Model Test Paper 4

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. In the absence of any provision in the partnership agreement, profits and losses are shared by partners
(*a*) in the ratio of capitals.
(*b*) equally.
(*c*) in the ratio of loans given by them to the partnership firm.
(*d*) None of the above. (1)

2. Fluctuating capital account is credited with
(*a*) profit for the year. (*b*) interest on Capital.
(*c*) salaries of the partner. (*d*) All of the above. (1)

3. Profits of last three years were ₹ 42,000, ₹ 39,000 and ₹ 45,000. Find the value of firm's goodwill on the basis of two years' purchase of the average profit for the last three years.
(*a*) ₹ 1,26,000 (*b*) ₹ 42,000
(*c*) ₹ 36,000 (*d*) ₹ 84,000 (1)

4. In the absence of an agreement, it is presumed that the new partner gets his share in profits from the old partners in their ____________
(*a*) Old Profit-sharing Ratio. (*b*) Gaining Ratio.
(*c*) New Profit-sharing Ratio. (*d*) Sacrificing Ratio. (1)

5. Omega Ltd. forfeited 2,000 shares of ₹ 10 each held by Mohan for non-payment of allotment money of ₹ 3 per share. The called-up value per share was ₹ 8. On forfeiture, the amount debited to share capital will be
(*a*) ₹ 6,000. (*b*) ₹ 20,000.
(c) ₹ 10,000. (*d*) ₹ 16,000. (1)

6. At the time of admission of a new partner in the firm, the new partner compensates the old partners for their loss of share in the super profits of the firm for which he brings in an additional amount which is known as ____________. (*CBSE 2020*) (1)

7. Pragya Ltd. forfeited 8,000 equity shares of ₹ 100 each issued at a premium of 10% for non-payment of first and final call of ₹ 30 per share. The maximum amount of discount at which these shares can be reissued will be

(*a*) ₹ 80,000. (*b*) ₹ 3,20,000.

(*c*) ₹ 5,60,000. (*d*) ₹ 2,40,000. (*CBSE 2020*) (1)

8. Disha and Abha were partners in a firm. Farad was admitted as a new partner for 1/5th share in the profits of the firm. Farad brought proportionate capital. Capitals of Disha and Abha after all adjustments were ₹ 64,000 and ₹ 46,000 respectively. Capital brought by Farad was

(*a*) ₹ 22,000. (*b*) ₹ 27,500.

(*c*) ₹ 55,000. (*d*) ₹ 28,000. (*CBSE 2020*) (1)

9. The following information has been extracted from the financial statements of a not-for-profit organisation for the year ended 31st March, 2019:

Particulars	₹
Opening balance of Match Fund	5,00,000
Sale of Match Tickets	3,75,000
Donation for Match Fund received during the year	1,24,000
Match Expenses	10,00,000

Which of the following is correct?

(*a*) Negative balance of Match Fund ₹ 1,000 will be shown on the liabilities side of the Balance Sheet as at 31st March, 2019.

(*b*) Opening balance of Match Fund ₹ 5,00,000 will be shown on the liabilities side of Balance Sheet as at 1st April, 2018.

(*c*) Negative balance of Match Fund ₹ 1,000 will be shown on the expenditure side of Income and Expenditure Account for the year ended 31st March, 2019.

(*d*) Both (*b*) and (*c*). (*CBSE 2020*) (1)

10. Claim of the retiring partner is payable in the following form:

(*a*) Fully in cash.

(*b*) Fully transferred to his loan account to be paid with some interest on it.

(*c*) Partly in cash and partly as loan payment with agreed interest.

(*d*) Any of the above. (1)

11. Fill-in-the blanks for the transaction 'Interest on drawings' ₹ 4,000.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	? ...Dr.		4,000	
	To ?			4,000
	(Being interest on drawings charged)			

(*CBSE 2020*) (1)

12. 'X', a partner, agreed to take the responsibility of completing dissolution at an agreed amount of ₹ 10,000 and was to bear all realisation expenses. Realisation expenses of ₹ 8,000 were paid by the firm. Realisation Account is to be debited with

(*a*) ₹ 8,000. (*b*) ₹ 10,000.

(*c*) ₹ 18,000. (*d*) None of these. (1)

13. X and Y shared profits and losses in the ratio of 3 : 2. With effect from 1st April, 2020, they agreed to share profits equally. Goodwill of the firm was valued at ₹ 1,50,000. The necessary single adjusting entry will be

(*a*) Debit Y and Credit X by ₹ 15,000. (*b*) Debit X and Credit Y with ₹ 15,000.

(*c*) Debit X and Credit Y with ₹ 1,500. (*d*) Debit Y and Credit X with ₹ 1,500. (1)

14. State any three differences between a Receipts and Payments Account and an Income and Expenditure Account.

Or

From the following particulars, prepare the Receipts and Payments Account of Simens Sports Society for the year ended on 31st March, 2021:

Opening Balance:	₹
Cash	15,000
Bank	20,000
Subscription:	
2019–20	10,000
2020–21	2,60,000
2021–22	20,000
Sale of old newspapers	500
Rent received for the use of hall	4,500
Salaries	45,000
General expenses	10,000
Electricity charges	15,000
Sports materials	1,00,000
Purchase of newspapers	2,000
Investment in Govt. Securities	1,00,000
Cash in Hand	28,000

(3)

15. On 31st March, 2020, balances in the Capital Accounts of Saroj, Mahinder and Umar after making adjustments for profits and drawings, etc., were ₹ 80,000, ₹ 60,000 and ₹ 40,000 respectively. Subsequently, it was noticed that interest on capital and drawings has been omitted.

(*a*) Profit for the year ended 31st March, 2020 was ₹ 80,000.

(*b*) During the year, Saroj and Mahinder each withdrew ₹ 24,000 in equal instalments at the end of each month and Umar withdrew ₹ 36,000.

(*c*) Interest on drawings was to be charged @ 5% p.a. and interest on capital was to be allowed @ 10% p.a.

(*d*) Profit-sharing ratio among partners was 4 : 3 : 1.

Showing your workings, pass the necessary rectifying entry.

Or

Praveen, Sahil and Riya are partners having fixed capitals of ₹ 2,00,000, ₹ 1,60,000 and ₹ 1,20,000 respectively. They share profits in the ratio of 3 : 1 : 1. The Partnership Deed provided for the following which were not recorded in the books:

(*i*) Interest on Capital @ 5% p.a.

