Model Test Paper 1

Time Allowed: 3 Hours **Max. Marks: 80**

General Instructions:

1. This question paper contains ***two*** Parts **A** and **B**.
2. Part **A** is ***compulsory*** for all.
3. Part **B** has ***two*** options—Analysis of Financial Statements and Computerised Accounting. Attempt ***only one*** option of Part **B**.
4. ***All*** parts of a question should be attempted at one place.
5. There is no overall choice. However, an internal choice has been provided in 2 questions of three marks, 2 questions of four marks and 2 questions of eight marks.

PART A

ACCOUNTING FOR NOT-FOR-PROFIT ORGANISATIONS, PARTNERSHIP FIRMS AND COMPANIES

1. Income and Expenditure Account shows income and expenditure of

(*a*) Revenue nature only. (*b*) Capital nature only.

(*c*) Both (a) and (*b*). (*d*) None of the above. (1)

2. Pick the odd one out:

(*a*) Interest on Partner's Capital (*b*) Partners' Salaries/Commission

(*c*) Transfer of Part of Profit to Reserve (*d*) Interest on Partner's Loan (1)

3. Ratan Ltd. forfeited 5,000 shares of ₹ 10 each on which application money of ₹ 3 was received. Out of these 2,500 shares were reissued as fully paid-up and ₹ 5,000 has been transferred to Capital Reserve. Calculate the rate at which these shares were reissued.

(*a*) ₹ 10 per share (*b*) ₹ 9 per share

(*c*) ₹ 11 per Share (*d*) ₹ 8 per share (1)

4. At the time of reconstitution of partnership firm, which of the following adjustment is required?

(*a*) Determination of New Profit-sharing Ratio

(*b*) Treatment of Goodwill

(*c*) Revaluation of Assets and Reassessment of Liabilities

(*d*) All of the above (1)

5. Sacrificing Ratio =

(*a*) Gaining Ratio – Old Profit Share

(*b*) Old Profit Share – New Profit Share

(*c*) New Profit Share – Old Profit Share

(*d*) Old Profit Share – Gaining Ratio (1)

6. *A* and *B* are partners. Divisible profit as per Profit and Loss Appropriation Account is ₹ 2,50,000. Total interest on partners' drawings is ₹ 4,000. *A*'s salary is ₹ 4,000 per quarter and *B*'s salary is ₹ 40,000 per annum. What will be the net profit/loss earned during the year?

(*a*) ₹ 3,00,000 (*b*) ₹ 2,94,000

(*c*) ₹ 3,06,000 (*d*) ₹ 3,02,000 (1)

7. On retirement of a partner, the remaining partners compensate

(*a*) retiring partner only.

(*b*) remaining partners only who have sacrificed.

(*c*) retiring partner as well as remaining partner who have sacrificed.

(*d*) None of the above. (1)

8. *X* and *Y* were partners sharing profits and losses in the ratio of 3 : 2. At the time of dissolution of the firm, Workmen Compensation Reserve was ₹ 12,000 and liability did not exist in this respect. Journal entry will be:

			₹	₹
(*a*)	Realisation A/c	...Dr.	12,000	
	To Workmen Compensation Reserve A/c			12,000
(*b*)	Workmen Compensation Reserve A/c	...Dr.	12,000	
	To Bank A/c			12,000
(*c*)	Workmen Compensation Reserve A/c	...Dr.	12,000	
	To *X*'s Capital A/c			7,200
	To *Y*'s Capital A/c			4,800
(*d*)	Workmen Compensation Reserve A/c	...Dr.	12,000	
	To Realisation A/c			12,000

(1)

9. Authorised Capital is also known as

(*a*) Nominal Capital. (*b*) Registered Capital.

(*c*) Subscribed Capital. (*d*) Both (*a*) and (*b*). (1)

10. Which of the following factors affect goodwill?

(*a*) Favourable Location (*b*) Efficiency of Management

(*c*) Market situation (*d*) All of these (1)

11. Complete the following statement:

When there is neither Partnership Deed nor express agreement or Partnership Deed exists but it is silent on allowing remuneration to partners, the provisions of the ____________ would be applicable. (1)

12. If a fixed amount is withdrawn on the first day of every month of a financial year, the interest on total amount of drawings will be calculated for

(*a*) 4.5 months. (*b*) 5.5 months.

(*c*) 6 months. (*d*) 6.5 months. (1)

13. Stock ₹ 80,000, *X* took 50% of the stock at cost *less* 20%. Remaining stock was sold at a profit of 30% on cost. Realisation Account will be credited by

(*a*) ₹ 32,000. (*b*) ₹ 52,000.

(*c*) ₹ 84,000. (*d*) None of these. (1)

14. On the basis of the information given below, show the amount of stationery consumed in the Income and Expenditure Account of Good Health Sports Club for the year ended 31st March, 2020:

Particulars	1st April, 2019 (₹)	31st March, 2020 (₹)
Stock of Stationery	8,000	6,000
Creditors for Stationery	9,000	11,000

Stationery purchased during the year ended 31st March, 2020 was ₹ 47,000.

Or

From the following information, calculate the amount of subscriptions outstanding for the year ended 31st March, 2020:

India Sports Club has 250 members each paying an annual subscription of ₹ 1,000. Receipts and Payments Account for the year showed ₹ 2,65,000 received as subscriptions. Following additional information is provided:

	₹	
Subscriptions outstanding as on 31st March, 2019	40,000	
Subscriptions received in advance as on 31st March, 2020	30,000	
Subscriptions received in advance as on 31st March, 2019	12,000	(3)

15. Kavita, Meenakshi and Gauri are partners in a paper business. After the accounts of partnership had been prepared, it was noticed that for the years ending 31st March, 2019 and 2020, Interest on capital was allowed to partners @ 6% per annum although there is no provision for interest on capital in the Partnership Deed. Their fixed capitals were ₹ 2,00,000; ₹ 1,60,000 and ₹ 1,20,000 respectively. During the last two years, they had shared the profits as under:

Year	Ratio
31st March, 2019	3 : 2 : 1
31st March, 2020	5 : 3 : 2

Pass necessary adjusting entry on 1st April, 2020.

Or

Rehman, Suleman and Harish were partners in a firm sharing profits in the ratio of 7 : 2 : 1. Their fixed capitals were: Rehman ₹ 3,00,000, Suleman ₹ 2,00,000 and Harish ₹ 1,00,000. The Partnership Deed provided as follows for the division of profit:

(*i*) 10% of the Net Profit will be transferred to General Reserve.

(*ii*) Harish was guaranteed a profit of ₹ 50,000 p.a. Deficiency because of guarantee to Harish will be shared by Rehman and Suleman equally. Net Profit for the year ended 31st March, 2020 was ₹ 2,00,000.

