

# Model Test Paper 3

**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

- Raj and Ram are partners in a firm sharing profits in the ratio of 2 : 5. They admit Shyam as a partner who will get  $\frac{1}{6}$ th share in the profits of the firm. What will be the new profit-sharing ratio among Raj, Ram and Shyam?  
(a) 10 : 25 : 7  
(b) 7 : 25 : 10  
(c) 25 : 10 : 7  
(d) 10 : 7 : 25 (1)
- Meera, Myra and Neera were partners sharing profits in the ratio of 2 : 2 : 1. They decided to share future profits in the ratio of 7 : 5 : 3 with effect from 1st April, 2019. Their Balance Sheet as on that date showed a balance of ₹ 45,000 in Advertisement Suspense Account. The amount to be debited respectively to the Capital Accounts of Meera, Myra and Neera for writing off the amount in Advertisement Suspense Account will be:  
(a) ₹ 18,000, ₹ 18,000 and ₹ 9,000.  
(b) ₹ 15,000, ₹ 15,000 and ₹ 15,000.  
(c) ₹ 21,000, ₹ 15,000 and ₹ 9,000.  
(d) ₹ 22,500, ₹ 22,500 and Nil.  
(CBSE 2020) (1)
- When a partner draws a fixed sum at the end of each month, interest on total drawings will be equal to interest of \_\_\_\_\_ at the agreed rate of interest.  
(a) 2.5 months  
(b) 5.5 months  
(c) 6.5 months  
(d) 6 months (1)
- Aman, Manish and Karan are partners in a firm sharing profits and losses in the ratio of 4 : 3 : 2. Manish retired from the firm. Manish gave his share to Aman and Karan in the profit-sharing ratio of Aman and Karan. What is the gaining ratio?  
(a) 3 : 2.  
(b) 2 : 5.  
(c) 25 : 11.  
(d) 2 : 1. (1)
- Mona and Tina were partners in a firm sharing profits in the ratio of 3 : 2. Naina was admitted with  $\frac{1}{6}$ th share in the profits of the firm. At the time of admission, Workmen's Compensation Reserve existed in the Balance Sheet of the firm at ₹ 32,000. The claim on account of workmen's compensation was determined at ₹ 40,000. Excess of claim over the reserve will be:  
(a) Credited to Revaluation Account.  
(b) Debited to Revaluation Account.  
(c) Credited to old partner's Capital Account.  
(d) Debited to old partner's Capital Account. (1)

6. Subscribed Capital is
- that part of authorised capital which is issued to the public for subscription.
  - that part of issued capital which has been actually subscribed by the public.
  - that part of subscribed capital which has been called-up on the shares.
  - that part of subscribed capital which has not yet been called-up on the shares.
- (CBSE 2020) (1)
7. Closing balance of \_\_\_\_\_ represents either Surplus (if credit side exceeds debit side), or Deficit (if debit side exceeds credit side), which is transferred to Capital Fund.
- Receipts and Payments Account
  - Profit and Loss Account
  - Income and Expenditure Account
  - Revaluation Account
- (1)
8. Debenture interest
- is payable only in case of profits.
  - is accumulated in case of losses or inadequate profits.
  - is payable after the payment of preference dividend but before the payment of equity.
  - is payable whether the company has earned profit or not.
- (1)
9. On which of the following grounds, a partner may apply to the court for dissolution of the firm?
- Insanity of a partner
  - Persistent breach of agreement by a partner.
  - Misconduct of/by a partner
  - All of the above.
- (1)
10. Akul and Bakul are partners sharing profits in the ratio of 3 : 2. They admit Chetan as a partner for 1/3rd share of the profits. At the time of admission of Chetan, Stock (Book value ₹ 50,000) is to be reduced by 40% and furniture (Book value ₹ 30,000) is to be reduced to 40%.
- Find the distribution of Gain/Loss on revaluation between Akul and Bakul.
- Loss, Akul: ₹ 19,200, Bakul: ₹ 12,800.
  - Gain, Akul: ₹ 19,200, Bakul: ₹ 12,000.
  - Loss, Akul: ₹ 22,800, Bakul: ₹ 15,200.
  - Gain, Akul: ₹ 15,200, Bakul: ₹ 22,800.
- (1)
11. Which of the following will not be distributed among the partners in case of Reconstitution of Partnership?
- General Reserve
  - Excess of Workmen Compensation Reserve over Workmen Compensation Liability
  - Excess of Investment Fluctuation Reserve over difference between book value and market value of investment
  - Employees' Provident Fund
- (1)

12. For which of the following situation, old profit-sharing ratio of partners is used at the time of retirement/death of a partner:
- For distribution of Accumulated Profit/Loss among partners.
  - For writing off the existing goodwill appearing in the books of the firm.
  - Both (a) and (b).
  - For adjusting retiring/deceased partner's share of goodwill in the capital accounts of gaining partners. (1)
13. Ashok and Sudha were partners in a firm sharing profits and losses in the ratio of 3 : 1. They admitted Bani as a new partner. Ashok sacrificed 1/4th of his share and Sudha sacrificed 1/4th of her share in favour of Bani. Bani's share in the profits of the firm will be
- 5/8.
  - 1/8.
  - 1/4.
  - 7/16. (CBSE 2020) (1)
14. From the following particulars relating to Ganesh Charitable Society, prepare Receipts and Payments Account for the year ending 31st March, 2020:

Particulars	₹
Opening Balance of Cash and Bank	20,000
Subscriptions received:	
2018-19	25,000
2019-20	1,00,000
2020-21	15,000
Entrance Fees Received	45,000
Sale of Old Sports Material (Book Value ₹ 8,000)	5,000
Rent Paid	19,000
Donations Received for Construction of Building	1,00,000
Office Expenses Paid	23,000
Salaries	1,60,000
Legacy	50,000

Or

Show how will be the following items dealt in preparing the Balance Sheet of King Club for the year ending on 31st March, 2020:

Expenditure on Construction of Building ₹ 1,80,000. The construction work is in progress and has not yet completed.