(*ii*) Salary to Praveen ₹ 1,500 p.m. and to Riya ₹ 1,000 p.m.

(*iii*) Transfer of profit to General Reserve ₹ 10,000. Net Profit for the year ended 31st March, 2020 was ₹ 1,00,000.

Pass necessary rectifying entry for the above adjustments in the books of the firm. Also show your workings. (4)

16. Raghav Ltd. purchased a running business from Krishna Traders (Proprietor Krishna Kumar) for ₹ 15,00,000 payable ₹ 3,00,000 by cheque and the balance by issue of equity shares of ₹ 100 each at a premium of 20%. Details of the agreement regarding assets and liabilities taken over are:

Particulars	Book Value (₹)	Agreed Value (₹)
Plant and Machinery	5,00,000	4,00,000
Building	4,00,000	6,00,000
Stock	6,00,000	5,00,000
Sundry Debtors	3,20,000	3,00,000
Sundry Creditors	2,00,000	2,00,000

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

17. Hari, Ravi and Kavi are partners in a firm sharing profits in the ratio of 3 : 2 : 1. They admit Guru as a partner for 1/7th share in the profits. The new profit-sharing ratio was to be 2 : 2 : 2 : 1. Guru brought ₹ 3,00,000 for his capital and ₹ 45,000 for 1/7th share of goodwill. Compute the missing values in the following Journal entries:

JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	...Dr.		?	
	To Guru's Capital A/c				?
	To Premium for Goodwill A/c				?
	(Amount brought in towards capital and goodwill)				
	Kavi's Capital A/c	...Dr.		?	
	Premium for Goodwill A/c	...Dr.		?	
	To Hari's Capital A/c				?
	To Ravi's Capital A/c				?
	(New partner's share of goodwill credited to sacrificing partners)				

(4)

18. Priya, Riya and Siya are 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, Riya died and it was decided that the new profit-sharing ratio between Priya and Siya will be equal. Partnership Deed provided for the following on the death of a partner:

(*a*) Her share of goodwill be calculated on the basis of half of the profits credited to her account during the previous four completed years. The firm's profits for the last four years were:

Year	2015–16	2016–17	2017–18	2018–19
Profits (₹)	1,50,000	1,00,000	50,000	1,00,000

(*b*) Her share of profit in the year of her death was to be computed on the basis of average profit of past two years.

Pass necessary Journal entries for goodwill and profit to be transferred to Riya's Capital Account. (4)

19. From the following Receipts and Payments Account of Tree Medical Aid Society and additional information, prepare Income and Expenditure Account for the year and Balance Sheet as at 31st March, 2021:

RECEIPTS AND PAYMENTS ACCOUNT OF TREE MEDICAL AID SOCIETY

Dr. *for the year ended 31st March, 2021* *Cr.*

Receipts	₹	Payments	₹
To Balance	28,000	By Salaries	1,20,000
To Subscriptions	2,00,000	By Honorarium	60,000
To Donations	58,000	By Sundry Expenses	6,000
To Interest on Investments (10% p.a.)	80,000	By Medicines	30,000
To Charity Show Receipts	40,000	By Computer	40,000
		By Charity Show Expenses	10,000
		By Balance *c/d*	1,40,000
	4,06,000		4,06,000

Additional Information:

	1st April, 2020 (₹)	*31st March, 2021 (₹)*	
Subscription due	2,000	4,000	
Subscription received in advance	4,000	2,000	
Stock of Medicines	8,000	12,000	
Value of Office Equipment (Computer)	84,000	1,20,000	
Value of Buildings	1,60,000	1,44,000	(6)

20. Pass Journal entries for issue of debentures in each of the following alternative cases:

(*i*) 9% Debenture of ₹ 100 each issued at ₹ 100, repayable at ₹ 100.

(*ii*) 9% Debenture of ₹ 100 each issued at ₹ 95, repayable at ₹ 100.

(*iii*) 9% Debenture of ₹ 100 each issued at ₹ 105, repayable at ₹ 100.

(*iv*) 9% Debenture of ₹ 100 each issued at ₹ 100, repayable at ₹ 105.

(*v*) 9% Debenture of ₹ 100 each issued at ₹ 95, repayable at ₹ 105.

(*vi*) 9% Debenture of ₹ 100 each issued at ₹ 105, repayable at ₹ 110. (6)

21. Shakti Ltd. invited applications for issuing 40,000 shares of ₹ 10 each at a premium of ₹ 2 per share. The amount was payable as follows:

On application ₹ 2 per share, on allotment ₹ 5 per share (including premium), on first call ₹ 2 per share and on second and final call ₹ 3 per share.

Applications were received for 60,000 shares. Allotment was made on *pro rata* basis to the applicants for 48,000 shares, remaining applications being refused. Excess Application Money was applied towards amount due on allotment.

Shiv, to whom 1,600 shares were allotted, failed to pay the allotment money and Mohan, to whom 2,000 shares were allotted, failed to pay two calls. These were subsequently forfeited after the second and final call.

Pass the necessary Journal entries in the books of Shakti Ltd. to record the above transactions.

Or

Zent Ltd. issued 10,000 equity shares of ₹ 10 each at a premium of ₹ 3 per share payable as:

On Application	₹ 4
On Allotment	₹ 5 (including premium)
On First Call	₹ 2

The balance as and when required.

Applications were received for 12,000 shares. The company made *pro rata* allotment to all the applicants. One shareholder who was allotted 900 shares paid the entire amount with allotment while another shareholder who had applied for 1,200 shares, did not pay the allotment money and on his subsequent failure to pay the first call his shares were forfeited. Of the forfeited shares, 800 shares were reissued at ₹ 7 per share.

