Model Test Paper 12

Answers

PART A

1.

BALANCE SHEET
as at 31st March, 2019

Liabilities		₹	Assets	₹
Match Fund	45,000			
Add: Donation for Match Fund	5,000			
Sale of Match Tickets	8,500			
	58,500			
Less: Match Expenses	53,000	5,500		

2. Interest on drawings is charged at an agreed rate per annum and is calculated on the basis of time. Simple Method or Product Method is used to calculate the interest.

Note: *Product Method is generally prefered due to lesser calculations.*

3. When there is no prescribed rate of interest on Partner's Loan, then according to the Provisions of Indian Partnership Act, 1932, interest on loan will be allowed @ 6% p.a. So, X will get interest @ 6% p.a. for the period of 5 months.

Interest on X's Loan $= ₹\ 2,00,000 \times \frac{6}{100} \times \frac{5}{12} = ₹\ 5,000.$

JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2019 March 31	Interest on *X*'s Loan A/c	...Dr.		5,000	
	To *X*'s Loan A/c				5,000
	(Being the interest on *X*'s loan provided @ 6% p.a.)				

Note: Interest on Loan is credited to Loan Account and not to Capital Account.

4.

JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Revaluation A/c	...Dr.		38,000	
	To Stock A/c				20,000
	To Furniture A/c				18,000
	(Being the decrease in value of assets recorded)				

5. compensate the Sacrificing Partner.

6.

	₹
Unrecorded Assets taken over by *A*	10,000
Less: Unrecorded Liabilities assumed by *A*	1,000
	9,000
A's Share of Unrecorded Assets and Unrecorded Liabilities (₹ 9,000 × 1/3)	3,000
Net amount to be deducted from the amount due to A	6,000

Therefore, Amount due to *A*'s Executors = ₹ 30,000 – ₹ 6,000 = ₹ 24,000.

7. ₹ 15,000 (3/10 of ₹ 50,000 (₹ 1,00,000 – ₹ 50,000).

8. Yes

9. 2 : 4 : 1

X's New Share = Old Share – Share Surrendered = $\frac{3}{7}-\frac{1}{7}=\frac{2}{7}$

Y's New Share = $\frac{4}{7}$

Z's Share = $\frac{1}{7}$

Hence, New Profit-sharing Ratio of X, Y and Z = $\frac{2}{7}:\frac{4}{7}:\frac{1}{7}$ or 2 : 4 : 1.

10. (*c*) **11.** Yes

12. (*c*) Total Drawings of Y = ₹ 3,600 × 3 = ₹ 10,800

Interest on Drawings = ₹ 10,800 × $\frac{10}{100}\times\frac{4.5}{12}$ = ₹ 405

$$\text{Average Period} = \frac{\text{Months left after 1st Drawing + Months left after last Drawing}}{2}$$

$$= \frac{7.5 + 1.5}{2} = 4.5 \text{ months.}$$

13. (*d*) New Share of $X = \frac{4}{8}+\left(\frac{4}{9}\text{ of }\frac{3}{8}\right)=\frac{4}{8}+\frac{12}{72}=\frac{36+12}{72}=\frac{48}{72}$

New Share of $Z = \frac{1}{8}+\left(\frac{5}{9}\text{ of }\frac{3}{8}\right)=\frac{1}{8}+\frac{15}{72}=\frac{9+15}{72}=\frac{24}{72}$

Hence, New Profit-sharing Ratio between X and Z = 48 : 24 or 2 : 1.

14.

AN EXTRACT OF INCOME AND EXPENDITURE ACCOUNT

Dr. *for the year ended 31st March, 2020* *Cr.*

Expenditure	₹	Income	₹
To Sports Materials Consumed (WN 1 and 2)	1,26,000		

AN EXTRACT OF BALANCE SHEET

as at 31st March, 2020

Liabilities	₹	Assets	₹
Creditors for Sports Materials	19,500	Advances for Sports Materials	6,500
		Stock of Sports Materials	5,000

Working Notes:

1. *Dr.* CREDITORS FOR SPORTS MATERIALS ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Balance *b/d* (Advances)	10,000	By Balance *b/d*	30,000
To Bank A/c	1,08,000	By Stock of Sports Materials A/c (Balancing Figure) (Credit Purchase)	**1,01,000**
To Balance *c/d*	19,500	By Balance *c/d* (Advances)	6,500
	1,37,500		1,37,500

2. *Dr.* STOCK OF SPORTS MATERIALS ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Balance *b/d*	30,000	By Income and Expenditure A/c (Sports Materials Consumed) —Balancing Figure	**1,26,000**
To Creditors for Sports Materials A/c (Transfer) (WN 1)	1,01,000	By Balance *c/d*	5,000
	1,31,000		1,31,000

Alternatively:

Sports Materials Consumed = Opening Stock + Purchases – Closing Stock

= ₹ 30,000 + ₹ 1,01,000 – ₹ 5,000 = ₹ **1,26,000**.

