Model Test Paper 1

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

*(Candidates are allowed **additional 15 minutes** for **only** reading the paper.*
*They must **NOT** start writing during this time.)*

This Question Paper contains three sections.
***Section A** is **compulsory** for all candidates.*
*Candidates have to attempt **all** questions from **either Section B or Section C**.*
There are internal choices provided in each section.
The intended marks for questions or parts of questions are given in the brackets [ ].
All calculations should be shown clearly.
All working, including rough work, should be done on the same page as, and adjacent to, the rest of the answer.

SECTION A (60 Marks)

(*Answer **all** questions*)

Question 1.

In sub-parts (i) to (iv) choose the correct options and in sub-parts (v) to (x) answer the questions as instructed.

(i) Ram and Shyam are partners in a firm sharing profits and losses in the ratio of 3 : 2. They admitted Mohan as a partner for 1/4th share in profits. Following entry is passed when Mohan's share of goodwill is credited to sacrificing partners:

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Premium for Goodwill A/c ...Dr.		15,000	
	To Ram's Capital A/c			10,000
	To Shyam's Capital A/c			5,000
	(Being Mohan's share of goodwill credited to sacrificing partners)			

New Profit-sharing Ratio of Ram, Shyam and Mohan will be

(a) 5 : 4 : 3. (b) 5 : 1 : 2.

(c) 7 : 5 : 4. (d) 26 : 19 : 15. [1]

(ii) Anu, Bina and Charan are partners. The firm had given a loan of ₹ 20,000 to Bina. They decided to dissolve the firm. In the event of dissolution, the loan will be settled by:

(a) Transferring it to the debit of Realisation Account.

(b) Transferring it to the credit of Realisation Account.

(c) Transferring it to the debit of Bina's Capital Account.

(d) Bina paying Anu and Charan privately. [1]

(iii) What will be the correct sequence of events?

A. Forfeiture of shares.

B. Default on calls.

C. Re-issue of shares.

D. Amount transferred to Capital Reserve.

(a) A, D, B, C (b) B, A, D, C,

(c) B, A, C, D (d) C, D, A, B [1]

(iv) Select the correct statement from the following options:

(a) A debentureholder will receive dividend on his debentures from company even if the company has incurred losses.

(b) A debentureholder will receive interest on his debentures from company only if the company has earned profit.

(c) A debentureholder will receive interest on his debentures from the company only after dividend has been paid by the company to its shareholders.

(d) A debentureholder will receive interest on his debentures from the company even if the company has incurred losses. [1]

(v) Aman, Binu, Chaman and David are partners sharing profits in the ratio of 2 : 3 : 4 : 6. Binu retires from the firm giving 1/15th from her share to Aman and balance to Chaman.

What is the new profit-sharing ratio of the remaining partners in the reconstituted firm? [1]

(vi) **Assertion (A):** Bashir, a partner in a firm, had advanced a loan of ₹ 50,000 to the firm on 1st October, 2022 of the financial year without any agreement. He claims interest on loan of ₹ 1,500 despite the firm incurring loss for the year.

Reason (R): In the absence of an agreement/provision in the partnership deed, provisions of Indian Partnership Act, 1932 would apply.

In the context of above two statements, which of the following is correct?

(a) Both Assertion (A) and Reason (R) are correct and Reason (R) is the correct explanation of Assertion (A).

(b) Both Assertion (A) and Reason (R) are correct but Reason (R) is not the correct explanation of Assertion (A).

(c) Assertion (A) is correct but Reason (R) is incorrect.

(d) Assertion (A) is incorrect but Reason (R) is correct. [1]

(vii) Mohan, a partner of a dissolved firm, was to get as his remuneration 1% of value of assets realised and 10% of the amount distributed to partners. Cash balance after realising assets (including Cash-in-hand of ₹ 5,000) was ₹ 5,05,000. Creditors were paid ₹ 2,25,000.

You are required to calculate Mohan's remuneration. [1]

(viii) "The Companies Act, 1913 and rules thereunder amended to the effect that investment by certain companies in specified securities to be made for redemption of debentures."

Source: *The Hindustan Times.*

What is the impact of this on Working Capital of a company? [1]

(ix) What is meant by an Operating Cycle? [1]

(x) Wellness Ltd. (an unlisted Fitness company) redeems its 10,000, 10% Debentures of ₹ 100 each in instalments as follows:

Date of Redemption	*Debentures to be Redeemed*
31st March, 2022	2,000
31st March, 2023	5,000
31st March, 2024	3,000

How much amount will the company transfer from Debenture Redemption Reserve to General Reserve on 31st March, 2023. [1]

Question 2.

Abha, Binay and Chitra are partners in a firm sharing profits in the ratio of 5 : 3 : 2. On 1st April, 2023, Binay retired and Abha and Chitra decided to share future profits and losses in the ratio of 5 : 3.

At the time of retirement of Binay, Unaccounted Accrued Income of ₹ 1,000 is to be provided. A debtor whose dues of ₹ 5,000 were written off as bad debts paid ₹ 4,000 in full settlement. A liability of ₹ 5,000 included in Sundry Creditors is not payable. Goodwill of the firm was valued at ₹ 1,80,000.

You are required to pass the necessary Journal entries.

Or

Manav, Nath and Narayan were partners in a firm sharing profits in the ratio of 1 : 2 : 1. The firm closes its books on 31st March every year.

On 30th September, 2023, Nath died. On that date his Capital Account showed debit balance of ₹ 5,000. There was a debit balance of ₹ 30,000 in the Profit & Loss Account.

Goodwill of the firm was valued at ₹ 3,80,000. Nath's share in profit in the year of his death was to be calculated on the basis of average profit of 5 years, which was ₹ 90,000.

You are required to pass necessary Journal entries in the books of the firm on Nath's death. [3]

Question 3.

On 1st April, 2022, Raj Ceramics Ltd. issued ₹ 10,00,000, 9% Debentures of ₹ 100 each at a discount of 10%. These debentures were redeemable at par after four years.

It has balance in Securities Premium Account of ₹ 50,000.

You are required to pass necessary Journal entries for the year ended 31st March 2023 (Ignoring Interest on Debentures). [3]

Question 4.

Pragya Ltd. (a listed NBFC) redeems its 45,000, 10% Debentures of ₹ 100 each at a premium of 5% in instalments as follows:

Date of Redemption	*Debentures to be Redeemed*
31st March, 2021	15,000
31st March, 2022	25,000
31st March, 2023	5,000

You are required to prepare:

(i) Debenture Redemption Investment Account for the year 2021–22 & 2022–23.

(ii) 10% Debentures Account for the year 2021–22.

Or

Alliance Ltd., an unlisted company, had 75,000, 8% Debentures of ₹ 100 each due for redemption at a premium of 10% on 31st March, 2023. The company has in its Debenture Redemption Reserve Account a balance of ₹ 7,50,000.

The Debenture Redemption Investment, which was purchased on 30th April, 2022, was realised at 105% on the date of redemption of the debentures and the debentures were redeemed.

You are required to pass Journal entries in the books of the company for the year 2022–23 (Ignore interest on debentures). [3]

Question 5.

From the following information, find the average profit of the partnership firm of Sanjay and Vijay:

(a) On 1st April, 2023, the firm has total assets of ₹ 7,50,000 including cash of ₹ 50,000.

(b) Its creditors were ₹ 50,000 on that date.

(c) The firm had General Reserve of ₹ 1,00,000 while partners' capital accounts showed a balance of ₹ 6,00,000.

(d) Normal Rate of Return is 20% in the same class of business.

(e) The self-generated goodwill of the firm is valued at ₹ 2,40,000, at four years' purchase of super profit. [3]

Question 6.

Fine Products Ltd. was registered with a nominal capital of ₹ 50,00,000 divided into equity shares of ₹ 100 each.

It had existing subscribed and fully paid 15,000 shares.

During the year 2022–23, the company:

(a) Issued 10,000 equity shares to the public on which till the date of the Balance Sheet as at 31st March, 2023, ₹ 80 had been called-up.

(b) Issued equity shares of ₹ 100 each at a premium of 20% to Shiva Ltd. from whom it purchased Machinery at a purchase consideration of ₹ 5,40,000.

(c) Paid underwriting commission of ₹ 50,000 to the underwriters.

(d) Incurred net loss of ₹ 6,50,000.

As per Schedule III of the Companies Act, 2013, you are required to:

(i) Show Reserves and Surplus in the Notes to Accounts.

(ii) Under which heading and sub-heading Machinery will be shown in the Balance Sheet of the company?

(iii) Give the amount of Share Capital in the Balance Sheet of the company prepared as at 31st March, 2023. [6]

Question 7.

Sarthak and Vansh are partners in a firm sharing profits in the ratio of 3 : 2. They admit Mansi as a new partner. New profit-sharing ratio of Sarthak, Vansh and Mansi will be 5 : 5 : 3. Mansi brought following assets towards her capital and share of goodwill:

Particulars	₹
Stock	83,500
Book Debts (*Less* Provision for Doubtful Debts 5%)	70,000
Plant and Machinery	90,000
Land	50,000

On the date of admission of Mansi, goodwill of the firm was valued at ₹ 6,50,000.

You are required to:

(i) Calculate the sacrificing ratio of the partners.

(ii) Pass the necessary Journal entries in the books of the firm on Mansi's admission, ascertaining Mansi's capital contribution.

Or

Balance Sheet of Pankaj and Naresh who share profits and losses in the ratio of 3 : 2, as at 31st March, 2023 was as follows:

Liabilities		₹	Assets		₹
Creditors		60,000	Cash at Bank		1,20,000
Employees' Provident Fund		20,000	Debtors	1,30,000	
General Reserve		40,000	*Less:* Provision for Doubtful Debts	10,000	1,20,000
Current A/cs:			Stock		60,000
Pankaj	60,000		Investment		1,00,000
Naresh	40,000	1,00,000	Patents		20,000
Capital A/cs:			Goodwill		80,000
Pankaj	1,68,000				
Naresh	1,12,000	2,80,000			
		5,00,000			5,00,000

They admit Saurabh on 1st April, 2023 on the following terms:

(*i*) New Profit-sharing Ratio will be 5 : 3 : 2. Saurabh brings ₹ 83,000 as his capital.

(*ii*) Saurabh brings ₹ 24,000 by cheque out of his share of goodwill of ₹ 40,000.

(*iii*) Patents are overvalued by ₹ 17,000 and Stock is revalued at ₹ 80,000.

(*iv*) 20% of General Reserve to be transferred to Provision for Doubtful Debts. ₹ 3,000 included in Sundry Creditors to be written back as no longer payable.

(*v*) Half of investments are to be taken by old partners in their profit-sharing ratio and remaining valued at ₹ 40,000.

You are required to pass necessary Journal entries in the books of the firm. [6]

Question 8.

Leena, Rohit and Manoj were partners sharing profits in the ratio of 3 : 1 : 1. Their Balance Sheet as on 31st March, 2023, the date on which they dissolve their firm was as follows:

Liabilities		₹	Assets		₹
Capitals A/cs:			Sundry Assets		1,70,000
Leena	2,75,000		Stock		78,000
Rohit	1,00,000		Debtors	2,42,000	
Manoj	70,000	4,45,000	*Less:* Provision for Doubtful Debts	12,000	2,30,000
Loan (from Ashok)		15,000	Bills Receivable		10,000
Creditors		60,000	Cash		32,000
		5,20,000			5,20,000

It was agreed that:

(a) Leena to take over Bills Receivable at ₹ 8,000, debtors of ₹ 2,00,000 at ₹ 1,72,000 and the creditors of ₹ 60,000 were to be paid by her at this amount.

(b) Rohit is to take stock for ₹ 70,000 and some sundry assets at ₹ 72,000 (being 10% *less* than the book value).

(c) Manoj to take over remaining sundry assets at 90% of the book value and assume the liability of loan along with accrued interest of ₹ 3,000.

(d) Expenses of realisation were ₹ 2,700.

The remaining debtors were sold to a debt collecting agency at 50% of the book value.

You are required to prepare:

(i) Realisation Account.

(ii) Partners' Capital Accounts. [6]

Question 9.

Good, Better and Best are in partnership sharing profits and losses in the ratio of 3 : 2 : 4. Their Capital Account balances as on 31st March, 2022 were:

Good ₹ 1,70,000 (Cr.); Better ₹ 1,10,000 (Cr.) and Best ₹ 1,22,000 (Cr.).

Following further information is provided:

(a) ₹ 27,240 is to be transferred to General Reserve.

(b) Good, Better and Best are paid monthly salary in cash amounting to ₹ 2,400, ₹ 1,600 and ₹ 1,800 respectively.

(c) Partners are allowed interest on capital @ 6% p.a. and are charged interest on drawings at 8% p.a.

(d) Good is entitled to commission at 10% of the net profit after charging such commission.

(e) During the year, Good withdrew ₹ 2,000 at the beginning of every month, Better ₹ 1,750 at the end of every month and Best ₹ 1,250 at the middle of every month.

Net Profit of the firm for the year ended 31st March, 2023 was ₹ 2,20,000.

You are required to:

(i) Pass the Adjusting and Closing Entry for Interest on Capital. [2]

(ii) Pass the Adjusting and Closing Entry for Interest on Drawings. [2]

(iii) Prepare Profit & Loss Appropriation Account for the year ended 31st March, 2023. [6]

Or

Shankar and Vijay are partners in a firm sharing profits and losses in the ratio of 3 : 2. On 1st April, 2022, their Fixed Capital Accounts showed a balance of ₹ 4,00,000 and ₹ 8,00,000 respectively.

On this date, their Current Account balances were ₹ 1,00,000 and ₹ 2,00,000 respectively.

On 1st January, 2023, Shankar introduced additional capital of ₹ 4,00,000 while Vijay gave a loan of ₹ 3,00,000 to the firm.

The Partnership Deed provided for:

(a) Interest on capital to be allowed at the rate of 10% p.a.

(b) Interest on drawings to be charged at the rate of 12% p.a.

(c) 10% of the correct net profit to be transferred to General Reserve.

During the financial year 2022–23, both partners withdrew ₹ 12,000 each at the beginning of every quarter.

Net profit of the firm, before any interest, for the financial year 2022–23 was ₹ 10,00,000.

You are required to prepare for 2022–23:

(i) Profit & Loss Appropriation Account. [6]

(ii) Partners' Fixed Capital Accounts. [1]

(iii) Partners' Current Accounts; and [2]

(iv) Vijay's Loan Account. [1]

Question 10.

Sangita Ltd. invited applications for issuing 1,00,000 Equity Shares of ₹ 10 each. The amount was payable as follows:

(i) On Application — ₹ 3 per Share

(ii) On Allotment — ₹ 2 per share

(iii) On First & Final Call — Balance.

Applications were received for 2,20,000 shares. Applications for 20,000 shares were refused allotment and their application money was refunded. Shares were allotted to the remaining applicants as follows:

I Allotted 50% shares to *Sun* who had applied for 40,000 shares.

II Allotted in full to *Moon* who had applied for 20,000 shares.

III Allotted balance of the shares on *pro rata* basis to the remaining applicants.

Excess application money was utilised in payment of allotment and final call. All calls were made and were duly received except the first and final on 600 shares allotted to an applicant in category III. His shares were forfeited. The forfeited shares were reissued for ₹ 9 per share fully paid-up.

You are required to pass Journal entries in the books of the company to record the above transactions. [10]

Or

Jyoti Ltd. forfeited 600 shares of ₹ 100 each issued at a premium of 20% to Raj who had applied for 1,140 shares and paid application money of ₹ 50 (including ₹ 10 premium) for non-payment of allotment money of ₹ 50 (including ₹ 10 premium).

At different intervals of time out of these 100 shares were re-issued to Ajay as ₹ 80 called-up for ₹ 70 per share, 100 shares were reissued to Puneet as ₹ 80 paid-up for ₹ 90 per share and 400 shares to Gaurav as fully paid-up ₹ 90 per share.

Company follows the policy of adjusting excess Application Money towards other sum due on shares.

You are required to:

(a) Record the Journal entries for forfeiture and reissue of shares. [8]

(b) Prepare Forfeited Shares Account. [2]

SECTION B (20 Marks)

Question 11.

In sub-parts (i) and (ii) choose the correct options and in sub-parts (iii) to (v) answer the questions as instructed:

(i) Which of the following transactions will not change the 'Return on Investment Ratio'?

(a) Purchase of Machinery worth ₹ 2,00,000 by issue of equity shares.

(b) Charging depreciation of ₹ 50,000 on machinery.

(c) Redemption of debentures in Cash ₹ 70,000.

(d) Converting ₹ 5,00,000, 9% Debentures into equity shares. [1]

(ii) In Cash Flow Statement, match the following:

1. Purchase of Building	(i) Financing Activity
2. Dividend Paid	(ii) Operating Activity
3. Depreciation on Fixed Assets	(iii) Investing Activity

(a) 1—(ii); 2—(iii); 3—(i)

(b) 1—(i); 2—(ii); 3—(iii)

(c) 1—(iii); 2—(i); 3—(ii)

(d) 1—(iii); 2—(ii); 3—(i) [1]

(iii) Megha Ltd. had a Current Ratio of 0.8 : 1; its Current Assets being ₹ 2,00,000 and Current Liabilities being ₹ 2,50,000.

What will be the revised Current Ratio of Megha Ltd., after its Bills Receivable endorsed to Creditors of ₹ 25,000 is dishonoured? [1]

(iv) The books of accounts of Star Ltd. showed:

- Change in inventories of raw materials (₹ 1,75,000).
- Opening Inventory of ₹ 6,00,000.

  (a) You are required to give formula for calculating change in inventories used by the company.

  (b) On the basis of above information, calculate the other component of change in inventories. [1]

(v) Withdrawal of ₹ 2,000 notes by Reserve Bank of India on 19th May, 2023 and subsequent near total return of the currency to the system has buoyed deposit accretion to six year high of ₹ 191.60 lakh crore. **Source:** *The Economic Times, 19th July, 2023.*

What impact it has on Cash Flow Statement of a company having ₹ 2,000 notes of ₹ 20,00,000? [1]

Question 12.

From the following Income Statement of CIMC Ltd., you are required to prepare Common-size Income Statement.

Particulars	Note No.	31st March, 2023 (₹)
I. Income		
Revenue from Operations		15,00,000
Other Income		60,000
Total Revenue		15,60,000
II. Expenses		
Purchases of Stock-in-Trade		7,50,000
Change in Inventories of Stock-in-Trade		50,000
Other Expenses		2,10,000
Total		10,10,000
III. Profit before Tax (I – II)		5,50,000

[3]

Question 13.

From the following Balance Sheet of Cedar Ltd., you are required to prepare Cash Flow Statement (as per AS-3) for the year 2022–23:

Cedar Ltd.

BALANCE SHEET *as at 31st March, 2023 and 31st March, 2022*

Particulars	Note No.	31st March, 2023 (₹)	31st March, 2022 (₹)
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(a) Share Capital (Equity Share Capital)		35,00,000	25,00,000
(b) Reserves and Surplus (Surplus, *i.e.*, Balance in Statement of Profit and Loss)		12,50,000	10,00,000
2. Non-Current Liabilities			
Long-term Borrowings (10% Debentures)		12,50,000	3,50,000
3. Current Liabilities			
(a) Short-term Borrowings (Bank Overdraft)		50,000	75,000
(b) Trade Payables (Creditors)		2,50,000	1,50,000
(c) Short-term Provisions	1	1,50,000	75,000
Total		64,50,000	41,50,000

II. ASSETS			
1. Non-Current Assets			
Property, Plant and Equipment and Intangible Assets:			
(i) Property, Plant and Equipment	2	40,00,000	22,50,000
(ii) Intangible Assets (Goodwill)		3,50,000	5,00,000
2. Current Assets			
(a) Inventories		18,75,000	12,50,000
(b) Cash and Bank Balances (Cash at Bank)		2,25,000	1,50,000
Total		64,50,000	41,50,000

Notes to Accounts

Particulars	31st March, 2023 (₹)	31st March, 2022 (₹)
1. Short-term Provision		
Provision for Tax	1,50,000	75,000
2. Property, Plant & Equipment		
Plant and Machinery	44,00,000	25,00,000
Less: Accumulated Depreciation	(4,00,000)	(2,50,000)
	40,00,000	22,50,000

Additional Information:

During the year:

(i) A part of the machine, costing ₹ 1,25,000, accumulated depreciation thereon being ₹ 50,000, was sold for ₹ 45,000.

(ii) Income Tax paid ₹ 50,000.

(iii) Interest on Debentures of ₹ 1,25,000 was paid.

Or

Read the following information provided by Black Walnut Ltd., and answer the questions that follow:

Particulars	31st March, 2023 (₹)	31st March, 2022 (₹)
Equity Share Capital (Share of ₹ 10 each)	23,75,000	15,00,000
Securities Premium	—	4,00,000
Bank Loan	5,00,000	3,75,000
Cash Credit	50,000	30,000
Dividend Payable	4,000	—
Surplus, *i.e.*, Balance in Statement of Profit & Loss	5,00,000	4,00,000
Provision for Tax	2,00,000	1,50,000
Trade Payables	75,000	62,500
Outstanding Interest on Debentures	8,750	—
Investment in Land	5,00,000	5,00,000
Shares of Amar Tex Ltd.	1,00,000	1,00,000

Additional Information:

During the year 2022–23, the company:

(i) Purchased Machinery for ₹ 6,00,000, payment made to vendor by issuing 50,000 Equity Shares of ₹ 10 each at par and balance by cheque.

(ii) Issued bonus shares to the shareholders at the beginning of the year in the ratio of 1 : 4 (that is 1 bonus share for every 4 shares held) by capitalising the Securities Premium.

(iii) Interest on borrowings was ₹ 40,000 out of which ₹ 31,250 was paid till the end of the year.

(iv) Dividend paid during the year ₹ 26,000.

(v) Paid underwriting commission of ₹ 25,000, written off from Securities Premium.

(vi) Amar Tex paid dividend @ 10% on its shares.

(vii) Dividend proposed of ₹ 50,000 in the year 2021–22 was declared and paid.

(a) What will be the Net Profit before Tax?

(b) How many bonus shares have been issued by the company to the shareholders?

(c) What will be the Cash Flow from Operating Activities before Tax?

(d) State the amount of inflow/outflow of Cash from Investing Activities.

(e) State the amount of inflow/outflow of Cash from Financing Activities.

(f) The Board of Directors proposed a divided of ₹ 80,000 for the year 2022–23.

State with reason, the disclosure/non-disclosure of this Proposed Dividend in the Cash Flow Statement for the year 2022–23. [6]

Question 14.

Answer* any three *of the following questions:

(a) From the following, calculate Inventory Turnover Ratio (up to two decimal places):

Particulars	₹
Revenue from Operations	3,00,000
Opening Inventory	29,000
Closing Inventory	31,000
Gross Profit Ratio	20%

(b) Calculate Gross Profit Ratio (up to two decimal places) from the following information:

Revenue from Operations ₹ 6,00,000

Gross Profit 25% on Cost

(c) Calculate Debt to Total Assets Ratio (up to two decimal places) from the following information:

	₹		₹
Property, Plant and Equipment (Gross)	18,00,000	Accumulated Depreciation	3,00,000
Non-current Investments	30,000	Current Liabilities	6,00,000
Long-term Loans and advances	1,20,000	Long-term Borrowings	9,00,000
Current Assets	7,50,000	Long-term Provisions	3,00,000

(d) Revenue from Operations ₹ 6,00,000

Operating Cost ₹ 5,10,000

Cost of Revenue from Operations ₹ 4,00,000

Calculate Operating Profit Ratio. [6]

ANSWERS

SECTION A

Question 1.

(i) (d) 26 : 19 : 15

Working Note:

Sacrificing Ratio of Ram and Shyam = 10,000; 5,000 or 2 : 1

Profit Share taken by Mohan from Ram = $\frac{1}{4} \times \frac{2}{3} = \frac{2}{12}$

Profit Share taken by Mohan from Shyam = $\frac{1}{4} \times \frac{1}{3} = \frac{1}{12}$

New Profit Share of Old Partner = Old Profit Share – Profit Share taken by Incoming Partner

Ram's New Profit Share = $\frac{3}{5} - \frac{2}{12} = \frac{36-10}{60} = \frac{26}{60}$

Shyam's New Profit Share = $\frac{2}{5} - \frac{1}{12} = \frac{24-5}{60} = \frac{19}{60}$

New Profit-sharing Ratio of Ram, Shyam and Mohan = $\frac{26}{60} : \frac{19}{60} : \frac{1}{4} = 26 : 19 : 15.$

(ii) (c) Transferring it to the debit of Bina's Capital Account.

(iii) (c) B, A, C, D.

(iv) (d) A debentureholder is entitled to receive interest on his debentures from the company even if the company has incurred losses.

Reason: Interest on Debenture is a **charge against the profit** of the company and is payable irrespective of the fact whether there are profits or not.

(v) Share given by Binu to Aman = $\frac{1}{15}$

Share given by Binu to Chaman = $\frac{3}{15} - \frac{1}{15} = \frac{2}{15}$

New Profit Share = Old Profit Share + Profit Share Acquired

Aman's New Profit Share = $\frac{2}{15} + \frac{1}{15} = \frac{3}{15}$

Chaman's New Profit Share = $\frac{4}{15} + \frac{2}{15} = \frac{6}{15}$

David Retains his Original profit-share, *i.e.*, $\frac{6}{15}$

New Profit-sharing Ratio of Aman, Chaman and David = $\frac{3}{15} : \frac{6}{15} : \frac{6}{15}$

$= 3 : 6 : 6$ or $1 : 2 : 2$.

(vi) (a) Both Assertion (A) and Reason (R) are correct and Reason (R) is the correct explanation of Assertion (A).

Reason: In the absence of Partnership Deed a partner who has given loan to firm, will get interest on his loan @ 6% p.a. Hence, Bashir is entitled to claim an interest on his loan of ₹ 50,000 for six months, *i.e.*, ₹ 1,500.

(vii) Assets realised other than cash = ₹ 5,05,000 – ₹ 5,000 = ₹ 5,00,000

Commission on Assets realised = 1% of ₹ 5,00,000 = ₹ 5,000

Cash available for partners and commission based on cash distributed to partners:

= ₹ 5,05,000 – ₹ 2,25,000 (Creditors) – ₹ 5,000 = ₹ 2,75,000

Commission based on Cash Distribution = ₹ 2,75,000 × $\frac{10}{110}$ = ₹ 25,000

Hence, Total Remuneration = ₹ 5,000 + ₹ 25,000 = ₹ 30,000.

(viii) Working Capital is reduced to that extent from the date of investment in DRI till the date debentures are redeemed.

(ix) An Operating Cycle is the time between the acquisition of assets for processing and their realisation in Cash or Cash equivalents.

Where the normal Operating Cycle cannot be identified it is assumed to be a period of **12 months**.

(x) Debenture Redemption Reserve (DRR) must have a credit balance of **at least an amount equal to 10% of the value of Debentures issued** at the time of redemption of debentures, *i.e.*, ₹ 10,00,000 × 10/100 = ₹ 1,00,000.

On redemption of 5,000 debentures on 31st March, 2023, DRR proportionate to debentures redeemed, *i.e.*, ₹ 50,000 (= ₹ 1,00,000 × 5,000/10,000) will be transferred to General Reserve.

Question 2.

JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Accrued Income A/c	...Dr.		1,000	
	Bank A/c (Bad Debts Recovered)	...Dr.		4,000	
	Creditors A/c	...Dr.		5,000	
	To Revaluation A/c				10,000
	(Being the increase in value of assets & decrease in value of liabilities recorded)				
	Revaluation A/c	...Dr.		10,000	
	To Abha's Capital A/c				5,000
	To Binay's Capital A/c				3,000
	To Chitra's Capital A/c				2,000
	(Being the profit on revaluation transferred to partners in their old profit-sharing ratio)				
	Abha's Capital A/c (₹ 54,000 × 5/12)	...Dr.		22,500	
	Chitra's Capital A/c (₹ 54,000 × 7/12)	...Dr.		31,500	
	To Binay's Capital A/c (₹ 1,80,000 × 3/10)				54,000
	(Being the goodwill credited to Binay by debiting the gaining Partners' Capital Accounts in their gaining ratio of 5 : 7)				

Working Note:

(i) Binay's Share of Goodwill = ₹ 1,80,000 × $\frac{3}{10}$ = ₹ 54,000.

(ii) Gain of a Partner = New Profit Share – Old Profit Share

$$\text{Abha's Gain} = \frac{5}{8} - \frac{5}{10} = \frac{25-20}{40} = \frac{5}{40}$$

$$\text{Chitra's Gain} = \frac{3}{8} - \frac{2}{10} = \frac{15-8}{40} = \frac{7}{40}$$

$$\text{Gaining Ratio} = \frac{5}{40} : \frac{7}{40} \text{ or } 5:7.$$

Or

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2023				
Sept. 30	Manav's Capital A/c ...Dr.		95,000	
	Narayan's Capital A/c ...Dr.		95,000	
	To Nath's Capital A/c (₹ 3,80,000 × 2/4)			1,90,000
	(Being Nath's share of goodwill adjusted)			
	Manav's Capital A/c (₹ 30,000 × 1/4) ...Dr.		7,500	
	Nath's Capital A/c (₹ 30,000 × 2/4) ...Dr.		15,000	
	Narayan's Capital A/c (₹ 30,000 × 1/4) ...Dr.		7,500	
	To Profit & Loss A/c			30,000
	(Being Nath's share in debit balance of Profit & Loss A/c transferred)			
	Profit & Loss Suspense A/c (₹ 90,000 × 6/12 × 2/4) ...Dr.		22,500	
	To Nath's Capital A/c			22,500
	(Being Nath's share of profit up to the date of his death transferred)			
	Nath's Capital A/c ...Dr.		1,92,500	
	To Nath's Executors' A/c (Note)			1,92,500
	(Being the amount due to Nath transferred to his Executors' Account)			

Note:

Dr. NATH'S CAPITAL ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Balance *b/d*	5,000	By Manav's Capital A/c (Goodwill)	95,000
To Profit & Loss A/c	15,000	By Narayan's Capital A/c (Goodwill)	95,000
To Nath's Executors' A/c (Balancing Figure)	1,92,500	By Profit & Loss Suspense A/c (Share of Profit)	22,500
	2,12,500		2,12,500

Question 3.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2022				
April 1	Bank A/c ...Dr.		9,00,000	
	To Debentures Application and Allotment A/c			9,00,000
	(Being the applications received for 10,000, 9% Debentures for ₹ 100 each @ ₹ 90 each)			

	Debentures Application and Allotment A/c ...Dr.		9,00,000	
	Discount on Issue of Debentures A/c ...Dr.		1,00,000	
	To 9% Debentures A/c			10,00,000
	(Being the allotment of 10,000, 9% Debentures of ₹ 100 each, issued at 10% Discount)			
2023 March 31	Securities Premium A/c ...Dr.		50,000	
	Statement of Profit & Loss (Finance Cost) ...Dr.		50,000	
	To Discount on Issue of Debentures A/c*			1,00,000
	(Being the discount on issue of Debentures written off)			

*Discount/Loss on Issue of Debentures is written off in the year debentures are allotted from Securities Premium to the extent of balance in Securities Premium Account and balance from Statement of Profit & Loss.

Question 4.

(i) **In the Books of Pragya Ltd.**

Dr. DEBENTURE REDEMPTION INVESTMENT ACCOUNT *Cr.*

Date	Particulars	₹	Date	Particulars	₹
2021			2022		
April 1	To Balance *b/d*	2,25,000	March 31	By Bank A/c	3,00,000
April 30	To Bank A/c	1,50,000	March 31	By Balance *c/d*	75,000
		3,75,000			3,75,000
2022			2023		
April 1	To Balance *b/d*	75,000	March 31	By Bank A/c	75,000

Working Note:

Debenture Redemption Investment:

			₹
On 30th April 2020:			
Investment made 15% of First Instalment of ₹ 15,00,000		=	2,25,000
On 30th April, 2021:			
Additional Investment made 15% of ₹ 10,00,000 (₹ 25,00,000 – ₹ 15,00,000)		=	1,50,000
On 30th April, 2022:			
Investment of ₹ 3,00,000 will be encashed on this date as below:			
Total Investment on this date	3,75,000		
Less: Required for last instalment 15% of ₹ 5,00,000	75,000		3,00,000
On 31st March, 2023:			
Investment Encashed: 15% of ₹ 5,00,000		=	75,000

(ii)

Dr. 10% DEBENTURES ACCOUNT *Cr.*

Date	Particulars	₹	Date	Particulars	₹
2022			2021		
March 31	To Debentureholders' A/c	25,00,000	April 1	By Balance *b/d*	30,00,000
March 31	To Balance *c/d*	5,00,000			
		30,00,000			30,00,000

Or

In the Books of Alliance Ltd.

JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2023					
March 31	Bank A/c	...Dr.		11,81,250	
	To Debenture Redemption Investment A/c				11,25,000
	To Gain on Sale of Investment A/c				56,250
	(Being the investment encashed) (WN 1)				
	8% Debentures A/c	...Dr.		75,00,000	
	Premium on Redemption of Debentures A/c	...Dr.		7,50,000	
	To Debentureholders' A/c				82,50,000
	(Being the amounted due to debentureholders' on redemption)				
	Debentureholders' A/c	...Dr.		82,50,000	
	To Bank A/c				82,50,000
	(Being the amount due to debentureholders paid)				
	Debenture Redemption Reserve A/c	...Dr.		7,50,000	
	To General Reserve A/c				7,50,000
	(Being the transfer of Debenture Redemption Reserve to General Reserve on the redemption of all debentures)				
	Gain on Sale of Investment A/c	...Dr.		56,250	
	To Capital Reserve A/c				56,250
	(Being the gain (profit) on sale of investment transferred)				

Working Notes:

1. • Debenture Redemption Investment made @ 15% of the face value = ₹ 75,00,000 × $\frac{15}{100}$ = ₹ 11,25,000
   • Realised value of Debenture Redemption Investment = ₹ 11,25,000 × $\frac{105}{100}$ = ₹ 11,81,250.
2. Existing balance of Debenture Redemption Reserve ₹ 7,50,000 is equal to 10% of the Nominal Value of Outstanding debentures on 31st March of the previous year as required by law. Therefore, further amount is not required to be transferred to Debenture Redemption Reserve.

Question 5.

Capital Employed = All Assets (Other than goodwill, fictitious assets and non-trade investments) – Outside Liabilities

= ₹ 7,50,000 – ₹ 50,000 = ₹ 7,00,000

Normal Profit = 20% of ₹ 7,00,000 = ₹ 1,40,000

Goodwill = ₹ 2,40,000

Super Profit = $\frac{₹\ 2,40,000}{4}$ = ₹ 60,000

Average Profit = Normal Profit + Super Profit

= ₹ 1,40,000 + ₹ 60,000 = ₹ **2,00,000**.

Question 6.

(i) **Note to Accounts**

Particulars		₹
Reserves and Surplus		
Surplus, *i.e.*, Balance in Statement of Profit & Loss		(6,50,000)
Securities Premium:		
Balance	90,000*	
Less: Underwriting Commission written-off	50,000	40,000
		(6,10,000)

*No of Equity Shares to be issued to Shiva Ltd. = $\frac{\text{Purchase Consideration}}{\text{Issue Price per Share}} = \frac{₹\,5,40,000}{₹\,120} = 4,500$ shares.

		₹
Share Capital = 4,500 × ₹ 100	=	4,50,000
Securities Premium = 4,500 × ₹ 20	=	90,000
		5,40,000

(ii)

Item	Major Head	Sub Head
Machinery	Non-current Assets	Property, Plant and Equipment and Intangible Assets—Property, Plant and Equipment.

(iii) **An Extract of Balance Sheet of Fine Products Ltd.**
as at 31st March, 2023

Particulars	Note No.	Current Year ₹
I. EQUITY AND LIABILITIES		
1. Shareholders' Funds		
Share Capital	1	27,50,000

Note to Accounts

Particulars	₹
1. Share Capital	
Authorised Capital	
50,000 Equity Shares of ₹ 100 each	50,00,000
Issued Capital	
29,500 Equity Shares of ₹ 100 each	29,50,000
Subscribed Capital	
Subscribed and Fully paid-up	
19,500 Equity Shares of ₹ 100 each	19,50,000
(*4,500 allotted as fully paid-up pursuant to a contract without payment being received in cash*)	
Subscribed but not fully paid-up	
10,000 Equity Shares of ₹ 100 each, ₹ 80 called-up	8,00,000
	27,50,000

Question 7.

(i) **Calculation of Sacrificing Ratio:**

Share Sacrificed = Old Profit Share – New Profit Share

$$\text{Sarthak's Sacrifice} = \frac{3}{5} - \frac{5}{13} = \frac{39-25}{65} = \frac{14}{65}$$

$$\text{Vansh's Sacrifice} = \frac{2}{5} - \frac{5}{13} = \frac{26-25}{65} = \frac{1}{65}$$

$$\text{Sacrificing Ratio} = \frac{14}{65} : \frac{1}{65} = 14 : 1.$$

(ii) JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Stock A/c	...Dr.		83,500	
	Debtor A/c	...Dr.		70,000	
	Plant & Machinery A/c	...Dr.		90,000	
	Land A/c	...Dr.		50,000	
	To Provision for Doubtful Debts A/c (5% of ₹ 70,000)				3,500
	To Premium for Goodwill A/c (₹ 6,50,000 × 3/13)				1,50,000
	To Mansi's Capital A/c (Balancing Figure)				**1,40,000**
	(Being the Stock, Debtors, Plant & Machinery and Land brought by Mansi on her admission as her capital and share of goodwill)				
	Premium for Goodwill A/c	...Dr.		1,50,000	
	To Sarthak's Capital A/c				1,40,000
	To Vansh's Capital A/c				10,000
	(Being Mansi's share of goodwill credited to sacrificing partners in their sacrificing ratio, *i.e.*, 14 : 1)				

Or

JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Revaluation A/c	...Dr.		27,000	
	To Patents A/c				17,000
	To Investment A/c (₹ 50,000 – ₹ 40,000)				10,000
	(Being the decrease in assets accounted)				
	Sundry Creditors A/c	...Dr.		3,000	
	Stock A/c	...Dr.		20,000	
	To Revaluation A/c				23,000
	(Being the decrease in creditors and increase in assets accounted)				
	Pankaj's Current A/c	...Dr.		2,400	
	Naresh's Current A/c	...Dr.		1,600	
	To Revaluation A/c (₹ 27,000 – ₹ 23,000)				4,000
	(Being the loss on revaluation transferred to Partners' Current Accounts)				
	Pankaj's Current A/c	...Dr.		30,000	
	Naresh's Current A/c	...Dr.		20,000	
	To Investment A/c				50,000
	(Being the half investment taken over by partners)				

	General Reserve A/c ...Dr.		40,000	
	To Provision for Doubtful Debts A/c (20% of 40,000)			8,000
	To Pankaj's Current A/c			19,200
	To Naresh's Current A/c			12,800
	(Being 20% of General Reserve transferred to Provision for Doubtful Debts and remaining distributed among old partners)			
	Pankaj's Current A/c ...Dr.		48,000	
	Naresh's Current A/c ...Dr.		32,000	
	To Goodwill A/c			80,000
	(Being the existing Goodwill written off)			
	Bank A/c ...Dr.		1,07,000	
	To Saurabh's Capital A/c			83,000
	To Premium for Goodwill A/c			24,000
	(Being the new partner brings his share of capital and goodwill)			
	Premium for Goodwill A/c ...Dr.		24,000	
	Saurabh's Current A/c (₹ 40,000 – ₹ 24,000) ...Dr.		16,000	
	To Pankaj's Current A/c			20,000
	To Naresh's Current A/c			20,000
	(Being the premium for Goodwill distributed in Sacrificing Ratio, *i.e.*, 1 : 1)			

Note:

Calculation of Sacrificing Ratio:

$$\text{Pankaj's Sacrifice} = \frac{3}{5} - \frac{5}{10} = \frac{6-5}{10} = \frac{1}{10}; \text{Naresh's Sacrifice} = \frac{2}{5} - \frac{3}{10} = \frac{4-3}{10} = \frac{1}{10}$$

Sacrificing Ratio = 1 : 1.

Question 8.

(i) *Dr.* REALISATION ACCOUNT *Cr.*

Particulars		₹	Particulars		₹
To Sundry Assets A/c		1,70,000	By Provisions for Doubtful Debts A/c		12,000
To Stock A/c		78,000	By Creditors A/c		60,000
To Debtors A/c		2,42,000	By Loan A/c (Ashok)		15,000
To Bills Receivable A/c		10,000	By Leena's Capital A/c:		
To Leena's Capital A/c (Creditors)		60,000	Bills Receivable	8,000	
To Manoj's Capital A/cs:			Debtors	1,72,000	1,80,000
Loan	15,000		By Rohit's Capital A/c:		
Add: Interest	3,000	18,000	Stock	70,000	
To Cash A/c (Realisation Expenses)		2,700	Sundry Assets	72,000	1,42,000
			By Manoj's Capital A/c:		
			Sundry Assets 90/100 (₹ 1,70,000 – ₹ 80,000)		81,000
			By Cash A/c (Debtors)		
			50/100 (₹ 2,42,000 – ₹ 2,00,000)		21,000
			By Leena's Capital A/c (Loss)	41,820	
			By Rohit's Capital A/c (Loss)	13,940	
			By Manoj's Capital A/c (Loss)	13,940	69,700
		5,80,700			5,80,700

(ii) *Dr.* PARTNERS' CAPITAL ACCOUNTS *Cr.*

Particulars	Leena ₹	Rohit ₹	Manoj ₹	Particulars	Leena ₹	Rohit ₹	Manoj ₹
To Realisation A/c	1,80,000	1,42,000	81,000	By Balance *b/d*	2,75,000	1,00,000	70,000
To Realisation A/c (Loss)	41,820	13,940	13,940	By Realisation A/c	60,000	...	18,000
To Cash A/c (Bal. Fig.)	1,13,180	...	...	By Cash A/c (Bal. Fig.)	...	55,940	6,940
	3,35,000	1,55,940	94,940		3,35,000	1,55,940	94,940

Question 9.

(i) **Interest on Capital:** ₹

Good : $₹\ 1,70,000 \times \frac{6}{100} = 10,200$

Better : $₹\ 1,10,000 \times \frac{6}{100} = 6,600$

Best : $₹\ 1,22,000 \times \frac{6}{100} = 7,320$

Total 24,120

JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2023					
March 31	(a) **Adjusting Entry:**				
	Interest on Capital A/c	...Dr.		24,120	
	To Good's Capital A/c				10,200
	To Better's Capital A/c				6,600
	To Best's Capital A/c				7,320
	(Being the interest on Capital allowed)				
	(b) **Closing Entry:**				
	Profit & Loss Appropriation A/c	...Dr.		24,120	
	To Interest on Capital A/c				24,120
	(Being the interest on Capital transferred to Profit & Loss Appropriation Account)				

(ii) **Interest on Drawings:** ₹

Good : $₹\ 24,000 \times \frac{8}{100} \times \frac{6.5^*}{12} = 1,040$

Better : $₹\ 21,000 \times \frac{8}{100} \times \frac{5.5^*}{12} = 770$

Best : $₹\ 15,000 \times \frac{8}{100} \times \frac{6^*}{12} = 600$

Total 2,410

$$^*\text{Average Period} = \frac{\text{Time left after 1st Drawing} + \text{Time left after Last Drawing}}{2}.$$

JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2023					
March 31	**For charging Interest on Drawings**				
	Good's Capital A/c	...Dr.		1,040	
	Better's Capital A/c	...Dr.		770	
	Best's Capital A/c	...Dr.		600	
	To Interest on Drawings A/c				2,410
	(Being the interest on Drawings charged)				
	For Closing Entry				
	Interest on Drawings A/c	...Dr.		2,410	
	To Profit & Loss Appropriation A/c				2,410
	(Being the interest on Drawings transferred to Profit & Loss Appropriation Account)				

(iii)

PROFIT & LOSS APPROPRIATION ACCOUNT

Dr. *for the year ended 31st March, 2023* *Cr.*

Particulars		₹	Particulars		₹
To General Reserve		27,240	By Profit & Loss A/c (Net Profit)		2,20,000
To Salary:			By Interest on Drawings:		
Good's Capital A/c (₹ 2,400 × 12)	28,800		Good's Capital A/c	1,040	
Better's Capital A/c (₹ 1,600 × 12)	19,200		Better's Capital A/c	770	
Best's Capital A/c (₹ 1,800 × 12)	21,600	69,600	Best's Capital A/c	600	2,410
To Interest on Capital:					
Good's Capital A/c	10,200				
Better's Capital A/c	6,600				
Best's Capital A/c	7,320	24,120			
To Commission:					
Good's Capital A/c (₹ 2,20,000 × 10/110)		20,000			
To Good's Capital A/c (Profit) (₹ 81,450 × 3/9)	27,150				
To Better's Capital A/c (Profit) (₹ 81,450 × 2/9)	18,100				
To Best's Capital A/c (Profit) (₹ 81,450 × 4/9)	36,200	81,450			
		2,22,410			2,22,410

Or

(i)

PROFIT & LOSS APPROPRIATION ACCOUNT

Dr. *for the year ended 31st March, 2023* *Cr.*

Particulars		₹	Particulars		₹
To Interest on Capital A/cs:			By Profit & Loss A/c	10,00,000	
Shankar (₹ 40,000 + ₹ 10,000)	50,000		*Less:* Interest on Vijay's Loan (WN 1)	4,500	9,95,500
Vijay	80,000	1,30,000	By Interest on Drawings A/cs:		
To General Reserve A/c (10% of ₹ 9,95,500)		99,550	Shankar (WN 2)	3,600	
To Shankar's Current A/c (Profit)	4,63,890		Vijay	3,600	7,200
To Vijay's Current A/c (Profit)	3,09,260	7,73,150			
		10,02,700			10,02,700

(ii)

Dr. PARTNERS' CAPITAL ACCOUNTS Cr.

