Model Test Paper 13

Answers

PART A

1. In case of Not-for-Profit Organisation, the excess of its assets over its liabilities is termed as Capital Fund or General Fund.
2. (*i*) Revaluation of Assets and Reassessment of Liabilities.
   (*ii*) Treatment of Goodwill.
3. *Z*'s Share in New Firm = $\frac{1}{6}$, he brings ₹ 9,000 as Premium for Goodwill for his share.

   Value of firm's Goodwill = ₹ 9,000 × $\frac{6}{1}$ = ₹ 54,000·

4. JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Workmen Compensation Reserve A/c	...Dr.		60,000	
	To *X*'s Capital A/c				30,000
	To *Y*'s Capital A/c				20,000
	To *Z*'s Capital A/c				10,000
	(Being the transfer of balance of Workmen Compensation Reserve)				

5. *Calculation of Hidden Goodwill:*

	₹
Net Worth (including goodwill) of new firm on the basis of capital brought by *Z* (₹ 48,000 × 4/1)	1,92,000
Less: Net worth (excluding goodwill of new firm) (Adjusted capitals of old partners) + (Incoming Partner's Capital) [(₹ 30,000 + ₹ 30,000 + ₹ 24,000) + ₹ 48,000]	1,32,000
Value of Goodwill	60,000

6. JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Revaluation A/c	...Dr.		4,000	
	To *X*'s Capital A/c				2,400
	To *Y*'s Capital A/c				1,600
	(Being the gain on Revaluation transferred to partners in their old profit-sharing ratio)				

Note: *'All Debtors are Good'* means Provision for Doubtful Debts is no longer required and hence should be credited to Revaluaton Account.

7. No. **Reason:** Partner's liability is unlimited, joint and several in a partnership. Therefore, net private assets (private assets after meeting his private liabilities) of each partner can also be used for payment of firm's liabilities.

8. No. **Reason:** Partner's Loan Account is not transferred to Realisation Account because it is not an outside liability and is payable after meeting outside liabilities but before repayment of partners' capital.

9. 50, Companies Act, 2013.

10. (*a*) *Calculation of B's Opening Capital (as on 1st April, 2018):*

	₹
B's Capital as on 31st March, 2019	8,000
Add: Drawings	3,000
	11,000
Less: Profit credited [1/2 (₹ 6,000 – ₹ 4,000)]	1,000
B's Capital as on 1st April, 2018	10,000

Interest on Capital @ 5% p.a. = ₹ 10,000 × 5/100 = ₹ 500.

11. (*b*) Interest Accrued but not Due = ₹ 10,00,000 × 10/100 × 3/12 = ₹ 25,000.

It is shown under the Major Head: **Current Liabilities** and Sub-head: **Other Current Liabilities**.

12. (*a*) Number of shares allotted to Mohan = $\frac{10,000}{14,000} \times 840 = 600$ shares.

Excess application money on 240 (*i.e.*, 840 – 600) shares adjusted against shares allotment = 240 × ₹ 2 = ₹ 480.

13. (*d*)

14.

Dr. SUBSCRIPTION ACCOUNT *Cr.*

Date	Particulars	₹	Date	Particulars	₹
2018			2018		
March 31	To Outstanding Subscription A/c	40,000	March 31	By Advance Subscription A/c	12,000
2019			2019		
March 31	To Income and Expenditure A/c (200 × ₹ 1,000)	2,00,000	March 31	By Bank A/c	2,05,000
			March 31	By Outstanding Subscription A/c (Balancing Figure)	**53,000**
March 31	To Advance Subscription A/c	30,000			
		2,70,000			2,70,000

Alternative Method:

		₹
Subscription received during the year		2,05,000
Add: Subscription received in advance (31.3.2018)		12,000
		2,17,000
Less: Subscription received in advance (31.3.2019)	30,000	
Subscription Outstanding (31.3.2018)	40,000	70,000
		1,47,000
Add: Subscription Outstanding (31.3.2019) (Balancing Figure)		**53,000**
Subscription Due for the Year 2018–19 (200 × ₹ 1,000)		2,00,000

