Model Test Paper 5

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. Distinguish between 'Fixed Capital Account' and 'Fluctuating Capital Account' on the basis of credit balance. (1)

2. Which of the following statement is true?

(*a*) A debentureholder is an owner of the company.

(*b*) A debentureholder can get his money back only on the company being wound up.

(*c*) Debentures issued at a discount can be redeemed at a premium.

(*d*) Debentureholders receive interest only if the company earns profit in that year. (1)

3. On a share of ₹ 100 issued at a premium of ₹ 10 the whole amount has been called-up but from a shareholder only ₹ 80 has been received. The share capital would be credited by

(*a*) ₹ 100. (*b*) ₹ 110.

(*c*) ₹ 80. (*d*) ₹ 70. (1)

4. At the time of retirement of a partner, an unrecorded asset is accounted by

(*a*) Debiting Revaluation Account.

(*b*) Crediting Revaluation Account.

(*c*) Crediting Partners' Capital Accounts.

(*d*) Crediting the Capital Account of retiring partner only. (1)

5. Complete the following statement:

General donations and legacies are treated as _____________ and hence, are credited to _____________. (1)

6. Retiring partner is compensated for sacrificing his share in future profits in favour of remaining partners in their

(*a*) Capital Ratiio. (*b*) Sacrificing Ratio.

(*c*) Gaining Ratio. (*d*) Profit-sharing Ratio. (1)

7. X, Y and Z sharing profits and losses in the ratio of 5 : 3 : 2, decided to share profits and losses in the ratio of 2 : 3 : 5 with effect from 1st April, 2020 after admitting A for 1/4th share. An extract of their Balance Sheet as at 31st March, 2021 is as follows:

Liabilities	₹	Assets		₹
		Building	2,00,000	
		Less: Provision for Depreciation	10,000	1,90,000

It is decided that Building be valued at ₹ 1,71,000. The entry affecting Revaluation Account is:

		₹	₹
(*a*) Revaluation A/c	...Dr.	19,000	
To Building A/c			19,000
(*b*) Provision for Depreciation A/c	...Dr.	19,000	
To Revaluation A/c			19,000
(*c*) Building A/c	...Dr.	19,000	
To Revaluation A/c			19,000
(*d*) Revaluation A/c	...Dr.	19,000	
To Provision for Depreciation A/c			19,000

(1)

8. When a partner retires and the remaining partners continue as partners in the business without payment being made to retiring partner, the retiring partner is entitled to

(*a*) interest @ 6% p.a. on the amount due to him.

(*b*) such share of the profits as may be attributable to amount due to him.

(*c*) either of the above two at the option of the retiring partner.

(*d*) interest @ 15% p.a. on the amount due to him. (1)

9. Shiv, a partner, agreed to take the responsibility of completing dissolution at an agreed amount of ₹ 10,000 and was to bear the realisation expenses. Realisation expenses were ₹ 3,000 which were paid by the firm. Realisation Account will be debited by

(*a*) ₹ 3,000. (*b*) ₹ 10,000.

(*c*) ₹ 13,000. (*d*) None of these. (1)

10. X, Y and Z are partners sharing profits and losses in the ratio of 3 : 2 : 1. They decide to change their profit-sharing ratio to 2 : 2 : 1. To give effect to this new profit-sharing ratio, they valued goodwill at ₹ 1,50,000. What will be the Journal entry to record the above change?

			₹	₹
(*a*)	*Y*'s Capital A/c	...Dr.	10,000	
	Z's Capital A/c	...Dr.	5,000	
	To *X*'s Capital A/c			15,000
(*b*)	Goodwill A/c	...Dr.	1,50,000	
	To *X*'s Capital A/c			75,000
	To *Y*'s Capital A/c			50,000
	To *Z*'s Capital A/c			25,000
(*c*)	*X*'s Capital A/c	...Dr.	60,000	
	Y's Capital A/c	...Dr.	60,000	
	Z's Capital A/c	...Dr.	30,000	
	To Goodwill A/c			1,50,000
(*d*)	*X*'s Capital A/c	...Dr.	15,000	
	To *Y*'s Capital A/c			10,000
	To *Z*'s Capital A/c			5,000

(1)

11. Assets of the firm including fictitious assets of ₹ 35,000 are ₹ 4,35,000. Liabilities of the firm are ₹ 1,50,000. Normal rate of return is 10% and average profit of the firm is ₹ 40,000. Goodwill as per Capitalisation of Average Profit Method will be

(*a*) ₹ 1,00,000. (*b*) ₹ 1,25,000.

(*c*) ₹ 1,50,000. (*d*) ₹ 2,00,000. (1)

12. What balance does a Partner's Current Account have?

(*a*) Debit balance (*b*) Credit balance

(*c*) Either (*a*) or (*b*) (*d*) None of these (1)

13. Is rent paid to a partner an appropriation of profit?

(*a*) Yes (*b*) No

(*c*) If partner is a working partner (*d*) If firm earns profit (1)

14. From the following information, calculate the amount of subscriptions that will be shown in the credit of Income and Expenditure Account for the year ended 31st March, 2021:

	₹
Subscriptions received during the year	80,000
Subscriptions outstanding on 31st March, 2020	16,000
Subscriptions outstanding on 31st March, 2021	9,000
Subscriptions received in advance on 31st March, 2020	12,000
Subscriptions received in advance on 31st March, 2021	7,000

Subscriptions of ₹ 8,000 are in arrears for the year ended 31st March, 2020.

Or

During the year 2020–21, rent paid by Royal Sports Club was ₹ 65,000. From the following information, calculate the amount of rent to be shown in Income and Expenditure Account for the year ended 31st March, 2021 and Balance Sheet as on that date:

Particulars	1st April, 2020 ₹	31st March, 2021 ₹
Prepaid Rent	4,000	5,000
Outstanding Rent	8,000	7,000

(3)

15. Himanshu and Vikrant are partners in a firm. Their Balance Sheet as at 31st March, 2020 is as follows:

BALANCE SHEET *as at 31st March, 2020*

Liabilities		₹	Assets	₹
Capitals:			Fixed Assets	3,60,000
Himanshu	2,00,000		Current Assets	40,000
Vikrant	1,40,000	3,40,000		
Creditors		60,000		
		4,00,000		4,00,000

During the year 2019–20, Himanshu's Drawings were ₹ 30,000 and Vikrant's Drawings were ₹ 40,000. During the year 2019–20, the firm earned profit of ₹ 1,00,000. While distributing profit for the year 2019–20, interest on capital @ 5% p.a. was not allowed and interest on drawings @ 12 % p.a. was not charged.

Showing your workings, pass necessary rectifying entry.

Or

The partners of a firm distributed profit for the year ended 31st March, 2020 of ₹ 9,00,000 in the ratio of 3 : 2 : 1 without giving effect to the following:

(*i*) *A* and *B* were to get salary of ₹ 3,750 each per quarter.

(*ii*) *B* was to get commission of ₹ 45,000.

(*iii*) *B* and *C* had guaranteed minimum profit of ₹ 3,50,000 p.a. to *A*.

Profit was to be shared in the ratio of 3 : 3 : 2.