Particulars	Shankar ₹	Vijay ₹	Particulars	Shankar ₹	Vijay ₹
To Balance *c/d*	8,00,000	8,00,000	By Balance *b/d*	4,00,000	8,00,000
			By Bank A/c	4,00,000	...
	8,00,000	8,00,000		8,00,000	8,00,000

(iii)

Dr. PARTNERS' CURRENT ACCOUNTS Cr.

Particulars	Shankar ₹	Vijay ₹	Particulars	Shankar ₹	Vijay ₹
To Drawings A/c	48,000	48,000	By Balance *b/d*	1,00,000	2,00,000
To Interest on Drawings A/c	3,600	3,600	By Interest on Capital A/c	50,000	80,000
To Balance *c/d*	5,62,290	5,37,660	By Profit & Loss Appropriation A/c (Profit)	4,63,890	3,09,260
	6,13,890	5,89,260		6,13,890	5,89,260

(iv)

Dr. LOAN BY VIJAY ACCOUNT Cr.

Date	Particulars	₹	Date	Particulars	₹
2023			2023		
March 31	To Balance *c/d*	3,04,500	Jan. 1	By Bank A/c	3,00,000
			March 31	By Interest on Loan by Vijay A/c	4,500
		3,04,500			3,04,500

Working Notes:

1. Interest on Loan by Vijay $= ₹\ 3,00,000 \times \frac{6}{100} \times \frac{3}{12} = ₹\ 4,500.$

2. Interest on Drawings $= ₹\ 12,000 \times 4 \times \frac{7.5^*}{12} \times \frac{12}{100} = ₹\ 3,600.$

   *Average Period for Interest on Drawings $= \frac{12+3}{2} = 7.5$ months.

Question 10.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c ...Dr.		6,60,000	
	To Shares Application A/c			6,60,000
	(Being the application money received)			
	Shares Application A/c ...Dr.		6,60,000	
	To Share Capital A/c (1,00,000 × ₹ 3)			3,00,000
	To Shares Allotment A/c (80,000 × ₹ 2)			1,60,000
	To Bank A/c (20,000 × ₹ 3)			60,000
	To Calls-in-Advance A/c			1,40,000
	(Being the application money adjusted and surplus refunded)			

Shares Allotment A/c ...Dr.		2,00,000	
To Share Capital A/c			2,00,000
(Being the allotment money due)			
Bank A/c (₹ 2,00,000 – ₹ 1,60,000) ...Dr.		40,000	
To Shares Allotment A/c			40,000
(Being the allotment money received)			
Shares First and Final Call A/c ...Dr.		5,00,000	
To Share Capital A/c			5,00,000
(Being the first and final call money due)			
Bank A/c ...Dr.		3,58,200	
Calls-in-Advance A/c ...Dr.		1,40,000	
Calls-in-Arrears A/c ...Dr.		1,800	
To Shares First and Final Call A/c			5,00,000
(Being the first and final call money received except on 600 shares and Calls-in-Advance adjusted)			
Share Capital A/c ...Dr.		6,000	
To Forfeited Shares A/c			4,200
To Calls-in-Arrears A/c			1,800
(Being 600 shares forfeited for non-payment of call money)			
Bank A/c (600 × ₹ 9) ...Dr.		5,400	
Forfeited Shares A/c (600 × ₹ 1) ...Dr.		600	
To Share Capital A/c			6,000
(Being 600 forfeited shares reissued @ ₹ 9 per share as fully paid-up)			
Forfeited Shares A/c (₹ 4,200 – ₹ 600) ...Dr.		3,600	
To Capital Reserve A/c			3,600
(Being the gain on reissue transferred to Capital Reserve)			

Working Notes:

1. Statement showing the Adjustment of Application Money Received:

Category	Shares Applied	Shares Allotted	Application Money Received (₹)	Adjustment of Application Money Received			
				Share Capital (₹)	Share Allotment (₹)	Calls-in Advance (₹)	Refund ₹
...	20,000	0	60,000	0	0	0	60,000
I	40,000	20,000	1,20,000	60,000	40,000	20,000	...
II	20,000	20,000	60,000	60,000	...	...	...
III	1,40,000	60,000	4,20,000	1,80,000	1,20,000	1,20,000	...
Total	**2,20,000**	**1,00,000**	**6,60,000**	**3,00,000**	**1,60,000**	**1,40,000**	**60,000**

2. Total No. of Shares applied by Defaulter = $\frac{1,40,000}{60,000} \times 600 = 1,400$ shares.

3. **Calculation of Call Money due but nut received**

	₹
Application Money received from defaulting shareholder (1,400 × ₹ 3)	4,200
Less: Application Money adjusted (600 × ₹ 3)	1,800
Excess Application Money	2,400
Less: Excess Application Money adjusted on Allotment (600 × ₹ 2)	1,200
Excess Application Money adjusted on First and Final Call	1,200
Less: First and Final Call Money due (600 × ₹ 5)	3,000
Amount due but not received on First and Final Call (₹ 3,000 – ₹ 1,200)	1,800

4. **Calculation of Call Money received later:**

		₹
Total Call Money due		5,00,000
Less: Surplus Application Money adjusted	1,40,000	
Not received from Defaulter	1,800	1,41,800
Call money received		3,58,200

Or

(a)

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Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	On Forfeiture of 600 Shares:				
	Share Capital A/c (600 × ₹ 80)	...Dr.		48,000	
	Securities Premium A/c (WN)	...Dr.		3,000	
	To Calls-in-Arrears A/c				3,000
	To Forfeited Shares A/c (₹ 57,000 – ₹ 6,000 – ₹ 3,000)				48,000
	(Being 600 shares forfeited for non-payment of Allotment money (WN))				
	On Re-issue of 100 Shares:				
	Bank A/c (100 × ₹ 70)	...Dr.		7,000	
	Forfeited Shares A/c (100 × ₹ 10)	...Dr.		1,000	
	To Share Capital A/c				8,000
	(Being 100 shares re-issued as ₹ 80 paid-up for ₹ 70 per share)				
	Forfeited Shares A/c [(₹ 48,000 × 100/600) – ₹ 1,000]	...Dr.		7,000	
	To Capital Reserve A/c				7,000
	(Being the transfer of gain on re-issue to Capital Reserve)				
	On Re-issue of 100 shares as ₹ 80 paid-up for ₹ 90 per Share:				
	Bank A/c (100 × ₹ 90)	...Dr.		9,000	
	To Share Capital A/c (100 × ₹ 80)				8,000
	To Securities Premium A/c (100 × ₹ 10)				1,000
	(Being 100 shares re-issued as ₹ 80 paid-up for ₹ 90 per share)				
	Forfeited Shares A/c (₹ 48,000 × 100/600)	...Dr.		8,000	
	To Capital Reserve A/c				8,000
	(Being the gain on re-issue transferred to Capital Reserve)				
	On re-issue of 400 Shares				
	Bank A/c (400 × ₹ 90)	...Dr.		36,000	
	Forfeited Shares A/c (400 × ₹ 10)	...Dr.		4,000	
	To Share Capital A/c				40,000
	(Being 400 shares reissued as fully paid-up for ₹ 90 per share)				
	Forfeited Shares A/c [(₹ 48,000 × 400/600) – ₹ 4,000]	...Dr.		28,000	
	To Capital Reserve A/c				28,000
	(Being the gain on re-issue transferred to Capital Reserve)				

Working Notes:

Calculation of Allotment Money due but not received:

	₹
Application money received from Raj (1,140 × ₹ 50)	57,000
Less: Application Money adjusted (600 × ₹ 50)	30,000
Excess Application Money adjusted on Allotment	27,000
Allotment Mony Due (600 × ₹ 50) [₹ 24,000 Share Capital (600 × ₹ 40) + ₹ 6,000 Securities Premium]	30,000
Less: Excess Application adjusted on allotment	27,000
Allotment money due but not received towards Securities Premium	3,000

(b)

Dr. FORFEITED SHARES ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Share Capital A/c	1,000	By Share Capital A/c	48,000
To Capital Reserve A/c	7,000		
To Capital Reserve A/c	8,000		
To Share Capital A/c	4,000		
To Capital Reserve A/c	28,000		
	48,000		48,000

Note: *After re-issue of all forfeited shares, there will be no balance in Forfeited Shares Account.*

SECTION B

Question 11.

(i) (d)

Reason: No change in Net Profit before Interest and Tax and Capital Employed.

(ii) (c) 1—(iii), 2—(i), 3—(ii).

(iii) (d) Ratio will improve.

Reason: But the total Current Assets and total Current Liabilities are increased by the same amount.

Current Ratio after dishonour of Bill = $\frac{₹\ 2,25,000}{₹\ 2,75,000}$ = 0.82 : 1.

(iv) (a) Change in Inventories = Opening Inventory (Stock) – Closing Inventory (Stock).

(b) ₹ 1,75,000 (Given) = ₹ 6,00,000 – Closing Inventory

Closing Inventory (Stock) = ₹ 6,00,000 + ₹ 1,75,000 = ₹ 7,75,000.

(v) It will have no impact since it is included in Cash and Cash Equivalents and after deposit it will still be included in Cash and Cash Equivalents.

Question 12.

COMMON-SIZE INCOME STATEMENT *for the year ended 31st March, 2023*

Particulars	Note No.	Absolute Amounts 31st March, 2023 (₹)	Percentage of Revenue from Operations (Net Sales) 31st March, 2023 (%)
I. **Income**			
Revenue from Operations		15,00,000	100.00
Add: Other Income		60,000	4.00
Total		15,60,000	104.00
II. **Expenses**			
Purchase of Stock-in-Trade		7,50,000	50.00
Change in Inventories of Stock-in-Trade		50,000	3.33
Other Expenses		2,10,000	14.00
Total		10,10,000	67.33
III. **Net Profit before Tax (I – II)**		5,50,000	36.67

Question 13.

Cedar Ltd.

CASH FLOW STATEMENT *for the year ended 31st March, 2023*

Particulars	₹	₹
A. Cash Flow from Operating Activities		
Net Profit before Tax (WN 1)		3,75,000
Adjustment for Non-cash and Non-operating Items:		
Depreciation (WN 4)	2,00,000	
Loss on Sale of Machinery (WN 3)	30,000	
Goodwill Amortised	1,50,000	
Interest on Debentures	1,25,000	5,05,000
Operating Profit before Working Capital Changes		8,80,000
Change in Current Assets and Current Liabilities:		
Increase in Inventories	(6,25,000)	
Increase in Trade Payables	1,00,000	(5,25,000)
Cash Generated from Operations before tax		3,55,000
Less: Tax paid		50,000
Cash Flow from Operating Activities		3,05,000
B. Cash Flow from Investing Activities		
Purchase of Machinery (WN 3)		(20,25,000)
Proceeds from Sale of Machinery		45,000
Cash Used in Investing Activities		(19,80,000)
C. Cash Flow from Financing Activities		
Proceeds from Issue of Equity Shares		10,00,000
Payment of Bank Overdraft		(25,000)
Interest paid on Debentures		(1,25,000)
Proceeds from Issue of Debentures		9,00,000
Cash Flow from Financing Activities		17,50,000
D. Net Increase in Cash and Cash Equivalents (Cash and Bank) (A + B + C)		75,000
Add: Opening Cash and Cash Equivalents (Cash and Bank)		1,50,000
E. Cash and Cash Equivalents (Cash and Bank) at the end of the year		2,25,000

Working Notes:

1. *Calculation of Net Profit before Tax:*

	₹
Closing Balance of Statement of Profit and Loss	12,50,000
Less: Opening Balance of Statement of Profit and Loss	10,00,000
	2,50,000
Add: Provision for Tax (WN 2)	1,25,000
Net Profit before Tax	3,75,000

2. *Dr.* PROVISION FOR TAX ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Bank A/c (Tax paid)	50,000	By Balance *b/d*	75,000
To Balance *c/d*	1,50,000	By Statement of Profit and Loss (Provision Made) (Balancing Figure)	1,25,000
	2,00,000		2,00,000

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

Particulars	₹	Particulars	₹
To Balance *b/d*	25,00,000	By Bank A/c (Sale)	45,000
To Bank A/c (Purchase)—Balancing Figure	20,25,000	By Accumulated Depreciation A/c	50,000
		By Loss on Sale of Machinery A/c* (Statement of Profit & Loss)	30,000
		By Balance *c/d*	44,00,000
	45,25,000		45,25,000

*Loss on Sale of Machinery = Book Value as on date of Sale – Sale Proceeds
= (₹ 1,25,000 – ₹ 50,000) – ₹ 45,000 = ₹ 30,000.

4. *Dr.* ACCUMULATED DEPRECIATION ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Plant and Machinery A/c (Transfer)	50,000	By Balance *b/d*	2,50,000
To Balance *c/d*	4,00,000	By Depreciation A/c (Balancing Figure) (Statement of Profit & Loss)	2,00,000
	4,50,000		4,50,000

Or

(a) **Calculation of Net Profit before Tax**

	₹
Balance as per Statement of Profit & Loss (Closing)	5,00,000
Less: Opening Balance as per Statement of Profit & Loss	4,00,000
	1,00,000
Interim Dividend (₹ 26,000 + ₹ 4,000)	30,000
Proposed Dividend (2021–22) paid	50,000
Provision for Tax (Current Year)	2,00,000
Net Profit before Tax	3,80,000

(b) **No of Bonus Shares Issued** = $\frac{1,50,000 \text{ Shares}}{4}$ = 37,500 shares.

(c) **Cash from Operating Activities before Tax:**

	₹
Net Profit before Tax (a)	3,80,000
Add: Non-operating and Non-cash Items:	
Interest on Borrowings	40,000
	4,20,000
Less: Dividend Received	10,000
Operating Profit before Working Capital Changes	4,10,000
Add: Increase in Trade Payables	12,500
	4,22,500

Note: Securities Premium of ₹ 4,00,000 is utilised towards Bonus shares ₹ 3,75,000 and balance ₹ 25,000 is utilised to write-off Underwriting Commission.

(d) **Cash Flow from Investing Activities:**

	₹
Dividend Received	10,000
Payment for Machinery Purchased [₹ 6,00,000 – ₹ 5,00,000 (Shares)]	(1,00,000)
Cash Used in Investing Activities	(90,000)

(e) **Cash Flow from Financing Activities**

	₹
Interim Dividend Paid	(26,000)
Dividend Paid (2021–22)	(50,000)
Bank Loan	1,25,000
Payment of Underwriting Commission	(25,000)
Cash Credit	20,000
Interest paid on Borrowings (₹ 40,000 – ₹ 8,750)	(31,250)
Net Cash Flow from Financing Activities	12,750

Note:

Dr. EQUITY SHARE CAPITAL ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Balance *c/d*	23,75,000	By Balance *b/d*	15,00,000
		By Bonus to Shareholders	3,75,000
		By Vendor	5,00,000
	23,75,000		23,75,000

Note: Equity Shares have not been issued for Cash.

(f) No effect is given to Proposed Dividend of ₹ 80,000 for the Current Year in the Cash Flow Statement as it is not provided for being a contingent liability.

Question 14.

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

$$= \frac{₹\ 2,40,000}{₹\ 30,000} = 8 \text{ Times.}$$

Cost of Revenue from Operations = Revenue from Operations – Gross Profit
= ₹ 3,00,000 – 20% of ₹ 3,00,000 = ₹ 2,40,000.

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

$$= \frac{₹\ 29,000 + ₹\ 31,000}{2} = ₹\ 30,000.$$

(b) Let Cost of Revenue from Operations = ₹ 100

It means, Gross Profit = 25% of ₹ 100 = ₹ 25

Revenue from Operations = Cost of Revenue from Operations + Gross Profit
= ₹ 100 + ₹ 25 = ₹ 125

$$\text{Cost of Revenue from Operations} = ₹\ 6,00,000 \times \frac{₹\ 100}{₹\ 125} = ₹\ 4,80,000$$

$$\text{Gross Profit} = ₹\ 4,80,000 \times \frac{25}{100} = ₹\ 1,20,000$$

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

$$= \frac{₹\ 1,20,000}{₹\ 6,00,000} \times 100 = 20\%.$$

(c) $$\text{Debt to Total Assets Ratio} = \frac{\text{Debt (Note 1)}}{\text{Total Assets (Note 2)}} = \frac{₹\ 12,00,000}{₹\ 24,00,000} = 0.5 : 1.$$

Notes:

1. Debt = Long-term Borrowings + Long-term Provisions = ₹ 9,00,000 + ₹ 3,00,000 = ₹ 12,00,000.
2. Total Assets = Property, Plant & Equipment (Gross) + Non-current Investments + Long-term Loans and Advances + Current Assets – Accumulated Depreciation
   = ₹ 18,00,000 + ₹ 30,000 + ₹ 1,20,000 + ₹ 7,50,000 – ₹ 3,00,000 = ₹ 24,00,000.

(d) $$\text{Operating Profit Ratio} = \frac{\text{Operating Profit}}{\text{Revenue from Operations}} \times 100$$

$$= \frac{₹\ 90,000}{₹\ 6,00,000} \times 100 = 15\%.$$

Notes:

1. Cost of Revenue from Operations already adjusted as Operating Cost is given.
2. Operating Profit = Revenue from Operations – Operating Cost.

Model Test Paper 2

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

General Instructions:

As per Model Test Paper 1

SECTION A (60 Marks)

(*Answer **all** questions*)

Question 1.

In sub-parts (i) to (iv) choose the correct options and sub-parts (v) to (x) answer the questions as instructed:

(i) Jia and Tia started business on 1st July, 2022 with capitals of ₹ 3,00,000 and ₹ 2,00,000 respectively. Jia withdrew ₹ 3,600 per quarter in the beginning of every quarter and interest on drawings was calculated ₹ 540 at the end of 31st March, 2023. What is the rate of interest on drawings charged?

(a) 6% p.a. (b) 8% p.a.

(c) 10% p.a. (d) 12% p.a. [1]

(ii) Arti and Arsh are partners sharing profits in the ratio of 3 : 2. Their capitals before adjustments are ₹ 69,000 and ₹ 51,000 respectively. Firm's goodwill is ₹ 50,000, Loss on Revaluation ₹ 5,000 and General Reserve ₹ 15,000.

They admit Aman as a partner who has to contribute adequate capital to acquire 1/5th share of profits to be acquired equally from Arti and Arsh. Capital to be brought by Aman will be

(a) ₹ 30,000. (b) ₹ 35,000.

(c) ₹ 40,000. (d) ₹ 42,000. [1]

(iii) On 1st April 2022, Galaxy Ltd. had a balance of ₹ 8,00,000 in Securities Premium Account. During the year, company issued 20,000 equity shares of ₹ 10 each as bonus shares and used the balance amount to write off Loss on Issue of Debenture on account of issue of 2,00,000, 9% Debentures of ₹ 100 each at a discount of 10% redeemable at 5% premium. The amount to be charged to Statement of Profit & Loss for the year for loss on issue of debentures would be

(a) ₹ 30,00,000. (b) ₹ 22,00,000.

(c) ₹ 24,00,000. (d) ₹ 20,00,000. [1]

(iv) If 10,000 shares of ₹ 10 each were forfeited for non-payment of final call money of ₹ 3 per share and 7,000 of these shares were reissued @ ₹ 11 per share as fully paid-up, then what is the minimum amount that company must collect at the time of reissue of the remaining 3,000 shares?

(a) ₹ 21,000. (b) ₹ 9,000.

(c) ₹ 16,000. (d) ₹ 30,000. [1]

(v) Ram, Shyam and Mohan are partners sharing profits in the ratio of 4/9 : 1/3 : 2/9. Shyam retires and gives 1/9th of his shares in favour of Ram and the remaining to Mohan.

Calculate the new profit-sharing ratio of Ram and Mohan. [1]

(vi) **Assertion (A):** Interest on Loan by Partner is credited to Partner's Loan Account.

Reason (R): Interest on Loan by Partner is a gain to a partner as a lender and not as a partner.

In the context of above two statements, which of the following is correct?

(a) Assertion (A) is correct but Reason (R) is wrong.

(b) Both Assertion (A) and Reason (R) are correct, but Reason (R) is not the correct explanation of Assertion (A).

(c) Both Assertion (A) and Reason (R) are incorrect.

(d) Both Assertion (A) and Reason (R) are correct, and Reason (R) is the correct explanation of Assertion (A). [1]

(vii) At the time of dissolution of a partnership, its Balance Sheet showed Investment of ₹ 17,000. Ashok, one of the partner, takes certain investment at ₹ 7,200 (being book value *less* 10%).

Sanjay, another partner, takes the remaining investment at 90% of book value *less* ₹ 100 allowance.

Calculate the value of Investment at which it is taken by 'Sanjay'. [1]

(viii) How 'Debenture Redemption Reserve' is shown in the company's Balance Sheet? [1]

(ix) Which of the two reserves can be used to write off capital losses—Reserve Capital or Capital Reserve? [1]

(x) "Companies to invest in Securities specified in the Companies Act, 2013 read with rules before debentures are redeemed." **Source:** *The Economic Times*

How will it affect redemption of debentures? [1]

Question 2.

Ganesh, Harish and Anil were partners sharing profits and losses equally. Harish died on 31st March, 2021. Amount payable to Harish's Executor on the date of death was determined as ₹ 3,30,000 without considering the following:

Unrecorded asset (Furniture) taken by Harish earlier ₹ 50,000.

Unrecorded liabilities undertaken to be paid by the executors of Harish ₹ 5,000.

(i) What is the correct amount due to Harish's executors?

(ii) Prepare Harish's Executors Account till final settlement if he was paid ₹ 60,000 on 31st March, 2021 and balance was to be paid in two equal annual instalments starting from 31st March, 2022 together with interest as specified in Section 37 of the Indian Partnership Act.

Or

Banwari, Girdhari and Murari are partners in a firm sharing profits and losses in the ratio of 4 : 5 : 6. On 31st March, 2020, Girdhari retired. On that date the capital of Girdhari before necessary adjustments was ₹ 1,00,000.

On Girdhari's retirement, goodwill of the firm was valued at ₹ 1,14,000. Revaluation of assets and re-assessment of liabilities resulted in a gain (profit) of ₹ 6,000. General Reserve in the books of the firm was ₹ 30,000.

The amount payable to Girdhari was transferred to his Loan Account. They agreed to pay Girdhari two yearly instalments of ₹ 75,000 each including interest @ 10% p.a. on the outstanding balance during the first two years and the balance including interest in the third year.

Your are required to prepare Girdhari's Loan Account till it is paid showing the working notes. [3]

Question 3.

On 1st April, 2022, Sunrise Ltd. took over the business of Venus Ltd. having assets of ₹ 25,00,000 and liabilities of ₹ 4,25,000 by:

(i) Issuing 20,000, 9% Debentures of ₹ 100 each at 5% premium redeemable at 10% premium after 4 years, and

(ii) Cheque for ₹ 1,25,000.

You are required to pass the Journal entries (including writing off Capital Loss) in the books of Sunrise Ltd. [3]

Question 4.

Astrex Ltd. (a listed NBFC) redeemed its 6,000, 9% Debentures of ₹ 100 each at a premium of 5% in instalments as follows:

Date of Redemption	*Debentures to be redeemed*
31st March, 2021	3,000
31st March, 2022	1,500
31st March, 2023	1,500

On the basis of the above details, you are required to pass Journal entries to record the purchase/sale of Debenture Redemption Investment, from the year of redemption of the first instalment of debentures to the date of the redemption of the final instalment.

Or

Aym Ltd., a listed (Non-NBFC or HFC) company has 30,000; 9% Debentures of ₹ 100 each due for redemption on 31st March, 2023. Company had purchased the required investments for redemption on 30th April, 2022.

You are required to pass necessary Journal entries for redemption of Debentures on 31st March, 2023. [3]

Question 5.

Calculate the value of firm's Goodwill valued at two years' purchase of average profit of the last four years. Profits for the past four years of the firm of Om and Shiv are as follows:

Year	Profits (₹)	Adjustment to be Made
2019–20	1,42,500	Two items were Ignored and to be accounted are: Outstanding Expenses ₹ 7,500 Commission Earned ₹ 5,000
2020–21	1,85,000	...
2021–22	2,30,000	After including Lottery Income of ₹ 7,500.
2022–23	2,90,000	Personal Insurance Premium ₹ 45,000 paid for partner (Om) wrongly debited to Firm's Account.

Pass Journal entry for the treatment of goodwill on Shyam's admission into firm for 1/5th share of profit, assuming that he is unable to bring premium for goodwill. Om and Ram shared profits in the ratio of 3 : 2. [3]

Question 6.

Spanish Ltd. had an authorised capital of 2,00,000 Equity Shares of ₹ 10 each. It offered to public for subscription 1,00,000 shares at a premium of ₹ 1. Applications were received for 90,000 shares. The amount was payable as follows: on application ₹ 3 per share, ₹ 6 on allotment (including ₹ 1 premium) and balance on first & final call.

All the money was called and received except allotment and call money on 5,000 shares held by Mohan and call money on 4,000 shares held by Ashok.

Mohan's shares were forfeited and out of these 3,000 shares were reissued for ₹ 9 per share as fully paid-up.

- *Company's books show:*

  General Reserve (1st April, 2022) ₹ 90,000

  Surplus in Statement of Profit & Loss (1st April, 2022) ₹ 25,000
- Profit for the year 2022–23 ₹ 1,06,400
- Directors decide to transfer 10% of the profit to General Reserve.

As per Schedule III of the Companies Act, 2013, you are required to:

(i) Show how Share Capital will be shown in Balance Sheet of the Company. Also prepare 'Notes to Accounts' for the same.

(ii) Show the Reserves and Surplus in the Notes to Accounts. [6]

Question 7.

Usha and Asha are partners in a firm sharing profits in the ratio of 3 : 2. Their Balance Sheet as at 31st March, 2023 was as follows:

BALANCE SHEET OF USHA AND ASHA *as at 31st March, 2023*

Liabilities		₹	Assets		₹
Creditors		32,000	Cash at Bank		44,400
General Reserve		18,000	Debtors	48,000	
Capital A/cs:			*Less:* Provision for Doubtful Debts	4,800	43,200
Usha	40,000		Stock		30,000
Asha	35,000	75,000	Patents		7,400
		1,25,000			1,25,000

Neelam is admitted into partnership for 1/5th share in the profits. Neelam is to bring ₹ 30,000 as her Capital and her share of Goodwill in cash subject to the following terms:

(i) Goodwill of the firm is valued at ₹ 50,000.

(ii) Stock to be reduced by 10% and Provision for Doubtful Debts be reduced by ₹ 2,400.

(iii) Patents are of nil value.

(iv) There was a claim against the firm for damages of ₹ 2,000. The claim has now been accepted.

(v) The partners have decided that General Reserve will continue in the books of new firm at its original value.

You are required to pass the necessary Journal entries to give effect to the above arrangement.

Or

Anil and Beena are partners in a firm with capital of ₹ 1,75,000 each. They shared profits in the ratio of 3 : 2. On 1st April, 2023, they admit Chahat as a new partner for 1/5th share in the profits of the firm. She brings ₹ 2,00,000 as her share of capital. Goodwill of the firm is based on Chahat's share in the profits and the capital contributed by her. At the time of Chahat's admission:

(i) The firm had a General Reserve of ₹ 3,00,000 out of which 1/3rd is to be transferred to Provision for Doubtful Debts.

(ii) Creditors of ₹ 40,000 are paid by Anil for which he is not to be reimbursed.

(iii) There is no change in the value of other assets and liabilities.

You are required to pass necessary Journal entries at the time of Chahat's admission. [6]

Question 8.

Amal and Bimal were partners sharing profits and losses in proportion to their capitals. On 31st March, 2023, they decided to dissolve their Partnership Firm. On that date, their books showed following Ledger Account balances:

	₹
Sundry Creditors	1,35,000
Profit & Loss A/c (Dr.)	40,000
Cash at Bank	30,000
Mrs. Amal's Loan	1,00,000
Bills Payable	25,000
Sundry Assets	9,90,000
Capital A/cs:	
Amal	5,60,000
Bimal	2,40,000

Additional Information:

(a) Bills Payable falling due on 31st May, 2023 were retired on the date of dissolution of the firm at a rebate of 6% per annum.

(b) Mrs. Amal accepted the furniture (including in sundry assets) having a book value of ₹ 90,000 in full settlement of the loan given by her.

(c) Remaining assets were sold for ₹ 7,50,000.

(d) Liability on account of outstanding rent not recorded in the books, amounting to ₹ 75,000 was met.

(e) Bimal agreed to take over the responsibility of completing the dissolution work and to bear all expenses of realisation at an agreed remuneration of ₹ 10,000. The actual realisation expenses were ₹ 7,500 which were paid by the firm on behalf of Bimal.

You are required to prepare:

(i) Realisation Account. **(ii) Partners' Capital Accounts.** [6]

Question 9.

Arti, Bharti and Sarthi are in partnership with capitals of ₹ 1,20,000 (Credit), ₹ 1,00,000 (Credit) and ₹ 8,000 (Debit) as on 1st April, 2022. The Partnership Deed provides for the following:

(a) Partners are to be allowed interest on capital @ 5% p.a. and are to be charged interest on drawings (except salary) @ 6% p.a.

(b) Sarthi is entitled to a salary of ₹ 8,000.

(c) Arti is entitled to a commission of 5% of the correct net profit of the firm.

(d) Bharti is entitled to commission of 5% of the correct net profit after charging such commission.

(e) During the year, Arti withdrew a certain fixed amount at the beginning of every month, she was charged an interest of ₹ 390 at the end of the year, at the rate mentioned in the deed.

(f) Bharti withdrew a certain fixed amount at the end of every month, she was charged interest of ₹ 330 at the end of the year, at the rate mentioned in the deed.

(g) Sarthi withdrew only her salary.

The profit of the firm for the financial year 2022–23, before any of the above adjustment was ₹ 1,05,000.

You are required to:

(i) Calculate the drawings made by Arti every month. [1]

(ii) Calculate the drawings made by Bharti every month. [1]

(iii) Give Adjusting and Closing Entries of Interest on Drawings. [2]

(iv) Prepare Profit & Loss Appropriation Account for the year 2022–23. [6]

Or

Moli, Bhola and Raj were partners in a firm sharing profits and losses in the ratio of 3 : 3 : 4. Their Partnership Deed provided for the following:

(i) Interest on capitals @ 5% p.a.

(ii) Interest on drawings @ 12% p.a.

(iii) Interest on partners' loan @ 6% p.a.

(iv) Moli was allowed annual salary of ₹ 4,000; Bhola was allowed commission of 10% of net profit as shown by Profit & Loss Account and Raj was guaranteed profit of ₹ 1,50,000 after making all the adjustments as provided in the partnership agreement.

Their fixed capitals were:

Moli: ₹ 5,00,000; Bhola: ₹ 8,00,000 and Raj: ₹ 4,00,000.

On 1st April, 2022, Bhola gave loan of ₹ 1,00,000 to the firm.

Profit of the firm for the year ended 31st March, 2023 before interest on Bhola's loan was ₹ 3,06,000.

You are required to:

(a) Prepare Profit & Loss Appropriation Account for the year ended 31st March, 2023. [6]

(b) Prepare Partners' Current Accounts assuming that Bhola withdrew ₹ 5,000 at the end of each quarter, Moli withdrew ₹ 10,000 at the end of each quarter and Raj withdrew ₹ 40,000 at the end of each half year. [4]

Question 10.

Saturn Ltd. invited applications for issuing 20,000 equity shares of ₹ 10 each at a premium of 20%.

The amount was payable as follows:

On Application	—	₹ 5 per share
On Allotment	—	₹ 4 per share (including premium)
On Call	—	Balance.

Applications were received for 32,000 shares, out of which applications for 2,000 shares were rejected and remaining applicants were allotted shares on *pro rata* basis.

Simba an applicant of 1,500 shares failed to pay allotment and call money. His shares were forfeited. Out of these, 600 shares were reissued at a discount of ₹ 2 per share.

You are required to pass Journal entries in the books of the company to record the above transactions. [10]

Or

(a) Following is an extract from the Journal of Tushar Ltd. You are required to complete the Journal entries filling-up the information represented by '?' which is missing from these Journal entries.

JOURNAL OF TUSHAR LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c ...Dr.		?	
	Securities Premium A/c ...Dr.		?	
	To Share Forfeiture A/c			?
	To Calls-in-Arrears A/c			?
	(Being the forfeiture of 2,500 shares allotted to Vinay who had applied for 5,000 shares for non-payment of allotment and first call)			
	Bank A/c ...Dr.		?	
	Share Forfeiture A/c ...Dr.		?	
	To Share Capital A/c			?
	(Being .?. forfeited shares reissued @ ₹ 7 per share as ₹ 9 paid)			
	Share Forfeiture A/c ...Dr.		6,000	
	To Capital Reserve A/c			6,000
	(Being the gain on reissued shares transferred to Capital Reserve)			

Additional Information:

Tushar Ltd. issued 50,000 Equity Shares of ₹ 10 each at 50% premium, payable:

On Application	—	₹ 5 per share
On Allotment	—	₹ 6 (including premium) per share
On first Call	—	₹ 3 per share

Final call was not made.

You are required to complete:

(a) The Journal entry for forfeiture of shares.

(b) The Journal entry for reissue of shares, showing the number of shares reissued by the company. [8]

(b) Sunrise Ltd. offered 40,000 shares of ₹ 10 each at a premium of 10% payable as follows:

On Application	—	₹ 2 (1st January),
On Allotment	—	₹ 4 (including premium) (1st April),
On First Call	—	₹ 3 (1st June),
On Second & Final Call	—	₹ 2 (1st August).

Applications were received for 36,000 shares and directors made allotment. One shareholder to whom 800 shares were allotted paid the total balance on his shares with allotment and another shareholder did not pay allotment and 1st call money on his 1,200 shares but which he paid with final call.

You are required to calculate the amount of interest paid and received on Calls-in-Advance and Calls-in-Arrears as per Table F of the Companies Act, 2013 on 1st August and also pass adjusting entry in both the cases. [2]

SECTION B (20 Marks)

Question 11.

In sub-parts (i) and (ii) choose the correct options and in sub-parts (iii) to (v) answer the questions as instructed:

(i) Which of the following objective of Financial Analysis indicates the efficiency with which resources are utilised in generating revenue?

(a) To determine Liquidity.

(b) To determine Long-term Solvency.

(c) To determine Operating Efficiency.

(d) To determine Profitability. [1]

(ii) What will be the effect of issue of bonus shares on Cash Flow Statement?

(a) No Effect. (b) Inflow in Financing Activity.

(c) Inflow in Operating Activity. (d) Inflow in Investing Activity. [1]

(iii) Cost of Revenue from Operations = ₹ 3,00,000;
Inventory Turnover Ratio = 3 Times.

You are required to calculate value of Closing Inventory if Opening Inventory was 3 times more than the Closing Inventory. [1]

(iv) The books of accounts of Daffodil Ltd. showed:

- Change in inventories of Stock-in-Trade (₹ 1,40,000).
- Opening Inventory of Stock-in-Trade ₹ 2,80,000.

(a) You are required to give the formula used by the company to calculate change in inventories.

(b) You have been provided with one component for calculating the change in inventories. Calculate the other component. [1]

(v) "Schedule II of the Companies Act, 2013 changed bringing change in depreciation rates."

Source: *Schedule II and the Companies Act, 2013.*

ABC Ltd. charged depreciation at new rates.

What will be the effect of it on its Cash Flow Statement?

Question 12.

From the following data, prepare Common-size Balance Sheet of Hemco Ltd.:

Particulars	31st March, 2023 (₹)	31st March, 2022 (₹)
Share Capital	1,50,000	1,20,000
Reserves and Surplus	30,000	30,000
Trade Payables	20,000	40,000
Property, Plant & Equipment (Plant & Machinery)	2,00,000	1,90,000

[3]

Question 13.

From the following Balance Sheets of Orchid Ltd., you are required to prepare a Cash Flow Statement (as per AS–3) for the year 2022–23:

Orchid Ltd.

BALANCE SHEET *as at 31st March, 2023 and 31st March, 2022*

Particulars	Note No.	31st March, 2023 (₹)	31st March, 2022 (₹)
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(a) Share Capital	1	14,00,000	10,00,000
(b) Reserves and Surplus	2	5,00,000	4,00,000
2. Non-Current Liabilities			
Long-term Borrowings (10% Debentures)		5,00,000	1,40,000
3. Current Liabilities			
(a) Trade Payables		1,00,000	60,000
(b) Short-term Provisions (Provision for Tax)		80,000	60,000
Total		25,80,000	16,60,000
II. ASSETS			
1. Non-Current Assets			
Property, Plant and Equipment and Intangible Assets:			
(i) Property, Plant and Equipment	3	16,00,000	9,00,000
(ii) Intangible Assets (Goodwill)		1,40,000	2,00,000
2. Current Assets			
Cash and Bank Balances (Cash at Bank)		8,40,000	5,60,000
Total		25,80,000	16,60,000

Notes to Accounts

Particulars	31st March, 2023 (₹)	31st March, 2022 (₹)
1. Share Capital		
Equity Share Capital	12,00,000	6,00,000
10% Preference Share Capital	2,00,000	4,00,000
	14,00,000	10,00,000
2. Reserves and Surplus		
Surplus, *i.e.*, Balance in Statement of Profit & Loss	5,00,000	4,00,000
3. Property, Plant and Equipment		
Machinery	17,60,000	10,00,000
Less: Accumulated Depreciation	(1,60,000)	(1,00,000)
	16,00,000	9,00,000

Additional Information:

(i) Tax paid during the year was ₹ 70,000.

(ii) During the year, a machine costing ₹ 1,40,000 (depreciation provided thereon ₹ 60,000) was sold for ₹ 50,000.

(iii) New Debentures have been issued on 1st July, 2022.

(iv) 10% Preference Shares were redeemed at par at the end of the year. [6]

Or

Read the following information of Coconut Tree Ltd. and answer the questions that follow:

Particulars	31st March, 2023 (₹)	31st March, 2022 (₹)
Building	1,90,000	2,00,000
Machinery	1,69,000	1,50,000
Inventories	74,000	1,00,000
Trade Receivables	64,200	80,000
Goodwill	5,000	—
Cash and Bank Balance	8,600	500
Share Capital	2,50,000	2,00,000
General Reserve	60,000	50,000
Balance in Statement of Profit & Loss	30,600	30,500
Bank Loan (Term Loan)	—	70,000
Trade Payables	1,35,200	1,50,000
Provision for Tax	35,000	30,000

Additional Information:

During the year ended 31st March, 2023:

(i) Interim dividend paid during the year amounted to ₹ 23,000.

(ii) Assets of another company were purchased for a consideration of ₹ 50,000 payable in shares. Following assets were purchased:
Inventory (Stock)—₹ 20,000; Machinery—₹ 25,000; Goodwill—₹ 5,000.

(iii) Machinery was purchased for ₹ 8,000.

(iv) Depreciation on machinery—₹ 12,000; and loss on sale of machinery ₹ 200.

(v) Income Tax provided during the year ₹ 33,000.

(a) What is the company's Net Profit before Tax? [1]

(b) What amount of tax is paid by the company during the year? [1]

(c) State the amount of Operating Profit before Working Capital Change. [1]

(d) State the amount of Net Cash Flow from Operating Activities. [1]

(e) What is the Net Cash Flow from or Used in Investing Activities? [1]

(f) What is the Net Cash Flow from or Used in Financing Activities? [1]

Question 14.

Answer *any three* of the following questions:

(i) **Calculate the Net Profit Ratio (up to two decimal places) from the following information:**

Particulars	₹
Gross Profit	80,000
Salary and Rent	30,000
Interest on Debentures	5,000
Gain on Sale of Furniture	2,000
Revenue from Operations	4,00,000

(ii) **Calculate the Gross Profit Ratio (up to two decimal places) from the following information:**

Particulars	₹
Opening Inventory	80,000
Closing Inventory	1,00,000
Revenue from Operations	9,00,000
Inventory Turnover Ratio	8 Times

(iii) **Calculate Earnings Per Share (EPS) from the following information:**

	₹
Net Profit after Interest and Tax	2,40,000
15% Preference Share Capital	1,00,000
Equity Share Capital (Face value ₹ 10 per share)	5,00,000

(iv) Current Ratio 2.5; Working Capital is ₹ 6,00,000.

You are required to calculate the amount of Current Assets and Current Liabilities. [6]

ANSWERS

SECTION A

Question 1.

(i) (c) 10%

Working Note:

$$\text{Average Period} = \frac{\text{Time Left after First Drawing} + \text{Time Left after Last Drawing}}{2}$$

$$= \frac{9+3}{2} = 6 \text{ Months}$$

$$\text{Interest on Drawings} = \text{Total Drawings} \times \frac{\text{Rate of Interest}}{100} \times \text{Time}$$

Let the Rate of Interest $= x$

$$₹\ 540 = ₹\ 10{,}800 \times \frac{x}{100} \times \frac{6}{12}$$

$$₹\ 540 = ₹\ 54x$$

$$x = \frac{₹\ 540}{₹\ 54} = 10\%.$$

(ii) (b) ₹ 35,000.

Working Note:

Total Adjusted Capital of Arti and Arsh:	Arti (₹)	Arsh (₹)
Capital before adjustment	69,000	51,000
Add: Share of General Reserve	9,000	6,000
Share of Goodwill (₹ 50,000 × 1/5)	6,000	4,000
	84,000	61,000
Less: Share of Loss on Revaluation	3,000	2,000
	81,000	59,000

Total adjusted capital of Arti and Arsh for 4/5th share = ₹ 81,000 + ₹ 59,000 = ₹ 1,40,000

$$\text{Total capital of the new firm will be} = ₹\ 1{,}40{,}000 \times \frac{5}{4} = ₹\ 1{,}75{,}000$$

$$\text{Aman's Capital will be} = ₹\ 1{,}75{,}000 \times \frac{1}{5} = ₹\ 35{,}000.$$

(iii) (c) ₹ 24,00,000.

Working Note:		₹
Loss on Issue of Debentures (₹ 2,00,00,000 × 15/100)	=	30,00,000
Less: Securities Premium after bonus issue (₹ 8,00,000 – ₹ 2,00,000)	=	6,00,000
Loss on Issue of Debentures to be charged to Statement of Profit & Loss		24,00,000

(iv) (b) ₹ 9,000.

Note: Reissue price cannot be *less* than the amount unpaid on forfeited shares, therefore, 3,000 × ₹ 3 = ₹ 9,000.

(v) *Calculation of New Profit-sharing Ratio:*

$$\text{Share given to Ram} = \frac{1}{9} \times \frac{1}{3} = \frac{1}{27}$$

$$\text{Share given to Mohan} = \frac{8}{9} \times \frac{1}{3} = \frac{8}{27}$$

Hence, Gaining Ratio of Ram and Mohan $\frac{1}{27} : \frac{8}{27} = 1 : 8$

New Profit Share = Old Profit Share + Profit Share Taken

$$\text{Ram's New Profit Share} = \frac{4}{9} + \frac{1}{27} = \frac{12+1}{27} = \frac{13}{27}$$

$$\text{Mohan's New Profit Share} = \frac{2}{9} + \frac{8}{27} = \frac{6+8}{27} = \frac{14}{27}$$

New Profit-sharing Ratio of Ram and Mohan = $\frac{13}{27} : \frac{14}{27} = 13 : 14.$

(vi) (d) Both Assertion (A) and Reason (R) are correct, and Reason (R) is the correct explanation of Assertion (A).

(vii) Book Value of Investment taken by Ashok = ₹ 7,200 × $\frac{100}{90}$ = ₹ 8,000

Remaining Investment = ₹ 17,000 – ₹ 8,000 = ₹ 9,000

Book Value of Investment taken by Sanjay = 90% of ₹ 9,000 = ₹ 8,100

Agreed value of Investment taken by Sanjay = ₹ 8,100 – ₹ 100 = ₹ 8,000.