You are required to prepare:

(*i*) Shares Allotment Account.
(*ii*) Securities Premium Reserve Account.
(*iii*) Share Forfeiture Account.
(*iv*) Calls-in-Arrears Account. (8)

22. Asha, Deepa and Lata were partners in a firm sharing profits in the ratio of 2 : 3 : 5. On 31st March, 2020, their Balance Sheet was as follows:

Liabilities	₹	Assets		₹
Creditors	70,000	Bank		45,000
Asha's Capital	80,000	Debtors	40,000	
Deepa's Capital	70,000	*Less:* Provision for Doubtful Debts	5,000	35,000
Lata's Capital	60,000	Stock		50,000
		Building		1,40,000
		Profit and Loss A/c		10,000
	2,80,000			2,80,000

On the above date Lata retired from the firm on the following terms:

(*i*) Building was to be decreased by ₹ 40,000.
(*ii*) Provision for Doubtful Debts was to be maintained at 20% on debtors.
(*iii*) Salary outstanding ₹ 5,000 was to be recorded and creditors ₹ 4,000 will not be claimed.
(*iv*) Goodwill of the firm was valued at ₹ 72,000.
(*v*) Lata was to be paid ₹ 15,000 by cheque and the balance was transferred to her loan account.

Prepare Revaluation Account, Partners' Capital Accounts and the Balance Sheet of the new firm.

Or

Following is the Balance Sheet of Vinit and Yogesh on 31st March, 2020:

Liabilities		₹	Assets	₹
Creditors		70,000	Land and Building	70,000
Capital A/cs:			Machinery	60,000
Vinit	1,20,000		Debtors	80,000
Yogesh	80,000	2,00,000	Bank	60,000
		2,70,000		2,70,000

The firm was dissolved on the above date. The assets and liabilities were settled as follows:

(*i*) Creditors of ₹ 50,000 took Land and Building in full settlement of their claim.

(*ii*) Remaining creditors were paid in cash.

(*iii*) Machinery was sold at 30% *less*.

(*iv*) Debtors were collected at a cost of ₹ 500.

(*v*) Expenses of realisation were ₹ 1,700.

Pass the necessary Journal entries for dissolution of the firm. (8)

PART B

ANALYSIS OF FINANCIAL STATEMENTS

23. Acquisition and disposal of Long-term Assets and other investments not included in cash equivalents are ___________.

(*a*) Operating Activities. (*b*) Investing Activities.

(*c*) Financing Activities. (*d*) Real Activities. (1)

24. Share Capital of Akash Ltd. in the Balance Sheet has increased from ₹ 30,00,000 in the previous year to ₹ 47,50,000 in current year. Company had issued the bonus shares in the ratio of 3 : 1.

What will be the cash inflow as a result of above?

(*a*) ₹ 17,50,000. (*b*) ₹ 7,50,000.

(*c*) ₹ 10,00,000. (*d*) ₹ 77,50,000. (1)

25. ___________ is a contingent liability.

(*a*) Claim against the company. (*b*) Proposed Dividend (current year).

(*c*) Trade Payables. (*d*) Provision for Tax. (1)

26. Total amount of Trade Receivables of Ashoka Ltd. as on 31st March, 2019 were ₹ 3,00,000. It had created a provision of 5% for Bad and Doubtful Debts. What amount of Trade Receivables will be taken to calculate Trade Receivables Turnover Ratio?

(*CBSE 2020*) (1)

27. Which of the following is not an objective of Analysis of Financial Statements:

(*a*) To judge the financial health of the firm.

(*b*) To judge the short-term and long-term liquidity position of the firm.

(*c*) To judge the reasons for change in the profitability of the firm.

(*d*) To judge the variations in the accounting practices of the business followed by different enterprises. (*CBSE 2020*) (1)

28. What will be the impact of 'Issuing ₹ 10,00,000 equity shares to vendors of machinery' on the Debt-Equity Ratio of 2 : 1? (1)

29. Name the aggregate of Non-current Assets and Working Capital.

(*a*) Total Debt. (*b*) Total Asset.

(*c*) Capital Employed. (*d*) Shareholders' Funds. (1)

30. Inventory in the beginning of the year ₹ 60,000; Inventory at the end of the year ₹ 1,00,000; Inventory Turnover Ratio 8 Times. Selling price 25% above cost. Compute the amount of Gross Profit and Revenue from Operations.

Or

Opening inventory is ₹ 60,000, closing inventory is 1.5 times of opening inventory. Inventory Turnover Ratio is 6 times. Selling price is $33\frac{1}{3}$% above cost. Calculate the Gross Profit Ratio. (*CBSE 2020*) (3)

31. Following is the Statement of Profit and Loss of *XL* Ltd. for the year ended 31st March, 2020:

Particulars	Note No.	2018–19 (₹)	2019–20 (₹)
I. **Revenue from Operations**		50,00,000	80,00,000
II. **Expenses**			
(*a*) Employee Benefit Expenses: 10% of Revenue from Operations		...	...
(*b*) Other Expenses		10,00,000	12,00,000
III. **Tax Rate 40%**		...	...

Prepare Comparative Statement of Profit and Loss of *XL* Ltd.

Or

Under which major head/sub-head will the following items be presented in the Balance Sheet of a company as per Schedule III Part I of the Companies Act, 2013?

(*i*) Capital Advances (*ii*) Income received in Advance

(*iii*) Capital Work-in-Progress (*iv*) Motor Vehicles

(*v*) Stores and Spare Parts (*vi*) 9% Debentures

(*vii*) Goodwill (*viii*) Copyrights (4)

32. From the following Balance Sheet of Ajanta Limited as on 31st March, 2020, prepare Cash Flow Statement:

Particulars	Note No.	31st March, 2020 (₹)	31st March, 2019 (₹)
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(*a*) Equity Share Capital		10,00,000	10,00,000
(*b*) Reserves and Surplus	1	2,40,000	1,20,000
2. Non-Current Liabilities			
Long-term Borrowings—9% Debentures		3,20,000	2,40,000
3. Current Liabilities			
(*a*) Trade Payables	2	1,80,000	2,40,000
(*b*) Other Current Liabilities	3	1,80,000	1,60,000
Total		19,20,000	17,60,000
II. ASSETS			
1. Non-Current Assets			
(*a*) *Fixed Assets*—Tangible Assets	4	13,40,000	12,00,000
(*b*) Non-Current Investments	5	2,40,000	1,60,000
2. Current Assets			
(*a*) Inventories		1,20,000	1,60,000
(*b*) Trade Receivables		1,60,000	1,60,000
(*c*) Cash and Cash Equivalents		60,000	80,000
Total		19,20,000	17,60,000

Notes to Accounts

Particulars	31st March, 2020 (₹)	31st March, 2019 (₹)
1. Reserves and Surplus		
General Reserve	1,20,000	1,20,000
Balance in Statement of Profit and Loss	1,20,000	...
	2,40,000	1,20,000
2. Trade Payables		
Creditors	1,40,000	1,20,000
Bills Payable	40,000	1,20,000
	1,80,000	2,40,000
3. Other Current Liabilities		
Outstanding Rent	1,80,000	1,60,000
4. Tangible Assets		
Plant and Machinery	14,90,000	13,00,000
Accumulated Depreciation	(1,50,000)	(1,00,000)
	13,40,000	12,00,000
5. Non-Current Investments		
Shares in *XYZ* Limited	2,40,000	1,60,000

Additional Information:

(*a*) During the year 2019–20, a machinery costing ₹ 50,000 and accumulated depreciation thereon ₹ 15,000 was sold for ₹ 32,000.