Or

Delhi Sports Club

RECEIPTS AND PAYMENTS ACCOUNT

Dr. *for the year ending 31st March, 2019* *Cr.*

Receipts	₹	Payments	₹
To Balance *b/d* (Cash)	10,000	By Upkeep of Fields	6,000
To Entrance Fees	5,000	By Salaries	10,000
To Subscriptions	20,000	By Construction for Club's Pavilion	1,00,000
To Donation for Club's Pavilion	2,00,000	By Rent Paid	8,800
To Sale of Old Furniture (Book Value ₹ 1,000)	600	By Periodical and Newspapers	10,000
To Subscription for Governor's Party	5,000	By Miscellaneous Expenses	4,000
		By Tournament Expenses	20,000
		By Furniture	10,000
		By Balance *c/d* (Cash) (Balancing Figure)	71,800
	2,40,600		2,40,600

Note: *Students should observe that:*

1. Purchase of furniture, though it is a transaction of capital nature, is credited to Receipts and Payments Account. It records all Receipts and Payments whether they are of *revenue nature* or *capital nature*.
2. Salaries and rent outstanding at the end of the year are not taken to Receipts and Payments Account as they have not actually been paid.

15. (*a*) Average Profit = ₹ 75,000 + ₹ 5,000 (undervalued stock) = ₹ 80,000

Normal Profit = Capital Invested × Normal Rate of Return/100

$$= ₹\ 7{,}00{,}000 \times \frac{7}{100} = ₹\ 49{,}000$$

Super Profit = Average Profit – Normal Profit

= ₹ 80,000 – ₹ 49,000 = ₹ 31,000

Goodwill = 5 × Super Profit

= ₹ 31,000 × 5 = ₹ 1,55,000.

(*b*) Share Surrendered by Y in favour of $X = \frac{1}{9}$

Share surrendered by Y in favour of $Z = \frac{3}{9} - \frac{1}{9} = \frac{2}{9}$

Hence, Gaining Ratio of X and $Z = \frac{1}{9} : \frac{2}{9} = 1:2.$

X's New Share $= \frac{4}{9} + \frac{1}{9} = \frac{5}{9}$

Z's New Share $= \frac{2}{9} + \frac{2}{9} = \frac{4}{9}$

New Profit-sharing Ratio of X and $Z = \frac{5}{9} : \frac{4}{9} = 5:4.$

16. JOURNAL OF SHINE LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Incorporation Expenses A/c ...Dr.		2,00,000	
	To Promoters' A/c			2,00,000
	(Being the cost of company incorporation to be paid to promoters)			
	Promoters' A/c ...Dr.		2,00,000	
	To 10% Debentures A/c			2,00,000
	(Being the issue of 2,000; 10% Debentures of ₹ 100 each at par to promoters)			
	Underwriting Commission A/c ...Dr.		1,00,000	
	To Underwriters' A/c			1,00,000
	(Being the underwriting commission due on shares)			
	Underwriters' A/c ...Dr.		1,00,000	
	To 10% Debentures A/c			1,00,000
	(Being the issue of 1,000; 10% Debentures of ₹ 100 each at par to underwriters)			

17. JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	X's Capital A/c ...Dr.		30,000	
	Y's Capital A/c ...Dr.		20,000	
	To Investments A/c			50,000
	(Being half of the investments taken over by partners in their profit-sharing ratio)			
	Investments A/c ...Dr.		12,500	
	To Revaluation A/c			12,500
	(Being the gain due to revaluation of investment recorded)			
	Revaluation A/c ...Dr.		12,500	
	To *X*'s Capital A/c			7,500
	To *Y*'s Capital A/c			5,000
	(Being the gain (profit) of revaluation distributed)			

Or

ADJUSTMENT TABLE

Particulars		*X* (₹)	*Y* (₹)	*Z* (₹)
I. *Amount already credited to Capital Accounts:*				
Share of Profit (₹ 3,60,000 in 1 : 2 : 3 ratio)	(Dr.)	60,000	1,20,000	1,80,000
II. *Amount that should have been credited:*				
(*i*) Interest on Capital		30,000	60,000	90,000
(*ii*) Interest on Drawings		(18,000)	(30,000)	(48,000)
(*iii*) Salary (₹ 6,000 × 12)		72,000	...	...
(*iv*) Commission		...	24,000	...
(*v*) Share of Profit (₹ 1,80,000* in 1 : 1 : 1 ratio)		60,000	60,000	60,000
	(Cr.)	1,44,000	1,14,000	1,02,000
III. Difference (I – II)		84,000 (Cr.)	6,000 (Dr.)	78,000 (Dr.)