Or

STATEMENT SHOWING STATIONERY CONSUMED DURING 2018–19

Particulars		₹
Amount paid for Stationery during the Year		1,08,000
Add: Stock of Stationery on 1st April, 2018	30,000	
Creditors for Stationery on 31st March, 2019	13,000	43,000
		1,51,000
Less: Stock of Stationery on 31st March, 2019	5,000	
Creditors for Stationery on 1st April, 2018	20,000	25,000
Stationery Consumed during 2018–19		1,26,000

15. ADJUSTMENT JOURNAL ENTRY

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Q's Current A/c	...Dr.		200	
	R's Current A/c	...Dr.		400	
	To *P*'s Current A/c				600
	(Being the less interest on capital provided, now rectified)				

Working Note:

ADJUSTMENT TABLE

Particulars	*P* ₹	*Q* ₹	*R* ₹	*Total* ₹
I. *Amount already credited by way of:*				
Interest on Capital @ 9%	27,000	9,000	18,000	54,000
Share of Profit (₹ 60,000 – ₹ 54,000) in the ratio of 2 : 1 : 2	2,400	1,200	2,400	6,000
(Dr.)	29,400	10,200	20,400	60,000
II. *Amount which should have been credited by way of:*				
Interest on Capital @ 10% (Cr.)	30,000	10,000	20,000	60,000
III. Difference (I – II)	600 (Cr.) Short	200 (Dr.) Excess	400 (Dr.) Excess	Nil

16. **Table Showing Deficiency in *C's* Share of Profit**

Particulars	2017–18 (₹)	2018–19 (₹)	2019–20 (₹)
I. Guaranteed Profit	1,25,000	1,25,000	1,25,000
II. *C's* Share of Profit/Loss as per their Profit-sharing Ratio	₹ 5,00,000 × 5/25 = ₹ 1,00,000	₹ 7,50,000 × 5/25 = ₹ 1,50,000	(₹ 5,00,000 × 5/25) = (₹ 1,00,000)
III. Deficiency (I – II)	25,000	...	2,25,000

Since no specific ratio in which the deficiency is to be met is given, it means *A* and *B* shall meet the deficiency in their agreed profit-sharing ratio, *i.e.*, 12 : 8 or 3 : 2.

JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2018					
March 31	Profit and Loss Appropriation A/c	...Dr.		5,00,000	
	To *A's* Capital A/c				2,40,000
	To *B's* Capital A/c				1,60,000
	To *C's* Capital A/c				1,00,000
	(Being the distribution of profits as if there is no guarantee)				
	A's Capital A/c	...Dr.		15,000	
	B's Capital A/c	...Dr.		10,000	
	To *C's* Capital A/c				25,000
	(Being the deficiency met by guaranteeing partners)				
2019					
March 31	Profit and Loss Appropriation A/c	...Dr.		7,50,000	
	To *A's* Capital A/c				3,60,000
	To *B's* Capital A/c				2,40,000
	To *C's* Capital A/c				1,50,000
	(Being the distribution of profits)				
2020					
March 31	*A's* Capital A/c	...Dr.		2,40,000	
	B's Capital A/c	...Dr.		1,60,000	
	C's Capital A/c	...Dr.		1,00,000	
	To Profit and Loss A/c				5,00,000
	(Being the distribution of loss)				
	A's Capital A/c	...Dr.		1,35,000	
	B's Capital A/c	...Dr.		90,000	
	To *C's* Capital A/c				2,25,000
	(Being the deficiency met by guaranteeing partners)				

17. JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
(*a*)	*X's* Capital A/c	...Dr.		22,500	
	Bank A/c	...Dr.		32,500	
	To Realisation A/c				55,000
	(Being the half of furniture taken by *X* and rest realised at 30% profit)				

(b)	X's Capital A/c ...Dr. Bank A/c ...Dr. To Realisation A/c (Being 70% of unrecorded investment sold at a loss of 20% and remaining taken by X at 90%)		5,400 11,200	 16,600
(c)	Loan by Y A/c ...Dr. Realisation A/c ...Dr. To Bank A/c (Being Loan by Y discharged at ₹ 6,400)		6,000 400	 6,400
(d)	Realisation A/c ...Dr. To Bank A/c (Being the discounted Bills Receivable dishonoured)		5,000	 5,000

Or

Dr. REVALUATION ACCOUNT *Cr.*

Particulars	₹	Particulars		₹
To Machinery A/c	10,000	By Stock A/c		5,000
To Provision for Doubtful Debts A/c	3,000	By Loss transferred to:		
		X's Capital A/c	3,200	
		Y's Capital A/c	3,200	
		Z's Capital A/c	1,600	8,000
	13,000			13,000

