Answers

PART A

1. No. Reason: It is not a provision but a liability payable on redemption of debentures.

2.	JOURNAL				
Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Employees' Provident Fund A/c	Dr.		50,000	
	Salaries Payable A/c	Dr.		10,000	
	To Realisation A/c				60,000
	(Being sundry liabilities transferred to Realisation Account)				
3.	JOURNAL				
Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bikram's Capital A/c	Dr.		30,000	
	Barun's Capital A/c	Dr.		30,000	
	To Revaluation A/c				60,000
	(Being the loss on revaluation debited to old partners)				
4.	JOURNAL				
Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Premium for Goodwill A/c	Dr.		90,000	
	To Manoj's Capital A/c				45,000
	To Anil's Capital A/c				45,000
	(Being the premium for goodwill shared by old partners)				
5.	JOURNAL				
Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Revaluation A/c	Dr.		5,000	
	To Sudhir's Capital A/c				3,000
	To Sanjiv's Capital A/c				2,000
	(Being the gain (profit) transferred to partners in their old ratio)				
	(10)		<u> </u>		

- 6. ₹ 30,000 $\left(i.e., ₹ 3,30,000 \times \frac{10}{110}\right)$
- 7. Time, Sales or Turnover.
- 8. Yes, Realisation Account will be debited by the amount of realisation expenses paid along with the remuneration payable to Kabir.
- **9.** it is not the income of the current year. It will be transferred to Income and Expenditure Account in the next year.
- **10.** (*d*)

11. (c)	JOURNAL						
Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)		
	P's Capital A/c Q's Capital A/c To R's Capital A/c (Being R's share of goodwill adjusted to the Capital Accounts of P and Q in their gaining ratio, <i>i.e.</i> , 4 : 1)	Dr. Dr.		24,000 6,000	30,000		

Notes: (*i*) *R*'s Share of Goodwill = ₹ 90,000 × 1/3 = ₹ 30,000.

(*ii*) Gain of Partner = New Share – Old Share

$$P's$$
 Gain = $\frac{3}{5} - \frac{1}{3} = \frac{9-5}{15} = \frac{4}{15}$; $Q's$ Gain = $\frac{2}{5} - \frac{1}{3} = \frac{6-5}{15} = \frac{1}{15}$

Thus, Gaining Ratio = 4:1.

12. (*b*)

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Investment Fluctuation Reserve A/cDr.		40,000	
	To Investment A/c			10,000
	To X's Capital A/c			15,000
	To Y's Capital A/c			9,000
	To Z's Capital A/c			6,000
	(Being the value of investment brought down to market value and surplus			
	Investment Fluctuation Reserve transferred to Partners' Capital Accounts in			
	their old profit-sharing ratio)			

13. ₹ 16,000 (*i.e.*, ₹ 80,000 × 1/5)

14. AN EXTRACT OF INCOME AND EXPENDITURE ACCOUNT						
Dr. for the year ending on 31st March, 2019						
Expenditure	₹	Income	₹			
To Sports Materials Consumed	11,100					
AN	EXTRACT OF BALANCE	SHEET as at 31st March, 2019				
Liabilities	₹	Assets	₹			
Creditors for Sports Materials	1,300	Stock of Sports Materials	2,000			
Working Notes:						
1.						
Dr.	CREDITORS FOR SPOR	TS MATERIALS ACCOUNT	Cr.			
Particulars	₹	Particulars	₹			
To Bank A/c	10,800	By Balance <i>b/d</i>	2,000			
To Balance <i>c/d</i>	1,300	By Stock of Sports Materials A/c	10,100			
		(Credit Purchase) (Bal. Fig.)				

2. Sports Materials Consumed = Opening Stock + Purchase - Closing Stock

= ₹3,000 + ₹10,100 - ₹2,000 = ₹11,100.

