

Model Test Paper 2

Time Allowed: 3 Hours

Max. Marks: 80

General Instructions:

As per Model Test Paper 1

PART A

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

1. 'Relationship that exists between the persons carrying on business activities for profit'. The statement best describes
 - (a) a partnership.
 - (b) a corporation.
 - (c) a sole proprietorship.
 - (d) a company. (1)
2. Interest on capital payable to partners is transferred to the debit of
 - (a) Realisation Account.
 - (b) Revaluation Account.
 - (c) Profit and Loss Account.
 - (d) Profit and Loss Appropriation Account. (1)
3. Subscription-in-arrears at the end are shown
 - (a) on the credit side of the Income and Expenditure Account by way of addition to subscription received.
 - (b) debit side of the Profit and Loss Account and the liabilities side of Balance Sheet.
 - (c) only in the assets side of the Balance Sheet.
 - (d) in the credit side of Income and Expenditure Account adding it to subscription received and in the assets side of the Balance Sheet. (1)
4. Dee Ltd. forfeited 2,000 equity shares of ₹ 10 each, issued at a premium of ₹ 5 per share held by Ram for non-payment of the final call of ₹ 3 per share. Of these 100 shares were reissued to Vishnu at a discount of ₹ 4 per share. The gain (profit) on reissue is
 - (a) ₹ 14,000.
 - (b) ₹ 13,600.
 - (c) ₹ 700.
 - (d) ₹ 300. (1)
5. A and B are partners sharing profits in the ratio of 4 : 3. C is admitted as partner in the firm with 1/4th share of profits. New profit-sharing ratio among A, B and C is 3 : 3 : 2. What is the ratio of sacrifice?
 - (a) 4 : 3
 - (b) 3 : 4
 - (c) 11 : 3
 - (d) 2 : 1 (1)

6. A firm has earned exceptionally high profit from a contract which will not be renewed. In such a case, the profit from this contract will not be included in
- (a) profit share of the partners. (b) valuation of the goodwill.
(c) valuation of stock. (d) All of the above. (1)
7. Capitals of Om and Shiv are ₹ 50,000 and ₹ 40,000. To increase the capital base of the firm to ₹ 1,50,000, they admit Mohan. Mohan brings ₹ 70,000 in the firm as his capital and share of premium for goodwill. What is the amount of premium for goodwill?
- (a) ₹ 20,000 (b) ₹ 30,000
(c) ₹ 10,000 (d) ₹ 5,000 (1)
8. A partnership firm is compulsorily dissolved if
- (a) all partners have become insolvent. (b) firm's business has become unlawful.
(c) the fixed term has expired. (d) All of the above. (1)
9. Which of the following is not shown under the head 'Share Capital' of Balance Sheet?
- (a) Preference Share Capital (b) Calls-in-Arrears
(c) Equity Share Capital (d) Capital Reserve Account (1)
10. Accumulated Profits/Losses and Reserves on retirement of a partner are shared by the partners in their
- (a) Capital Ratio. (b) Old Profit-sharing Ratio.
(c) Gaining Ratio. (d) New Profit-sharing Ratio. (1)
11. Retiring partner's claim is payable in the following manner:
- (a) Fully in cash.
(b) Fully transferred to his loan account to be paid later with interest.
(c) Partly in cash and partly as loan repayable later with agreed interest.
(d) Any of the above method. (1)
12. Revaluation Account is debited
- (a) on increase in Provision for Doubtful Debts.
(b) on increase in value of Land and Building.
(c) on decrease in amount of creditors.
(d) to transfer loss on revaluation. (1)
13. Kavita, Leena and Monica are partners in a firm sharing profits in the ratio of 3 : 2 : 1. According to the Partnership Deed, share of deceased partner is to be calculated on the basis of profit and turnover of previous accounting year.
- Kavita died on 31st December, 2019. Turnover till the date of death was ₹ 45,00,000. Their profit and turnover for the year ended 31st March, 2019 was ₹ 10,00,000 and ₹ 50,00,000 respectively.
- An amount of ₹ _____ will be given to her executors as her share of profit till the date of death. (1)

14. On the basis of the following information, prepare extract of Income and Expenditure Account of Harsh Sports Club for the year ended 31st March, 2020 showing stationery consumed:

Particulars	1st April, 2019 (₹)	31st March, 2020 (₹)
Stock of Stationery	80,000	60,000
Creditors for Stationery	90,000	1,10,000

Stationery purchased during the year ended 31st March, 2020 was ₹ 4,70,000.

Or

How will be the following dealt in preparing the final accounts of King Sports Club for the year ending 31st March, 2020:

(a) Subscription received during 2019–20:	₹	₹
For 2018–19	10,000	
2019–20	60,000	
2020–21	<u>12,000</u>	<u>82,000</u>

(b) Subscription received in advance as at 31st March, 2019: ₹ 12,000.

(c) Subscription outstanding as at 31st March, 2019: ₹ 12,000.

(d) Subscription outstanding for the year 2019–20: ₹ 8,000. (3)

15. Neena and Sara were partners in a firm with fixed capitals of ₹ 5,00,000 and ₹ 4,00,000 respectively. It was discovered that interest on capital @ 6% p.a. was credited to the partners for the two years ending 31st March, 2018 and 31st March, 2019 whereas there was no such provision in the Partnership Deed. Their profit-sharing ratio during the last two years was:

2017–18	4 : 5
2018–19	5 : 1

Showing your working clearly, pass the necessary adjustment entry to rectify the error. (CBSE 2020)

Or

On 1st April, 2019, Brij and Nandan entered into partnership. They contributed capitals of ₹ 10,00,000 and ₹ 15,00,000 respectively.

Their profit-sharing ratio was 2 : 3 and interest allowed on capitals as provided in the Partnership Deed was 12% per annum. During the year ended 31st March, 2020, the firm earned a profit of ₹ 2,00,000.