*Revised Profit = ₹ 3,60,000 – ₹ 1,80,000 (Interest on Capitals = ₹ 30,000 + ₹ 60,000 + ₹ 90,000) + ₹ 96,000 (Interest on Drawings = ₹ 18,000 + ₹ 30,000 + ₹ 48,000) – ₹ 72,000 (Salary) – ₹ 24,000 (Commission) = ₹ 1,80,000.

ADJUSTING JOURNAL ENTRY

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2019				
April 1	*Y*'s Capital A/c ...Dr.		6,000	
	Z's Capital A/c ...Dr.		78,000	
	To *X*'s Capital A/c			84,000
	(Being the rectification for adjustment of profits as per Partnership Deed and Partnership Act, 1932)			

18.

Dr. REALISATION ACCOUNT *Cr.*

Particulars	₹	Particulars		₹
To Land	1,20,000	By Creditors		65,000
To Machinery	65,000	By Bills Payable		35,000
To Goodwill	10,000	By Bank A/c (Assets Realised):		
To Stock	25,000	Land	96,000	
To Debtors	20,000	Machinery	35,000	
To Ram's Capital A/c (Creditors taken over)	55,250	Stock	18,750	
To Shyam's Capital A/c (Bills Payable taken over)	35,000	Debtors	12,500	
To Shyam's Capital A/c (Expenses)	1,750	Printer	3,000	1,65,250
To Bank A/c (Compensation)	3,000	By Loss transferred to:		
		Ram's Capital A/c	27,900	
		Shyam's Capital A/c	41,850	69,750
	3,35,000			3,35,000

Dr. PARTNERS' CAPITAL ACCOUNTS *Cr.*

Particulars	Ram (₹)	Shyam (₹)	Particulars	Ram (₹)	Shyam (₹)
To Realisation A/c	27,900	41,850	By Balance *b/d*	75,000	75,000
To Bank A/c (Balancing Figure)	1,02,350	69,900	By Realisation A/c	55,250	...
(Final Payment)			By Realisation A/c	...	35,000
			By Realisation A/c	...	1,750
	1,30,250	1,11,750		1,30,250	1,11,750

19. *(a)* AN EXTRACT OF BALANCE SHEET OF ARVIND LTD. *as at...*

Particulars	Note No.	₹
I. EQUITY AND LIABILITIES		
Shareholders' Funds		
Share Capital	1	42,00,000

Note to Accounts

Particulars	₹
1. Share Capital	
Authorised Capital	
60,000 Equity Shares of ₹ 150 each	90,00,000
Issued Capital	
30,000 Equity Shares of ₹ 150 each	45,00,000
Subscribed Capital	
Subscribed and Fully paid-up	
28,000 Equity Shares of ₹ 150 each	42,00,000

(*b*) When no Journal entry is passed in the books for issue of debentures as collateral security; the fact is disclosed in the Balance Sheet of the company.

Accounting Treatment in Balance Sheet:

(*i*) Loan is shown on the Equity and Liabilities part of Balance Sheet under the main head 'Non-current Liabilities' and sub-head, 'Long-term Borrowings'.

(*ii*) In Note to Accounts, the existence of such debentures is appended below the loan that the loan is secured by issue of debentures as collateral security.

Or

In the Books of *MG* Ltd.

JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2019					
March 31	Surplus, *i.e.*, Balance in Statement of Profit and Loss A/c	...Dr.		1,50,000	
	To Debentures Redemption Reserve A/c				1,50,000
	(Being the profit transferred to DRR to make the amount equal to 25% of the nominal (face) value of the debentures)				
April 1	Debentures Redemption Investment A/c	...Dr.		3,00,000	
	To Bank A/c				3,00,000
	(Being 15% of the nominal (face) value of debentures to be redeemed invested as fixed deposit)				
Aug. 31	Bank A/c	...Dr.		3,06,750	
	TDS Collected (Receivable) A/c	...Dr.		750	
	To Debentures Redemption Investment A/c				3,00,000
	To Interest Earned A/c				7,500
	(Being the investment bearing 6% interest p.a. encashed on redemption of debentures, TDS by bank @ 10% of interest)				
Aug. 31	7% Debentures A/c	...Dr.		20,00,000	
	To Debentureholders' A/c				20,00,000
	(Being amount due to debentureholders)				
Aug. 31	Debentureholders' A/c	...Dr.		20,00,000	
	To Bank A/c				20,00,000
	(Being amount paid to debentureholders)				
Aug. 31	Debentures Redemption Reserve A/c	...Dr.		5,00,000	
	To General Reserve A/c				5,00,000
	(Being DRR transferred to General Reserve on redemption of debentures)				