Pass necessary Journal entries in the books of the firm. (4)

16. Complete the following Journal entries:

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Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
(*i*)	?	...Dr.		?	
	To ?				?
	To ?				?
	To ?				?
	(Forfeiture of 1,000 shares of ₹ 10 each, ₹ 8 called-up, on which allotment money of ₹ 2 and first call of ₹ 3 has not been received)				
(*ii*)	?	...Dr.		?	
	To ?				?
	To ?				?
	(Reissue of 1,000 forfeited shares fully paid-up at ₹ 11 per share)				
(*iii*)	?	...Dr.		?	
	To ?				?
	(Gain on the reissue of shares transferred to Capital Reserve Account)				

(4)

17. Pass the necessary Journal entries for the following transactions on dissolution of the firm of Sudha and Shiva after various assets (other than Cash and Bank) and outside liabilities have been transferred to Realisation Account:

(*i*) Sudha takes a part of the Sundry Assets at ₹ 72,000 (being 10% less than book value). Remaining Sundry Assets are sold at 90% of the book value. Sundry Assets transferred to Realisation Account were of ₹ 1,70,000.

(*ii*) Firm's Creditors were ₹ 10,00,000. Firm gave unrecorded assets valued at ₹ 3,20,000 plus Cash of ₹ 30,000 in settlement to a creditor of ₹ 5,00,000. Remaining creditors were paid the due amount *less* 10%.

(*iii*) ₹ 12,000 were received from a debtor which was written off as Bad Debt last year.

(*iv*) Sudha paid ₹ 50,000 as goodwill to use firm's name. (4)

18. (*a*) Arun, Bobby and Chintu entered into partnership of manufacturing and distributing educational CDs on 1st April, 2019. Arun looked after business development, Bobby content development and Chintu financed the project. At the end of the year on 31st March, 2020, Chintu demanded interest of 10% p.a. on the capital contributed by him. Other partners did not agree to his demand. How the dispute will be resolved within the provisions of Indian Partnership Act, 1932?

(*b*) 'Goodwill existing in the Books' and 'Goodwill valued' at the time of reconstitution of the firm have the same accounting treatment in the books. Do you agree with this statement? (4)

19. From the following Receipts and Payments Account of Relax Club, prepare Income and Expenditure Account for the year ended 31st March, 2020 and determine the 'Capital Fund' on 1st April, 2019:

RECEIPTS AND PAYMENTS ACCOUNT OF RELAX CLUB

Dr. *for the year ended 31st March, 2020* *Cr.*

Receipts		₹	Payments	₹
To Balance *b/d*		78,200	By Salaries	12,000
To Subscriptions:			By Newspaper	8,200
2018–19	4,800		By Electricity Expenses	4,000
2019–20	1,06,000		By Fixed Deposit (on 1st July, 2019 @ 9% p.a.)	80,000
2020–21	2,000	1,12,800	By Books	42,400
To Sale of Old Newspapers		5,000	By Rent	27,200
To General Donations		10,000	By Furniture	42,000
To Donation for Building		30,000	By Balance *c/d*	44,800
To Sale of Old Furniture (Book value ₹ 16,000)		22,800		
To Interest on Fixed Deposits		1,800		
		2,60,600		2,60,600

Additional Information:

(*a*) Subscriptions outstanding as on 31st March, 2019 were ₹ 8,000 and on 31st March, 2020 ₹ 10,000.

(*b*) On 31st March, 2020, salaries outstanding were ₹ 2,400 and rent outstanding was ₹ 4,800.

(*c*) The club owned furniture ₹ 60,000 and books ₹ 28,000 on 1st April, 2019. (6)

20. (*i*) Pranshu Ltd. took over business of Mahesh Ltd. on 1st April, 2020 for ₹ 57,00,000. The details of assets and liabilities to be taken over are:

Particulars	Book Value (₹)	Agreed Value (₹)
Building	30,00,000	35,00,000
Plant and Machinery	10,00,000	8,00,000
Stock	5,00,000	4,00,000
Sundry Debtors	5,00,000	4,00,000
Sundry Creditors	2,50,000	3,00,000
Outstanding Expenses	80,000	1,00,000

It was decided to pay for purchase consideration as ₹ 10,00,000 by Cheque and balance by issue of 9% Debentures of ₹ 100 each at a premium of 25%. Journalise.

(*ii*) On 1st April, 2019, Star Ltd. issued, 5,000, 8% Debentures of ₹ 100 each at premium of 5%, to be redeemed at a premium of 10%, after 5 years. The issue price was payable on application. The issue was oversubscribed to the extent of 5,000 debentures and the allotment was made proportionately to all the applicants. Securities premium amount was not utilised for any other purpose during the year. Give Journal entries for issue of debentures and writing off loss on issue of debentures. (6)

21. Given below is the Balance Sheet as at 31st March, 2020 of Madan and Krishna, who are carrying on business in partnership. Madan and Krishna share profits and losses in the ratio of 3 : 2.

BALANCE SHEET

Liabilities		₹	Assets		₹
Capital Accounts:			Goodwill		20,000
Madan	60,000		Plant and Machinery		1,20,000
Krishna	80,000	1,40,000	Land and Building		1,40,000
Current Accounts:			Debtors	1,90,000	
Madan	10,000		*Less:* Provision for Doubtful Debts	(40,000)	1,50,000
Krishna	30,000	40,000	Stock		40,000
General Reserve		1,00,000	Cash in Hand		30,000
Workmen Compensation Reserve		70,000	Cash at Bank		1,00,000
Creditors		2,50,000			
		6,00,000			6,00,000

They agreed to admit Ram into partnership for 1/5th share of profits on 1st April, 2020, on the following terms:

(*a*) All Debtors are good.

(*b*) Value of Land and Building to be increased to ₹ 1,80,000.

(*c*) Value of Plant and Machinery to be reduced by ₹ 20,000.

(*d*) Liability against Workmen's Compensation Reserve is determined at ₹ 40,000 which is to be paid later in the year.

(*e*) Ashok, to whom ₹ 25,000 were payable (included in above creditors), drew a bill of exchange for 3 months which was accepted.

(*f*) Ram to bring capital of ₹ 1,00,000 and ₹ 10,000 as premium for goodwill by bank draft.

Pass the necessary Journal entries to give effect to the above arrangement.

Or

X, *Y* and *Z* were partners in a firm sharing profits and losses in the ratio of their fixed capitals. Their Balance Sheet as at 31st March, 2020 was as follows:

BALANCE SHEET *as at 31st March, 2020*

Liabilities		₹	Assets		₹
Capitals:			Bank		51,000
X	5,00,000		Stock		9,000
Y	3,00,000		Debtors	15,000	
Z	2,00,000	10,00,000	*Less:* Provision for Doubtful Debts	1,500	13,500
General Reserve		75,000	*X*'s Loan		35,500
Creditors		53,000	Machinery		2,00,000
Outstanding Salary		7,000	Building		6,00,000
Y's Loan		15,000	Profit and Loss Account (For the year ending 31st March, 2020)		2,41,000
		11,50,000			11,50,000

On 1st April, 2020, Z retired from the firm on the following terms:

(*i*) Goodwill of the firm will be valued at two years' purchase of the Average Profit of last three years. Profits for the year ended 31st March, 2018 and 31st March, 2019 were ₹ 4,00,000 and ₹ 3,00,000 respectively.