Prepare Profit and Loss Appropriation Account of Brij and Nandan for the year ended 31st March, 2020. (4)

16. From the following information, complete the Journal entries:

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c ...Dr. Securities Premium Reserve A/c ...Dr. To Forfeited Shares A/c To Calls-in-Arrears A/c (? shares forfeited for non-payment of ₹ ? including premium of ₹ 20 per share)		? 5,000	? 17,500
	Bank A/c ...Dr. Forfeited Shares A/c ...Dr. To Share Capital A/c (? shares reissued at ₹ 90 per share as fully paid)		? ?	?
	Forfeited Shares A/c ...Dr. To Capital Reserve A/c (Gain(Profit) on reissue of forfeited shares transferred to Capital Reserve)		3,000	3,000

Dr.		FORFEITED SHARES ACCOUNT		Cr.
Particulars	₹	Particulars	₹	
To Share Capital A/c	?	By Share Capital A/c	7,500	
To Capital reserve A/c	3,000			
To Balance c/d	3,000			
	<u>7,500</u>			<u>7,500</u>

(Face value of share is ₹ 100 each)

(4)

17. A firm under dissolution has already transferred its assets (other than cash) and outside liabilities to Realisation Account. Firm has two partners X and Y. What entries will be passed for the following transactions:

- There is furniture of ₹ 50,000. X took 50% of the furniture at 10% discount and the remaining furniture was sold at 30% profit on the book value.
- Firm had unrecorded investment (Nominal value ₹ 20,000), 70% of investment were sold at a loss of 20% and remaining were taken by X, a partner, at 90%.
- Y's loan of ₹ 6,000 was discharged at ₹ 6,400.
- One bill receivable for ₹ 5,000 under discount was dishonoured as the acceptor had become insolvent and was unable to pay hence the bill had to be met by the firm.

(4)

18. Ram and Shyam are partners, not having a partnership agreement. State who is correct in each of the following case:

- Ram demands a salary since he works and Shyam does not work for the firm.
- Ram has invested ₹ 2,00,000 and Shyam only ₹ 50,000 as capital. Ram demands interest @ 9% p.a.
- Shyam has given a loan of ₹ 1,00,000 to the firm; he demands interest @ 6% p.a.
- Ram demands profit of the firm be distributed in Capital Ratio.

(4)

19. From the given Receipts and Payments Account and additional information of Premier Club for the year ended 31st March, 2020, prepare Income and Expenditure Account for the year ended 31st March, 2020 and Balance Sheet as on that date:

RECEIPTS AND PAYMENTS ACCOUNT OF PREMIER CLUB			
for the year ended 31st March, 2020			
Dr.			Cr.
Receipts	₹	Payments	₹
To Balance b/d	80,900	By Furniture and Equipment (Purchased on 1st October, 2019)	1,00,000
To Donations	39,000	By Salaries	62,000
To Subscriptions:		By Balance c/d	68,600
2018-19	12,000		
2019-20	70,000		
2020-21	9,000		
To Interest received	19,700		
	2,30,600		2,30,600

Additional Information:

- (i) On 1st April, 2019, the club had the following balance of assets and liabilities:
Furniture and Equipment ₹ 1,80,000, Subscriptions in arrears ₹ 15,000, and Outstanding Salary ₹ 13,000.
- (ii) Charge depreciation on Furniture and Equipment @ 10% p.a.
- (iii) The club had 90 members, each paying an annual subscription of ₹ 1,000. (6)
20. (a) India Steel Ltd. purchased a running business from Hero Ltd. for ₹ 6,00,000 payable 10% by cheque and balance by the issue of fully paid 10% Debentures of ₹ 100 each at a premium of 20%. The assets and liabilities consisted of the following:

Particulars	Book Value (₹)	Agreed Value (₹)
Building	2,00,000	2,60,000
Plant and Machinery	1,20,000	1,00,000
Stock	2,25,000	2,00,000
Sundry Debtors (Trade Receivables)	1,10,000	1,00,000
Sundry Creditors (Trade Payables)	90,000	80,000

Pass the necessary Journal entries in the books of India Steel Ltd.

- (b) On 1st April, 2019, Star Ltd. issued 5,000, 9% Debentures of ₹ 100 each at a discount of 5%, to be redeemable at a premium of 5%, after 5 years. The issue price was payable along with application. The issue was oversubscribed to the extent of 5,000 debentures and the allotment was made proportionately to all the applicants. It had a balance of ₹ 30,000 in Securities Premium Reserve and Profit for the year was ₹ 50,000. Give Journal entries for the issue of debentures and writing off loss on issue of debentures. (6)

21. (a) A and B are partners in a firm sharing profits in the ratio of 5 : 3. They admit C into partnership for 3/10th share in profits, which he takes 2/10th from A and 1/10th from B, C brings ₹ 3,000 as premium in cash out of his share of ₹ 7,800. Goodwill existed in the books of A and B at ₹ 8,000. Give the necessary Journal entries in the books of the new firm.
- (b) A and B are partners with capitals of ₹ 13,000 and ₹ 9,000 respectively. They admit C as partner for 1/5th share in the profit of the firm. C brings ₹ 8,000 as his capital. Give Journal entries to record goodwill.
- (c) A and B were partners in a firm sharing profits in 4 : 3 ratio. On 1st January, 2020 they admitted C as a partner. On the date of C's admission, the Balance Sheet of A and B showed General Reserve of ₹ 70,000 and debit balance of ₹ 7,000 in the 'Profit and Loss Account'. Pass the necessary Journal entries for the treatment of these items on C's admission. (3 + 3 + 2)

Or

Prem, Kumar and Aarti were partners sharing profits in the ratio of 5 : 3 : 2. Their Balance Sheet as at 31st March, 2019 was as under:

BALANCE SHEET OF PREM, KUMAR AND AARTI
as at 31st March, 2019

Liabilities	₹	Assets	₹
Capitals:		Building	25,000
Prem	30,000	Plant and Machinery	15,000
Kumar	20,000	Investment	10,000
Aarti	20,000	Debtors	10,000
General Reserve	8,000	Stock	5,000
Investment Fluctuation Reserve	2,000	Cash	25,000
Sundry Creditors	10,000		
	90,000		90,000

On the above date, Kumar retired. The terms of retirement were:

- (i) Kumar sold his share of goodwill to Prem for ₹ 8,000 and to Aarti for ₹ 4,000.
- (ii) Stock was found to be undervalued by ₹ 1,000 and building by ₹ 7,000.
- (iii) Investments were sold for ₹ 11,000.
- (iv) There was an unrecorded creditor of ₹ 7,000.
- (v) An amount of ₹ 30,000 was paid to Kumar in cash which was contributed by Prem and Aarti in the ratio of 2 : 1. The balance amount of Kumar was settled by accepting a Bill of Exchange in favour of Kumar.