(*b*) 9% Debentures of ₹ 80,000 were issued on 1st April, 2019. (6)

Answers

PART A

1. (*b*) equally.
2. (*d*) All of the above.
3. (*d*) ₹ 84,000.
4. (*a*) Old Profit-sharing Ratio.
5. (*d*) ₹ 16,000.
6. Premium for Goodwill/Goodwill.
7. (*c*) ₹ 5,60,000.

   Note: Maximum amount of discount on reissue = Amount received on forfeited shares, *i.e.*, 8,000 × ₹ 70 = ₹ 5,60,000.

8. (*b*) ₹ 27,500.

   Working Note:

   Capital of Disha and Abha after all adjustments for 4/5 (1 – 1/5th) share

   = ₹ 64,000 + ₹ 46,000 = ₹ 1,10,000

   Total capital of the firm should by = ₹ 1,10,000 × 5/4 = ₹ 1,37,500

   Farad's capital for 1/5th share = ₹ 1,37,500 × 1/5 = ₹ 27,500.

9. (*c*) Negative balance of Match Fund, ₹ 1,000 will be shown on the expenditure side of Income and Expenditure Account for the year ended 31st March, 2019.
10. (*d*) Any of the above.
11. JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Partner's Capital/Current A/c	...Dr.		4,000	
	To **Interest on Drawings A/c**				4,000
	(Being interest on drawings charged)				

12. (*b*) ₹ 10,000.

    Note: Realisation Account is debited with the amount of Realisation Expenses that are borne by the firm. In this case, it is ₹ 10,000.

13. (*a*) Debit *Y* and credit *X* by ₹ 15,000.
14.

Basis of Difference	**Receipts and Payments Account**	**Income and Expenditure Account**
1. Nature of Account	It is an Asset Account.	It is a Revenue Account and also an Expense Account.
2. Basis Structure	It shows receipts and payments during the year in cash or through bank in a summarised manner.	It shows expenditures and incomes for the year on accrual basis.
3. Nature of Items Recorded	It records the receipts and payments whether of capital or revenue nature.	It records the incomes, expenditures and losses of revenue nature.

Or

Dr. RECEIPTS AND PAYMENTS ACCOUNT *for the year ending on 31st March, 2021* Cr.

Receipts		₹	Payments		₹
To Balance *b/d:*			By Salaries		45,000
Cash	15,000		By General Expenses		10,000
Bank	20,000	35,000	By Electricity Charges		15,000
To Subscription:			By Sports Materials		1,00,000
2019–20	10,000		By Purchase of Newspapers		2,000
2020–21	2,60,000		By Investment in Government Securities		1,00,000
2021–22	20,000	2,90,000	By Balance *c/d*:		
To Rent Received for the Use of Hall		4,500	Cash	28,000	
To Sale of Old News Papers		500	Bank (Balancing Figure)	30,000	58,000
		3,30,000			3,30,000

15. JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Saroj's Capital A/c	...Dr.		2,350	
	Mahinder's Capital A/c	...Dr.		1,300	
	To Umar's Capital A/c				3,650
	(Interest on capital and interest on drawings omitted, now adjusted)				

Working Notes:

1. CALCULATION OF OPENING CAPITAL AND INTEREST ON CAPITAL

Particulars	Saroj (₹)	Mahinder (₹)	Umar (₹)
Closing Capitals	80,000	60,000	40,000
Less: Profit (4 : 3 : 1)	(40,000)	(30,000)	(10,000)
Add: Drawings	24,000	24,000	36,000
Opening Capitals	64,000	54,000	66,000
Interest on Capital @ 10%	6,400	5,400	6,600

2. STATEMENT SHOWING ADJUSTMENT TO BE MADE

Particulars	Saroj's Capital A/c		Mahinder's Capital A/c		Umar's Capital A/c		Firm	
	Dr. (₹)	Cr. (₹)	Dr. (₹)	Cr. (₹)	Dr. (₹)	Cr. (₹)	Dr. (₹)	Cr. (₹)
I. Profit already distributed now taken back	40,000	...	30,000	...	10,000	...	...	80,000
II. Interest on Capital (Credited)	...	6,400	...	5,400	...	6,600	18,400	...
III. Interest on Drawings* (Debited)	550	...	550	...	900	...	...	2,000
IV. Profit to be distributed (Balancing Figure) (4 : 3 : 1)	...	31,800	...	23,850	...	7,950	63,600	...
Total	40,550	38,200	30,550	29,250	10,900	14,550	82,000	82,000
Net Effect	2,350 (Dr.)		1,300 (Dr.)		3,650 (Cr.)		...	

*Interest on drawings of Saroj and Mahinder = ₹ 24,000 × 5/100 × 5.5/12 = ₹ 550 each.

Interest on drawings of Umar = ₹ 36,000 × 5/100 × 6/12 = ₹ 900

Since, the date of drawings is not given, Umar's interest on drawings will be calculated on half yearly basis.