(*ii*) Provision for Doubtful Debts will be maintained at 5% of the Debtors.

(*iii*) Building will be appreciated by ₹ 90,000 and Plant and Machinery will be reduced to ₹ 1,80,000.

(*iv*) X to repay his Loan.

(*v*) Loan repaid by X was to be used for payment to Z. The balance amount payable to Z was transferred to his Loan Account.

Prepare Revaluation Account, Partners' Capital Accounts and Partners' Current Accounts in the reconstituted firm. (8)

22. Sunrise Ltd. invited applications for allotting 5,00,000 equity shares of ₹ 10 each at par, amount being payable as follows:

On Application—₹ 1 per share;

On Allotment—₹ 2 per share;

On First call—₹ 3 per share;

On Second and Final call—Balance.

Applications for 8,00,000 shares were received. Applications for 1,00,000 shares were rejected and *pro rata* allotment was made to the remaining applicants. Excess money received with applications was adjusted towards amounts due on allotment. All calls were made. Raj, a shareholder holding 5,000 shares, did not pay the allotment and the call money. Shiv, a shareholder who had applied for 7,000 shares, did not pay the first and second and final call. Shares of Raj and Shiv were forfeited after the second and final call. Of the forfeited shares, 8,000 shares were reissued at ₹ 12 per share as fully paid-up. Reissued shares included all the forfeited shares of Raj.

Pass necessary Journal entries for the above transactions in the books of Sunrise Ltd.

Or

BMY Ltd. invited applications for issuing 10,00,000 equity shares of ₹ 10 each payable as follows:

On application and allotment—₹ 4 per share (including premium ₹ 1),

On first call—₹ 4 per share,

On second and final call—₹ 3 per share.

Applications for 15,00,000 shares were received and *pro rata* allotment was made to all the applicants. Excess application money was adjusted on the sums due on calls. A shareholder who had applied for 6,000 shares did not pay the first, and the second and final call. His shares were forfeited. 90% of the forfeited shares were reissued at ₹ 8 per share fully paid-up.

Pass necessary Journal entries for the above transactions in the books of the company. (8)

PART B

ANALYSIS OF FINANCIAL STATEMENTS

23. Which of the following is an example of Cash Flow from Operating Activities?

(*a*) Payment of Dividend (*b*) Issue of Shares

(*c*) Purchase of Fixed Assets for Cash (*d*) Receipts from Debtors (1)

24. From the following information, how much amount will be shown as Cash Flow from Financing Activities?

Particulars	31st March, 2020 (₹)	31st March, 2019 (₹)
Equity Share Capital	20,00,000	18,00,000
10% Debentures	2,00,000	3,00,000
Securities Premium Reserve	1,00,000	80,000

Additional Information: Debentures were redeemed on 31st March, 2020.

(*a*) ₹ 80,000 (*b*) ₹ 90,000

(*c*) ₹ 1,20,000 (*d*) ₹ 1,60,000 (1)

25. Can Net Profit Ratio be more than Operating Profit Ratio? State with reason. (1)

26. If Operating Cycle cannot be identified, it is assumed to be a period of

(*a*) 9 Months. (*b*) 10 Months.

(*c*) 12 Months. (*d*) 15 Months. (1)

27. Kaveri Ltd. a financing company, took loan of ₹ 20,00,000 during the year to be repaid in 5 yearly instalments starting after two years @ 10% p.a. It will be included in which of the following activities while preparing Cash Flow Statements?

(*a*) Investing Activities (*b*) Financing Activities

(*c*) Both Investing and Financing Activities (*d*) Operating Activities (1)

28. Current Ratio of 'Jayanti Ltd.' is 3 : 2. The Finance Manager wants to maintain it at 2 : 1. Following options are available:

(*i*) He can repay Trade payables.

(*ii*) He can discharge Bills Payable.

(*iii*) He can purchase Stock-in-Trade for cash.

(*iv*) He can sell the Fixed Asset (Book value ₹ 10,000) for ₹ 9,000.

Choose the correct option:

(*a*) (*i*) is correct (*b*) (*ii*) is correct

(*c*) (*i*) and (*iii*) are correct (*d*) (*i*), (*ii*) and (*iv*) are correct (1)

29. The main objective of computing ____________ is to determine the operational efficiency with which production and/or purchasing and selling operations are carried on.

(*a*) Gross Profit Ratio (*b*) Net Profit Ratio

(*c*) Operating Ratio (*d*) Current Ratio (1)

30. From the following information, calculate Inventory Turnover Ratio:

Cash Revenue from Operations	:	₹ 10,00,000
Credit Revenue from Operations	:	120% of Cash Revenue from Operations
Gross Profit Ratio	:	40%
Opening Stock	:	₹ 1,50,000
Closing Stock	:	₹ 20,000 more than Opening Stock

Or

Net Profit after Interest and Tax	:	₹ 3,00,000
10% Long-term Loan from SBI	:	₹ 3,00,000
12% Debentures	:	₹ 10,00,000
Tax Rate	:	50%

Calculate Interest Coverage Ratio. (3)

31. From the following information, prepare a Comparative Statement of Profit and Loss of R.K. Ltd. for the year ended 31st March, 2020:

Particulars	31st March, 2020	31st March, 2019
Revenue from Operations	₹ 20,00,000	₹ 10,00,000
Cost of Materials Consumed (% of Revenue from Operations)	75%	60%
Other Expenses	₹ 6,00,000	₹ 5,50,000
Tax Rate	40%	30%

Or

From the following information, prepare Comparative Balance Sheet:

Particulars	31st March, 2020 (₹)	31st March, 2019 (₹)
Share Capital	30,00,000	22,50,000
Reserves and Surplus	3,00,000	4,00,000
Long-term Borrowings	9,00,000	6,00,000
Short-term Borrowings	3,00,000	2,00,000
Fixed Assets: (*a*) Tangible	30,00,000	22,50,000
(*b*) Intangible	9,00,000	6,00,000
Inventories	1,50,000	3,00,000
Trade Receivables	1,50,000	1,00,000
Cash and Cash Equivalents	3,00,000	2,00,000

(4)

32. Cash Used in Operating Activities of Grand Stores Ltd. for the year ended 31st March, 2019 was ₹ 18,000. The Balance Sheet along with Notes to Accounts of Grand Stores Ltd. as at 31st March, 2019 is given below:

Particulars	Note No.	31st March, 2019 (₹)	31st March, 2018 (₹)
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(*a*) Share Capital		18,00,000	10,00,000
(*b*) Reserves and Surplus	1	50,000	40,000
2. Non-Current Liabilities			
Long-term Borrowings	2	1,00,000	4,00,000
3. Current Liabilities			
Short-term Provisions	3	2,50,000	3,60,000
Total		22,00,000	18,00,000
II. ASSETS			
1. Non-Current Assets			
Fixed Assets:			
(*i*) Tangible Assets	4	14,00,000	10,00,000
(*ii*) Intangible Assets	5	1,80,000	70,000
2. Current Assets			
(*a*) Current Investments		30,000	1,90,000
(*b*) Trade Receivables		2,90,000	3,10,000
(*c*) Cash and Cash Equivalents		3,00,000	2,30,000
Total		22,00,000	18,00,000