(viii) Debenture Redemption Reserve is shown under the head 'Shareholders' Funds' and sub-head 'Reserves and Surplus' in the Balance Sheet.

(ix) Reserve Capital cannot be used to write off capital losses whereas Capital Reserve can be used to write off capital losses.

(x) The investment in specified securities is realised on redemption of debentures. Hence, company will have to ensure balance (85%) are available before their redemption.

Question 2.

(i) Unrecorded assets (Furniture) taken over by Harish	₹ 50,000
Less: Unrecorded liabilities assumed by executors of Harish	₹ 5,000
	₹ 45,000
Less: Harish's share of unrecorded assets and liabilities (1/3rd of ₹ 45,000)	₹ 15,000
Net amount to be deducted from the amount due to Harish	₹ 30,000

Therefore, amount due to Harish's Executors = ₹ 3,30,000 – ₹ 30,000 = ₹ 3,00,000.

(ii)

Dr. HARISH'S EXECUTOR'S ACCOUNT Cr.

Date	Particulars	₹	Date	Particulars	₹
2021			2021		
March 31	To Bank A/c	60,000	March 31	By Harish's Capital A/c	3,00,000
March 31	To Balance *c/d*	2,40,000			
		3,00,000			3,00,000
2022			2021		
March 31	To Bank A/c	1,34,400	April 1	By Balance *b/d*	2,40,000
	(₹ 1,20,000 + ₹ 14,400)		2022		
March 31	To Balance *c/d*	1,20,000	March 31	By Interest A/c (₹ 2,40,000 × 6/100)	14,400
		2,54,400			2,54,400
2023			2022		
March 31	To Bank A/c	1,27,200	April 1	By Balance *b/d*	1,20,000
			2023		
			March 31	By Interest A/c (₹ 1,20,000 × 6/100)	7,200
		1,27,200			1,27,200

Note: Under Section 37 of Indian Partnership Act, 1932, if the amount due to a deceased partner is not settled and the business is carried on, the legal representative of a deceased partner at his option is entitled to receive *either* interest @ 6% p.a. till the amount is paid off or share of the profit which has been earned by using the amount due to him.

Or

Calculation of amount payable to Girdhari, which is transferred to his Loan Account:	₹
Capital Balance	1,00,000
Share in Profit on Revaluation (₹ 6,000 × 5/15)	2,000
Share in Firm's Goodwill (₹ 1,14,000 × 5/15)	38,000
Share in General Reserve (₹ 30,000 × 5/15)	10,000
Amount transferred to Girdhari's Loan Account	1,50,000

Dr. GIRDHARI'S LOAN ACCOUNT Cr.

Date	Particulars	₹	Date	Particulars	₹
2021			2020		
March 31	To Bank A/c (₹ 60,000 + ₹ 15,000)	75,000	March 31	By Girdhari's Capital A/c	1,50,000
March 31	To Balance *c/d*	90,000	2021		
			March 31	By Interest A/c (₹ 1,50,000 × 10/100)	15,000
		1,65,000			1,65,000
2022			2021		
March 31	To Bank A/c (₹ 66,000 + ₹ 9,000)	75,000	April 1	By Balance *b/d*	90,000
March 31	To Balance *c/d*	24,000	2022		
			March 31	By Interest A/c (₹ 90,000 × 10/100)	9,000
		99,000			99,000
2023			2022		
March 31	To Bank A/c (₹ 24,000 + ₹ 2,400)	26,400	April 1	By Balance *b/d*	24,000
			2023		
			March 31	By Interest A/c (₹ 24,000 × 10/100)	2,400
		26,400			26,400

Question 3

In the Books of Sunrise Ltd.
JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2022					
April 1	Sundry Assets A/c	...Dr.		25,00,000	
	Goodwill A/c (Balancing Figure)	...Dr.		1,50,000	
	To Sundry Liabilities A/c				4,25,000
	To Venus Ltd.				22,25,000
	(Being the Assets and liabilities taken over from Venus Ltd.)				
	Venus Ltd.	...Dr.		22,25,000	
	Loss on Issue of Debentures A/c (20,000 × ₹ 10)	...Dr.		2,00,000	
	To 9% Debentures A/c				20,00,000
	To Securities Premium A/c (20,000 × ₹ 5)				1,00,000
	To Premium on Redemption of Debentures A/c (20,000 × ₹ 10)				2,00,000
	To Bank A/c				1,25,000
	(Being the purchase consideration discharged by issue of 9% Debentures and cheque)				
2023					
March 31	Securities Premium A/c	...Dr.		1,00,000	
	Statement of Profit & Loss (₹ 2,00,000 – ₹ 1,00,000)	...Dr.		1,00,000	
	To Loss on Issue of Debentures A/c				2,00,000
	(Being the loss on issue of debentures written off)				

Note:

Calculation of Purchase Consideration:

		₹
Debentures Issued (20,000 × ₹ 105)	=	21,00,000
Payment by Cheque	=	1,25,000
Purchase Consideration		22,25,000

Question 4

In the Books of Astrex Ltd.
JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2020					
April 30	Debentures Redemption Investment A/c	...Dr.		45,000	
	To Bank A/c				45,000
	(Being the DRI made of amount equal to 15% of ₹ 3,00,000)				
2021					
March 31	Bank A/c	...Dr.		22,500	
	To Debentures Redemption Investment A/c				22,500
	(Being half the DRI realised, balance being 15% of ₹ 1,50,000, Debentures to be redeemed on 31st March, 2022)				
2023					
March 31	Bank A/c	...Dr.		22,500	
	To Debentures Redemption Investment A/c				22,500
	(Being the balance DRI realised on last redemption)				

Note: Total DRI purchased for redemption of the instalment of debentures is not sold by the company at the end of the year but sold/further purchased to the extent to maintain an amount required, as per the provisions of the Companies Act, 2013, for debentures to be redeemed in the next instalment.

Or

In the Books of Aym Ltd.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2023				
March 31	Bank A/c ...Dr.		4,50,000	
	To Debenture Redemption Investment A/c			4,50,000
	(Being the Investment encashed)			
March 31	9% Debentures A/c ...Dr.		30,00,000	
	To Debentureholders' A/c			30,00,000
	(Being the amount due on redemption)			
March 31	Debentureholders' A/c ...Dr.		30,00,000	
	To Bank A/c			30,00,000
	(Being the payment made to debentureholders)			

Question 5.

Calculation of Adjusted Profits:

Year	Adjustment (₹)		Adjusted Profit (₹)
2019–20	[1,42,500 – 7,500 + 5,000]		1,40,000
2020–21	1,85,000		1,85,000
2021–22	[2,30,000 – 7,500]		2,22,500
2022–23	[2,90,000 + 45,000]		3,35,000
		Total	8,82,500

$$\text{Average Profit} = \frac{₹\ 8,82,500}{4} = ₹\ 2,20,625$$

$$\text{Goodwill} = \text{Average Profit} \times \text{No. of Years Purchase}$$

$$= ₹\ 2,20,625 \times 2 = ₹\ 4,41,250$$

$$\text{Shyam's Share of Goodwill} = ₹\ 4,41,250 \times \frac{1}{5} = ₹\ 88,250.$$

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Shyam's Current A/c ...Dr.		88,250	
	To Om's Capital A/c (₹ 88,250 × 3/5)			52,950
	To Shiv's Capital A/c (₹ 88,250 × 2/5)			35,300
	(Being the goodwill adjusted on Shyam's admission)			

Question 6.

(i) BALANCE SHEET OF SPANISH LTD. *as at ...*

Particulars	Note No.	Current Year (₹)
I. EQUITY AND LIABILITIES		
1. Shareholders' Funds		
(*a*) Share Capital	1	8,78,000

Notes to Accounts

Particulars		₹
1. Share Capital		
Authorised Capital		
2,00,000 Equity Shares of ₹ 10 each		20,00,000
Issued Capital		
1,00,000 Equity Shares of ₹ 10 each		10,00,000
Subscribed Capital		
Subscribed and Fully Paid		
84,000 Equity Shares of ₹ 10 each		8,40,000
Subscribed but Not Fully Paid		
4,000 equity shares of ₹ 10 each	40,000	
Less: Calls-in-Arrears (4,000 × ₹ 2)	8,000	32,000
Forfeited Shares A/c (2,000 Equity Shares @ ₹ 3 each)		6,000
		8,78,000
2. Reserves and Surplus		
Capital Reserve (Gain on reissue of forfeited shares)		3,000
General Reserve (₹ 90,000 + ₹ 10,640)		1,00,640
Surplus: Balance in Statement of Profit & Loss:		
Opening Balance	25,000	
Add: Profit for the period	1,06,400	
	1,31,400	
Less: Transfer to General Reserve (10% of ₹ 1,06,400)	10,640	1,20,760
		2,24,400

Question 7.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2023				
April 1	Bank A/c ...Dr.		40,000	
	To Neelam's Capital A/c			30,000
	To Premium for Goodwill A/c (₹ 50,000 × 1/5)			10,000
	(Being the Capital and Premium for Goodwill brought by Neelam)			
	Premium for Goodwill A/c ...Dr.		10,000	
	To Usha's Capital A/c			6,000
	To Asha's Capital A/c			4,000
	(Being the premium for goodwill credited to the Capital Accounts of Usha and Asha in the sacrificing ratio 3 : 2) (WN)			
	Neelam's Capital A/c (₹ 18,000 × 1/5) ...Dr.		3,600	
	To Usha's Capital A/c (₹ 3,600 × 3/5)			2,160
	To Asha's Capital A/c (₹ 3,600 × 2/5)			1,440
	(Being Neelam's share in General Reserve adjusted)			

	Revaluation A/c ...Dr.		12,400	
	To Stock A/c			3,000
	To Patents A/c			7,400
	To Claim for Damages A/c			2,000
	(Being the decrease in value of assets and increase in liability recorded)			
	Provision for Doubtful Debts A/c ...Dr.		2,400	
	To Revaluation A/c			2,400
	(Being the provision for Doubtful Debts reduced)			
	Usha's Capital A/c ...Dr.		6,000	
	Asha's Capital A/c ...Dr.		4,000	
	To Revaluation A/c (₹ 12,400 – ₹ 2,400)			10,000
	(Being the loss on revaluation transferred to Old Partners' Capital Accounts in their old profit-sharing ratio)			

Working Note:

Neelam's share of Goodwill = ₹ 50,000 × 1/5 = ₹ 10,000, credited to Usha and Asha in their sacrificing ratio, *i.e.*, 3 : 2.

Or

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2023				
April 1	General Reserve A/c ...Dr.		3,00,000	
	To Provision for Doubtful Debts A/c			1,00,000
	To Anil's Capital A/c			1,20,000
	To Beena's Capital A/c			80,000
	(Being 1/3rd of General Reserve transferred to Provision for Doubtful Debts and the balance transferred to old partners in their profit-sharing ratio)			
	Creditors A/c ...Dr.		40,000	
	To Revaluation A/c			40,000
	(Being the gain on creditor being paid by Anil privately for which he is not to be reimbursed)			
	Revaluation A/c ...Dr.		40,000	
	To Anil's Capital A/c			24,000
	To Beena's Capital A/c			16,000
	(Being the gain on revaluation distributed)			
	Bank A/c ...Dr.		2,42,000	
	To Chahat's Capital A/c			2,00,000
	To Premium for Goodwill A/c			42,000
	(Being the capital and premium for goodwill contributed by Chahat) (WN)			
	Premium for Goodwill A/c ...Dr.		42,000	
	To Anil's Capital A/c			25,200
	To Beena's Capital A/c			16,800
	(Being the premium for goodwill credited to sacrificing partners in their sacrificing ratio, *i.e.*, 3 : 2)			

Working Note:

(i) *Calculation of Hidden Goodwill of the firm:*

A. Total Capital of New Firm based on Chahat's Capital = ₹ 2,00,000 × $\frac{5}{1}$ ₹ 10,00,000

B. Net Worth (excluding goodwill) of New Firm:

	Capital (₹)	+	General Reserve (₹)	+	Revaluation Gain (₹)		₹
Anil	1,75,000	+	1,20,000	+	24,000	=	3,19,000
Beena	1,75,000	+	80,000	+	16,000	=	2,71,000
Chahat	2,00,000	+	...	+	...	=	2,00,000
							7,90,000

C. Hidden Goodwill = (A – B) = ₹ 10,00,000 – ₹ 7,90,000 = 2,10,000

(ii) Chahat's Share of Goodwill = ₹ 2,10,000 × $\frac{1}{5}$ = ₹ 42,000.

Question 8.

(i) *Dr.* REALISATION ACCOUNT *Cr.*

Particulars		₹	Particulars	₹
To Sundry Assets A/c		9,90,000	By Sundry Creditors A/c	1,35,000
To Bank A/c:			By Mrs. Amal's Loan A/c	1,00,000
Bills Payable (₹ 25,000 – 250*)	24,750		By Bills Payable A/c	25,000
Outstanding Rent	75,000		By Bank A/c (Assets)	7,50,000
Sundry Creditors	1,35,000	2,34,750	By Amal's Capital A/c (₹ 2,24,750 × 7/10) (Loss)	1,57,325
To Bimal's Capital A/c (Remuneration)		10,000	By Bimal's Capital A/c (₹ 2,24,750 × 3/10) (Loss)	67,425
		12,34,750		12,34,750

*Discount on Bills Payable = ₹ 25,000 × 6/100 × 2/12 = ₹ 250.

(ii) *Dr.* PARTNERS' CAPITAL ACCOUNTS *Cr.*

Particulars	Amal ₹	Bimal ₹	Particulars	Amal ₹	Bimal ₹
To Profit & Loss A/c	28,000	12,000	By Balance *b/d*	5,60,000	2,40,000
To Realisation A/c (Loss)	1,57,325	67,425	By Realisation A/c (Remuneration)	...	10,000
To Bank A/c (Realisation Expenses)	...	7,500			
To Bank A/c (Final Payment)	3,74,675	1,63,075			
	5,60,000	2,50,000		5,60,000	2,50,000

Question 9.

(i) Let the total Drawings made by Arti = x

$$\text{Interest on Drawings} = \text{Total Drawings} \times \frac{\text{Rate of Interest}}{100} \times \text{Period}$$

$$₹\ 390 = x \times \frac{6}{100} \times \frac{6.5^*}{12}$$

$$6.5x = ₹\ 78,000$$

$$x \text{ (Total Drawings)} = \frac{₹\ 78,000}{6.5} = ₹\ 12,000$$

$$\text{Monthly Drawing} = \frac{₹\ 12,000}{12} = ₹\ 1,000$$

$$\textbf{*Average Period} = \frac{\text{Time Left After 1st Drawing} + \text{Time Left After Last Drawing}}{2}$$

$$= \frac{\text{12 Months} + \text{1 Month}}{2} = 6.5 \text{ Months.}$$

(ii) Let the total Drawings made by Bharti = x

$$\text{Interest on Drawings} = \text{Total Drawings} \times \frac{\text{Rate of Interest}}{100} \times \text{Period}$$

$$₹\ 330 = x \times \frac{6}{100} \times \frac{5.5^*}{12}$$

$$5.5x = ₹\ 66{,}000$$

$$x \text{ (Total Drawings)} = \frac{₹\ 66{,}000}{5.5} = ₹\ 12{,}000$$

$$\text{Monthly Drawings} = \frac{₹\ 12{,}000}{12} = ₹\ 1{,}000$$

***Average Period** $= \frac{11+0}{2} = 5.5$ months.

(iii)

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Adjusting Entry to Charge Interest on Drawings			
	Arti's Capital A/c ...Dr.		390	
	Bharti's Capital A/c ...Dr.		330	
	To Interest on Drawings A/c			720
	(Being the interest on drawings charged)			
	Closing Entry			
	Interest on Drawings A/c ...Dr.		720	
	To Profit & Loss Appropriation A/c			720
	(Being the interest on drawings transferred to Profit & Loss Appropriation Account)			

(iv)

PROFIT & LOSS APPROPRIATION ACCOUNT
for the year ended 31st March, 2023

Dr. *Cr.*

Particulars		₹	Particulars		₹
To Interest on Capital:			By Profit & Loss A/c (Net Profit)		1,05,000
Arti	6,000		By Interest on Drawings:		
Bharti	5,000	11,000	Arti	390	
To Partner's Salary A/c (Sarthi)		8,000	Bharti	330	720
To Commission A/c (Arti) (5/100 × ₹ 1,05,000)		5,250			
To Commission A/c (Bharti) (5/105 × ₹ 1,05,000)		5,000			
To Arti's Capital A/c (Profit)		25,490			
To Bharti's Capital A/c (Profit)		25,490			
To Sarthi's Capital A/c (Profit)		25,490			
		1,05,720			1,05,720

Or

(a)

PROFIT & LOSS APPROPRIATION ACCOUNT

Dr. *for the year ended 31st March, 2023* *Cr.*

Particulars		₹	Particulars		₹
To Interest on Capital A/cs:			By Profit & Loss A/c	3,06,000	
Moli's Current A/c (₹ 5,00,000 × 5/100)	25,000		(Profit as per Profit & Loss A/c)		
Bhola's Current A/c (₹ 8,00,000 × 5/100)	40,000		*Less:* Interest on Bhola's Loan	6,000	3,00,000
Raj's Current A/c (₹ 4,00,000 × 5/100)	20,000	85,000	By Interest on Drawings: (WN)		
To Salary: Moli's Current A/c		4,000	Moli's Current A/c	1,800	
To Commission: Bhola's Current A/c		30,000	Bhola's Current A/c	3,300	
(₹ 3,00,000 × 10/100)			Raja's Current A/c	2,400	7,500
To Moli's Current A/c (Profit)	56,550				
Less: Guarantee	(37,300)	19,250			
To Bhola's Current A/c (Profit)	56,550				
Less: Guarantee	37,300	19,250			
To Raj's Current A/c (Profit)	75,400				
Add: From Moli	37,300				
Add: From Bhola	37,300	1,50,000			
		3,07,500			3,07,500

Working Note:

Calculation of Interest on Drawings:

(a) *Interest on Moli's Drawings:* ₹ 40,000 (*i.e.*, ₹ 10,000 × 4 instalments) × 4.5/12 months* × 12/100 = ₹ 1,800.

(b) *Interest on Bhola's Drawings:* ₹ 60,000 (*i.e.*, ₹ 5,000 × 12 months) × 5.5/12 months* × 12/100 = ₹ 3,300.

(c) *Interest on Raj's Drawings:* ₹ 80,000 (*i.e.*, ₹ 40,000 × 2 instalments) × 3/12 months* × 12/100 = ₹ 2,400.

*Average period = $\frac{\text{Months Left after First Drawing} + \text{Months Left after Last Drawing}}{2}$

(a) Average period in case of Moli = $\frac{9+0}{2}$ = 4.5 Months.

(b) Average period in case of Bhola = $\frac{11+0}{2}$ = 5.5 Months.

(c) Average period in case of Raj = $\frac{6+0}{2}$ = 3 Months.

We apply average period for the calculation of interest on drawings when a uniform amount is withdrawn at regular interval.

(b)

Dr. PARTNERS' CURRENT ACCOUNTS *Cr.*

Particulars	Moli ₹	Bhola ₹	Raj ₹	Particulars	Moli ₹	Bhola ₹	Raj ₹
To Drawings A/c	40,000	60,000	80,000	By Interest on Capital A/c	25,000	40,000	20,000
To Interest on Drawings A/c	1,800	3,300	2,400	By Salary A/c	4,000	...	...
To Balance *c/d*	6,450	25,950	87,600	By Commission A/c	...	30,000	...
				By Profit & Loss Appropriation A/c (Profit)	19,250	19,250	1,50,000
	48,250	89,250	1,70,000		48,250	89,250	1,70,000

Question 10.

JOURNAL OF SATURN LTD.

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c (32,000 × ₹ 5)	...Dr.		1,60,000	
	To Shares Application A/c				1,60,000
	(Being the application money received)				
	Shares Application A/c	...Dr.		1,60,000	
	To Share Capital A/c (20,000 × ₹ 5)				1,00,000
	To Shares Allotment A/c (10,000 × ₹ 5)				50,000
	To Bank A/c (2,000 × ₹ 5)				10,000
	(Being the application money utilised)				
	Shares Allotment A/c	...Dr.		80,000	
	To Share Capital A/c				40,000
	To Securities Premium A/c				40,000
	(Being the allotment money due with premium)				
	Bank A/c	...Dr.		28,500	
	Calls-in-Arrears A/c (WN 1)	...Dr.		1,500	
	To Shares Allotment A/c				30,000
	(Being the allotment money received except from Simba)				
	Shares First and Final Call A/c	...Dr.		60,000	
	To Share Capital A/c				60,000
	(Being the call money due)				
	Bank A/c	...Dr.		57,000	
	Calls-in-Arrears A/c (1,000 × ₹ 3)	...Dr.		3,000	
	To Shares First and Final Call A/c				60,000
	(Being the call money received except of Simba)				
	Share Capital A/c	...Dr.		10,000	
	Securities Premium A/c (WN 2)	...Dr.		1,500	
	To Shares Forfeited A/c				7,000
	To Calls-in-Arrears A/c				4,500
	(Being Simba's shares forfeited)				
	Bank A/c	...Dr.		4,800	
	Shares Forfeited A/c	...Dr.		1,200	
	To Share Capital A/c				6,000
	(Being the forfeited shares reissued)				
	Shares Forfeited A/c	...Dr.		3,000	
	To Capital Reserve A/c (WN 3)				3,000
	(Being the gain on reissue transferred to Capital Reserve)				

Working Notes:

1. Total No. of Shares allotted to Simba = $1{,}500 \times \dfrac{20{,}000}{30{,}000}$ = 1,000 shares.

Amount due but not received on allotment from Simba:	₹
(a) Application money received on shares applied (1,500 × ₹ 5)	7,500
(b) *Less:* Application money due on allotted shares (1,000 × ₹ 5)	5,000
(c) Excess Application money adjusted on allotment	2,500
(d) Allotment money due on shares allotted (1,000 × ₹ 4)	4,000
Less: Excess application money adjusted (*c*)	2,500
Allotment money due but not received	1,500

2. Excess Application Money adjusted on allotment of Simba shares is ₹ 2,500 (WN 1). Out of this amount ₹ 2,000 (*i.e.*, 1,000 × ₹ 2) is adjusted towards share capital and balance amount ₹ 500 is adjusted towards Securities Premium. Amount due towards Securities Premium on Allotment from Simba = 1,000 × ₹ 2 = ₹ 2,000. However, only ₹ 500 has been adjusted to Securities Premium from excess application money. The balance of ₹ 1,500 is still due from Simba, which will be debited to Securities Premium Account on forfeiture of shares.

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

	₹
Amount forfeited on 600 shares $\left(\frac{₹ 7{,}000}{1{,}000} \times 600\right)$	4,200
Less: Reissue discount (600 × ₹ 2)	1,200
Amount transferred to Capital Reserve	3,000

Or

(a) JOURNAL OF TUSHAR LTD.

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c (2,500 × ₹ 9)	...Dr.		22,500	
	Securities Premium A/c	...Dr.		2,500	
	To Share Forfeiture A/c [(5,000 × ₹ 5) – ₹ 10,000 (Premium)]				15,000
	To Calls-in-Arrears A/c				10,000
	(Being the forfeiture of 2,500 shares allotted to Vinay who had applied for 5,000 shares for non-payment of allotment and 1st call money) (WN 1 & 2)				
	Bank A/c (1,500 × ₹ 7)	...Dr.		10,500	
	Share Forfeiture A/c	...Dr.		3,000	
	To Share Capital A/c				13,500
	(Being 1,500 forfeited shares reissued at ₹ 7 per share as ₹ 9 paid)				

Working Notes:

1. *Calculation of Calls-in-Arrears (Allotment & 1st Call money not paid by Vinay.*

	₹
Excess Application money adjusted on allotment (2,500 × ₹ 5)	12,500
Amount due on Allotment (2,500 × ₹ 6)	15,000
Less: Excess Application money adjusted on allotment	12,500
Amount not paid on Allotment	2,500*

*Excess application money ₹ 12,500 adjusted towards Share Capital and ₹ 2,500 (2,500 × ₹ 1) securities and remaining for ₹ 10,000 for Securities Premium.

Securities Premium not received = (2,500 × ₹ 5) – ₹ 10,000 = ₹ 2,500.

2. **Calls-in-Arrears** = ₹ 2,500 (Securities Premium) + ₹ 7,500 (1st Call) = ₹ 10,000.

3. **No. of Shares Reissued:**

$$\text{Amount Forfeited per Share} = \frac{₹ 15{,}000}{2{,}500} = ₹ 6 \text{ per share}$$

$$\text{Loss on Reissue of Forfeited Shares} = ₹ 2 \text{ per share}$$

$$\text{Gain on Reissue transferred to Capital Reserve} = ₹ 6 - ₹ 2 = ₹ 4$$

$$\text{No. of Shares reissued} = \frac{\text{Capital Reserve}}{\text{Gain on Re-issue Per Share}}$$

$$= \frac{₹ 6{,}000}{₹ 4} = 1{,}500 \text{ shares.}$$

(b) **Calculation of Interest received on Calls-in-Arrears:**

	₹
On ₹ 4,800 (*i.e.*, ₹ 1,200 × ₹ 4) for 4 months @ 10%	160
On ₹ 3,600 (*i.e.*, 1,200 × ₹ 3) for 2 months @ 10%	60
	220

Calculation of Interest paid on Calls-in-Advance:

	₹
On ₹ 2,400 (*i.e.*, 800 × ₹ 3) for 2 months @ 12%	48
On ₹ 1,600 (*i.e.*, 800 × ₹ 2) for 4 months @ 12%	64
	112

Adjusting Entry for Calls-in-Arrears:

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Sundry Members A/c ...Dr.		220	
	To Interest on Calls-in-Arrears A/c			220
	(Being the Interest on Calls-in-Arrears due)			

Adjusting Entry for Calls-in-Advance:

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Interest on Calls-in-Advance A/c ...Dr.		112	
	To Sundry Members A/c			112
	(Being the interest on Calls-in-Advance payable)			

SECTION B

Question 11.

(i) (c) To determine Operating Efficiency.

(ii) (a) No Effect.

(iii) Let Opening Inventory = x

Closing Inventory = $x + 3x = 4x$

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

$$₹\ 1{,}00{,}000^{*} = \frac{x + 4x}{2}$$

$$₹\ 2{,}00{,}000 = 5x$$

x or Opening Inventory = ₹ 40,000

Closing Inventory = 4 × ₹ 40,000 = ₹ 1,60,000

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

$$3 = \frac{₹\ 3{,}00{,}000}{\text{Average Inventory}}$$

$$\text{Average Inventory} = \frac{₹ 3{,}00{,}000}{3} = ₹\ 1{,}00{,}000.$$

(iv) (a) *Change in Inventories of Raw Materials, Finished Goods, Work-in-Progress and Stock-in-Trade refers to the difference between the Opening and Closing balance of Inventories of Raw Materials, Finished Goods, Work-in-Progress and Stock-in-Trade.*

Change-in-Inventories = Opening Inventory of Raw Materials – Closing Inventory of Raw Materials

(b) **Change-in-Inventories** = Opening Inventory – Closing Inventory

(₹ 1,40,000) = ₹ 2,80,000 – Closing Inventory

Closing Inventory = ₹ 2,80,000 + ₹ 1,40,000 = ₹ 4,20,000.

(v) *No Flow* because depreciation does not affect cash, it being non-cash expense.

Question 12.

COMMON-SIZE BALANCE SHEET OF HEMCO LTD.
as at 31st March, 2023 and 2022

Particulars	Note No.	Absolute Amounts		Percentage of Balance Sheet Total	
		31st March, 2023 (₹)	31st March, 2022 (₹)	31st March, 2023 (%)	31st March, 2022 (%)
I. EQUITY AND LIABILITIES					
1. Shareholders' Funds					
(a) Share Capital		1,50,000	1,20,000	75.00	63.16
(b) Reserves and Surplus		30,000	30,000	15.00	15.79
2. Current Liabilities					
Trade Payables		20,000	40,000	10.00	21.05
Total		2,00,000	1,90,000	100.00	100.00
II. ASSETS					
1. Non-current Assets					
Property, Plant and Equipment and Intangible Assets:					
Property, Plant and Equipment (Plant & Machinery)		2,00,000	1,90,000	100.00	100.00
Total		2,00,000	1,90,000	100.00	100.00

Question 13.

Orchid Ltd.
CASH FLOW STATEMENT *for the year ended 31st March, 2023*

Particulars	₹	₹
A. Cash Flow from Operating Activities		
Net Profit before Tax (WN 1)	1,90,000	
Add: Non-operating/Non-cash Items:		
Depreciation on Machinery (WN 5)	1,20,000	
Goodwill written off	60,000	
Interest on Debentures (WN 3)	41,000	
Loss on Sale of Machinery	30,000	
Operating Profit before Working Capital Changes	4,41,000	
Add: Increase in Trade Payables	40,000	
Cash Generated from Operations before Tax	4,81,000	
Less: Tax Paid	70,000	
Cash Flow from Operating Activities		4,11,000

B.	**Cash Flow from Investing Activities**		
	Purchase of Machinery	(9,00,000)	
	Proceeds from Sale of Machinery	50,000	
	Cash Used in Investing Activities		(8,50,000)
C.	**Cash Flow from Financing Activities**		
	Proceeds from Issue of Equity Shares	6,00,000	
	Redemption of Preference Shares	(2,00,000)	
	Proceeds from Issue of Debentures	3,60,000	
	Interest on Debentures (WN 3)	(41,000)	
	Cash Flow from Financing Activities		7,19,000
D.	**Net Increase in Cash and Cash Equivalents (Cash and Bank)**		2,80,000
	Add: Opening Cash and Cash Equivalents (Cash and Bank)		5,60,000
E.	**Closing Cash and Cash Equivalents (Cash and Bank)**		8,40,000

Working Notes:

1. *Calculation of Net Profit before Tax:*

	₹
Closing Balance of Surplus, *i.e.*, Balance in Statement of Profit & Loss	5,00,000
Less: Opening Balance of Surplus, *i.e.*, Balance in Statement of Profit & Loss	4,00,000
Profit for the Year	1,00,000
Add: Provision for Tax (WN 2)	90,000
Net Profit before Tax	1,90,000

2. *Dr.* PROVISION FOR TAX ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Bank A/c (Tax Paid)	70,000	By Balance *b/d*	60,000
To Balance *c/d*	80,000	By Statement of Profit & Loss (Provision Made) (Balancing Figure)	**90,000**
	1,50,000		1,50,000

3. *Interest on Debentures:*

	₹
₹ 1,40,000 × 10/100 × 3/12	3,500
₹ 5,00,000 × 10/100 × 9/12	37,500
	41,000

4. *Dr.* MACHINERY ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Balance *b/d*	10,00,000	By Bank A/c (Sale)	50,000
To Bank A/c (Purchase) (Balancing Figure)	**9,00,000**	By Accumulated Depreciation A/c	60,000
		By Statement of Profit & Loss (Loss)*	30,000
		By Balance *c/d*	17,60,000
	19,00,000		19,00,000

*Loss on Sale of Machine = Book Value on the date of sale – Sales Value

= (₹ 1,40,000 – ₹ 60,000) – ₹ 50,000 = ₹ 30,000.

5. *Dr.* ACCUMULATED DEPRECIATION ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Machinery A/c (Transfer)	60,000	By Balance *b/d*	1,00,000
To Balance *c/d*	1,60,000	By Statement of Profit & Loss (Depreciation) (Balancing Figure)	**1,20,000**
	2,20,000		2,20,000

Or

(a) **Calculation of Net Profit before Tax**

	₹
Surplus, *i.e.*, Balance in Statement of Profit & Loss (Closing)	30,600
Less: Surplus, *i.e.*, Balance in Statement of Profit & Loss (Opening)	30,500
Profit during the year	100
Add: Provision for Tax	33,000
Transfer to General Reserve (₹ 60,000 – ₹ 50,000)	10,000
Interim Dividend	23,000
Net Profit before Tax	66,100

(b) Tax paid during the year is ₹ 28,000.

Dr. PROVISION FOR TAX ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Bank A/c (Tax Paid) (Balance Figure)	**28,000**	By Balance *b/d*	30,000
To Balance *c/d*	35,000	By Statement of Profit & Loss (Provision Made)	33,000
	63,000		63,000

(c) **Calculation of Operating Profit before Working Capital Change:**

	₹
Net Profit before Tax (a)	66,100
Add: Loss on Sale of Machinery	200
Adjustment for Depreciation: (₹ 10,000 on Building + ₹ 12,000 on Machinery)	22,000
Operating Profit before Working Capital Changes	88,300

(d) **Calculation of Net Cash Flow from Operating Activities**

	₹
Operating Profit before Working Capital Changes (c):	88,300
Add: Decrease in Stock [(₹ 74,000 – ₹ 20,000) – ₹ 1,00,000]	46,000
Decrease in Trade Receivable (₹ 80,000 – ₹ 64,200)	15,800
	1,50,100
Less: Decrease in Trade Payables	14,800
Cash Generated from Operating Activities	1,35,300
Less: Tax Paid (a)	28,000
Net Cash Flow from Operating Activities	1,07,300

		₹
(e)	**Cash Flow from Investing Activities**	
	Proceeds from Sale of Machinery (WN)	1,800
	Purchase of Machinery for Cash	(8,000)
	Purchase of Goodwill	(5,000)
	Net Cash Used in Investing Activities	(11,200)

Working Note:

Dr. MACHINERY ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Balance *b/d*	1,50,000	By General Reserve A/c (Loss on Sale)	200
To Share Capital	25,000	By Depreciation A/c	12,000
To Bank A/c	8,000	By Bank A/c (Sale of Machinery) (Bal. Fig.)	**1,800**
		By Balance *c/d*	1,69,000
	1,83,000		1,83,000

		₹
(f)	**Cash Flow from Financing Activities**	
	Payment of Bank Loan	(70,000)
	Payment of Dividend	(23,000)
	Net Cash Used or Outflow In Financing Activities	(93,000)

Note: Shares are issued for purchase of assets, *i.e.*, non-cash transactions not for Cash.
So, increase in Share Capital will not affect Cash Flow Statement.

Dr. SHARE CAPITAL ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Balance *c/d*	2,50,000	By Balance *b/d*	2,00,000
		By Stock A/c	20,000
		By Machinery A/c	25,000
		By Goodwill A/c	5,000
	2,50,000		2,50,000

Question 14.

(i) $$\text{Net Profit Ratio} = \frac{\text{Net Profit}}{\text{Revenue from Operations}} \times 100$$

$$= \frac{₹\ 47,000}{₹\ 4,00,000} \times 100 = 11.75\%.$$

$$\text{Net Profit} = \text{Gross Profit} + \text{Other Income} - \text{Indirect Expenses}$$
$$= ₹\ 80,000 + ₹\ 2,000 - ₹\ 30,000 - ₹\ 5,000 = ₹\ 47,000.$$

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

$$= \frac{₹\ 1,80,000}{₹\ 9,00,000} \times 100 = 20\%.$$

Working Notes:

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

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

$$= \frac{₹\,80,000 + ₹\,1,00,000}{2} = ₹\,90,000$$

$$\text{Inventory Turnover Ratio (8 Times)} = \frac{\text{Cost of Revenue from Operations}}{\text{Average Inventory (₹ 90,000)}}$$

Cost of Revenue from Operations = ₹ 90,000 × 8 = ₹ 7,20,000.

2. Gross Profit = Revenue from Operations – Cost of Revenue from Operations
= ₹ 9,00,000 – ₹ 7,20,000 = ₹ 1,80,000.

(iii) $$\text{Earning Per Share} = \frac{\text{Net Profit after Tax and Preference Dividend}}{\text{Number of Equity Shares}}$$

$$= \frac{₹\,2,40,000 - ₹\,15,000}{50,000} = \frac{₹\,2,25,000}{50,000} = ₹\,4.50 \text{ per share.}$$

Dividend on 15% Preference Shares = ₹ 15,000.

(iv) $$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}} = 2.5$$

Current Assets – 2.5 Current Liabilities = 0 ...Eq. (I)

Current Assets – Current Liabilities = ₹ 60,000 ...Eq. (II)

Subtracting Eq. II from Eq. I,

1.5 Current Liabilities = ₹ 60,000

$$\text{Current Liabilities} = \frac{₹\,60,000}{1.5} = ₹\,40,000$$

Current Assets = ₹ 40,000 × 2.5 = ₹ 1,00,000.

Model Test Paper 3

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

General Instructions:

As per Model Test Paper 1

SECTION A (60 Marks)

(*Answer **all** questions*)

Question 1.

In sub-parts (i) to (iv) choose the correct options and in sub-parts (v) to (x) answer the questions as instructed.

(i) Puneet, Gaurav and Tarun are partners sharing profits in the ratio of 5 : 3 : 2 with fixed capitals of ₹ 8,00,000, ₹ 6,00,000 and ₹ 2,00,000 respectively. Partners are entitled to interest on their capital @ 10% p.a. During the year, the firm earned profit of ₹ 1,12,000. The amount of interest on capital payable to Puneet, Gaurav and Tarun will be

(a) ₹ 40,000, ₹ 30,000, ₹ 20,000. (b) ₹ 56,000, ₹ 42,000, ₹ 14,000.

(c) ₹ 80,000, ₹ 60,000, ₹ 20,000. (d) ₹ 14,000, ₹ 42,000, ₹ 56,000. [1]

(ii) Annu, Banu and Chanu are partners, Chanu is given guarantee of minimum profit of ₹ 80,000 by the firm. Firm incurred loss of ₹ 50,000 during the year. Capital Account of Banu will be ________ by _________.

(a) Credited, ₹ 65,000 (b) Debited, ₹ 65,000

(c) Credited, ₹ 15,000 (d) Debited, ₹ 15,000 [1]

(iii) Vipin Ltd. took over assets of ₹ 3,00,000 and liabilities of ₹ 10,000 of Deepak Ltd. for ₹ 2,70,000 payable by issue of 9% Debentures of ₹ 100 each at 20% premium. Which of the following statement is correct?

(a) Goodwill Account is to be debited with ₹ 20,000.

(b) Capital Reserve is to be debited with ₹ 20,000.

(c) Goodwill Account is to be credited with ₹ 20,000.

(d) Capital Reserve is to be credited with ₹ 20,000. [1]

(iv) Tushar Ltd. forfeited 1,000 shares of ₹ 10 each (₹ 8 called-up) for non-payment of allotment money of ₹ 5 per share including ₹ 2 as premium. Out of these, few shares were reissued to Ramesh at ₹ 7 per share as ₹ 8 called-up and ₹ 3,200 were transferred to Capital Reserve. Number of shares reissued were

(a) 500 Shares. (b) 600 shares.

(c) 700 shares. (d) 800 shares. [1]

(v) Aruna, Karuna, Varuna and Swarna are partners sharing profits in the ratio of 4 : 3 : 2 : 1. Karuna retires from the firm.

Varuna retains her original share in the reconstituted firm. Karuna gave 2/5th of her share to Aruna and the remaining to Swarna.

What is the new profit-sharing ratio of the remaining or continuing partners in the reconstituted firm? [1]

(vi) **Assertion (A):** A firm should have a Partnership Deed.

Reason (R): In case, dispute or misunderstanding arises among partners, Partnership Deed is relied on.

In the context of above two statements, which of the following is correct?

(a) Assertion (A) is correct but Reason (R) is wrong.

(b) Both Assertion (A) and Reason (R) are correct, but Reason (R) is not the correct explanation of Assertion (A)

(c) Both Assertion (A) and Reason (R) are incorrect.

(d) Both Assertion (A) and Reason (R) are correct, and Reason (R) is the correct explanation of Assertion (A). [1]

(vii) Book value of creditors given in the Balance Sheet before dissolution was ₹ 2,00,000. Half of the creditors accepted furniture of ₹ 1,20,000 at an agreed value of 10% *less* than the book value and cash of ₹ 8,000 in settlement of their claim. Remaining creditors were paid at a discount of 5%.

Calculate the amount by which Bank Account will be credited in Realisation Account for payment to creditors. [1]

(viii) When is the balance of Debenture Redemption Reserve transferred to General Reserve? [1]

(ix) What is meant by issue of debentures as collateral security? [1]

(x) Demand for bigger cars accelerates sale of wider tyres.

Source: *Economic Times 24 July, 2023.*

Metro Tyres Ltd., an existing car tyres manufacturing company has set-up additional manufacturing line meeting the funds requirement by issuing 1,00,000, 9% Debentures of ₹ 100 each, redeemable after 5 years.

State the impact of it on Balance Sheet of the company.

Question 2.

Chander and Damini are partners in a firm sharing profits in the ratio of 3 : 2. They admitted Elina as a partner and agreed on new profit-sharing ratio as 3 : 3 : 2. At the time of admission of Elina, Debtors and Provision for Doubtful Debts were ₹ 95,000 and ₹ 10,000 respectively, ₹ 7,500 of the debtors became bad. A provision of 5% is to be required on Sundry Debtors for doubtful debts.

You are required to pass the necessary Journal entries.

Or

Ashok, Bhim and Chetan were partners in a firm sharing profits in the ratio of 3 : 2 : 1. Dheeraj was admitted in the firm for 1/4th share in profits, which he got 3/16th from Ashok and 1/16th from Bhim.

Total capital of the firm as agreed was ₹ 1,20,000 and Dheeraj brought cash equivalent to 1/4th of total capital as his capital. Capitals of other partners also had to be adjusted in their profit-sharing ratio by bringing or paying cash.

Capitals of Ashok, Bhim and Chetan after all adjustments for revaluation of assets and reassessment of liabilities were ₹ 40,000; ₹ 35,000 and ₹ 30,000 respectively.

You are required to:

(a) Calculate the new capitals of Ashok, Bhim and Chetan; and

(b) Pass the necessary Journal entries for the above transactions. [3]

Question 3.

Ashoka Ltd. issued 5,000, 10% Debentures of ₹ 100 each on 1st April, 2022 at par redeemable at a premium of 10% after five years. The issue was fully subscribed. According to the terms of issue, interest on debentures is payable annually on 31st March. TDS is deducted @ 10%.

You are required to pass Journal entries to record the transactions of interest on debentures *only* for the year 2022–23. [3]

Question 4.

Radhika Ltd., an unlisted Interior Designing company, has 3,000; 10% Debentures of ₹ 100 each outstanding as on 31st March, 2022. These debentures are due for redemption on 31st March, 2023 at a premium of 10%. Debentures Redemption Reserve Account has balance of ₹ 30,000 on 31st March, 2022.

You are required to pass Journal entries for redemption of debentures and closure of Debenture Redemption Reserve (Ignore Debenture Redemption Investment).

Or

Mahima Ltd., an unlisted construction company, issued 15,000; 10% Debentures of ₹ 100 each at par on 1st April, 2019, redeemable at 5% premium in three yearly instalments by draw of lots as follows:

Date of Redemption	*Debentures to be Redeemed*
On 31st March, 2021	3,000 Debentures;
On 31st March, 2022	6,000 Debentures;
On 31st March, 2023	6,000 Debentures.

You are required to prepare:

(a) **Debenture Redemption Investment Account for the year 2021–22 and 2022–23.**

(b) **10% Debentures Account and Debentureholders' Account for the year 2021–22.** [3]

Question 5.

Calculate goodwill of a firm on the basis of three years' purchase of the weighted average profit of the last four years. Profits of these four years ended 31st March, were:

Year Ended	31st March, 2020	31st March, 2021	31st March, 2022	31st March, 2023
Profit (₹)	4,04,000	4,96,000	4,00,000	6,00,000

The weights assigned to each year ended 31st March are: 2020—1; 2021—2; 2022—3 and 2023—4.

You are provided with following additional information:

(i) On 31st March, 2022, a major plant repair was undertaken for ₹ 1,20,000 which was accounted as expense. It is to be capitalised for goodwill calculation subject to adjustment of depreciation @ 10% p.a. on Reducing Balance Method.

(ii) Closing Stock for the year ended 31st March, 2021 was overvalued by ₹ 48,000. [3]

Question 6.

(a) Sun India Ltd. was registered with an authorised capital of ₹ 20,00,000 divided into 2,00,000 equity shares of ₹ 10 each, payable ₹ 3 on application, ₹ 6 on allotment (including ₹ 1 premium) and balance on call.

It offered 80,000 shares for public subscription. All the money was called and duly received except allotment and call money on 5,000 shares held by Manish and call money on 4,000 shares held by Alok. Manish's shares were forfeited and out of these 3,000 shares were reissued for ₹ 9 per share as fully paid-up.

Show share capital in the books of the company. Also prepare notes to accounts. [4]

(b) Shubh Ltd. has following balances appearing in its Trial Balance for the year ended 31st March, 2023:

Securities Premium	₹ 22,00,000
9% Debentures	₹ 1,20,00,000
Underwriting Commission	₹ 10,00,000

The debentures were issued on 1st July, 2022, redeemable at a premium of 10% on 30th June, 2030.