12,100

12,100

Dr.		FURNITURE	FURNITURE ACCOUNT				
Date		Particulars	₹	Date	Particulars	₹	
2018				2018			
April Oct.	1 1	To Balance <i>b/d</i> To Bank A/c (Purchase)	4,40,000 3,00,000	Dec. 31	By Depreciation A/c (₹ 40,000 × 10/100 × 9/12)	3,000	
				Dec. 31	By Bank A/c (Sale Proceeds) [(₹ 40,000 – ₹ 3,000) – 20% of ₹ 37,000]	29,600	
				Dec. 31	By Income and Expenditure A/c (Loss on Sale) (20% of ₹ 37,000)	7,400	
				2019			
				March 31	By Depreciation A/c: On ₹ 4,00,000 for		
					1 year 40,000 On ₹ 3,00,000 for		
					6 months 15,000	55,000	
				March 31	By Balance c/d	6,45,000	
			7,40,000			7,40,000	

Or

15. Dr	γς σαριτα		Cr
Particulars	₹	Particulars	₹
 To Goodwill A/c (written off) (₹ 20,000 × 3/10) To Y's Executors' A/c (Balancing Figure) 	6,000 1,32,225 1,38,225	 By Balance b/d By Profit and Loss Suspense A/c (WN 2) By X's Capital A/c (WN 3) By Z's Capital A/c (WN 3) By Workmen Compensation Reserve A/c (₹ 12,000 × 3/10) By Interest on Capital A/c (₹ 60,000 × 10/100 × 3/12) 	60,000 1,125 20,571 51,429 3,600 1,500 1,38,225
Dr.	Y'S EXECUTO	l RS' ACCOUNT	Cr.
Particulars	₹	Particulars	₹
To Balance c/d	1,32,225 1,32,225	By Y's Capital A/c	1,32,225 1,32,225

Working Notes:

1. Profit-sharing Ratio of *X*, *Y* and *Z* = Capital Ratio = 2:3:5.

2. *Y*'s Share of Profit = ₹ 15,000 ×
$$\frac{3}{12}$$
 × $\frac{3}{10}$ = ₹ 1,125.

3. *Y*'s Share of Goodwill = ₹ 2,40,000 × $\frac{3}{10}$ = ₹ 72,000, which is contributed by *X* and *Z* in their gaining ratio, *i.e.*, 2 : 5. Thus,

X's Contribution = ₹ 72,000 ×
$$\frac{2}{7}$$
 = ₹ 20,571;
Z's Contribution = ₹ 72,000 × $\frac{5}{7}$ = ₹ 51,429.

16.	JOURNAL OF X LTD.				
Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
(i)	Bank A/c To Debentures Application and Allotment A/c (Being the receipt of debentures application money for 10,000; 10% Debentures @ ₹ 100 each)	Dr.		10,00,000	10,00,000
	Debentures Application and Allotment A/c To 10% Debentures A/c (Being the issue of 10,000; 10% Debentures of ₹ 100 each at par)	Dr.		10,00,000	10,00,000
(ii)	Bank A/c To Debentures Application and Allotment A/c (Being the receipt of debentures application money for 10,000; 10% Debentures @ ₹ 100 each)	Dr.	-	10,00,000	10,00,000
	Debentures Application and Allotment A/c Loss on Issue of Debentures A/c To 10% Debentures A/c To Premium on Redemption of Debentures A/c (Being the issue of 10,000; 10% Debentures of ₹ 100 each at par but redeemable at 10% premium)	Dr. Dr.		10,00,000 1,00,000	10,00,000 1,00,000
	Statement of Profit and Loss (Finance cost) To Loss on Issue of Debentures A/c (Being the loss on issue of debentures written off)	Dr.		1,00,000	1,00,000
(iii)	Machinery A/c To Vendor's A/c (Being the purchase of Machinery)	Dr.		12,00,000	12,00,000
	Vendor's A/c To 10% Debentures A/c To Securities Premium Reserve A/c (Being the issue of 10,000; 10% Debentures of ₹ 100 each at a premium of 20%)	Dr.		12,00,000	10,00,000 2,00,000

1	7	
1		٠

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(<i>i</i>)	Bank A/cDr To Realisation A/c (Being the Bad Debts recovered)		7,500	7,500
(ii) (a)	B's Capital A/cDr To Realisation A/c (Being some Sundry Assets taken over by B)		72,000	72,000