Notes to Accounts

Particulars	31st March, 2019 (₹)	31st March, 2018 (₹)
1. Reserves and Surplus		
Surplus, *i.e.*, Balance in Statement of Profit and Loss	50,000	40,000
	50,000	40,000
2. Long-term Borrowings		
8% Debentures	1,00,000	4,00,000
	1,00,000	4,00,000
3. Short-term Provisions		
Provision for Tax	2,50,000	3,60,000
	2,50,000	3,60,000
4. Tangible Assets		
Plant and Machinery	15,20,000	10,90,000
Less: Accumulated Depreciation	(1,20,000)	(90,000)
	14,00,000	10,00,000
5. Intangible Assets		
Goodwill	1,80,000	70,000
	1,80,000	70,000

You are given the following additional information:

(*i*) A machinery of the book value of ₹ 40,000 (Depreciation provided thereon ₹ 12,000) was sold at a loss of ₹ 6,000.

(*ii*) 8% Debentures were redeemed on 1st July, 2018.

Prepare Cash Flow Statement. (6)

Answers

PART A

1. (*a*) Revenue nature only.

2. (*d*) Interest on Partner's Loan.

3. (*b*) ₹ 9 per share.

Working Note:

	₹
Amount forfeited on 2,500 shares = 2,500 × ₹ 3	7,500
Less: Discount on reissue (Balancing Figure)	2,500
Amount transferred to Capital Reserve	5,000

Discount on reissue per share = ₹ 2,500/2,500 = ₹ 1

Reissue price = ₹ 10 – ₹ 1 = ₹ 9 per share.

4. (*d*) All of the above.

5. (*b*) Old Profit Share – New Profit Share.

6. (*d*) ₹ 3,02,000.

Working Note:

Net Profit during the year = Divisible Profits + Salary to Partners – Interest on Drawings

= ₹ 2,50,000 + ₹ 16,000 + ₹ 40,000 – ₹ 4,000 = ₹ 3,02,000.

7. (*c*) retiring partner as well as remaining partner who have sacrificed.

8. (*c*)

Workmen Compensation Reserve A/c	...Dr.	12,000	
To *X*'s Capital A/c			7,200
To *Y*'s Capital A/c			4,800

9. (*d*) Both (*a*) and (*b*)

10. (*d*) All of these.

11. Indian Partnership Act, 1932.

12. (*d*) 6.5 months.

13. (*c*) ₹ 84,000.

Working Note:

50% stock = ₹ 32,000 (*i.e.*, ₹ 40,000 – 20% of ₹ 40,000)

50 % stock = ₹ 52,000 (*i.e.*, ₹ 40,000 + 30% of ₹ 40,000)

Total = ₹ 32,000 + ₹ 52,000 = ₹ 84,000.

14.

AN EXTRACT OF INCOME AND EXPENDITURE ACCOUNT

Dr. *for the year ended 31st March, 2020* *Cr.*

Expenditure	₹	Income	₹
To Stationery Consumed (Note 1)	49,000		

Notes: 1. Stationery consumed (2019–20) = Opening Stock + Purchases – Closing Stock

= ₹ 8,000 + ₹ 47,000 – ₹ 6,000 = ₹ 49,000.

2. Opening and closing creditors are ignored as they are already adjusted in purchases.

Or

Calculation of subscriptions outstanding for the year 2019–20:		₹
Subscriptions received during the year		2,65,000
Add: Subscriptions Received in Advance as on 31st March, 2019		12,000
		2,77,000
Less: Subscriptions received in advance as on 31st March, 2020	30,000	
Subscriptions Outstanding as on 31st March, 2019 received	40,000	70,000
Subscriptions received for the year 2019–20		2,07,000
Subscriptions Receivable for the year 2019–20 (250 members × ₹ 1,000)		2,50,000
Less: Subscriptions received for the year 2019–20		2,07,000
Subscriptions outstanding for the year 2019–20, *i.e.*, (₹ 2,50,000 – ₹ 2,07,000)		43,000

Alternative Method:

Dr. SUBSCRIPTIONS ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Outstanding Subscriptions A/c (Opening)	40,000	By Advance Subscriptions A/c (Opening)	12,000
To Income and Expenditure A/c (250 × ₹ 1,000)	2,50,000	By Bank A/c	2,65,000
To Advance Subscriptions A/c (Closing)	30,000	By Subscriptions Outstanding A/c (Closing) (Balancing Figure)	**43,000**
	3,20,000		3,20,000

15. TABLE SHOWING ADJUSTMENT

Particulars		Kavita (₹)	Meenakshi (₹)	Gauri (₹)	Total (₹)
Interest on Capital (2018–19)	...Dr.	12,000	9,600	7,200	28,800
Interest on Capital (2019–20)	...Dr.	12,000	9,600	7,200	28,800
Total	...Dr.	24,000	19,200	14,400	57,600
Profit to be credited (2018–19)	...Cr.	14,400	9,600	4,800	28,800
Profit to be credited (2019–20)	...Cr.	14,400	8,640	5,760	28,800
Total	...Cr.	28,800	18,240	10,560	57,600
Adjustment		4,800 (Cr.)	960 (Dr.)	3,840 (Dr.)	

JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2020					
April 1	Meenakshi's Current A/c	...Dr.		960	
	Gauri's Current A/c	...Dr.		3,840	
	To Kavita's Current A/c				4,800
	(Adjustment for interest on capital for the year 2018–19 and 2019–20)				

Or

JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2020					
March 31	Profit and Loss A/c	...Dr.		2,00,000	
	To Profit and Loss Appropriation A/c				2,00,000
	(Profit transferred to Profit and Loss Appropriation Account)				
	Profit and Loss Appropriation A/c	...Dr.		20,000	
	To General Reserve A/c				20,000
	(10% of net profit transferred to General Reserve A/c)				
	Profit and Loss Appropriation A/c	...Dr.		1,80,000	
	To Rehman's Current A/c				1,26,000
	To Suleman's Current A/c				36,000
	To Harish's Current A/c				18,000
	(Profit distributed in the ratio of 7 : 2 : 1)				
	Rehman's Current A/c	...Dr.		16,000	
	Suleman's Current A/c	...Dr.		16,000	
	To Harish's Current A/c				32,000
	(Deficiency of Harish met by Rehman and Suleman equally)				

Working Notes:

(*i*) Harish's actual share of profit = ₹ 1,80,000 × 1/10 = ₹ 18,000.

(*ii*) Deficiency = ₹ 50,000 (Guaranteed Profit) – ₹ 18,000 = ₹ 32,000.

(*iii*) Deficiency borne by Rehman and Suleman equally, *i.e.*, ₹ 32,000 × 1/2 = ₹ 16,000 each.

16.

JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
(*i*)	**Share Capital A/c**	...Dr.		**8,000**	
	To **Forfeited Shares A/c**				**3,000**
	To **Shares Allotment A/c**				**2,000**
	To **Shares First Call A/c**				**3,000**
	(Forfeiture of 1,000 shares of ₹ 10 each, ₹ 8 called-up, on which allotment money of ₹ 2 and First Call of ₹ 3 has not been received)				
(*ii*)	**Bank A/c**	...Dr.		**11,000**	
	To **Share Capital A/c**				**10,000**
	To **Securities Premium Reserve A/c**				**1,000**
	(Reissue of 1,000 forfeited shares fully paid-up at ₹ 11 per share)				
(*iii*)	**Forfeited Shares A/c**	...Dr.		**3,000**	
	To **Capital Reserve A/c**				**3,000**
	(Gain on the reissue of shares transferred to Capital Reserve Account)				

17. JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
(*i*)	Sudha's Capital A/c	...Dr.		72,000	
	Bank A/c	...Dr.		81,000	
	To Realisation A/c				1,53,000
	(Sundry assets of book value of ₹ 80,000 taken by Sudha at 10% less and balance sold at 90% of book value) (WN 1)				
(*ii*)	Realisation A/c	...Dr.		4,80,000	
	To Bank A/c				4,80,000
	(Creditors paid) (WN 2)				
(*iii*)	Bank A/c	...Dr.		12,000	
	To Realisation A/c				12,000
	(Bad debts written off last year received)				
(*iv*)	Bank A/c	...Dr.		50,000	
	To Realisation A/c				50,000
	(Amount received from Sudha towards goodwill)				

Working Notes:

1. (*a*) *Calculation of book value of Sundry Assets taken by Sudha:*

Let book value be ₹ 100; Agreed value, *i.e.*, 10% less than Book Value = ₹ 100 – ₹ 10 = ₹ 90

Book value of Sundry Assets taken by Sudha = ₹ 72,000 × 100/90 = ₹ 80,000.

(*b*) *Calculation of sale value of remaining Sundry Assets sold by firm:*

	₹
Book value of Total Sundry Assets	1,70,000
Less: Book value of Total Sundry Assets taken by Sudha	80,000
Book Value of remaining Sundry Assets	90,000
Sales Value of remaining Sundry Assets = ₹ 90,000 × 90/100	81,000

2. 50% of creditors accepted assets plus cash of ₹ 30,000. When an asset (whether recorded or unrecorded) is given to creditors in payment of their dues, the agreed amount of asset is deducted from the claim of creditors and balance is paid to them. NO ENTRY is passed for the transfer of asset to the creditors.

Calculation of cash paid to creditors:

	₹
Cash paid to 50% creditors	30,000
Add: Remaining 50% creditors were paid at a discount of 10%	
= ₹ 5,00,000 – 10% of ₹ 5,00,000	4,50,000
Total amount paid to creditors	4,80,000

18. (*a*) In the absence of Partnership Deed, partner is not entitled to interest on capital. Thus, interest on capital will not be allowed to Chintu.

(*b*) I do not agree with this statement.

'Goodwill existing in the Books' is *'Purchased Goodwill'*, it is written off by debit to Partners' Capital/Current Accounts in their old profit-sharing ratio at the time of firm's reconstitution.

'Goodwill valued' is the self-generated, which is determined by the partners so that gaining partners compensate the sacrificing partner(s).

19.

Dr. INCOME AND EXPENDITURE ACCOUNT *for the year ended 31st March, 2020* *Cr.*

Expenditure		₹	Income		₹
To Salary A/c	12,000		By Subscription A/c (WN)		1,12,800
Add: Outstanding Salary	2,400	14,400	By Sale of Old Newspapers		5,000
To Newspaper Expenses		8,200	By General Donations		10,000
To Electricity Expenses		4,000	By Gain on Sale of Furniture (₹ 22,800 – ₹ 16,000)		6,800
To Rent	27,200		By Interest on Fixed Deposit Received	1,800	
Add: Outstanding Rent	4,800	32,000	*Add:* Accrued Interest (₹ 80,000 ×		
To Surplus, *i.e.*, Excess of Income			9/12 × 9/100 – ₹ 1,800)	3,600	5,400
over Expenditure		81,400			
		1,40,000			1,40,000

Calculation of Capital Fund:

BALANCE SHEET *as on 1st April, 2019*

Liabilities	₹	Assets	₹
Capital Fund (Balancing Figure)	1,74,200	Cash	78,200
		Furniture	60,000
		Books	28,000
		Subscription Outstanding	8,000
	1,74,200		1,74,200

Working Note:

Dr. SUBSCRIPTION ACCOUNT *Cr.*

Particulars	₹	Particulars		₹
To Subscription Due A/c (Opening)	8,000	By Bank A/c:		1,12,800
To Income and Expenditure A/c (Bal. Fig.)	1,12,800	By Outstanding Subscription A/c:		
To Advance Subscription A/c (End)	2,000	2018–19: (₹ 8,000 – ₹ 4,800)	3,200	
		2019–20: (₹ 10,000 – ₹ 3,200)	6,800	10,000
	1,22,800			1,22,800

20. (*i*) JOURNAL OF PRANSHU LTD.

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2020					
April 1	Building A/c	...Dr.		35,00,000	
	Plant and Machinery A/c	...Dr.		8,00,000	
	Stock A/c	...Dr.		4,00,000	
	Sundry Debtors A/c	...Dr.		4,00,000	
	Goodwill A/c (Balancing Figure)	...Dr.		**10,00,000**	
	To Sundry Creditors A/c				3,00,000
	To Outstanding Expenses A/c				1,00,000
	To Mahesh Ltd.				57,00,000
	(Assets and liabilities of business taken over, recorded at agreed value)				
	Mahesh Ltd.	...Dr.		57,00,000	
	To Bank A/c				10,00,000
	To 9% Debentures A/c (37,600 × ₹ 100)				37,60,000
	To Securities Premium Reserve A/c				9,40,000
	(Purchase consideration paid to Mahesh Ltd.)				

Note: Number of Debentures to be issued =₹ 47,00,000/₹ 125 = 37,600 Debentures.

(*ii*) JOURNAL OF STAR LTD.