You are required to suggest the manner in which the company should use Securities Premium in preparing the Balance Sheet as at 31st March, 2023. [2]

Question 7.

Param and Dharam were partners in a firm sharing profits and losses in the ratio of 5 : 3. They admitted Vijay as a partner for 1/3rd share in profits. Vijay was to contribute ₹ 20,000 as his capital. Balance Sheet of Param and Dharam on 1st April, 2023, the date of Vijay's admission, was as follows:

Liabilities		₹	Assets		₹
Capital A/cs:			Building		25,000
Param	50,000		Machinery		30,000
Dharam	35,000	85,000	Stock		15,000
General Reserve		16,000	Debtors	20,000	
Creditors		27,000	*Less:* Provision for Doubtful Debts	1,500	18,500
			Cash at Bank		39,500
		1,28,000			1,28,000

Other terms agreed upon were:

(i) Goodwill of the firm was valued at ₹ 12,000.

(ii) Building were to be valued at ₹ 35,000 and Machinery at ₹ 25,000.

(iii) Provision for Doubtful Debts was found to be in excess by ₹ 400.

(iv) A liability for ₹ 1,000 included in sundry creditors was not payable.

(v) Capitals of the partners be adjusted on the basis of Vijay's contribution of capital in the firm. Excess or shortfall, if any, to be transferred to Current Accounts.

You are required to prepare:

(a) Partners' Capital Accounts.

(b) Balance Sheet of the new firm.

Or

Balance Sheet of Alka, Harpreet and Shreya who were sharing profits and losses in the ratio of 1/2, 1/3 and 1/6 as on 1st April, 2023 was as follows:

Liabilities		₹	Assets	₹
Sundry Creditors		18,900	Cash at Bank	25,650
Capital A/cs:			Debtors	23,200
Alka	40,000		Stock	22,300
Harpreet	25,000		Furniture	3,500
Shreya	20,000	85,000	Machinery	9,750
Profit & Loss A/c		4,500	Building	24,000
		1,08,400		1,08,400

Alka retired from the business on 1st April, 2023 and her share in the firm was to be ascertained on the revaluation of the assets as follows:

Stock ₹ 20,000; Furniture ₹ 3,000; Machinery ₹ 9,000; Building ₹ 20,000; ₹ 850 was to be provided for doubtful debts. Goodwill of the firm was valued at ₹ 6,000.

Alka was to be paid ₹ 11,050 in cash on retirement and the balance in two equal yearly instalments with interest at 9% per annum.

You are required to prepare:

(a) Partners' Capital Accounts.

(b) Alka's Loan Account until she is paid the amount due to her. [6]

Question 8.

Sidharth and Raunak were partners sharing profits in the ratio of 2 : 1. They dissolved their firm on 31st March, 2023.

On this date, the Balance Sheet of the firm besides realisable assets and outside liabilities, showed the followings:

	₹
Sidharth's Capital	1,20,000 (Cr.)
Raunak's Capital	60,000 (Dr.)
Profit & Loss Account	30,000 (Dr.)
Rounak's Loan to the firm	45,000
General Reserve	21,000

On the date of dissolution of firm:

(a) Raunak's loan was repaid by the firm along with interest of ₹ 1,500.

(b) Expenses of dissolution amounting to ₹ 3,000 were to be borne by Sidharth. These were paid by the firm on his behalf.

(c) Firm had an unrecorded asset of ₹ 6,000 which was taken by Raunak while Sidharth discharged an unrecorded liability of ₹ 9,000.

(d) The dissolution resulted in a loss of ₹ 90,000 from the realisation of assets and settlement of liabilities.

You are required to prepare:

(i) Partners' Capital Accounts.

(ii) Raunak's Loan Account. [6]

Question 9.

Krishna, Sandeep and Karim are partners in a firm sharing profits and losses in the ratio of 3 : 2 : 1. They had capitals of ₹ 3,00,000 (Credit), ₹ 2,00,000 (Credit) and ₹ 40,000 (Debit) respectively as on 1st April, 2022.

Their Partnership Deed provides as follows:

(i) Interest on Capital is to be allowed @ 5% p.a. to the partners with credit balance.

(ii) Interest on Drawings is to be charged @ 6% p.a.

(iii) Krishna is to get annual salary of ₹ 25,720 together with commission of 10% on net profit after charging his own commission.

(iv) Sandeep is to get salary of ₹ 7,500 per quarter.

(v) Each partner withdrew ₹ 500 in the middle of each month and Karim withdrew an additional ₹ 4,000 on 30th June, 2022.

(vi) Karim is to get rent of ₹ 1,000 per month for the use of his premises by the firm.

Profit for the year 2022–23 before making any of the above adjustments was ₹ 2,32,000.

You are required to:

(a) Prepare Profit & Loss Appropriation Account of the firm for the year 2022–23. (6)

(b) Pass adjusting and closing entries for Interest on Capital. (2)

(c) Pass Adjusting and closing entries for Interest on Drawings. (2)

Or

(a) Suraj, Pawan and Kamal are partners in a firm. Their capitals were ₹ 3,00,000; ₹ 1,50,000 and ₹ 1,50,000 respectively on 1st April, 2022.

In terms of the Partnership Deed:

(i) Kamal was to be allowed remuneration of ₹ 36,000 per annum.

(ii) Interest @ 5% p.a. was to be allowed on capital, and

(iii) Profits were to be distributed in the ratio of 2 : 2 : 1.

Ignoring the above terms, net profit of ₹ 1,80,000 for the year ended 31st March, 2023 was distributed among the three partners equally.

You are required to pass the Journal entries to rectify the errors. [6]

(b) Alia, Karan and Shilpa were partners in a firm sharing profits in the ratio of 7 : 2 : 1. Their Capital Accounts have balances as on 1st April, 2022 as follows: Alia—₹ 3,00,000; Karan—₹ 2,00,000 and Shilpa—₹ 1,00,000.

Their Current Accounts show balances as follows:

Alia—₹ 40,000; Karan—₹ 50,000 and Shilpa—₹ 10,000.

The partnership deed provided for the following for distribution of profit:

(i) 10% of the net profit will be transferred to General Reserve.

(ii) Shilpa was guaranteed that her share of profit after allowing interest on capital @ 10% would not be less than ₹ 50,000 in a year. Any deficit of guaranteed profit to Shilpa was to be shared by Alia and Karan equally.

Net profit of the firm for the year ended 31st March, 2023 was ₹ 2,50,000.

You are required to:

1. **Prepare Profit & Loss Appropriation Account for the year ended 31st March, 2023.** [3]
2. **Give Journal entry for transfer of Net Profit to General Reserve.** [1]

Question 10.

Grand Hotels 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 decided by the Board of Directors.

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 total outstanding 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 were reissued at ₹ 7 per share.

You are required to prepare:

(i) Shares Allotment Account, [3]

(ii) Securities Premium Account, [2]

(iii) Shares Forfeiture Account, and [3]

(iv) Calls-in-Arrears Account. [2]

Or

Epson Ltd. forfeited 600 shares of ₹ 100 each issued at a premium of 30% to Shiva who had paid application money of ₹ 50 (including ₹ 10 premium), for non-payment of allotment money of ₹ 50 (including ₹ 10 premium).

At different intervals of time, out of these 100 shares were reissued to Vishnu as ₹ 80 called-up for ₹ 70 per share. 100 shares were reissued to Vijay as ₹ 80 paid-up for ₹ 90 per share and 400 shares were reissued to Mohan, credited as fully paid for ₹ 90 per share.

You are required to:

(a) Pass the necessary Journal entries for forfeiture and re-issue of shares. [8]

(b) Prepare Forfeited Shares Account. [2]

SECTION B (20 Marks)

Question 11.

In sub-parts (i) and (ii) choose the correct options and in sub-parts (iii) to (v) answer the questions as instructed.

(i) Debt-Equity Ratio of Dhamaka Ltd. is 3 : 1. Which of the following will result in decrease in this ratio?

(a) Issue of debentures for cash of ₹ 2,00,000.

(b) Issue of debentures of ₹ 3,00,000 to vendors from whom machinery was purchased.

(c) Goods purchased on credit of ₹ 1,00,000.

(d) Issue of equity shares of ₹ 2,00,000. [1]

(ii) Aditya Sunrise Ltd. provides following information:

Particulars	31st March, 2023 (₹)	31st March, 2022 (₹)
10% Bank Loan	Nil	1,00,000

Additional Information:

1. Equity share capital issued during the year ₹ 3,00,000;
2. 10% Bank Loan was repaid on 1st April, 2022.
3. Dividend received during the year was ₹ 20,000.
4. Dividend proposed for the year 2021–22 was ₹ 50,000 but only ₹ 20,000 was approved by the shareholders.

Cash Flow from Financing Activities is

(a) ₹ 1,50,000. (b) ₹ 2,00,000.
(c) ₹ 1,70,000. (d) ₹ 1,80,000. [1]

(iii) Why 'Provision for Doubtful Debts' is deducted from the total amount of 'Trade Receivables' while computing Current Ratio? [1]

(iv) What is meant by Intra-firm Analysis? [1]

(v) When is interest received a Financing Activity? [1]

Question 12.

From the following data, prepare a Common-size Balance Sheet of Palms Ltd. as at 31st March, 2023: (All calculations up to two decimal places)

Particulars	31st March, 2023 (₹)
Share Capital	24,00,000
Trade Payables	2,40,000
Property, Plant and Equipment	20,00,000
Intangible Assets: Goodwill	2,00,000
Reserves and Surplus	3,60,000
Cash and Bank Balances	8,00,000
Short-term Loans and Advances	2,00,000
Short-term Borrowings	40,000
Long-term Borrowings	1,60,000

[3]

Question 13.

From the following Balance Sheet of Wisben Ltd., you are required to prepare Cash Flow Statement (as per AS-3) for the year 2022–23:

BALANCE SHEET OF WISBEN LTD. *as at 31st March, 2023 and 31st March, 2022*

Particulars	Note No.	31st March, 2023 (₹)	31st March, 2022 (₹)
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(a) Share Capital		7,00,000	6,00,000
(b) Reserves and Surplus		2,00,000	1,10,000
(Surplus, *i.e.*, Balance in Statement of Profit & Loss)			
2. Non-Current Liabilities			
Long-term Borrowings (10% Debentures)		3,00,000	2,00,000
3. Current Liabilities			
Trade Payables		30,000	25,000
Total		12,30,000	9,35,000

II. ASSETS			
1. Non-Current Assets			
Property, Plant and Equipment and Intangible Assets:			
Property, Plant and Equipment		11,00,000	8,00,000
2. Current Assets			
(a) Inventories		70,000	60,000
(b) Trade Receivables		32,000	40,000
(c) Cash and Bank Balance (Cash at Bank)		28,000	35,000
Total		12,30,000	9,35,000

Adjustments:

1. Contingent Liability — 31st March, 2023 — 31st March, 2022
   Proposed Dividend — 20% — 15%
2. During the year, a piece of machinery of the book value of ₹ 80,000 was sold for ₹ 65,000. Depreciation provided on machinery during the year amounted to ₹ 2,00,000.
3. Fresh issues of shares and 10% Debentures were made on 31st March, 2023.

Or

Read the following information of Abhipra Ltd., and answer the questions that follow:

Particulars	31st, March 2023 (₹)	31st, March 2022 (₹)
Trade Receivables	85,000	1,00,000
Provision for Tax	75,000	50,000
Furniture (at book value)	6,00,000	8,00,000
General Reserve	2,50,000	2,00,000
10% Debentures	2,00,000	1,50,000
Goodwill	3,00,000	3,50,000
Trade Payables	1,05,000	1,25,000
Balance of Statement of Profit & Loss (Cr.)	6,50,000	6,00,000
Securities Premium	...	2,20,000
Share Capital (Equity Shares of ₹ 100 each)	25,00,000	15,00,000

Additional Information:

During the year 2022–23:

(a) A piece of furniture costing ₹ 1,50,000 (accumulated depreciation ₹ 15,000) was sold for ₹ 1,25,000.

(b) Tax of ₹ 45,000 was paid.

(c) Paid underwriting commission ₹ 20,000.

(d) Interim Dividend of ₹ 20,000 was paid.

(e) The company paid ₹ 15,000 as interest on debentures.

(f) Issued bonus shares to the shareholders at the beginning of the year in the ratio of 1 : 5 (that is 1 bonus share for every 5 shares held) by capitalising the Securities Premium.

(g) Land was purchased on 2nd April, 2022 for ₹ 5 lakh for which the company issued 4,000 Equity Shares of ₹ 100 each at a premium of 25%.

(i) How many bonus shares have been issued by the company to the shareholders? [1]

(ii) What is the company's Net Profit before Tax? [1]

(iii) What is the amount of Operating Profit before Working Capital Changes? [1]

(iv) What is the amount of Cash Flow from Operating Activities after tax is paid? [1]

(v) What is the Net Cash Flow from or Used in Investing Activities? [1]

(vi) State the amount of Net Cash Flow from or Used in Financing Activities. [1]

Question 14.

Answer *any three* of the following questions:

(i) Operating Cost ₹ 8,50,000; Gross Profit Ratio 20%; Operating Expenses ₹ 50,000. **Calculate Operating Profit Ratio.**

(ii) A company earns Gross Profit of 25% on cost. For the year ended 31st March, 2023, its Gross Profit was ₹ 5,00,000; Equity Share Capital of the company was ₹ 10,00,000; Reserves and Surplus ₹ 2,00,000; Long-term Loan ₹ 3,00,000 and Non-current Assets were ₹ 10,00,000.

Compute 'Working Capital Turnover Ratio' of the company.

(iii) Karishma Ltd.'s profit after interest and tax was ₹ 1,00,000. Its Current Assets were ₹ 4,00,000; Current Liabilities ₹ 2,00,000; Fixed Assets ₹ 6,00,000 and 10% Long-term Debt ₹ 4,00,000. The rate of tax was 20%.

Calculate 'Return on Investment' of Karishma Ltd.

(iv) *For the year 2022–23:*

- The Interest Coverage Ratio of 'Srestha Ltd.' is 8 Times.
- Its 10% Long-term Borrowing is ₹ 4,00,000.

(a) You are required to give the formula used by the company to calculate 'Interest Coverage Ratio'.

(b) You have been provided with two components for calculating the Interest Coverage Ratio. Calculate the remaining component. [6]

ANSWERS

SECTION A

Question 1.

(i) (b) ₹ 56,000, ₹ 42,000, ₹ 14,000.

Working Note:

Interest on Capital:

		₹
Puneet	= ₹ 8,00,000 × 10/100 =	80,000
Gaurav	= ₹ 6,00,000 × 10/100 =	60,000
Tarun	= ₹ 2,00,000 × 10/100 =	20,000
Total Interest Payable		1,60,000

Total interest due = ₹ 1,60,000. However, total distributable profit is ₹ 1,12,000. Therefore, profit of ₹ 1,12,000 will be distributed among Puneet, Gaurav and Tarun in the ratio of their Interest on Capital, *i.e.*, 8 : 6 : 2 or 4 : 3 : 1.

Interest on Capital:

		₹
Puneet	= ₹ 1,12,000 × 4/8 =	56,000
Gaurav	= ₹ 1,12,000 × 3/8 =	42,000
Tarun	= ₹ 1,12,000 × 1/8 =	14,000

(ii) (b) Debited, ₹ 65,000

Working Note:

Chanu is guaranteed profit of ₹ 80,000. However, the firm has incurred loss of ₹ 50,000. Out of the total loss, Banu's Capital Account is debited by ₹ 65,000, *i.e.*, 1/2 of ₹ 1,30,000.

(iii) (d) Capital Reserve is to be credited with ₹ 20,000.

Excess of Net Assets (*i.e.*, Assets – Liabilities) acquired over purchase consideration should be credited to Capital Reserve.

₹ 2,90,000 (₹ 3,00,000 – ₹ 10,000) – ₹ 2,70,000 (Debentures) = ₹ 20,000.

(iv) (d) 800 shares.

Working Note:

		₹
Amount forfeited per share	=	5
Less: Discount on Reissue per share	=	1
Gain on Reissue per share	=	4

$$\text{No. of Shares Reissued} = \frac{\text{Capital Reserve}}{\text{Gain on reissue per share}} = \frac{₹\,3{,}200}{₹\,4} = 800 \text{ shares.}$$

(v) Share given by Karuna to Aruna $= \frac{3}{10} \times \frac{2}{5} = \frac{6}{50}$

Share given by Karuna to Swarna $= \frac{3}{10} \times \frac{3}{5} = \frac{9}{50}$

New Profit Share = Old Profit Share + Profit Share Acquired

Aruna's New Profit Share = $\frac{4}{10}+\frac{6}{50}=\frac{20+6}{50}=\frac{26}{50}$

Varuna's New Profit Share = $\frac{2}{10}$ (Unchanged)

Swarna's New Profit Share = $\frac{1}{10}+\frac{9}{50}=\frac{5+9}{50}=\frac{14}{50}$

New Profit-sharing Ratio = 26 : 10 : 14.

(vi) (d) Both Assertion (A) and Reason (R) are correct, and Reason (R) is the correct explanation of Assertion (A).

(vii) Bank Account will be credited in Realisation Account by ₹ 1,03,000.

Working Note:

			₹
(i)	Cash paid to 50% creditors	=	8,000
(ii)	Remaining creditors were paid at a discount of 5% (₹ 1,00,000 – 5% of ₹ 1,00,000)	=	95,000
Total amount paid to Creditors			1,03,000

(viii) Debentures Redemption Reserve is transferred to General Reserve after the redemption of debentures, where all the debentures are redeemed together, *i.e.*, in lump sum. And where the debentures are redeemed in parts, *i.e.*, in instalments, Debentures Redemption Reserve is transferred to General Reserve in proportion to the debentures redeemed.

(ix) It means issue of debentures as an additional or secondary security in addition to the principal or prime security for taking a loan.

(x) It will increase Non-current Liabilities (Long-term Borrowings) and also Non-current Assets under Plant and Machinery.

Question 2.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bad Debts A/c ...Dr.		7,500	
	To Debtors A/c			7,500
	(Being the Bad Debts written-off)			
	Provision for Doubtful Debts A/c ...Dr.		7,500	
	To Bad Debts A/c			7,500
	(Being the Bad Debts transferred to Provision for Doubtful Debts A/c)			
	Revaluation A/c ...Dr.		1,875	
	To Provision for Doubtful Debts A/c [5%(₹ 95,000 – ₹ 7,500) – (₹ 10,000 – ₹ 7,500)]			1,875
	(Being the Provision for Doubtful Debts made to be 5% of Debtors)			
	Chander's Capital A/c ...Dr.		1,125	
	Damini's Capital A/c ...Dr.		750	
	To Revaluation A/c			1,875
	(Being the Loss on Revaluation transferred to partners in their old profit-sharing ratio)			

Or

(a) *Calculation of New Capitals of Ashok, Bhim and Chetan and New Profit-sharing Ratio:*

Ashok's New Profit Share = 3/6 – 3/16 = 15/48; Bhim's New Profit Share = 2/6 – 1/16 = 13/48;
Chetan's Profit Share = 1/6; Dheeraj's Profit Share = 1/4

New Profit-sharing Ratio of Ashok, Bhim, Chetan and Dheeraj = 15 : 13 : 8 : 12.

∴ *New Capitals of* Ashok, Bhim *and* Chetan *are:*

Ashok = ₹ 1,20,000 × 15/48 = ₹ 37,500; Bhim = ₹ 1,20,000 × 13/48 = ₹ 32,500;

Chetan = ₹ 1,20,000 × 1/6 = ₹ 20,000; Dheeraj = ₹ 1,20,000 × 1/4 = ₹ 30,000.

Calculation of Amount brought or paid:	Ashok (₹)	Bhim (₹)	Chetan (₹)
Existing Capital	40,000	35,000	30,000
Required Capital	37,500	32,500	20,000
Amount Withdrawn	2,500	2,500	10,000

(b) JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Cash/Bank A/c	...Dr.		30,000	
	To Dheeraj's Capital A/c				30,000
	(Being the amount brought by Dheeraj as his capital)				
	Ashok's Capital A/c	...Dr.		2,500	
	Bhim's Capital A/c	...Dr.		2,500	
	Chetan's Capital A/c	...Dr.		10,000	
	To Cash/Bank A/c				15,000
	(Being the amounts withdrawn by partners to adjust their capitals in the new ratio)				

Question 3. JOURNAL OF ASHOKA LTD.

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2023					
March 31	Debentures' Interest A/c	...Dr.		50,000	
	To Debentureholders' A/c				45,000
	To TDS Payable A/c				5,000
	(Being the interest due for the year and TDS deducted @ 10%)				
March 31	Debentureholders' A/c	...Dr.		45,000	
	To Bank A/c				45,000
	(Being the payment of interest)				
March 31	TDS Payable A/c	...Dr.		5,000	
	To Bank A/c				5,000
	(Being the TDS deducted deposited)				

Question 4.

JOURNAL OF RADHIKA LTD.

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2023					
March 31	10% Debentures A/c	...Dr.		3,00,000	
	Premium on Redemption of Debentures A/c	...Dr.		30,000	
	To Debentureholders' A/c				3,30,000
	(Being the amount due to debentureholders on redemption)				
March 31	Debentureholders' A/c	...Dr.		3,30,000	
	To Bank A/c				3,30,000
	(Being the amount due to debentureholders paid)				
March 31	Debentures Redemption Reserve A/c	...Dr.		30,000	
	To General Reserve A/c				30,000
	(Being the DRR transferred to General Reserve)				

Note: Balance in DRR is ₹ 30,000 as on 31st March, 2022, which is 10% of outstanding debentures, *i.e.*, adequate as per Rule 18(7)(b) of the Companies (Share Capital and Debentures) Rules, 2014.

Or

In the Books of Mahima Ltd.

(a) *Dr.* DEBENTURES REDEMPTION INVESTMENT ACCOUNT *Cr.*

Date	Particulars	₹	Date	Particulars	₹
2021			2022		
April 1	To Balance *b/d*	45,000	March 31	By Balance *c/d*	90,000
April 1	To Bank A/c	45,000			
		90,000			90,000
2022			2023		
April 1	To Balance *b/d*	90,000	March 31	By Bank A/c	90,000
		90,000			90,000

(b) *Dr.* 10% DEBENTURES ACCOUNT *Cr.*

Date	Particulars	₹	Date	Particulars	₹
2022			2021		
March 31	To Debentureholders' A/c	6,00,000	April 1	By Balance *b/d*	12,00,000
March 31	To Balance *c/d*	6,00,000			
		12,00,000			12,00,000

Dr. DEBENTUREHOLDERS' ACCOUNT *Cr.*

Date	Particulars	₹	Date	Particulars	₹
2022			2022		
March 31	To Bank A/c	6,30,000	March 31	By 10% Debentures A/c	6,00,000
			March 31	By Premium on Redemption of Debentures A/c	30,000
		6,30,000			6,30,000

Question 5.

CALCULATION OF ADJUSTED PROFIT

Particulars	31st March, 2020 (₹)	31st March, 2021 (₹)	31st March, 2022 (₹)	31st March, 2023 (₹)
Given Profits	4,04,000	4,96,000	4,00,000	6,00,000
Add: Capital Expenditure on Plant	...	...	1,20,000	...
	4,04,000	4,96,000	5,20,000	6,00,000
Less: Unprovided Depreciation on Plant	...	...	...	12,000
	4,04,000	4,96,000	5,20,000	5,88,000
Less: Overvaluation of Closing Stock	...	48,000	...	...
	4,04,000	4,48,000	5,20,000	5,88,000
Add: Overvaluation of Opening Stock	...	...	48,000	...
Adjusted Profits	4,04,000	4,48,000	5,68,000	5,88,000

CALCULATION OF WEIGHTED PROFIT

Year Ended	Profits (₹)	Weights	Weighted Profit (₹)
31st March, 2020	4,04,000	1	4,04,000
31st March, 2021	4,48,000	2	8,96,000
31st March, 2022	5,68,000	3	17,04,000
31st March, 2023	5,88,000	4	23,52,000
Total		10	53,56,000

$$\text{Weighted Average Profit} = \frac{\text{Total of Weighted Profit}}{\text{Total of Weights}} = \frac{₹\ 53,56,000}{10}$$

$$= ₹\ 5,35,600$$

$$\text{Goodwill} = \text{Weighted Average Profit} \times \text{Number of Years' Purchase}$$

$$= ₹\ 5,35,600 \times 3 = ₹\ 16,06,800.$$

Notes*:*

1. Depreciation on Plant for the year ending 31st March, 2023 = ₹ 1,20,000 × 10/100 = ₹12,000.
2. Closing Stock of the year ended 31st March, 2021 will become Opening Stock of the year ended 31st March, 2022.

Question 6.

(a) BALANCE SHEET (EXTRACT) *as at ...*

Particulars	Note No.	Amount ₹
I. EQUITY AND LIABILITIES		
1. Shareholders' Funds		
Share Capital	1	7,78,000

Note to Accounts

Particulars		₹
1. Share Capital		
Authorised Capital		
2,00,000 Equity Shares of ₹ 10 each		20,00,000
Issued Capital		
80,000 Equity Shares of ₹ 10 each		8,00,000
Subscribed Capital		
Subscribed and fully paid-up		
74,000 Equity Shares of ₹ 10 each		7,40,000
Subscribed but not fully paid-up		
4,000 Equity Shares of ₹ 10 each	40,000	
Less: Calls-in-Arrears (4,000 × ₹ 2)	(8,000)	32,000
Forfeited Shares Account (2,000 Equity Shares @ ₹ 3)		6,000
		7,78,000

(b) (i) Write off underwriting commission of ₹ 10,00,000 from Securities Premium.

(ii) Write off Loss on Issue of Debentures (Premium payable on Redemption of Debentures) ₹ 12,00,000 from Securities Premium.

Question 7.

(a) *Dr.* PARTNERS' CAPITAL ACCOUNTS *Cr.*

Particulars	Param ₹	Dharam ₹	Vijay ₹	Particulars	Param ₹	Dharam ₹	Vijay ₹
To Current A/c (Transfer) —Balancing Figure	41,500	29,900	...	By Balance *b/d*	50,000	35,000	...
				By General Reserve A/c	10,000	6,000	...
To Balance *c/d* (WN 4)	25,000	15,000	20,000	By Revaluation A/c (WN 1)	4,000	2,400	...
				By Bank A/c	...	...	20,000
				By Vijay's Current A/c (Goodwill) (WN 2)	2,500	1,500	...
	66,500	44,900	20,000		66,500	44,900	20,000

(b) BALANCE SHEET OF THE NEW FIRM *as at 1st April, 2023*

Liabilities		₹	Assets		₹
Capital A/cs:			Building		35,000
Param	25,000		Machinery		25,000
Dharam	15,000		Stock		15,000
Vijay	20,000	60,000	Debtors	20,000	
Current A/cs:			*Less:* Provision for Doubtful Debts	1,100	18,900
Param	41,500		Vijay's Current A/c		4,000
Dharam	29,900	71,400	Cash at Bank (₹ 39,500 + ₹ 20,000)		59,500
Creditors		26,000			
		1,57,400			1,57,400

Working Notes:

1. *Dr.* REVALUATION ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Machinery A/c	5,000	By Building A/c	10,000
To Param's Capital A/c (Profit)	4,000	By Provision for Doubtful Debts A/c	400
To Dharam's Capital A/c (Profit)	2,400	By Sundry Creditors A/c	1,000
	11,400		11,400

2. Vijay's Share of Goodwill = ₹ 12,000 × 1/3 = ₹ 4,000
   Credited to Param and Dharam in their sacrificing ratio, *i.e.*, 5 : 3.

3. *Calculation of New Profit-sharing Ratio:*
   Vijay is entitled to 1/3rd share in profit so balance of profit = 1 – 1/3 = 2/3. It will be shared by Param and Dharam in 5 : 3.

   Param's new profit share = 2/3 × 5/8 = 10/24
   Dharam's new profit share = 2/3 × 3/8 = 6/24
   New Profit-sharing Ratio of Param, Dharam and Vijay = 10/24 : 6/24 : 1/3
   = 10 : 6 : 8 or 5 : 3 : 4.

4. *Calculation of Capital of Param and Dharam on the basis of Vijay's Capital:*
   Vijay's share = 1/3; Vijay's capital = ₹ 20,000
   Based on Vijay's capital, total capital of the firm will be = (₹ 20,000 × 3/1) = ₹ 60,000
   ∴ Param's capital in the new firm = ₹ 60,000 × 5/12 = ₹ 25,000
   Dharam's capital in the new firm = ₹ 60,000 × 3/12 = ₹ 15,000.

Or

Dr. PARTNERS' CAPITAL ACCOUNTS *Cr.*

Particulars	Alka ₹	Harpreet ₹	Shreya ₹	Particulars	Alka ₹	Harpreet ₹	Shreya ₹
To Revaluation A/c (WN 1)	4,200	2,800	1,400	By Balance *b/d*	40,000	25,000	20,000
To Alka's Capital A/c (WN 2)	...	2,000	1,000	By Profit & Loss A/c	2,250	1,500	750
To Bank A/c	11,050	...	...	By Harpreet's Capital A/c	2,000	...	...
To Alka's Loan A/c —Balancing Figure	**30,000**	...	...	By Shreya's Capital A/c	1,000	...	...
To Balance *c/d*	...	21,700	18,350				
	45,250	26,500	20,750		45,250	26,500	20,750

Dr. ALKA'S LOAN ACCOUNT *Cr.*

Date	Particulars	₹	Date	Particulars	₹
2023			2022		
March 31	To Bank A/c (₹ 15,000 + ₹ 2,700)	17,700	April 1	By Alka's Capital A/c	30,000
March 31	To Balance *c/d*	15,000	2023		
			March 31	By Interest A/c (₹ 30,000 × 9/100)	2,700
		32,700			32,700
2024			2023		
March 31	To Bank A/c (₹ 15,000 + ₹ 1,350)	16,350	April 1	By Balance *b/d*	15,000
			2024		
			March 31	By Interest A/c (₹ 15,000 × 9/100)	1,350
		16,350			16,350

Working Notes:

1. *Dr.* REVALUATION ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Stock A/c	2,300	By Alka's Capital A/c (Loss)	4,200
To Furniture A/c	500	By Harpreet's Capital A/c (Loss)	2,800
To Machinery A/c	750	By Shreya's Capital A/c (Loss)	1,400
To Building A/c	4,000		
To Provision for Doubtful Debts A/c	850		
	8,400		8,400

2. Alka's share of goodwill = ₹ 6,000 × 1/2 = ₹ 3,000, which is contributed by Harpreet and Shreya in their gaining ratio, *i.e.*, 2 : 1.

Question 8.

(a) *Dr.* PARTNERS' CAPITAL ACCOUNTS *Cr.*

Particulars	Sidharth ₹	Raunak ₹	Particulars	Sidharth ₹	Raunak ₹
To Balance *b/d*	...	60,000	By Balance *b/d*	1,20,000	...
To Profit & Loss A/c	20,000	10,000	By General Reserve A/c	14,000	7,000
To Realisation A/c (Unrecorded Assets)	...	6,000	By Realisation A/c	9,000	...
To Bank A/c (Realisation Expenses)	3,000	...	—Unrecorded Liability		
To Realisation A/c (Loss)	60,000	30,000	By Bank A/c—Balancing Figure	...	99,000
To Bank A/c (Final Payment)—Bal. Fig.	60,000	...			
	1,43,000	1,06,000		1,43,000	1,06,000

(b) *Dr.* RAUNAK'S LOAN ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Bank A/c	46,500	By Balance *b/d*	45,000
		By Realisation A/c (Interest)	1,500
	46,500		46,500

Question 9.

(a) *Dr.* PROFIT & LOSS APPROPRIATION ACCOUNT *for the year ended 31st March, 2023* *Cr.*

Particulars		₹	Particulars		₹
To Interest on Capital A/c: (WN 2)			By Balance *b/d:*		
Krishna's Capital A/c	15,000		Profit	2,32,000	
(₹ 3,00,000 × 5/100)			*Less:* Rent to Karim (WN 1)	12,000	2,20,000
Sandeep's Capital A/c	10,000	25,000	By Interest on Drawings A/c:		
(₹ 2,00,000 × 5/100)			Krishna's Capital A/c	180	
To Salary A/c:			(₹ 6,000 × 6/100 × 6/12)		
Krishna's Capital A/c	25,720		Sandeep's Capital A/c	180	
Sandeep's Capital A/c	30,000	55,720	(₹ 6,000 × 6/100 × 6/12)		
To Commission A/c:			Karim's Capital A/c	360	720
Krishna's Capital A/c		20,000	[(₹ 6,000 × 6/100 × 6/12) + (₹ 4,000 × 6/100 × 9/12)]		
(₹ 2,20,000 × 10/110)					
To Krishna's Capital A/c (Profit)		60,000			
To Sandeep's Capital A/c (Profit)		40,000			
To Karim's Capital A/c (Profit)		20,000			
		2,20,720			2,20,720

Working Notes:

1. Rent of ₹ 12,000 payable to Karim for use of the premises is a *charge against profit* and not an appropriation of profit. Therefore, such rent is to be deducted from the profit to determine net profit.
2. Interest on Capital will not be allowed to Karim as his capital has a debit balance.

(b) JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Adjusting Entry:			
	Interest on Capital A/c ...Dr.		25,000	
	To Krishna's Capital A/c			15,000
	To Sandeep's Capital A/c			10,000
	(Being the interest on capital allowed)			
	Closing Entry:			
	Profit & Loss Appropriation A/c ...Dr.		25,000	
	To Interest on Capital A/c			25,000
	(Being the interest on capital transferred to Profit & Loss Appropriation A/c)			

(c) JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Adjusting Entry:			
	Krishna's Capital A/c ...Dr.		180	
	Sandeep's Capital A/c ...Dr.		180	
	Karim's Capital A/c ...Dr.		360	
	To Interest on Drawings A/c			720
	(Being the interest on drawings charged)			
	Closing Entry:			
	Interest on Drawings A/c ...Dr.		720	
	To Profit & Loss Appropriation A/c			720
	(Being the interest on drawings transferred to Profit & Loss Appropriation A/c)			

Or

(a) JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2023				
April 1	Suraj's Capital A/c ...Dr.		60,000	
	Pawan's Capital A/c ...Dr.		60,000	
	Kamal's Capital A/c ...Dr.		60,000	
	To Profit & Loss Adjustment A/c			1,80,000
	(Being the Share of profit wrongly credited to partners equally before allowing interest on capitals and remuneration of partners)			
	Remuneration to Kamal A/c ...Dr.		36,000	
	To Kamal's Capital A/c			36,000
	(Being the Remuneration credited to Kamal's Capital Account)			

Profit & Loss Adjustment A/c ...Dr.		36,000	
To Remuneration to Kamal A/c			36,000
(Being the Kamal's remuneration transferred to Profit & Loss Adjustment A/c)			
Interest on Capital A/c ...Dr.		30,000	
To Suraj's Capital A/c			15,000
To Pawan's Capital A/c			7,500
To Kamal's Capital A/c			7,500
(Being the Interest on capitals @ 5% p.a. credited to Partners' Capital Accounts)			
Profit & Loss Adjustment A/c ...Dr.		30,000	
To Interest on Capital A/c			30,000
(Being the interest on capital transferred to Profit & Loss Adjustment A/c			
Profit & Loss Adjustment A/c (₹ 1,80,000 – ₹ 36,000 – ₹ 30,000) ...Dr.		1,14,000	
To Suraj's Capital A/c			45,600
To Pawan's Capital A/c			45,600
To Kamal's Capital A/c			22,800
(Being the divisible profit after allowing interest on capitals and remuneration credited to Capital Accounts of respective partners in the ratio of 2 : 2 : 1)			

(b) 1.

Dr. PROFIT & LOSS APPROPRIATION ACCOUNT *for the year ended 31st March, 2023* *Cr.*

Particulars		₹	Particulars	₹
To General Reserve A/c		25,000	By Profit & Loss A/c (Net Profit)	2,50,000
To Interest on Capital:				
Alia's Current A/c	30,000			
Karan's Current A/c	20,000			
Shilpa's Current A/c	10,000	60,000		
To Alia's Current A/c (₹ 1,65,000 × 7/10) (Profit)	1,15,500			
Less: Deficiency borne	16,750	98,750		
To Karan's Current A/c (₹ 1,65,000 × 2/10) (Profit)	33,000			
Less: Deficiency borne	16,750	16,250		
To Shilpa's Current A/c (₹ 1,65,000 × 1/10) (Profit)	16,500			
Add: Deficiency borne by:				
Alia	16,750			
Karan	16,750	50,000		
		2,50,000		2,50,000

Working Note:

Shilpa's actual share of profit = 1/10(₹ 2,50,000 – ₹ 25,000 – ₹ 60,000) = ₹ 16,500

Deficiency = Guaranteed Profit – ₹ 16,500

= ₹ 50,000 – ₹ 16,500 = ₹ 33,500

Deficiency to be borne by Alia and Karan in the ratio of 1 : 1.

Deficiency to be borne by Alia = ₹ 33,500 × 1/2 = ₹ 16,750

Deficiency to be borne by Karan = ₹ 33,500 × 1/2 = ₹ 16,750.

2. JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Profit & Loss Appropriation A/c	...Dr.		25,000	
	To General Reserve A/c				25,000
	(Being 10% of the net profit transferred to General Reserve)				

Question 10.

(i) *Dr.* SHARES ALLOTMENT ACCOUNT *Cr.*

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

(ii) *Dr.* SECURITIES PREMIUM ACCOUNT *Cr.*

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

(iii) *Dr.* SHARES FORFEITURE ACCOUNT *Cr.*

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

(iv) *Dr.* CALLS-IN-ARREARS ACCOUNT *Cr.*

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

Working 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 (WN 1)	8,000
	42,000
Less: Allotment money due but not received (WN 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: Reissue Discount (800 × ₹ 1)	800
Gain on reissue transferred to Capital Reserve	3,040

Or

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Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	On forfeiture of 600 shares:			
	Share Capital A/c (600 × ₹ 80) ...Dr.		48,000	
	Securities Premium A/c (600 × ₹ 10) ...Dr.		6,000	
	To Shares Allotment A/c (600 × ₹ 50)			30,000
	To Forfeited Shares A/c (600 × ₹ 40)			24,000
	(Being 600 shares forfeited for non-payment of Allotment money)			
	On Reissue of 100 shares as ₹ 80 paid-up for ₹ 70 per share to Vishnu:			
	Bank A/c (100 × ₹ 70) ...Dr.		7,000	
	Forfeited Shares A/c (100 × ₹ 10) ...Dr.		1,000	
	To Share Capital A/c (100 × ₹ 80)			8,000
	(Being 100 shares reissued as ₹ 80 paid-up for ₹ 70 per share)			
	Forfeited Shares A/c [(₹ 24,000 × 100/600) – ₹ 1,000] ...Dr.		3,000	
	To Capital Reserve A/c			3,000
	(Being the gain on reissue transferred to Capital Reserve)			
	On Reissue of 100 shares as ₹ 80 paid-up for ₹ 90 per share to Vijay:			
	Bank A/c (100 × ₹ 90) ...Dr.		9,000	
	To Share Capital A/c (100 × ₹ 80)			8,000
	To Securities Premium A/c (100 × ₹ 10)			1,000
	(Being 100 shares reissued as ₹ 80 paid-up for ₹ 90 per share)			
	Forfeited Shares A/c (₹ 24,000 × 100/600) ...Dr.		4,000	
	To Capital Reserve A/c			4,000
	(Being the gain on reissue transferred to Capital Reserve)			
	On Reissue of 400 shares as fully paid for ₹ 90 per share to Mohan:			
	Bank A/c (400 × ₹ 90) ...Dr.		36,000	
	Forfeited Shares A/c (400 × ₹ 10) ...Dr.		4,000	
	To Share Capital A/c			40,000
	(Being 400 shares reissued as fully paid-up for ₹ 90 per share)			
	Forfeited Shares A/c [(₹ 24,000 × 400/600) – 4,000] ...Dr.		12,000	
	To Capital Reserve A/c			12,000
	(Being the gain on reissue transferred to Capital Reserve)			

Dr. FORFEITED SHARES ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Share Capital A/c	1,000	By Share Capital A/c	24,000
To Capital Reserve A/c	3,000		
To Capital Reserve A/c	4,000		
To Share Capital A/c	4,000		
To Capital Reserve A/c	12,000		
	24,000		24,000

Important Note:
After the reissue of all the forfeited shares at par, discount or premium, there will be no balance in the Forfeited Shares Account.

SECTION B

Question 11.

(i) (d) Issue of Equity Shares of ₹ 2,00,000.

(ii) (d) ₹ 1,80,000.

Working Note:	₹
Equity share capital issued	3,00,000
10% bank loan repaid	(1,00,000)
Dividend paid	(20,000)
Cash Flow from Financing Activities	1,80,000

Note: Dividend received during the year is an Investing Activity.

(iii) The 'Provision for Doubtful Debts' is deducted from the total amount of Trade Receivables to ascertain realisable value of Trade Receivables.

(iv) Intra-firm Analysis is a comparison of financial statements of an enterprise for two or more accounting periods.

(v) Interest received on Calls-in-Arrears by a company is Financing Activity.

Question 12.

COMMON-SIZE BALANCE SHEET OF PALMS LTD. *as at 31st March, 2023*

Particulars	Note No.	Absolute Amounts (₹)	Percentage of Balance Sheet Total (%)
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(a) Share Capital		24,00,000	75.00
(b) Reserves and Surplus		3,60,000	11.25
2. Non-Current Liabilities			
Long-term Borrowings		1,60,000	5.00
3. Current Liabilities			
(a) Short-term Borrowings		40,000	1.25
(b) Trade Payables		2,40,000	7.50
Total		32,00,000	100.00

II. ASSETS			
1. Non-Current Assets			
Property, Plant and Equipment and Intangible Assets:			
(i) Property, Plant and Equipment		20,00,000	62.50
(ii) Intangible Assets (Goodwill)		2,00,000	6.25
2. Current Assets			
(a) Cash and Bank Balance		8,00,000	25.00
(b) Short-term Loans and Advances		2,00,000	6.25
Total		32,00,000	100.00

Question 13.

Wisben Ltd.

CASH FLOW STATEMENT *for the year ended 31st March, 2023*

Particulars	₹	₹
I. Cash Flow from Operating Activities		
Net Profit before Tax (WN 1)		1,80,000
Adjustment for Non-cash and Non-0perating Items:		
Interest on Debentures		20,000
Depreciation		2,00,000
Loss on Sale of Machine		15,000
Operating Profit before Working Capital Changes		4,15,000
Changes in Current Assets & Current Liabilities:		
Increase in Inventories	(10,000)	
Decrease in Trade Receivables	8,000	
Increase in Trade Payables	5,000	3,000
Cash Flow from Operating Activities		4,18,000
II. Cash Flow from Investing Activities		
Proceeds from Sale of Machinery		65,000
Purchase of Machinery (WN 2)		(5,80,000)
Cash Used in Investing Activities		(5,15,000)
III. Cash Flow from Financing Activities		
Proceeds from Issue of Shares		1,00,000
Proceeds from Long-term Borrowings		1,00,000
Interest on Debentures		(20,000)
Dividend Paid		(90,000)
Cash Flow from Financing Activities		90,000
IV. Net Decrease in Cash and Cash Equivalents: Cash and Bank (I + II + III)		(7,000)
Add: Opening Cash and Cash Equivalents: Cash and Bank		35,000
V. Closing Cash and Cash Equivalents: Cash and Bank		28,000

Working Notes:

1. *Calculation of Net Profit before Tax:*

	₹
Closing Balance of Surplus, *i.e.*, Balance in Statement of Profit & Loss	2,00,000
Less: Opening Balance of Surplus, *i.e.*, Balance in Statement of Profit & Loss	1,10,000
	90,000
Add: Dividend paid (2021–22) (15% of ₹ 6,00,000)	90,000
Net Profit before Tax	1,80,000

2. *Dr.* PROPERTY, PLANT AND EQUIPMENT (MACHINERY) ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Balance *b/d*	8,00,000	By Bank A/c (Sale)	65,000
To Bank A/c (Purchase) (Balancing Figure)	5,80,000	By Statement of Profit & Loss (Loss)	15,000
		By Depreciation A/c	2,00,000
		By Balance *c/d*	11,00,000
	13,80,000		13,80,000

Or

(i) No. of Bonus Shares issued = $\frac{15{,}000 \text{ shares}}{5}$ = 3,000 shares

Note: Securities Premium available = ₹ 2,20,000 + ₹ 1,00,000 (Shares issued to Vendor)
= ₹ 3,20,000

Securities Premium used = ₹ 3,00,000 (Bonus Shares) + ₹ 20,000 for writing off underwriting commission.