Dr. PARTNERS' CAPITAL ACCOUNTS *Cr.*

Particulars	X (₹)	Y (₹)	Z (₹)	Particulars	X (₹)	Y (₹)	Z (₹)
To Goodwill A/c	9,600	9,600	4,800	By Balance *b/d*	80,000	1,20,000	2,00,000
To Advertisement Suspense A/c	4,000	4,000	2,000	By General Reserve A/c	12,000	12,000	6,000
To X's Capital A/c (Goodwill)	...	...	10,000	By Workmen Compensation Reserve A/c	1,600	1,600	800
To Y's Capital A/c (Goodwill)	...	...	10,000	By Investment Fluctuation Reserve A/c	800	800	400
To Revaluation A/c (Loss)	3,200	3,200	1,600	By Z's Capital A/c (Goodwill)	10,000	10,000	...
To Balance *c/d*	87,600	1,27,600	1,78,800				
	1,04,400	1,44,400	2,07,200		1,04,400	1,44,400	2,07,200

Working Note: *Adjustment of Goodwill:*

		₹	₹
Z's Capital A/c	...Dr.	20,000	
To X's Capital A/c			10,000
To Y's Capital A/c			10,000
(Being the adjustment of goodwill on change in profit-sharing ratio)			

Calculation of Sacrifice/(Gain):

	X	Y	Z
I. Old Share	2/5	2/5	1/5
II. New Share	1/3	1/3	1/3
III. Sacrifice/(Gain) (I – II)	1/15 (Sacrifice)	1/15 (Sacrifice)	–2/15 (Gain)

18. JOURNAL OF *X* LTD.

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2019 Mar. 31	Surplus, *i.e.*, Balance in Statement of Profit and Loss A/c	...Dr.		86,000	
	To Debentures Redemption Reserve A/c				86,000
	(Being the required amount transferred to Debentures Redemption Reserve) (Note)				
On or Before April 30	Debentures Redemption Investment A/c	...Dr.		1,20,000	
	To Bank A/c				1,20,000
	(Being 15% of ₹ 8,00,000 the nominal (face) value of debentures to be redeemed, invested)				
2020 Mar. 31	Bank A/c	...Dr.		1,20,000	
	To Debentures Redemption Investment A/c				1,20,000
	(Being the investment encashed)				
	9% Debentures A/c	...Dr.		8,00,000	
	Premium on Redemption of Debentures A/c	...Dr.		40,000	
	To Debentureholders' A/c				8,40,000
	(Being the amount due to debentureholders on redemption)				
	Debentureholders' A/c	...Dr.		8,40,000	
	To Bank A/c				8,40,000
	(Being the amount due paid to the debentureholders)				
	Debentures Redemption Reserve A/c	...Dr.		2,00,000	
	To General Reserve A/c				2,00,000
	(Being the balance of Debentures Redemption Reserve transferred to General Reserve)				

Note: DRR is set aside for 25% nominal (face) value of Outstanding Debentures, *i.e.*, ₹ 8,00,000. Debentures Redemption Reserve already has a balance of ₹ 1,14,000. Thus, Amount transferred to DRR is equal to ₹ 86,000 (*i.e.*, ₹ 2,00,000 – ₹ 1,14,000).

19. *(a)* JOURNAL OF SHARMAN LTD.

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2020 April 1	Sundry Assets A/c	...Dr.		2,80,000	
	To Creditors A/c				50,000
	To Verma Ltd.				2,30,000
	(Being the business purchased of Verma Ltd.)				
April 3	Verma Ltd.	...Dr.		50,000	
	To Cash A/c				50,000
	(Being the part payment made to Verma Ltd.)				
April 5	Verma Ltd.	...Dr.		1,80,000	
	To 6% Debentures A/c				1,50,000
	To Securities Premium Reserve A/c				30,000
	(Being the issue of 1,500; 6% Debentures of ₹ 100 each at 20% premium against purchase price)				

Note: No. of Debentures to be issued $= \dfrac{\text{Purchase Price} - \text{Part Payment}}{\text{Issue Price}}$

$$= \frac{₹\ 2,30,000 - ₹\ 50,000}{₹\ 120} = 1,500 \text{ Debentures.}$$

(*b*) JOURNAL OF GARMIN LTD.

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Underwriting Commission A/c	...Dr.		60,000	
	To Jarmin & Co.				60,000
	(Being the underwriting commission due)				
	Jarmin & Co.	...Dr.		60,000	
	To Share Capital A/c				50,000
	To Securities Premium Reserve A/c				10,000
	(Being the shares issued at premium)				

Or

BALANCE SHEET OF STAR LTD. (An Extract) *as at...*

Particulars	Note No.	₹
I. EQUITY AND LIABILITIES		
1. Non-current Liabilities		
Long-term Borrowings	1	5,00,000
2. Current Liabilities		
Short-term Borrowings	2	4,00,000

Notes to Accounts

Particulars		₹
1. Long-term Borrowings		
5,000; 12% Debentures of ₹ 100 each		5,00,000
2. Short-term Borrowings		
Loan from State Bank of India		4,00,000
4,500; 12% Debentures of ₹ 100 each issued as collateral security	4,50,000	
Less: Debentures Suspense A/c	4,50,000	...
		4,00,000