Prepare the Revaluation Account, Capital Accounts of partners and the Balance Sheet of the reconstituted firm. (CBSE 2020) (8)

22. Sagar Ltd. invited applications for issuing 10,000 Equity Shares of ₹ 100 each. The amount was payable as follows:

On Application	—	₹ 10,
On Allotment	—	₹ 20,
On First Call	—	₹ 30,
On Second and Final Call	—	Balance.

The issue was fully subscribed. Ram to whom 100 shares were allotted, did not pay the allotment money and his shares were forfeited immediately after allotment. Shyam to whom 150 shares were allotted, did not pay the first call. His shares were also forfeited after the first call. Mohan to whom 50 shares were allotted did not pay the second and final call. His shares were also forfeited. All the forfeited shares were reissued at ₹ 90 per share fully paid-up.

Pass necessary Journal entries in the books of Sagar Ltd. assuming that Calls-in-Arrears Account is maintained.

Or

‘Subham Ltd.’ invited applications for issuing 12,000 equity shares of ₹ 10 each at a premium of ₹ 3 per share. The amount was payable as follows:

On application and allotment	—	₹ 6 per share (Including Premium),
On first call	—	₹ 4 per share,
On second and final call	—	the balance.

Applications for 18,000 shares were received and *pro rata* allotment was made to all the applicants.

Excess money received with applications was adjusted towards amounts due on first call. All calls were made and were duly received except the first call and second and final call on 120 shares allotted to Vibhu. His shares were forfeited. The forfeited shares were reissued at the maximum permissible discount as per the provisions of the Companies Act, 2013.

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

PART B

ANALYSIS OF FINANCIAL STATEMENTS

23.

Particulars	31st March, 2020 (₹)	31st March, 2019 (₹)
Fixed Assets	9,32,000	8,50,000
Accumulated Depreciation	4,40,000	4,25,000

Additional Information:

A machine with book value of ₹ 1,05,000 (Depreciation provided thereon ₹ 65,000) was sold at a loss of ₹ 8,000.

How much amount (related to above information) will be shown in Cash Flow from Investing Activities for the year ended 31st March, 2020?

- (a) Net cash inflow from Investing Activities: ₹ 1,13,000.
 (b) Net cash used in Investing Activities: ₹ 1,55,000.
 (c) Net cash inflow from Investing Activities: ₹ 1,05,000.
 (d) Net cash used in Investing Activities: ₹ 82,000. (1)
24. State whether the following statement is true or false:
 'Inventory Turnover Ratio measures the level of financial leverage'. (CBSE 2020) (1)
25. Which one of the following is not the objective of financial analysis?
 (a) To determine liquidity (short-term solvency).
 (b) To determine long-term solvency.
 (c) To determine operating efficiency.
 (d) To determine tax liability. (1)
26. Which of the following is not shown under Cash Flow from Financing Activities?
 (a) Payment of dividend.
 (b) Issue of debentures for cash.
 (c) Interest paid on bank loan.
 (d) Issue of shares for purchase of fixed assets. (1)
27. Which of the following statements is not correct?
 (a) Capital Employed = Shareholders' Funds + Non-current Liabilities.
 (b) Capital Employed = (Share capital + Reserves and Surplus) + (Long-term Borrowings + Long-term Provisions).
 (c) Equity = Total Assets – Total Debt.
 (d) Capital Employed = Equity. (1)
28. State the numerator used in Proprietary Ratio.
 (a) Total Debt. (b) Total Assets.
 (c) Capital Employed. (d) Shareholders' Funds. (1)
29. In a company's Balance Sheet, Provision for Employees Benefits to be paid within 12 months from the date of Balance Sheet is shown under:
 (a) Non-current Liabilities. (b) Current Liabilities.
 (c) Non-current Assets. (d) Current Assets. (1)

30. Calculate 'Total Assets to Debt Ratio' from the following information:

	₹	
Current Assets	11,00,000	
Working Capital	6,50,000	
Shareholders' Funds	7,50,000	
Total Debts	19,50,000	
Reserves and Surplus	2,50,000	(CBSE 2020)

Or

Credit Revenue from Operations were ₹ 1,80,000. If Trade Receivables Turnover Ratio is 4 Times, calculate Trade Receivables in the beginning and at the end of the year. Closing Trade Receivables are two times in comparison to Opening Trade Receivables. (3)

31. From the following information, prepare Comparative Statement of Profit and Loss:

Particulars	31st March, 2019 (₹)	31st March, 2020 (₹)
Revenue from Operations	80,00,000	1,20,00,000
Other Income	16,00,000	14,40,000
Expenses	60% of Revenue from Operations	70% of Revenue from Operations
Tax Rate	50%	50%

Or

Prepare a Common-size Balance Sheet of L.X. Ltd. from the following information:

Particulars	Note No.	31st March, 2019 (₹)	31st March, 2018 (₹)
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds		20,00,000	10,00,000
2. Non-Current Liabilities		20,00,000	5,00,000
3. Current Liabilities		10,00,000	5,00,000
Total		50,00,000	20,00,000
II. ASSETS			
1. Non-Current Assets		30,00,000	12,50,000
2. Current Assets		20,00,000	7,50,000
Total		50,00,000	20,00,000