(ii) *Calculation of Net Profit before Tax:*

	₹
Profit as per Statement of Profit & Loss (₹ 6,50,000 – ₹ 6,00,000)	50,000
Add: Transfer to General Reserve	50,000
Interim Dividend Paid	20,000
Provision for Tax (Note)	70,000
Net Profit before Tax	1,90,000

Note:

Dr. PROVISION FOR TAX ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Bank A/c (Tax Paid)	45,000	By Balance *b/d*	50,000
To Balance *c/d*	75,000	By Statement of Profit & Loss (Bal. Fig.) (Provision Made)	**70,000**
	1,20,000		1,20,000

(iii) **Calculation of Operating Profit before Working Capital Changes**

		₹
Net Profit before Tax (ii)		1,90,000
Add: Non-cash and Non-operating Expenses		
Goodwill amortised	50,000	
Loss on Sale of Furniture	10,000	
Interest on Debentures	15,000	
Depreciation on Furniture (Note)	65,000	1,40,000
Operating Profit before Working Capital Changes		3,30,000

Note:

Dr. FURNITURE ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Balance *b/d*	8,00,000	By Bank A/c (Sale)	1,25,000
		By Loss on Sale of Furniture A/c (Statement of Profit & Loss)	10,000
		By Depreciation A/c (Balancing Figure)	**65,000**
		By Balance *c/d*	6,00,000
	8,00,000		8,00,000

(iv)

	₹
Operating Profit before Working Capital Changes (iii)	3,30,000
Add: Decrease in Trade Receivables	15,000
	3,45,000
Less: Decrease in Trade Payables	20,000
Cash Generated from Operations	3,25,000
Less: Tax Paid	45,000
Cash Flow from Operating Activities	2,80,000

(v)

	₹
Cash Flow from Investing Activities:	
Proceeds from Sale of Furniture	1,25,000

Note: Purchase of land by issuing 4,000 equity shares will not be shown because there will be no outflow or inflow of cash.

(vi)

Cash Flow from Financing Activities:	₹
Proceeds from Issue of 10% Debentures	50,000
Proceed from Issue of Shares (Note)	3,00,000
Interim Dividend paid	(20,000)
Interest on Debentures paid	(15,000)
Underwriting Commission Paid	(20,000)
Cash Flow from Financing Activities	2,95,000

Note:

Dr. SHARE CAPITAL ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Balance *c/d*	25,00,000	By Balance *b/d*	15,00,000
		By Bonus to Shareholders' A/c	3,00,000
		By Vendor's A/c	4,00,000
		By Bank A/c (Balancing Figure)	3,00,000
	25,00,000		25,00,000

Question 14.

(i) Cost of Revenue from Operations = Operating Cost – Operating Expenses

= ₹ 8,50,000 – ₹ 50,000 = ₹ 8,00,000.

Operating Profit = Revenue from Operations – Operating Cost

= ₹ 10,00,000 – ₹ 8,50,000 = ₹ 1,50,000

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

= ₹ 8,00,000 + (₹ 8,00,000 × 25*/100) = ₹ 10,00,000

*Gross profit ratio 20% means gross profit on cost will be 25% on cost.

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

$$= \frac{₹\ 1,50,000}{₹\ 10,00,000} \times 100 = 15\%.$$

(ii) $$\text{Working Capital Turnover Ratio} = \frac{\text{Revenue from Operations}}{\text{Working Capital}}$$

$$= \frac{₹\ 25,00,000}{₹\ 5,00,000} = \textbf{5 Times}.$$

Working Notes:

1. Let the Cost = ₹ 100; Gross Profit = ₹ 25, Sales = ₹ 100 + ₹ 25 = ₹ 125

   When Gross Profit is ₹ 25, Sales = ₹ 125

   When Gross Profit is ₹ 5,00,000, Sales = ₹ 5,00,000 × ₹ 125/₹ 25

   Revenue from Operations or Sales = ₹ 25,00,000.

2. Working Capital = Capital Employed – Non-current Assets

   Or

   (Equity Share Capital + Reserves and Surplus + Long-term Loan)– Non-current Assets

   = ₹ 10,00,000 + ₹ 2,00,000 + ₹ 3,00,000 – ₹ 10,00,000 = ₹ 5,00,000.

(iii) Return on Investment $= \dfrac{\text{Net Profit before Interest and Tax}}{\text{Capital Employed}} \times 100$

$$= \frac{₹\ 1,65,000}{₹\ 8,00,000} \times 100 = \mathbf{20.63}\%.$$

Working Notes:

1. *Calculation of Net Profit before Interest and Tax:*

	₹
Profit after Interest and Tax (Given)	1,00,000
Profit after Interest but before Tax (₹ 1,00,000 × 100/80)	1,25,000
Add: Interest on Long-term Debt (10% of ₹ 4,00,000)	40,000
Net Profit before Interest and Tax	1,65,000

2. Capital Employed = Current Assets + Fixed Assets – Current Liabilities
= ₹ 4,00,000 + ₹ 6,00,000 – ₹ 2,00,000 = ₹ 8,00,000.

(iv) (a) Interest Coverage Ratio $= \dfrac{\text{Net Profit before Interest and Tax}}{\text{Fixed Interest Charges*}}$

*Fixed interest charge includes interest on only long-term borrowings.

(b) $$8 = \frac{\text{Net Profit before Interest and Tax}}{₹\ 40,000\ \text{(Interest on Long-term Borrowings)}}$$

Net Profit before Interest and Tax = ₹ 40,000 × 8 = ₹ 3,20,000.

Model Test Paper 4

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

General Instructions:

As per Model Test Paper 1

SECTION A (60 Marks)

(*Answer **all** questions*)

Question 1.

In sub-parts (i) to (iv) choose the correct options and in sub-parts (v) to (x) answer the questions as instructed.

(i) Geeta, Sunita and Anita were partners in a firm sharing profits in the ratio of 3 : 2 : 1. On 1st April, 2023, they admitted Yogita as a new partner on the following terms:

1. Goodwill of the firm to be valued at ₹ 3,00,000. Yogita brings her share of goodwill.
2. New profit-sharing ratio among Geeta, Sunita, Anita and Yogita will be 3 : 3 : 2 : 2.

Which of the following entry is correct on admission of Yogita?

(a)	Premium for Goodwill A/c	...Dr.	₹ 60,000	
	To Geeta's Capital A/c			₹ 36,000
	To Sunita's Capital A/c			₹ 24,000
(b)	Premium for Goodwill A/c	...Dr.	₹ 60,000	
	To Sunita's Capital A/c			₹ 40,000
	To Anita's Capital A/c			₹ 20,000
(c)	Premium for Goodwill A/c	...Dr.	₹ 60,000	
	To Geeta's Capital A/c			₹ 30,000
	To Sunita's Capital A/c			₹ 20,000
	To Anita's Capital A/c			₹ 10,000
(d)	Anita's Capital A/c	...Dr.	₹ 10,000	
	Premium for Goodwill A/c	...Dr.	₹ 60,000	
	To Geeta's Capital A/c			₹ 60,000
	To Sunita's Capital A/c			₹ 10,000

[1]

(ii) Choose the correct option to match the entries (items) in Column I with entries (items) in Column II:

Column I	Column II
(A) Gaining Ratio	1. The ratio in which all partners (including incoming partner) share the future profits.
(B) Old Profit-sharing Ratio	2. The ratio in which the old partners sacrifice their share of profit in favour of new partner.
(C) Sacrificing Ratio	3. The ratio in which the remaining partners acquire the retiring partner's share.
(D) New Profit-sharing Ratio	4. The ratio in which partners share profits and losses before reconstitution of firm.

Codes:

(a)	A	B	C	D	(b)	A	B	C	D
	3	4	1	2		1	3	2	4
(c)	A	B	C	D	(d)	A	B	C	D
	3	4	2	1		2	3	4	1

[1]

(iii) Paras Milk Ltd. issued 10,00,000, 8% Debentures of ₹ 10 each at 10% Discount redeemable at a premium. Loss on Issue of Debentures of ₹ 20,00,000 was written off from Securities Premium and Statement of Profit & Loss equally. Redemption value of each debenture is

(a) ₹ 12. (b) ₹ 11.

(c) ₹ 10. (d) ₹ 13. [1]

(iv) When shares are forfeited, the Share Capital Account is debited by ___________ and the Shares Forfeited Account is credited with ___________.

(a) Paid-up capital of shares forfeited, called-up capital of shares forfeited.

(b) Called-up capital of shares forfeited, calls-in-arrears of shares forfeited.

(c) Called-up capital of shares forfeited, amount received on shares forfeited.

(d) Calls-in-arrears of shares forfeited, amount received on shares forfeited. [1]

(v) Monu, Nigam and Shreya are partners in a firm sharing profits in the ratio of 3 : 2 : 1. Goodwill of the firm has been valued at ₹ 60,000 on Nigam's retirement. Monu and Shreya agree to share future profits equally.

Pass necessary Journal entry for the treatment of Nigam's share of Goodwill. [1]

(vi) **Assertion (A):** Capital Account of a partner maintained under Fixed Capital Accounts Method does not show a 'Debit Balance' in spite of losses year after year.

Reason (R): All transactions relating to loss or profit, drawings, salaries, etc. are shown in the Current Account and not in the Capital Account in case of fixed capitals.

In the context of above two statements, which of the following is correct?

(a) Assertion (A) is correct but Reason (R) is wrong.

(b) Both Assertion (A) and Reason (R) are correct, but Reason (R) is not the correct explanation of Assertion (A).

(c) Both Assertion (A) and Reason (R) are incorrect.

(d) Both Assertion (A) and Reason (R) are correct, and Reason (R) is the correct explanation of Assertion (A). [1]

(vii) At the time of dissolution of a firm, creditors are ₹ 70,000; firm's capital is ₹ 1,20,000, Cash Balance is ₹ 10,000. Other assets realised ₹ 1,50,000.

You are required to calculate Gain/Loss in the Realisation Account. [1]

(viii) JHP Ltd., a listed NBFC, had outstanding 50,000, 9% Debentures of ₹ 100 each.

As per provisions of the Companies Act, 2013, what amount, if any, does the company need to transfer to Debenture Redemption Reserve, before it can redeem the debentures? [1]

(ix) State the heading and sub-heading under which 'Capital Advances' are shown in the Balance Sheet of a company prepared as per Schedule III of the Companies Act, 2013. [1]

(x) On 1st April, 2022, Shiva Ltd. issued 5,000, 8% Debentures of ₹ 100 each as follows:

(a) For Cash at a discount of 5%	₹ 2,50,000 (Nominal)
(b) To a vendor for ₹ 1,35,000 in satisfaction of his claim	₹ 1,50,000 (Nominal)
(c) To a Banker for a loan of ₹ 90,000 as Collateral Security	₹ 1,00,000 (Nominal)

The interest on these debentures was to be paid annually on 31st March every year by the company.

You are required to calculate interest on these debentures payable by the company on 31st March, 2023. [1]

Question 2.

Farhan, Hina and Dolly were partners in a firm sharing profits in the ratio of 5 : 3 : 2. On 1st April, 2023, capitals of the partners were: ₹ 5,00,000; ₹ 3,00,000 and ₹ 2,00,000 respectively. Dolly died on 30th April, 2023.

On that date:

(i) Dolly's share of profit till the date of her death was estimated at ₹ 500.

(ii) Office equipment of the firm, the book value of which was ₹ 20,000 on 1st April, was revalued on the date of Dolly's death at ₹ 23,000.

(iii) Amount due to Dolly was determined as ₹ 2,01,100. The remaining partners decided to pay her ₹ 2,51,100.

(iv) Dolly's Executors were paid ₹ 25,000 immediately and balance amount was transferred to her Executor's Loan Account.

You are required to prepare Dolly's Capital Account to be rendered to the executor.

Or

Arjun, Bhim and Nakul are partners sharing profits in the ratio of 14 : 5 : 6. Bhim retired and gave his 5/25th share to Arjun.

Goodwill of the firm is valued at 2 years' purchase of super profits based on average profits of last 3 years. Profits for the last 3 years are ₹ 50,000, ₹ 55,000 and ₹ 60,000 respectively. Normal profit for the similar firm is ₹ 30,000.

Goodwill exists in the books of the firm at ₹ 75,000. Profit for the first year after Bhim's retirement was ₹ 1,00,000.

You are required to give necessary Journal entries to adjust Goodwill and distribute profit showing your workings. [3]

Question 3.

Neon Ltd. purchased assets of ₹ 18,00,000 and took over liabilities of ₹ 2,00,000 of Zenith Ltd. for a purchase consideration of ₹ 15,00,000.

Neon Ltd. paid the amount by issuing a cheque for ₹ 3,00,000 and the balance was settled by issuing 10% Debentures of ₹ 100 each at a premium of 20%.

Pass necessary Journal entries for the above transactions in the books of Neon Ltd. [3]

Question 4.

Excel Motor Ltd., an unlisted (Non-NBFC or HFC) company had 50,000, 8% Debentures of ₹ 100 each due for redemption on 31st March, 2023 at a premium of 5%. On this date the company had the required amount of ₹ 5,00,000 in its Debentures Redemption Reserve.

The Debenture Redemption Investment which was purchased on 30th April, 2022, was realised at 96% on the date of redemption and debentures were redeemed on the due date.

You are required to pass Journal entries in the books of Excel Motor Ltd. for the year 2022–23 (ignore interest on debentures).

Or

On 1st April, 2020, CEE ALOEVERA Ltd. (Listed) issued 7,500, 9% Debentures of ₹ 100 each. *One-third* Debentures were redeemed at par on 31st March, 2022, and the remaining *two-third* on 31st March, 2023.

Interest on Debentures is paid by company annually on 31st March.

After meeting the requirements of the Companies Act, 2013, regarding Debenture Redemption Investments, the debentures were redeemed by the company.

You are required to give necessary Journal entries in the books of the company only on 31st March, 2023, including entries for interest on debentures. [3]

Question 5.

Anita, Asha and Amrit are partners in a firm sharing profits in the ratio of 1/2, 3/10 and 1/5 respectively. Asha died on 31st March, 2023. Asha's share is acquired by Anita and Amrit in the ratio of 3 : 2.

On the date of Asha's death, it was decided to value goodwill of the firm on the basis of 3 years' purchase of average super profit. Average net profit earned by firm is ₹ 1,22,500 per annum.

Remuneration of the partners' considered as management cost, is estimated to be ₹ 22,500 p.a.

On the date of death, firm had assets of ₹ 5,50,000 including cash of ₹ 50,000. Its creditors were ₹ 2,00,000.

Normal Rate of Return in the industry is 20%.

You are required to:

(i) Calculate the value of goodwill of the firm. [2]

(ii) Pass Journal entry for adjusting Asha's Share of Goodwill. [1]

Question 6.

Apple Orchards Ltd. has an authorised capital of ₹ 50,00,000 divided into 50,000 Equity Shares of ₹ 100 each. The company offered 20,000 shares for subscription payable ₹ 30 on application, ₹ 60 on allotment and balance on call. The amount due was duly called and received except allotment and call money on 1,250 shares held by Ramesh and call money on 1,000 shares held by Vinod. Ramesh's shares were forfeited and out of these 750 shares were reissued for ₹ 90 per share as fully paid-up.

You are required to prepare:

(i) An extract of the Balance Sheet showing Share Capital.

(ii) Notes to Accounts. [6]

Question 7.

Sindhu, Rahul and Kamlesh are partners sharing profits in the ratio of 5 : 3 : 2. They dissolved the firm on 1st April, 2023 when their Balance Sheet was as follows:

Liabilities		₹	Assets	₹
Capital A/cs:			Building	20,000
Sindhu	24,000		Plant	44,000
Rahul	17,200		Stock	12,000
Kamlesh	20,800	62,000	Debtors	10,000
Rahul's Loan		12,000	Accrued Interest	2,000
Creditors		22,000	Cash at Bank	8,000
		96,000		96,000

Following transactions took place at the time of dissolution:

(i) Sindhu took over building at book value and agreed to pay creditors.

(ii) Accrued interest was not collected whereas there was a contingent liability of ₹ 1,200 which was met.

(iii) Other assets realised: Plant ₹ 50,000 and Stock ₹ 10,000.

(iv) Realisation expenses were to be fully borne by Sindhu for which he is to get a credit of ₹ 1,200. Actual realisation expenses paid out of firm's Bank Account were ₹ 1,500

(v) Rahul was entitled to receive interest on his loan to the firm @ 5% per annum for the whole year.

You are required to prepare:

(i) Realisation Account.

(ii) Rahul's Loan Account. [6]

Question 8.

Raghu and Rishu are partners sharing profits in the ratio of 3 : 2. Their Balance Sheet as at 31st March, 2023 was as follows:

Liabilities		₹	Assets		₹
Creditors		76,000	Cash in Hand		80,000
General Reserve		30,000	Debtors	42,000	
Capital A/cs:			*Less:* Provision for Doubtful Debts	7,000	35,000
Raghu	1,35,000		Stock		28,000
Rishu	90,000	2,25,000	Building		98,000
			Machinery		85,000
			Advertisement Expenditure (Deferred Revenue)		5,000
		3,31,000			3,31,000

Rishabh was admitted on that date for 1/4th share of profit on the following terms:

(i) Rishabh will bring ₹ 1,00,000 as his share of capital, but was not able to bring Premium for Goodwill to compensate the sacrificing partners.

(ii) Goodwill of the firm is valued at ₹ 1,20,000.

(iii) Machinery were found to be undervalued by ₹ 15,000. Building was to be brought up to ₹ 1,08,000.

(iv) All debtors are good.

(v) Capital Accounts of the partners will be adjusted on the basis of Rishabh's Capital in their profit-sharing ratio by Opening Current Accounts.

You are required to prepare:

(a) Revaluation Account.

(b) Partners' Capital Accounts.

Or

Ram and Mohan were partners in a firm sharing profits in the ratio of 3 : 2. They admitted Sohan as a partner for 1/3rd share in the profits. Sohan is to bring ₹ 30,000 for goodwill and his capital, so that his capital is equal to 1/3rd of the total capital of the new firm. On 31st March, 2023, the Balance Sheet of Ram and Mohan was as follows:

Liabilities		₹	Assets	₹
Creditors		30,000	Cash	1,00,000
Bills Payable		10,000	Debtors	30,000
Reserves		30,000	Stock	50,000
Capital A/cs:			10% Government Bonds	20,000
Ram	1,35,000		Furniture	10,000
Mohan	1,25,000	2,60,000	Machinery	1,20,000
		3,30,000		3,30,000

It was decided to:

(i) Revalue stock at ₹ 45,000.

(ii) Decrease furniture by 10% and machinery by 5%.

(iii) Provide ₹ 3,000 on sundry debtors for doubtful debts.

You are required to prepare:

(a) Revaluation Account; and

(b) Partners' Capital Accounts. [6]

Question 9.

Mohan and Sohan are partners in a firm, sharing profits and losses in the ratio of 3 : 2. Their fixed capitals as on 1st April, 2022, were ₹ 15,00,000 and ₹ 10,00,000 respectively.

Their Partnership Deed provides for the following:

(i) Partners are to be allowed interest on their capitals @ 10% per annum.

(ii) They are to be charged interest on drawings @ 4% per annum.

(iii) Mohan is to get salary of ₹ 5,000 per month.

(iv) Sohan is to get commission @ 5% of the corrected net profit of the firm before charging such commission.

(v) Mohan is to get rent of ₹ 7,500 per month for the use of his premises by the firm.

Mohan withdrew a fixed amount in the beginning of every month on which he was charged interest of ₹ 3,250, at the rate mentioned in the deed.

Sohan withdrew a fixed amount at the end of every month on which he was charged interest of ₹ 2,750, at the rate mentioned in the deed.

On 31st March, 2023, Sohan introduced further capital of ₹ 5,00,000.

Profit for the year ended 31st March, 2023, before providing for any of the above was ₹ 10,00,000.

You are required to:

(i) Calculate the drawings made by Mohan every month. [1]

(ii) Calculate the drawings made by Sohan every month. [1]

(iii) Pass the Journal entry for capital introduced by Sohan. [1]

(iv) Prepare the Profit & Loss Appropriation Account of the firm for the year 2022–23. [7]

Or

(a) Capitals of Kajal, Neerav and Alisha as on 31st March, 2023 were ₹ 90,000, ₹ 3,30,000 and ₹ 6,60,000 respectively. Profit of ₹ 1,80,000 for the year ended 31st March, 2023 was distributed in the ratio of 4 : 1 : 1 after allowing Interest on Capital @ 10% p.a. During the year, each partner withdrew ₹ 3,60,000. The Partnership Deed was silent as to profit-sharing ratio but provided for interest on capital @ 12%.

You are to required to pass the necessary adjustment entry showing the working clearly. [5]

(b) Raman and Rohit are partners in a firm. The terms of the Partnership Deed are as given under:

(i) Interest on capital will be allowed @ 5% per annum.

(ii) Interest on drawings will be charged @ 4% per annum.

(iii) Each partner will be given a salary of ₹ 10,000 per month.

(iv) Partners will share profits and losses in the ratio of 2 : 1.

Following are the particulars of the capitals and drawings of the partners:

	Raman	Rohit
	₹	₹
Capital (1st April, 2022)	6,00,000	5,00,000
Drawings (made on 1st June, 2022)	30,000	60,000

Raman had taken a loan of ₹ 1,00,000 from the firm on which interest of ₹ 2,000 was due by him to the firm.

During the year 2022–23, firm had made a profit of ₹ 7,70,000 *before* taking into account any interest, salaries and manager's salary of ₹ 1,80,000.

You are required to prepare Profit & Loss Appropriation Account for the year ended 31st March, 2023. [5]

Question 10.

Royal Ltd. issued 1,00,000 shares of ₹ 10 each payable as: ₹ 2 on application, ₹ 3 on allotment, ₹ 3 on first call and ₹ 2 on second and final call.

Applications were received for 1,50,000 shares and shares were allotted on a *pro rata* basis to the applicants of 1,20,000 shares. All shareholders paid the allotment money except one shareholder who was allotted 2,000 shares. These shares were forfeited. The first call was made after the shares were forfeited. The forfeited shares were reissued @ ₹ 9 per share as ₹ 8 paid-up after first call.

The second and final call was not yet made.

You are required to:

(i) Prepare the Cash Book to record the above issue of shares. [3]

(ii) Pass Journal entries in the Journal Proper. [7]

Or

Cloud & Rain Ltd. invited applications for 50,000 shares of ₹ 10 each at 20% premium, payable as under:

On Application : ₹ 3 per share
On Allotment : ₹ 6 per share (including premium)
On First and Final Call : ₹ 3 per share.

Applications were received for 65,000 shares. Applications for 5,000 shares were refused allotment and *pro rata* allotment was made to the remaining applicants as follows:

Category A: Applicants of 40,000 shares were allotted 30,000 shares.

Category B: Applicants of 20,000 shares were allotted in full.

Excess application money was utilised towards allotment.

Vinod, a shareholder from *Category A*, who had applied for 1,200 shares failed to pay the allotment and call money.

Vikram, a shareholder from *Category B*, who had been allotted 1,000 shares, paid the call money due along with allotment.

The company forfeited Vinod's shares after the first and final call and paid interest on Calls-in-Advance to Vikram @ 12% per annum on the day of the final call.

You are required to:

(i) Pass Journal entries to record the above transactions in the company's books (including entries for interest on Calls-in-Advance). [8]

(ii) Prepare Calls-in-Arrears Account. [2]

SECTION B (20 Marks)

Question 11.

In sub-parts (i) and (ii) choose the correct options and in sub-parts (iii) to (v) answer the questions as instructed.

(i) Select the correct equation from the following:

(a) Capital Employed = Shareholders' Funds + Non-Current Liabilities

(b) Capital Employed = Share Capital + Reserves and Surplus + Long-term Borrowings + Long-term Provisions

(c) Capital Employed = Non-current Assets + Net Working Capital

(d) All of the above. [1]

(ii) Which of the following activities are Operating Activities for the purpose of preparing 'Cash Flow Statement'?

(i) Dividend and Interest received on securities.

(ii) Payment of employee benefit expenses.

(iii) Cash receipts from royalties and fees.

(iv) Issue of shares against purchase of machinery.

(a) (i), (ii) and (iii). (b) (ii), (iii) and (iv).

(c) (i), (ii) and (iv). (d) (ii) and (iii). [1]

(iii) Current Assets and Current Liabilities of a firm are ₹ 5,00,000 and ₹ 3,00,000 respectively. The firm is interested in maintaining Current Ratio of 2 : 1 by paying a part of the Current Liabilities.

Determine the amount of Current Liabilities that should be paid, so that Current Ratio at the level of 2 : 1 may be maintained. [1]

(iv) Quick Ratio of Star Ltd is 2.1. State whether purchase of stock-in-trade on credit, would *improve*, *reduce* or *not change* the ratio.

Give Reason also. [1]

(v) State with reason whether Sale of Marketable Securities at par would result in *inflow*, *outflow* or *no flow* of Cash or Cash Equivalents. [1]

Question 12.

From the following information, prepare Comparative Balance Sheet of HMSC Ltd.:

Particulars	31st March, 2023 (₹)	31st March, 2022 (₹)
Shareholders' Funds	44,40,000	24,00,000
Non-Current Liabilities	12,00,000	12,00,000
Current Liabilities	3,60,000	4,00,000
Non-Current Assets	50,40,000	28,00,000
Current Assets	9,60,000	12,00,000

[3]

Question 13.

From the following Balance Sheets of Jaico Ltd., you are required to prepare a Cash Flow Statement (as per AS 3) for the year 2022–23:

BALANCE SHEET OF JAICO LTD.
as at 31st March, 2023 and 31st March, 2022

Particulars	Note No.	31st March, 2023 (₹)	31st March, 2022 (₹)
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(a) Share Capital (Equity Share Capital)		14,00,000	10,00,000
(b) Reserves and Surplus (Statement of Profit & Loss)		5,00,000	4,00,000
2. Non-Current Liabilities			
Long-term Borrowings (10% Debentures)		5,00,000	1,40,000
3. Current Liabilities			
(a) Short-term Borrowings (Bank Overdraft)		20,000	30,000
(b) Trade Payables		1,00,000	60,000
(c) Short-term Provisions	1	60,000	30,000
Total		25,80,000	16,60,000
II. ASSETS			
1. Non-Current Assets			
Property, Plant and Equipment and Intangible Assets:			
(i) Property, Plant and Equipment	2	16,00,000	9,00,000
(ii) Intangible Assets (Goodwill)		1,40,000	2,00,000
2. Current Assets			
(a) Inventories		2,50,000	2,00,000
(b) Trade Receivables		5,00,000	3,00,000
(c) Cash and Bank Balance (Cash at Bank)		90,000	60,000
Total		25,80,000	16,60,000

Notes to Accounts

Particulars	31st March, 2023 (₹)	31st March, 2022 (₹)
1. Short-term Provisions		
Provision for Tax	60,000	30,000
2. Property, Plant and Equipment		
Plant and Machinery	17,60,000	10,00,000
Less: Accumulated Depreciation	(1,60,000)	(1,00,000)
	16,00,000	9,00,000

Additional Information:

During the year 2022–23:

(i) A part of the machine costing ₹ 50,000, accumulated depreciation thereon being ₹ 20,000, was sold for ₹ 18,000.

(ii) Tax paid ₹ 20,000.

(iii) Interest of ₹ 50,000 paid on Debentures. [6]

Or

Read the following information of Blue Bell Ltd., and answer the questions that follow:

Particulars	31st, March, 2023 (₹)	31st, March, 2022 (₹)
Share Capital (Equity Shares of ₹ 10 each)	6,00,000	5,00,000
Securities Premium	...	1,10,000
Surplus, *i.e.*, Balance in Statement of Profit & Loss	1,00,000	1,75,000
6% Debentures	3,00,000	2,00,000
Short-term Provision—Provision for Tax	50,000	25,000
Property, Plant & Equipment (Machinery)	5,00,000	3,00,000
Non-Current Investments	2,00,000	1,40,000
Goodwill	80,000	20,000

Additional Information:

During the year 2022–23:

(a) Machinery costing ₹ 1,00,000 on which depreciation charged was ₹ 70,000 was sold at a profit of 20% on book value, Depreciation charged during the year were ₹ 70,000.

(b) Issued bonus shares to the shareholders at the beginning of the year in the ratio of 1 : 5 (that is 1 bonus share for every 5 shares held) by Capitalising the Securities Premium.

(c) New Debentures were issued on 1st April, 2022, at a discount of 10%. The discount was written-off from Securities Premium.

(d) The company declared and paid interim dividend of ₹ 48,000.

(e) Non-current investment costing ₹ 60,000 was sold at a profit of 20%.

(f) Income tax ₹ 45,000 was provided.

(i) How many bonus shares have been issued by the company to the shareholders? [1]

(ii) Compute the amount of Net Profit before Tax. [1]

(iii) State the amount of Plant and Machinery purchased during the year. [1]

(iv) How will the increase in the amount of goodwill be treated while preparing Cash Flow Statement? [1]

(v) What is the Net Cash Flow from or Used in Investing Activities? [1]

(vi) State the amount of tax paid during the year. [1]

Question 14.

***Answer* any three *of the following questions*::**

(i) Following information is available from the books of Greg Foods Limited:

	₹		₹
Equity Share Capital	1,00,000	Current Assets	70,000
8% Preference Share Capital	40,000	Reserves and Surplus	60,000

Proprietary Ratio is 0.8 : 1.

Calculate value of Non-Current assets of the company. [2]

(ii) **From the following information, calculate Inventory Turnover Ratio (up to two decimal places):**

	₹
Revenue from Operations	16,00,000
Average Inventory	2,20,000
Gross Loss	5%

[2]

(iii) **From the following information, calculate Working Capital Turnover Ratio (up to two decimal places):**

	₹
Current Assets	9,00,000
Revenue from Operations	24,00,000
Current Liabilities	1,00,000

[2]

(iv) **Calculate Gross Profit Ratio from the following information (up to two decimal places):**

	₹
Opening Inventories	50,000
Purchases	1,50,000
Returns Outward	20,000
Wages	10,000
Revenue from Operations	2,50,000
Closing Inventories	40,000

[2]

ANSWERS

SECTION A

Question 1.

(i) (d)

Working Note:

Profit share sacrificed = Old profit share – New profit share

Geeta's sacrifice = $\frac{3}{6} - \frac{3}{10} = \frac{6}{30}$

Sunita's sacrifice = $\frac{2}{6} - \frac{3}{10} = \frac{1}{30}$

Anita's sacrifice = $\frac{1}{6} - \frac{2}{10} = \left(\frac{1}{30}\right)$ being negative, it is a gain.

Hence the entry for adjustment of goodwill will be:

		₹	₹
Anita's Capital A/c (₹ 3,00,000 × 1/30)	...Dr.	10,000	
Premium for Goodwill A/c (₹ 3,00,000 × 2/10)	...Dr.	60,000	
To Geeta's Capital A/c (₹ 3,00,000 × 6/30)			60,000
To Sunita's Capital A/c (₹ 3,00,000 × 1/30)			10,000

(ii) (c) A–3, B–4, C–2, D–1.

(iii) (b) ₹ 11.

Working Note:

Premium payable on redemption of debentures is ₹ 10,00,000, *i.e.*, ₹ 20,00,000 – ₹ 10,00,000 (Discount). Thus, redemption value of each debenture is ₹ 11 (₹ 10 + ₹ 1). Premium payable on redemption per debenture is ₹ 1, *i.e.*, ₹ 10,00,000/10,00,000.

(iv) (c) Called-up capital of shares forfeited, amount received on shares forfeited.

(v) JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Shreya's Capital A/c	...Dr.		20,000	
	To Nigam's Capital A/c				20,000
	(Being the adjustment for goodwill made)				

Working Notes:

1. Nigam's Share of Goodwill = ₹ 60,000 × $\frac{2}{6}$ = ₹ 20,000

2. Gaining Share = New Profit Share – Old Profit Share

Monu's Gain = $\frac{1}{2} - \frac{3}{6} =$ Nil

Shreya's Gain = $\frac{1}{2} - \frac{1}{6} = \frac{2}{6}$

As Shreya is the only gaining partner, she will compensate the retiring partner (Nigam).

(vi) (d) Both Assertion (A) and Reason (R) are correct and Reason (R) is the correct explanation of Assertion (A).

(vii) *Calculation of Gain/Loss in Realisation Account:*

Book Value of Other Assets = (Creditors + Capital) – Cash Balance
= (₹ 70,000 + ₹ 1,20,000) – ₹ 10,000 = ₹ 1,80,000

Gain/Loss in Realisation Account = Other Assets – Assets Realised
= (₹ 1,80,000 (Other Assets) – ₹ 1,50,000 (Assets Realised = ₹ 30,000 (Loss).

(viii) *Nil* because amount is not transferred to Debenture Redemption Reserve by a listed NBFC.

(ix)

Item	Main Head	Sub-head
Capital Advances	Non-Current Assets	Long-term Loans and Advances

(x) **Interest Payable on Debentures**

$$= \frac{8}{100} \times (₹\ 2,50,000 + ₹\ 1,50,000) = ₹\ 32,000.$$

Notes:

1. Interest on Debenture is always calculated on Nominal/Face value of Debentures not on the Issue Price.
2. No interest is payable on Debentures issued as collateral security.

Question 2.

Dr. DOLLY'S CAPITAL ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Cash/Bank A/c	25,000	By Balance *b/d*	2,00,000
To Dolly's Executor's Loan A/c	2,26,100	By Profit & Loss Suspense A/c	500
		By Revaluation A/c (Profit) (₹ 3,000 × 2/10)	600
		By Farhan's Capital A/c (Note)	31,250
		By Hina's Capital A/c (Note)	18,750
	2,51,100		2,51,100

Note: *Dolly's Share in hidden Goodwill*:

= ₹ 2,51,100 – ₹ 2,01,100 = ₹ 50,000, which is contributed by Farhan and Hina in their gaining ratio, *i.e.*, 5 : 3.

$$\text{Farhan's contribution} = ₹\ 50,000 \times \frac{5}{8} = ₹\ 31,250$$

$$\text{Hina's contribution} = ₹\ 50,000 \times \frac{3}{8} = ₹\ 18,750.$$

Or

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Arjun's Capital A/c ...Dr.		42,000	
	Bhim's Capital A/c ...Dr.		15,000	
	Nakul's Capital A/c ...Dr.		18,000	
	To Goodwill A/c			75,000
	(Being the existing Goodwill written-off)			
	Arjun's Capital A/c ...Dr.		10,000	
	To Bhim's Capital A/c (WN)			10,000
	(Being the goodwill adjusted on Bhim's retirement (WN 1))			
	Profit & Loss Appropriation A/c ...Dr.		1,00,000	
	To Arjun's Capital A/c			76,000
	To Nakul's Capital A/c			24,000
	(Being the profit distributed in new ratio, *i.e.*, 19 : 6) (WN 2)			

Working Notes:

1. *Value of Firm's Goodwill:*
   - Average Profit $= \dfrac{₹\,50{,}000 + ₹\,55{,}000 + ₹\,60{,}000}{3} = ₹\,55{,}000$
   - Super Profit = Average Profit – Normal Profit
     $= ₹\,55{,}000 - ₹\,30{,}000 = ₹\,25{,}000$
   - Goodwill = Super Profit $\times$ 2
     $= ₹\,25{,}000 \times 2 = ₹\,50{,}000$
   - Bhim's Share in Goodwill $= ₹\,50{,}000 \times \dfrac{5}{25} = ₹\,10{,}000$
   - Arjun is only gaining partner so his Capital Account is debited for adjustment of goodwill.
2. *Calculation of New-profit Sharing Ratio:*

   Arjun's New Profit Share $= \dfrac{14}{25} + \dfrac{5}{25} = \dfrac{19}{25}$

   Nakul's New Profit Share $= \dfrac{6}{25}$

   New Profit-sharing Ratio is 19 : 6.

Question 3.

JOURNAL OF NEON LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Sundry Assets A/c ...Dr.		18,00,000	
	To Sundry Liabilities A/c			2,00,000
	To Zenith Ltd.			15,00,000
	To Capital Reserve A/c (Bal. Fig.)			1,00,000
	(Being the purchase of business from Zenith Ltd.)			
	Zenith Ltd. ...Dr.		3,00,000	
	To Bank A/c			3,00,000
	(Being the part payment made to Vendor by cheque)			
	Zenith Ltd. ...Dr.		12,00,000	
	To 10% Debentures A/c			10,00,000
	To Securities Premium A/c			2,00,000
	(Being the issue of 10,000 Debentures of ₹ 100 each at a premium of 20%)			

Note: No of Debentures to be issued $= \dfrac{₹\,12{,}00{,}000}{₹\,120}$ = 10,000 Debentures.

Question 4.

JOURNAL OF EXCEL MOTOR LTD.

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2022					
April 30	Debenture Redemption Investment A/c	...Dr.		7,50,000	
	To Bank A/c				7,50,000
	(Being the (additional) Debenture Redemption Investment purchased)				
2023					
March 31	Bank A/c	...Dr.		7,20,000	
	Loss on Sale of Debenture Redemption Investment A/c	...Dr.		30,000	
	To Debenture Redemption Investment A/c				7,50,000
	(Being the Debenture Redemption Investment sold at 4% loss)				
March 31	8% Debentures A/c	...Dr.		50,00,000	
	Premium on Redemption of Debentures A/c	...Dr.		2,50,000	
	To Debentureholders' A/c				52,50,000
	(Being the amount due to debentureholers)				
March 31	Debentureholders' A/c	...Dr.		52,50,000	
	To Bank A/c				52,50,000
	(Being 8% Debentures redeemed)				
March 31	Debenture Redemption Reserve A/c	...Dr.		5,00,000	
	To General Reserve A/c				5,00,000
	(Being the Debenture Redemption Reserve transferred to General Reserve)				
March 31	Statement of Profit & Loss	...Dr.		30,000	
	To Loss on Sale of Debenture Redemption Investment A/c				30,000
	(Being the loss on sale of Debenture Redemption Investment written off)				

Or

JOURNAL OF CEE ALOEVERA LTD.

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2023					
March 31	Bank A/c	...Dr.		75,000	
	To Debenture Redemption Investment A/c				75,000
	(Being the Debenture Redemption Investment sold)				
March 31	9% Debentures A/c	...Dr.		5,00,000	
	Interest on Debentures A/c	...Dr.		45,000	
	To Debentureholders' A/c				5,45,000
	(Being the amount due to debentureholders)				
March 31	Debentureholders' A/c	...Dr.		5,45,000	
	To Bank A/c				5,45,000
	(Being the amount paid to debentureholders)				
March 31	Statement of Profit & Loss	...Dr.		45,000	
	To Interest on Debentures A/c				45,000
	(Being the interest on debentures transferred to Statement of Profit & Loss)				

Question 5.

(i) **Calculation of Value of Firm's Goodwill:**

Capital Employed = All Assets (other than goodwill, fictitious Assets and non-trade investments) – Outside Liabilities

= ₹ 5,50,000 – ₹ 2,00,000 = ₹ 3,50,000

Normal Profit = Capital Employed × Normal Rate of Return

$= ₹\ 3,50,000 \times \frac{20}{100} = ₹\ 70,000$

Average Profit for Goodwill = ₹ 1,22,500 – ₹ 22,500 (Partner's Remuneration)

= ₹ 1,00,000

Super Profit = Average Profit – Normal Profit

= ₹ 1,00,000 – ₹ 70,000 = ₹ 30,000

Value of Firm's Goodwill = Super Profit × No. of Years' Purchase

= ₹ 30,000 × 3 = ₹ 90,000.

(ii) Asha's Share in Firm's Goodwill $= ₹\ 90,000 \times \frac{3}{10} = ₹\ 27,000.$

JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Anita's Capital A/c	...Dr.		16,200	
	Amrit's Capital A/c	...Dr.		10,800	
	To Asha's Capital A/c				27,000
	(Being Asha's share of goodwill adjusted in the Capital Accounts of gaining partners in their gaining ratio of 3 : 2)				

Question 6.

(i) AN EXTRACT OF BALANCE SHEET OF APPLE ORCHARDS LTD. *as at ...*

Particulars	Note No.	Current Year ₹
I. EQUITY AND LIABILITIES		
1. Shareholders' Funds		
(*a*) Share Capital	1	19,45,000

(ii) **Note to Accounts**

Particulars		₹
1. Share Capital		
Authorised Capital		
50,000 Equity Shares of ₹ 100 each		50,00,000
Issued Capital		
20,000 Equity Shares of ₹ 100 each		20,00,000
Subscribed Capital		
Subscribed and Fully Paid-up		
18,500 Equity Shares of ₹ 100 each		18,50,000
Subscribed but not Fully Paid-up		
1,000 Equity Shares of ₹ 100 each	1,00,000	
Less: Calls-in-Arrears (1,000 × ₹ 20)	20,000	80,000
Forfeited Shares (500 × ₹ 30)		15,000
		19,45,000

Question 7.

(i) *Dr.* REALISATION ACCOUNT *Cr.*

Particulars		₹	Particulars		₹
To Building A/c		20,000	By Creditors A/c		22,000
To Plant A/c		44,000	By Sindhu's Capital A/c (Building Taken)		20,000
To Stock A/c		12,000	By Bank A/c:		
To Debtors A/c		10,000	Plant	50,000	
To Accrued Interest A/c		2,000	Stock	10,000	
To Interest on Rahul's Loan A/c		600	Debtors	10,000	70,000
To Bank A/c (Contingent Liability)		1,200	By Sindhu's Capital A/c (Loss) (₹ 1,000 × 5/10)		500
To Sindhu's Capital A/c (for Realisation Expenses)		1,200	By Rahul's Capital A/c (Loss) (₹ 1,000 × 3/10)		300
To Sindhu's Capital A/c (Creditors Paid)		22,000	By Kamlesh's Capital A/c (Loss) (₹ 1,000 × 2/10)		200
		1,13,000			1,13,000

Notes:

1. Debtors are realised at Book Value being Tangible Asset.
2. Actual realisation paid out of Firm's Bank Account will be debited to Sindhu's Capital Account as it was a personal expense of Sindhu.
3. Agreed realisation expenses will be credited to Sindhu's Capital Account and debited to Realisation Account.

(ii) *Dr.* RAHUL'S LOAN ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Bank A/c	12,600	By Balance *b/d*	12,000
		By Realisation A/c (Interest on Loan)	600
	12,600		12,600

Question 8.

(a) *Dr.* REVALUATION ACCOUNT *Cr.*

Particulars		₹	Particulars	₹
To Raghu's Capital A/c (Profit)	19,200		By Plant and Machinery A/c	15,000
To Rishu's Capital A/c (Profit)	12,800	32,000	By Building A/c	10,000
		32,000	By Provision for Doubtful Debts A/c	7,000
		32,000		32,000

(b) *Dr.* PARTNERS' CAPITAL ACCOUNTS *Cr.*

Particulars	Raghu ₹	Rishu ₹	Rishabh ₹	Particulars	Raghu ₹	Rishu ₹	Rishabh ₹
To Advertisement Exp. A/c	3,000	2,000	...	By Balance *b/d*	1,35,000	90,000	...
To Current A/cs (Bal. Fig.)	7,200	4,800	...	By Cash A/c	...	...	1,00,000
To Balance *c/d* (WN)	1,80,000	1,20,000	1,00,000	By General Reserve A/c	18,000	12,000	...
				By Revaluation A/c	19,200	12,800	...
				By Rishabh's Current A/c (Goodwill)	18,000	12,000	...
	1,90,200	1,26,800	1,00,000		1,90,200	1,26,800	1,00,000

Working Note:

Calculation of Partners' New Capitals:

$$\text{Total Capital of the Firm} = \frac{\text{Capital of the New Partner (Rishabh)}}{\text{Share of Profit of Rishabh}}$$

$$= \frac{₹\,1{,}00{,}000}{1/4} = ₹\,1{,}00{,}000 \times \frac{4}{1} = ₹\,4{,}00{,}000.$$

New Capital of Raghu & Rishu for 3/4th share will be = ₹ 4,00,000 – ₹ 1,00,000 = ₹ 3,00,000.

$$\text{Raghu's New Capital} = ₹\,3{,}00{,}000 \times \frac{3}{5} = ₹\,1{,}80{,}000.$$

$$\text{Rishu's New Capital} = ₹\,3{,}00{,}000 \times \frac{2}{5} = ₹\,1{,}20{,}000.$$

Or

(a) *Dr.* REVALUATION ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Stock A/c	5,000	By Ram's Capital A/c (Loss) (₹ 15,000 × 3/5)	9,000
To Furniture A/c	1,000	By Mohan's Capital A/c (Loss) (₹ 15,000 × 2/5)	6,000
To Machinery A/c	6,000		
To Provision for Doubtful Debts A/c	3,000		
	15,000		15,000

(b) *Dr.* PARTNERS' CAPITAL ACCOUNTS *Cr.*

Particulars	Ram ₹	Mohan ₹	Sohan ₹	Particulars	Ram ₹	Mohan ₹	Sohan ₹
To Revaluation A/c (Loss)	9,000	6,000	...	By Balance *b/d*	1,35,000	1,25,000	...
To Balance *c/d*	1,62,000	1,43,000	1,52,500	By Reserves	18,000	12,000	...
				By Premium for Goodwill A/c	18,000	12,000	...
				By Bank A/c (Note)	...	...	1,52,500
	1,71,000	1,49,000	1,52,500		1,71,000	1,49,000	1,52,500

Note: *Calculation of Sohan's Capital:*

Combined capital of Ram and Mohan (after all adjustments) for 2/3 share = ₹ 1,62,000 + ₹ 1,43,000 = ₹ 3,05,000. It means, firm's total capital = ₹ 3,05,000 × 3/2 = ₹ 4,57,500.