Or

In the Books of Praveen, Sahil and Riya

JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Praveen's Current A/c	...Dr.		10,400	
	Sahil's Current A/c	...Dr.		4,800	
	To Riya's Current A/c				5,200
	To General Reserve A/c				10,000
	(Salary and interest transferred, General Reserve omitted, now adjusted)				

Working Note:

STATEMENT SHOWING ADJUSTMENT TO BE MADE

Particulars	Praveen's Current A/c		Sahil's Current A/c		Riya's Current A/c		Firm	
	Dr. (₹)	Cr. (₹)	Dr. (₹)	Cr. (₹)	Dr. (₹)	Cr. (₹)	Dr. (₹)	Cr. (₹)
I. Profit of ₹ 1,00,000 already distributed in the ratio of 3 : 1 : 1, now taken back	60,000	...	20,000	...	20,000	...	...	1,00,000
II. Interest on Capital	...	10,000	...	8,000	...	6,000	24,000	...
III. Salary	...	18,000	...	...	...	12,000	30,000	...
IV. Profit to be distributed (3 : 1 : 1) ₹(1,00,000 – 10,000* – 24,000 – 30,000)	...	21,600	...	7,200	...	7,200	36,000	...
Total	60,000	49,600	20,000	15,200	20,000	25,200	90,000	1,00,000
Net Effect	10,400 (Dr.)		4,800 (Dr.)		5,200 (Cr.)		10,000 (Cr.)*	

*₹ 10,000 transferred to General Reserve out of profit.

16. JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Plant and Machinery A/c	...Dr.		4,00,000	
	Building A/c	...Dr.		6,00,000	
	Stock A/c	...Dr.		5,00,000	
	Sundry Debtors A/c	...Dr.		3,00,000	
	To Sundry Creditors A/c				2,00,000
	To Krishna Kumar				15,00,000
	To Capital Reserve A/c (Balancing Figure)				1,00,000
	(Purchase of business of Krishna Traders (Proprietor Krishna Kumar)				
	Krishna Kumar	...Dr.		3,00,000	
	To Bank A/c				3,00,000
	(₹ 3,00,000 paid by cheque)				
	Krishna Kumar	..Dr.		12,00,000	
	To Equity Share Capital A/c				10,00,000
	To Securities Premium Reserve A/c				2,00,000
	(Balance discharged by issue of 10,000 equity shares of ₹ 100 each at 20% premium)				

Note: No. of equity shares to be issued = Purchase consideration – Amount of cheque/Issue price

= ₹ 12,00,000/₹ 120 = 10,000 shares.

17. JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	...Dr.		**3,45,000**	
	To Guru's Capital A/c				**3,00,000**
	To Premium for Goodwill A/c				**45,000**
	(Amount brought in towards capital and goodwill)				
	Kavi's Capital A/c (₹ 3,15,000 × 5/42)	...Dr.		**37,500**	
	Premium for Goodwill A/c	...Dr.		**45,000**	
	To Hari's Capital A/c (₹ 82,500 × 9/11)				**67,500**
	To Ravi's Capital A/c (₹ 82,500 × 2/11)				**15,000**
	(New partner's share of goodwill credited to sacrificing partners)				

Note: Hari's sacrifice = 3/6 – 2/7 = 9/42, Ravi's sacrifice = 2/6 – 2/7 = 2/42, Sacrificing Ratio = 9 : 2, Kavi's gain = 1/6 – 2/7 = (5/42), Firm's Goodwill = ₹ 45,000 × 7/1 = ₹ 3,15,000.

18. JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Siya's Capital A/c	...Dr.		75,000	
	To Riya's Capital A/c				75,000
	(Riya's share of goodwill adjusted) (Note 1 and 2)				
	Siya's Capital A/c	...Dr.		23,438	
	To Riya's Capital A/c				23,438
	(Riya's share of profit adjusted)				

Notes:

1. *Calculation of Gaining Ratio:*

	New Profit Share	*Old Profit Share*	*Difference*
Priya	1/2	4/8	1/2 – 4/8 = 0
Siya	1/2	1/8	1/2 – 1/8 = 3/8 (Gain)

Thus, only Siya is gaining partner.

2. Siya's share of goodwill = 1/2 of profits credited to her account for last 4 years.
   = 1/2 [3/8 (₹ 1,50,000 + ₹ 1,00,000 + ₹ 50,000 + ₹ 1,00,000)]
   = ₹ 75,000.

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

   Average profit of past two years = (₹ 50,000 + ₹ 1,00,000)/2 = ₹ 75,000

   Riya's share of profit = ₹ 75,000 × 10/12 × 3/8 = ₹ 23,438.

4. *Rya's share of profit is adjusted through Siya's Capital A/c as there is change in profit-sharing ratio of remaining partners and not through profit and Loss Suspense Account.*

19.

Dr. INCOME AND EXPENDITURE ACCOUNT *for the year ended 31st March, 2021* *Cr.*

Expenditure		₹	Income		₹
To Salaries		1,20,000	By Subscriptions (WN 2)		2,04,000
To Honorarium		60,000	By Donations		58,000
To Sundry Expenses		6,000	By Interest on Investments		80,000
To Medicines:			By Charity Show Receipts	40,000	
Opening Stock	8,000		*Less:* Expenses	10,000	30,000
Add: Purchases	30,000				
	38,000				
Less: Closing Stock	12,000	26,000			
To Depreciation on Computer (₹ 84,000 + ₹ 40,000 – ₹ 1,20,000)		4,000			
To Depreciation on Building (₹ 1,60,000 – ₹ 1,44,000)		16,000			
To Surplus transferred to Capital Fund (Balancing Figure)		1,40,000			
		3,72,000			3,72,000

BALANCE SHEET *as at 31st March, 2021*

Liabilities		₹	Assets	₹
Subscription Received in Advance		2,000	Cash/Bank	1,40,000
Capital Fund	10,78,000		Subscription Due	4,000
Add: Surplus	1,40,000	12,18,000	Stock of Medicines	12,000
			Investment (WN 1)	8,00,000
			Office Equipment	1,20,000
			Building	1,44,000
		12,20,000		12,20,000

Working Notes:

1. *Calculation of Opening Capital:*

BALANCE SHEET *as at 31st March, 2020*

Liabilities	₹	Assets	₹
Subscription Received in Advance	4,000	Cash/Bank	28,000
Capital Fund (Balancing Figure)	10,78,000	Subscription Due	2,000
		Stock of Medicines	8,000
		Investment*	8,00,000
		Office Equipment	84,000
		Building	1,60,000
	10,82,000		10,82,000

*Interest on Investment @ 10% = ₹ 80,000. It means, investment = ₹ 80,000 × 100/10 = ₹ 8,00,000.