Pass necessary Journal entry for the above adjustment in the books of the firm.

(4)

16. Complete the following Journal entries:

JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
(1)	(*i*) Share Capital A/c	...Dr.		?	
	To Forfeited Shares A/c				?
	To Calls-in-Arrears A/c				?
	(Forfeiture of 100 shares, ₹ 9 called-up, on which allotment money of ₹ 3 and first call money of ₹ 4 have not been received)				
	(*ii*) ?	...Dr.		?	
	?	...Dr.		?	
	To ?				?
	(Reissue of 100 shares of ₹ 10 each fully paid-up at ₹ 8 each)				

(2)	(*i*) Share Capital A/c (100 × ₹ 9)	...Dr.		900	
	To Forfeited Shares A/c (100 × ₹ 2)				200
	To Calls-in-Arrears A/c (100 × ₹ 7)				700
	(Forfeiture of 100 shares, ₹ 9 called-up, on which allotment money of ₹ 3 and first call money of ₹ 4 have not been received)				
	(*ii*) ?	...Dr.		?	
	To ?				?
	(Reissue of 100 forfeited shares of ₹ 10 each as fully paid-up at par)				
	(*iii*) ?	...Dr.		?	
	To ?				?
	(?)				

(4)

17. Balance Sheet of Ram, Shyam and Mohan, who were sharing profits in the ratio of 3 : 3 : 4, as on 31st March, 2020 was as follows:

Liabilities		₹	Assets	₹
Bills Payable		5,000	Cash	16,000
Loan		12,000	Bank	50,000
General Reserve		10,000	Stock	44,000
Capital A/cs:			Furniture	47,000
Ram	60,000		Land and Building	60,000
Shyam	60,000		Goodwill	10,000
Mohan	80,000	2,00,000		
		2,27,000		2,27,000

Ram died on 30th June, 2020. The Partnership Deed provided for the following on the death of a partner:

(*i*) Goodwill of the firm be valued at two years' purchase of average profit for the last three years.

(*ii*) Share of profit or loss till the date of death was to be calculated on the basis of sales. Sales for the year ended 31st March, 2020 was ₹ 4,00,000 and that from 1st April to 30th June, 2020 ₹ 1,50,000. Profit for the year ended 31st March, 2020 was ₹ 1,00,000.

(*iii*) Average profit of the last three years was ₹ 42,000.

Pass the necessary Journal entries to record the accounting treatment of goodwill, General Reserve , and Ram's share of profit up to the date of death. (4)

18. Parul, Payal and Priyanka were partners. They dissolved their firm. Pass necessary Journal entries for the following after various assets (other than Cash and Bank) and the third party liabilities have been tansferred to Realisation Account:

(*i*) There were Debtors of ₹ 76,000. A Provision for Doubtful Debts also stood in the books at ₹ 6,000. Debtors of ₹ 12,000 did not pay while the debtors for balance amount paid the due amount.

(*ii*) An unrecorded machine was taken by Payal at ₹ 3,000, against its expected value of ₹ 5,000.

(*iii*) The firm had a debit balance of ₹ 27,000 in the Profit and Loss Account on the date of dissolution.

(*iv*) Priyanka paid realisation expenses of ₹ 15,000 out of her pocket and she was to get a remuneration of ₹ 18,000 for completing the dissolution process. (4)

19. Following is the Receipts and Payments Account of Youth Stars' Club for the year ended 31st March, 2020:

Dr. RECEIPTS AND PAYMENTS ACCOUNT *for the year ended 31st March, 2020* *Cr.*

Receipts	₹	Payments	₹
To Balance *b/d:* Cash at Bank	11,800	By Building	40,000
To Donations	50,000	By Match Expenses	9,000
To Life Membership Fees	4,000	By Furniture	12,100
To Match Fund	8,000	By Investments	16,000
To Subscription	5,200	(Purchased on 1.7. 2019 @ 10% p.a.)	
To Lockers Rent	400	By Salaries	7,000
To Interest on Investments	1,000	By Sundry Expenses	820
To Sale of Furniture (Book value ₹ 8,000)	10,000	By Balance *c/d:* Cash at Bank	10,480
To Entrance Fees	5,000		
	95,400		95,400

Additional Information:

(*i*) During the year 2019–20, the Club had 55 members and each paying an annual subscription of ₹ 100.

(*ii*) Donations includes 90% towards Building Fund.

(*iii*) Salaries outstanding as on 1st April, 2019 were ₹ 1,000 and as on 31st March, 2020 ₹ 500.

(*iv*) Capital Fund as on 1st April, 2019: ₹ 10,800.

Prepare Income and Expenditure Account of the Club for the year ending 31st March, 2020 and Balance Sheet as on that date. (6)

20. (*a*) Moonlight Ltd. issued 5,000; 9% Debentures of ₹ 100 each at par and also took a loan of ₹ 8,00,000 from bank, which is collaterally secured by ₹ 10,00,000; 9% Debentures of ₹ 100 each. How will be debentures and loan shown in the Balance Sheet of the company if the company has passed an entry for issue of debentures as collateral security in the books?

(*b*) Max Ltd. issued 2,000, 12% Debentures of ₹ 100 each on 1st April, 2019. The issue was fully subscribed. According to the terms of issue, interest on the debentures is payable half-yearly on 30th September and 31st March and the tax deducted at source is 10%. Pass necessary Journal entries related to the debenture interest for the half-year ending 31st March, 2020 and transfer of interest on debentures of the year to the Statement of Profit and Loss. (2 + 4 = 6)

21. Ram and Mohan are partners sharing profits and losses in the ratio of 4 : 1. Their Balance Sheet on 31st March, 2020 was as follows:

Liabilities		₹	Assets		₹
Creditors		1,20,000	Building		3,40,000
General Reserve		1,00,000	Machinery		1,50,000
Capital Accounts:			Furniture		1,10,000
Ram	4,80,000		Stock		90,000
Mohan	1,20,000	6,00,000	Debtors	80,000	
			Less: Provision for Doubtful Debts	8,000	72,000
			Profit and Loss Account		22,000
			Bank		36,000
		8,20,000			8,20,000

On 1st April, 2020, they take Shyam into partnership for 1/3rd share in the profits of firm on the following terms:

(*i*) Shyam brings ₹ 2,00,000 as capital and ₹ 60,000 as goodwill.

(*ii*) A discounted bill of exchange of ₹ 4,000 was dishonoured but no entry had been passed for that.

(*iii*) Provision for Doubtful Debts is to be made at 10%.

(*iv*) Furniture is taken by Mohan for ₹ 90,000.

(*v*) Expense of ₹ 5,400 debited to Profit and Loss, were the personal expenses of Ram.

(*vi*) The new profit-sharing ratio is agreed at 4 : 2 : 3.

Pass the necessary Journal entries for the above transactions.