Opening Capital Fund	₹ 5,40,000	
Opening Building Fund	₹ 2,40,000	
Donation for Building received	₹ 3,00,000	(3)

15. Paliwal Exports Ltd. was formed with a capital of ₹ 80,00,000 divided into 8,00,000 equity shares of ₹ 10 each. Paliwal Exports Ltd. allotted 10,000 equity shares of ₹ 10 each as fully paid to the signatories to the Memorandum of Association for cash and 5,000 equity shares of ₹ 10 each as fully paid to the vendors against the purchase of building and offered 5,00,000 equity shares of ₹ 10 each (₹ 8 called-up). The issue was fully subscribed. All money were duly received with the following exceptions:

Ashok, who was allotted 4,000 shares, has not paid after application money of ₹ 2 per share.

Mahesh, who was allotted 1,000 shares, paid only ₹ 6 per share. 4,000 shares held by Ashok were forfeited after the first call.

Show how the share capital will appear in the Balance Sheet of Paliwal Exports Ltd. (4)

16. Manika, Bhavi and Komal are partners sharing profits in the ratio of 6 : 4 : 1. Komal is guaranteed minimum profit of ₹ 2,00,000. The firm incurred a loss of ₹ 22,00,000 for the year ended 31st March, 2020. Pass necessary Journal entry regarding deficiency borne by Manika and Bhavi and prepare Profit and Loss Appropriation Account.

Or

The partners of a firm, Alia, Bhanu and Chand distributed profits for the year ended 31st March, 2020, ₹ 80,000 in the ratio of 3 : 3 : 2 without providing the following:

- (a) Alia and Chand were entitled to a salary of ₹ 1,500 each p.m.  
 (b) Bhanu was entitled for a salary of ₹ 4,000 p.a.

Pass the necessary Journal entry for the above adjustments in the books of the firm. Show workings clearly. (4)

17. Amrit and Baldev were partners in a firm sharing profits and losses equally. On 31st March, 2020, their firm was dissolved. On the date of dissolution, their Balance Sheet showed stock of ₹ 60,000 and creditors of ₹ 70,000. After transferring stock and creditors to Realisation Account, following transactions took place:

- (i) Amrit took 40% of total stock at 20% discount.  
 (ii) 30% of total stock was taken by creditors of ₹ 20,000 in full settlement.  
 (iii) Remaining stock was sold for cash at a profit of 25%.  
 (iv) Remaining creditors were paid in cash at a discount of 10%.

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

18. Ram, Ghanshyam and Vrinda were partners in a firm sharing profits in the ratio of 4 : 3 : 1. The firm closes its books on 31st March every year. On 1st February, 2020, Ghanshyam died and it was decided that the new profit-sharing ratio between Ram and Vrinda will be equal. The Partnership Deed provided for the following on the death of a partner:

- (a) His share of goodwill be calculated on the basis of half of the profits credited to his account during the previous four completed years.

The firm's profit for the last four years was:

2015–16—₹ 1,20,000, 2016–17—₹ 80,000, 2017–18—₹ 40,000, and 2018–19—₹ 80,000.

- (b) His share of profit in the year of his death was to be computed on the basis of average profits of past two years.

Pass necessary Journal entries relating to goodwill and profit to be transferred to Ghanshyam's Capital Account. Also show your workings clearly. (4)

19. From the following Receipts and Payments Account and additional information of Modern Health Club, prepare Income and Expenditure Account for the year ended 31st March, 2020 and the Balance Sheet as at 31st March, 2020:

Dr.	RECEIPTS AND PAYMENTS ACCOUNT for the year ended 31st March, 2020		Cr.
Receipts	₹	Payments	₹
To Balance b/d	17,000	By Salaries	30,000
To Subscriptions	60,000	By Rent	18,300
To Donations	2,000	By Repairs	4,700
To Furniture (Book Value ₹ 6,000)	5,000	By Sports Equipments	16,000
To Life Membership Fees	7,000	By Building	30,000
To Interest on Investment (@ 5% for full year)	9,000	By Balance c/d	1,000
	1,00,000		1,00,000

Additional Information:

	Particulars	31st March, 2019 (₹)	31st March, 2020 (₹)
(i)	Subscription received in advance	4,000	5,000
(ii)	Outstanding Subscription	3,000	4,000
(iii)	Sports Equipments	12,500	26,500

(6)

20. (a) Rama Ltd. took over the following assets and liabilities of Krishna Ltd. on 1st April, 2019:

	₹
Land and Building	50,00,000
Furniture	10,00,000
Stock	5,00,000
Creditors	7,00,000

The purchase consideration of ₹ 60,00,000 was paid by issuing 12% Debentures of ₹ 100 each at a premium of 20%.

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

(CBSE 2020)

- (b) Aishwarya Ltd. issued 7,000, 10% Debentures of ₹ 1,000 each at a discount of 10%, redeemable at a premium of 5% after 4 years. According to the terms of issue, ₹ 300 was payable on application and balance on allotment of debentures.

Pass necessary entries for issue of 10% Debentures.

