00,000
(Being the first and final call received except on 2,000 shares)			
Equity Share Capital A/c ...Dr.		2,00,000	
Securities Premium Reserve A/c ...Dr.		10,000	
To Forfeited Shares A/c (₹ 70,000 + ₹ 70,000)			1,40,000
To Equity Shares Allotment A/c			10,000
To Equity Shares First and Final Call A/c			60,000
(Being the forfeiture of 2,000 shares for non-payment of allotment money on 1,000 shares and call on 2,000 shares)			
Bank A/c ...Dr.		3,20,000	
To Equity Share Capital A/c			2,00,000
To Securities Premium Reserve A/c			1,20,000
(Being the reissue of 2,000 shares at ₹ 160 per share as fully paid)			
Forfeited Shares A/c ...Dr.		1,40,000	
To Capital Reserve A/c			1,40,000
(Being the gain on reissue transferred to Capital Reserve)			

Working Notes:

1. *Calculation of Amount due on Allotment but not paid by A:*

Number of Shares allotted to $A = \frac{30,000}{60,000} \times 2,000 = 1,000$ shares.

	₹
Application Money paid by *A* (2,000 × ₹ 40)	80,000
Less: Application Money adjusted on application (1,000 × ₹ 40)	40,000
Excess Application Money to be adjusted on allotment	40,000

	Towards Share Capital ₹	*Towards Securities Premium Reserve* ₹
Amount Due on Allotment	40,000 (*i.e.,* ₹ 40 × 1,000)	10,000 (*i.e.,* ₹ 10 × 1,000)
Less: Excess Application Money to be adjusted on Allotment	40,000	...
Amount due on Allotment but not paid by *A*	...	10,000

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

	₹	₹
Total allotment amount due (30,000 × ₹ 50)		15,00,000
Less: Excess Application Money adjusted on allotment	12,00,000	
Allotment money due but not paid by A	10,000	12,10,000
		2,90,000

PART B

23. (*i*—*b*), (*ii*—*c*), (*iii* – *a*)

24. Yes

25. Main Head: Current Liabilities, Sub-head: Other Current Liabilities.

26. Total Assets, Total of Equity and Liabilities.

27. Equity/Shareholders' Funds.

28. (*c*)

29. (*c*)

30. $$\text{Return on Investment} = \frac{\text{Net Profit before Interest, Tax and Dividend}}{\text{Capital Employed}} \times 100$$

$$= \frac{₹\ 11,00,000}{₹\ 80,00,000} \times 100 = 13.75\%.$$

Working Note:

Calculation of Net Profit before Interest, Tax and Dividend:

Let Net Profit before Tax = ₹ 100; Tax = ₹ 40

Net Profit after Interest and Tax = ₹ 100 – ₹ 40 = ₹ 60

$$\text{Net Profit before Tax} = ₹\ 6,00,000 \times \frac{₹\ 100}{₹\ 60} = ₹\ 10,00,000$$

$$\text{Net Profit before Interest and Tax} = ₹\ 10,00,000 + \left(₹\ 10,00,000 \times \frac{10}{100}\right) = ₹\ 11,00,000.$$

$$\text{Debt to Equity Ratio} = \frac{\text{Debt}}{\text{Equity (Shareholders' Funds)}}$$

$$= \frac{₹\ 10,00,000}{₹\ 70,00,000} = 0.143 : 1.$$

Debt = 10% Debentures = ₹ 10,00,000

Equity or Shareholders' Funds = Capital Employed – Debt

= ₹ 80,00,000 – ₹ 10,00,000 = ₹ 70,00,000.

Or

Let the amount of Current Liabilities to be paid be x then,

$$\frac{₹\ 3,00,000 - x}{₹\ 2,00,000 - x} = \frac{2}{1}$$

$$₹\ 3,00,000 - x = ₹\ 4,00,000 - 2x$$

$$x = ₹\ 1,00,000.$$

31. (*a*) Time Series Analysis involves comparison of ratios of one period with those of earlier periods for the same enterprise.