Or

Balance Sheet of Amit, Sumit and Namit who were sharing profits in the ratio of 5 : 3 : 2 is given below as on 1st April, 2020:

Liabilities	₹	Assets	₹
Amit's Capital	7,20,000	Factory Building	7,80,000
Sumit's Capital	4,15,000	Machinery	4,65,000
Namit's Capital	3,45,000	Furniture	77,000
General Reserve	1,80,000	Stock	1,85,000
Sundry Creditors	1,24,000	Sundry Debtors	1,72,000
Outstanding Expenses	16,000	Cash at Bank	1,21,000
	18,00,000		18,00,000

Sumit retired on the above the date and following adjustments are agreed upon on his retirement:

(*i*) Stock was valued at ₹ 1,72,000. Furniture was undervalued by ₹ 3,000.

(*ii*) An amount of ₹ 10,000 due from Rajesh was doubtful and a provision for the same was required.

(*iii*) Goodwill of the firm was valued at ₹ 2,00,000.

(*iv*) Sumit was paid ₹ 40,000 on retirement by cheque and the balance was transferred to his loan account.

(*v*) Amit and Namit were to share future profits in the ratio of 3 : 2.

Prepare Revaluation Account, Capital Accounts and Balance Sheet of the new firm. (8)

22. Janta Ltd. invited applications for issuing 1,60,000 equity shares of ₹ 10 each at a premium of ₹ 3 per share. The amount was payable as follows:

On Application — ₹ 6 per share (Including premium ₹ 1);

On Allotment — ₹ 3 per share (Including premium ₹ 1); and

On First and Final call — The balance.

Applications for 1,80,000 shares were received. Applications for 10,000 shares were rejected and *pro rata* allotment was made to the remaining applicants. Over payment received on application was adjusted towards sums due on allotment. All calls were made and were duly received except allotment and final call from Aditya who was allotted 3,200 shares. His shares were forfeited. Half of the forfeited shares were reissued for ₹ 43,000 as fully paid-up.

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

Or

Kinderjoy Ltd. invited applications for issuing 27,000 shares of ₹ 100 each payable as follows:

On Application—₹ 50 per share

On Allotment—₹ 10 per share

On First and Final Call—Balance

Applications were received for 40,000 shares. Full allotment was made to the applicants of 7,000 shares. The remaining applicants were allotted 20,000 shares on *pro rata* basis. Excess money received on application was adjusted towards allotment and call.

Asha, holding 600 shares belonging to the category of applicants to whom full allotment was made, paid the call money at the time of allotment. Ankur, who belonged to the category of applicants to whom shares were allotted on *pro rata* basis did not pay after application on his 200 shares. Ankur's shares were forfeited after the first and final call. These shares were later reissued at ₹ 105 per share as fully paid-up.

Pass necessary Journal entries in the books of Kinderjoy Ltd. for the above transactions, by opening Calls-in-Arrears and Calls-in-Advance Accounts wherever necessary. (8)

PART B

ANALYSIS OF FINANCIAL STATEMENTS

23. Cash transactions that change the size and composition of the owners' capital and borrowings of the enterprise are shown as ___________.

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

(*c*) Investing Activities. (*d*) None of these. (1)

24. Classify the following activities as (*i*) Operating Activities; (*ii*) Investing Activities; and (*iii*) Financing Activities:

(*a*) Payment of Dividend.

(*b*) Sale of Land.

(*c*) Payment of Income Tax. (1)

25. If Debt-equity Ratio is 2, which of the transactions will *increase* the ratio, state the reason:

(*a*) Sale of a Fixed Asset (Book value ₹ 40,000) at a loss of ₹ 10,000.

(*b*) Sale of a Fixed Asset (Book value ₹ 40,000) for ₹ 50,000.

(*c*) Sale of a Fixed Asset (Book value ₹ 40,000) for ₹ 40,000.

(*d*) Issue of bonus shares. (1)

26. Name the aggregate of Cost of Revenue from Operations and other Operating Expenses:

(*a*) Gross Profit. (*b*) Operating Profit.

(*c*) Operating Cost. (*d*) Net Profit before Interest and Tax. (1)

27. Which of the following is correct?

(*a*) Time Series Analysis involves the comparison of actual ratios of one firm with those of other similar firm belonging to the same industry.

(*b*) Cross Sectional Analysis involves the comparison of actual ratios of one period with those of earlier periods for the same enterprise.

(*c*) The qualitative elements like quality of management and quality of labour force are ignored in analysis of financial statements.

(*d*) Current Liabilities = Current Assets + Working Capital. (1)

28. Young Stars India Ltd. has a Gross Profit Ratio of 20%. To maintain this ratio at 30%, management may

(*a*) Increase selling price of stock.

(*b*) Reduce Cost of Revenue from Operations.

(*c*) Increase selling price of Stock-in-trade and reduce Cost of Revenue from Operations.

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

29. Fill-in-the blanks:

___________ is the ___________ analysis of Balance Sheet in which total of assets is taken as ___________ and all other figures of assets and liabilities are expressed as ___________ of total assets figure. (1)

30. Current Ratio 2.5, Quick Ratio 1.5, Working Capital ₹ 1,20,000. Calculate Current Assets, Current Liabilities and Quick Assets.

Or

State with reason whether the following transactions will increase, decrease or not change the 'Return on Investment' (ROI):

(*i*) Purchase of machinery of ₹ 10,00,000 by issue of equity shares.

(*ii*) Charging depreciation of ₹ 1,00,000.

(*iii*) Redemption of Debentures in cash ₹ 5,00,000. (3)

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

Particulars	31st March, 2020	31st March, 2019
Cost of Materials Consumed	₹ 13,44,000	₹ 6,00,000
Revenue from Operations (% of Materials Consumed)	125%	200%
Other Expenses (% of Operating Revenue)	10%	10%
Tax Rate	50%	50%

Or

(*a*) Mention the items under which Fixed Assets are further classified.

(*b*) Show the major headings under the Equity and Liabilities side of the Balance Sheet of a company as per Schedule III of the Companies Act, 2013.

(*c*) Give the meaning of 'Long-term Provisions'.

(*d*) What is Contingent Liability? (4)

32. Prepare a Cash Flow Statement (as per AS–3) for the year ended 31st March, 2020 from the following Balance Sheet and additional information:

BALANCE SHEET OF KRISHNA LTD.
as at 31st March, 2020

Particulars	Note No.	31st March, 2020 (₹)	31st March, 2019 (₹)
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(*a*) Share Capital		5,00,000	4,00,000
(*b*) Reserves and Surplus	1	3,20,000	2,50,000
2. Non-Current Liabilities			
Long-term Borrowings	2	2,00,000	1,00,000
3. Current Liabilities			
Trade Payables		1,50,000	90,000
Total		11,70,000	8,40,000
II. ASSETS			
1. Non-Current Assets			
(*a*) Fixed Assets—Tangible	3	7,00,000	5,00,000
(*b*) Non-Current Investments		70,000	50,000
2. Current Assets			
(*a*) Inventories		60,000	90,000
(*b*) Trade Receivables		1,20,000	70,000
(*c*) Cash and Bank Balances		2,20,000	1,30,000
Total		11,70,000	8,40,000

Notes to Accounts

Particulars	31st March, 2020 (₹)	31st March, 2019 (₹)
1. Reserves and Surplus		
Securities Premium Reserve	5,000	...
General Reserve	1,00,000	80,000
Surplus, *i.e.*, Balance in Statement of Profit and Loss	2,15,000	1,70,000
	3,20,000	2,50,000
2. Long-term Borrowings		
10% Debentures	2,00,000	1,00,000
3. Fixed Assets—Tangible		
Machinery (Cost)	8,50,000	6,10,000
Less: Accumulated Depreciation	1,50,000	1,10,000
	7,00,000	5,00,000

Additional Information:

(*a*) Machinery costing ₹ 1,00,000 (Accumulated Depreciation ₹ 70,000) was sold at a loss of 20%.