(CBSE 2020) (4)

32. From the following Balance Sheet of Vikas Ltd., prepare Cash Flow Statement:

Particulars	Note No.	31st March, 2020 (₹)	31st March, 2019 (₹)
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(a) Share Capital		10,00,000	10,00,000
(b) Reserves and Surplus	1	7,50,000	6,00,000
2. Non-Current Liabilities			
Long-term Borrowings	2	1,00,000	2,00,000
3. Current Liabilities			
(a) Trade Payables		1,00,000	1,10,000
(b) Short-term Provisions	3	95,000	80,000
Total		20,45,000	19,90,000

II. ASSETS			
1. Non-Current Assets			
(a) Fixed Assets:			
(i) Tangible Assets	4	10,10,000	12,00,000
(ii) Intangible Assets: Goodwill		1,80,000	2,00,000
(b) Non-current Investments		1,00,000	...
2. Current Assets			
(a) Inventories		1,80,000	1,00,000
(b) Trade Receivables		2,00,000	1,50,000
(c) Cash and Cash Equivalents		3,75,000	3,40,000
Total		20,45,000	19,90,000

Notes to Accounts

Particulars	31st March, 2020 (₹)	31st March, 2019 (₹)
1. Reserves and Surplus		
Surplus, i.e., Balance in Statement of Profit and Loss	7,50,000	6,00,000
2. Long-term Borrowings		
2,000, 10% Debentures of ₹ 100 each	...	2,00,000
Bank Loan	1,00,000	...
	1,00,000	2,00,000
3. Short-term Provisions		
Provisions for Tax	95,000	80,000
4. Tangible Assets		
Land and Building	6,50,000	8,00,000
Plant and Machinery	3,60,000	4,00,000
	10,10,000	12,00,000

Additional Information:

- (i) Proposed Dividend for the year ended 31st March, 2019 and 2020 were 15% and 20% respectively.
- (ii) Land and Building of book value ₹ 1,50,000 was sold at a profit of 10%.
- (iii) Rate of depreciation on Plant and Machinery is 10%. (6)

Answers

PART A

1. (a) a partnership.
2. (d) Profit and Loss Appropriation Account.
3. (d) in the credit side of Income and Expenditure Account adding it to subscription received and in the assets side of the Balance Sheet.
4. (d) ₹ 300.

Working Note:

Amount forfeited on 100 shares = 100 × ₹ 7 = ₹ 700	
Less: Reissue discount = 100 × ₹ 4 = ₹ 400	
Gain on reissue	₹ 300

5. (c) 11 : 3.

Working Note:

$$A's \text{ sacrifice} = \frac{4}{7} - \frac{3}{8} = \frac{32 - 21}{56} = \frac{11}{56}$$

$$B's \text{ sacrifice} = \frac{3}{7} - \frac{3}{8} = \frac{24 - 21}{56} = \frac{3}{56}$$

Sacrificing Ratio = 11 : 3.

6. (b) Valuation of Goodwill.
 7. (c) ₹ 10,000.
- Working Note:** The total capital of the firm is ₹ 90,000. To increase the capital base to ₹ 1,50,000. Mohan is to bring in ₹ 60,000 (₹ 1,50,000 – ₹ 90,000). But he brings in ₹ 70,000. Therefore, the excess of ₹ 10,000 is premium for goodwill.
8. (d)
 9. (d) Capital Reserve Account
 10. (b) Old Profit-sharing Ratio
 11. (d)
 12. (a)
 13. ₹ 4,50,000

Working Note:

Calculation of Kavita's Share of Profit:

$$\% \text{ of Profit to Sales} = \frac{\text{₹ } 10,00,000}{\text{₹ } 50,00,000} \times 100 = 20\%$$

$$\text{Estimated profit till date of death} = \text{₹ } 45,00,000 \times \frac{20}{100} = \text{₹ } 9,00,000$$

$$\text{Kavita's Share of Profit} = \text{₹ } 9,00,000 \times \frac{3}{6} = \text{₹ } 4,50,000.$$

- 14.

Harsh Sports Club
AN EXTRACT OF INCOME AND EXPENDITURE ACCOUNT
for the year ended 31st March, 2020

Dr.		Cr.	
Expenditure	₹	Income	₹
To Stationery Consumed (WN)	4,90,000		

Working Note:

Stationery Consumed (2019–20) = Opening Stock of Stationery + Purchases of Stationery – Closing Stock of Stationery
 = ₹ 80,000 + ₹ 4,70,000 – ₹ 60,000 = ₹ 4,90,000.

Since stationery purchased during the year is given, creditors are already adjusted in it and, therefore, no treatment is given to creditors.

Or

King Sports Club

Dr. INCOME AND EXPENDITURE ACCOUNT (AN EXTRACT) for the year ended 31st March, 2020 Cr.

Expenditure	₹	Income	₹
		By Subscription	60,000
		Add: Subscription:	
		Advance (31st March, 2019)	12,000
		Arrear (2019–20)	8,000
			<u>80,000</u>

Dr. BALANCE SHEET as on 31st March, 2020 Cr.

Liabilities	₹	Assets	₹
Advance Subscription	12,000	Subscription Outstanding:	
		For 2018–19 (₹ 12,000 – ₹ 10,000)	2,000
		For 2019–20	8,000

15.**JOURNAL**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2019 April 1	Sara's Current A/c To Neena's Current A/c (Interest on capital wrongly credited, now debited)	...Dr.	9,000	9,000

Working Note:**ADJUSTMENT TABLE**

Particulars	Neena's Current A/c		Sara's Current A/c		Firm	
	Dr. (₹)	Cr. (₹)	Dr. (₹)	Cr. (₹)	Dr. (₹)	Cr. (₹)
2017–18						
I. Interest on Capital already credited now taken back	30,000	...	24,000	54,000
II. Profit of ₹ 54,000 in 4 : 5	...	24,000	...	30,000	54,000	...
2018–19						
I. Interest on Capital already credited now taken back	30,000	...	24,000	54,000
II. Profit of ₹ 54,000 in 5 : 1	...	45,000	...	9,000	54,000	...
	60,000	69,000	48,000	39,000	1,08,000	1,08,000
Net Effect	₹ 9,000 (Cr.)		₹ 9,000 (Dr.)			