2. *Dr.* SUBSCRIPTION ACCOUNT *Cr.*

Particular	₹	Particulars	₹
To Subscription Due A/c (Opening)	2,000	By Advance Subscription A/c (Opening)	4,000
To Income and Expenditure A/c (Balancing Figure)	2,04,000	By Bank A/c	2,00,000
To Advance Subscription A/c (Closing)	2,000	By Subscription Due A/c (Closing)	4,000
	2,08,000		2,08,000

20. JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
(*i*)	Bank A/c	...Dr.		100	
	To Debentures Application and Allotment A/c				100
	(Receipt of debentures application money)				
	Debentures Application and Allotment A/c	...Dr.		100	
	To 9% Debentures A/c				100
	(Issue of debentures at par)				
(*ii*)	Bank A/c	...Dr.		95	
	To Debentures Application and Allotment A/c				95
	(Receipt of debentures application money)				
	Debentures Application and Allotment A/c	...Dr.		95	
	Discount on Issue of Debentures A/c	...Dr.		5	
	To 9% Debentures A/c				100
	(Issue of debentures at 5% discount)				
(*iii*)	Bank A/c	...Dr.		105	
	To Debentures Application and Allotment A/c				105
	(Receipt of debentures application money)				
	Debentures Application and Allotment A/c	...Dr.		105	
	To 9% Debentures A/c				100
	To Securities Premium Reserve A/c				5
	(Issue of debentures at 5% premium)				
(*iv*)	Bank A/c	...Dr.		100	
	To Debentures Application and Allotment A/c				100
	(Receipt of debentures application money)				
	Debentures Application and Allotment A/c	...Dr.		100	
	Loss on Issue of Debentures A/c	...Dr.		5	
	To 9% Debentures A/c				100
	To Premium on Redemption of Debentures A/c				5
	(Issue of debentures at par and redeemable at 5% premium)				
(*v*)	Bank A/c	...Dr.		95	
	To Debentures Application and Allotment A/c				95
	(Receipt of debentures application money)				
	Debentures Application and Allotment A/c	...Dr.		95	
	Loss on Issue of Debentures A/c	...Dr.		10	
	To 9% Debentures A/c				100
	To Premium on Redemption of Debentures A/c				5
	(Issue of debentures at 5% discount and redeemable at 5% premium)				
(*vi*)	Bank A/c	...Dr.		105	
	To Debentures Application and Allotment A/c				105
	(Receipt of debentures application money)				
	Debentures Application and Allotment A/c	...Dr.		105	
	Loss on Issue of Debentures A/c	...Dr.		10	
	To 9% Debentures A/c				100
	To Securities Premium Reserve A/c				5
	To Premium on Redemption of Debentures A/c				10
	(Issue of debentures at 5% premium and redeemable at 10% premium)				

21. **In the Books of Shakti Ltd.**

JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	...Dr.		1,20,000	
	To Equity Shares Application A/c				1,20,000
	(Application money received on 60,000 shares)				
	Equity Shares Application A/c	...Dr.		1,20,000	
	To Equity Share Capital A/c				80,000
	To Bank A/c				24,000
	To Equity Shares Allotment A/c				16,000
	(Application money adjusted and surplus refunded)				
	Equity Shares Allotment A/c	...Dr.		2,00,000	
	To Equity Share Capital A/c				1,20,000
	To Securities Premium Reserve A/c				80,000
	(Allotment money due)				
	Bank A/c	...Dr.		1,76,640	
	To Equity Shares Allotment A/c				1,76,640
	(Remaining allotment money received on 38,400 shares) (WN 2)				
	Equity Shares First Call A/c	...Dr.		80,000	
	To Equity Share Capital A/c				80,000
	(First call money due)				
	Bank A/c	...Dr.		72,800	
	To Equity Shares First Call A/c				72,800
	(First call money received on 36,400 shares @ ₹ 2 per share)				
	Equity Shares Second and Final Call A/c	...Dr.		1,20,000	
	To Equity Share Capital A/c				1,20,000
	(Second and final call due)				
	Bank A/c	...Dr.		1,09,200	
	To Equity Shares Second and Final Call A/c				1,09,200
	(Second and final call money received on 36,400 shares)				
	Equity Share Capital A/c	...Dr.		36,000	
	Securities Premium Reserve A/c	...Dr.		3,200	
	To Equity Shares Allotment A/c				7,360
	To Equity Shares First Call A/c				7,200
	To Equity Shares Second and Final Call A/c				10,800
	To Forfeited Shares A/c				13,840
	(1,600 shares forfeited for non-payment of full allotment money and the calls money and 2,000 shares for non-payment of two calls money) (WN 1)				

Working Notes:

1. *Calculation of the amount due but not paid on allotment in case of Shiv:*

(*a*)	Total number of shares applied by Shiv = 1,600 × 48,000/40,000	1,920 shares
(*b*)	Application money received from Shiv = 1,920 × ₹ 2	₹ 3,840
(*c*)	*Less:* Application money due on shares allotted = 1,600 × ₹ 2	₹ 3,200
(*d*)	Excess application money adjusted on allotment	₹ 640
(*e*)	Allotment money due on shares allotted (1,600 × ₹ 5)	₹ 8,000
(*f*)	Amount due on allotment but not paid by Shiv (*e* – *d*) ₹(8,000 – 640)	₹ 7,360

2. *Calculation of Allotment money received later:*

		₹
Total allotment money due (40,000 × ₹ 5)		2,00,000
Less: (*i*) Already received (Excess application money)	16,000	
(*ii*) Amount due but not paid by Shiv (WN 1)	7,360	23,360
Allotment money received		1,76,640

Or

Dr. SHARES ALLOTMENT ACCOUNT *Cr.*

Particular	₹	Particulars	₹
To Share Capital A/c (10,000 × ₹ 2)	20,000	By Share Application A/c (Note 1)	8,000
To Securities Premium Reserve A/c (10,000 × ₹ 3)	30,000	By Bank A/c (Note 3)	37,800
		By Calls-in-Arrears A/c (Note 2)	4,200
	50,000		50,000

Dr. SECURITIES PREMIUM RESERVE ACCOUNT *Cr.*

Particular	₹	Particulars	₹
To Calls-in-Arrears A/c (1,000 × ₹ 3)	3,000	By Share Allotment A/c (10,000 × ₹ 3)	30,000
To Balance *c/d*	27,000		
	30,000		30,000