Sohan's share of capital = ₹ 4,57,500 × 1/3 = ₹ 1,52,500.

Question 9.

(i) Let Total Drawings of Mohan = x

$$\text{Interest on Drawings} = \text{Total Drawings} \times \frac{\text{Rate of Interest}}{100} \times \frac{6.5\,*}{12}$$

$$₹\,3{,}250 = x \times \frac{4}{100} \times \frac{6.5}{12}$$

$$₹\,3{,}250 = x \times \frac{1}{100} \times \frac{6.5}{3}$$

$$6.5x = ₹\,9{,}75{,}000$$

$$x = \frac{₹\,9{,}75{,}000}{6.5} = ₹\,1{,}50{,}000$$

$$\text{Monthly Drawing} = \frac{₹\,1{,}50{,}000}{12} = ₹\,12{,}500.$$

$$\text{*Average Period} = \frac{\text{Months Left After First Drawing} + \text{Months Left after Last Drawing}}{2}$$

$$= \frac{12+1}{2} = 6.5 \text{ months.}$$

(ii) Let Total Drawings of Sohan = x

$$\text{Interest on Drawings} = \text{Total Drawings} \times \frac{\text{Rate of Interest}}{100} \times \frac{5.5}{12}$$

$$₹\ 2{,}750 = x \times \frac{4}{100} \times \frac{5.5}{12}$$

$$5.5x = ₹\ 8{,}25{,}000$$

$$x = \frac{₹\ 8{,}25{,}000}{5.5} = ₹\ 1{,}50{,}000$$

$$\text{Monthly Drawing} = \frac{₹\ 1{,}50{,}000}{12} = ₹\ 12{,}500.$$

(iii) JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2023 March 31	Bank A/c To Sohan's Capital A/c (Being the further capital introduced)	...Dr.		5,00,000	 5,00,000

(iv) PROFIT & LOSS APPROPRIATION ACCOUNT

for the year ended 31st March, 2023

Dr. *Cr.*

Particulars		₹	Particulars		₹
To Interest on Capital A/cs:			By Profit & Loss A/c (WN)		9,10,000
Mohan's Current A/c	1,50,000		(₹ 10,00,000 – ₹ 90,000)		
Sohan's Current A/c	1,00,000	2,50,000	By Interest on Drawings A/cs:		
To Salary A/c (Mohan's Current A/c)		60,000	Mohan's Current A/c	3,250	
To Commission A/c (Sohan's Current A/c)		45,500	Sohan's Current A/c	2,750	6,000
(5/100 × ₹ 9,10,000)					
To Mohan's Current A/c (Profit)		3,36,300			
(₹ 5,60,500 × 3/5)					
To Sohan's Current A/c (Profit)		2,24,200			
(₹ 5,60,500 × 2/5)					
		9,16,000			9,16,000

Working Note:

Rent is a charge against profit. Hence, it is to be debited to Profit & Loss Account. Therefore, Profit is reduced by ₹ 90,000 (*i.e.*, ₹ 7,500 × 12). Rent payable to Mohan is credited to Mohan's Current Account.

Or

Calculation of Interest on Capital already Provided & Opening Capital

Particulars	Kajal (₹)	Neerav (₹)	Alisha (₹)
Closing Capital	90,000	3,30,000	6,60,000
Add: Drawings already Debited	3,60,000	3,60,000	3,60,000
	4,50,000	6,90,000	10,20,000
Less: Profit	1,20,000	30,000	30,000
Closing Capital *plus* Interest	3,30,000	6,60,000	9,90,000
Less: Interest on Capital 10/110	30,000	60,000	90,000
Opening Capital	3,00,000	6,00,000	9,00,000

ADJUSTMENT TABLE

Particulars	Kajal (₹)	Neerav (₹)	Alisha (₹)
I. Amount Alreday Credited			
Interest on Capital @ 10%	30,000	60,000	90,000
Share of Profit	1,20,000	30,000	30,000
	1,50,000	90,000	1,20,000
II. Amount which should have been credited			
Interest on Capital @ 12%	36,000	72,000	1,08,000
Share of Profit (1 : 1)	48,000	48,000	48,000
(*i.e.*, ₹ 1,50,000 + ₹ 90,000 + ₹ 1,20,000 – ₹ 36,000 – ₹ 72,000 – ₹ 1,08,000)	84,000	1,20,000	1,56,000
Difference (I–II)	66,000	30,000	36,000
	Dr.	Cr.	Cr.

ADJUSTMENT ENTRY

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2023				
April 1	Kajal's Capital A/c ...Dr.		66,000	
	To Neerav's Capital A/c			30,000
	To Alisha's Capital A/c			36,000
	(Being the adjustment entry passed)			

(b) PROFIT & LOSS APPROPRIATION ACCOUNT

Dr. *for the year ended 31st March, 2023* Cr.

Particulars		₹	Particulars		₹
To Interest on Capital A/cs:			By Profit & Loss A/c (Net Profit) (WN)		5,92,000
Raman's Capital A/c			By Interest on Drawings A/cs:		
(₹ 6,00,000 × 5/100)	30,000		Raman's Capital A/c	1,000	
Rohit's Capital A/c			(₹ 30,000 × 10/12 × 4/100)		
(₹ 5,00,000 × 5/100)	25,000	55,000	Rohit's Capital A/c	2,000	3,000
To Partners' Salary A/c:			(₹ 60,000 × 10/12 × 4/100)		
Raman's Capital A/c	1,20,000				
Rohit's Capital A/c	1,20,000	2,40,000			
To Raman's Capital A/c:					
(Profit: ₹ 3,00,000 × 2/3)		2,00,000			
To Rohit's Capital A/c:					
(Profit: ₹ 3,00,000 × 1/3)		1,00,000			
		5,95,000			5,95,000

Working Note:

PROFIT & LOSS ACCOUNT

Dr. *for the year ended 31st March, 2023* Cr.

Particulars	₹	Particulars	₹
To Manager's Salary A/c	1,80,000	By Profit before Interest, Partners' Salaries and Manager's Salary (Given)	7,70,000
To Profit transferred to Profit & Loss Appropriation A/c (Balancing Figure)	5,92,000	By Interest on Raman's Loan A/c	2,000
	7,72,000		7,72,000

Question 10.

(i)

In the Books of Royal Ltd.

Dr. CASH BOOK (BANK COLUMN ONLY) *Cr.*

Particulars	₹	Particulars	₹
To Shares Application A/c	3,00,000	By Shares Application A/c (30,000 × ₹ 2)	60,000
To Shares Allotment A/c (WN 2)	2,54,800	By Balance *c/d*	8,06,800
To Shares First Call A/c	2,94,000		
To Share Capital A/c	16,000		
To Securities Premium A/c	2,000		
	8,66,800		8,66,800

(ii) JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Shares Application A/c	...Dr.		2,40,000	
	To Share Capital A/c				2,00,000
	To Shares Allotment A/c				40,000
	(Being the application money adjusted)				
	Shares Allotment A/c	...Dr.		3,00,000	
	To Share Capital A/c				3,00,000
	(Being the allotment money due on 1,00,000 shares)				
	Calls-in-Arrears A/c	...Dr.		5,200	
	To Shares Allotment A/c (WN 1)				5,200
	(Being the allotment money not received)				
	Share Capital A/c	...Dr.		10,000	
	To Shares Allotment A/c				5,200
	To Forfeited Shares A/c				4,800
	(Being 2,000 shares forfeited for non-payment of allotment money) (WN 1)				
	Shares First Call A/c	...Dr.		2,94,000	
	To Share Capital A/c				2,94,000
	(Being the First call money due on 98,000 shares)				
	Forfeited Shares A/c	...Dr.		4,800	
	To Capital Reserve A/c				4,800
	(Being the transfer of gain on reissue to Capital Reserve) (WN 3)				

Working Notes:

1. 1,00,000 shares were issued to the applicants for 1,20,000 shares. It means Ratio of allotment = 5 : 6

   A shareholder who was allotted 2,000 shares had applied for = 6/5 × 2,000 = 2,400 shares

	₹
Total application money paid by shareholder on 2,400 shares applied for @ ₹ 2 per share	4,800
Less: Application money on 2,000 shares allotted transferred to Share Capital	4,000
Excess Application Money to be adjusted against Shares Allotment	800
Allotment money due on 2,000 shares @ ₹ 3 per share	6,000
Less: Excess Application Money to be adjusted against Shares Allotment	800
Allotment money in arrears	5,200

2. *Calculation of allotment money received:*

	₹
Allotment money due (Gross)	3,00,000
Less: Excess Application money to be adjusted (20,000 × ₹ 2)	40,000
	2,60,000
Less: Allotment money in arrears (WN 1)	5,200
Amount received on allotment	2,54,800

3. Shares have been forfeited before the first call. Called-up amount up to allotment is ₹ 5 per share. Shares have been reissued before the second call for ₹ 9 as ₹ 8 paid-up. It means ₹ 8 is as Share Capital Account and ₹ 1 as Securities Premium. Discount has not been allowed on the reissue of forfeited shares. Therefore, amount forfeited on these shares is a gain and is transferred to Capital Reserve.

Or

In the Books of Cloud and Rain

JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c (65,000 × ₹ 3)	...Dr.		1,95,000	
	To Equity Shares Application A/c				1,95,000
	(Being the application money received for 65,000 shares)				
	Equity Shares Application A/c	...Dr.		1,95,000	
	To Equity Share Capital A/c (50,000 × ₹ 3)				1,50,000
	To Equity Shares Allotment A/c (10,000 × ₹ 3)				30,000
	To Bank A/c (5,000 × ₹ 3)				15,000
	(Being the application money adjusted)				
	Equity Shares Allotment A/c	...Dr.		3,00,000	
	To Equity Share Capital A/c (50,000 × ₹ 4)				2,00,000
	To Securities Premium A/c (50,000 × ₹ 2)				1,00,000
	(Being the shares allotment money due)				
	Bank A/c (WN 2 and 3)	...Dr.		2,68,500	
	Calls-in-Arrears A/c (WN 2)	...Dr.		4,500	
	To Equity Shares Allotment A/c				2,70,000
	To Calls-in-Advance A/c (1,000 × ₹ 3)				3,000
	(Being the allotment money received except on 900 shares and Calls-in-Advance received on 1,000 shares)				
	Equity Shares First and Final Call A/c (50,000 × ₹ 3)	...Dr.		1,50,000	
	To Equity Share Capital A/c				1,50,000
	(Being the first and final call due)				
	Bank A/c (48,100 × ₹ 3)	...Dr.		1,44,300	
	Calls-in-Arrears A/c (900 × ₹ 3)	...Dr.		2,700	
	Calls-in-Advance A/c (1,000 × ₹ 3)	...Dr.		3,000	
	To Equity Shares First and Final Call A/c				1,50,000
	(Being the money received on first and final call except on 900 shares and advance received earlier adjusted)				
	Interest on Calls-in-Advance A/c (₹ 3,000 × 2/12 × 12/100)	...Dr.		60	
	To Sundry Members' A/c				60
	(Being the interest allowed on Calls-in-Advance)				

	Sundry Members' A/c ...Dr.		60	
	To Bank A/c			60
	(Being the interest paid)			
	Equity Share Capital A/c (900 × ₹ 10) ...Dr.		9,000	
	Securities Premium A/c (900 × ₹ 2) ...Dr.		1,800	
	To Forfeited Shares A/c (1,200 × ₹ 3)			3,600
	To Calls-in-Arrears A/c (₹ 4,500 + ₹ 2,700)			7,200
	(Being 900 shares forfeited for non-payment of allotment and call money)			
	Statement of Profit & Loss ..Dr.		60	
	To Interest on Calls-in-Advance A/c			60
	(Being the interest on Calls-in-Advance Account transferred to Statement of Profit & Loss)			

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

Date	Particulars	₹	Date	Particulars	₹
	To Equity Shares Allotment A/c	4,500		By Securities Premium A/c	1,800
	To Equity Shares First and Final Call A/c	2,700		By Equity Share Capital A/c	5,400
		7,200			7,200

Working Notes:

1. *Calculation of Number of Shares Allotted to Vinod:*

Shares Applied = 1,200

$$\text{Shares Allotted} = \frac{30,000}{40,000} \times 1,200 = 900 \text{ shares.}$$

2. *Calculation of Allotment Money not paid by Vinod:*

		₹
(*a*)	Excess Application money Received [(1,200 – 900) × ₹ 3)	900
(*b*)	Allotment money due on 900 Shares	5,400
	Less: Excess Application Adjusted (*a*)	900
	Amount not paid on allotment (Calls-in-Arrears)	4,500

3. *Calculation of Amount Received on Allotment:*

A.	Total Allotment Money due (50,000 × ₹ 6)		3,00,000
	Less: Allotment Money already received	30,000	
	Allotment Money not Paid by Vinod (WN 2)	4,500	34,500
			2,65,500
B.	Calls-in-Advance (1,000 × ₹ 3)		3,000
C.	Total amount received on Allotment (*A* + *B*)		2,68,500

SECTION B

Question 11.

(i) (d) All of the above.

(ii) (d) (ii) and (iii).

(iii) Let the amount paid towards Current Liabilities = x

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}} = \frac{5,00,000 - x}{3,00,000 - x} = 2$$

$$₹\ 6,00,000 - 2x = ₹\ 5,00,000 - x$$

$$₹\ 6,00,000 - ₹\ 5,00,000 = 2x - x$$

i.e., x (Amount paid towards Current Liabilities) = ₹ 1,00,000.

(iv) **Reduce:**

Reason: Current Liabilities will increase but total Quick Assets remain unchanged.

(v) **No Flow:**

Reason: Sale of Marketable Securities at par represents movement between items of Cash and Cash Equivalents.

Question 12.

HMSC Ltd.

COMPARATIVE BALANCE SHEET *as at 31st March, 2023*

Particulars	Note No.	31st March, 2023 ₹	31st March, 2022 ₹	Absolute Change (Increase/Decrease) ₹	Percentage Change (Increase/Decrease) %
I. EQUITY AND LIABILITIES					
1. Shareholders' Funds		44,40,000	24,00,000	20,40,000	85
2. Non-Current Liabilities		12,00,000	12,00,000	...	...
3. Current Liabilities		3,60,000	4,00,000	(40,000)	(10)
Total		60,00,000	40,00,000	20,00,000	50
II. ASSETS					
1. Non-Current Assets		50,40,000	28,00,000	22,40,000	80
2. Current Assets		9,60,000	12,00,000	(2,40,000)	(20)
Total		60,00,000	40,00,000	20,00,000	50

Question 13.

CASH FLOW STATEMENT *for the year ended 31st March, 2023*

Particulars		₹	₹
I. Cash Flow from Operating Activities			
Net Profit before Tax (WN 1)		1,50,000	
Add: Non-cash and Non-operating Expenses:			
Depreciation (WN 4)		80,000	
Interest on Debentures		50,000	
Goodwill Amortised		60,000	
Loss on Sale of Machinery		12,000	
Operating Profit before Working Capital Changes		3,52,000	
Add: Increase in Current Liabilities:			
Trade Payables		40,000	
		3,92,000	
Less: Increase in Current Assets:			
Inventories	50,000		
Trade Receivables	2,00,000	(2,50,000)	
Cash Generated from Operating Activities before Tax		1,42,000	
Less: Tax Paid		20,000	
Cash Flow from Operating Activities			1,22,000
B. Cash Flow from Investing Activities			
Proceeds from Sale of Machinery		18,000	
Purchase of Machinery (WN 3)		(8,10,000)	
Cash Used in Investing Activities			(7,92,000)

C.	**Cash Flow from Financing Activities**		
	Payment of Bank Overdraft	(10,000)	
	Proceeds from Issue of Equity Shares	4,00,000	
	Proceeds from Issue of Debentures	3,60,000	
	Interest paid on Debentures	(50,000)	
	Cash Flow from Financing Activities		7,00,000
D.	**Net Increase in Cash and Cash Equivalents (Cash and Bank Balance) (A + B + C)**		30,000
	Add: Opening Cash and Cash Equivalents (Cash and Bank Balance: Cash at Bank)		60,000
E.	**Closing Cash and Cash Equivalents (Cash and Bank Balance: Cash at Bank)**		90,000

Working Notes:

1. *Calculation of Net Profit before Tax:*

	₹
Closing Balance of Reserves and Surplus	5,00,000
Less: Opening Balance of Reserves and Surplus	4,00,000
Profit during the year	1,00,000
Add: Provision for Tax made during the Current Year (WN 2)	50,000
Net Profit before Tax Items:	1,50,000

2. *Dr.* PROVISION FOR TAX ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Bank A/c (Tax paid)	20,000	By Balance *b/d*	30,000
To Balance *c/d*	60,000	By Statement of Profit & Loss (Provision made) (Balancing Figure)	**50,000**
	80,000		80,000

3. *Dr.* MACHINERY ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Balance *b/d*	10,00,000	By Accumulated Depreciation A/c	20,000
To Bank A/c (Purchase) (Balancing Figure)	**8,10,000**	By Bank A/c (Sale)	18,000
		By Loss on Sale of Machinery A/c (Statement of Profit & Loss)	12,000
		By Balance *c/d*	17,60,000
	18,10,000		18,10,000

4. *Dr.* ACCUMULATED DEPRECIATION ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Machinery A/c	20,000	By Balance *b/d*	1,00,000
To Balance *c/d*	1,60,000	By Depreciation A/c (Balancing Figure)	**80,000**
	1,80,000		1,80,000

Or

(i) No. of Bonus Shares Issued = $\dfrac{\text{50,000 Shares (Existing)}}{5}$ = 10,000 shares.

(ii) **Computation of Net Profit before Tax:**

			₹
Closing Balance of Surplus, *i.e.*, Balance in Statement of Profit & Loss			1,00,000
Less:	Opening Balance of Surplus, *i.e.*, Balance in Statement of Profit & Loss		1,75,000
Net Profit/(Loss) for the Year			(75,000)
Add:	Provision for Tax	45,000	
	Interim Dividend	48,000	93,000
Net Profit before Tax			18,000

(iii) Plant & Machinery purchased: ₹ 3,00,000 (WN).

Working Note:

Dr. MACHINERY ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Balance *b/d*	3,00,000	By Bank A/c (Sale) (₹ 30,000 + ₹ 6,000)	36,000
To Gain (Profit) on Sale of Machinery A/c (Statement of Profit & Loss)	6,000	By Depreciation A/c	70,000
		By Balance *c/d*	5,00,000
To Bank A/c (Purchase) (Balancing Figure)	**3,00,000**		
	6,06,000		6,06,000

(iv) Increase in the amount of Goodwill of ₹ 60,000 is a *purchased* Goodwill, it will be shown under **Investing Activities** as **Outflow of Cash**.

(v) **Cash Flow from Investing Activities:**

	₹
Purchase of Machinery (III)	(3,00,000)
Purchase of Non-current Investment (WN)	(1,20,000)
Purchase of Goodwill	(60,000)
Proceeds from Sale of Machinery (III)	36,000
Proceeds from Sale of Non-Current Investment (WN)	72,000
Cash Used in Investing Activities	(3,72,000)

(vi) Tax paid during the year: ₹ 20,000 (WN).

Working Note:

Dr. PROVISION FOR TAX ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Bank A/c (Tax Paid) (Balancing Figure)	**20,000**	By Balance *b/d*	25,000
To Balance *c/d*	50,000	By Statement of Profit & Loss (Provision Made)	45,000
	70,000		70,000

Question 14.

(i) Proprietary Ratio = 0.8 : 1 (Given)

$$\text{Proprietary Ratio} = \frac{\text{Shareholders' Funds/Equity}}{\text{Total Assets}}$$

$$0.8 = \frac{₹\ 2,00,000\ \text{(Note)}}{\text{Total Assets}}$$

$$\text{Total Assets} = \frac{₹\ 2,00,000}{0.8} = ₹\ 2,50,000$$

$$\text{Non-Current Assets} = \text{Total Assets} - \text{Current Assets}$$

$$= ₹\ 2,50,000 - ₹\ 70,000 = ₹\ 1,80,000.$$

Note: Shareholders' Funds/Equity = Equity Share Capital + 8% Preference Share Capital + Reserves and Surplus
= ₹ 1,00,000 + ₹ 40,000 + ₹ 60,000 = ₹ 2,00,000.

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

$$= \frac{₹\ 16,80,000}{₹\ 2,20,000} = 7.64\ \text{Times.}$$

Note: Cost of Revenue from Operations = Revenue from Operations + Gross Loss
= ₹ 16,00,000 + ₹ 80,000 (*i.e.*, 5% of ₹ 16,00,000) = ₹ 16,80,000.

(iii) $$\text{Working Capital Turnover Ratio} = \frac{\text{Revenue from Operations}}{\text{Working Capital}}$$

$$= \frac{₹\ 24,00,000}{₹\ 8,00,000} = 3\ \text{Times.}$$

Note: Revenue from Operations = ₹ 24,00,000
Working Capital = Current Assets – Current Liabilities
= ₹ 9,00,000 – ₹ 1,00,000 = ₹ 8,00,000.

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

$$= \frac{₹\ 1,00,000}{₹\ 2,50,000} \times 100 = 40\%.$$

Notes:

1. Cost of Revenue from Operations = Opening Inventories + Purchases – Returns Outward + Wages – Closing Inventories
= ₹ 50,000 + ₹ 1,50,000 – ₹ 20,000 + ₹ 10,000 – ₹ 40,000 = ₹ 1,50,000
2. Gross Profit = Revenue from Operations – Cost of Revenue from Operations
= ₹ 2,50,000 – ₹ 1,50,000 = ₹ 1,00,000.

Model Test Paper 5

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

General Instructions:

As per Model Test Paper 1

SECTION A (60 Marks)

(*Answer **all** questions*)

Question 1.

In sub-parts (i) to (iv) choose the correct options and in sub-parts (v) to (x) answer the questions as instructed.

(i) Arun, Varun and Vijay are partners in a firm sharing profits and losses in the ratio of 3 : 2 : 1. Extract of Balance Sheet is as follows:

BALANCE SHEET (EXTRACT)

Liabilities	₹	Assets	₹
		Machinery	40,000

If the value of machinery in the Balance Sheet is overvalued by $33\frac{1}{3}$% on Arun's retirement, find out the value of machinery to be shown in the new Balance Sheet.

(a) ₹ 44,000 (b) ₹ 48,000

(c) ₹ 32,000 (d) ₹ 30,000 [1]

(ii) Raman and Rohit are partners sharing profits and losses in the ratio of 3 : 2. They admit Saloni into partnership for 1/4th share. At the time of admission, 'Investment Fluctuation Reserve' is ₹ 4,000 and investment is ₹ 20,000 in the books. Following Journal entry is passed to distribute 'Investment Fluctuation Reserve':

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Investment Fluctuation Reserve A/c ...Dr.		4,000	
	To Raman's Capital A/c			1,800
	To Rohit's Capital A/c			1,200
	To Investment A/c			1,000

Market value of the investment will be

(a) ₹ 16,000. (b) ₹ 24,000.

(c) ₹ 18,000. (d) ₹ 19,000. [1]

(iii) If 10,000 shares of ₹ 10 each were forfeited for non-payment of final call money of ₹ 3 per share out of which 7,000 shares were reissued @ ₹ 11 per share as fully paid-up, amount transferred to Capital Reserve will be

(a) Nil. (b) ₹ 49,000.

(c) ₹ 56,000. (d) ₹ 70,000. [1]

(iv) Yaanya Ltd. issued 80,000, 10% Debentures of ₹ 100 each at certain rate of discount and were to be redeemed at 20% premium. Existing balance of Securities Premium before issuing of these debentures was ₹ 25,00,000 and after writing off Loss on Issue of Debentures, the balance in Securities Premium was ₹ 5,00,000. At what rate of discount, these debentures were issued?

(a) 10% (b) 5%

(c) 25% (d) 15% [1]

(v) Lalit and Madhur are partners sharing profits and losses in the ratio of 7 : 3. Lalit gives 1/7th from his share and Madhur gives 1/3rd of her share to Neena, a new partner.

Calculate the new profit-sharing ratio. [1]

(vi) **Assertion (A):** Commission to partner is transferred to the debit of Profit & Loss Account.

Reason (R): Commission to partner is a charge against profit.

In the context of above two statements, which of the following is correct?

(a) Assertion (A) is correct but Reason (R) is wrong.

(b) Both Assertion (A) and Reason (R) are correct, but Reason (R) is not the correct explanation of Assertion (A)

(c) Both Assertion (A) and Reason (R) are incorrect.

(d) Both Assertion (A) and Reason (R) are correct, and Reason (R) is the correct explanation of Assertion (A). [1]

(vii) On dissolution of the firm sundry assets were of ₹ 1,17,000. Mohan took part of sundry assets at ₹ 72,000 (being 10% *less* than the book value). Sohan took remaining sundry assets at 80% of the book value.

You are required to calculate the amount by which Realisation Account will be credited. [1]

(viii) Distinguish between 'Securities Premium' and 'Premium on Redemption of Debentures' on the basis of disclosure in Balance Sheet. [1]

(ix) On 1st April, 2020, Anderson Ltd. (an unlisted food processing company) invited applications for issuing ₹ 7,50,000, 9% Debentures of ₹ 500 each at a premium of 4% redeemable in two equal annual instalments starting from the end of third year.

Applications for 2,000 Debentures were received and the debentures were allotted on *pro rata* basis to all the applicants.

How much amount will the company transfer from Debenture Redemption Reserve to General Reserve on 31st March, 2023? [1]

(x) "Listed companies exempt from Debenture Redemption Reserve."

Source: *The Hindustan Times.*

What impact it will have on reserves of a company?

Question 2.

Sudha, Rahim and Kartik are partners in a firm. Rahim retires and his claim including his capital and his share of goodwill was ₹ 60,000.

There was some unrecorded furniture estimated at ₹ 3,000, half of which was given to meet unrecorded liability of ₹ 6,000 in settlement of claim of ₹ 3,000 and remaining half was given to Rahim at a discount of 10% in part satisfaction of his claim. Balance of Rahim's claim was discharged by cheque.

You are required to give the necessary Journal entries to record this arrangement.

Or

Amrit, Bhola and Chander are partners. Bhola retires from the firm on 1st April, 2023 and remaining partners decide to share future profits in the ratio of 5 : 4. Remaining partners also decide on Bhola's retirement to record the effect on the following without affecting their book values by passing an adjustment entry.

	Book Values (₹)
General Reserve	60,000;
Contingency Reserve	10,000;
Profit & Loss A/c (Cr.)	30,000;
Advertisement Suspense A/c	10,000.

Pass an adjustment entry. [3]

Question 3.

On 1st July, 2022, Fit India Ltd. issued 7% Debentures at a premium of 10% redeemable at 25% premium to meet long-term funds requirement of ₹ 1,65,00,000. The issue price was payable along with application. Balance in Securities Premium Account after the issue of debentures is ₹ 25,00,000. Loss for the year ended 31st March, 2023 is ₹ 10,00,000.

You are required to:

(i) Pass Journal entries for issue of Debentures (including writing off Loss on Issue of Debentures), and

(ii) Prepare Loss on Issue of Debentures Account. [3]

Question 4.

Shikhar Ltd., an unlisted Non-NBFC/HFC, has 30,000; 9% Debentures of ₹ 100 each due for redemption on 31st March, 2023.

Debenture Redemption Reserve has a balance of ₹ 3,00,000 on 31st March, 2022.

The Company invested the funds as required by law in the specific securities on 30th April, 2022 earning interest @ 10% p.a.

You are required to pass necessary Journal entries for Redemption of Debentures on 31st March, 2023.

Or

On 1st April, 2020, Parker Ltd. (an unlisted construction company) issued 2,500, 9% Debentures of ₹ 100 each, to be redeemed at a premium of 5% on 31st December, 2022.

The company transferred ₹ 12,500 to the Debenture Redemption Reserve Account on 31st March, 2021.

The company met the requirement regarding the purchase of Debenture Redemption Investment.

The debentures were redeemed on the due date.

You are required to prepare:

(a) Debenture Redemption Reserve Account for the year 2021–22 and 2022–23.

(b) Debentureholders' Account for the year 2022–23.

Note: Ignore interest on debentures due to the debentureholders. [3]

Question 5.

Dinesh, Alvin and Pramod are partners in a firm sharing profits and losses in the ratio of 5 : 3 : 2. Their Balance Sheet as at 31st March, 2023 was as follows:

Liabilities	₹	Assets	₹
Sundry Creditors	60,000	Debtors	15,000
General Reserve	40,000	Fixed Assets	67,000
Capital A/cs:		Investments	40,000
Dinesh	30,000	Cash in Hand	61,500
Alvin	40,000	Deferred Revenue Expenditure	14,000
Pramod	30,000	Dinesh's Loan Account	2,500
	2,00,000		2,00,000

Dinesh died on 1st July, 2023, the executors of Dinesh are entitled to:

(i) His share of goodwill. Goodwill of the firm is valued at ₹ 50,000.

(ii) His share of profit up to his date of death on the basis of actual sales till date of death. Sales for the year ended 31st March, 2023 was ₹ 12,00,000 and profit for that year was ₹ 2,40,000. Sales shows a growth trend of 20% and percentage of profit earning remains the same.

(iii) Investments were sold at par. Half of the amount due to Dinesh was paid to his executors and for the balance, they accepted a bills payable.

Prepare Dinesh's Capital Account and Dinesh's Executor's Account [3]

Question 6.

Ozone Fitness Ltd. was formed on 1st January, 2022, with a capital of ₹ 80,00,000 divided into 80,000 Equity Shares of ₹ 100 each.

It allotted 2,500 Equity Shares of ₹ 100 each as fully paid to a Vendor against purchase of building and offered 55,000 Equity Shares to the public of ₹ 100 each at par. The issue price was payable as under:

50% on Application;

30% on Allotment; and

The balance on final call.

The company did not make the call during the year.

The applicants paid ₹ 25,00,000 on application and ₹ 14,97,000 on allotment.

Company forfeited those shares whose allotment money is not received.

You are required to prepare an extract of the Balance Sheet showing Share Capital as per Schedule III of the Companies Act, 2013. [6]

Question 7.

Annie and Bonnie are partners sharing profits and losses in the ratio of 3 : 2. On 31st March, 2023, their Balance Sheet was follows:

Liabilities	₹	Assets		₹
Capital A/cs:		Machinery		10,000
Annie	10,000	Building		8,000
Bonnie	8,000	Debtors	12,000	
General Reserve	15,000	*Less:* Provision for Doubtful Debts	1,000	11,000
Workmen Compensation Reserve	5,000	Stock		12,000
Creditors	12,000	Cash		9,000
	50,000			50,000

They admit Carl into partnership on 1st April, 2023 for 1/5th share of profits on the following terms:

(i) Provision for Doubtful Debts would be increased by ₹ 2,000.

(ii) Value of building would be increased to ₹ 18,000.

(iii) Value of stock would be increased by ₹ 4,000.

(iv) Liability against Workmen Compensation Reserve is determined at ₹ 2,000.

(v) Carl brought his share of goodwill ₹ 10,000 in cash. He would bring further cash as would make his capital equal to 20% of the total capital of the reconstituted firm, after revaluation and adjustments are given effect.

You are required to:

(a) Pass Journal entries for Goodwill, General Reserve and Workmen Compensation Reserve.

(b) Prepare Partners' Capital Accounts.

Or

Akul and Bikul were partners in a firm sharing profits equally. On 31st March, 2023, their Balance Sheet was as follows:

Liabilities		₹	Assets		₹
Sundry Creditors		21,000	Cash at Bank		20,000
General Reserve		15,000	Sundry Debtors	22,000	
Capital A/cs:			*Less:* Provision for Doubtful Debts	(1,000)	21,000
Akul	45,000		Stock		10,000
Bakul	40,000	85,000	Machinery		60,000
			Goodwill		10,000
		1,21,000			1,21,000

Chandan was to be taken as a partner for 1/4 share in profits, with effect from 1st April, 2023, on the following terms:

(i) Bad debts of ₹ 1,500 to be written off.

(ii) Stock to be taken by Akul at ₹ 12,000.

(iii) Machinery to be valued at ₹ 50,000.

(iv) Goodwill of the firm to be valued at ₹ 20,000.

(v) Chandan to bring ₹ 50,000 as his capital. He was unable to bring his share of goodwill.

(vi) General Reserve was not to be distributed. For this, it was decided that Chandan would compensate the old partners through his Current Account.

You are required to prepare:

(a) Revaluation Account, and

(b) Partners' Capital Accounts. [6]

Question 8.

Mohan and Sohan were partners in a firm which they dissolved on 31st March, 2023.

On this date, Balance Sheet of the firm, apart from realisable assets and outside liabilities showed following:

	₹	
Mohan's Capital	40,000	(Cr.)
Sohan's Capital	20,000	(Dr.)
Profit & Loss Account	10,000	(Dr.)
Mohan's Loan to the Firm	25,000	
General Reserve	7,000	

On the date of dissolution of the firm:

(i) Mohan's loan was repaid by the firm along with interest of ₹ 2,500.

(ii) Dissolution expenses of ₹ 1,000 were paid by the firm on behalf of Mohan.

(iii) An unrecorded asset of ₹ 2,000 was taken by Sohan while Mohan paid an unrecorded liability of ₹ 3,000.

(iv) Dissolution resulted in a loss of ₹ 60,000 from the realisation of assets and settlement of liabilities.

You are required to prepare:

(a) Partners' Capital Accounts.

(b) Mohan's Loan Account. [6]

Question 9.

Ram, Shyam and Mohan are partners in a firm sharing profits and losses in the ratio of 2 : 2 : 1. They started business on 1st October, 2022 with ₹ 3,00,000; ₹ 2,00,000 and ₹ 1,50,000 respectively as their capitals.

During the year ended 31st March, 2023, Ram withdrew ₹ 1,000 in the beginning of each month, Mohan withdrew ₹ 2,000 at the end of each month while Shyam withdrew ₹ 9,000 during the period of six months.

Their Partnership Deed provides that:

(i) Partners are allowed interest on capital @ 5% p.a.

(ii) Interest on drawings is charged @ 6% p.a.

(iii) Mohan is to get salary of ₹ 2,500 per month.

(iv) Ram is to get commission @ 5% of the net profit of the firm.

(v) Shyam is to get commission of 5% of the net profit of the firm after charging such commission.

During the period ended 31st March, 2023, profit of the firm was ₹ 10,35,000 after charging Mohan's salary which had been debited to Wages and Salaries Account.

You are required to:

(a) Prepare Profit & Loss Appropriation Account of the firm. (7)

(b) Give adjusting entry for Shyam's commission. (1)

(c) Give rectifying and closing entry for Mohan's salary. (2)

Or

Arun, Varun and Karan are partners in a firm sharing profits and losses in the ratio of 2 : 2 : 1. Their capitals are ₹ 10,00,000, ₹ 15,00,000 and ₹ 5,00,000 respectively.

After final accounts for the year ended on 31st March, 2023 were prepared, following balances of Partners' Current Accounts were determined:

Arun—₹ 1,40,000; Varun—₹ 1,60,000 and Karan—₹ 1,00,000.

Subsequently, following errors were noticed on 1st April, 2023:

(i) Interest on Capital @ 10% p.a. had been allowed to the partners, although there was no provision for it in the partnership deed.

(ii) Salary of ₹ 64,000 p.a. to Arun and ₹ 80,000 p.a. to Varun was not allowed to them, despite provision being there in the partnership deed for the same.

(iii) Commission of ₹ 8,000 per month was not allowed to Karan, despite provision being there for such commission in the partnership deed.

You are required to prepare Partners' Current Accounts on 1st April, 2023 after rectifying the above errors. [10]

Question 10.

Garvit Ltd. invited applications for issue of 20,000 Equity shares of ₹ 10 each at a premium of ₹ 1 per share, payable as follows:

On Application	₹ 3;
On Allotment	The balance (including premium).

Applications were received for 30,000 shares and *pro rata* allotment was made to the remaining applicants after refunding application money to applicants for 5,000 shares.

Ramesh, who was allotted 3,000 shares, did not pay the allotment money and his shares were forfeited.

Out of these forfeited shares, 1,000 shares were reissued as fully paid @ ₹ 8 per share.

You are required to:

(a) Pass the necessary Journal entries to record the above transactions. [8]

(b) Also prepare Share Forfeiture Account. [2]

Or

(i) Following is an extract from Journal of Kamal Cement Ltd. You are required to complete the Journal entries filling-up the information represented by '?' which is missing from the Journal entries.

JOURNAL OF KAMAL CEMENT LTD. (AN EXTRACT)

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c	...Dr.		?	
	Securities Premium A/c	...Dr.		?	
	To Forfeited Shares A/c				?
	To Calls-in-Arrears A/c				?
	(Being the shares forfeited)				
	Bank A/c	...Dr.		?	
	Forfeited Shares A/c	...Dr.		?	
	To Share Capital A/c				?
	(Being 600 forfeited shares reissued @ .?. per share)				
	Forfeited Shares A/c	...Dr.		800	
	To Capital Reserve A/c				800
	(Being the gain on reissue transferred to Capital Reserve)				

Additional Information:

Kamal Cement Ltd. issued 20,000 shares of ₹ 10 each at a premium of ₹ 2 per share. Applications were received for 45,000 shares and allotment was made as under:

On Application	—	₹ 2;
On Allotment	—	₹ 5 (including premium);
On First and Final Call	—	₹ 5.

Applications were received for 45,000 shares and allotment was made as under:

A.	Applicants of 5,000 shares	—	5,000 shares;
B.	Applicants of 10,000 shares	—	5,000 shares;
C.	Applicants of 30,000 shares	—	10,000 shares.

All the shareholders paid the amounts due on allotment and call except Manish (who was allotted 400 shares under Category B) and Karan (who was allotted 200 shares under Category C). Their shares were duly forfeited and reissued at certain price per share fully paid. [6]

(ii) Ratnakar Ltd. offered 20,000 shares of ₹ 100 each at a premium of 10% payable as follows:

On Application	—	₹ 20 (1st January);
On Allotment	—	₹ 40 (including premium, 1st April);
On First Call	—	₹ 30 (1st June);
On Second and Final Call	—	₹ 20 (1st August).

Applications were received for 18,000 shares and directors made allotment.

One shareholder to whom 400 shares were allotted paid the entire balance on his shareholding with allotment money and another shareholder did not pay allotment and first call money on his 600 shares but which he paid with final call.

Company charges and allows interest on Calls-in-Arrears and Calls-in-Advance according to the *Table 'F'* of the Companies Act, 2013.

You are required to:

(a) Give the adjusting entry and closing entry for Interest on Calls-in-Arrears. [2]

(b) Give the adjusting entry and closing entry for Interest on Calls-in-Advance. [2]

SECTION B (20 Marks)

Question 11.

In sub-parts (i) and (ii) choose the correct options and in sub-parts (iii) to (v) answer the questions as instructed.

(i) "*L* & *T* Ltd. to buy-back equity of ₹ 1,000 crores."

Source: *The Economic Times, 21 July, 2023.*

What impact it will have on Debt to Equity Ratio of the company if Debt to Equity Ratio is 1 : 1?

(a) Increase. (b) Decrease.

(c) No effect. (d) None of these. [1]

(ii) Match the following activities of a manufacturing concern while preparing Cash Flow Statement:

(i) Purchase of software	(1) Operating Activities.
(ii) Payment of interest on debentures	(2) Financing Activities
(iii) Purchase of stock-in-trade	(3) Investing Activities

(a) (i) – 3, (ii) – 2, (iii) – 1 (b) (i) – 1, (ii) – 2, (iii) – 3

(c) (i) – 3, (ii) – 1, (iii) – 2 (d) (i) – 2, (ii) – 3, (iii) – 1 [1]

(iii) Canon Ltd. has Current Assets of ₹ 8,00,000 and Current Liabilities are ₹ 3,00,000.

Company is interested in maintaining a Current Ratio of 2 : 1, by acquiring some Current Assets on Credit.

State the amount of Current Assets that should be acquired. [1]

(iv) Inventory Turnover Ratio of Sanjiv Ltd. is 3 Times.

State, giving reason, whether the ratio will *improve*, *decline*, or *does not change* because of increase in the value of Closing Inventory by ₹ 50,000. [1]

(v) Are 'Assets' acquired by issue of shares disclosed in the Cash Flow Statement?

Give reason in support of your answer. [1]

Question 12.

From the following information, prepare Comparative Balance Sheet:

Particulars	31st March, 2023 (₹)	31st March, 2022 (₹)
Share Capital	30,00,000	22,50,000
Reserves and Surplus	3,00,000	4,00,000
Long-term Borrowings	9,00,000	6,00,000
Short-term Borrowings	3,00,000	2,00,000
Property, Plant and Equipment and Intangible Assets— Property, Plant and Equipment	30,00,000	22,50,000
Cash and Bank Balances	15,00,000	12,00,000

[3]

Question 13.

You are required to prepare a Cash Flow Statement (as per AS–3) for the year ended 31st March, 2023 from the following Balance Sheet and additional information:

BALANCE SHEET OF STAR LTD *as at 31st March, 2023*

Particulars	Note No.	31st March, 2023 (₹)	31st March, 2022 (₹)
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		1,80,000	1,50,000
Total		12,00,000	9,00,000
II. ASSETS			
1. Non-Current Assets			
(a) *Property, Plant and Equipment and Intangible Assets:*			
Property, Plant and Equipment	3	7,00,000	5,00,000
(b) Non-Current Investments		70,000	50,000
2. Current Assets			
(a) Inventories		90,000	1,50,000
(b) Trade Receivables		1,20,000	70,000
(c) Cash and Bank Balances		2,20,000	1,30,000
Total		12,00,000	9,00,000

Notes to Accounts

Particulars	31st March, 2023 (₹)	31st March, 2022 (₹)
1. Reserves and Surplus		
Securities Premium	5,000	...
General Reserve	1,00,000	80,000
Surplus, *i.e.*, Balance in Statement of Profit & 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. Property, Plant and Equipment		
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:

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

(ii) Equity Shares were issued at a premium of 15% on 1st April, 2022.

(iii) Additional debentures were issued on 1st October, 2022 at a discount of 10%. The company wrote off the discount on issue of debentures from Securities Premium Reserve.

(iv) Interim Dividend paid during the year was ₹ 25,000. [6]

Or

1. **Read the following information of Popular Ltd., and answer the questions that follow:**

Particulars	31st March, 2023 (₹)	31st March, 2022 (₹)
Equity Share Capital	90,00,000	60,00,000
11% Debentures	30,00,000	50,00,000
Machinery (at cost)	28,00,000	20,00,000
Accumulated Depreciation on Machinery	90,000	60,000

Additional Information:

(i) During the year, a machine costing ₹ 4,00,000 was sold at a gain of ₹ 30,000.

(ii) Depreciation charged on machinery during the year was ₹ 50,000.

(iii) Interest paid on 11% Debentures amounted to ₹ 5,50,000.

(iv) Dividend of ₹ 3,00,000 was paid on equity shares.

(v) Debentures were redeemed on 31st March, 2023.

(a) State the Book Value of Machinery sold. [1]

(b) State the amount of machinery purchased during the year. [1]

(c) State the amount of Cash Flow from Investing Activities. [1]

(d) State the amount of Cash Flow from Financing Activities. [1]

2. Bharat Ltd. earned profit of ₹ 1,00,000 after charging depreciation of ₹ 20,000 on assets and transfer to General Reserve of ₹ 30,000. Goodwill amortised was ₹ 7,000 and gain on sale of machinery was ₹ 3,000.

Additional Information (*Change in the value of Current Assets and Current Liabilities*):

At the end of the year, Trade Receivables showed an increase of ₹ 3,000; Trade Payables showed increase of ₹ 6,000.

Prepaid Expenses increased by ₹ 200 and Outstanding Expenses decreased by ₹ 2,000.

Calculate Cash Flow from Operating Activities. [2]

Question 14.

Answer *any three* of the following questions:

(i) **Calculate Liquid Ratio from the following (up to two decimal places):**

Current Assets	₹ 1,26,000
Inventories	₹ 2,000
Current Ratio	3 : 2

[2]

(ii) The Current Ratio of a company is 2 : 1. State whether the Current Ratio will *improve, decline or will not change* in the following cases:

(a) Bill Receivable of ₹ 2,000 endorsed to a creditor is dishonoured.