(*b*) Equity Shares were issued at a premium of 15% on 1st April, 2019.

(*c*) Additional debentures were issued on 1st October, 2019 at a discount of 10%. The company wrote off the discount on issue of debentures from Securities Premium Reserve.

(*d*) Interim dividend paid during the year was ₹ 25,000. (6)

Answers

PART A

1. Fixed Capital Account does not show debit balance. Fluctuating Capital Account, on the other hand, may show credit or debit balance.

2. (*c*) Debentures issued at a discount can be redeemed at a premium.

3. (*a*) ₹ 100.

4. (*b*) Crediting Revaluation Account.

5. (*b*) Revenue Receipts, Income and Expenditure Account.

6. (*c*) Gaining ratio.

7. (*a*)

Revaluation A/c	...Dr.	19,000	
To Building A/c			19,000

8. (*c*) Either of the above two at the option of the retiring partner.

9. (*b*) ₹ 10,000.

10.

		₹	₹
(*a*) *Y*'s Capital A/c	...Dr.	10,000	
Z's Capital A/c	...Dr.	5,000	
To *X*'s Capital A/c			15,000

Working Note:

(*i*) *Calculation of Gain or Sacrifice of Partners:*

Sacrifice share = Old Profit Share – New Profit Share

$$X = \frac{3}{6} - \frac{2}{5} = \frac{15-12}{30} = \frac{3}{30}, \text{ i.e., sacrifice}$$

$$Y = \frac{2}{6} - \frac{2}{5} = \frac{10-12}{30} = \left(\frac{2}{30}\right), \text{ i.e., gain}$$

$$Z = \frac{1}{6} - \frac{1}{5} = \frac{5-6}{30} = \left(\frac{1}{30}\right), \text{ i.e., gain}$$

X is a sacrificing partner while *Y* and *Z* are gaining partners.

(*ii*) Compensation payable by *Y* to *X* = ₹ 1,50,000 × 2/30 = ₹ 10,000.

Compensation payable by *Z* to *X* = ₹ 15,00,000 × 1/30 = ₹ 5,000.

11. (*c*) ₹ 1,50,000.

Working Note:

Goodwill = Capitalised Value* – Net Assets**
= ₹ 4,00,000 – ₹ 2,50,000 = ₹ 1,50,000

*Capitalised Value = Average Profit × 100/Normal Rate of Return
= ₹ 40,000 × 100/10 = ₹ 4,00,000.

**Net Assets = All Assets (Other than goodwill, fictitious assets and Non-trade Investments) at their Current Value – Outsiders' Liabilities.
= ₹ 4,35,000 – ₹ 35,000 – ₹ 1,50,000 = ₹ 2,50,000.

12. (*c*) Either (*a*) or (*b*).

13. (*b*) No.

Note: Rent paid to a partner is charge against profit.

14. *Amount of Subscriptions to be Credited to Income and Expenditure Account:*

	₹	₹
Subscriptions received during the year		80,000
Add: Subscriptions received in advance on 31st March, 2020	12,000	
Subscriptions outstanding on 31st March, 2021	9,000	21,000
		1,01,000
Less: Subscriptions outstanding on 31st March, 2020	16,000	
Subscriptions received in advance on 31st March, 2021	7,000	23,000
Subscriptions to be Credited to Income and Expenditure Account		78,000

Note: Subscription outstanding as on 31st March, 2021 includes total amount of subscription due as on that date. It means, it also includes 'Subscription of ₹ 8,000 still in arrears for the year ended 31st March, 2020. It has no effect on subscription for the year.

Or

Rent to be debited to Income and Expenditure Account:

= Rent paid during the year + Prepaid of rent (opening) – Prepaid rent (closing) + Outstanding rent (closing) – Outstanding rent (opening).

= ₹ 65,000 + ₹ 4,000 – ₹ 5,000 + ₹ 7,000 – ₹ 8,000 = ₹ 63,000.

Alternate Method:

Dr. RENT ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Balance *b/d* (Opening prepaid)	4,000	By Balance *b/d* (Opening outstanding)	8,000
To Bank A/c (Rent paid during the year)	65,000	By Income and Expenditure A/c (Bal. Fig.)	63,000
To Balance *c/d* (Closing outstanding)	7,000	By Balance *c/d* (Closing prepaid)	5,000
	76,000		76,000

Note: Opening prepaid rent is an asset thus, is shown on the Dr. side of Rent A/c. Opening outstanding rent is a liability thus, is shown on the Cr. side of Rent A/c and closing balance is shown on the Dr. side of Rent A/c.

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

Expenditure	₹	Income	₹
To Rent A/c	63,000		

AN EXTRACT OF BALANCE SHEET *as at 31st March, 2021*

Liabilities	₹	Assets	₹
Outstanding Rent	7,000	Prepaid Rent	5,000

15. RECTIFYING JOURNAL ENTRY

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2020				
April 1	Vikrant's Capital A/c ...Dr.		1,550	
	To Himanshu's Capital A/c			1,550
	(Adjustment of interest on capital and interest on drawings for previous year)			

Working Notes:

1. CALCULATION OF OPENING CAPITAL

Particulars	Himanshu ₹	Vikrant ₹
Closing Capital	2,00,000	1,40,000
Add: Drawings	30,000	40,000
	2,30,000	1,80,000
Less: Profit already Distributed	50,000	50,000
Opening Capital	1,80,000	1,30,000

2. STATEMENT SHOWING ADJUSTMENT

Particulars	Himanshu		Vikrant		Firm	
	Dr. (₹)	Cr. (₹)	Dr. (₹)	Cr. (₹)	Dr. (₹)	Cr. (₹)
Profit already distributed, now taken back	50,000	...	50,000	...	...	1,00,000
Interest on Capital	...	9,000	...	6,500	15,500	...
Interest on Drawings	1,800	...	2,400	...	...	4,200
Profit (₹ 1,00,000 + ₹ 4,200 – ₹ 15,500)	...	44,350	...	44,350	88,700	...
	51,800	53,350	52,400	50,850	1,04,200	1,04,200
Net Effect	1,550 (Cr.)		1,550 (Dr.)		Nil	

Calculation of Interest on Capital:

For Himanshu = ₹ 1,80,000 × 5/100 = ₹ 9,000;
For Vikrant = ₹ 1,30,000 × 5/100 = ₹ 6,500.

Calculation of Interest on Drawings:

For Himanshu = ₹ 30,000 × 12/100 × 6/12 = ₹ 1,800;
For Vikrant = ₹ 40,000 × 12/100 × 6/12 = ₹ 2,400.