(3 + 3 = 6)

21. Lisa, Monika and Nisha were partners in a firm sharing profits and losses in the ratio of 2 : 2 : 1. On 31st March, 2020, their Balance Sheet was as follows:

BALANCE SHEET OF LISA, MONIKA AND NISHA as at 31st March, 2020

Liabilities	₹	Assets	₹
Trade Creditors	1,60,000	Land and Building	10,00,000
Bills Payable	2,44,000	Machinery	12,00,000
Employees' Provident Fund	76,000	Stock	10,00,000
Capitals:		Sundry Debtors	4,00,000
Lisa	14,00,000	Bank	40,000
Monika	14,00,000		
Nisha	3,60,000		
	31,60,000		
	36,40,000		36,40,000

On 31st March, 2020, Monika retired from the firm and the remaining partners decided to carry on the business. It was agreed that:

- (i) Land and building be appreciated by ₹ 2,40,000 and machinery be decreased by 10%.
- (ii) 50% of the stock was taken by the retiring partner at book value.
- (iii) Provision for doubtful debts was to be made at 5% on debtors.

(iv) Goodwill of the firm is valued at ₹ 3,00,000.

(v) Amount due to Monika is to be transferred to her loan account.

Prepare Revaluation Account, Partners' Capital Accounts and the Balance Sheet of the reconstituted firm on Monika's retirement.

Or

On 31st March, 2020, the Balance Sheet of Madan and Mohan who share profits and losses in the ratio of 3 : 2 was as follows:

BALANCE SHEET OF MADAN AND MOHAN as at 31st March, 2020			
Liabilities	₹	Assets	₹
Creditors	28,000	Cash at Bank	10,000
General Reserve	10,000	Debtors	65,000
Employees' Provident Fund	22,000	Less: Provision for Doubtful Debts	5,000
Capitals:		Stock	33,000
Madan	60,000	Patents	57,000
Mohan	40,000		
	1,00,000		
	1,60,000		1,60,000

They decided to admit Gopal on 1st April, 2020 for 1/5th share which Gopal took from Mohan alone on the following terms:

- (i) Gopal shall bring ₹ 50,000 as his capital and ₹ 10,000 as his share of premium for Goodwill.
- (ii) A debtor whose dues of ₹ 3,000 were written off as bad debt paid ₹ 2,000 in full settlement.
- (iii) A claim of ₹ 5,000 on account of workmen's compensation was to be provided for.
- (iv) Patents were undervalued by ₹ 2,000. Stock in the books was valued 10% more than its market value.

Pass the necessary Journal entries in the books of the firm and prepare Revaluation Account and Partners' Capital Accounts. (8)

22. The Fancy Co. Ltd. invited applications for allotting 1,00,000 equity shares of ₹ 10 each. The shares were issued at a premium of 60%. The amount was payable as follows:

On Application and Allotment — ₹ 6 per share (including premium ₹ 4)  
 On First and Final Call — Balance including premium

Applications for 1,90,000 shares were received. The allotment was made as follows:

Category A — Applications for 10,000 shares were rejected.

Category B — Applications for 1,00,000 shares were allotted 50,000 shares.

Category C — Applications for 80,000 shares were allotted 50,000 shares.

Excess money received on application and allotment was adjusted towards sums due on first and final call.

Ali, who belonged to Category B, and had applied for 1,000 shares, paid the entire amount of his share money with application.

Bali, who belonged to Category C, was allotted 1,000 shares, failed to pay the first and final call money. His shares were forfeited and reissued at ₹ 15 per share fully paid-up.

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

Or

'Shagoon India Ltd.' was registered with an authorised capital of ₹ 50,00,000 divided into 5,00,000 equity shares of ₹ 10 each. 70,000 of these shares were issued as fully paid to 'M/s. Star Ltd.' for building purchased from them. 2,00,000 shares were issued to public for subscription and the amounts were payable as follows:

On Application	—	₹ 3 per share
On Allotment	—	₹ 2 per share
On First Call	—	₹ 2 per share
On Second and Final Call	—	₹ 3 per share

The amounts received on these shares were as follows:

On 1,00,000 shares	—	Full amount called
On 60,000 shares	—	₹ 7 per share
On 30,000 shares	—	₹ 5 per share
On 10,000 shares	—	₹ 3 per share

The directors forfeited 10,000 shares on which only ₹ 3 per share were received. These shares were reissued at ₹ 12 per share fully paid. Pass necessary Journal entries for the above transactions in the books of Shagoon India Ltd. (8)

## PART B

### ANALYSIS OF FINANCIAL STATEMENTS

23. Name the difference between Gross Profit and Operating Expenses:
- Revenue from Operations
  - Operating Profit
  - Operating Cost
  - Net Profit before Interest and Tax (1)
24. Identify out of the following transactions that will decrease both Current Ratio and Quick Ratio:
- Sale of Stock-in-Trade at loss.
  - Purchase of Stock-in-Trade on credit.
  - Sale of Non-current Asset for cash.
  - Cash payment of a Non-current Liability. (1)
25. State whether the following statement is true or false:  
'Prepaid expenses and closing debtors are not considered while calculating the quick assets'. (CBSE 2020) (1)

26. An example of an activity which is classified as Financing Activity in case of all enterprises is
- (a) Payment of Interest on Borrowings.      (b) Purchase of Goodwill.  
(c) Payment of Salaries to Employees.      (d) Payment of Dividend on Shares. (1)
27. \_\_\_\_\_ are activities that result in change in the size and composition of the owners' capital and borrowing of the enterprise.
- (a) Operating Activities      (b) Financing Activities  
(c) Investing Activities      (d) Extra-ordinary Activities (1)
28. One of the objective of 'Financial Statement Analysis' is to identify the reasons for change in the financial position of the enterprise. State one more objective of this analysis. (1)
29. \_\_\_\_\_ is a comparison of financial statements of an enterprise for two or more accounting periods.
- (a) Intra-firm Analysis.      (b) Inter-firm Analysis.  
(c) Time Series Analysis.      (d) (a) and (c). (1)
30. In a company, rate of Gross Profit on cost is 20%. Its Gross Profit is ₹ 4,00,000. Current Liabilities are 50% of the Current Assets, and Current Assets are ₹ 12,00,000. Calculate the Working Capital Turnover Ratio. (CBSE 2020)

Or

Net profit after interest and tax of M Ltd. was ₹ 1,00,000. Its Current Assets were ₹ 4,00,000 and Current Liabilities were ₹ 2,00,000. Tax rate was 50%. Its Total Assets were ₹ 10,00,000 and 10% Long-term Debt was ₹ 4,00,000.