20. **Darjeeling Sports Club**

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

Expenditure	₹	Income		₹
To Salaries	80,000	By Subscription (WN 1)		1,48,800
To Stationery	18,000	By Proceeds from Games	25,900	
To Telephone Expenses	8,000	*Less:* Games Prizes and Expenses	22,000	3,900
To Van Expenses	12,000	By Donations		12,500
To Loss on Sale of Van (WN 2)	12,500			
To Depreciation on:				
Computer (₹ 16,000 – ₹ 14,000)	2,000			
Van (25% of ₹ 63,000)	15,750			
Sports Equipments (₹ 62,000 – ₹ 54,000)	8,000			
To Surplus, *i.e.*, excess of Income over Expenditure	8,950			
	1,65,200			1,65,200

Calculation of Capital Fund on 1st April, 2019:

BALANCE SHEET
as at 1st April, 2019

Liabilities	₹	Assets	₹
Capital Fund (Balancing Figure)	1,66,820	Van (WN 3)	22,500
		Computer	16,000
		Sports Equipments	62,000
		Cash in Hand	20,000
		Cash at Bank	31,920
		Subscription in Arrears	14,400
	1,66,820		1,66,820

Working Notes:

	₹
1. Subscription received during the year (for 2019–20)	1,40,800
Add: Outstanding Subscription for 2019–20 (₹ 16,200 – ₹ 8,200)	8,000
Amount to be credited to Income and Expenditure Account	1,48,800

2. *Calculation of Loss on Sale of Van:*	₹
Book Value of Van sold on 1st April, 2019 (WN 3)	22,500
Less: Sale Proceeds	10,000
Loss on sale of Van	12,500

3. *Calculation of Book Value of Van sold on 1st April, 2019:*	₹
Original cost on 1st April, 2017	40,000
Less: Depreciation (on 31st March, 2018)	10,000
Book Value on 1st April, 2018	30,000
Less: Depreciation (on 31st March, 2019)	7,500
Book Value of van sold on 1st April, 2019	22,500

21.

Dr. REVALUATION ACCOUNT *Cr.*

Particulars	₹	Particulars		₹
To Investments A/c	6,000	By Accrued Income A/c		4,500
To Provision for Doubtful Debts A/c	600	By Loss transferred to Current A/cs:		
To Outstanding Rent A/c	15,000	*X*	10,260	
		Y	6,840	17,100
	21,600			21,600

Dr. PARTNERS' CAPITAL ACCOUNTS *Cr.*

Particulars	*X* (₹)	*Y* (₹)	*Z* (₹)	Particulars	*X* (₹)	*Y* (₹)	*Z* (₹)
To Balance *c/d*	1,80,000	90,000	60,000	By Balance *b/d*	1,80,000	90,000	...
				By Bank A/c	...	...	60,000
	1,80,000	90,000	60,000		1,80,000	90,000	60,000

Dr. PARTNERS' CURRENT ACCOUNTS *Cr.*

Particulars	*X* (₹)	*Y* (₹)	*Z* (₹)	Particulars	*X* (₹)	*Y* (₹)	*Z* (₹)
To Goodwill A/c	18,000	12,000	...	By Balance *b/d*	30,000	6,000	...
To Bank A/c	12,600	5,400	...	By Premium for Goodwill A/c	25,200	10,800	...
To Investments A/c	18,000	...	...	By General Reserve A/c	21,600	14,400	...
To Revaluation A/c (Loss)	10,260	6,840	...				
To Balance *c/d*	17,940	6,960	...				
	76,800	31,200	...		76,800	31,200	...

BALANCE SHEET *as at 1st April, 2020*

Liabilities		₹	Assets		₹
Creditors		45,000	Cash at Bank (WN 3)		93,000
Outstanding Rent		15,000	Debtors	60,000	
Current A/cs:			*Less:* Provision for Doubtful Debts	3,000	57,000
X	17,940		Patents		44,400
Y	6,960	24,900	Fixed Assets		2,16,000
Capital A/cs:			Accrued Income		4,500
X	1,80,000				
Y	90,000				
Z	60,000	3,30,000			
		4,14,900			4,14,900

Working Notes:

1. *Calculation of Sacrificing Ratio:*
   Sacrifice = Old Share – New Share
   X sacrifices = 3/5 – 4/9 = 7/45; *Y* sacrifices = 2/5 – 3/9 = 3/45; Sacrificing Ratio = 7 : 3.
2. *Adjustment of Goodwill:*
   $$\text{Firm's Goodwill} = 2\left[\frac{₹\ 90,000 + ₹\ 78,000 + ₹\ 75,000}{3}\right] = ₹\ 1,62,000$$
   Z's Share of Goodwill = ₹ 1,62,000 × 2/9 = ₹ 36,000, which will be distributed between *X* and *Y* in their sacrificing ratio, *i.e.*, 7 : 3.
3. Cash at Bank = ₹ 15,000 + ₹ 60,000 + ₹ 36,000 – ₹ 12,600 – ₹ 5,400 = ₹ 93,000.