	(b)	A's Capital A/c [(₹ 1,17,000 – ₹ 80,000) × 80/100]	Dr.	29,600	
		To Realisation A/c			29,600
		(Being the remaining Sundry Assets taken over by A)			
(iiii)		Realisation A/c	Dr.	10,200	
		To Bank A/c			10,200
		(Being the C's loan discharged along with accrued interest)			
(iv)		Realisation A/c	Dr.	3,000	
		To A's Capital A/c			3,000
		(Being the remuneration due to A)			

Or

Dr.			REALISATION ACCOUNT			Cr.
Pa	rticulars		₹	Particulars		₹
То	Sundry Assets A/cs:			By Creditors A/c		50,400
	Stock	20,100		By A's Capital A/c (Investments)		18,000
	Debtors	62,600		By Cash A/c (Assets Realised):		
	Investments	16,000		Fixed Assets	29,700	
	Furniture	6,500		Stock and Debtors	80,000	1,09,700
	Building	23,500	1,28,700	By Loss on Realisation transferred to		
То	Cash A/c (Liabilities Paid):			Partners' Capital A/cs:		
	Creditors ₹ (50,400 – 800)	49,600		A (₹ 3,000 × 1/3)	1,000	
	Discounted Bill Receivable	1,500		B (₹ 3,000 × 1/3)	1,000	
	Realisation Expenses	1,300	52,400	C (₹ 3,000 × 1/3)	1,000	3,000
			1,81,100			1,81,100

Dr.		PART					
Particulars	$A(\overline{\mathfrak{T}}) \qquad B(\overline{\mathfrak{T}}) \qquad C(\overline{\mathfrak{T}}) \qquad \text{Particulars}$		A (₹)	B (₹)	C (₹)		
To Realisation A/c (Investments)	18,000			By Balance <i>b/d</i> By Reserve A/c	30,000 4,000	25,000 4,000	15,000 4,000
To Realisation A/c (Loss)	1,000	1,000	1,000				
To Cash A/c (Final Payment)	15,000	28,000	18,000				
	34,000	29,000	19,000		34,000	29,000	19,000
				1			

18.

In the Books of Firm

ADJUSTMENT JOURNAL ENTRY

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Z's Capital A/c	Dr.		550	
	To X's Capital A/c				550
	(Being the adjustment entry recorded due to omission of interest				
	on Capital and Drawings)				

Working Notes:

Dr.

1	. CALCULATION OF OPENING CAPITAL AND INTEREST THEREO	N		
Particulars		Х	Y	Ζ
		₹	₹	₹
A.	Closing Capital	30,000	25,000	20,000
Β.	Add: Drawings	5,000	4,000	3,000
C.	Less: Share of Profit already Credited	(8,000)	(8,000)	(8,000)
D.	Opening Capital	27,000	21,000	15,000
E.	Interest on capital @ 10% p.a.	2,700	2,100	1,500

2. Calculation of Revised Profits:

Revised Profits = Given Profits + Interest on Drawings* – Interest on Capitals

= ₹ 24,000 + (₹ 250 + ₹ 200 + ₹ 150) - (₹ 2,700 + ₹ 2,100 + ₹ 1,500) = ₹ 18,300

*Date of Drawings are not given so interest is to be charged at an agreed rate for average period of 6 months. Hence, Interest on Drawings: $X \rightarrow \mathbb{P}$ 250; $Y \rightarrow \mathbb{P}$ 200; $Z \rightarrow \mathbb{P}$ 150.

3	. STATEMENT SHOWING THE R	EQUIRED ADJUSTMENT			
Par	Particulars			Y	Ζ
			₹	₹	₹
١.	Amount already credited; now debited	(Dr.)	8,000	8,000	8,000
II.	Amount which should have been credited:				
	Interest on Capital (Cr.)		2,700	2,100	1,500
	Share of Profit (₹ 18,300 in 1 : 1 : 1) (Cr.)		6,100	6,100	6,100
	Interest on Drawings (Dr.)		(250)	(200)	(150)
		(Cr.)	8,550	8,000	7,450
III.	Amount to be adjusted (I – II)		550		550
			(Cr.)		(Dr.)