Calculate Return on Investment. (3)

31. How are the following items shown while preparing the Balance Sheet of a company:
- (i) Computer Software;      (ii) Prepaid Expenses;  
(iii) Stores and Spares;      (iv) Capital Work-in-Progress?

Or

Following information was extracted from the Statement of Profit and Loss for the years ended 31st March, 2019 and 2020. Prepare Comparative Statement of Profit and Loss:

Particulars	31.3.2020 (₹)	31.3.2019 (₹)
Revenue from Operations	10,00,000	8,00,000
Employees Benefit Expenses	5,00,000	4,00,000
Other Expenses	50,000	1,00,000
Tax Rate	50%	50%

(4)



32. (i) From the following information of Nova Ltd., calculate Cash Flow from Investing Activities:

Particulars	31st March, 2019 (₹)	31st March, 2018 (₹)
Machinery (At cost)	5,00,000	3,00,000
Accumulated Depreciation on Machinery	1,00,000	80,000
Goodwill	1,50,000	1,00,000
Land	70,000	1,00,000

*Additional Information:*

During the year, a machine costing ₹ 50,000 on which the accumulated depreciation was ₹ 35,000, was sold for ₹ 12,000.

- (ii) The profit of Jova Ltd. for the year ended 31st March, 2019 after appropriation was ₹ 2,50,000.

*Additional Information:*

Particulars	₹
Depreciation of Machinery	20,000
Goodwill written off	9,000
Loss on Sale of Furniture	2,000
Transfer to General Reserve	22,500

The following was the position of its Current Assets and Current Liabilities as at 31st March, 2018 and 2019.

Particulars	31st March, 2018 (₹)	31st March, 2019 (₹)
Income Received in Advance	8,000	...
Inventory	12,000	8,000

Calculate the Cash Flow from Operating Activities.

(CBSE 2020) (3 + 3 = 6)

## Answers

### PART A

1. (a) 10 : 25 : 7.

**Working Note:**

Let the profit = 1

Shyam's share =  $1/6$

Remaining share =  $1 - 1/6 = 5/6$

Raj's New Profit Share =  $5/6 \times 2/7 = 10/42$

Ram's New Profit Share =  $5/6 \times 5/7 = 25/42$

Shyam's share =  $1/6$  or  $7/42$

New Profit-sharing Ratio =  $10/42 : 25/42 : 1/6$  or 10 : 25 : 7.

2. (a) ₹ 18,000, ₹ 18,000 and ₹ 9,000.

**Note:** Advertisement Suspense Account balance of ₹ 45,000 is a fictitious asset and is debited to partners' capitals in their old profit-sharing ratio.

3. (b) 5.5 months.

4. (d) 2 : 1.

5. (b) Debited to Revaluation Account.

6. (b) That part of issued capital which has been subscribed by the public.

7. (c) Income and Expenditure Account.

8. (d) is payable whether the company has earned profit or not.

9. (d) All of the above.

10. (c) Loss, Akul: ₹ 22,800, Bakul: ₹ 15,200.

**Working Note:**

Loss on Revaluation = ₹ 20,000 ( $₹ 50,000 \times 40/100$ ) + ₹ 18,000 ( $₹ 30,000 \times 60/100$ )  
= ₹ 38,000

Akul's Share = ₹ 38,000  $\times 3/5$  = ₹ 22,800

Bakul's Share = ₹ 38,000  $\times 2/5$  = ₹ 15,200.

11. (d) Employees' Provident Fund.

**Reason:** Employees' Provident Fund is a liability towards employees and is not an accumulated profit, hence it is not distributed among the partners.

12. (c) Both (a) and (b).

13. (c)  $1/4$ .

**Working Note:**

Ashok's Sacrifice =  $3/4 \times 1/4 = 3/16$

Sudha's Sacrifice =  $1/4 \times 1/4 = 1/16$

Bani's share =  $3/16 + 1/16 = 4/16$  or  $1/4$ .

## 14.

**Ganesh Charitable Society**

Dr. RECEIPTS AND PAYMENTS ACCOUNTS for the year ended 31st March, 2020

Cr.

Particulars	₹	Particulars	₹
To Balance b/d	20,000	By Rent	19,000
To Subscriptions received:		By Office Expenses	23,000
2018-19	25,000	By Salaries	1,60,000
2019-20	1,00,000	By Balance c/d (Balancing Figure)	1,58,000
2020-21	15,000		
	1,40,000		
To Entrance Fees	45,000		
To Sale of Old Sports Materials (Book value ₹ 8,000)	5,000		
To Donations for Construction of Building	1,00,000		
To Legacy	50,000		
	3,60,000		3,60,000

Or

AN EXTRACT OF BALANCE SHEET OF KING CLUB as at 31st March, 2020

Liabilities	₹	Assets	₹
<b>Capital Fund</b>		Building-in-Progress	1,80,000
Opening Balance	5,40,000		
Add: Transfer from Building Fund	1,80,000		
	7,20,000		
<b>Building Fund</b>			
Opening Balance	2,40,000		
Add: Donations	3,00,000		
	5,40,000		
Less: Transfer to Capital Fund	1,80,000		
	3,60,000		

## 15.

**Paliwal Exports Ltd.**

BALANCE SHEET (AN EXTRACT) as at ...