Or

PROFIT AND LOSS APPROPRIATION ACCOUNT

Dr.		for the year ended 31st March, 2020		Cr.	
Particulars	₹	Particulars	₹		
To Interest on Capital A/cs:		By Profit and Loss A/c—Net Profit		2,00,000	
Brij	80,000				
Nandan	1,20,000				
	<u>2,00,000</u>				
					<u>2,00,000</u>

Working Notes:

- | | |
|--|-----------------|
| | ₹ |
| 1. Interest on Brij's Capital (₹ 10,00,000 × 12/100) | 1,20,000 |
| Interest on Nandan's Capital (₹ 15,00,000 × 12/100) | 1,80,000 |
| Total Interest | <u>3,00,000</u> |
2. Total Interest due to Brij and Nandan is ₹ 3,00,000. However, total distributable profit is just ₹ 2,00,000. So, total profit of ₹ 2,00,000 will be distributed between Brij and Nandan in the ratio of their due interest on capitals, i.e., ₹ 1,20,000 : ₹ 1,80,000 or 2 : 3. Thus,
Interest allowed to Brij = ₹ 2,00,000 × 2/5 = ₹ 80,000; and
Interest allowed to Nandan = ₹ 2,00,000 × 3/5 = ₹ 1,20,000.

16.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c ...Dr.		20,000	
	Securities Premium Reserve A/c ...Dr.		5,000	
	To Forfeited Shares A/c			7,500
	To Calls-in-Arrears A/c			17,500
	(250 shares forfeited for non-payment of ₹ 70 per share including premium of ₹ 20 per share)			
	Bank A/c ...Dr.		13,500	
	Forfeited Shares A/c ...Dr.		1,500	
	To Share Capital A/c			15,000
	(150 shares reissued at ₹ 90 per share as fully paid)			
	Forfeited Shares A/c ...Dr.		3,000	
	To Capital Reserve A/c			3,000
	(Gain(profit) on reissue of forfeited shares transferred to Capital Reserve)			

Dr.		FORFEITED SHARES ACCOUNT		Cr.	
Particulars	₹	Particulars	₹		
To Share Capital A/c	1,500	By Share Capital A/c		7,500	
To Capital Reserve A/c	3,000				
To Balance c/d	3,000				
	<u>7,500</u>				<u>7,500</u>

17. JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(a)	X's Capital A/c ...Dr. Bank A/c ...Dr. To Realisation A/c (50% of furniture taken by X at a discount of 10% and remaining sold at 30% profit)		22,500 32,500	55,000
(b)	Bank A/c (₹ 14,000 – 20% of ₹ 14,000) ...Dr. X's Capital A/c (₹ 6,000 × 90/100) ...Dr. To Realisation A/c (Unrecorded investment realised)		11,200 5,400	16,600
(c)	Y's Loan A/c ...Dr. Realisation A/c ...Dr. To Bank A/c (Y's loan of ₹ 6,000 discharged of ₹ 6,400)		6,000 400	6,400
(d)	Realisation A/c ...Dr. To Bank A/c (Dishonoured bill met by firm)		5,000	5,000

18. (a) Ram is not correct. Salary is not payable to Ram in the absence of partnership agreement.
 (b) Ram is not correct. Interest is not payable on capital.
 (c) Shyam is correct. Interest @ 6% will be paid on loan.
 (d) Ram is not correct. The partners share the profits and losses of the firm equally irrespective of their capital contribution in the absence of agreement.

19. INCOME AND EXPENDITURE ACCOUNT

Dr.		for the year ended 31st March, 2020		Cr.	
Expenditure	₹	Income	₹		₹
To Depreciation on Furniture: (₹ 1,80,000 × 10/100) (₹ 1,00,000 × 10/100 × 6/12)	18,000 5,000	By Subscription Add: Outstanding Subscription (WN 1)	70,000 20,000		90,000
To Salary Less: Outstanding Salary (1st April, 2019)	62,000 13,000	By Interest By Donations			19,700 39,000
To Surplus, i.e., Excess of Income Over Expenditure	76,700				
	1,48,700				1,48,700

BALANCE SHEET OF PREMIER CLUB as on 31st March, 2020

Liabilities	₹	Assets	₹
Capital Fund (WN 2)	2,62,900	Furniture	2,80,000
Add: Surplus	76,700	Less: Depreciation	23,000
Subscriptions Received in Advance	9,000	Outstanding Subscriptions: 2018–19 (₹ 15,000 – ₹ 12,000)	3,000
		2019–20	20,000
		Cash	68,600
	3,48,600		3,48,600

Working Notes:

1. Subscription Receivable (2019–20): ₹ 1,000 × 90 = ₹ 90,000
 Subscription Received (2019–20) = ₹ 70,000
 Subscription outstanding 2019–20 ₹ 20,000

2. Calculation of Opening Capital Fund:

BALANCE SHEET OF PREMIER CLUB as on 1st April, 2019

Liabilities	₹	Assets	₹
Capital Fund (Balancing Figure)	2,62,900	Furniture	1,80,000
Outstanding Salary	13,000	Outstanding Subscriptions	15,000
		Cash	80,900
	<u>2,75,900</u>		<u>2,75,900</u>

20. (a)

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Building A/c ...Dr.		2,60,000	
	Plant and Machinery A/c ...Dr.		1,00,000	
	Stock A/c ...Dr.		2,00,000	
	Sundry Debtors (Trade Receivables) A/c ...Dr.		1,00,000	
	Goodwill A/c (Balancing Figure) ...Dr.		20,000	
	To Sundry Creditors (Trade Payables) A/c			80,000
	To Hero Ltd.			6,00,000
	(Purchase of business from Hero Ltd.)			
	Hero Ltd. ...Dr.		60,000	
	To Bank A/c			60,000
	(Part payment made to Vendor by a cheque)			
	Hero Ltd. ...Dr.		5,40,000	
	To 10% Debentures A/c			4,50,000
	To Securities Premium Reserve A/c			90,000
	(Issue of 4,500 debentures at 20% premium to Hero Ltd.)			