(*b*) Cross-sectional Analysis is the comparison of ratios of one firm with other similar firm(s) belonging to the same industry or industry average at the same point of time.

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

1. Assessing the profitability or earning capacity of the firm as a whole as well as its different departments so as to assess the financial health of the firm.
2. Assessing the operating efficiency with which resources are utilised in generating revenue.

Or

COMPARATIVE STATEMENT OF PROFIT AND LOSS *for the period 2015 and 2016*

Particulars	Note No.	2015 ₹	2016 ₹	Absolute Change (Increase or Decrease) (₹)	Percentage Change (Increase or Decrease) (%)
I. Revenue from Operations		6,00,000	**9,00,000**	3,00,000	50.00
II. *Expenses:*					
(*a*) Cost of Materials Consumed		3,60,000	4,50,000	**90,000**	25.00
(*b*) Other Expenses		48,000	**67,500**	19,500	40.63
Total Expenses		4,08,000	5,17,500	1,09,500	**26.84**
III. Profit before Tax (I – II)		1,92,000	3,82,500	1,90,500	99.22
IV. Tax		**96,000**	1,91,250	95,250	99.22
V. Profit after Tax (III – IV)		96,000	1,91,250	95,250	99.22

32. CASH FLOW STATEMENT *for the year ended 31st March, 2019*

Particulars		₹	₹
A. Cash Flow from Operating Activities			
Net Profit before Tax and Extraordinary Items (WN 1)		7,50,000	
Add: Depreciation on Fixed Assets		1,70,000	
Loss on Sale of Fixed Assets		20,000	
Interest on Debentures (WN 2)		88,000	
Operating Profit before Working Capital Changes		10,28,000	
Less: Increase in Current Assets and Decrease in Current Liabilities:			
Inventories	1,50,000		
Trade Receivables	50,000		
Trade Payables	1,50,000	3,50,000	
Cash Generated from Operating Activities		6,78,000	
Less: Tax Paid		1,00,000	
Cash Flow from Operating Activities			5,78,000
B. Cash Flow from Investing Activities			
Proceeds from Sale of Machinery (WN 3)		10,000	
Purchase of Machinery (WN 3)		(6,00,000)	
Proceeds from Sale of Non-current Investments		1,00,000	
Cash Used in Investing Activities			(4,90,000)
C. Cash Flow from Financing Activities			
Interim Dividend Paid		(1,00,000)	
Final Dividend Paid (Proposed Dividend for 2017–18)		(1,50,000)	
Bank Overdraft Raised		50,000	
Interest on Debentures		(88,000)	
Cash Proceeds from Long-term Borrowings		2,00,000	
Cash Used in Financing Activities			(88,000)
D. Net Increase/Decrease in Cash and Cash Equivalents (A + B + C)			Nil
E. *Add:* Opening Cash and Cash Equivalents (Cash and Bank Balances)			3,00,000
F. Closing Cash and Cash Equivalents (Cash and Bank Balances) (D + E)			3,00,000

Working Notes:

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

Particulars	₹
Profit for the Year (₹ 6,00,000 – ₹ 3,00,000)	3,00,000
Add: Interim Dividend Paid	1,00,000
Dividend Payable (Proposed Dividend for the year ended 31.3.2018)	1,50,000
Provision for Tax	2,00,000
Net Profit before Tax and Extraordinary Items	7,50,000

2. Interest on Debentures = (₹ 6,00,000 × 12/100 × 4/12) + (₹ 8,00,000 × 12/100 × 8/12)
= ₹ 24,000 + ₹ 64,000 = ₹ 88,000.

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

Particulars	₹	Particulars	₹
To Balance *b/d*	15,00,000	By Bank A/c—Sale	10,000
To Bank A/c—Balancing Figure (Purchase)	6,00,000	By Loss on Sale of Machinery A/c (Statement of Profit and Loss)	20,000
		By Depreciation A/c	1,70,000
		By Balance *c/d*	19,00,000
	21,00,000		21,00,000