Or

JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2020					
April 1	*A*'s Capital A/c	...Dr.		3,000	
	B's Capital A/c	...Dr.		2,000	
	C's Capital A/c	...Dr.		1,000	
	To Goodwill A/c				6,000
	(Being the existing goodwill written off)				
	A's Capital A/c	...Dr.		3,480	
	B's Capital A/c	...Dr.		2,320	
	To *C*'s Capital A/c				5,800
	(Being the *C*'s share of goodwill adjusted between gaining partners *A* and *B* in their gaining ratio, *i.e.*, 3 : 2)				

Dr. REVALUATION ACCOUNT *Cr.*

Particulars	₹	Particulars		₹
To Patents A/c	2,000	By Investment A/c		2,600
To Machinery A/c	5,000	By Creditors A/c		6,000
To Provision for Doubtful Debts A/c	400	By Loss transferred to:		
To Bank A/c (Revaluation Expenses)	2,000	*A*'s Capital A/c	400	
		B's Capital A/c	267	
		C's Capital A/c	133	800
	9,400			9,400

Dr. PARTNERS' CAPITAL ACCOUNTS *Cr.*

Particulars	*A* (₹)	*B* (₹)	*C* (₹)	Particulars	*A* (₹)	*B* (₹)	*C* (₹)
To Goodwill A/c	3,000	2,000	1,000	By Balance *b/d*	68,000	32,000	21,000
To Advertisement Expenditure A/c	2,625	1,750	875	By Workmen Compensation Reserve A/c	5,625	3,750	1,875
To Revaluation A/c	400	267	133	By Investment Fluctuation Reserve A/c	3,000	2,000	1,000
To *C*'s Capital A/c	3,480	2,320	...	By *A*'s Capital A/c	...	...	3,480
To Investment A/c	...	...	17,600	By *B*'s Capital A/c	...	...	2,320
To Bank A/c	...	...	5,067				
To *C*'s Loan A/c*	...	...	2,500				
To Bills Payable A/c*	...	...	2,500				
To Balance *c/d*	67,120	31,413	...				
	76,625	37,750	29,675		76,625	37,750	29,675

*50% of ₹ 5,000 (*i.e.*, ₹ 21,000 + ₹ 1,875 + ₹ 1,000 + ₹ 3,480 + ₹ 2,320 – ₹ 1,000 – ₹ 875 – ₹ 133 – ₹ 17,600 – ₹ 5,067).

BALANCE SHEET
as at 1st April, 2020

Liabilities		₹	Assets		₹
Creditors		15,000	Debtors	40,000	
Workmen Compensation Claim		750	*Less:* Provision for Doubtful Debts	2,400	37,600
C's Loan		2,500	Stock		30,000
Bills Payable (*C*)		2,500	Patents		8,000
Capital A/cs:			Machinery		45,000
A	67,120				
B	31,413	98,533			
Bank Overdraft		1,317			
		1,20,600			1,20,600

Working Notes:

1. Unless agreed otherwise, Gaining ratio of continuing partners will be same as their old profit-sharing ratio.
2. *Adjustment of Goodwill:*

   C's Share of Goodwill = 1/6 of ₹ 34,800 = ₹ 5,800, which will be contributed by *A* and *B* in their gaining ratio.

22. **In the Books of Exe Ltd.**

JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	...Dr.		2,10,000	
	To Equity Shares Application A/c				2,10,000
	(Being the application money received for 70,000 shares)				
	Equity Shares Application A/c	...Dr.		2,10,000	
	To Equity Share Capital A/c				1,50,000
	To Equity Shares Allotment A/c				30,000
	To Bank A/c				30,000
	(Being the application money rejected on 10,000 shares and shares issued to remaining applicants on *pro rata*)				
	Equity Shares Allotment A/c	...Dr.		2,50,000	
	To Equity Share Capital A/c				1,50,000
	To Securities Premium Reserve A/c				1,00,000
	(Being the shares allotment money due @ ₹ 5 each including premium of ₹ 2 per share)				
	Bank A/c	...Dr.		2,17,800	
	To Equity Shares Allotment A/c				2,17,800
	Or				
	Bank A/c	...Dr.		2,17,800	
	Calls-in-Arrears A/c	...Dr.		2,200	
	To Equity Shares Allotment A/c				2,20,000
	(Being the shares allotment money received except on 500 shares)				
	Equity Shares First Call A/c	...Dr.		1,00,000	
	To Equity Share Capital A/c				1,00,000
	(Being the shares first call money due @ ₹ 2 each)				
	Bank A/c	...Dr.		97,400	
	To Equity Shares First Call A/c				97,400
	Or				
	Bank A/c	...Dr.		97,400	
	Calls-in-Arrears A/c	...Dr.		2,600	
	To Equity Shares First Call A/c				1,00,000
	(Being the shares first call received except on 500 shares)				
	Equity Share Capital A/c	...Dr.		4,000	
	Securities Premium Reserve A/c	...Dr.		1,000	
	To Forfeited Shares A/c				1,800
	To Equity Shares Allotment A/c				2,200
	To Equity Shares First Call A/c				1,000
	Or				
	Equity Share Capital A/c	...Dr.		4,000	
	Securities Premium Reserve A/c	...Dr.		1,000	
	To Forfeited Shares A/c				1,800
	To Calls-in-Arrears A/c				3,200
	(Being 500 shares forfeited for non-payment of allotment and first call money)				