Date		Particulars		L.F.	Dr. (₹)	Cr. (₹)
2019						
April	1	Bank A/c	...Dr.		10,50,000	
		To Debentures Application and Allotment A/c				10,50,000
		(Application money received on 10,000, 8% Debentures)				
April	1	Debentures Application and Allotment A/c	...Dr.		10,50,000	
		Loss on Issue of Debentures A/c	...Dr.		50,000	
		To 8% Debentures A/c				5,00,000
		To Securities Premium Reserve A/c				25,000
		To Premium on Redemption of Debentures A/c				50,000
		To Bank A/c				5,25,000
		(Debentures allotted and the balance refunded)				
2020						
March	31	Securities Premium Reserve A/c	...Dr.		25,000	
		Statement of Profit and Loss	...Dr.		25,000	
		To Loss on Issue of Debentures A/c				50,000
		(Loss on issue of debentures written off)				

21. JOURNAL

Date		Particulars		L.F.	Dr. (₹)	Cr. (₹)
2020						
April	1	Revaluation A/c	...Dr.		20,000	
		To Plant and Machinery A/c				20,000
		(Plant and machinery revalued)				
April	1	Land and Building A/c	...Dr.		40,000	
		Provision for Doubtful Debts A/c	...Dr.		40,000	
		To Revaluation A/c				80,000
		(Land and Building revalued and Provision for Doubtful Debts written back)				
April	1	Creditors A/c	...Dr.		25,000	
		To Bills Payable A/c				25,000
		(Bills accepted from Ashok)				
April	1	Revaluation A/c	...Dr.		60,000	
		To Madan's Current A/c				36,000
		To Krishna's Current A/c				24,000
		(Gain (Profit) on revaluation credited to Partners' Current Accounts) (WN)				
April	1	Madan's Current A/c	...Dr.		12,000	
		Krishna's Current A/c	...Dr.		8,000	
		To Goodwill A/c				20,000
		(Existing goodwill written off in the old ratio)				

April 1	Bank A/c ...Dr.			1,10,000	
	To Ram's Capital A/c				1,00,000
	To Premium for Goodwill a/c				10,000
	(Capital and premium brought in by new partner)				
April 1	Premium for Goodwill A/c ...Dr.			10,000	
	To Madan's Current A/c				6,000
	To Krishna's Current A/c				4,000
	(Premium distributed among sacrificing partners in 3 : 2)				
April 1	General Reserve A/c ...Dr.			1,00,000	
	To Madan's Current A/c				60,000
	To Krishna's Current A/c				40,000
	(Reserve distributed among old partners)				
April 1	Workmen Compensation Reserve A/c ...Dr.			70,000	
	To Claim for Workmen Compensation A/c				40,000
	To Madan's Current A/c				18,000
	To Krishna's Current A/c				12,000
	(Provision for workmen compensation provided and balance reserve distributed among old partners)				

Working Note:

Dr. REVALUATION ACCOUNT *Cr.*

Particulars		₹	Particulars	₹
To Plant and Machinery A/c		20,000	By Land and Building A/c	40,000
To Gain (Profit) transferred to:			By Provision for Doubtful Debts A/c	40,000
Madan's Current A/c (3/5)	36,000			
Krishna's Current A/c (2/5)	24,000	60,000		
		80,000		80,000

Or

Dr. REVALUATION ACCOUNT *Cr.*

Particulars		₹	Particulars	₹
To Machinery A/c		20,000	By Provision for Doubtful Debts A/c	750
To Gain (Profit) transferred to Partners' Current A/cs:			(₹ 1,500 – 5% of ₹ 15,000, *i.e.*, ₹ 750)	
X	35,375		By Building A/c	90,000
Y	21,225			
Z	14,150	70,750		
		90,750		90,750

Dr. PARTNERS' CURRENT ACCOUNTS *Cr.*

Particulars	*X* (₹)	*Y* (₹)	Z (₹)	Particulars	*X* (₹)	*Y* (₹)	Z (₹)
To *Z*'s Current A/c (WN)	38,250	22,950	...	By Revaluation A/c	35,375	21,225	14,150
To Profit and Loss A/c	1,20,500	72,300	48,200	By *X*'s Current A/c (WN)	...	...	38,250
To *Z*'s Capital A/c (Bal. Fig.)	...	...	42,150	By *Y*'s Current A/c (WN)	...	...	22,950
				By General Reserve A/c	37,500	22,500	15,000
				By Balance *c/d* (Bal. Fig.)	85,875	51,525	...
	1,58,750	95,250	90,350		1,58,750	95,250	90,350

Dr. PARTNERS' CAPITAL ACCOUNTS *Cr.*

Particulars	X (₹)	Y (₹)	Z (₹)	Particulars	X (₹)	Y (₹)	Z (₹)
To Bank A/c	...	...	35,500	By Balance *b/d*	5,00,000	3,00,000	2,00,000
To *Z*'s Loan A/c	...	...	2,06,650	By *Z*'s Current A/c	...	...	42,150
To Balance *c/d*	5,00,000	3,00,000	...				
	5,00,000	3,00,000	2,42,150		5,00,000	3,00,000	2,42,150

Working Note:

Goodwill of the firm = $\frac{(₹\ 4,00,000 + ₹\ 3,00,000 - ₹\ 2,41,000)}{3} \times 2 = ₹\ 3,06,000.$

Z's Share of Goodwill = ₹ 3,06,000 × 2/10 = ₹ 61,200, which is contributed by *X* and *Y* in their gaining ratio, *i.e.*, 5 : 3. *X* will contribute ₹ 38,250 and *Y* ₹ 22,950.

22. JOURNAL OF SUNRISE LTD.

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	...Dr.		8,00,000	
	To Equity Shares Application A/c				8,00,000
	(Application money received @ ₹ 1 per share for 8,00,000 shares)				
	Equity Shares Application A/c	...Dr.		8,00,000	
	To Equity Share Capital A/c (5,00,000 × ₹ 1)				5,00,000
	To Equity Shares Allotment A/c				2,00,000
	To Bank A/c (1,00,000 × ₹ 1)				1,00,000
	(Application money adjusted)				
	Equity Shares Allotment A/c	...Dr.		10,00,000	
	To Equity Share Capital A/c				10,00,000
	(Allotment money due on 5,00,000 equity shares @ ₹ 2 each)				
	Bank A/c	...Dr.		7,92,000	
	To Equity Shares Allotment A/c				7,92,000
	Or				
	Bank A/c	...Dr.		7,92,000	
	Calls-in-Arrears A/c (WN 1)	...Dr.		8,000	
	To Equity Shares Allotment A/c				8,00,000
	(Allotment money received on 4,95,000 shares)				
	Equity Shares First Call A/c	...Dr.		15,00,000	
	To Equity Shares Capital A/c				15,00,000
	(First call money due on 5,00,000 equity shares)				
	Bank A/c	...Dr.		14,70,000	
	To Equity Shares First Call A/c				14,70,000
	Or				
	Bank A/c	...Dr.		14,70,000	
	Calls-in-Arrears A/c (10,000 × ₹ 3)	...Dr.		30,000	
	To Equity Shares First Call A/c				15,00,000
	(First call money received on 4,90,000 shares)				