19. AN EXTRACT OF INCOME AND EXPENDITURE ACCOUNT

for the year ending 31st March, 2019

Expenditure	₹	Income	₹
To Salaries A/c (WN 2) To Medicines Consumed (WN 3 and 4)	2,00,000 2,52,000	By Subscription (WN 1)	5,76,000

AN EXTRACT OF BALANCE SHEET as at 31st March, 2019

Liabilities	₹	Assets	₹
Advance Subscription	20,800	Subscription Due	28,000
Creditors for Medicines	36,000	Advance for Medicines	12,000
Outstanding Salaries	36,000	Stock of Medicines	28,000
		Prepaid Salaries	12,000

Cr.

An Aid to Accountancy – CBSE XII

Working Notes:

SUBSCRIPTIC	DN ACCOUNT	Cr.
₹	Particulars	₹
38,000	By Advance Subscription A/c (in the beginning)	11,200
5,76,000	By Bank A/c	5,95,600
20,800	By Subscription Due A/c (at the end)	28,000
6,34,800		6,34,800
SALARIES	ACCOUNT	Cr.
₹	Particulars	₹
20,000	By Outstanding Salaries A/c (in the beginning)	60,000
2,16,000	By Income and Expenditure A/c	2,00,000
36,000	(Balancing Figure)	
	By Prepaid Salaries A/c (at the end)	12,000
2,72,000		2,72,000
	SUBSCRIPTIC ₹ 38,000 5,76,000 20,800 6,34,800 SALARIES ₹ 20,000 2,16,000 36,000 2,72,000	SUBSCRIPTION ACCOUNT ₹ Particulars 38,000 By Advance Subscription A/c (in the beginning) 5,76,000 By Bank A/c 20,800 By Subscription Due A/c (at the end) 6,34,800 SALARIES ACCOUNT ₹ Particulars 20,000 By Outstanding Salaries A/c (in the beginning) 2,16,000 By Income and Expenditure A/c (Balancing Figure) By Prepaid Salaries A/c (at the end)

Alternativ	ely:
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CALCULATION OF SALARIES FOR THE CURRENT YEAR

Particulars		₹
Salaries Paid during the year		2,16,000
Add: Outstanding Salaries (31st March, 2019)	36,000	
Prepaid Salaries (1st April, 2018)	20,000	56,000
		2,72,000
Less: Outstanding Salaries (1st April, 2018)	60,000	
Prepaid Salaries (31st March, 2019)	12,000	72,000
Current Year's Salaries to be shown in the Income and Expenditure Account		2,00,000

3. <i>Dr</i> .	CREDITORS FOR ME	TORS FOR MEDICINES ACCOUNT		
Particulars	₹	Particulars	₹	
To Balance <i>b/d</i> (Advance) To Bank A/c To Balance <i>c/d</i>	20,000 2,16,000 36,000	By Balance <i>b/d</i> By Stock of Medicines A/c (Bal. Fig.) (Credit Purchases) By Balance <i>c/d</i> (Advance)	60,000 2,00,000 12,000	
	2,72,000		2,72,000	

4. <i>Dr</i> . STC	OCK OF MEDI	CINES ACCOUNT	Cr.
Particulars	₹	Particulars	₹
To Balance <i>b/d</i> To Creditors for Medicines A/c (Transfer)	60,000 2,00,000	By Income and Expenditure A/c (Bal. Fig.) (Medicines Consumed)	2,52,000
To Bank A/c (10% of ₹ 2,00,000) (Cash Purchases: 10% of credit Purchases)	20,000	By Balance <i>c/d</i>	28,000
	2,80,000		2,80,000

20.	JOURNAL				
Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	 Equity Share Capital A/c (300 × ₹ 6) To Equity Shares Allotment A/c/Calls-in-Arrears A/c (300 × ₹ 4) To Forfeited Shares A/c (300 × ₹ 2) (Being 300 shares forfeited for non-payment of allotment money) 	Dr.		1,800	1,200 600

AN EXTRACT OF BALANCE SHEET OF LITTLE COMFORTS LTD. as at					
Particulars	Note No.	₹			
I. EQUITY AND LIABILITIES Shareholders' Funds Share Capital	1	1,78,800			

Note to Accounts

₹
5,00,000
3,00,000
1,78,200
600
1,78,800

Or

JOURNAL OF ALPHA LTD.