	Equity Shares Second and Final Call A/c ...Dr.		99,000	
	To Equity Share Capital A/c			99,000
	(Being the second and final call due on 49,500 shares @ ₹ 2 each)			
	Bank A/c ...Dr.		97,400	
	To Equity Shares Second and Final Call A/c			97,400
	Or			
	Bank A/c ...Dr.		97,400	
	Calls-in-Arrears A/c ...Dr.		1,600	
	To Equity Shares Second and Final Call A/c			99,000
	(Being the second and final call received except on 800 shares)			
	Equity Share Capital A/c ...Dr.		8,000	
	To Forfeited Shares A/c			4,800
	To Equity Shares First Call A/c			1,600
	To Equity Shares Second and Final Call A/c			1,600
	Or			
	Equity Share Capital A/c ...Dr.		8,000	
	To Forfeited Shares A/c			4,800
	To Call-in-Arrears A/c			3,200
	(Being 800 shares forfeited for non-payment of both the calls)			
	Bank A/c ...Dr.		9,000	
	Forfeited Shares A/c ...Dr.		1,000	
	To Equity Share Capital A/c			10,000
	(Being 1,000 forfeited shares reissued at ₹ 9 per share as fully paid)			
	Forfeited Shares A/c ...Dr.		4,520	
	To Capital Reserve A/c			4,520
	(Being the gain on reissue transferred to Capital Reserve)			

Working Notes:

1. Shares applied by Puneet = $\frac{60,000}{50,000} \times 500 = 600$ shares.

2. *Amount due on Allotment but not Received from Puneet:*

	₹
Amount due on allotment (500 × ₹ 5)	2,500
Less: Excess application money [(600 – 500) shares × ₹ 3]	300
Amount due on allotment but not received from Puneet	2,200

3. *Calculation of Amount received on Allotment:*

	₹	₹
Amount due on allotment (50,000 × ₹ 5)		2,50,000
Less: Amount received on application stage	30,000	
Amount due on allotment but not received from Puneet (WN 2)	2,200	32,200
		2,17,800

4. *Amount transferred to Capital Reserve:*

	₹
Amount forfeited on 800 shares of Rahul (800 × ₹ 6)	4,800
Add: Amount forfeited on 200 shares of Puneet (200 × ₹ 1,800/500)	720
	5,520
Less: Loss on reissue (1,000 × ₹ 1)	1,000
Gain on Reissue	4,520

Or

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Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	...Dr.		57,00,000	
	To Equity Shares Application A/c				57,00,000
	(Being the shares application money received for 1,90,000 shares)				
	Equity Shares Application A/c	...Dr.		57,00,000	
	To Equity Share Capital A/c				38,00,000
	To Securities Premium Reserve A/c				19,00,000
	(Being the application money adjusted)				
	Equity Shares Allotment A/c	...Dr.		1,33,00,000	
	To Equity Share Capital A/c				38,00,000
	To Securities Premium Reserve A/c				95,00,000
	(Being the allotment money due on 1,90,000 shares @ ₹ 70 each including premium of ₹ 50 per share)				
	Bank A/c	...Dr.		1,32,30,000	
	Calls-in-Arrears A/c (1,000 × ₹ 70)	...Dr.		70,000	
	To Equity Shares Allotment A/c				1,33,00,000
	(Being the allotment money received except on 1,000 shares)				
	Equity Share Capital A/c (1,000 × ₹ 40)	...Dr.		40,000	
	Securities Premium Reserve A/c (1,000 × ₹ 50)	...Dr.		50,000	
	To Forfeited Shares A/c				20,000
	To Calls-in-Arrears A/c				70,000
	(Being 1,000 shares forfeited for non-payment of allotment money)				
	Equity Shares First and Final Call A/c	...Dr.		1,13,40,000	
	To Equity Share Capital A/c				1,13,40,000
	(Being the first and final call due on 1,89,000 shares @ ₹ 60 each)				
	Bank A/c	...Dr.		1,12,20,000	
	Calls-in-Arrears A/c (2,000 × ₹ 60)	...Dr.		1,20,000	
	To Equity Shares First and Final Call A/c				1,13,40,000
	(Being the first and final call received except on 2,000 shares)				
	Equity Share Capital A/c	...Dr.		2,00,000	
	To Forfeited Shares A/c				80,000
	To Calls-in-Arrears A/c				1,20,000
	(Being 2,000 shares forfeited for non-payment of first and final call)				
	Bank A/c	...Dr.		1,35,000	
	Forfeited Shares A/c	...Dr.		15,000	
	To Equity Share Capital A/c				1,50,000
	(Being 1,500 forfeited shares reissued @ ₹ 90 per share as fully paid)				
	Forfeited Shares A/c	...Dr.		35,000	
	To Capital Reserve A/c				35,000
	(Being the gain on reissue of 1,500 forfeited shares transferred to Capital Reserve)				