Particulars	Note No.	₹
<b>I. EQUITY AND LIABILITIES</b>		
<b>Shareholders' Funds</b>		
Share Capital	1	41,24,000

**Note to Accounts**

Particulars	₹	₹
<b>1. Share Capital</b>		
<b>Authorised Capital</b>		
8,00,000 Equity Shares of ₹ 10 each		80,00,000
<b>Issued Capital</b>		
5,15,000 Equity Shares of ₹ 10 each		51,50,000
<b>Subscribed Capital</b>		
<b>Subscribed and Fully Paid-up</b>		
15,000 Equity Shares of ₹ 10 each (5,000 allotted as fully paid to Vendor against purchase of building)		1,50,000
<b>Subscribed but not Fully Paid-up</b>		
4,96,000 Equity Shares of ₹ 10 each, ₹ 8 per share paid-up	39,68,000	
Add: Forfeited Shares (4,000 × ₹ 2)	8,000	
	39,76,000	
Less: Calls-in-Arrears: (1,000 × ₹ 2)	2,000	39,74,000
		41,24,000

## 16. JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2020				
March 31	Manika's Capital A/c ...Dr.		2,40,000	
	Bhavi's Capital A/c ...Dr.		1,60,000	
	To Komal's Capital A/c			4,00,000
	(Deficiency of Komal met by Manika and Bhavi) (WN)			

## PROFIT AND LOSS APPROPRIATION ACCOUNT

Dr.		Cr.	
for the year ended 31st March, 2020			
Particulars	₹	Particulars	₹
To Net Loss (Profit and Loss A/c)	22,00,000	By Loss transferred to:	
		Manika's Capital A/c	12,00,000
		Bhavi's Capital A/c	8,00,000
		Komal's Capital A/c	2,00,000
	22,00,000		22,00,000

**Working Note:**

Loss of the firm = ₹ 22,00,000

Komal's share of loss = ₹ 22,00,000 × 1/11 = ₹ 2,00,000

Guaranteed minimum profit = ₹ 2,00,000

Therefore, Komal's Capital Account is to be credited by the amount of deficiency ₹ 4,00,000 (i.e., ₹ 2,00,000: Share of Loss + ₹ 2,00,000 : Guaranteed Profit) which will be borne by Manika and Bhavi in their profit-sharing ratio, i.e., 6 : 4 or 3 : 2.

Or

## TABLE SHOWING ADJUSTMENT TO BE MADE

Particulars		Alia (₹)	Bhanu (₹)	Chand (₹)	Total (₹)
Salary not yet credited	...Cr.	18,000	4,000	18,000	40,000
Decrease in profits due to salary not paid distributed (3 : 3 : 2)	...Dr.	15,000	15,000	10,000	40,000
<b>Net Effect</b>		3,000 (Cr.)	11,000 (Dr.)	8,000 (Cr.)	...

## JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2020				
March 31	Bhanu's Capital A/c ...Dr.		11,000	
	To Alia's Capital A/c			3,000
	To Chand's Capital A/c			8,000
	(Salary, profit share incorrectly distributed, now adjusted)			

17. JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2019 Mar. 31	(i) Amrit's Capital A/c ...Dr. To Realisation A/c (40% of the total stock taken by Ravi at 20% discount)		19,200	19,200
	(ii) No entry (Note)			
	(iii) Cash A/c ...Dr. To Realisation A/c (Stock sold for cash)		22,500	22,500
	(iv) Realisation A/c ...Dr. To Cash A/c (Creditors paid in cash at a discount of 10%)		45,000	45,000

**Note:** If an asset (whether recorded or unrecorded) is given in payment of a liability (whether recorded or unrecorded), then entry is not passed for such transaction.

18. JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2020 Feb. 1	Vrinda's Capital A/c ...Dr. To Ghanshyam's Capital A/c (Ghanshyam's share of goodwill adjusted by debiting gaining partner (Vrinda) and crediting deceased partner (Ghanshyam))		60,000	60,000
	Vrinda's Capital A/c ...Dr. To Ghanshyam's Capital A/c (Ghanshyam's share of profit till the date of death adjusted by debiting gaining partner (Vrinda))		18,750	18,750

**Working Notes:**

1. Calculation of Ghanshyam's Share of Goodwill:

Total profit of last four years = ₹ 1,20,000 + ₹ 80,000 + ₹ 40,000 + ₹ 80,000 = ₹ 3,20,000

Ghanshyam's share in last four years' profit = ₹ 3,20,000 × 3/8 = ₹ 1,20,000

Ghanshyam's share of Goodwill = ₹ 1,20,000 × 1/2 = ₹ 60,000.

2. Calculation of gaining ratio:

Gain of a partner = New share – Old share

Ram's Gain = 1/2 – 4/8 = Nil

Vrinda's Gain = 1/2 – 1/8 =  $\frac{4-1}{8} = \frac{3}{8}$

Hence, Vrinda is only gaining partner.

3. Calculation of Ghanshyam's share of profit till the date of death:

Average profit of past two years =  $\frac{₹ 40,000 + ₹ 80,000}{2} = ₹ 60,000$

Profit for 10 months (from 1st April, 2019 to 1st February, 2020) = ₹ 60,000 × 10/12 = ₹ 50,000

Ghanshyam's share of profit = ₹ 50,000 × 3/8 = ₹ 18,750.

Due to change of profit-sharing ratio in the new firm, Ghanshyam's share of profit will be adjusted through Vrinda's Capital Account (gaining partner) not through Profit and Loss Suspense A/c.