Note: No. of Debentures to be issued = ₹ 5,40,000/₹ 120 = 4,500.

(b)

JOURNAL OF STAR LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2019 April 1	Bank A/c ...Dr. To Debentures Application and Allotment A/c (Application money received on 10,000, 8% Debentures)		9,50,000	9,50,000
April 1	Debentures Application and Allotment A/c ...Dr. Loss on Issue of Debentures A/c (₹ 25,000 + ₹ 25,000) ...Dr. To 9% Debentures A/c To Premium on Redemption of Debentures A/c To Bank A/c (5,000 × ₹ 95) (Debentures allotted and the balance refunded)		9,50,000 50,000	5,00,000 25,000 4,75,000
2020 March 31	Securities Premium Reserve A/c ...Dr. Statement of Profit and Loss ...Dr. To Loss on Issue of Debentures A/c (Loss on issue of debentures written off)		30,000 20,000	50,000

21. (a)

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	A's Capital A/c ...Dr. B's Capital A/c ...Dr. To Goodwill A/c (Existing goodwill written-off)		5,000 3,000	8,000
	Cash/Bank A/c ...Dr. To Premium for Goodwill A/c (Premium brought by C)		3,000	3,000
	Premium for Goodwill A/c ...Dr. To A's Capital A/c To B's Capital A/c (Premium divided among sacrificing partners in sacrificing ratio)		3,000	2,000 1,000
	C's Current A/c ...Dr. To A's Capital A/c To B's Capital A/c (Premium not brought by the new partner debited to his Current Account)		4,800	3,200 1,600

(b)

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Cash/Bank A/c ...Dr. To C's Capital A/c (Cash brought in by C as capital)		8,000	8,000
	C's Capital/Current A/c (₹ 10,000 × 1/5) ...Dr. To A's Capital A/c (₹ 2,000 × 1/2) To B's Capital A/c (₹ 2,000 × 1/2) (C's share of goodwill credited to sacrificing partners)		2,000	1,000 1,000

Working Note:

Calculation of Hidden Goodwill:	₹
(a) Net Worth (including goodwill) of new firm (₹ 8,000 × 5/1)	40,000
(b) Net Worth (excluding goodwill) of new firm (₹ 13,000 + ₹ 9,000 + ₹ 8,000)	30,000
(c) Hidden Goodwill (₹ 40,000 – ₹ 30,000)	10,000
(d) Share of C in Goodwill (₹ 10,000 × 1/5)	2,000

(c)

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	General Reserve A/c ...Dr. To A's Capital A/c To B's Capital A/c (General Reserve distributed between A and B)		70,000	40,000 30,000
	A's Capital A/c ...Dr. B's Capital A/c ...Dr. To Profit and Loss A/c (Debit balance of Profit and Loss A/c transferred to Capital A/cs)		4,000 3,000	7,000

Or

Dr. REVALUATION ACCOUNT Cr.			
Particulars	₹	Particulars	₹
To Creditors A/c	7,000	By Stock A/c	1,000
To Gain (Profit) on Revaluation transferred to:		By Building A/c	7,000
Prem's Capital A/c	1,000	By Investment A/c	1,000
Kumar's Capital A/c	600		
Aarti's Capital A/c	400		
	2,000		
	9,000		9,000

Dr. PARTNERS' CURRENT ACCOUNTS Cr.							
Particulars	Prem (₹)	Kumar (₹)	Aarti (₹)	Particulars	Prem (₹)	Kumar (₹)	Aarti (₹)
To Kumar's Capital A/c (Goodwill)	8,000	...	4,000	By Balance b/d	30,000	20,000	20,000
To Cash A/c	...	30,000	...	By General Reserve A/c	4,000	2,400	1,600
To Bills Payable A/c	...	5,600	...	By Investment Fluctuation Reserve A/c	1,000	600	400
To Balance c/d	48,000	...	28,400	By Revaluation A/c	1,000	600	400
				By Prem's Capital A/c (Goodwill)	...	8,000	...
				By Aarti's Capital A/c (Goodwill)	...	4,000	...
				By Cash A/c (WN)	20,000	...	10,000
	56,000	35,600	32,400		56,000	35,600	32,400

BALANCE SHEET OF PREM AND AARTI as at 31st March 2019

Liabilities	₹	Assets	₹
Capitals:		Building	32,000
Prem	48,000	Plant and Machinery	15,000
Aarti	28,400	Debtors	10,000
Bills Payable		Stock	6,000
Creditors		Cash (₹ 25,000 + ₹ 11,000)	36,000
	99,000		99,000

Working Note: An amount of ₹ 30,000 paid to Kumar was contributed by Prem: ₹ 20,000

(= ₹ 30,000 × 2/3) and Aarti ₹ 10,000 (₹ 30,000 × 1/3). This payment will not affect Cash Balance.