Working Note:

	₹
Amount transferred to Capital Reserve:	
Amount forfeited on 500 shares of Ankit $\left(\frac{500}{1,000} \times ₹\ 20,000\right)$	10,000
Amount forfeited on 1,000 shares of Ankur $\left(\frac{1,000}{2,000} \times ₹\ 80,000\right)$	40,000
	50,000
Less: Amount of Discount on 1,500 shares (1,500 × ₹ 10)	15,000
Amount transferred to Capital Reserve	35,000

PART B

23. No Flow, **Reason:** Old Furniture written-off would result in no flow of cash because it does not involve cash as it is a non-cash transaction.

24. *Purchase of Shares/Debentures of Other Companies.*

This is an Investing Activity for manufacturing enterprise since it relates to the acquisition of long-term asset but is Operating Activity for a financial enterprise since it relates to the main revenue producing activities of the enterprise.

25. True

26. Revenue from Operations, Revenue from Operations.

27. Current Liabilities.

28. (*c*) **29.** (*a*)

30.

Basis	*Horizontal Analysis*	*Vertical Analysis*
(*i*) **Period**	It is conducted for two or more accounting periods.	It is conducted for one accounting period.
(*ii*) **Items**	Same items for different accounting periods are analysed.	Different Items for the same period are analysed.
(*iii*) **Utility**	It is generally used in Time Series Analysis.	It is generally useful in Cross-section Analysis.

Or

COMPARATIVE STATEMENT OF PROFIT AND LOSS

for the years ended 31st March, 2019 and 2020

Particulars	Note No.	31st March, 2019 ₹	31st March, 2020 ₹	Absolute Change (Increase/ Decrease) ₹	Percentage Change (Increase/ Decrease) %
		(A)	(B)	(C = B – A)	$\left(D = \frac{C}{A} \times 100\right)$
I. Revenue from Operations		20,00,000	30,00,000	10,00,000	50.00
II. Other Income		4,00,000	4,50,000	50,000	12.50
III. **Total Revenue (I + II)**		24,00,000	34,50,000	10,50,000	43.75
IV. Expenses		10,00,000	18,00,000	8,00,000	80.00
V. **Profit before Tax (III – IV)**		14,00,000	16,50,000	2,50,000	17.86

31. (*a*) Let the Current Assets after acquisition of Inventories of ₹ 10,000 on credit be X

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

$$\frac{2}{1} = \frac{X}{₹\,90{,}000 + ₹\,10{,}000}$$

$$X = ₹\,1{,}00{,}000 \times 2 = ₹\,2{,}00{,}000$$

Working Capital (*i.e.*, CA – CL) after acquisition = ₹ 2,00,000 – ₹ 1,00,000 = ₹ 1,00,000

Current Assets before acquisition = Current Assets After acquisition – Purchase of Stock on credit

= ₹ 2,00,000 – ₹ 10,000 = ₹ 1,90,000

Working Capital before acquisition = ₹ 1,90,000 – ₹ 90,000 = ₹ 1,00,000.

(*b*) Cost of Revenue from Operations = Operating Cost – Operating Expenses

= ₹ 27,20,000 – ₹ 3,20,000 = ₹ 24,00,000

Let Revenue from Operations be ₹ 100, Gross Profit = ₹ 25, Cost = ₹ 75,

If Cost is ₹ 75, then Revenue from Operations = ₹ 100

If Cost is ₹ 24,00,000 then Revenue from Operations

$$= ₹\,24{,}00{,}000 \times \frac{₹\,100}{₹\,75} = ₹\ 32{,}00{,}000.$$

$$\text{Operating Ratio} = \frac{\text{Operating Cost}}{\text{Revenue from Operations}} \times 100$$

$$= \frac{₹\,27{,}20{,}000}{₹\,32{,}00{,}000} \times 100 = 85\%.$$

Or

Current Liabilities = ₹ 1,60,000

$$\text{Liquid Ratio} = \frac{\text{Quick/Liquid Assets}}{\text{Current Liabilities}}$$

$$1.5 = \frac{\text{Quick/Liquid Assets}}{₹\,1{,}60{,}000}$$

∴ Quick/Liquid Assets = ₹ 1,60,000 × 1.5 = ₹ 2,40,000.