20. **Gandhi Club**

Dr. INCOME AND EXPENDITURE ACCOUNT *for the year ended 31st March, 2019* *Cr.*

Expenditure		₹	Income		₹
To Salaries		12,000	By Entrance Fees		3,000
To Electric Charges		1,200	By Subscription	35,000	
To Other Expenses		5,250	*Add:* Outstanding Subscription	750	35,750
To Depreciation on:			By Accrued Interest on Fixed Deposit		250
Furniture (10% of ₹ 25,000)	2,500		By Refreshment		1,000
Utensils [15/100 (₹ 8,000 + ₹ 2,000)]	1,500	4,000	By Miscellaneous Income		3,200
To Consumable Stores (₹ 3,500 + ₹ 3,500 (WN 2) – ₹ 7,000)		0			
To Surplus (*i.e.*, excess of Income over Expenditure)		20,750			
		43,200			43,200

BALANCE SHEET
as on 31st March, 2019

Liabilities		₹	Assets	₹
Subscription Received in Advance		750	Cash in Hand	21,500
Creditors		5,500	Utensils (₹ 8,000 + ₹ 2,000 – ₹ 1,500)	8,500
Capital Fund (WN 1) (1.4.2018)	58,500		Furniture (₹ 25,000 – ₹ 2,500)	22,500
Add: Surplus	20,750	79,250	Consumable Stores	7,000
			Subscription Outstanding	750
			Fixed Deposit	25,000
			Accrued Interest on Fixed Deposit	250
		85,500		85,500

Working Notes:

1. *Calculation of Capital Fund as on 1st April, 2018:*

BALANCE SHEET
as on 1st April, 2018

Liabilities	₹	Assets	₹
Creditors	12,000	Cash in Hand	33,500
Capital Fund (Balancing Figure)	58,500	Utensils	8,000
		Furniture	25,000
		Consumable Stores	3,500
		Subscription Outstanding	500
	70,500		70,500

2. *Dr.* CREDITORS FOR CONSUMABLE STORES ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Bank A/c	10,000	By Balance *b/d*	12,000
To Balance *c/d*	5,500	By Purchases A/c (Balancing Figure)	3,500
	15,500		15,500

21.

Dr. REVALUATION ACCOUNT *Cr.*

Particulars		₹	Particulars	₹
To Machinery A/c		70,000	By Building A/c	1,90,000
To Provision for Doubtful Debts A/c		10,000	By Investment A/c	90,000
To Gain (Profit) transferred to:			By Accrued Income A/c	6,000
Usha's Capital A/c	82,400			
Asha's Capital A/c	1,23,600	2,06,000		
		2,86,000		2,86,000

Dr. PARTNERS' CAPITAL ACCOUNTS *Cr.*

Particulars	Usha ₹	Asha ₹	Neelam ₹	Particulars	Usha ₹	Asha ₹	Neelam ₹
To Goodwill A/c	12,000	18,000	...	By Balance *b/d*	3,75,000	1,25,000	...
To Partners' Current A/cs	3,59,400	1,01,600	...	By Cash A/c	...	...	5,00,000
To Balance *c/d*	2,00,000	3,00,000	5,00,000	By Revaluation A/c	82,400	1,23,600	...
				By General Reserve A/c	36,000	54,000	...
				By Workmen Compensation Reserve A/c	8,000	12,000	...
				By Premium for Goodwill A/c	70,000	1,05,000	...
	5,71,400	4,19,600	5,00,000		5,71,400	4,19,600	5,00,000

Dr. PARTNERS' CURRENT ACCOUNTS *Cr.*

Particulars	Usha ₹	Asha ₹	Neelam ₹	Particulars	Usha ₹	Asha ₹	Neelam ₹
To Balance *c/d*	3,59,400	1,01,600	...	By Partners' Capital A/cs	3,59,400	1,01,600	...
	3,59,400	1,01,600	...		3,59,400	1,01,600	...