22. JOURNAL OF SAGAR LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c (10,000 × ₹ 10) ...Dr.		1,00,000	
	To Equity Shares Application A/c (Application money received)			1,00,000
	Equity Shares Application A/c ...Dr.		1,00,000	
	To Equity Share Capital A/c (Application money transferred to Equity Share Capital Account)			1,00,000

Equity Shares Allotment A/c To Equity Share Capital A/c (Allotment money due on 10,000 shares)	...Dr.	2,00,000	2,00,000
Bank A/c Calls-in-Arrears A/c To Equity Shares Allotment A/c (Allotment money received except on 100 shares)	...Dr. ...Dr.	1,98,000 2,000	2,00,000
Equity Share Capital A/c (100 × ₹ 30) To Forfeited Shares A/c (100 × ₹ 10) To Calls-in-Arrears A/c (100 × ₹ 20) (100 shares forfeited for non-payment of allotment money)	...Dr.	3,000	1,000 2,000
Equity Shares First Call A/c To Equity Share Capital A/c (First call money due on 9,900 shares)	...Dr.	2,97,000	2,97,000
Bank A/c Calls-in-Arrears A/c To Equity Shares First Call A/c (First call money received except on 150 shares)	...Dr. ...Dr.	2,92,500 4,500	2,97,000
Equity Share Capital A/c (150 × ₹ 60) To Forfeited Shares A/c (150 × ₹ 30) To Calls-in Arrears A/c (150 shares forfeited due to non-payment of first call money)	...Dr.	9,000	4,500 4,500
Equity Shares Second and Final Call A/c To Equity Share Capital A/c (Second and final call money due on 9,750 shares)	...Dr.	3,90,000	3,90,000
Bank A/c Calls-in-Arrears A/c To Equity Shares Second and Final Call A/c (Final call money received except on 50 shares)	...Dr. ...Dr.	3,88,000 2,000	3,90,000
Equity Share Capital A/c To Calls-in-Arrears A/c To Forfeited Shares A/c (50 shares forfeited due to non-payment of second call money)	...Dr.	5,000	2,000 3,000
Bank A/c (300 × ₹ 90) Forfeited Shares A/c (300 × ₹ 10) To Equity Share Capital A/c (300 shares reissued at ₹ 90 per share fully paid-up)	...Dr. ...Dr.	27,000 3,000	30,000
Forfeited Shares A/c To Capital Reserve A/c (Gain (profit) on reissue transferred to Capital Reserve) (Note)	...Dr.	5,500	5,500

Note:

Dr.		FORFEITED SHARES ACCOUNT		Cr.	
Particulars	₹	Particulars	₹		
To Equity Share Capital A/c	3,000	By Equity Share Capital A/c	1,000		
To Capital Reserve A/c (Balancing Figure)	5,500	By Equity Share Capital A/c	4,500		
		By Equity Share Capital A/c	3,000		
	8,500		8,500		

Or

In the Books of Subham Ltd.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c ...Dr. To Equity Shares Application and Allotment A/c (Application money received)		1,08,000	1,08,000
	Equity Shares Application and Allotment A/c ...Dr. To Equity Share Capital A/c (12,000 × ₹ 3) To Calls-in-Advance A/c (6,000 × ₹ 6) To Securities Premium Reserve A/c (12,000 × ₹ 3) (Application money adjusted on allotment)		1,08,000	36,000 36,000 36,000
	Equity Shares First Call A/c ...Dr. To Equity Share Capital A/c (First call money due on 12,000 shares)		48,000	48,000
	Bank A/c ...Dr. Calls-in-Advance A/c ...Dr. To Equity Shares First Call A/c Or Bank A/c ...Dr. Calls-in-Arrears A/c (WN 1) ...Dr. Calls-in-Advance A/c ...Dr. To Equity Shares First Call A/c (First call money received except on 120 shares and the advance adjusted)		11,880 36,000 11,880 120 36,000	47,880 48,000
	Equity Shares Second and Final Call A/c ...Dr. To Equity Share Capital A/c (Second and final call money due)		36,000	36,000
	Bank A/c ...Dr. To Equity Shares Second and Final Call A/c Or Bank A/c ...Dr. Calls-in-Arrears A/c ...Dr. To Equity Shares Second and Final Call A/c (Second and final call money received except on 120 shares)		35,640 35,640 360	35,640 36,000
	Equity Share Capital A/c ...Dr. To Forfeited Shares A/c To Equity Shares First Call A/c To Equity Shares Second and Final Call A/c Or Equity Share Capital A/c ...Dr. To Forfeited Shares A/c To Calls-in-Arrears A/c (120 shares forfeited for non-payment of call money)		1,200	720 120 360 720 480
	Bank A/c ...Dr. Forfeited Shares A/c (WN 2) ...Dr. To Share Capital A/c (120 forfeited shares reissued for ₹ 4 per share as fully paid-up)		480 720	1,200

Working Notes:

1. Number of Shares applied by Vibhu = $\frac{18,000}{12,000} \times 120 = 180$ shares.
 - (a) Application money received from Vibhu = $180 \times ₹ 6 = ₹ 1,080$.
 - (b) Application and allotment money Required = $120 \times ₹ 6 = ₹ 720$.
 - (c) Surplus application money adjusted towards first call [(a) – (b)] = ₹ 1,080 – ₹ 720 = ₹ 360.
 - (d) First call money required from Vibhu ($120 \times ₹ 4$) ₹ 480
 Less: Surplus application money adjusted [WN 1(c)] ₹ 360
 Unpaid Balance ₹ 120
2. **Maximum Permissible Discount on Reissue** is equal to the amount credited to Forfeited Shares Account, i.e., ₹ 720.
3. There is no gain on reissue of forfeited shares.

PART B

23. (b) Net Cash Used in Investing Activities:

$$[₹ 32,000 \text{ (Sale)} - ₹ 1,87,000 \text{ (Purchase)}] = ₹ 1,55,000.$$

Working Note:

Dr.		FIXED ASSETS ACCOUNT (AT COST)		Cr.	
Particulars	₹	Particulars	₹		
To Balance b/d	8,50,000	By Accumulated Depreciation A/c	65,000		
To Bank A/c (Purchase)—Balancing Figure	1,87,000	By Bank A/c (Sale)	32,000		
		By Statement of Profit and Loss (Loss on Sale)	8,000		
		By Balance c/d	9,32,000		
	10,37,000		10,37,000		

24. False

Reason: Inventory Turnover Ratio measures how many times investment in inventory is turned to generate Revenue from Operations.