3. Since the date of drawings is not given, therefore, the interest on drawings is to be calculated for 6 months.
4. Since Profit-sharing Ratio is not given, it will be equal.

Or

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	A's Capital A/c ...Dr.		85,000	
	To *B*'s Capital A/c			45,000
	To *C*'s Capital A/c			40,000
	(Adjustment entry passed for omission of salary, commission and change in profit-sharing ratio of 3 : 3 : 2 among partners)			

Working Note:

Dr. ADJUSTED PROFIT AND LOSS ACCOUNT *Cr.*

Particulars		₹	Particulars	₹
To Salary:			By Profit and Loss A/c (Profit)	9,00,000
A's Capital A/c (₹ 3,750 × 4)	15,000			
B's Capital A/c (₹ 3,750 × 4)	15,000	30,000		
To Commission:				
B's Capital A/c		45,000		
To Profit transferred to:				
A	3,50,000			
*B**	2,85,000			
*C**	1,90,000	8,25,000		
		9,00,000		9,00,000

* After salary, commission and guaranteed profit of ₹ 3,50,000 p.a. to *A*, remaining profit of ₹ 4,75,000 is distributed between *B* and *C* in the ratio of 3 : 2.

ADJUSTMENT TABLE

Particulars	*A* (₹)	*B* (₹)	*C* (₹)
Amount already recorded (credited) (₹ 9,00,000 in 3 : 2 : 1)	4,50,000	3,00,000	1,50,000
Amount to be recorded (credited) (Profit + Salary + Commission)	3,65,000	3,45,000	1,90,000
Difference	85,000	45,000	40,000
	Less (Dr.)	Excess (Cr.)	Excess (Cr.)

16. JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(1)	(*i*) Share Capital A/c (100 × ₹ 9) ...Dr.		**900**	
	To Forfeited Shares A/c (100 × ₹ 2)			**200**
	To Calls-in-Arrears A/c (100 × ₹ 7)			**700**
	(Forfeiture of 100 shares, ₹ 9 called-up, on which allotment money of ₹ 3 and first call money of ₹ 4 have not been received)			
	(*ii*) **Bank A/c (100 × ₹ 8)** ...Dr.		**800**	
	Forfeited Shares A/c (100 × ₹ 2) ...Dr.		**200**	
	To **Share Capital A/c (100 × ₹ 10)**			**1,000**
	(Reissue of 100 shares of ₹ 10 each fully paid-up at ₹ 8 each)			
(2)	(*i*) Share Capital A/c (100 × ₹ 9) ...Dr.		900	
	To Forfeited Shares A/c (100 × ₹ 2)			200
	To Calls-in-Arrears A/c (100 × ₹ 7)			700
	(Forfeiture of 100 shares, ₹ 9 called-up, on which allotment money of ₹ 3 and first call money of ₹ 4 have not been received)			
	(*ii*) **Bank A/c (100 × ₹ 10)** ...Dr.		**1,000**	
	To **Share Capital A/c (100 × ₹ 10)**			**1,000**
	(Reissue of 100 forfeited shares of ₹ 10 each as fully paid-up at par)			
	(*iii*) **Forfeited Shares A/c** ...Dr.		**200**	
	To **Capital Reserve A/c**			**200**
	(Gain on reissue transferred to Capital Reserve)			

17. JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Ram's Capital A/c	...Dr.		3,000	
	Shyam's Capital A/c	...Dr.		3,000	
	Mohan's Capital A/c	...Dr.		4,000	
	To Goodwill A/c				10,000
	(Existing goodwill written off)				
	Shyam's Capital A/c	...Dr.		10,800	
	Mohan's Capital A/c	...Dr.		14,400	
	To Ram's Capital A/c (WN 2)				25,200
	(Ram's share of goodwill adjusted)				
	General Reserve A/c	...Dr.		10,000	
	To Ram's Capital A/c				3,000
	To Shyam's Capital A/c				3,000
	To Mohan's Capital A/c				4,000
	(Distribution of General Reserve)				
	Profit and Loss Suspense A/c	...Dr.		11,250	
	To Ram's Capital A/c (WN 1)				11,250
	(Ram's share of profit till date of death recorded)				

Working Notes:

1. Share of Profit = ₹ 1,00,000 × ₹ 1,50,000/₹ 4,00,000 × 3/10 = ₹ 11,250.
2. *Adjustment of Goodwill:*

Average Profit of last 3 years = ₹ 42,000

Firm's Goodwill = ₹ 42,000 × 2 = ₹ 84,000

Ram's share of Goodwill = ₹ 84,000 × 3/10 = ₹ 25,200, which is to be contributed by Shyam and Mohan in their gaining ratio of 3 : 4.

18. JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
(*i*)	Bank A/c	...Dr.		64,000	
	To Realisation A/c				64,000
	(Debtors of ₹ 12,000 did not pay while the remaining paid the amount)				
(*ii*)	Payal's Capital A/c	...Dr.		3,000	
	To Realisation A/c				3,000
	(Unrecorded machine taken by Payal)				
(*iii*)	Parul's Capital A/c	...Dr.		9,000	
	Payal's Capital A/c	...Dr.		9,000	
	Priyanka's Capital A/c	...Dr.		9,000	
	To Profit and Loss A/c				27,000
	(Accumulated loss distributed in their profit-sharing ratio)				
(*iv*)	Realisation A/c	...Dr.		33,000	
	To Priyanka's Capital A/c (Note)				33,000
	(Realisation expenses of ₹ 15,000 paid by Priyanka and remuneration of ₹ 18,000 also credited to her account)				

Note: Priyanka is getting remuneration (salary) of ₹ 18,000 for completing the dissolution process. Question is silent on who is to bear the dissolution expenses. Therefore, firm will bear the expenses. Since Priyanka has paid the expenses, her Capital Account is credited.

19. **Youth Stars' Club**

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

Expenditure		₹	Income		₹
To Salaries	7,000		By Donations (10/100 × ₹ 50,000)		5,000
Add: Outstanding Salaries (31.3.2020)	500		By Subscription	5,200	
	7,500		*Add:* Subscription Due (Note 1)	300	5,500
Less: Outstanding Salaries (1.4.2019)	1,000	6,500	By Locker's Rent		400
To Sundry Expenses		820	By Gain (Profit) on Sale of Furniture (₹ 10,000 – ₹ 8,000)		2,000
To Match Expenses (Note 3) (₹ 9,000 – ₹ 8,000)		1,000			
To Surplus, *i.e.*, Excess of Income over Expenditure		10,780	By Entrance Fees		5,000
			By Interest on Investments	1,000	
			Add: Accrued Interest (Note 2)	200	1,200
		19,100			19,100

BALANCE SHEET *as at 31st March, 2020*

Liabilities		₹	Assets	₹
Outstanding Salaries		500	Cash at Bank	10,480
Building Fund:			Building in Progress	40,000
Donations (₹ 50,000 – ₹ 5,000)	45,000		Investments	16,000
Less: Transfer to Capital Fund	40,000	5,000	Furniture	4,100
Capital Fund:			Accrued Interest on Investments	200
Opening Balance	10,800		Subscription Receivable	300
Add: Surplus	10,780			
Life Membership Fees	4,000			
Transfer from Building Fund	40,000	65,580		
		71,080		71,080

Notes:

	₹
1. Subscription for 2019–20 [55 × ₹ 100]	5,500
Less: Subscription received during the year	5,200
Subscription Due (2019–20)	300
2. Interest earned on Investments [₹ 16,000 × 10/100 × 9/12]	1,200
Less: Interest received during the year	1,000
Accrued Interest but not received	200

3. Match Fund is ₹ 8,000 whereas Match Expenses are ₹ 9,000, the difference is adjusted through Income and Expenditure Account.