BALANCE SHEET OF NEW FIRM

as at 1st April, 2019

Liabilities		₹	Assets		₹
Creditors		1,20,000	Cash in Hand		7,15,000
Bills Payable		1,00,000	(₹ 40,000 + ₹ 5,00,000 + ₹ 1,75,000)		
Employees' Provident Fund		60,000	Sundry Debtors	2,00,000	
Usha's Current A/c		3,59,400	*Less:* Provision for Doubtful Debts	10,000	1,90,000
Asha's Current A/c		1,01,600	Investment		1,90,000
Capital A/cs:			Furniture		1,00,000
Usha	2,00,000		Machinery		2,40,000
Asha	3,00,000		Building		3,00,000
Neelam	5,00,000	10,00,000	Accrued Income		6,000
		17,41,000			17,41,000

Working Notes:

1. *Calculation of New Profit-sharing Ratio:*

Let the Total Share be 1

Neelam's Share = $\frac{1}{2}$; Remaining Share = $1-\frac{1}{2}=\frac{1}{2}$, which will be shared by Usha and Asha in their Old ratio, *i.e.*, 2 : 3.

Thus,

Usha's New Share = $\frac{1}{2}\times\frac{2}{5}=\frac{2}{10}$

Asha's New Share = $\frac{1}{2}\times\frac{3}{5}=\frac{3}{10}$

Neelam's Share = $\frac{1}{2}$ or $\frac{5}{10}$

Thus, New Profit-sharing Ratio of Usha, Asha and Neelam = 2 : 3 : 5.

2. *Adjustment of Capitals:*

Neelam's Capital for $\frac{1}{2}$ share = ₹ 5,00,000

∴ Total Capital of the New Firm = ₹ 10,00,000

It will be contributed by partners in their New Profit-sharing Ratio. Thus,

Usha's Capital in New Firm = ₹ 2,00,000

Asha's Capital in New Firm = ₹ 3,00,000

Neelam's Capital in New Firm = ₹ 5,00,000

Usha's Existing Capital = ₹ 5,59,400 (After all adjustments)

∴ Usha's Current A/c (Cr.) = ₹ 5,59,400 – ₹ 2,00,000 = ₹ 3,59,400

Asha's Existing Capital = ₹ 4,01,600

∴ Asha's Current A/c (Cr.) = ₹ 4,01,600 – ₹ 3,00,000 = ₹ 1,01,600.

Or

Dr. REVALUATION ACCOUNT *Cr.*

Particulars		₹	Particulars	₹
To Provision for Doubtful Debts A/c		4,000	By Building A/c	40,000
To Machinery A/c		20,000		
To Gain (Profit) transferred to:				
Keshav's Capital A/c	8,000			
Nirmal's Capital A/c	4,000			
Pankaj's Capital A/c	4,000	16,000		
		40,000		40,000

Dr. PARTNERS' CAPITAL ACCOUNTS *Cr.*

Particulars	Keshav ₹	Nirmal ₹	Pankaj ₹	Particulars	Keshav ₹	Nirmal ₹	Pankaj ₹
To Nirmal's Capital A/c	24,000	...	12,000	By Balance *b/d*	1,60,000	80,000	80,000
To Bank A/c	...	1,30,000	...	By General Reserve A/c	20,000	10,000	10,000
To Bank A/c (Bal. Fig.)	4,000	...	2,000	By Revaluation A/c	8,000	4,000	4,000
To Balance *c/d* (WN 3)	1,60,000	...	80,000	By Keshav's Capital A/c	...	24,000	...
				By Pankaj's Capital A/c	...	12,000	...
	1,88,000	1,30,000	94,000		1,88,000	1,30,000	94,000

Dr. BANK ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Balance *b/d*	28,000	By Nirmal's Capital A/c	1,30,000
To Balance *c/d*	1,08,000	By Keshav's Capital A/c	4,000
(Bank Overdraft)		By Pankaj's Capital A/c	2,000
	1,36,000		1,36,000