25. (d) To determine tax liability.
26. (d) Issue of shares for purchase of fixed assets.
27. (d) Capital Employed = Equity.
28. (d) Shareholders' Funds.
29. (b) Current Liabilities.
30. Total Assets to Debt Ratio = Total Assets/Debt

$$= ₹ 27,00,000/₹ 15,00,000 = 1.8 : 1$$

$$\begin{aligned} \text{Total Assets} &= \text{Shareholders' Funds} + \text{Total Debts} \\ &= ₹ 7,50,000 + ₹ 19,50,000 = ₹ 27,00,000 \end{aligned}$$

$$\begin{aligned} \text{Debt} &= \text{Total Debts} - \text{Current Liabilities} \\ &= ₹ 19,50,000 - ₹ 4,50,000 = ₹ 15,00,000 \end{aligned}$$

$$\begin{aligned} \text{Current Liabilities} &= \text{Current Assets} - \text{Working Capital} \\ &= ₹ 11,00,000 - ₹ 6,50,000 = ₹ 4,50,000. \end{aligned}$$

Or

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

$$4 = \frac{\text{₹ 1,80,000}}{\text{Average Trade Receivables}}$$

$$\text{Average Trade Receivables} = \text{₹ 1,80,000} / 4 = \text{₹ 45,000}$$

Average Trade Receivables

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

Let Opening Trade Receivables = x

Closing Trade Receivables = $2x$

$$\text{₹ 45,000} = \frac{x + 2x}{2}$$

$$x + 2x = \text{₹ 90,000} \text{ or } 3x = \text{₹ 90,000}$$

$$x = \text{₹ 90,000} / 3 = \text{₹ 30,000} \text{ (Opening Trade Receivables)}$$

$$\text{Closing Trade Receivables} = \text{₹ 30,000} \times 2 = \text{₹ 60,000}.$$

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 (Increase/Decrease)	Percentage Change (Increase/Decrease)
		₹	₹	₹	%
		(A)	(B)	(C = B - A)	$\left(D = \frac{C}{A} \times 100 \right)$
I. Revenue from Operations		80,00,000	1,20,00,000	40,00,000	50.00
II. Other Incomes		16,00,000	14,40,000	(1,60,000)	(10.00)
III. Total Revenue (I + II)		96,00,000	1,34,40,000	38,40,000	40.00
IV. Expenses		48,00,000	84,00,000	36,00,000	75.00
V. Profit before Tax (III - IV)		48,00,000	50,40,000	2,40,000	5.00
VI. <i>Less: Tax</i>		24,00,000	25,20,000	1,20,000	5.00
VII. Profit after Tax (V - VI)		24,00,000	25,20,000	1,20,000	5.00

Or

COMMON-SIZE BALANCE SHEET OF L.X. LTD.
as at 31st March, 2018 and 2019

Particulars	Note No.	Absolute Amounts		Percentage of Balance Sheet Total	
		31st March, 2018 (₹)	31st March, 2019 (₹)	31st March, 2018 (%)	31st March, 2019 (%)
I. EQUITY AND LIABILITIES					
1. Shareholders' Funds		10,00,000	20,00,000	50	40
2. Non-Current Liabilities		5,00,000	20,00,000	25	40
3. Current Liabilities		5,00,000	10,00,000	25	20
Total		20,00,000	50,00,000	100	100
II. ASSETS					
1. Non-Current Assets		12,50,000	30,00,000	62.5	60
2. Current Assets		7,50,000	20,00,000	37.5	40
Total		20,00,000	50,00,000	100	100

32.

Vikas Ltd.

CASH FLOW STATEMENT for the year ended 31st March, 2020

Particulars	₹	₹
I. Cash Flow from Operating Activities		
Net Profit for the year:		
Closing Balance of Surplus, i.e., Balance in Statement of Profit and Loss	7,50,000	
Less: Opening Balance of Surplus, i.e., Balance in Statement of Profit and Loss	6,00,000	
	1,50,000	
Add: Provision for Tax	95,000	
Dividend*	1,50,000	
Net Profit before Tax and Extraordinary Activities	3,95,000	
Add: Non-Cash/Non-Operating Expenses:		
Depreciation	40,000	
Goodwill Amortised	20,000	60,000
	4,55,000	
Less: Non-Operating Income (Gain (Profit) on Sale of Land and Building)	15,000	
Operating Profit before Working Capital Changes	4,40,000	
Less: Decrease in Current Liabilities and Increase in Current Assets:		
Trade Payables	10,000	
Inventories	80,000	
Trade Receivables	50,000	1,40,000
Cash Generated from Operating Activities	3,00,000	
Less: Income Tax Paid	80,000	
Cash Flow from Operating Activities		2,20,000
II. Cash Flow from Investing Activities		
Proceeds from Sale of Land and Building	1,65,000	
Purchase of Non-current Investments	(1,00,000)	
Cash Flow from Investing Activities		65,000
III. Cash Flow from Financing Activities		
Payments for Redemption of 10% Debentures	(2,00,000)	
Proceeds from Bank Loan	1,00,000	
Payment of Dividend	(1,50,000)	
Cash Used in Financing Activities		(2,50,000)
IV. Net Increase in Cash and Cash Equivalents (I + II + III)		35,000
Add: Opening Cash and Cash Equivalents		3,40,000
V. Closing Cash and Cash Equivalents		3,75,000

* Proposed Dividend for the year ended 31st March, 2019 paid in the year ended 31st March, 2020.

Working Notes:

1. It is assumed that 10% Debentures have been redeemed in the beginning of the year. Therefore, interest is not provided.

Dr.		LAND AND BUILDING ACCOUNT		Cr.	
Particulars	₹	Particulars	₹		
To Balance b/d	8,00,000	By Bank A/c (Sale) (₹ 1,50,000 + ₹ 15,000)	1,65,000		
To Gain (Profit) on Sale of Land and Building A/c (Statement of Profit and Loss)	15,000	By Balance c/d	6,50,000		
	8,15,000		8,15,000		