20. (*a*) AN EXTRACT OF BALANCE SHEET OF MOONLIGHT LTD.

as at ...

Particulars	Note No.	₹
I. EQUITY AND LIABILITIES		
Non-Current Liabilities		
Long-term Borrowings	1	13,00,000

Note to Accounts

Particulars		₹
1. **Long-term Borrowings**		
5,000; 9% Debentures of ₹ 100 each		5,00,000
Loan from Bank		8,00,000
10,000; 9% Debentures of ₹ 100 each issued as Collateral Security	10,00,000	
Less: Debentures Suspense A/c	10,00,000	...
		13,00,000

(*b*)

In the Books of Max Ltd.

JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2020					
March 31	Interest on Debentures A/c (₹ 2,00,000 × 12/100 × 6/12)	...Dr.		12,000	
	To Debentureholders' A/c (₹ 12,000 × 90%)				10,800
	To TDS Payable A/c (₹ 12,000 × 10%)				1,200
	(Hald-yearly interest due on debentures and tax deducted at source)				
March 31	Debentureholders' A/c	...Dr.		10,800	
	To Bank A/c				10,800
	(Payment of interest on debentures)				
March 31	TDS Payable A/c	...Dr.		1,200	
	To Bank A/c				1,200
	(TDS deposited with income tax authorities)				
March 31	Statement of Profit and Loss	...Dr.		24,000	
	To Interest on Debentures A/c				24,000
	(Yearly interest on debentures transferred to Statement of Profit and Loss)				

21.

JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	...Dr.		2,60,000	
	To Shyam's Capital A/c				2,00,000
	To Premium for Goodwill A/c				60,000
	(Amount brought in towards capital and goodwill)				
	Mohan's Capital A/c (₹ 1,80,000 × 1/45)	...Dr.		4,000	
	Premium for Goodwill A/c	...Dr.		60,000	
	To Ram's Capital A/c (₹ 1,80,000 × 16/45)				64,000
	(New partner's share of goodwill credited to sacrificing partners (WN 1)				
	General Reserve	...Dr.		1,00,000	
	To Ram's Capital A/c				80,000
	To Mohan's Capital A/c				20,000
	(General Reserve distributed among partners)				
	Ram's Capital A/c	...Dr.		17,600	
	Mohan's Capital A/c	...Dr.		4,400	
	To Profit and Loss A/c				22,000
	(Debit balance of Profit and Loss A/c transferred to Capital Accounts)				

	Revaluation A/c ...Dr. To Provision for Doubtful Debts (WN 2) To Furniture A/c (WN 3) (Provision for doubtful debts credited and loss on furniture recorded)		20,400	 400 20,000
	Debtor's A/c (WN 2) ...Dr. To Bank A/c (Discounted bill dishonoured)		4,000	 4,000
	Mohan's Capital A/c ...Dr. To Furniture A/c (Furniture taken over by Mohan)		90,000	 90,000
	Ram's Capital A/c ...Dr. To Revaluation A/c (WN 4) (Ram's personal expenses debited to Profit and Loss Account, now rectified)		5,400	 5,400
	Ram's Capital A/c ...Dr. Mohan's Capital A/c ...Dr. To Revaluation A/c (Loss on revaluation distributed between partners in their old profit-sharing ratio)		12,000 3,000	 15,000

Working Notes:

1. Ram's sacrifice = 4/5 – 4/9 = 16/45, Mohan's gain = 1/5 – 2/9 = (1/45), Firm's goodwill = ₹ 60,000 × 3/1 = ₹ 1,80,000.
2. On dishonour of discounted bill, Debtors Account will be debited, *i.e.*, debtors will increase by ₹ 4,000 and Bank Account will be credited.

   Provision for Doubtful Debts will be created on debtors after adding amount of dishonoured bill.

   Provision for Doubtful Debts = 10% of ₹ 84,000 (= ₹ 80,000 + ₹ 4,000)
   = ₹ 8,400
   Less: Existing Provision Doubtful Debts = ₹ 8,000
   ₹ 400
3. Book value of furniture is ₹ 1,10,000. However, it is taken by Mohan at ₹ 90,000. Therefore, Dr. Revaluation A/c and Cr. Furniture A/c by ₹ 20,000 to record the loss on furniture.
4. Ram's personal expenses were met by the firm. Therefore, it will reduce Ram's Capital and hence, his Capital A/c will be debited. Revaluation Account will be credited as it is a gain for the firm.

Or

Dr. REVALUATION ACCOUNT *Cr.*

Particulars	₹	Particulars		₹
To Stock A/c	13,000	By Furniture A/c		3,000
To Provision for Doubtful Debts A/c	10,000	By Loss on Revaluation transferred to:		
		Amit	10,000	
		Sumit	6,000	
		Namit	4,000	20,000
	23,000			23,000

Dr. PARTNERS' CAPITAL ACCOUNTS *Cr.*

Particulars	Amit (₹)	Sumit (₹)	Namit (₹)	Particulars	Amit (₹)	Sumit (₹)	Namit (₹)
To Revaluation A/c (Loss)	10,000	6,000	4,000	By Balance *b/d*	7,20,000	4,15,000	3,45,000
To Sumit's Capital A/c	20,000	...	40,000	By General Reserve A/c	90,000	54,000	36,000
To Bank A/c	...	40,000	...	By Amit's Capital A/c (WN)	...	20,000	...
To Sumit's Loan A/c	...	4,83,000	...	By Namit's Capital A/c (WN)	...	40,000	...
To Balance *c/d*	7,80,000	...	3,37,000				
	8,10,000	5,29,000	3,81,000		8,10,000	5,29,000	3,81,000

BALANCE SHEET *as at 1st April, 2013*

Liabilities	₹	Assets		₹
Capitals:		Factory Building		7,80,000
Amit	7,80,000	Machinery		4,65,000
Namit	3,37,000	Furniture		80,000
Sumit's Loan	4,83,000	Stock		1,72,000
Sundry Creditors	1,24,000	Debtors	1,72,000	
Outstanding Expenses	16,000	*Less:* Provision for Doubtful Debts	10,000	1,62,000
		Cash at Bank (₹ 1,21,000 – ₹ 40,000)		81,000
	17,40,000			17,40,000

Working Note:

(*i*) Sumit's share of goodwill = ₹ 2,00,000 × 3/10 = ₹ 60,000.

(*ii*) Amit's gain = 3/5 – 5/10 = 1/10, Namit's gain = 2/5 – 2/10 = 2/10, Gaining ratio of Amit and Namit = 1 : 2.