Equity Shares Second and Final Call A/c ...Dr.			20,00,000	
To Equity Share Capital A/c				20,00,000
(Second and final call money due on 5,00,000 shares)				
Bank A/c ...Dr.			19,60,000	
To Equity Shares Second and Final Call A/c				19,60,000
Or				
Bank A/c ...Dr.			19,60,000	
Calls-in-Arrears A/c (10,000 × ₹ 4) ...Dr.			40,000	
To Equity Shares Second and Final Call A/c				20,00,000
(Second and final call money received on 4,90,000 shares)				
Equity Share Capital A/c (10,000 × ₹ 10) ...Dr.			1,00,000	
To Equity Shares Allotment A/c				8,000
To Equity Shares First Call A/c				30,000
To Equity Shares Second and Final Call A/c				40,000
To Forfeited Shares A/c (₹ 7,000 + ₹ 15,000)				22,000
Or				
Equity Share Capital A/c (10,000 × ₹ 10) ...Dr.			1,00,000	
To Forfeited Shares A/c (₹ 15,000 + ₹ 7,000)				22,000
To Calls-in-Arrears A/c (₹ 8,000 + ₹ 30,000 + ₹ 40,000)				78,000
(10,000 shares forfeited for non-payment of allotment, first call and second and final call)				
Bank A/c (8,000 × ₹ 12) ...Dr.			96,000	
To Equity Share Capital A/c (8,000 × ₹ 10)				80,000
To Securities Premium Reserve A/c (8,000 × ₹ 2)				16,000
(8,000 forfeited shares reissued at ₹ 12 per share fully paid-up)				
Forfeited Shares A/c ...Dr.			16,000	
To Capital Reserve A/c				16,000
(Gain on reissued shares transferred to Capital Reserve)				

Working Notes:

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

		₹
(*i*)	Total No. of shares applied by Raj = 7,00,000/5,00,000 × 5,000 = 7,000 shares.	
(*ii*)	Application money received on shares applied (7,000 × ₹ 1)	7,000
(*iii*)	Excess Application money adjusted on allotment [₹ 7,000 – (5,000 × ₹ 1)]	2,000
(*iv*)	Allotment money due on shares allotted (5,000 × ₹ 2)	10,000
(*v*)	Allotment money due but not paid by Raj (₹ 10,000 – ₹ 2,000)	8,000

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

	₹	₹
Total allotment money due (5,00,000 × ₹ 2)		10,00,000
Less: (*a*) Excess application money to be adjusted on allotment	2,00,000	
(*b*) Not received from Ahok (WN 1)	8,000	2,08,000
		7,92,000

3. *Calculation of Gain (Profit) on reissue to be transferred to Capital Reserve:*

	₹
Amount forfeited on Raj's 5,000 shares	7,000
Amount forfeited on Shiv's 3,000 shares (₹ 15,000 × 3,000/5,000)	9,000
Gain (Profit) on reissue to be transferred to Capital Reserve	16,000

Or

JOURNAL OF BMY LTD.

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	...Dr.		60,00,000	
	To Equity Shares Application and Allotment A/c				60,00,000
	(Application money received for 15,00,000 shares)				
	Equity Shares Application and Allotment A/c	...Dr.		60,00,000	
	To Equity Share Capital A/c (10,00,000 × ₹ 3)				30,00,000
	To Securities Premium Reserve A/c (10,00,000 × ₹ 1)				10,00,000
	To Calls-in-Advance A/c				20,00,000
	(Application and allotment money transferred to Equity Share Capital Account, Securities Premium Reserve Account and Calls-in-Advance Account)				
	Equity Shares First Call A/c (10,00,000 × ₹ 4)	...Dr.		40,00,000	
	To Equity Share Capital A/c				40,00,000
	(First call money due on 10,00,000 shares)				
	Bank A/c	...Dr.		19,92,000	
	Calls-in-Advance A/c	...Dr.		20,00,000	
	To Equity Shares First Call A/c				39,92,000
	Or				
	Bank A/c (WN 2)	...Dr.		19,92,000	
	Calls-in-Arrears A/c (WN 1)	...Dr.		8,000	
	Calls-in-Advance A/c	...Dr.		20,00,000	
	To Equity Shares First Call A/c				40,00,000
	(First call money received except on 4,000 shares and Calls-in-Advance adjusted)				
	Equity Shares Second and Final Call A/c	...Dr.		30,00,000	
	To Equity Share Capital A/c				30,00,000
	(Second and final call money due on 10,00,000 shares)				
	Bank A/c	...Dr.		29,88,000	
	To Equity Shares Second and Final Call A/c				29,88,000
	Or				
	Bank A/c	...Dr.		29,88,000	
	Calls-in-Arrears A/c	...Dr.		12,000	
	To Equity Shares Second and Final Call A/c				30,00,000
	(Second and final call money received except on 4,000 shares)				
	Equity Share Capital A/c (4,000 × ₹ 10)	...Dr.		40,000	
	To Forfeited Shares A/c				20,000
	To Equity Shares First Call A/c				8,000
	To Equity Shares Second and Final Call A/c				12,000
	Or				
	Equity Share Capital A/c	...Dr.		40,000	
	To Forfeited Shares A/c				20,000
	To Calls-in-Arrears A/c				20,000
	(Forfeiture of 4,000 shares for non-payment of both the calls)				
	Bank A/c (3,600 × ₹ 8)	...Dr.		28,800	
	Forfeited Shares A/c	...Dr.		7,200	
	To Equity Share Capital A/c				36,000
	(3,600 shares reissued at ₹ 8 per share as fully paid-up)				
	Forfeited Shares A/c	...Dr.		10,800	
	To Capital Reserve A/c				10,800
	(Gain on reissue of forfeited shares transferred to Capital Reserve)				

Working Notes:

1. *Calculation of first call money not received:*

Number of shares allotted to the defaulting shareholder = $\frac{10,00,000}{15.00,000} \times 6,000 = 4,000$ shares.

	₹
Excess Application and Allotment money received (2,000 × ₹ 4) = ₹ 8,000	
First call money due (4,000 × ₹ 4)	16,000
Less: Excess Application and Allotment Money adjusted	8,000
First Call Money due but not received	8,000

2. *Calculation of first call money received later on:*

	₹	₹
First call money due (10,00,000 × ₹ 4)		40,00,000
Less: Excess Application and Allotment money adjusted on call	20,00,000	
Money not paid by defaulting shareholder (WN 1)	8,000	20,08,000
		19,92,000

3. *Calculation of gain on reissue of forfeited shares to be transferred to Capital Reserve:*

	₹
Amount forfeited on forfeited shares (₹ 20,000/4,000 × 3,600)	18,000
Less: Reissue discount (3,600 × ₹ 2)	7,200
Gain on reissue to be transferred to Capital Reserve	10,800

PART B

23. (*d*) Amount received from debtors.

24. (*b*) ₹ 90,000

CALCULATION OF CASH FLOW FROM FINANCING ACTIVITIES

Particulars	₹
Proceeds from Issue of Shares (Including Premium)	2,20,000
Interest paid on 10% Debentures	(30,000)
Redemption of 10% Debentures	(1,00,000)
Cash Flow from Financing Activities	90,000

25. Yes, if non-operating income exceeds non-operating expenses.

26. (*c*) 12 months.

27. (*b*) Financing Activities.

28. (*d*) (*i*), (*ii*) and (*iv*) are correct.

29. (*c*) Operating Ratio.