(b) ₹ 8,000 cash collected from Debtors of ₹ 8,500 in full and final settlement. [2]

(iii) Market value of an Equity Share of Quick Ltd. is ₹ 40. Earning Per Share of the company is ₹ 4.50.

Calculate the Price Earning Ratio of the company. [2]

(iv) **Calculate Debt to Total Assets Ratio from the following information:**

Current Assets	₹ 4,00,000
Current Liabilities	₹ 1,00,000
Shareholders' Funds	₹ 3,00,000
Non-current Assets	₹ 8,00,000

[2]

ANSWERS

SECTION A

Question 1.

(i) (d) ₹ 30,000.

Working Note:

Machinery is overvalued by $33\frac{1}{3}$% means the given value ₹ 40,000 is $133\frac{1}{3}$% of the actual value. Thus, value of machinery to be shown in the new Balance Sheet will be ₹ $40,000 \times \frac{100}{133\,1/3}$, *i.e.*, ₹ 30,000.

(ii) (d) ₹ 19,000.

Working Note: ₹ 20,000 (Book value) – ₹ 1,000 = ₹ 19,000.

(iii) (b) ₹ 49,000.

Note: 7,000 shares have been reissued at a premium of ₹ 1. Thus, amount forfeited on 7,000 shares, *i.e.*, ₹ 7 per share will be transferred to Capital Reserve.

(iv) (b) 5%.

Working Note:

Amount of Premium Payable @ ₹ 20 = ₹ 16,00,000 (80,000 × ₹ 20)

Total Loss written off from Securities Premium = ₹ 20,00,000

Amount of Discount on Issue = ₹ 20,00,000 – ₹ 16,00,000 = ₹ 4,00,000

Rate of Discount = $\frac{₹\,4,00,000}{₹\,80,00,000} \times 100 = 5\%$.

(v) New profit share of old partner = Old Profit Share –Share given by old partner

Profit share given by Lalit = 1/7

Profit share given by Madhur = 1/3 × 3/10 = 1/10

Lalit's New Profit Share = $\frac{7}{10} - \frac{1}{7} = \frac{49-10}{70} = \frac{39}{70}$

Madhur's New Profit Share = $\frac{3}{10} - \frac{1}{10} = \frac{2}{10}$ or $\frac{14}{70}$

Neena's Profit Share = 1/7 + 1/10 = 17/70

New Profit-sharing Ratio of Lalit, Madhur and Neena = 39 : 14 : 17.

(vi) (c) Both Assertion (A) and Reason (R) are incorrect.

(vii) (i) Sundry assets taken by Mohan = ₹ 72,000

Book value = ₹ 72,000 × 100/90 = ₹ 80,000

(ii) Book value of remaining assets = ₹ 1,17,000 – ₹ 80,000 = ₹ 37,000

Sundry assets taken by Sohan = ₹ 37,000 × 80/100 = ₹ 29,600

Realisation Account will be credited with = ₹ 72,000 + ₹ 29,600 = ₹ 1,01,600.

(viii) 'Securities Premium' is a reserve and is shown under the head **'Shareholders' Funds'** and sub-head **'Reserves and Surplus'** in the Balance Sheet.

'Premium on Redemption of Debentures' is a liability and is shown in the Balance Sheet under the **Equity and Liabilities** part as **'Long-term Borrowings'**.

(ix) Debenture Redemption Reserve created is equal to 10% of the nominal (face) value of debentures = ₹ 75,000.

31st March, 2023: Transfer of proportionate amount of DRR to General Reserve = ₹ 37,500, *i.e.*, 1/2 of ₹ 75,000.

(x) Listed companies will have higher free reserves since Debenture Redemption Reserve is not a free reserve but is a specific reserve.

Question 2.

JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Furniture A/c	...Dr.		1,350	
	To Revaluation A/c				1,350
	(Being the unrecorded furniture recorded)				
	Revaluation A/c	...Dr.		3,000	
	To Unrecorded Liability A/c				3,000
	(Being the unrecorded liability recorded)				
	Sudha's Capital A/c	...Dr.		550	
	Rahim's Capital A/c	...Dr.		550	
	Kartik's Capital A/c	...Dr.		550	
	To Revaluation A/c				1,650
	(Being the transfer of loss on revaluation)				
	Rahim's Capital A/c	...Dr.		59,450	
	To Furniture A/c				1,350
	To Bank A/c				58,100
	(Being Rahim's does paid)				

Or

Calculation of Net Effect of Accumulated Profits, Losses and Reserves:

	₹
General Reserve	60,000
Contingency Reserve	10,000
Profit & Loss A/c	30,000
	1,00,000
Less: Advertisement Suspense A/c (Dr.)	10,000
Net Effect	90,000

Calculation of Gain/(Sacrifice) of each Partner:

	Amrit	Bhola	Chander
(i) Their New Profit Share	5/9	...	4/9
(ii) Their Old Profit Share	1/3	1/3	1/3
(iii) Gain/(Sacrifice) (i – ii)	2/9 (Gain)	(1/3) (Sacrifice)	1/9 (Gain)

Note: Profit-sharing ratio of Amrit, Bhola and Chander is not given. It means they share profits and losses equally.

Share of Sacrificing and Gaining Partners in the Net Accumulated Profits, Losses and Reserves: *For Gaining Partners:* Amrit = ₹ 90,000 × 2/9 = ₹ 20,000; Chander = ₹ 90,000 × 1/9 = ₹ 10,000; *For Sacrificing Partner:* Bhola = ₹ 90,000 × 1/3 = ₹ 30,000.

ADJUSTMENT JOURNAL ENTRY

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2023					
April 1	Amrit's Capital A/c	...Dr.		20,000	
	Chander's Capital A/c	...Dr.		10,000	
	To Bhola's Capital A/c				30,000
	(Being the adjustment made for net accumulated profits, losses and reserves)				

Question 3.

(i) JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2022					
July 1	Bank A/c	...Dr.		1,65,00,000	
	To Debentures Application and Allotment A/c				1,65,00,000
	(Being the Application money received)				
	Debentures Application and Allotment A/c	...Dr.		1,65,00,000	
	Loss on Issue of Debentures A/c	...Dr.		37,50,000	
	To 7% Debentures A/c				1,50,00,000
	To Securities Premium A/c				15,00,000
	To Premium on Redemption of Debentures A/c				37,50,000
	(Being 75,000*, 7% Debentures of ₹ 200 each allotted redeemable at 25% premium)				
2023					
March 31	Securities Premium A/c	...Dr.		25,00,000	
	Statement of Profit & Loss (Finance Cost)	...Dr.		12,50,000	
	To Loss on Issue of Debentures A/c				37,50,000
	(Loss on issue of debentures written off)				

*No of Debentures to be issued = ₹ 1,65,00,000/₹ 220 = 75,000 Debentures.

(ii)

Dr. LOSS ON ISSUE OF DEBENTURES ACCOUNT *Cr.*

Date	Particulars	₹	Date	Particulars	₹
2022			2023		
July 1	To 7% Debentures A/c	37,50,000	March 31	By Securities Premium A/c	25,00,000
				By Statement of Profit & Loss (Finance Cost)	12,50,000
		37,50,000			37,50,000

Question 4.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2023				
March 31	Bank A/c ...Dr.		4,91,250	
	To Debenture Redemption Investment A/c			4,50,000
	To Interest Earned A/c (₹ 4,50,000 × 10/100 × 11/12)			41,250
	(Being the investment bearing 10% p.a. encashed)			
March 31	9% Debentures A/c ...Dr.		30,00,000	
	To Debentureholders' A/c			30,00,000
	(Being the amount due to debentureholders)			
March 31	Debentureholders' A/c ...Dr.		30,00,000	
	To Bank A/c			30,00,000
	Being the payment made to debentureholders)			
March 31	Debenture Redemption Reserve A/c ...Dr.		3,00,000	
	To General Reserve A/c			3,00,000
	(Being the transfer of Debenture Redemption Reserve to General Reserve on the redemption of the debentures)			
March 31	Interest Earned A/c ...Dr.		41,250	
	To Statement of Profit & Loss			41,250
	(Being the interest earned on DRI transferred to Statement of Profit & Loss)			

Or

Dr. DEBENTURE REDEMPTION RESERVE ACCOUNT *Cr.*

Date	Particulars	₹	Date	Particulars	₹
2022			2021		
March 31	To Balance *c/d*	25,000	April 1	By Balance *b/d*	12,500
			2022		
			March 31	By Statement of Profit & Loss	12,500
		25,000			25,000
2023			2022		
March 31	To General Reserve A/c	25,000	April 1	By Balance *b/d*	25,000

Dr. DEBENTUREHOLDERS' ACCOUNT *Cr.*

Date	Particulars	₹	Date	Particulars	₹
2023			2023		
March 31	To Bank A/c	2,62,500	March 31	By 9% Debentures A/c	2,50,000
			March 31	By Premium on Redemption of Debentures A/c	12,500
		2,62,500			2,62,500

Question 5.

Dr. DINESH'S CAPITAL ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Deferred Revenue Expenditure A/c (WN 3)	7,000	By Balance *b/d*	30,000
To Dinesh's Loan A/c	2,500	By General Reserve A/c (₹ 40,000 × 5/10)	20,000
To Dinesh's Executor's A/c (Balancing Figure)	**1,01,500**	By Alwin's Capital A/c (Goodwill) (WN 1)	15,000
		By Pramod's Capital A/c (Goodwill) (WN 1)	10,000
		By Profit & Loss Suspense A/c (WN 2) (Share of Profit)	36,000
	1,11,000		1,11,000

Dr. DINESH'S EXECUTOR'S ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Cash A/c	50,750	By Dinesh's Capital A/c	1,01,500
To Bills Payable A/c	50,750		
	1,01,500		1,01,500

Working Notes:

1. Dinesh's Share of Goodwill = ₹ 50,000 × 5/10 = ₹ 25,000, which is contributed by Alvin and Pramod in their gaining ratio, *i.e.*, 3 : 2.

   Alvin's contribution = ₹ 25,000 × 3/5 = ₹ 15,000.

   Pramod's contribution = ₹ 20,000 × 3/5 = ₹ 10,000.

2. Date of last Balance Sheet = 31st March, 2023

   Date of death = 1st July, 2023

   Period from 31st March, 2023 to 1st July, 2023 = 3 months.

$$\text{Sale (April to June 2023)} = ₹\,3,60,000 \left(₹\ 12,00,000 \times \frac{20}{100} \times \frac{3}{12}\right)$$

$$\text{Profit percentage of previous year} = 20\% \left(\frac{₹\ 2,40,000}{₹\ 12,00,000} \times 100\right)$$

$$\text{Profit for the period} = ₹\,3,60,000 \times \frac{20}{100} = ₹\,72,000$$

$$\text{Profit Share of Dinesh} = ₹\ 72,000 \times \frac{5}{10}$$

$$= ₹\,36,000.$$

3. Deferred Revenue Expenditure is an accumulated loss. Dinesh's capital will be debited by the amount equivalent to his profit-sharing ratio.

Question 6.

(a) AN EXTRACT OF BALANCE SHEET OF OZONE FITNESS LTD. *as at...*

Particulars	Note No.	Current Year (₹)
I. EQUITY AND LIABILITIES		
1. Shareholders' Funds		
(a) Share Capital	1	42,47,000

(b)

Notes to Accounts

Particulars	₹
1. Share Capital	
Authorised Capital	
80,000 Equity Shares of ₹ 100 each	80,00,000
Issued Capital	
57,500 Equity Shares of ₹ 100 each	57,50,000
Subscribed Capital	
Subscribed and Fully Paid	
2,500 Equity Shares of ₹ 100 each	2,50,000
(*Allotted as fully paid-up to a vendor pursuant to a contract without payment being received in cash*)	
Subscribed but Not Fully Paid	
49,900 Equity Shares of ₹ 100 each ₹ 80 called-up	39,92,000
Forfeited Shares A/c (100 × ₹ 50)	5,000
	42,47,000

Notes: 1. No. of shares applied by public = ₹ 25,00,000/₹ 50 (Application Money)
= 50,000 shares.

2. No. of shares from whom allotment money received = ₹ 14,97,000/₹ 30 (Allotment Money)
= 49,900 shares.

3. No. of Forfeited Shares = 50,000 – 49,900 = 100 shares.

Question 7.

(a) JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Cash A/c ...Dr.		10,000	
	To Premium for Goodwill A/c			10,000
	(Being the premium for goodwill brought by Carl)			
	Premium for Goodwill A/c ...Dr.		10,000	
	To Annie's Capital A/c			6,000
	To Bonnie's Capital A/c			4,000
	(Being the premium divided among sacrificing partners)			
	General Reserve A/c ...Dr.		15,000	
	To Annie's Capital A/c			9,000
	To Bonnie's Capital A/c			6,000
	(Being the General Reserve distributed among partners)			
	Workmen Compensation Reserve A/c ...Dr.		5,000	
	To Liability for Workmen Compensation Claim A/c			2,000
	To Annie's Capital A/c			1,800
	To Bonnie's Capital A/c			1,200
	(Being the liability provided for and balance amount of Workmen Compensation Reserve divided among partners)			

(b)

Dr. PARTNERS' CAPITAL ACCOUNTS *Cr.*

Particulars	Annie ₹	Bonnie ₹	Carl ₹	Particulars	Annie ₹	Bonnie ₹	Carl ₹
To Balance *c/d*	34,000	24,000	14,500	By Balance *b/d*	10,000	8,000	...
				By Revaluation A/c (WN 1)	7,200	4,800	...
				By Workmen Compensation Reserve A/c	1,800	1,200	...
				By General Reserve A/c	9,000	6,000	...
				By Premium for Goodwill A/c	6,000	4,000	...
				By Cash A/c (WN 2)	...	...	14,500
	34,000	24,000	14,500		34,000	24,000	14,500

Working Notes:

1. *Dr.* REVALUATION ACCOUNT *Cr.*

Particulars		₹	Particulars	₹
To Provision for Doubtful Debts A/c		2,000	By Building A/c	10,000
To Annie's Capital A/c (Profit)	7,200		By Stock A/c	4,000
To Bonnie's Capital A/c (Profit)	4,800	12,000		
		14,000		14,000

2. Total capital of new firm = [(₹ 34,000 (Annie) + ₹ 24,000 (Bonnie)] × 5/4 = ₹ 72,500
Carl's capital = ₹ 72,500 × 1/5 = ₹ 14,500.

Or

(a)

Dr. REVALUATION ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Bad Debts A/c	500	By Stock A/c	2,000
To Machinery A/c	10,000	By Akul's Capital A/c (Loss)	4,250
		By Bakul's Capital A/c (Loss)	4,250
	10,500		10,500

(b)

Dr. PARTNERS' CAPITAL ACCOUNTS *Cr.*

Particulars	Akul ₹	Bakul ₹	Chandan ₹	Particulars	Akul ₹	Bakul ₹	Chandan ₹
To Stock A/c	12,000	...	...	By Balance *b/d*	45,000	40,000	...
To Goodwill A/c	5,000	5,000	...	By Bank A/c	...	...	50,000
To Revaluation A/c	4,250	4,250	...	By Chandan's Current A/c (Goodwill)	2,500	2,500	...
To Balance *c/d*	28,125	35,125	50,000	By Chandan's Current A/c (General Reserve)	1,875	1,875	...
	49,375	44,375	50,000		49,375	44,375	50,000

Note: As General Reserve is not to be distributed, gaining partner/incoming partner Chandan will compensate Akul and Bakul. Chandan's Current Account will be debited by ₹ 3,750 and Akul's and Bakul's Capital Accounts will be credited by ₹ 1,875 each.

Question 8.

(a)

Dr. PARTNERS' CAPITAL ACCOUNTS *Cr.*

Particulars	Mohan ₹	Sohan ₹	Particulars	Mohan ₹	Sohan ₹
To Balance *b/d*	...	20,000	By Balance *b/d*	40,000	...
To Profit & Loss A/c	5,000	5,000	By General Reserve A/c	3,500	3,500
To Realisation A/c (Dissolution Exp.)	1,000	...	By Realisation A/c (Unrecorded Liability)	3,000	...
To Realisation A/c (Unrecorded Asset)	...	2,000	By Bank A/c (Amount Brought)	...	53,500
To Realisation A/c (Loss)	30,000	30,000	—Balancing Figure		
To Bank A/c (Final Payment—Bal. Fig.)	10,500	...			
	46,500	57,000		46,500	57,000

(b)

Dr. MOHAN'S LOAN ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Bank A/c (Payment)	27,500	By Balance *b/d*	25,000
		By Interest on Loan A/c	2,500
	27,500		27,500

Question 9.

(a)

PROFIT & LOSS APPROPRIATION ACCOUNT
for the half year ended on 31st March, 2023

Dr. *Cr.*

Particulars		₹	Particulars		₹
To Interest on Capital A/cs:			By Profit & Loss A/c (Correct Net Profit)		10,50,000
Ram's Capital A/c	7,500		(₹ 10,35,000 + ₹ 15,000 (Mohan's Salary))		
(₹ 3,00,000 × 5/100 × 6/12)			By Interest on Drawings A/cs: (WN)		
Shyam's Capital A/c	5,000		Ram's Capital A/c	105	
(₹ 2,00,000 × 5/100 × 6/12)			Shyam's Capital A/c	135	
Mohan's Capital A/c	3,750	16,250	Mohan's Capital A/c	150	390
(₹ 1,50,000 × 5/100 × 6/12)					
To Salary A/c (Mohan's Capital A/c)		15,000			
To Commission A/c (Ram's Capital A/c)		52,500			
[5/100 of (₹ 10,35,000 + ₹ 15,000)]					
To Commission A/c (Shyam's Capital A/c)		50,000			
[5/105 of (₹ 10,35,000 + ₹ 15,000)]					
To Ram's Capital A/c (Profit)	3,66,656				
(₹ 9,16,640 × 2/5)					
To Shyam's Capital A/c (Profit)	3,66,656				
(₹ 9,16,640 × 2/5)					
To Mohan's Capital A/c (Profit)	1,83,328	9,16,640			
(₹ 9,16,640 × 1/5)					
		10,50,390			10,50,390

Working Note:

Interest on Drawings is calculated on the basis of Average Period.

$$\text{Average Period} = \frac{\text{Time left after first drawings} + \text{Time left after last drawings}}{2}$$

$$\text{Average Period for Ram} = \frac{6+1}{2} = 3.5 \text{ months;}$$

Average Period for Shyam = 3 months;

Average Period for Mohan = 2.5 months.

$$\text{Interest on Drawings: Ram} = ₹\,6,000 \times \frac{6}{100} \times \frac{7}{2} \times \frac{1}{12} = ₹\,105$$

$$\text{Shyam} = ₹\,9,000 \times \frac{6}{100} \times \frac{3}{12} = ₹\,135$$

$$\text{Mohan} = ₹\,12,000 \times \frac{6}{100} \times \frac{5}{2} \times \frac{1}{12} = ₹\,150.$$

(b) JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Adjusting Entry:				
	Commission A/c	...Dr.		50,000	
	To Shyam's Capital A/c				50,000
	(Being Shyam's commission adjusted)				

(c) JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Rectification Entry:				
	Salary A/c (Partner's)	...Dr.		15,000	
	To Wages and Salaries A/c				15,000
	(Being the partner's salary wrongly debited to Wages and Salaries A/c, now rectified)				
	Closing Entry:				
	Profit & Loss Appropriation A/c	...Dr.		15,000	
	To Salary A/c (Partner's)				15,000
	(Being the salary to partner transferred to Profit & Loss Appropriation A/c)				

Or

Dr. PARTNERS' CURRENT ACCOUNTS *Cr.*

Particulars	Arun ₹	Varun ₹	Karan ₹	Particulars	Arun ₹	Varun ₹	Karan ₹
To Interest on Capital A/c	1,00,000	1,50,000	50,000	By Balance *b/d*	1,40,000	1,60,000	1,00,000
To Balance *c/d*	1,28,000	1,14,000	1,58,000	By Salary A/c (Profit & Loss Adj. A/c)	64,000	80,000	...
				By Commission A/c (Profit & Loss Adj. A/c)	...	...	96,000
				By Profit & Loss Adjustment A/c (WN)	24,000	24,000	12,000
	2,28,000	2,64,000	2,08,000		2,28,000	2,64,000	2,08,000

Working Note:

Dr. PROFIT & LOSS ADJUSTMENT ACCOUNT *as on 1st April, 2023* Cr.

Particulars		₹	Particulars	₹
To Salary A/c:			By Arun's Current A/c (Interest on Capital)	1,00,000
Arun's Current A/c	64,000		By Varun's Current A/c (Interest on Capital)	1,50,000
Varun's Current A/c	80,000	1,44,000	By Karan's Current A/c (Interest on Capital)	50,000
To Commission A/c:				
Karan's Current A/c		96,000		
To Arun's Current A/c (Profit)		24,000		
To Varun's Current A/c (Profit)		24,000		
To Karan's Current A/c (Profit)		12,000		
		3,00,000		3,00,000

Note: *Above solution is based on Rectification of Errors by adjusting and closing Journal entries.*

Alternative Solution:

JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Arun's Current A/c	...Dr.		12,000	
	Varun's Current A/c	...Dr.		46,000	
	To Karan's Current A/c				58,000
	(Being the adjusting entry passed)				

Dr. PARTNERS' CURRENT ACCOUNTS Cr.

Particulars	Arun ₹	Varun ₹	Karan ₹	Particulars	Arun ₹	Varun ₹	Karan ₹
To Karan's Current A/c	12,000	46,000	...	By Balance *b/d*	1,40,000	1,60,000	60,000
To Balance *c/d*	1,28,000	1,14,000	1,18,000	By Arun's Current A/c	...	...	12,000
				By Karan's Current A/c	...	...	46,000
	1,40,000	1,60,000	1,18,000		1,40,000	1,60,000	1,18,000

ADJUSTMENT TABLE

Particulars		Arun ₹	Varun ₹	Karan ₹	Total ₹
I. *Amount already credited:*					
Interest on Capital	Dr.	1,00,000	1,50,000	50,000	3,00,000
II. *Amount which should have been credited:*					
Salary		64,000	80,000	...	1,44,000
Commission		...	...	96,000	96,000
Share of profit (₹ 3,00,000 – ₹ 1,44,000 – ₹ 96,000 in 2 : 2 : 1 ratio)		24,000	24,000	12,000	60,000
	Cr.	88,000	1,04,000	1,08,000	3,00,000
III. Net Effect (I – II)		12,000 Dr.	46,000 Dr.	58,000 Cr.	...

Question 10.

(a) **In the Books of Garvit Ltd.**

JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	...Dr.		90,000	
	To Equity Shares Application A/c				90,000
	(Being the Shares application money received on 30,000 shares)				
	Equity Shares Application A/c	...Dr.		90,000	
	To Equity Share Capital A/c				60,000
	To Equity Shares Allotment A/c				15,000
	To Bank A/c				15,000
	(Being the Shares allotted and application money adjusted)				
	Equity Shares Allotment A/c	...Dr.		1,60,000	
	To Equity Share Capital A/c				1,40,000
	To Securities Premium A/c				20,000
	(Being the Allotment money due)				
	Bank A/c (WN 1)	...Dr.		1,23,250	
	Calls-in-Arrears A/c (WN 1)	...Dr.		21,750	
	To Equity Shares Allotment A/c				1,45,000
	(Being the Allotment money received except on 3,000 shares)				
	Equity Share Capital A/c	...Dr.		30,000	
	Securities Premium A/c	...Dr.		3,000	
	To Calls-in-Arrears A/c				21,750
	To Share Forfeiture A/c				11,250
	(Being 3,000 shares forfeited for non-payment of allotment money)				
	Bank A/c	...Dr.		8,000	
	Share Forfeiture A/c	...Dr.		2,000	
	To Equity Share Capital A/c				10,000
	(Being 1,000 forfeited shares reissued @ ₹ 8 per share)				
	Share Forfeiture A/c (WN 2)	...Dr.		1,750	
	To Capital Reserve A/c				1,750
	(Being the Gain related to reissued shares transferred to Capital Reserve)				

(b)

Dr. SHARE FORFEITURE ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Equity Share Capital A/c	2,000	By Equity Share Capital A/c	11,250
To Capital Reserve A/c	1,750		
To Balance *c/d* (₹ 11,250 × 2,000/3,000)	7,500		
	11,250		11,250

Working Notes:

1. *Calculation of amount received on allotment:*

   Shares allotted to Ramesh = 3,000; Shares applied by Ramesh = $\frac{25,000}{20,000} \times 3,000 = 3,750$.

	₹
Excess application money received from Ramesh = 750 × ₹ 3 = ₹ 2,250.	
Allotment money due from him (3,000 × ₹ 8)	24,000
Less: Excess application money already received	2,250
Allotment Money due but not paid by him	21,750
Total Allotment Money due	1,60,000
Less: Already Adjusted	15,000
	1,45,000
Less: Amount Unpaid by Ramesh	21,750
Net Amount Received	1,23,250

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

Amount Forfeited on 3,000 shares	11,250
Amount Forfeited on 1,000 shares (₹ 11,250/3,000 × 1,000)	3,750
Less: Loss on Reissue	2,000
Gain on reissue of shares transferred to Capital Reserve	1,750

Or

(i) JOURNAL OF KAMAL CEMENT LTD. (AN EXTRACT)

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c (600 × ₹ 10)	...Dr.		**6,000**	
	Securities Premium A/c (WN 1, 2 and 3)	...Dr.		**1,000**	
	To Forfeited Shares A/c (WN 3)				**2,600**
	To Calls-in-Arrears A/c (₹ 1,400 + ₹ 3,000)				**4,400**
	(Being the shares forfeited)				
	Bank A/c (WN 4)	...Dr.		**4,200**	
	Forfeited Shares A/c (WN 4)	...Dr.		**1,800**	
	To Share Capital A/c				**6,000**
	(Being 600 forfeited shares reissued @ ₹ **7** per share)				
	Forfeited Shares A/c	...Dr.		800	
	To Capital Reserve A/c				800
	(Being the gain on reissue transferred to Capital Reserve)				

Working Notes:

1. *For calculating Calls-in-Arrears, we take following two steps:*

   (i) No. of shares applied by Manish = $\frac{10,000}{5,000} \times 400 =$ **800 shares**

   No. of shares applied by Karan = $\frac{30,000}{10,000} \times 200 =$ **600 shares**

(ii) *Calculation of allotment money not paid by Manish and Karan:*

Particulars		₹
Manish: Amount due on allotment (400 × ₹ 5)	2,000	
Less: Excess Application money adjusted on Allotment [(800 – 400) × ₹ 2]	800	1,200
Karan: Amount due on allotment (200 × ₹ 5)	1,000	
Less: Excess application money adjusted on allotment [(600 – 200) × ₹ 2]	800	200
Calls-in-Arrears (Amount not paid on allotment)		1,400

2. *Calculation of amount debited to Securities Premium:*

Particulars		₹
Manish: Application money received (800 × ₹ 2)	1,600	
Less: Amount due on application (400 × ₹ 2)	800	800
Less: Amount adjusted towards Share Capital due on allotment (400 × ₹ 2)*		800
		Nil
Karan: Application money received (600 × ₹ 2)	1,200	
Less: Amount due on application (200 × ₹ 2)	400	800
Less: Amount adjusted toward Share Capital due on allotment (200 × ₹ 3)		600
Amount adjusted towards Securities Premium due on allotment		200

*Excess application money is first adjusted towards Share Capital and the balance, if any towards Securities Premium.

Securities Premium not paid by Manish (400 × ₹ 2)	₹ 800
Securities Premium not paid by Karan [(200 × ₹ 2) – 200]	₹ 1,000
Total amount to be debited to Securities Premium	**₹ 1,200**

3. *Calculation of amount of Forfeited Shares Account:*

Particulars		₹
Manish: Amount received on application (800 × ₹ 2)	1,600	
Less: Amount transferred to Securities Premium A/c on shares allotted	Nil	1,600
Karan: Amount forfeited on application (600 × ₹ 2)	1,200	
Less: Amount transferred to Securities Premium A/c on shares allotted	200	1,000
		2,600

4. *Calculation of reissue price:*

	₹
Amount forfeited on 600 shares	2,600
Less: Gain on reissue	800
Discount on reissue of 600 shares	1,800

Reissue discount per share = ₹ 1,800/600 = ₹ 3 per share

Reissue price = ₹ 10 – ₹ 3 (Discount) = ₹ 7 per share, *i.e.*, ₹ 4,200 (600 × ₹ 7).

(ii) (a)

Calculation of Interest on Calls-in-Arrears:

	₹
On ₹ 24,000 (*i.e.*, 600 × ₹ 40) for 4 months @ 10% p..a	800
On ₹ 18,000 (*i.e.*, 600 × ₹ 30) for 2 months @ 10% p.a.	300
Total	1,100

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Sundry Members' A/c ...Dr.		1,100	
	To Interest on Calls-in-Arrears A/c			1,100
	(Being the interest charged on Calls-in-Arrears @ 10%)			
	Interest on Calls-in-Arrears A/c ...Dr.		1,100	
	To Statement of Profit & Loss			1,100
	(Being the interest on Calls-in Arrears transferred to Statement of Profit & Loss)			

(ii) (b)

Calculation of Interest on Calls-in-Advance:

	₹
On ₹ 12,000 (*i.e.*, 400 × ₹ 30) for 2 months @ 12% p.a.	240
On ₹ 8,000 (*i.e.*, 400 × ₹ 20) for 4 months @ 12% p.a.	320
Total	560

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Interest on Calls-in-Advance A/c ...Dr.		560	
	To Sundry Members' A/c			560
	(Being the interest allowed on Calls-in-Advance @ 12% p.a.)			
	Statement of Profit & Loss ...Dr.		560	
	To Interest on Calls-in-Advance A/c			560
	(Being the interest on Calls-in-Advance transferred to Statement of Profit & Loss)			

SECTION B

Question 11.

(i) (a) Increase because debt is unchanged whereas equity will decrease.

(ii) (a) (i) – 3; (ii) – 2; (iii) – 1.

(iii) Let the amount of Current Assets to be acquired = x

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}} = \frac{₹\ 8{,}00{,}000 + x}{₹\ 3{,}00{,}000 + x} = 2$$

$$₹\ 8{,}00{,}000 + x = ₹\ 6{,}00{,}000 + 2x$$

$$or\ ₹\ 8{,}00{,}000 - ₹\ 6{,}00{,}000 = 2x - x$$

x = ₹ 2,00,000, *i.e.*, amount of Current Assets to be acquired.

(iv) Inventory Turnover Ratio will decline because the amount of average inventory will increase, whereas, Cost of Revenue from Operations will fall.

(v) 'Assets acquired by issue of shares' are not disclosed in Cash Flow Statement as they do not result in flow of Cash and Cash Equivalents.

Question 12.

COMPARATIVE BALANCE SHEET *as at 31st March, 2023 and 2022*

Particulars	Note No.	31st March, 2023 ₹	31st March, 2022 ₹	Absolute Change (Increase/Decrease) ₹	Percentage Change (Increase/Decrease) %
		A	B	C = A – B	D = C/B × 100
I. EQUITY AND LIABILITIES					
1. Shareholders' Funds					
(a) Share Capital		30,00,000	22,50,000	7,50,000	33.33
(b) Reserves and Surplus		3,00,000	4,00,000	(1,00,000)	(25.00)
2. Non-Current Liabilities					
Long-term Borrowings		9,00,000	6,00,000	3,00,000	50.00
3. Current Liabilities					
Short-term Borrowings		3,00,000	2,00,000	1,00,000	50.00
Total		45,00,000	34,50,000	10,50,000	30.43
II. ASSETS					
1. Non-Current Assets					
Property, Plant and Equipment and Intangible Assets:					
—Property, Plant and Equipment		30,00,000	22,50,000	7,50,000	33.33
2. Current Assets					
Cash and Bank Balances		15,00,000	12,00,000	3,00,000	25.00
Total		45,00,000	34,50,000	10,50,000	30.43

Question 13.

CASH FLOW STATEMENT (AS PER AS-3) *for the year ended 31st March, 2023*

Particulars	₹	₹
A. Cash Flow from Operating Activities		
Net Profit before Tax (WN 1)	90,000	
Add: Depreciation on Machinery (WN 3)	1,10,000	
Loss on Sale of Machinery (WN 2)	6,000	
Interest on Debentures [(₹ 1,00,000 × 10/100 × 6/12) + (₹ 2,00,000 × 6/12 × 10/100)]	15,000	
Operating Profit before Working Capital Changes	2,21,000	
Add: Decrease in Current Assets and Increase in Current Liabilities:		
Inventories	60,000	
Trade Payables	30,000	
	3,11,000	
Less: Increase in Current Assets:		
Trade Receivables	50,000	
Cash Flow from Operating Activities		2,61,000
B. Cash Flow from Investing Activities		
Purchase of Machinery (WN 2)	(3,40,000)	
Purchase of Non-Current Investments	(20,000)	
Sale of Machinery (WN 2)	24,000	
Cash Used in Investing Activities		(3,36,000)

C. Cash Flow from Financing Activities		
Proceeds from Issue of Equity Shares [₹ 1,00,000 + ₹ 15,000 (Premium)]	1,15,000	
Proceeds from Issue of Debentures [₹ 1,00,000 – ₹ 10,000 (Discount)]	90,000	
Interim Dividend Paid	(25,000)	
Interest on Debentures Paid	(15,000)	
Cash Flow from Financing Activities		1,65,000
D. Net Increase in Cash and Cash Equivalents (Cash and Bank) (A + B + C)		90,000
Add: Opening Balance of Cash and Cash Equivalents (Cash and Bank)		1,30,000
E. Closing Balance of Cash and Cash Equivalents (Cash and Bank)		2,20,000

Working Notes:

1. *Calculation of Net Profit before Tax:*

Particulars	₹
Surplus, *i.e.,* Balance in Statement of Profit & Loss (Closing)	2,15,000
Less: Surplus, *i.e.,* Balance in Statement of Profit & Loss (Opening)	1,70,000
Profit for the Year	45,000
Add: Transfer to General Reserve (₹ 1,00,000 – ₹ 80,000)	20,000
Interim Dividend Paid	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 & 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 of Machinery (20% of ₹ 30,000)	6,000
Sale Proceeds	24,000

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

Particulars	₹	Particulars	₹
To Machinery A/c (Transfer)	70,000	By Balance *b/d*	1,10,000
To Balance *c/d*	1,50,000	By Statement of Profit & 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 as per Section 52(2) of the Companies Act, 2013. The balance of ₹ 5,000 in Securities Premium is after writing off Discount on Issue of Debentures of ₹ 10,000.

Or

1. (a) Book Value of Machine Sold = Cost – Accumulated Depreciation
= ₹ 4,00,000 – ₹ 20,000 (WN 2) = ₹ 3,80,000
Sale Value of Machine Sold = Book Value + Gain on Sale
= ₹ 3,80,000 + ₹ 30,000 = ₹ 4,10,000.

(b) *The Amount of machinery purchased* = ₹ *12,00,000 (WN 1)*

Working Notes:

1. *Dr.* MACHINERY ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Balance *b/d*	20,00,000	By Bank A/c (Sale) (WN 3)	4,10,000
To Statement of Profit & Loss (Gain on Sale)	30,000	By Accumulated Depreciation A/c	20,000
To Bank A/c (Balancing Figure) (Purchase)	**12,00,000**	By Balance *c/d*	28,00,000
	32,30,000		32,30,000

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

Particulars	₹	Particulars	₹
To Machinery A/c (Transfer) (Balancing Figure)	**20,000**	By Balance *b/d*	60,000
To Balance *c/d*	90,000	By Statement of Profit & Loss	50,000
	1,10,000		1,10,000

(c) CALCULATION OF CASH FLOW FROM INVESTING ACTIVITIES

Particulars	₹
Cash Flow from Investing Activities	
Purchase of Machinery	(12,00,000)
Proceeds from Sale of Machinery	4,10,000
Cash Used in Investing Activities	(7,90,000)

(d) CALCULATION OF CASH FLOW FROM FINANCING ACTIVITIES

Particulars	
Cash Flow from Financing Activities	
Proceeds from Issue of Equity Shares (₹ 90,00,000 – ₹ 60,00,000)	30,00,000
Redemption of Debentures (₹ 50,00,000 – ₹ 30,00,000)	(20,00,000)
Interest on Debentures	(5,50,000)
Dividend paid on Equity Shares	(3,00,000)
Cash Flow from Financing Activities	1,50,000

2. CALCULATION OF CASH FLOW FROM OPERATING ACTIVITIES

Particulars		₹
Net Profit before Tax (Net Profit + Transfer to Reserve)		1,30,000
Adjustment of Non-cash and Non-operating Items:		
Depreciation	20,000	
Goodwill Amortised	7,000	
Gain on Sale of Machine	(3,000)	24,000
Operating Profit before Working Capital Changes		1,54,000
Change in Current Assets and Current Liabilities:		
Increase in Trade Payables	6,000	
Increase in Trade Receivables	(3,000)	
Increase in Prepaid Expenses	(200)	
Decrease in Outstanding Expenses	(2,000)	800
Cash Flow from Operating Activities		1,54,800

Question 14.

(i) $$\text{Liquid Ratio} = \frac{\text{Quick Assets}}{\text{Current Liabilities}} = \frac{₹\ 1,24,000}{₹\ 84,000} = 1.48 : 1.$$

Current Ratio = 3 : 2, Current Assets = ₹ 1,26,000

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Hence, $$\text{Current Liabilities} = ₹\ 1,26,000 \times \frac{2}{3} = ₹\ 84,000$$

Quick Assets = Current Assets – Inventories
= ₹ 1,26,000 – ₹ 2,000 = ₹ 1,24,000.

(ii) (a) *Decline.* It will increase Debtors and Creditors by the same amount, *i.e.*, ₹ 2,000. As a result, Current Ratio will decline.

(b) *Decline.* Current Assets will decrease by ₹ 500, whereas Current Liabilities will remain same. As a result, Current Ratio will decline.

(iii) $$\text{Price Earning Ratio} = \frac{\text{Market Value of an Equity Share}}{\text{Earning Per Share (EPS)}} = \frac{₹\ 40}{₹\ 4.50} = 8.89 \text{ Times.}$$

(iv) $$\text{Debt to Total Assets Ratio} = \frac{\text{Debt}}{\text{Total Assets}}$$

Total Assets = Current Assets + Non-current Assets
= ₹ 4,00,000 + ₹ 8,00,000 = ₹ 12,00,000

Debt = Total Assets – Shareholders' Funds – Current Liabilities
= ₹ 12,00,000 – ₹ 3,00,000 – ₹ 1,00,000 = ₹ 8,00,000

$$\text{Debt to Total Assets Ratio} = \frac{₹\ 8,00,000}{₹\ 12,00,000} = 0.67 : 1.$$

ISC SPECIMEN QUESTION PAPER 2024

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

*(Candidates are allowed **additional 15 minutes** for **only** reading the paper.
They must **NOT** start writing during this time.)*

This Question Paper contains three sections.
***Section A** is **compulsory** for all candidates.*
*Candidates have to attempt **all** questions from **either Section B or Section C**.*
There are internal choices provided in each section.
The intended marks for questions or parts of questions are given in the brackets [ ].
All calculations should be shown clearly.
All working, including rough work, should be done on the same page as, and adjacent to, the rest of the answer.

SECTION A (60 Marks)

(*Answer **all** questions*)

Question 1.

In sub-parts (i) to (iv) choose the correct options and in sub-parts (v) to (x) answer the questions as instructed.

(i) On the date of Som's admission as a partner, it is decided that:

- Furniture (book value ₹ 2,50,000) be reduced by 40%.
- Machinery (book value ₹ 1,50,000) be reduced to 40%.

What is the net decrease in the value of the assets?

(a) ₹ 2,10,000. (b) ₹ 1,90,000.
(c) ₹ 1,60,000. (d) ₹ 2,40,000. [1]

(ii) Anita, Benu and Chitra dissolve their partnership firm. Anita had taken a loan of ₹ 10,000 from the firm.

What will be the entry to settle Anita's Loan on the dissolution of the firm?

(a) Debit Realisation A/c; Credit Anita's Loan A/c.
(b) Debit Anita's Loan A/c; Credit Realisation A/c.
(c) Debit Anita's Capital A/c; Credit Anita's Loan A/c.
(d) Debit Bank A/c; Credit Anita's Loan A/c. [1]

(iii) A company issued 5,000, 10% Debentures of ₹ 100 each at a discount of 5%. To write off the capital loss, it has to use its profits in a certain order.

Choose the correct order in which the profits are used by the company to write off the capital loss:

P Statement of Profit & Loss
Q Capital Reserve
R Securities Premium

(a) P, Q, R (b) R, P, Q
(c) R, Q, P (d) Q, P, R [1]

(iv) The Subscribed Capital of a company refers to:

(a) The paid-up value of the shares allotted on the date of the balance sheet.

(b) The called-up value of all shares allotted on the date of the balance sheet.

(c) The nominal value of all shares allotted on the date of the balance sheet.

(d) The paid-up value of all shares allotted on the date of the balance sheet and the balance of shares forfeited account, if any. [1]

(v) Jia, Tia, Sia and Bashir are partners sharing profits in the ratio of 3 : 3 : 2 : 1.

Tia retires from the firm. Bashir retains his original share in the reconstituted firm. Jia takes over 2/3 of Tia's share and the balance is taken up by Sia.

What is the new profit-sharing ratio of the remaining partners in the reconstituted firm? [1]

(vi) **Assertion (A):** Goodwill is a fictitious asset.

Reason (R): Goodwill has a realisable value.

Which one of the following is correct?

(a) Both Assertion and Reason are correct, and Reason is the correct explanation for Assertion.

(b) Both Assertion and Reason are correct, but Reason is not the correct explanation for Assertion.

(c) Assertion is false and Reason is true.

(d) Assertion is true and Reason is false. [1]

(vii) At the time of dissolution of a partnership firm, its Balance Sheet showed stock of ₹ 40,000 comprising of easily marketable items, obsolete items and a few miscellaneous other items. These items were realised as:

- *Easily marketable items:* 70% of the total inventory—in full.
- *Obsolete items:* 10% of the remaining inventory—discarded.
- *The miscellaneous other items in the stock*—20% of their book value.

You are required to calculate the amount realised from the sale of stock. [1]

(viii) As a result of the measure taken by the government in the year 2019–20 of non-creation of **Debenture Redemption Reserve by** listed companies/NBFCs or HFCs, the investments in the debenture issues from these companies have become riskier. **Source (edited):** *The Hindu, August, 2019.*

State the adverse impact of this measure on the investors? [1]

(ix) Give ***any one*** difference between a company's balance sheet and a firm's balance sheet. [1]

(x) Matrix Ltd. (an unlisted construction company) redeems its 7,000, 10% Debentures of ₹ 100 each in instalments as follows:

Date of Redemption	Debentures to be redeemed
31st March, 2022	2,000
31st March, 2023	3,000
31st March, 2024	2,000

How much will the company transfer from Debenture Redemption Reserve to General Reserve on 31st March, 2023? [1]

Question 2.

On 31st March, 2023, Parul retired from active partnership and her share of the following was ascertained on the date of her retirement:

Particulars	₹
Goodwill	20,000
Interest on Capital	2,000
Drawings	19,000
Interest on Drawings	3,000
Share of Profit	30,000
Capital	70,000

The amount due to Parul was kept with the firm as a loan, bearing interest @ 6% per annum. It was to be paid in two equal annual instalments along with interest @ 6 % per annum, the first instalment being paid on 31st March, 2024.

You are required to prepare Parul's Loan Account until the payment of the whole amount due to her is made.

Or

Piu and Nina are partners in a firm sharing profits and losses in the ratio of 3 : 1 respectively.

Nina retires and her claim, including her capital and entitlements from the firm including her share of goodwill of the firm, is ₹ 60,000.

After this amount was determined, it was found that there was some unrecorded office equipment valued at ₹ 18,000 which had to be recorded.

Upon recording this office equipment, the revised amount due to Nina was determined and Piu settled it by giving Nina this office equipment and for the balance she drew a promissory note.

You are required to give the necessary journal entries to record the transactions on the date of Nina's retirement. [3]

Question 3.

On 1st April, 2021, Kant Ltd. issued 8,000, 12% Debentures of ₹ 100 each, redeemable at par after five years. The issue was fully subscribed.

According to the terms of issue, interest on debentures is payable annually on 31st March. Tax deducted at source is 20%.

You are required to pass Journal entries to record the transactions of interest on debentures only for the year 2022–23. [3]

Question 4.

Leo Ltd. (a listed NBFC) redeems its 9,000, 10% Debentures of ₹ 100 each at a premium of 5% in instalments, as follows:

Date of Redemption	Debentures to be redeemed
31st March, 2021	2,000
31st March, 2022	2,000
31st March, 2023	5,000

You are required to prepare:

(i) The Debenture Redemption Investment Account for the years 2021–22 and 2022–23.

(ii) 10% Debentures Account for the year 2021–22.