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2018 March 31	Surplus, <i>i.e.</i> , Balance in Statement of Profit and Loss A/c To Debentures Redemption Reserve A/c (25% of ₹ 50,00,000) (Being the profits transferred to Debentures Redemption Reserve)	Dr.		12,50,000	12,50,000
April 1	Debentures Redemption Investment A/c To Bank A/c (15% of ₹ 50,00,000) (Being the investment made in fixed deposit as per Companies Act, 2013 earning interest @ 9%)	Dr.		7,50,000	7,50,000
2019					
March 31	TDS Collected (Receivable) A/c (₹ 67,500 × 10%) Bank A/c (₹ 7,50,000 + ₹ 67,500 - ₹ 6,750) To Debentures Redemption Investment A/c To Interest Earned A/c (₹ 7,50,000 × 9%) (Being the fixed deposit encashed on redemption and interest received @ 9% p.a. after 10% TDS)	Dr. Dr.		6,750 8,10,750	7,50,000 67,500
March 31	10% Debentures A/c Premium on Redemption of Debentures A/c To Debentureholders' A/c (Being the amount due to debentureholders)	Dr. Dr.		50,00,000 5,00,000	55,00,000

1,47,500 1,03,650 1,61,600

March 31	Debentureholders' A/c	Dr.	55,00,000	
	To Bank A/c			55,00,000
	(Being the amount due paid on redemption)			
March 31	Debentures Redemption Reserve A/c	Dr.	12,50,000	
	To General Reserve A/c			12,50,000
	(Being the Debentures Redemption Reserve transferred to			
	General Reserve)			
March 31	Interest Earned A/c	Dr.	67,500	
	To Statement of Profit and Loss (Other Income)			67,500
	(Being the interest on DRI transferred)			

21.

Dr. REVALUATION ACCOUNT							Cr.
Particulars			₹	Particulars			₹
To Fixed Assets A/c			2,500	By Creditors A/c			2,000
To Provision for Doubtful D	ebts A/c		5,000	By Unexpired Insurance A/c			10,000
To Stock A/c			10,000	By Loss transferred to:			
				X's Capital A/c (₹ 5,500 ×	5/10)		2,750
				Y's Capital A/c (₹ 5,500 ×	3/10)		1,650
				Z's Capital A/c (₹ 5,500 ×	2/10)		1,100
			17,500				17,500
Dr.		PAR	TNERS' CAP	ITAL ACCOUNTS			Cr.
Particulars	X	Y	Ζ	Particulars	Х	Y	Ζ
	₹	₹	₹		₹	₹	₹
To Goodwill A/c	25,000	15,000	10,000	By Balance <i>b/d</i>	40,000	62,000	33,000
To Revaluation A/c (Loss)	2,750	1,650	1,100	By Workmen Compensation			
To X's Capital A/c		8,000	32,000	Reserve A/c	25,000	15,000	10,000
(Adjustment of Goodwill)				By Y's Capital A/c (Goodwill)	8,000		
To Bank A/c (Bal. Fig.)	1,19,750			By Z's Capital A/c (Goodwill)	32,000		
To Balance <i>c/d</i> (WN 4)		79,000	1,18,500	By Profit and Loss A/c	42,500	25,500	17,000
				By Bank A/c (Bal. Fig.)		1,150	1,01,600