Dr. SHARE FORFEITURE ACCOUNT *Cr.*

Particular	₹	Particulars	₹
To Share Capital A/c (Discount on reissue of 800 shares)	800	By Share Capital A/c (1,200 × ₹ 4)	4,800
To Capital Reserve A/c (Note 4)	3,040		
To Balance *c/d* (₹ 4,800/1,000 × 200)	960		
	4,800		4,800

Dr. CALLS-IN-ARREARS ACCOUNT *Cr.*

Particular	₹	Particulars	₹
To Share Allotment A/c	4,200	By Share Capital A/c	3,200
To Share First Call A/c	2,000	By Securities Premium Reserve A/c	3,000
	6,200		6,200

Notes:

1. Excess application money adjusted on allotment = (12,000 – 10,000) × ₹ 4 = ₹ 8,000.
2. Amount not received from defaulter shareholders (Calls-in-Arrears):

(*i*) Shares allotted to him = $\frac{10,000}{12,000} \times 1,200 = 1,000$

(*ii*) Application money received = 1,200 × ₹ 4 = ₹ 4,800

(*iii*) Application money due on shares allotted = 1,000 × ₹ 4 = ₹ 4,000

(*iv*) Excess application money adjusted on allotment = ₹ 4,800 – ₹ 4,000 = ₹ 800

(*v*) Allotment money due on shares allotted (1,000 × ₹ 5) = ₹ 5,000

(*vi*) Allotment money due but not received (Calls-in-Arrears) = ₹ 5,000 – ₹ 800 = ₹ 4,200.

3. *Calculation of amount received on allotment:*

	₹
Total allotment money due (10,000 × ₹ 5)	50,000
Less: Excess application money adjusted (Note 1)	8,000
	42,000
Less: Allotment money due but not received (Note 2)	4,200
Amount received on Allotment	37,800

4. *Calculation of amount transferred to Capital Reserve:*

Amount forfeited on reissued shares (₹ 4,800/1,000 × 800)	3,840
Less: Reissued Discount (800 × ₹ 1)	800
Gain on reissue transferred to Capital Reserve	3,040

22.

Dr. REVALUATION ACCOUNT *Cr.*

Particular	₹	Particulars		₹
To Building A/c	40,000	By Creditors		4,000
To Provision for Doubtful Debts	3,000	By Capital A/c (Loss)		
To Outstanding Salary	5,000	Asha 2/10	8,800	
		Deepa 3/10	13,200	
		Lata 5/10	22,000	44,000
	48,000			48,000

Dr. PARTNERS' CAPITAL ACCOUNTS *Cr.*

Particulars	Asha (₹)	Deepa (₹)	Lata (₹)	Particulars	Asha (₹)	Deepa (₹)	Lata (₹)
To Profit and Loss A/c	2,000	3,000	5,000	By Balance *b/d*	80,000	70,000	60,000
To Revaluation A/c (Loss)	8,800	13,200	22,000	By Asha Capital A/c (Note)	...	...	14,400
To Lata's Capital A/c (Note)	14,400	21,600	...	By Deepa's Capital A/c (Note)	...	...	21,600
To Bank A/c	...	...	15,000				
To Lata's Loan A/c	...	...	54,000				
To Balance *c/d*	54,800	32,200	...				
	80,000	70,000	96,000		80,000	70,000	96,000

BALANCE SHEET *as at 1st April, 2020*

Liabilities		₹	Assets		₹
Creditors		66,000	Bank (₹ 45,000 – ₹ 15,000)		30,000
Outstanding Salary		5,000	Debtors	40,000	
Lata's Loan		54,000	*Less:* Provision	8,000	32,000
Capital A/cs:			Stock		50,000
Asha	54,800		Building		1,00,000
Deepa	32,200	87,000			
		2,12,000			2,12,000

Note: Lata's share of goodwill ₹ 36,000 (*i.e.*, ₹ 72,000 × 5,110) will be adjusted to gaining partners' Capital Accounts in their gaining ratio 2 : 3.

Or

JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2020					
April 1	Realisation A/c	...Dr.		2,10,000	
	To Debtors				80,000
	To Machinery				60,000
	To Land and Building				70,000
	(Assets transferred to Realisation A/c on dissolution)				
	Creditors	...Dr.		70,000	
	To Realisation A/c				70,000
	(Liabilities transferred to Realisation A/c on dissolution)				
	Cash/Bank A/c	...Dr.		1,22,000	
	To Realisation A/c				1,22,000
	(Assets realised)				
	Realisation A/c	...Dr.		500	
	To Cash/Bank A/c				500
	(Expenses incurred to recover debtors)				
	Realisation A/c	...Dr.		1,700	
	To Cash/Bank A/c				1,700
	(Realisation expenses paid)				
	Realisation A/c	...Dr.		20,000	
	To Cash/Bank A/c				20,000
	(Creditors paid off)				
	Vinit's Capital A/c	...Dr.		20,100	
	Yogesh's Capital A/c	...Dr.		20,100	
	To Realisation A/c				40,200
	(Loss on realisation transferred to Partners' Capital Accounts)				
	Vinit's Capital A/c	...Dr.		99,900	
	Yogesh's Capital A/c	...Dr.		59,900	
	To Cash/Bank A/c				1,59,800
	(Final payment made to partners) (Note 2)				

Working Notes:

1. If an asset is given in payment of a liability, then to entry is passed for such payment. So, in the given case, no entry will be passed for Land and Building taken by creditors of ₹ 50,000. However, entry will be passed for cash paid of ₹ 20,000 (= 70,000 – 50,000).

2. *Dr.* PARTNERS' CAPITAL ACCOUNTS *Cr.*

Particulars	Vinit (₹)	Yogesh (₹)	Particulars	Vinit (₹)	Yogesh (₹)
To Realisation A/c (Loss)	20,100	20,100	By Balance *b/d*	1,20,000	80,000
To Cash/Bank A/c (Final Payment)	99,900	59,900			
	1,20,000	80,000		1,20,000	80,000

PART B

23. (*b*) Investing Activities.

24. (*b*) 7,50,000

Working Note:

Bonus issue in the ratio of 3 : 1 means that for every 3 shares 1 share is given. It implies that shareholders holding shares of ₹ 30,00,000 will get ₹ 10,00,000 shares issued as bonus shares. Share Capital has increased by ₹ 47,50,000. Thus, cash inflow is of ₹ 7,50,000 (₹ 47,50,000 – ₹ 30,00,000 – ₹ 10,00,000).