## 19. Modern Health Club

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

Expenditure	₹	Income	₹
To Depreciation on Sports Equipments (₹ 12,500 + ₹ 16,000 – ₹ 26,500)	2,000	By Subscriptions	60,000
To Loss on Sale of Furniture (₹ 6,000 – ₹ 5,000)	1,000	Add: Advance for Current Year	4,000
To Salaries	30,000	Less: Advance for Next Year	(5,000)
To Rent	18,300	Outstanding for last year	(3,000)
To Repairs	4,700	Add: Outstanding for current year	4,000
To Surplus, i.e., Excess of Income over Expenditure	15,000	By Donations	2,000
		By Interest on Investments	9,000
	71,000		71,000

## BALANCE SHEET as at 31st March, 2020

Liabilities	₹	Assets	₹
Subscriptions Received in Advance	5,000	Cash	1,000
Capital Fund (WN)	2,14,500	5% Investments	1,80,000
Add: Life Membership Fees	7,000	Outstanding Subscriptions	4,000
Surplus	15,000	Sports Equipments	26,500
	2,36,500	Building	30,000
	2,41,500		2,41,500

**Working Note:**

## BALANCE SHEET as at 31st March, 2019

Liabilities	₹	Assets	₹
Subscriptions Received in Advance	4,000	Cash	17,000
Capital Fund (Balancing Figure)	2,14,500	5% Investments*	1,80,000
		Outstanding Subscriptions	3,000
		Sports Equipments	12,500
		Furniture	6,000
	2,18,500		2,18,500

\*Interest Received @ 5% for full year = ₹ 9,000

Value of 5% Investments = ₹ 9,000 × 100/5 = ₹ 1,80,000.

## 20. (a) JOURNAL OF RAMA LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2019				
April 1	Land and Building ...Dr.		50,00,000	
	Furniture A/c ...Dr.		10,00,000	
	Stock A/c ...Dr.		5,00,000	
	Goodwill A/c (Balancing Figure) ...Dr.		2,00,000	
	To Sundry Creditors			7,00,000
	To Krishna Ltd.			60,00,000
	(Assets and Liabilities taken over)			
	Krishna Ltd. ...Dr.		60,00,000	
	To 12% Debentures A/c			50,00,000
	To Securities Premium Reserve A/c			10,00,000
	(50,000, 12% Debentures of ₹ 100 each issued at a premium of ₹ 20)			

(b) JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c ...Dr. To Debentures Application A/c (Application money received on 7,000, 10% Debentures @ ₹ 300 each)		21,00,000	21,00,000
	Debentures Application A/c ...Dr. To 10% Debentures A/c (Application money adjusted)		21,00,000	21,00,000
	Debentures Allotment A/c ...Dr. Loss on Issue of Debentures A/c ...Dr. To 10% Debentures A/c To Premium on Redemption of Debentures A/c (Allotment money due on 7,000; 10% Debentures)		42,00,000 10,50,000	49,00,000 3,50,000
	Bank A/c ...Dr. To Debentures Allotment A/c (Allotment money duly received)		42,00,000	42,00,000

21.

Dr. REVALUATION ACCOUNT Cr.

Particulars	₹	Particulars	₹
To Machinery A/c (10% of ₹ 12,00,000)	1,20,000	By Land and Building A/c	2,40,000
To Provision for Doubtful Debts A/c (5% of ₹ 4,00,000)	20,000		
To Gain (Profit) transferred to:			
Lisa's Capital A/c	40,000		
Monika's Capital A/c	40,000		
Nisha's Capital A/c	20,000		
	1,00,000		
	2,40,000		2,40,000

Dr. PARTNERS' CAPITAL ACCOUNTS Cr.

Particulars	Lisa (₹)	Monika (₹)	Nisha (₹)	Particulars	Lisa (₹)	Monika (₹)	Nisha (₹)
To Stock A/c	...	5,00,000	...	By Balance b/d	14,00,000	14,00,000	3,60,000
To Monika's Capital A/c (WN)	80,000	...	40,000	By Revaluation A/c	40,000	40,000	20,000
To Monika's Loan A/c	...	10,60,000	...	By Lisa's Capital A/c (WN)	...	80,000	...
To Balance c/d	13,60,000	...	3,40,000	By Nisha's Capital A/c (WN)	...	40,000	...
	14,40,000	15,60,000	3,80,000		14,40,000	15,60,000	3,80,000

BALANCE SHEET OF THE RECONSTITUTED FIRM  
as at 31st March, 2020

Liabilities	₹	Assets	₹
Trade Creditors	1,60,000	Land and Building	12,40,000
Bills Payable	2,44,000	Machinery	10,80,000
Employees' Provident Fund	76,000	Stock	5,00,000
Monika's Loan	10,60,000	Sundry Debtors	4,00,000
Capitals:		Less: Provision for Doubtful Debts	20,000
Lisa	13,60,000	Bank	40,000
Nisha	3,40,000		
	17,00,000		
	32,40,000		32,40,000

**Working Note:**

Unless agreed otherwise, gaining ratio of continuing partners is same as their old profit-sharing ratio.

Monika's Share of Goodwill =  $\frac{2}{5}$  of ₹ 3,00,000 = ₹ 1,20,000, which is contributed by Lisa and Nisha in their gaining ratio, i.e., 2 : 1.

*Or*

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2020 April 1	General Reserve A/c ...Dr. To Madan's Capital A/c To Mohan's Capital A/c (General Reserve distributed between old partners in their old profit-sharing ratio)		10,000	6,000 4,000
	Cash/Bank A/c ...Dr. To Revaluation A/c (Bad debts recovered)		2,000	2,000
	Revaluation A/c ...Dr. To Workmen Compensation Claim A/c (Workmen Compensation claim provided)		5,000	5,000
	Patents A/c ...Dr. To Revaluation A/c (Patents undervalued, now recorded)		2,000	2,000
	Revaluation A/c ...Dr. To Stock A/c (Stock overvalued by 10% recorded)		3,000	3,000
	Revaluation A/c ...Dr. To Madan's Capital A/c To Mohan's Capital A/c (Loss on revaluation distributed among partners in their old-profit sharing ratio)		4,000	2,400 1,600
	Bank A/c ...Dr. To Gopal's Capital A/c To Premium for Goodwill A/c (Capital and premium for goodwill brought in cash)		60,000	50,000 10,000
	Premium for Goodwill A/c ...Dr. To Mohan's Capital A/c (Premium for goodwill credited to Mohan's Capital Account) (WN)		10,000	10,000