(*iii*) Amit's contribution for Sumit's share of goodwill = ₹ 60,000 × 1/3 = ₹ 20,000. Namit's contribution for Sumit's share of goodwill = ₹ 60,000 × 2/3 = ₹ 40,000.

22. JOURNAL OF JANTA LTD.

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	...Dr.		10,80,000	
	To Equity Shares Application A/c				10,80,000
	(Application money received on 1,80,000 shares @ ₹ 6 per share)				
	Equity Shares Application A/c	...Dr.		10,80,000	
	To Equity Share Capital A/c (1,60,000 × ₹ 5)				8,00,000
	To Securities Premium Reserve (1,60,000 × ₹ 1)				1,60,000
	To Bank A/c (10,000 × ₹ 6)				60,000
	To Equity Shares Allotment A/c				60,000
	(Application money adjusted on allotment and surplus refunded)				
	Equity Shares Allotment A/c	...Dr.		4,80,000	
	To Equity Share Capital A/c (1,60,000 × ₹ 2)				3,20,000
	To Securities Premium Reserve (1,60,000 × ₹ 1)				1,60,000
	(Allotment money due on 1,60,000 shares @ ₹ 3)				
	Bank A/c (₹ 4,80,000 – ₹ 60,000 – ₹ 8,400*) (WN 1)	...Dr.		4,11,600	
	To Equity Shares Allotment A/c				4,11,600
	Or				
	Bank A/c	...Dr.		4,11,600	
	Calls-in-Arrears A/c*	...Dr.		8,400	
	To Equity Shares Allotment A/c				4,20,000
	(Amount received on allotment except on 3,200 shares)				

Equity Shares First and Final Call A/c	...Dr.		6,40,000	
To Equity Share Capital A/c (1,60,000 × ₹ 3)				4,80,000
To Securities Premium Reserve (1,60,000 × ₹ 1)				1,60,000
(First and final call money due on 1,60,000 shares @ ₹ 4)				
Bank A/c (₹ 6,40,000 – ₹ 12,800)	...Dr.		6,27,200	
To Equity Shares First and Final Call A/c				6,27,200
Or				
Bank A/c	...Dr.		6,27,200	
Calls-in-Arrears A/c (3,200 × ₹ 4)	...Dr.		12,800	
To Equity Shares First and Final Call A/c				6,40,000
(First and final call money received except on 3,200 shares)				
Equity Share Capital A/c (3,200 × ₹ 10)	...Dr.		32,000	
Securities Premium Reserve (3,200 × ₹ 2)	...Dr.		6,400	
To Equity Shares Allotment A/c				8,400
To Equity Shares First and Final Call A/c (3,200 × ₹ 4)				12,800
To Forfeited Shares A/c				17,200
Or				
Equity Share Capital A/c	...Dr.		32,000	
Securities Premium Reserve A/c	...Dr.		6,400	
To Calls-in-Arrears A/c				21,200
To Forfeited Shares A/c				17,200
(Forfeiture of 3,200 shares for non-payment of allotment and calls money)				
Bank A/c	...Dr.		43,000	
To Equity Share Capital A/c (1,600 × ₹ 10)				16,000
To Securities premium Reserve A/c				27,000
(Half of the forfeited shares, *i.e.*, 1,600 shares reissued as fully paid-up				
Forfeited Shares A/c	...Dr.		8,600	
To Capital Reserve (WN 2)				8,600
(Gain on 1,600 reissued shares transferred to Capital Reserve)				

Working Notes:

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

   Shares applied by Aditya = 3,200 × 1,70,000/1,60,000 = 3,400 shares.

   Excess money received on application (200 × ₹ 6) = ₹ 1,200

Money due on allotment (3,200 × ₹ 3)	₹ 9,600
Less: Excess money received on application adjusted on allotment	₹ 1,200
Amount not paid by Aditya on allotment	₹ 8,400

2. *Amount to be transferred to Capital Reserve:*

   Amount forfeited on reissue of Aditya's 1,600 shares = ₹ 17,200 × 1,600/3,200 = ₹ 8,600

   Since shares were reissued at premium, therefore, the amount of gain, *i.e.*, ₹ 8,600 is to be transferred to Capital Reserve.

Or

JOURNAL OF KINDERJOY LTD.

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c (40,000 × ₹ 50)	...Dr.		20,00,000	
	To Equity Shares Application A/c				20,00,000
	(Application money received on 40,000 shares @ ₹ 50 each)				
	Equity Shares Application A/c	...Dr.		20,00,000	
	To Equity Share Capital A/c (27,000 × ₹ 50)				13,50,000
	To Equity Shares Allotment A/c (20,000 × ₹ 10)				2,00,000
	To Calls-in-Advance A/c				4,50,000
	(Application money transferred to share capital account and excess transferred to share allotment and calls-in-advance)				
	Equity Shares Allotment A/c (27,000 × ₹ 10)	...Dr.		2,70,000	
	To Equity Share Capital A/c				2,70,000
	(Allotment money due on 27,000 shares @ ₹ 10 each)				
	Bank A/c (WN 2)	...Dr.		94,000	
	To Equity Shares Allotment A/c				70,000
	To Calls-in-Advance A/c (600 × ₹ 40)				24,000
	(Allotment money received on 7,000 shares and call money received in advance on 600 shares, balance already been received)				
	Equity Shares First and Final Call A/c (27,000 @ ₹ 40)	...Dr.		10,80,000	
	To Equity Share Capital A/c				10,80,000
	(First and final call money due on 27,000 shares @ ₹ 40 each)				
	Bank A/c	...Dr.		6,02,500	
	Calls-in-Advance A/c (₹ 4,50,000 + ₹ 24,000)	...Dr.		4,74,000	
	Calls-in-Arrears A/c (WN 1)	...Dr.		3,500	
	To Equity Shares First and Final Call A/c				10,80,000
	(First and final call money received except for ₹ 3,500 from Ankur)				
	Equity Share Capital A/c (200 × ₹ 10)	...Dr.		20,000	
	To Calls-in-Arrears A/c				3,500
	To Forfeited Shares A/c				16,500
	(200 shares forfeited for non-payment of balance call money)				
	Bank A/c (200 × ₹ 105)	...Dr.		21,000	
	To Equity Share Capital A/c (200 × ₹ 100)				20,000
	To Securities Premium Reserve (200 × ₹ 5)				1,000
	(200 forfeited shares reissued as fully paid-up @ ₹ 105 each)				
	Forfeited Shares A/c (WN 3)	...Dr.		16,500	
	To Capital Reserve A/c				16,500
	(Gain on reissued shares transferred to Capital Reserve)				

Working Notes:

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

   Number of shares applied by Ankur = 200 × 33,000/20,000 = 330 shares

	₹
Excess money received on application [₹ 16,500 – ₹ 10,000 (200 × ₹ 50)]	6,500
Less: Money due on allotment (200 × ₹ 10)	2,000
Balance to be adjusted on first and final call	4,500
Total money due on first and final call to be paid by Ankur (200 × ₹ 40)	8,000
Less: Excess application money adjusted as above	4,500
Money not paid by Ankur	3,500

2. *Money received on allotment:*

	₹
Total amount due on allotment (27,000 × ₹ 10)	2,70,000
Less: Excess application money adjusted	(2,00,000)
Add: Money received in advance from Asha for first and final call (600 × ₹ 40)	24,000
Money received on allotment	94,000

3. Since Ankur's shares were reissued at premium fully paid-up, therefore, the entire amount of gain, *i.e.*, ₹ 16,500 received on 330 shares @ ₹ 50 as application money is to be transferred to Capital Reserve.