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

$$= \frac{₹\ 13,20,000}{₹\ 1,60,000} = 8.25 \text{ Times.}$$

Working Notes:

(*i*) Total Revenue from Operations = Cash Revenue from Operations + Credit Revenue from Operations
= ₹ 10,00,000 + (₹ 10,00,000 × 120/100) = ₹ 22,00,000.

(*ii*) Gross Profit = Total Revenue from Operations × Rate of Gross Profit/100
= ₹ 22,00,000 × 40/100 = ₹ 8,80,000.

(*iii*) Cost of Revenue from Operations = Total Revenue from Operations – Gross Profit
= ₹ 22,00,000 – ₹ 8,80,000 = ₹ 13,20,000.

(*iv*) Average Inventory $= \frac{\text{Opening Inventory + Closing Inventory}}{2}$

$$= \frac{₹\ 1,50,000 + ₹\ 1,70,000}{2} = ₹\ 1,60,000.$$

Or

Net Profit before Interest and Tax:		₹
Net profit after Interest and Tax		3,00,000
Add: Tax @ 50%		3,00,000
Net Profit after interest but before tax		6,00,000
Add: Interest on Long-term Borrowings:		
Interest on Long-term Loan (10% of ₹ 3,00,000)	30,000	
Interest on Debentures (₹ 10,00,000 × 12/100)	1,20,000	1,50,000
Net Profit before Interest and Tax		7,50,000

Interest Coverage Ratio $= \frac{\text{Net Profit before Interest and Tax}}{\text{Interest on Long-term Borrowings}}$

$$= \frac{₹\ 7,50,000}{₹\ 1,50,000} = 5 \text{ Times.}$$

31. COMPARATIVE STATEMENT OF PROFIT AND LOSS *for the years ended 31st March, 2019 and 2020*

Particulars	Note No.	31st March, 2019 (₹)	31st March, 2020 (₹)	Absolute Change (₹)	Percentage Change (%)
I. **Revenue from Operations**		10,00,000	20,00,000	10,00,000	100.00
II. **Expenses**					
(*a*) Cost of Materials Consumed		6,00,000	15,00,000	9,00,000	150.00
(*b*) Other Expenses		5,50,000	6,00,000	50,000	9.09
Total Expenses		11,50,000	21,00,000	9,50,000	82.61
III. **Profit before Tax (I – II)**		(1,50,000)	(1,00,000)	(50,000)	(33.33)
IV. Tax		...	...	...	...
V. **Profit after Tax (III – IV)**		(1,50,000)	(1,00,000)	(50,000)	(33.33)

Note: Since there is loss, tax will not be adjusted.

Or

COMPARATIVE BALANCE SHEET *as at 31st March, 2019 and 2020*

A Particulars	*B* 31st March, 2019 ₹	*C* 31st March, 2020 ₹	*D = C – B* Absolute Change ₹	*E = D/B × 100* Percentage Change (%)
I. EQUITY AND LIABILITIES				
1. Shareholders' Funds				
(*a*) Share Capital	22,50,000	30,00,000	7,50,000	33.33
(*b*) Reserves and Surplus	4,00,000	3,00,000	(1,00,000)	(25.00)
2. Non-Current Liabilities				
Long-term Borrowings	6,00,000	9,00,000	3,00,000	50.00
3. Current Liabilities				
Short-term Borrowings	2,00,000	3,00,000	1,00,000	50.00
Total	**34,50,000**	**45,00,000**	**10,50,000**	**30.43**
II. ASSETS				
1. Non-Current Assets				
Fixed Assets:				
(*i*) Tangible Assets	22,50,000	30,00,000	7,50,000	33.33
(*ii*) Intangible Assets	6,00,000	9,00,000	3,00,000	50.00
2. Current Assets				
(*a*) Inventories	3,00,000	1,50,000	(1,50,000)	(50.00)
(*b*) Trade Receivables	1,00,000	1,50,000	50,000	50.00
(*c*) Cash and Cash Equivalents	2,00,000	3,00,000	1,00,000	50.00
Total	**34,50,000**	**45,00,000**	**10,50,000**	**30.43**

32. CASH FLOW STATEMENT

for the year ended 31st March, 2019

Particulars	₹	₹
A. Cash Used in Operating Activities (Given)		(18,000)
B. Cash Flow from Investing Activities		
Purchase of Goodwill (₹ 1,80,000 – ₹ 70,000)	(1,10,000)	
Purchase of Plant and Machinery (WN 2)	(4,82,000)	
Sale of Plant and Machinery	34,000	
Cash Used in Investing Activities		(5,58,000)
C. Cash Flow from Financing Activities		
Redemption of 8% Debentures (₹ 4,00,000 – ₹ 1,00,000)	(3,00,000)	
Proceeds from Issue of Shares (₹ 18,00,000 – ₹ 10,00,000)	8,00,000	
Payment of Interest on Debentures (WN 4)	(14,000)	
Cash Flow from Financing Activities		4,86,000
D. Net Increase/Decrease in Cash and Cash Equivalents (A + B + C)		(90,000)

E. Opening Balance of Cash and Cash Equivalents		
Current Investments	1,90,000	
Cash and Cash Equivalents	2,30,000	4,20,000
F. Closing Balance of Cash and Cash Equivalents		
Current Investments	30,000	
Cash and Cash Equivalents	3,00,000	3,30,000

Working Notes:

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

	₹
Surplus, *i.e.*, Balance in Statement of Profit and Loss (Closing)	50,000
Less: Surplus, *i.e.*, Balance in Statement of Profit and Loss (Opening)	40,000
	10,000
Add: Provision for Tax (Current year)	2,50,000
Net Profit before Tax	2,60,000

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

Particulars	₹	Particulars	₹
To Balance *b/d*	10,90,000	By Accumulated Depreciation A/c	12,000
To Bank A/c (Purchases)—Bal. Fig.	4,82,000	By Bank A/c (Sale) (₹ 40,000 – ₹ 6,000)	34,000
		By Statement of Profit and Loss (Loss)	6,000
		By Balance *c/d*	15,20,000
	15,72,000		15,72,000

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

Particulars	₹	Particulars	₹
To Plant and Machinery A/c	12,000	By Balance *b/d*	90,000
To Balance *c/d*	1,20,000	By Statement of Profit and Loss (Bal. Fig.) —Depreciation Provided	42,000
	1,32,000		1,32,000

4. *Interest on Debentures:*

	₹
₹ $4,00,000 \times 3/12 \times 8/100$	8,000
₹ $1,00,000 \times 9/12 \times 8/100$	6,000
Total Interest on Debentures	14,000

5. *Calculation of Cash Flow from Operating Activities:*

Net Profit before Tax and Extraordinary Items (WN 1)	2,60,000
Add: Non-cash and Non-operating Items:	
Loss on Sale of Machinery (WN 2)	6,000
Depreciation on Machinery (WN 3)	42,000
Interest on Debentures (WN 4)	14,000
Operating Profit before Working Capital Changes	3,22,000
Add: Decrease in Current Assets:	
Trade Receivables	20,000
Cash Generated from Operating Activities	3,42,000
Less: Tax paid	3,60,000
Cash Used in Operating Activities	(18,000)