Dr.		REVALUATION ACCOUNT		Cr.	
Particulars	₹	Particulars	₹		₹
To Workmen Compensation Claim A/c	5,000	By Cash/Bank A/c (Bad Debts Recovered)	2,000		
To Stock A/c	3,000	By Patents A/c	2,000		
		By Loss transferred to:			
		Madan's Capital A/c	2,400		
		Mohan's Capital A/c	1,600		4,000
	8,000				8,000



PARTNERS' CAPITAL ACCOUNTS							
Dr.				Cr.			
Particulars	Madan ₹	Mohan ₹	Gopal ₹	Particulars	Madan ₹	Mohan ₹	Gopal ₹
To Revaluation A/c (Loss)	2,400	1,600	...	By Balance b/d	60,000	40,000	...
To Balance c/d	63,600	52,400	50,000	By General Reserve A/c	6,000	4,000	...
				By Premium for Goodwill A/c (WN)	...	10,000	...
				By Bank A/c	...	...	50,000
	66,000	54,000	50,000		66,000	54,000	50,000

**Working Note:** As only Mohan has sacrificed, he will be entitled to the entire share of premium for goodwill brought by Gopal.

**22.** JOURNAL OF FANCY CO. LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c (1,89,000 × ₹ 6) + (1,000 × ₹ 16) ...Dr.		11,50,000	
	To Equity Shares Application and Allotment A/c (Application money received)			11,50,000
	Equity Shares Application and Allotment A/c ...Dr.		11,50,000	
	To Equity Share Capital A/c (1,00,000 × ₹ 2)			2,00,000
	To Securities Premium Reserve A/c (1,00,000 × ₹ 4)			4,00,000
	To Calls-in-Advance A/c (WN 1)			4,82,000
	To Bank A/c (WN 2)			68,000
	(Application money transferred to Share Capital, Securities Premium Reserve, calls and the balance refunded)			
	Equity Shares First and Final Call A/c ...Dr.		10,00,000	
	To Equity Share Capital A/c			8,00,000
	To Securities Premium Reserve A/c			2,00,000
	(First call money due)			
	Bank A/c ...Dr.		5,11,600	
	Calls-in-Arrears A/c ...Dr.		6,400	
	Calls-in-Advance A/c ...Dr.		4,82,000	
	To Equity Shares First and Final Call A/c (First and final call money received except on 1,000 shares)			10,00,000
	Or			
	Bank A/c ...Dr.		5,11,600	
	Calls-in-Advance A/c ...Dr.		4,82,000	
	To Equity Shares First and Final Call A/c (First and final call money received except on 1,000 shares)			9,93,600
	Equity Share Capital A/c ...Dr.		10,000	
	Securities Premium Reserve A/c ...Dr.		2,000	
	To Forfeited Shares A/c			5,600
	To Calls-in-Arrears A/c/Equity Shares First and Final Call A/c (Bali's share forfeited for non-payment of first and final call)			6,400
	Bank A/c ...Dr.		15,000	
	To Equity Share Capital A/c			10,000
	To Securities Premium Reserve A/c			5,000
	(Bali's share reissued for ₹ 15 per share fully paid)			
	Forfeited Shares A/c ...Dr.		5,600	
	To Capital Reserve A/c			5,600
	(Balance in Forfeited Shares Account transferred to Capital Reserve)			



Bank A/c To Equity Shares First Call A/c (First call money received except on 40,000 shares) <i>Or</i>	...Dr.	3,20,000	3,20,000
Bank A/c Calls-in-Arrears A/c To Equity Shares First Call A/c (First call money received except on 40,000 shares)	...Dr. ...Dr.	3,20,000 80,000	4,00,000
Equity Shares Second and Final Call A/c To Equity Share Capital A/c (Second and final call money due on 2,00,000 shares)	...Dr.	6,00,000	6,00,000
Bank A/c To Equity Share Second and Final Call A/c (Second and final call money received except on 1,00,000 shares) <i>Or</i>	...Dr.	3,00,000	3,00,000
Bank A/c Calls-in-Arrears A/c To Equity Share Second and Final Call A/c (Second and final call money received except on 1,00,000 shares)	...Dr. ...Dr.	3,00,000 3,00,000	6,00,000
Equity Share Capital A/c To Forfeited Shares A/c To Equity Shares Allotment A/c To Equity Shares First Call A/c To Equity Shares Second and Final Call A/c (10,000 shares forfeited for non-payment of allotment and call monies) <i>Or</i>	...Dr.	1,00,000	30,000 20,000 20,000 30,000
Equity Share Capital A/c To Forfeited Shares A/c To Calls-in-Arrears A/c (10,000 shares forfeited for non-payment of allotment and call monies)	...Dr.	1,00,000	30,000 70,000
Bank A/c To Equity Share Capital A/c To Securities Premium Reserve A/c (Shares reissued for ₹ 12 per share as fully paid)	...Dr.	1,20,000	1,00,000 20,000
Forfeited Shares A/c To Capital Reserve A/c (Balance in Forfeited Shares Account transferred to Capital Reserve)	...Dr.	30,000	30,000

**Working Note:** TABLE SHOWING MONEY RECEIVED AND NOT RECEIVED

Shares	Application ₹ 3	Allotment ₹ 2	First Call ₹ 2	Second and Final Call ₹ 3
1,00,000	✓	✓	✓	✓
60,000	✓	✓	✓	×
30,000	✓	✓	×	×
10,000	✓	×	×	×
Money Received	2,00,000 × ₹ 3 = ₹ 6,00,000	1,90,000 × ₹ 2 = ₹ 3,80,000	1,60,000 × ₹ 2 = ₹ 3,20,000	1,00,000 × ₹ 3 = ₹ 3,00,000
Money Not Received	...	10,000 × ₹ 2 = ₹ 20,000	40,000 × ₹ 2 = ₹ 80,000	1,00,000 × ₹ 3 = ₹ 3,00,000

✓ – Money Received, × – Money Not Received.