BALANCE SHEET OF NEW FIRM
as at 1st April, 2019

Liabilities		₹	Assets		₹
Bank Overdraft		1,08,000	Debtors	40,000	
Creditors		42,000	*Less:* Provision for Doubtful Debts	6,000	34,000
Capital A/cs:			Stock		36,000
Keshav	1,60,000		Machinery		80,000
Pankaj	80,000	2,40,000	Building		2,40,000
		3,90,000			3,90,000

Working Notes:

1. Unless agreed otherwise gaining ratio of continuing partners will be same as their old profit-sharing ratio. Thus, Gaining Ratio = 2 : 1.
2. Nirmal's Share of Goodwill ₹ 36,000 will be contributed by Keshav and Pankaj in their gaining ratio, *i.e.*, 2 : 1.
3. Total Capital of the New Firm = ₹ 2,40,000;

$$\text{Keshav's Capital in New Firm} = ₹\ 2,40,000 \times \frac{2}{3} = ₹\ 1,60,000;$$

$$\text{Pankaj's Capital in New Firm} = ₹\ 2,40,000 \times \frac{1}{3} = ₹\ 80,000.$$

22. JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c ...Dr.		1,20,000	
	To Shares Application A/c			1,20,000
	(Being the application money received for 60,000 shares)			
	Shares Application A/c ...Dr.		1,20,000	
	To Share Capital A/c			80,000
	To Shares Allotment A/c			16,000
	To Bank A/c (12,000 × ₹ 2)			24,000
	(Being the adjustment of application money)			
	Shares Allotment A/c ...Dr.		80,000	
	To Share Capital A/c			80,000
	(Being the allotment money due)			

	Bank A/c ...Dr.			73,440	
	Calls-in-Arrears A/c ...Dr.			2,560	
	To Shares Allotment A/c				64,000
	To Calls-in-Advance A/c (2,000 × ₹ 6)				12,000
	(Being the allotment money received except on 1,600 shares along with Calls-in-Advance on 2,000 shares)				
	Shares First Call A/c ...Dr.			80,000	
	To Share Capital A/c				80,000
	(Being first call money due)				
	Bank A/c ...Dr.			72,800	
	Calls-in-Arrears A/c (1,600 × ₹ 2) ...Dr.			3,200	
	Calls-in-Advance A/c (2,000 × ₹ 2) ...Dr.			4,000	
	To Shares First Call A/c				80,000
	(Being the first call money received except on 1,600 shares and advance adjusted)				
	Shares Second and Final Call A/c ...Dr.			1,60,000	
	To Share Capital A/c				1,60,000
	(Being the second and final call due)				
	Bank A/c ...Dr.			1,45,600	
	Calls-in-Arrears A/c (1,600 × ₹ 4) ...Dr.			6,400	
	Calls-in-Advance A/c (2,000 × ₹ 4) ...Dr.			8,000	
	To Shares Second and Final Call A/c				1,60,000
	(Being the call money received)				

Working Notes:

1. *Calculation of Allotment money not received from R:*

Number of Shares Applied by *R* = $\frac{48,000}{40,000} \times 1,600 = 1,920$ shares.

Excess Application Money = 320 × ₹ 2 = ₹ 640.

	₹
Allotment Money Due on 1,600 Shares	3,200
Less: Excess Application Money to be Adjusted	640
Amount due on Allotment but not Paid by *R*	2,560

2. *Calculation of Money Received on Allotment:*

Total Allotment Money Due	80,000
Less: Already Adjusted	16,000
	64,000
Less: Amount due on allotment but not Paid by *R* (WN 1)	2,560
	61,440
Add: Calls-in-Advance Received from *S*	12,000
Amount Received on Allotment	73,440