Or

Honesty Ltd., an unlisted manufacturing company, had 30,000, 6% Debentures of ₹ 100 each due for redemption at par on 31st March, 2023. On this date the company had the required amount of ₹ 3,00,000 in its Debenture Redemption Reserve.

The Debenture Redemption Investment, which was purchased on 30th April, 2022, was realized at 101% on the date of redemption of the debentures and the debentures were redeemed.

You are required to pass Journal entries in the books of the company for the year 2022–23. (Ignore interest on debentures) [3]

Question 5.

From the information given below, find the *average profits* of the partnership firm of Sudhir and Sana.

(a) The firm has total assets of ₹ 4,80,000.

(b) The partners' capital accounts show a balance of ₹ 4,00,000.

(c) The firm has reserves of ₹ 30,000 and creditors of ₹ 50,000.

(d) The normal rate of return from the capital invested in the same class of business is 10%.

(e) The self-generated goodwill of the firm is valued at ₹ 1,80,000 at 3 years' purchase of super profits. [3]

Question 6.

On 1st April, 2021, Vintage Ltd. was registered with a capital of ₹ 40,00,000 divided into equity shares of ₹ 100 each.

It offered 12,000 shares to the public which were all subscribed for and allotted and were fully paid.

During the year 2022–23, the company:

- Issued 5,500 equity shares to the public on which, till the date of the Balance Sheet as at 31st March, 2023, ₹ 70 had been called.
- Issued equity shares of ₹ 100 each at a premium of ₹ 25 to Style Ltd. from whom it purchased land at a purchase consideration of ₹ 4,50,000.
- Paid underwriting commission of ₹ 40,000 to the underwriters.
- Suffered a net loss of ₹ 4,00,000.

As per Schedule III of the Companies Act, 2013, you are required to:

(i) Show the Reserves and Surplus in the Notes to Accounts.

(ii) Mention the heading and sub-heading under which Land is shown in the Balance Sheet of the company.

(iii) Give the amount of Share Capital in the Balance Sheet of the company prepared as at 31st March, 2023. (Ignore Notes to Accounts) [6]

Question 7.

Sharan and Angad are partners in a firm sharing profits and losses in the ratio of 3 : 2.

On 1st April, 2022, they admit Akhil as a partner for 1/5 share in the profits. Akhil acquires 1/5 of his share from Sharan and the balance from Angad.

On the date of Akhil's admission, goodwill of the firm was valued at ₹ 90,000.

Akhil contributed following assets towards his capital and his share of goodwill.

Particulars	₹
Cash	60,000
Debtors (*less* Provision for Doubtful Debts)	20,000
Land and Building	1,00,000
Plant and Machinery	80,000

You are required to:

(i) Calculate the sacrificing ratio of the partners.

(ii) Pass the necessary Journal entries on Akhil's admission, ascertaining Akhil's capital contribution and assuming that he brings into the firm his share of goodwill in cash/kind.

Or

Amit and Pavan are partners in a firm with capitals of ₹ 35,000 each. They shared profits and losses in the ratio of 3 : 1.

On 1st April, 2023, they admit Charu as a new partner for 1/5 share in the profits. Charu brings in ₹ 40,000 as her share of capital.

Goodwill of the firm is based on Charu's share in the profits and the capital contributed by her. Charu brings her share of goodwill in cash.

At the time of Charu's admission:

(a) The firm had a General Reserve of ₹ 60,000 from which ₹ 20,000 is to be set aside as Provision for Doubtful Debts.

(b) Creditors of ₹ 8,000 are paid by Amit privately for which he is not to be reimbursed.

(c) There is no change in the value of other assets and liabilities.

You are required to pass necessary Journal entries on Charu's admission. [6]

Question 8.

Mitesh, Samir and Ajay were partners sharing profits and losses in proportion to their capitals, which on 31st March, 2023, stood at:

Mitesh— ₹ 1,50,000

Samir— ₹ 1,00,000

Ajay— ₹ 50,000

The firm's recorded liabilities on that date amounted to ₹ 1,00,000.

In addition:

- Ajay had given a loan of ₹ 40,000 to the firm on which he was entitled to receive interest @ 6% per annum for the whole year.
- A Bills Receivable of ₹ 40,000 discounted with the bank was dishonoured on 31st March, 2023.

The partners dissolved their partnership firm on 31st March, 2023, and the assets, apart from cash of ₹ 30,000, realised ₹ 6,00,000.

Expenses of dissolution amounting to ₹ 12,500 were to be borne by Samir. These were paid by the firm on his behalf.

You are required to prepare:

(i) Realisation Account.

(ii) Ajay's Loan Account. [6]

Question 9.

Akhil, Nitin and Suraj are partners in a firm. Their terms of agreement are as follows:

Particulars	Akhil	Nitin	Suraj
Interest on Capital to be allowed @	6% per annum	6% per annum	6% per annum
Interest on Drawings (except salary) to be charged @	4% per annum	4% per annum	4% per annum
Salary @	...	₹ 100 per month	...
Commission on the net profits of the firm after charging such commission @	10%	...	...

On 1st April, 2022, their capitals were:

Akhil— ₹ 15,000

Nitin— ₹ 20,000

Suraj— ₹ 6,000 (Dr.)

On 1st December, 2022, Akhil introduced further capital of ₹ 4,000.

The drawings of the partners were:

- Suraj withdrew: ₹ 300 on 1st August, 2022;
  ₹ 600 on 1st December, 2022.
- Nitin withdrew only his salary.

Akhil withdrew a certain fixed amount at the beginning of every month on which he was charged an interest of ₹ 52 at the end of the year, at the rate mentioned in the deed.

The profits of the firm for the financial year 2022–23, before any of the above adjustments, were ₹ 27,500.

You are required to:

(i) Calculate the drawings made by Akhil every month. [1]

(ii) Pass the Journal entry for capital introduced by Akhil. [2]

(iii) Prepare the Profit & Loss Appropriation Account of the firm for the year 2022–23. [7]

Or

Krish and Shail entered into a partnership on 1st October, 2022, with capital contributions of ₹ 48,000 and ₹ 36,000 respectively.

On 1st January, 2023, Shail advanced a loan of ₹ 12,000 to the firm.

The terms of the partnership agreement are as follows:

(a) Interest on Capital to be allowed at 12% per annum.

(b) Interest on Drawings to be charged @ 10% per annum.

(c) Krish to be entitled to a commission of 2% on the turnover.

(d) Each partner to get a salary of ₹ 1,200 per month.

(e) Profits and losses to be shared in the ratio of 4 : 3.

The turnover for the period under consideration was ₹ 2,00,000.

The drawings of the partners were: Krish ₹ 4,000; Shail ₹ 2,000.

The profit of the firm for the year ended 31st March, 2023, *before* providing for any interest was ₹ 1,10,000.

You are required to prepare for the year 2022-23:

(i) Profit and Loss Appropriation Account. [9]

(ii) Shail's Loan Account. [1]

Question 10

In the year 2022-23, Paresh Ltd. invited applications for 25,000 equity shares of ₹ 10 each payable as follows:

On application— ₹ 5 per share

On allotment— ₹ 3 per share

On call— ₹ 2 per share

Applications were received for 50,000 shares. It was decided:

(i) To allot 50% to Shyam who had applied for 10,000 shares.

(ii) To allot in full to Kevin who had applied for 10,000 shares.

(iii) To allot the balance of the available shares on *pro rata* basis among the other applicants.

(iv) To utilise the excess application money in part payment of allotment and final call.

Till the Balance Sheet as at 31st March, 2023, the company had asked the shareholders to pay up to the allotment stage.

The amount due on the allotment was received from all shareholders except from Kevin, whose shares were immediately forfeited by the company.

You are required to pass Journal entries in the books of the company to record the above transactions. [10]

Or

(A) **Following is an extract from the Journal of MM Ltd. You are required to *complete* the Journal entries filling-up the information represented by '?' which is missing from these Journal entries.**

JOURNAL OF *MM* LTD. (AN EXTRACT)

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c	...Dr.		?	
	Securities Premium A/c	...Dr.		?	
	To Share Forfeiture A/c				?
	To Calls-in-Arrears A/c				?
	(Being the forfeiture of 1,000 shares allotted to a shareholder who had applied for 2,000 shares, for non-payment of allotment and 1st call)				
	Bank A/c	...Dr.		?	
	Share Forfeiture A/c	...Dr.		?	
	To Share Capital A/c				?
	(Being .?. forfeited shares reissued at ₹ 7 per share as ₹ 9 paid-up)				
	Share Forfeiture A/c	...Dr.		2,400	
	To Capital Reserve A/c				2,400
	(Being net gain on reissued shares transferred to Capital Reserve)				

Additional information:

MM Ltd. issued 20,000 Equity shares of the face value of ₹ 10 each at a premium of ₹ 5 per share, payable:

₹ 5 on application;

₹ 6 on allotment (including premium);

₹ 3 on first call;

The balance as and when due.

You are required to complete:

- **The Journal entry for forfeiture of shares.**
- **The Journal entry for reissue of shares, clearly mentioning the number of forfeited shares reissued by the company.** [8]

(B) Shiv, the holder of 100 shares paid his first call of ₹ 4 per share, due on 1st May, 2023, along with his allotment money, on 1st September, 2023.

Interest is allowed by the company on Calls-in-Advance as per the provisions of *Table F* of the Companies Act, 2013.

You are required to give the *adjusting entry* and *closing entry* for interest on Calls-in-Advance. [2]

SECTION B (20 Marks)

Question 11.

In sub-parts (i) and (ii) choose the correct options and in sub-parts (iii) to (v) answer the questions as instructed:

(i) Read the extract given below and answer the question that follows:

Unilever Plc (ULVR.L) said on Thursday (Feb. 9, 2023): It would continue to raise prices for its detergents, soaps and packaged food to offset rising input costs, and ease up those hikes in the second half of 2023. **Source:** *Reuters*

Which one of the following is the reason for the decision taken by Unilever Plc?

(a) To repair the company's Debt to Equity Ratio so that it can derive the benefits of trading on equity.

(b) To repair the company's Trade Receivables Ratio in order to reduce the risk of bad debts.

(c) To repair the company's gross margin as the industry has been battling with COVID-era supply chain issues and raw material expenses.

(d) To repair the company's Inventory Turnover Ratio as the cost of warehousing had increased due to accumulation of stocks. [1]

(ii) While preparing a Cash Flow Statement, which one of the following will be added to the Net Profit for the year to get Net Profit before Tax?

(a) Sale of Plant and Machinery.

(b) Interest received on Investments.

(c) Increase in Trade Payables.

(d) Increase in General Reserve. [1]

(iii) Sunshine Ltd. had a Current Ratio of 0·7 : 1; its Current Assets being ₹ 2,00,000 and Current Liabilities being ₹ 2,50,000.

What will be the *revised* Current Ratio of Sunshine Ltd., after it dishonours one of its Bills Payable of ₹ 30,000? [1]

(iv) The books of accounts of Zebra Ltd. showed:

- Change in inventories of raw materials (₹ 70,000).
- Opening inventory of ₹ 2,40,000.

(a) You are required to give the formula used by the company to calculate the change in inventories.

(b) You have been provided with one component for calculating the change in inventories. Calculate the other component. [1]

(v) Mention whether *accrued interest on investments* would result in *inflow*, *outflow* or *no flow of cash*. [1]

Question 12.

From the following income statement of *ZX* Ltd., you are required to prepare a Common-size Income Statement.

Particulars	31st March, 2023 (₹)
Revenue from Operations	₹ 4,00,000
Expenses	50% of Revenue from Operations
Interest on Investments	₹ 10,000
Tax Payable @	40%

[3]

Question 13.

From the following Balance Sheets of Platinum Ltd., you are required to prepare a Cash Flow Statement (as per AS-3) for the year 2022–23.

Platinum Ltd.

BALANCE SHEET *as at 31st March, 2023 and 31st March, 2022*

Particulars	Note No.	31st March, 2023 (₹)	31st March, 2022 (₹)
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(a) Share Capital (Equity)		4,00,000	4,00,000
(b) Reserves and Surplus	1	1,30,000	1,20,000
2. Non-Current Liabilities			
Long-term Borrowings (5% Debentures)		3,50,000	2,60,000
3. Current Liabilities			
Short-term Provision (Provision for Tax)		60,000	25,000
Total		9,40,000	8,05,000
II. ASSETS			
1. Non-Current Assets			
Property, Plant and Equipment and Intangible Assets:			
—Property, Plant and Equipment (Plant and Machinery)		6,00,000	7,80,000
2. Current Assets			
—Cash and Bank Balances (Cash at Bank)		3,40,000	25,000
Total		9,40,000	8,05,000

Notes to Accounts

Particulars	31st March, 2023 (₹)	31st March, 2022 (₹)
1. Reserves and Surplus		
Securities Premium	...	20,000
Balance in Statement of Profit & Loss	1,30,000	1,00,000

Additional information:

During the year 2022–23, the company:

(a) Paid share issue expenses of ₹ 25,000.

(b) Sold a machine for ₹ 90,000 at a profit of ₹ 10,000. [6]

Or

Read the following information of Hydrogen Ltd., and answer the questions that follow:

Particulars	31st March, 2023 (₹)	31st March, 2022 (₹)
Share Capital (Equity shares ₹ 10 each)	9,50,000	6,00,000
Securities Premium	...	1,60,000
Bank Loan	2,00,000	1,50,000
Cash Credit	20,000	12,000
Balance in Statement of Profit & Loss	2,00,000	1,60,000
Provision for Tax	80,000	60,000
Trade Payables	30,000	25,000
Outstanding interest on debentures	3,500	...

Additional information:

During the year 2022–23, the company:

(a) Issued bonus shares to the shareholders at the beginning of the year in the ratio of 1 : 4 (that is 1 bonus share for every 4 shares held) by capitalising the Securities Premium.

(b) Purchased office equipment for ₹ 2,40,000, payment made by issuing 20,000 Equity Shares of ₹ 10 each to the vendor and the balance in cash.

(c) Paid ₹ 4,000 for interim dividend.

(d) The interest on all borrowings was ₹ 16,000 out of which the amount paid till the end of the year, was ₹ 12,500.

(e) Dividend of ₹ 15,000 proposed in the year 2021–22 was declared and paid.

(f) Paid underwriting commission of ₹ 10,000.

(i) How many bonus shares have been issued by the company to the shareholders? [1]

(ii) What is the company's Net Profit before Tax? [1]

(iii) What is the Cash from Operating Activities of the company before tax paid? [1]

(iv) What is Hydrogen Ltd.'s inflow/outflow of cash from Financing Activities? [1]

(v) Give the inflow/outflow of cash from Investing Activities, if any. [1]

(vi) The Board of Directors of Hydrogen Ltd. proposed a dividend of ₹ 30,000 at the end of the year 2022–23.

State with reason, the disclosure/non-disclosure of this dividend proposed in the Cash Flow Statement of the company for the year 2022–23. [1]

Question 14.

Answer* any three *of the following questions:

(i) From the following information, calculate Inventory Turnover Ratio (up to two decimal places):

Particulars	₹
Opening Inventory	20,000
Closing Inventory	2,00,000
Revenue from Operations	7,00,000
Gross Loss	70,000

(ii) Calculate the Gross Profit Ratio (up to two decimal places) from the following information:

Particulars	
Opening Inventory	₹ 80,000
Closing Inventory	₹ 1,00,000
Revenue from Operations	₹ 9,00,000
Inventory Turnover Ratio	8 Times

(iii) Calculate the Liquid Ratio (up to two decimal places) from the following information:

Particulars	
Current Assets	₹ 1,26,000
Inventories	₹ 2,000
Current Ratio	1.5 : 1

(iv) For the year 2022-23:

- The Operating Profit Ratio of Noah Ltd. was 65%.
- Its Revenue from Operations was ₹ 2,00,000.

(a) You are required to give the formula used by the company to calculate the Operating Profit Ratio.

(b) You have been provided with two components for calculating the Operating Profit Ratio. Calculate the remaining component. [6]

ANSWERS

SECTION A

Question 1.

(i) (b) ₹ 1,90,000.

Working Note:

Furniture be reduced by 40% = ₹ 2,50,000 × 40/100 = ₹ 1,00,000
Machinery reduced = ₹ 1,50,000 × 60/100 = ₹ 90,000
Net decrease in the value of assets = ₹ 1,00,000 + ₹ 90,000 = ₹ 1,90,000.

(ii) (c) Debit Anita's Capital A/c; Credit Anita's Loan A/c.

(iii) (c) R, Q, P.

(iv) (d) The paid-up value of all shares allotted on the date of the balance sheet and the balance of shares forfeited account, if any.

(v) Tia's share of profit = 3/9. Jia is taking over 2/3rd of 3/9, *i.e.*, 6/27. Sia is taking over 3/9 – 6/27 = 3/27.

New profit share of remaining partner = Old profit share + Profit share acquired

$$\text{Jia's New Profit Share} = \frac{3}{9} + \frac{6}{27} = \frac{9+6}{27} = \frac{15}{27}$$

$$\text{Sia's New Profit Share} = \frac{2}{9} + \frac{3}{27} = \frac{6+3}{27} = \frac{9}{27}$$

$$\text{Bashir's New Profit Share} = \frac{1}{9} + 0 = \frac{1}{9} \text{ or } \frac{3}{27}$$

New Profit-sharing Ratio = 15/27 : 9/27 : 3/27 or 5 : 3 : 1.

(vi) (c) Assertion is false and Reason is true.

(vii) *Calculation of amount realised from the sale of stock:*

• Easily marketable items = ₹ 40,000 × 70/100	=	₹ 28,000
• Obsolete item [10% of (₹ 40,000 – ₹ 28,000) = ₹ 1,200]	=	Nil
• Miscellaneous other items = 20/100 (₹ 40,000 – ₹ 28,000 – ₹ 1,200)	=	₹ 2,160
		₹ 30,160

(viii) Debenture Redemption Reserve (DRR) is a reserve created out of profit for the purpose of redemption of debentures. It provides safety to the investors for investment in the debentures. Non-creation of DRR by listed companies/NBFC or HFCs, the investments in debenture issue from these companies have become riskier since the amount credited to the DRR is utilised specifically for redemption of debentures which will not be the situation after change.

(ix) Company's Balance Sheet is prepared in vertical form whereas firm's Balance Sheet is generally prescribed in horizontal form.

(x) Amount transferred from Debenture Redemption Reserve to General Reserve = 10% of ₹ 3,00,000 = ₹ 30,000.

Question 2.

Dr. PARUL'S CAPITAL ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Drawings A/c	19,000	By Balance *b/d*	70,000
To Interest on Drawings A/c	3,000	By Profit & Loss Appropriation A/c	30,000
To Parul's Loan A/c (Balancing Figure)	1,00,000	By Interest on Capital A/c	2,000
		By Remaining Partners' Capital A/cs (Goodwill)	20,000
	1,22,000		1,22,000

Dr. PARUL'S LOAN ACCOUNT *Cr.*

Date	Particulars	₹	Date	Particulars	₹
2023			2023		
March 31	To Balance *c/d*	1,00,000	March 31	By Parul's Capital A/c	1,00,000
2024			2023		
March 31	To Bank A/c (₹ 50,000 + ₹ 6,000)	56,000	April 1	By Balance *b/d*	1,00,000
March 31	To Balance *c/d*	50,000	2024		
			March 31	By Interest A/c (₹ 1,00,000 × 6/100)	6,000
		1,06,000			1,06,000
2025			2024		
March 31	To Bank A/c	53,000	April 1	By Balance *b/d*	50,000
			2025		
			March 31	By Interest A/c (₹ 50,000 × 6/100)	3,000
		53,000			53,000

Or

JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Office Equipment A/c	...Dr.		18,000	
	To Revaluation A/c				18,000
	(Being the unrecorded office equipment recorded)				
	Revaluation A/c	...Dr.		18,000	
	To Piu's Capital A/c				13,500
	To Nina's Capital A/c				4,500
	(Being the profit on revaluation transferred to Partners' Capital Accounts)				
	Piu's Capital A/c (₹ 60,000 + ₹ 13,500)	...Dr.		73,500	
	To Office Equipment A/c				18,000
	To Bills Payable A/c				55,500
	(Being Piu's claim discharged)				

Question 3.

JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2023					
March 31	Interest on Debentures A/c (₹ 8,00,000 × 12/100)	...Dr.		96,000	
	To Debentureholders' A/c (₹ 96,000 × 80/100)				76,800
	To TDS A/c (₹ 96,000 × 20/100)				19,200
	(Being the interest due and TDS @ 20%)				
	Debentureholders' A/c	...Dr.		76,800	
	To Bank A/c				76,800
	(Being the payment of interest)				
	TDS A/c	...Dr.		19,200	
	To Bank A/c				19,200
	(Being the payment of TDS)				
	Statement of Profit & Loss (Finance Cost)	...Dr.		96,000	
	To Interest on Debentures A/c				96,000
	(Being the transfer of debenture interest to Statement of Profit & Loss)				

Question 4.

(i)

Dr. DEBENTURE REDEMPTION INVESTMENT ACCOUNT *Cr.*

Date	Particulars	₹	Date	Particulars	₹
2021			2022		
April 1	To Balance *b/d* (15% of ₹ 2,00,000)	30,000	March 31	By Balance *c/d*	30,000
2022			2023		
April 1	To Balance *b/d*	30,000	March 31	By Bank A/c (Sale of Investment)	75,000
April 30	To Bank A/c (15% of ₹ 3,00,000)	45,000			
		75,000			75,000

(ii)

Dr. 10% DEBENTURES ACCOUNT *Cr.*

Date	Particulars	₹	Date	Particulars	₹
2022			2021		
March 31	To Debentureholders' A/c	2,00,000	March 31	By Balance *b/d*	7,00,000
March 31	To Balance *c/d*	5,00,000			
		7,00,000			7,00,000

Or

In the Books of Honesty Ltd.

JOURNAL

Date		Particulars		L.F.	Dr. (₹)	Cr. (₹)
2022						
April	30	Debenture Redemption Investment A/c	...Dr.		4,50,000	
		To Bank A/c				4,50,000
		(Being the investment made)				
2023						
March	31	Bank A/c	...Dr.		4,54,500	
		To Debenture Redemption Investment A/c				4,50,000
		To Gain on Sale of Investment A/c				4,500
		(Being the investment realised) (WN)				
		6% Debentures A/c	...Dr.		30,00,000	
		To Debentureholders' A/c				30,00,000
		(Being the amount due on redemption)				
		Debentureholders' A/c	...Dr.		30,00,000	
		To Bank A/c				30,00,000
		(Being the amount due to debentureholders' paid)				
		Debenture Redemption Reserve A/c	...Dr.		3,00,000	
		To General Reserve A/c				3,00,000
		(Being the transfer of Debenture Redemption Reserve to General Reserve on the redemption of debentures)				
		Gain on Sale of Investment A/c	...Dr.		4,500	
		To Capital Reserve A/c				4,500
		(Being the gain on sale of investment transferred to Capital Reserve)				

Working Note:

Debenture Redemption Investment made @ 5% of the face value = 15% of ₹ 30,00,000 = ₹ 4,50,000.
Realised value of Debenture Redemption Investment = 101% of ₹ 4,50,000 = ₹ 4,54,500.

Question 5.

Capital Employed = All assets (other than goodwill, fictitious assets and Non-trade Investments)
= ₹ 4,80,000 – ₹ 50,000 (Creditors) = ₹ 4,30,000

Normal Profit = 10% of ₹ 4,30,000 = ₹ 43,000

Goodwill = Super Profit × 3 = ₹ 1,80,000

Super Profit = ₹ 1,80,000/3 = ₹ 60,000

Average Profit = Normal Profit + Super Profit
= ₹ 43,000 + ₹ 60,000 = ₹ 1,03,000.

Question 6.

(i) **Note to Accounts**

Particulars	₹
Reserves and Surplus	
Surplus, *i.e.*, Balance in Statement of Profit & Loss	(4,00,000)

(ii) Land will be shown under the Head: *'Property, Plant and Equipment and Intangible Assets'* and sub-head *'Property, Plant and Equipment'*, in the Balance Sheet of the company.

(iii) **Share Capital shown in the Balance Sheet will be ₹ 19,45,000**

	₹
Subscribed and fully paid-up:	
15,600 Equity Shares of ₹ 100 each	15,60,000
(3,600 shares allotted as fully paid to pursuant to a contract without payment being received in cash)	
Subscribed but not fully paid-up:	
5,500 Equity Shares of ₹ 100 each ₹ 70 paid-up	3,85,000
Share Capital in the Balance Sheet	19,45,000

Question 7.

(i) **Calculation of Sacrificing Ratio**

Share acquired by Akhil:

From Sharan $= \frac{1}{5} \times \frac{1}{5} = \frac{1}{25}$

From Angad $= \frac{1}{5} - \frac{1}{25} = \frac{5-1}{25} = \frac{4}{25}$

Sacrificing ratio of Sharan and Angad = 1/25 : 4/25 or 1 : 4.

(ii) JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Cash A/c ...Dr.		60,000	
	Debtors (*Less* Provision for Doubtful Debts A/c) ...Dr.		20,000	
	Land and Building A/c ...Dr.		1,00,000	
	Plant and Machinery A/c ...Dr.		80,000	
	To Akhil's Capital A/c (Balancing Figure)			2,42,000
	To Premium for Goodwill A/c (₹ 90,000 × 1/5)			18,000
	(Being Akhil contributed above assets towards his capital and his share of goodwill)			
	Premium for Goodwill A/c ...Dr.		18,000	
	To Sharan's Capital A/c			3,600
	To Angad's Capital A/c			14,400
	(Being the goodwill credited to sacrificing partners in their sacrificing ratio of 1 : 4)			

Or

JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	General Reserve A/c	...Dr.		60,000	
	To Provision for Doubtful Debts A/c				20,000
	To Amit's Capital A/c				30,000
	To Pavan's Capital A/c				10,000
	(Being out of General Reserve of ₹ 60,000, ₹ 20,000 is transferred to Provision for Doubtful Debts and balance is distributed among old partners in their old profit-sharing ratio)				
	Creditors' A/c	...Dr.		8,000	
	To Revaluation A/c				8,000
	(Being the creditors of ₹ 8,000 are paid by Amit for which he is not to reimbursed				
	Revaluation A/c	...Dr.		8,000	
	To Amit's Capital A/c				6,000
	To Pavan's Capital A/c				2,000
	(Being the profit on revaluation transferred to old partners' Capital Accounts)				
	Bank A/c	...Dr.		48,400	
	To Charu's Capital A/c				40,000
	To Premium for Goodwill A/c				8,400
	(Being the capital and premium for goodwill contributed by Charu) (WN)				
	Premium for Goodwill A/c	...Dr.		8,400	
	To Amit's Capital A/c				6,300
	To Pavan's Capital A/c				2,100
	(Being the premium for goodwill credited to sacrificing partners in their sacrificing ratio, *i.e.*, 3 : 1)				

Working Note:

Calculation of hidden goodwill of the firm:

Total capital of the firm on the basis of Charu's capital = ₹ 40,000 × 5/1 =				₹ 2,00,000
Less:	Net worth of the business			
	Adjusted Capital of all the partners:			
	(Capital + Reserve + Profit on Revaluation (Creditors):		₹	
	Amit = ₹ 35,000 + ₹ 30,000 + ₹ 6,000	=	71,000	
	Pavan = ₹ 35,000 + ₹ 10,000 + ₹ 2,000	=	47,000	
	Charu = ₹ 40,000	=	40,000	₹ 1,58,000
Hidden Goodwill				₹ 42,000

Charu's share in goodwill = ₹ 42,000 × 1/5 = ₹ 8,400.

Question 8.

(i)

Dr. REALISATION ACCOUNT *Cr.*

Particulars		₹	Particulars	₹
To Sundry Assets A/c (WN 1)		4,10,000	By Creditors A/c	1,00,000
To Interest on Ajay's Loan A/c		2,400	By Bank A/c (Assets)	6,00,000
To Bank A/c:				
Creditors	1,00,000			
Bills Receivables (Dishonoured)	40,000	1,40,000		
To Mitesh's Capital A/c (Profit) (₹ 1,47,600 × 3/6)		73,800		
To Samir's Capital A/c (Profit) (₹ 1,47,600 × 2/6)		49,200		
To Ajay's Capital A/c (Profit) (₹ 1,47,600 × 1/6)		24,600		
		7,00,000		7,00,000

Working Note: *Calculation of Book Value of Sundry Assets on the date of Dissolution:*

Dr. BALANCE SHEET *as at 31st March, 2023* *Cr.*

Liabilities		₹	Assets	₹
Creditors		1,00,000	Cash A/c	30,000
Ajay's Loan		40,000	Sundry Assets—Balancing Figure	**4,10,000**
Capital A/cs:			(Other than cash)	
Mitesh	1,50,000			
Samir	1,00,000			
Ajay	50,000	3,00,000		
		4,40,000		4,40,000

(ii)

Dr. AJAY'S LOAN ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Bank A/c	42,400	By Balance *b/d*	40,000
		By Interest on Ajay's Loan A/c	2,400
	42,400		42,400

Note: Realisation expenses to be borne by Samir and paid by the firm will not be debited to Realisation Account.

Question 9.

(i) *Calculation of the drawings made by Akhil:*

Let the total drawings of Akhil during the year = x

$$\text{Interest on Drawings} = \text{Total Drawings} \times \frac{\text{Rate of Interest}}{100} \times \frac{\text{Average Period*}}{12}$$

$$52 = x \times \frac{4}{100} \times \frac{6.5}{12}\,;\; 52 = x \times \frac{1}{100} \times \frac{6.5}{3}$$

$$6.5x = 52 \times 100 \times 3 = ₹\ 15{,}600$$

$$x = ₹\ 15{,}600/6.5 = ₹\ 2{,}400 \text{ (Total Drawings)}$$

Akhil's monthly drawings = ₹ 2,400/12 = ₹ 200

*Average period = (Months left after 1st drawings + Months left of the last drawings)/2
= (12 + 1)/2 = 6.5 Months.

(ii)

JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	...Dr.		4,000	
	To Akhil's Capital A/c				4,000
	(Being further capital introduced)				

(iii)

Dr. PROFIT & LOSS APPROPRIATION ACCOUNT *for the year 2022–23* *Cr.*

Particulars	₹	Particulars		₹
To Interest on Capital A/c:		By Profit & Loss A/c (Profit)		27,500
Akhil: [(₹ 15,000 × 6/100 × 8/12) +		By Interest on Drawings:		
(₹ 19,000 × 6/100 × 4/12)]	980	Akhil	52	
Nitin (₹ 20,000 × 6/100)	1,200	Suraj:		
To Salary: Nitin's Capital A/c	1,200	₹ 300 × 8/12 × 4/100	8	
To Commission A/c		₹ 600 × 4/12 × 4/100	8	68
—Akhil (10/110 × ₹ 27,500)	2,500			
To Akhil's Capital A/c (Profit) (₹ 21,688 × 1/3)	7,229			
To Nitin's Capital A/c (Profit) (₹ 21,688 × 1/3)	7,229			
To Suraj's Capital A/c (Profit) (₹ 21,688 × 1/3)	7,230			
	27,568			27,568

Working Note:

Interest on Capital:

Akhil = ₹ 15,000 × 6/100 × 8/12 = 600

= ₹ 19,000 × 6/100 × 4/12 = 380

980

Or

(i)

Dr. PROFIT & LOSS APPROPRIATION ACCOUNT *for the year 2022–23* *Cr.*

Particulars		₹	Particulars		₹
To Interest on Capital:			By Profit & Loss A/c (Note 1)		1,09,820
Krish (₹ 48,000 × 6/12 × 12/100)	2,880		By Interest on Drawings (Note 2):		
Shail (₹ 36,000 × 6/12 × 12/100)	2,160	5,040	Krish (₹ 4,000 × 10/100 × 3/12)	100	
To Commission A/c:			Shail (₹ 2,000 × 10/100 × 3/12)	50	150
Krish's Capital (2% of ₹ 2,00,000)		4,000			
To Salary A/c:					
Krish's Capital	7,200				
Shail's Capital	7,200	14,400			
To Krish's Capital A/c (Profit) (₹ 86,530 × 4/7)		49,445			
To Shail's Capital A/c (Profit) (₹ 86,530 × 3/7)		37,085			
		1,09,970			1,09,970

Notes:

1. Interest on Shail's loan ₹ 180 (₹ 12,000 × 6/100 × 3/12) is a charge against the profit. So, such interest on loan is subtracted from the net profit before appropriation. Net profit after interest on loan = ₹ 1,10,000 – ₹ 180 = ₹ 1,09,820.
2. Interest on Drawings is calculated for 3 months, *i.e.*, average period (6 months/2).

(ii)

Dr. SHAIL'S LOAN ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Balance *c/d*	12,180	By Bank A/c	12,000
		By Interest on Loan A/c	180
	12,180		12,180

Question 10.

JOURNAL OF PARESH LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c ...Dr.		2,50,000	
	To Equity Shares Application A/c			2,50,000
	(Being the application money received)			
	Equity Shares Application A/c ...Dr.		2,50,000	
	To Equity Share Capital A/c			1,25,000
	To Equity Shares Allotment A/c			45,000
	To Calls-in-Advance A/c			30,000
	To Bank A/c (WN 3)			50,000
	(Being the application money adjusted and surplus refunded)			
	Equity Shares Allotment A/c ...Dr.		75,000	
	To Equity Share Capital A/c			75,000
	(Being the amount due on allotment on 25,000 shares)			
	Calls-in-Arrears A/c (10,000 × ₹ 3) ...Dr.		30,000	
	To Shares Allotment A/c			30,000
	(Being the allotment money received except on 10,000 shares)			
	Equity Share Capital A/c ...Dr.		80,000	
	To Forfeited Shares A/c			50,000
	To Calls-in-Arrears A/c			30,000
	(Being 10,000 shares forfeited for non-payment of allotment money)			

Working Notes:

1. *The company made allotment as under:*

Category	Shares Applied	Shares Allotted
(i)	10,000	5,000 (Shyam)
(ii)	10,000	10,000 (Kevin)
(iii)	30,000	10,000 (Others)

		₹
2.	Excess application money for Shyam = 5,000 × ₹ 5	25,000
	Less: Excess application money utilised on allotment (5,000 × ₹ 3)	15,000
		10,000
	Less: Excess application money utilised on call (5,000 × ₹ 2)	10,000
	Balance (To be refunded)	NIL

		₹
3.	Excess application money from others (20,000 × ₹ 5)	1,00,000
	Less: Excess application money adjusted on allotment (10,000 × ₹ 3)	30,000
		70,000
	Less: Excess application money adjusted on call (10,000 × ₹ 2)	20,000
	Excess application money refunded	50,000

Or

(A) JOURNAL OF *MM* LTD. (AN EXTRACT)

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c (1,000 × ₹ 9) ...Dr.		**9,000**	
	Securities Premium A/c (WN 1 and 2) ...Dr.		**1,000**	
	To Share Forfeiture A/c			**6,000**
	To Calls-in-Arrears A/c			**4,000**
	(Being forfeiture of 1,000 shares allotted to a shareholder who had applied for 2,000 shares, for non-payment of allotment and 1st call) (WN 1 and 2)			
	Bank A/c (600 × ₹ 7) ...Dr.		**4,200**	
	Share Forfeiture A/c (600 × ₹ 2) ...Dr.		**1,200**	
	To Share Capital A/c			**5,400**
	(Being **600** forfeited shares reissued at ₹ 7 per share as ₹ 9 paid-up)			
	Share Forfeiture A/c ...Dr.		2,400	
	To Capital Reserve A/c			2,400
	(Being net gain on reissued shares transferred to Capital Reserve)			

Working Notes:

		₹	₹
1.	*Calculation of allotment money due but not received:*		
	Application money received from defaulter (2,000 × ₹ 5)		10,000
	Less: Application money adjusted (1,000 × ₹ 5)		5,000
	Excess application money		5,000
	Less: Amount adjusted towards share capital due on allotment (1,000 × ₹ 1)	1,000	
	Amount adjusted towards Securities Premium due on allotment (₹ 5,000 – ₹ 1,000)	4,000	5,000
			Nil

2. Amount due towards Securities Premium on allotment from defaulter = ₹ 5,000. However, only ₹ 4,000 has been adjusted to Securities Premium from the excess application money. The balance of ₹ 1,000 is still due, which will be debited to Securities Premium Account on forfeiture of shares.

3. *Calculation of No. of Forfeited Shares reissued:*
   (a) Amount forfeited per share = Amount of Share forfeiture/No. of Shares forfeited
   = ₹ 6,000/1,000 = ₹ 6 per share.
   (b) Discount on reissue = ₹ 2 per share.
   (c) Gain on reissue per share = ₹ 6 – ₹ 2 = ₹ 4.
   (d) No. of reissued shares = Capital Reserve/Gain on reissue per share
   = ₹ 2,400/₹ 4 = 600 shares.

(B) JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Adjusting Entry:				
	Interest on Calls-in-Advance A/c	...Dr.		16	
	To Sundry Member (Shiv) A/c				16
	(Being the interest on Calls-in-Advance due)				
	Closing Entry:				
	Statement of Profit & Loss (Finance Cost)	...Dr.		16	
	To Interest on Calls-in-Advance A/c				16
	(Being the Interest on Calls-in-Advance transferred)				

Working Note:

Interest on Calls-in-Advance $= ₹\ 400 \times \frac{12}{100} \times \frac{4}{12} = ₹\ 16.$

SECTION B

Question 11.

(i) (c) To repair the company's gross margin as the industry has been battling with COVID-era supply chain issues and raw material expenses.

(ii) (d) Increase in General Reserve.

(iii) No change

Reason: *Neither* the total Current Assets *nor* the total Current Liabilities are affected since there is only a conversion of one current liability into another current liability.

(iv) (a) Change in inventories = Opening Inventory (Stock) – Closing Inventory (Stock).

(b) (₹ 70,000) (Given) = ₹ 2,40,000 – Closing Inventory

Closing Inventory (Stock) = ₹ 2,40,000 + ₹ 70,000 = ₹ 3,10,000.

(v) No Flow

Reason: Accrued interest on investments does not involve cash.

Question 12.

COMMON-SIZE INCOME STATEMENT *for the year ended 31st March, 2023*

Particulars	Note No.	Absolute Amount (₹)	% of Revenue from Operations
I. Revenue from Operations		4,00,000	100.00
II. Other Income: Interest on Investments		10,000	2.50
III. **Total Revenue (I + II)**		4,10,000	102.50
IV. **Expenses**		2,00,000	50.00
Total Expenses		2,00,000	50.00
V. **Profit before Tax (III – IV)**		2,10,000	52.50
VI. *Less:* Tax		84,000	21.00
VII. **Profit after Tax (V – VI)**		1,26,000	31.50

Question 13.

In the Books of Platinum Ltd.

CASH FLOW STATEMENT *for the year ended 31st March, 2023*

Particulars		₹
A. Cash Flow from Operating Activities		
Net Profit before Tax (WN 1)		90,000
Adjustment for Non-cash and Non-operating Items:		
Interest on Debentures (5% on ₹ 3,50,000)	17,500	
Share issue expenses written off (WN 3)	5,000	
Gain on sale of machine	(10,000)	
Depreciation on machine (WN 2)	1,00,000	1,12,500
Cash Generated from Operations		2,02,500
Less: Tax paid		25,000
Cash Flow from Operating Activities		1,77,500
B. Cash Flow from Investing Activities		
Proceeds from Sale of Machinery		90,000
Cash Flow from Investing Activities		90,000
C. Cash Flow from Financing Activities		
Proceeds from Issue of 5% Debentures		90,000
Interest paid on Debentures		(17,500)
Share Issue Expenses Paid		(25,000)
Cash Flow from Financing Activities		47,500
D. Net Increase in Cash and Cash Equivalents (Cash and Bank) (A + B + C)		3,15,000
Add: Opening Balance of Cash and Cash Equivalents (Cash and Bank)		25,000
E. Closing Balance of Cash and Cash Equivalents (Cash and Bank)		3,40,000

Working Notes:

1. *Calculation of Net Profit before Tax:*

	₹
Closing Balance of Surplus, *i.e.*, Balance in Statement of Profit & Loss	1,30,000
Less: Opening Balance of Surplus, *i.e.*, Balance in Statement of Profit & Loss	1,00,000
	30,000
Add: Provision for Tax	60,000
Net Profit before Tax	90,000

2. *Calculation of Depreciation on Machine:*

Dr. PLANT AND MACHINERY ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Balance *b/d*	7,80,000	By Bank A/c	90,000
To Statement of Profit & Loss (Gain on Sale)	10,000	By Depreciation A/c (Balancing Figure)	**1,00,000**
		By Balance *c/d*	6,00,000
	7,90,000		7,90,000

3. Share Issue Expenses ₹ 25,000
   Less: Written off from Securities Premium ₹ 20,000
   Written off from Statement of Profit & Loss ₹ 5,000

Or

(i) No. of Bonus Shares issued to the shareholders = 60,000 shares/4 = 15,000 shares.

(ii) Net Profit before Tax = ₹ 1,39,000, calculated as follows:

		₹
Closing Balance of Surplus, *i.e.*, Balance in Statement of Profit & Loss		2,00,000
Less: Opening Balance of Surplus, *i.e.*, Balance in Statement of Profit & Loss		1,60,000
		40,000
Add: Provision for Tax	80,000	
Interim Dividend Paid	4,000	
Proposed Dividend Paid	15,000	99,000
Net Profit before Tax		1,39,000

(iii) Cash from Operating Activities before Tax Paid = ₹ 1,60,000.

CALCULATION OF CASH FROM OPERATING ACTIVITIES BEFORE TAX PAID

Net Profit before Tax (ii)	1,39,000
Add: Non-cash and Non-operating Expenses:	
Interest on borrowings	16,000
Operating profit before working capital changes	1,55,000
Add: Increase in Trade Payables	5,000
Cash from Operating Activities before Tax	1,60,000

(iv) Cash from Financing Activities = ₹ 16,500.

CALCULATION OF CASH FROM FINANCING ACTIVITIES

Proceeds from bank loan	50,000
Proceeds from cash credit	8,000
Interest on debentures paid	(12,500)
Interim dividend paid	(4,000)
Proposed dividend paid	(15,000)
Underwriting commission paid	(10,000)
Cash Flow from Financing Activities	16,500

(v) Cash used in Investing Activities = ₹ 40,000.

CALCULATION OF CASH FROM INVESTING ACTIVITIES

Payment for purchase of office equipment [₹ 2,40,000 – ₹ 2,00,000 (Share Capital)]	(40,000)
Cash used in Investing Activities	(40,000)

(vi) Proposed dividend of ₹ 30,000 at the end of the year will **not** be shown in Cash Flow Statement, it being Contingent Liability and not yet provided.

Question 14.

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

$$= \frac{₹\ 7{,}70{,}000}{₹\ 1{,}10{,}000} = 7 \text{ Times.}$$

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

$$= ₹\ 7{,}00{,}000 + ₹\ 70{,}000$$

$$= ₹\ 7{,}70{,}000.$$

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

$$= \frac{₹\ 20{,}000 + ₹\ 2{,}00{,}000}{2} = ₹\ 1{,}10{,}000.$$

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

$$= \frac{₹\ 1{,}80{,}000}{₹\ 9{,}00{,}000} \times 100 = 20\%.$$

Calculation of Gross Profit:

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

$$8 = \frac{x}{₹\ 90{,}000}$$

$$x(\text{Cost of Revenue from Operations}) = 8 \times ₹\ 90{,}000$$

$$= ₹\ 7{,}20{,}000$$

$$\text{Gross Profit} = \text{Revenue from Operations} - \text{Cost of Revenue}$$

$$= ₹\ 9{,}00{,}000 - ₹\ 7{,}20{,}000$$

$$= ₹\ 1{,}80{,}000.$$

(iii) $$\text{Liquid Ratio} = \frac{\text{Liquid Assets}}{\text{Current Liabilities}} = \frac{₹\ 1{,}24{,}000}{₹\ 84{,}000} = 1.48 : 1.$$

Calculation of Current Liabilities:

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

$$\frac{1.5}{1} = \frac{₹\ 1{,}26{,}000}{x}$$

$$1.5x = ₹\ 1{,}26{,}000$$

$$x(\text{Current Liabilities}) = ₹\ 1{,}26{,}000 \div 1.5$$

$$= ₹\ 84{,}000$$

$$\text{Liquid Assets} = \text{Current Assets} - \text{Inventories}$$

$$= ₹\ 1{,}26{,}000 - ₹\ 2{,}000$$

$$= ₹\ 1{,}24{,}000.$$

(iv) (a) $$\text{Operating Profit Ratio} = \frac{\text{Net Operating Profit}}{\text{Revenue from Operations}} \times 100.$$

(b) Net Operating Profit (Remaining Component) = ₹ 1,30,000, calculated as follows:

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

$$\frac{65}{100} = \frac{x}{₹\ 2{,}00{,}000}$$

$$x = \frac{₹\ 2{,}00{,}000 \times 65}{100} = ₹\ 1{,}30{,}000.$$