Current Assets = Current Ratio × Current Liabilities

= 2.5 × ₹ 1,60,000 = ₹ 4,00,000.

32. CASH FLOW STATEMENT *for the year ended 31st March, 2020 as per AS-3 (Revised)*

Particulars	₹	₹	₹
I. Cash Flow from Operating Activities			
Net Profit before Tax and Extraordinary Items (WN 1)		90,000	
Add: Depreciation on Machinery (WN 3)		75,000	
Loss on Sale of Machinery (WN 2)		3,000	
Interest on Debentures (₹ 1,00,000 × 10%) + (₹ 1,00,000 × 10% × 6/12)		15,000	
		1,83,000	
Less: Gain (Profit) on Sale of 10% Non-current Investments (WN 2)	6,000		
Interest on 10% Non-current Investments (10% of ₹ 50,000)	5,000	11,000	
Operating Profit before Working Capital Changes		1,72,000	
Add: Decrease in Current Assets and Increase in Current Liabilities:			
Inventories		30,000	
Trade Payables		60,000	
Less: Increase in Current Assets:			
Trade Receivables		(50,000)	
Cash Flow from Operating Activities			2,12,000
II. Cash Flow from Investing Activities			
Purchase of Machinery (WN 2)		(2,90,000)	
Purchase of 10% Non-current Investments (WN 4)		(50,000)	
Sale Proceeds of Machinery (WN 2)		12,000	
Sale of 10% Non-current Investments (WN 4)		36,000	
Interest on 10% Non-current Investments		5,000	
Cash Used in Investing Activities			(2,87,000)
III. Cash Flow from Financing Activities			
Proceeds from Issue of Equity Shares (₹ 1,00,000 + ₹ 20,000 Premium)		1,20,000	
Proceeds from Issue of 10% Debentures (₹ 1,00,000 – ₹ 10,000 Discount)		90,000	
Interim Dividend Paid		(25,000)	
Interest on 10% Debentures		(15,000)	
Share Issue Expenses		(5,000)	
Cash Flow from Financing Activities			1,65,000
IV. Net Increase in Cash and Cash Equivalents (I + II + III)			90,000
Add: Opening Cash and Cash Equivalents (Cash at Bank)			1,30,000
V. Closing Cash and Cash Equivalents (Cash at Bank)			2,20,000

Working Notes:

1. *Calculation of Net Profit before Tax and Extraordinary Items:*

Particulars	₹
Surplus, *i.e.*, Balance in Statement of Profit and Loss (Closing)	2,15,000
Less: Surplus, *i.e.*, Balance in Statement of Profit and 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 and Extraordinary Items	90,000

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

Particulars	₹	Particulars	₹
To Balance *b/d*	6,10,000	By Accumulated Depreciation A/c	35,000
To Bank A/c (Balancing Figure)—Purchase	2,90,000	By Bank A/c (Sale Proceeds)	12,000
		By Loss on Sale of Machinery A/c* (Statement of Profit and Loss)	3,000
		By Balance *c/d*	8,50,000
	9,00,000		9,00,000

*CALCULATION OF LOSS ON SALE OF MACHINERY

Particulars	₹
Book Value of Machinery on the date of Sale (*i.e.*, ₹ 50,000 – ₹ 35,000)	15,000
Less: Sale Proceeds (Book Value – 20% = ₹ 15,000 – ₹ 3,000)	(12,000)
Loss on Sale of Machinery	3,000

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

Particulars	₹	Particulars	₹
To Machinery A/c (Transfer)	35,000	By Balance *b/d*	1,10,000
To Balance *c/d*	1,50,000	By Statement of Profit and Loss A/c (Balancing Figure)—Depreciation Provided	75,000
	1,85,000		1,85,000

4. *Dr.* 10% NON-CURRENT INVESTMENTS ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Balance *b/d*	50,000	By Bank A/c (Sale) (₹ 30,000 + 20% of ₹ 30,000)	36,000
To Gain (Profit) on Sale of Investments A/c (Statement of Profit and Loss)	6,000	By Balance *c/d*	70,000
To Bank A/c (Balancing Figure)—Purchase	50,000		
	1,06,000		1,06,000

5. Discount on Issue of Debentures and Share Issue Expenses have been written off from Securities Premium Reserve as per Section 52(2) of the Companies Act, 2013. The balance of ₹ 5,000 in Securities Premium Reserve is after writing off Discount on Issue of Debentures and Share Issue Expenses. As such Discount on Issue of Debentures and Share Issue Expenses have not been written off from Statement of Profit and Loss, they are not adjusted while calculating operating profit.

6. *Dr.* SECURITIES PREMIUM RESERVE ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Share Issue Expense A/c	5,000	By Equity Shares Allotment A/c (20% of ₹ 1,00,000)	20,000
To Discount on Issue of Debentures A/c	10,000		
To Balance *c/d*	5,000		
	20,000		20,000