**PART B**

23. (b) Operating Profit.
24. (d) Cash payment of a Non-current Liability.
25. False.  
Prepaid expenses are not considered whereas debtors are considered while calculating the quick asset.
26. (d) Payment of dividend on shares.
27. (b) Financing Activities.
28. Any of the following two objectives:  
(i) Assessing the earning capacity or profitability of the firm as a whole as well as its different departments so as to judge the financial health of the firm.  
(ii) Assessing the operating efficiency with which resources are utilised in generating revenue.
29. (d) *a* and *c*.

$$\begin{aligned} \text{30. Working Capital Turnover Ratio} &= \text{Revenue from Operations/Working Capital} \\ &= ₹ 24,00,000/₹ 6,00,000 = \mathbf{4 \text{ Times.}} \end{aligned}$$

$$\begin{aligned} \text{Cost of Revenue from Operations} &= \text{Gross Profit/Gross Profit Ratio} \\ &= ₹ 4,00,000 \times 100/20 = ₹ 20,00,000 \end{aligned}$$

$$\begin{aligned} \text{Revenue from Operations} &= \text{Cost of Revenue from Operations} + \text{Gross Profit} \\ &= ₹ 20,00,000 + ₹ 4,00,000 = ₹ 24,00,000 \end{aligned}$$

$$\begin{aligned} \text{Working Capital} &= \text{Current Assets} - \text{Current Liabilities} \\ &= ₹ 12,00,000 - ₹ 6,00,000 = ₹ 6,00,000 \end{aligned}$$

*Or*

$$\begin{aligned} \text{Return on Investment} &= \frac{\text{Net Profit before Interest and Tax}}{\text{Capital Employed}} \times 100 \\ &= \frac{₹ 2,40,000}{₹ 8,00,000} \times 100 = 30\%. \end{aligned}$$

$$\text{Net Profit before Interest and Tax} = ₹ 1,00,000 + ₹ 1,00,000 + ₹ 40,000 = ₹ 2,40,000$$

$$\begin{aligned} \text{Capital Employed} &= \text{Total Assets} - \text{Current Liabilities} \\ &= ₹ 10,00,000 - ₹ 2,00,000 = ₹ 8,00,000 \end{aligned}$$

31.

S. No.	Items	Main Head	Sub-head
(i)	Computer Software	Non-current Assets	Fixed Assets—Intangible Assets
(ii)	Prepaid Expenses	Current Assets	Other Current Assets
(iii)	Stores and Spares	Current Assets	Inventories
(iv)	Capital Work-in-Progress	Non-Current Assets	Fixed Assets—Capital Work-in-Progress

Or

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) (%)
I. Revenue from Operations		8,00,000	10,00,000	2,00,000	25
II. Expenses:					
(a) Employees Benefit Expenses		4,00,000	5,00,000	1,00,000	25
(b) Other Expenses		1,00,000	50,000	(50,000)	(50)
<b>Total Expenses</b>		5,00,000	5,50,000	50,000	10
III. <b>Net Profit before Tax (I – II)</b>		3,00,000	4,50,000	1,50,000	50
IV. Less: Tax @ 50%		1,50,000	2,25,000	75,000	50
V. <b>Net Profit after Tax (III – IV)</b>		1,50,000	2,25,000	75,000	50

32. (i)

Nova Ltd.

CALCULATION OF CASH FLOW FROM INVESTING ACTIVITIES

Particulars	₹
Purchase of Machinery	(2,50,000)
Purchase of Goodwill	(50,000)
Sale of Machinery	12,000
Sale of Land	30,000
<b>Cash Used in Investing Activities</b>	<b>(2,58,000)</b>

**Working Note:**

1. Dr. Cr.

MACHINERY ACCOUNT			
Particulars	₹	Particulars	₹
To Balance b/d	3,00,000	By Bank A/c (Sale)	12,000
To Bank A/c (Purchase)—Balancing Figure	2,50,000	By Accumulated Depreciation A/c	35,000
		By Statement of Profit and Loss	3,000
		(Loss on Sale: ₹ 50,000 – ₹ 12,000 – ₹ 35,000)	
		By Balance c/d	5,00,000
	5,50,000		5,50,000

2. Dr. Cr.

ACCUMULATED DEPRECIATION ACCOUNT			
Particulars	₹	Particulars	₹
To Machinery A/c	35,000	By Balance b/d	80,000
To Balance c/d	1,00,000	By Depreciation A/c	55,000
		(Statement of Profit and Loss)—Bal. Fig.	
	1,35,000		1,35,000

## (ii) CALCULATION OF CASH FLOW FROM OPERATING ACTIVITIES

Particulars	₹
Net profit before tax (WN)	2,72,500
<i>Adjustments for Non-cash and Non-operating Items:</i>	
Add: Depreciation	20,000
Goodwill written off	9,000
Loss on Sale of Furniture	2,000
<i>Operating Profit before Working Capital Changes</i>	3,03,500
Add: Decrease in Inventory	4,000
Less: Decrease in Advance Income	(8,000)
<i>Net Cash generated from Operating Activities</i>	<u>2,99,500</u>

**Working Note:**

<i>Calculation of Net Profit before Tax:</i>	₹
Net Profit	2,50,000
Add: Transfer to General Reserve	22,500
	<u>2,72,500</u>