PART B

23. (*a*) Financing Activities.

24. (*a*) Financing Activity.

(*b*) Investing Activity.

(*c*) Operating Activity.

25. (*a*) Sale of a fixed asset (Book value ₹ 40,000) at a loss of ₹ 10,000.

Reason: Equity is decreased by the amount of loss but debts remains unchanged.

26. (*c*) Operating Cost.

27. (*c*) The qualitative elements like quality of management and quality of labour force are ignored in analysis of financial statements.

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

29. Common-size Balance Sheet, vertical, 100, percentage.

30. Current Ratio = 2.5 : 1

It means if Current Assets are 2.5, Current Liabilities are 1.

Hence, Working Capital = 2.5 – 1 = 1.5

If Working Capital is 1.5, Current Assets are = 2.5

If Working Capital is 1, Current Assets are = 2.5/1.5

If Working capital is ₹ 1,20,000, Current Assets are = 2/5/1.5 × ₹ 1,20,000 = ₹ 2,00,000.

Current Liabilities = ₹ 2,00,000 – ₹ 1,20,000 (Working Capital)

= ₹ 80,000

Quick Ratio = Quick Assets/Current Liabilities

1.5/1 = Quick Assets/₹ 80,000

Quick Assets = 1.5 × ₹ 80,000 = ₹ 1,20,000.

Or

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

S. No.	Effect on ROI	Main Head
(*a*)	Decrease	No change in Net Profit before Interest and Tax, but Capital Employed increases.
(*b*)	Decrease	Decrease in Net Profit before Interest and Tax and in Capital Employed.
(*c*)	No Change	No change in Net Profit before Interest and Tax and Capital Employed.

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)	(D = C/A × 100)
I. **Revenue from Operations**		12,00,000	16,80,000	4,80,000	40.00
II. *Expenses:*					
(*a*) Cost of Materials Consumed		6,00,000	13,44,000	7,44,000	124.00
(*b*) Other Expenses		1,20,000	1,68,000	48,000	40.00
Total Expenses		7,20,000	15,12,000	7,92,000	110.00
III. **Net Profit before Tax (I – II)**		4,80,000	1,68,000	(3,12,000)	(65.00)
IV. *Less:* Tax @ 50%		2,40,000	84,000	(1,56,000)	(65.00)
V. **Net Profit after Tax (III – IV)**		2,40,000	84,000	(1,56,000)	(65.00)

Note:

1. *Revenue from Operations:*
   2018–19 = ₹ 6,00,000 × 200/100 = ₹ 12,00,000.
   2019–20 = ₹ 13,44,000 × 125/100 = ₹ 16,80,000.
2. *Other Expenses:*
   2018–19 = ₹ 12,00,000 × 10/100 = ₹ 1,20,000.
   2019–20 = ₹ 16,80,000 × 10/100 = ₹ 1,68,000.

Or

(*a*) (*i*) Tangible Assets, (*ii*) Intangible Assets, (*iii*) Capital Work-in-Progress, (*iv*) Intangible Assets under Development.

(*b*) (*i*) Shareholders' Funds; (*ii*) Share Application Money pending Allotment, (*iii*) Non-current Liabilities, (*iv*) Current Liabilities.

(*c*) Provisions for which the related claims are expected to be settled after 12 months or the period of operating cycle from the date of Balance Sheet are classified as Long-term Provisions.

(*d*) Contingent Liability is a liability which may or may not arise because it is dependent on happening of an event in future.

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

Particulars	₹	₹
I. Cash Flow from Operating Activities		
A. Net Profit before Tax (WN 1)	90,000	
Adjustment for Non-cash and Non-operating Items:		
Depreciation (WN 3)	1,10,000	
Loss on Sale of Machinery (WN 2)	6,000	
Interest on Debentures	15,000	
[(1 1,00,000 × 10/100 = ₹ 10,000) + (₹ 1,00,000 × 10/100 × 6/12 = ₹ 5,000)]		
B. *Operating Profit before Working Capital changes*	2,21,000	
Adjustment for Change in Current Assets and Current Liabilities:		
Increase in Trade Payables	60,000	
Decrease in Inventories	30,000	
Increase in Trade Receivables	(50,000)	
Cash Flow from Operating Activities		2,61,000
II. Cash Flow from Investing Activities		
Purchase of Machinery	(3,40,000)	
Proceeds from Sale of Machinery	24,000	
Purchase of Non-current Investments	(20,000)	
Cash Used in Investing Activities		(3,36,000)
III. Cash Flow from Financing Activities		
Proceeds from Issue of Shares (₹ 1,00,000 + ₹ 15,000)	1,15,000	
Proceeds from Issue of Debentures (₹ 1,00,000 – ₹ 10,000)	90,000	
Interest paid on Debentures	(15,000)	
Interim on Dividend	(25,000)	
Cash Flow from Financing Activities		1,65,000
IV. Net Increase in Cash and Cash Equivalents		90,000
V. Opening Cash and Cash Equivalents (Cash and Bank)		1,30,000
VI. Closing Balance of Cash and Cash Equivalents		2,20,000

Working Notes:

1. *Calculation of Net Profit before Tax:*

	₹
Closing Balance of Statement of Profit and Loss	2,15,000
Less: Opening Balance of Statement of Profit and Loss	1,70,000
	45,000
Add: Transfer to General Reserve	20,000
Interim Dividend	25,000
Net Profit before Tax	90,000

2. *Dr.* MACHINERY ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Balance *b/d*	6,10,000	By Accumulated Depreciation A/c	70,000
To Bank A/c (Purchase) (Balancing Figure)	3,40,000	By Bank A/c (Sale Proceeds)*	24,000
		By Loss on Sale of Machinery A/c (Statement of Profit and Loss)	6,000
		By Balance *c/d*	8,50,000
	9,50,000		9,50,000

	₹
*Book value of Machinery on the date of sale (₹ 1,00,000 – ₹ 70,000)	30,000
Less: Loss on Sale (20% of ₹ 30,000)	6,000
Sale Proceeds	24,000

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

Particulars	₹	Particulars	₹
To Machinery A/c	70,000	By Balance *b/d*	1,10,000
To Balance *c/d*	1,50,000	By Statement of Profit and Loss (Depreciation Provided) (Balancing Figure)	1,10,000
	2,20,000		2,20,000

4. Discount on issue of debentures has been adjusted from Securities Premium Reserve as per Section 52(2) of the Companies Act, 2013. The balance of ₹ 5,000 in Securities Premium Reserve is after writing off Discount on Issue of Debentures of ₹ 10,000.