25. (*b*) Proposed Dividend (Current year).

26. ₹ 3,00,000.

Note: 'Provision for Doubtful Debts' is not deducted from the total amount of Trade Receivables to calculate Trade Receivables Turnover Ratio. Since, the purpose is to calculate the number of days for which Revenue from Operations is tied up in Trade Receivables and not to ascertain the realisable value of Trade Receivables.

27. (*d*) To judge the variations in the accounting practices of the business followed by different enterprises.

28. Decrease.

Reason: Equity is increased by the amount of share capital issued, *i.e.*, ₹ 10,00,000 but debt remains unchanged.

29. (*c*) Capital Employed.

30.

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

$$= \frac{₹\ 60,000 + ₹\ 1,00,000}{2} = ₹\ 80,000$$

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

$$8 = \frac{\text{Cost of Revenue from Operations}}{₹\ 80,000}$$

Cost of Revenue from Operations = ₹ 80,000 × 8 = ₹ 6,40,000

Gross Profit = 25% of ₹ 6,40,000 = ₹ **1,60,000**

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

= ₹ 6,40,000 + ₹ 1,60,000 = ₹ **8,00,000**.

Or

$$\text{Gross Profit Ratio} = \frac{\text{Gross Profit}}{\text{Revenue from Operations}} \times 100$$

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

$$= \frac{₹\ 60,000 + ₹\ 90,000\ (i.e.,\ ₹\ 60,000 \times 1.5)}{2} = ₹\ 75,000$$

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

$$6 = \frac{\text{Cost of Revenue from Operations}}{₹\ 75{,}000}$$

$$\text{Cost of Revenue from Operations} = ₹\ 75{,}000 \times 6 = ₹\ 4{,}50{,}000$$

$$\text{Revenue from Operations} = \text{Cost of Revenue from Operations} + \text{Gross profit}$$

$$= ₹\ 4{,}50{,}000 + 33\frac{1}{3}\%\ \text{of}\ ₹\ 4{,}50{,}000$$

$$= ₹\ 4{,}50{,}000 + ₹\ 1{,}50{,}000 = ₹\ 6{,}00{,}000$$

$$\text{Gross Profit Ratio} = \frac{\text{Gross Profit}}{\text{Revenue from Operations}} \times 100$$

$$= \frac{₹\ 1{,}50{,}000}{₹\ 6{,}00{,}000} \times 100 = 25\%.$$

31.

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

Particulars	Note No.	2018–19 ₹	2019–20 ₹	Absolute Change (Increase/ Decrease) (₹)	Percentage Change (Increase/ Decrease) (%)
I. Revenue from Operations		50,00,000	80,00,000	30,00,000	60.00
II. *Expenses:*					
(*a*) Employees Benefit Expenses:					
10% of Revenue from Operations		5,00,000	8,00,000	3,00,000	60.00
(*b*) Other Expenses		10,00,000	12,00,000	2,00,000	20.00
Total Expenses		15,00,000	20,00,000	5,00,000	33.33
III. **Net Profit before Tax (I – II)**		35,00,000	60,00,000	25,00,000	71.43
IV. *Less:* Tax		14,00,000	24,00,000	10,00,000	71.43
V. **Net Profit after Tax**		21,00,000	36,00,000	15,00,000	71.43

Or

S. No.	Items	Main Head	Sub-head
(*i*)	Capital Advances	Non-current Assets	Long-term Loans and Advances
(*ii*)	Income Received in Advance	Current Liabilities	Other Current Liabilities
(*iii*)	Capital Work-in-Progress	Non-current Assets	Fixed Assets
(*iv*)	Motor Vehicle	Non-current Assets	Fixed Assets—Tangible Assets
(*v*)	Stores and Spare Parts	Current Assets	Inventories
(*vi*)	9% Debentures	Non-current Liabilities	Long-term Borrowings
(*vii*)	Goodwill	Non-current Assets	Fixed Assets—Intangible Assets
(*viii*)	Copyrights	Non-current Assets	Fixed Assets—Intangible Assets

32. **Ajanta Limited**

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

Particulars		₹	₹
I. Cash Flow from Operating Activities			
Surplus, *i.e.*, Balance in the Statement of Profit and Loss		1,20,000	
Adjustment for Non-cash and Non-operating Items:			
Depreciation (WN 2)	65,000		
Loss on Sale of Machinery (WN 1)	3,000		
Interest on Debentures	28,800	96,800	
Operating Profit before changes in Working Capital		2,16,800	
Add: Decrease in Current Assets and Increase in Current Liabilities:			
Inventories	40,000		
Outstanding Rent	20,000		
Creditors	20,000	80,000	
		2,96,800	
Less: Increase in Current Assets and Decrease in Current Liabilities:			
Bills Payable		(80,000)	
Cash Flow from Operating Activities			2,16,800
II. Cash Flow from Investing Activities			
Purchase of Machinery (WN 1)		(2,40,000)	
Sale of Machinery (WN 1)		32,000	
Purchase of Shares in *XYZ* Limited		(80,000)	
Cash Used in Investing Activities			(2,88,000)
III. Cash Flow from Financing Activities			
Issue of 9% Debentures		80,000	
Interest on Debentures		(28,800)	
Cash Flow from Financing Activities			51,200
IV. Net Decrease in Cash and Cash Equivalents			(20,000)
Add: Opening Balance of Cash and Cash Equivalents			80,000
V. Closing Balance of Cash and Cash Equivalents			60,000

Working Notes:

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

Particulars	₹	Particulars	₹
To Balance *b/d*	13,00,000	By Bank A/c (Sale)	32,000
To Bank A/c (Purchase) (Balancing Figure)	**2,40,000**	By Accumulated Depreciation A/c	15,000
		By Statement of Profit and Loss (Loss)	3,000
		By Balance *c/d*	14,90,000
	15,40,000		15,40,000

2. *Dr.* ACCUMULATED DEPRECIATION ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Plant and Machinery A/c	15,000	By Balance *b/d*	1,00,000
To Balance *c/d*	1,50,000	By Statement of Profit and Loss (Depreciation) (Balancing Figure)	**65,000**
	1,65,000		1,65,000