Or

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Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	...Dr.		2,76,000	
	To Shares Application A/c				2,76,000
	(Being the application money received for 92,000 shares)				
	Shares Application A/c	...Dr.		2,76,000	
	To Share Capital A/c				1,50,000
	To Shares Allotment A/c				90,000
	To Bank A/c				36,000
	(Being the application money adjusted)				
	Shares Allotment A/c	...Dr.		2,50,000	
	To Share Capital A/c				1,50,000
	To Securities Premium Reserve A/c				1,00,000
	(Being the allotment money due)				
	Bank A/c	...Dr.		1,57,200	
	Calls-in-Arrears A/c	...Dr.		6,000	
	To Shares Allotment A/c				1,60,000
	To Calls-in-Advance A/c (800 × ₹ 4)				3,200
	(Being the allotment money received except on 1,500 shares along with advance)				
	Shares First Call A/c	...Dr.		1,00,000	
	To Share Capital A/c				1,00,000
	(Being the first call due)				
	Bank A/c	...Dr.		95,400	
	Calls-in-Arrears A/c (1,500 × ₹ 2)	...Dr.		3,000	
	Calls-in-Advance A/c (800 × ₹ 2)	...Dr.		1,600	
	To Shares First Call A/c				1,00,000
	(Being the first call received except on 1,500 shares and advance adjusted)				
	Shares Second and Final Call A/c	...Dr.		1,00,000	
	To Share Capital A/c				1,00,000
	(Being the shares second and final call due)				
	Bank A/c	...Dr.		95,400	
	Calls-in-Arrears A/c	...Dr.		3,000	
	Calls-in-Advance A/c	...Dr.		1,600	
	To Shares Second and Final Call A/c				1,00,000
	(Being the call money received except on 1,500 shares and advance adjusted)				

Working Notes:

1. *Calculation of Allotment money due but not paid by Suresh:*

   Shares Allotted to Suresh = 1,500

   Excess Application Money = 500 × ₹ 3 = ₹ 1,500

	₹
Allotment Money Due on 1,500 Shares	7,500
Less: Excess application Money Adusted	1,500
Amount due on allotment but not Paid by Suresh	6,000

2. *Calculation of Amount Received on Allotment:*

Total Allotment Money Due	2,50,000
Less: Already Adjusted	90,000
	1,60,000
Less: Amount due on Allotment but not Paid by Suresh	6,000
	1,54,000
Add: Calls Paid in Advance by Chander	3,200
Amount Received	1,57,200

PART B

23. Return on Investment.

24. (*i–c*) (*ii–a*) (*iii–b*)

25. No. **Reason:** Vertical Analysis is conducted for one accounting period.

26. Net Increase/Decrease in Cash and Cash Equivalents.

27. (₹ 1,25,000)

	₹
Cash payment to acquire Plant and Machinery (WN)	(1,50,000)
Cash receipts from Sale of Plant and Machinery	25,000
Cash Used in Investing Activities	(1,25,000)

Working Note:

Dr. PLANT AND MACHINERY ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Balance *b/d*	3,60,000	By Bank A/c (Sale) (₹ 20,000 + 25% of ₹ 20,000)	25,000
To Gain (Profit) on Sale of Machinery A/c (Statement of Profit and Loss)	5,000	By Depreciation A/c	40,000
To Bank A/c (Purchase)—Balancing Figure	1,50,000	By Balance *c/d*	4,50,000
	5,15,000		5,15,000

28. (*d*) **29.** (*a*)

30.

COMPARATIVE STATEMENT OF PROFIT AND LOSS
for the years ended 31st March, 2018 and 2019

Particulars	Note No.	31st March, 2018 ₹	31st March, 2019 ₹	Absolute Change ₹	Percentage Change %
I. **Revenue from Operations**		17,50,000	20,00,000	2,50,000	14.29
II. **Expenses**					
(*a*) Purchases of Stock-in-Trade		8,25,000	10,00,000	1,75,000	21.21
(*b*) Change in Inventories of Stock-in-Trade		1,50,000	1,70,000	20,000	13.33
(*c*) Other Expenses		7,700	11,500	3,800	49.35
Total Expenses		9,82,700	11,81,500	1,98,800	20.23
III. **Net Profit (I – II)**		7,67,300	8,18,500	51,200	6.67

Or

Items	Major Head	Sub-head
(*i*) Debentures	Non-current Liabilities	Long-term Borrowings
(*ii*) Loose Tools	Current Assets	Inventories
(*iii*) Calls-in-Advance	Current Liabilities	Other Current Liabilities

31. (*a*) Trade Receivables Turnover Ratio = $\frac{\text{Credit Revenue from Operations}}{\text{Average Trade Receivables}}$

$$= \frac{₹\ 6,40,000}{₹\ 2,00,000} = 3.2 \text{ Times.}$$

Cost of Revenue from Operations = ₹ 6,00,000

Gross Profit = 1/3 of Cost = ₹ 2,00,000

Revenue from Operations = ₹ 6,00,000 + ₹ 2,00,000 = ₹ 8,00,000

Let, Credit Revenue from Operations = ₹ 100

Cash Revenue from Operations = ₹ 25

Total Revenue from Operations = ₹ 125

If Total Revenue is ₹ 125, Credit Revenue from Operations = ₹ 100

If Total Revenue is ₹ 1, Credit Revenue from Operations = $\frac{₹\ 100}{₹\ 125}$

If Total Revenue is ₹ 8,00,000, Credit Revenue from Operations

$$= \frac{₹\ 100}{₹\ 125} \times ₹\,8,00,000 = ₹\ 6,40,000$$

Average Trade Receivables

$$= \frac{\text{Opening Trade Receivables + Closing Trade Receivables}}{2}$$

$$= \frac{₹\ 2,10,000 + ₹\ 1,90,000}{2} = ₹\ 2,00,000.$$

(*b*) (*i*) No Change : Both Purchases and Closing Stock increase, as a result Cost of Goods Sold remains unchanged.

(*ii*) No Change : Both Purchases and Closing Stock decrease, as a result Cost of Goods Sold remains unchanged.

(*iii*) No Change : Loss on Sale of Machinery does not affect Operating Cost.

(*iv*) Increase : Operating Cost increases due to increase in selling and distribution expenses.

Or

COMPARATIVE STATEMENT OF PROFIT AND LOSS

for the years ended 31st March, 2018 and 2019

Particulars	Note No.	31st March, 2018 ₹	31st March, 2019 ₹	Absolute Change ₹	Percentage Change %
I. **Revenue from Operations**		12,00,000	20,00,000	8,00,000	66.67
II. Other Income		9,00,000	12,00,000	3,00,000	33.33
III. **Total Revenue (I + II)**		21,00,000	32,00,000	11,00,000	52.38
IV. **Expenses**		10,00,000	13,00,000	3,00,000	30.00
V. **Net Profit**		11,00,000	19,00,000	8,00,000	72.73

32. CASH FLOW STATEMENT *for the year ended 31st March, 2019*

Particulars		₹	₹
A. Cash Flow from Operating Activities			
Closing Balance of Surplus, *i.e.*, Balance in Statement of Profit and Loss		1,75,000	
Less: Opening Balance of Surplus, *i.e.*, Balance in Statement of Profit and Loss		1,00,000	
		75,000	
Add: Provision for Tax (WN 2)		25,000	
Interim Dividend		55,000	
Dividend Declared (Proposed Dividend for 2017–18)		25,000	
Net Profit before Tax and Extraordinary Items		1,80,000	
Adjustment for Non Cash and Non-operating Items:			
Add: Loss on Sale of Equipment		6,000	
Patents Amortised		2,500	
Depreciation		9,000	
Operating Profit before Working Capital Changes		1,97,500	
Less: Increase in Current Assets and Decrease in Current Liabilities:			
Trade Payables	1,500		
Inventories	40,000		
Trade Receivables	20,000	61,500	
Cash Generated from Operations		1,36,000	
Less: Tax paid		15,000	
Cash Flow from Operating Activities			1,21,000
B. Cash Flow from Investing Activities			
Purchase of Equipment		(50,000)	
Purchase of Non-current Investments		(47,500)	
Proceeds from Sale of Equipment (WN 3)		35,000	
Cash Used in Investing Activities			(62,500)
C. Cash Flow from Financing Activities			
Proceeds from Issue of Shares		1,00,000	
Repayment of Bank Loan		(25,000)	
Payment of Interim Dividend		(55,000)	
Payment of Final Dividend		(25,000)	
Cash Used in Financing Activities			(5,000)
D. Net Increase in Cash and Cash Equivalents (A + B + C)			53,500
Add: Opening Cash and Cash Equivalents			75,000
E. Closing Cash and Cash Equivalents			1,28,500

Working Notes:

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

Particulars	₹	Particulars	₹
To Bank A/c (Tax Paid)	15,000	By Balance *b/d*	15,000
To Balance *c/d*	25,000	By Statement of Profit and Loss (Bal. Fig.)	25,000
	40,000		40,000

2. *Dr.* EQUIPMENT ACCOUNT *Cr.*

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