BALANCE SHEET

1,61,600

1,47,500 1,03,650

as at 1st April, 2019 Liabilities ₹ ₹ Assets Creditors 40,000 Bank 15,000 Employees' Provident Fund 10,000 ₹ (40,000 - 8,000 + 1,150 + 1,01,600 - 1,19,750) Y's Capital A/c 79,000 Sundry Debtors 1,00,000 Z's Capital A/c 1,18,500 Less: Provision for Doubtful Debts 5,000 95,000 Stock 70,000 Unexpired Insurance 10,000 Fixed Assets 57,500 2,47,500 2,47,500

Working Notes:

1. Gain/(Sacrifice) = New Share – Old Share

$$Y's \text{ Gain} = \frac{2}{5} - \frac{3}{10} = \frac{1}{10}$$

Z's Gain = $\frac{3}{5} - \frac{2}{10} = \frac{4}{10}$, Gaining Ratio = 1 :4.

2. X's Share of Goodwill = ₹80,000 × $\frac{5}{10}$ = ₹40,000 to be contributed by Gaining Partners in their Gaining Ratio. Y's contribution = ₹40,000 × $\frac{1}{5}$ = ₹8,000; Z's contribution = ₹40,000 × $\frac{4}{5}$ = ₹32,000.

Alternatively:

Total Capital of New Firm = Adjusted Capital of Remaining Partners + Cash Payable to Outgoing Partner – Cash Available + Cash Required to Maintain

4. *Y*'s Capital in New Firm = ₹ 1,97,500 ×
$$\frac{2}{5}$$
 = ₹ 79,000, *Z*'s Capital in New Firm = ₹ 1,97,500 × $\frac{3}{5}$ = ₹ 1,18,500

Or

Dr.	REVALUATIC		Cr.	
Particulars	₹	Particulars		₹
To Investment A/c (₹ 50,000 – ₹ 45,000)	5,000	By Accrued Income A/c		1,000
To Patents A/c	2,000	By Bad Debts Recovered A/c		4,000
		By Loss transferred to:		
		Madan's Capital A/c	1,200	
		Mohan's Capital A/c	800	2,000
	7,000			7,000

				By Loss transferred to: Madan's Capital A/c Mohan's Capital A/c		1,200 800	2,000
			7,000	-	_		7,000
Dr.		PAR	TNERS' CAP	ITAL ACCOUNTS			Cr.
Particulars	Madan ₹	Mohan ₹	Gopal ₹	Particulars	Madan ₹	Mohan ₹	Gopal ₹
To Revaluation A/c (Loss) To Balance c/d	1,200 88,200	800 58,800	 49,000	By Balance <i>b/d</i> By General Reserve A/c By Workmen Compensation	60,000 12,000	40,000 8,000	

89,400

59,600

49,000

Reserve A/c

By Bank A/c (WN 1)

By Premium for Goodwill A/c

5,400

12,000

•••

89,400

3,600

8,000

...

59,600

....

...

49,000

49,000

	-	 ,	-	-	- / -	-	-

		as at 1st i	April, 2019		
Liabilities		₹	Assets		₹
Creditors		28,000	Cash at Bank (WN 2)		83,000
Provision for Workmen Compensation Claim		3,000	Debtors	65,000	
Capital A/cs:			Less: Provision for Doubtful Debts	5,000	60,000
Madan	88,200		Stock		30,000
Mohan	58,800		Accrued Income		1,000
Gopal	49,000	1,96,000	Investment		45,000
			Patents		8,000
		2,27,000			2,27,000

BALANCE SHEET OF THE NEW FIRM

Working Notes:

1. Calculation of Gopal's Capital:

(*i*) Combined adjusted capital of Madan and Mohan for $\frac{3}{4}$ th share = ₹ 88,200 + ₹ 58,800 = ₹ 1,47,000

(*ii*) Total Capital of the new firm =
$$\frac{\text{Adjusted Combined Capital of the Old Partners}}{Combined Share of Profit of the Old Partners}$$

Combined Share of Profit of the Old Partners

$$= \frac{₹1,47,000}{3/4} = ₹1,47,000 \times \frac{4}{3} = ₹1,96,000$$

Gopal's Capital = ₹ 1,96,000 × $\frac{1}{4}$ = ₹ 49,000.

2. Dr.	BANK A	CCOUNT	Cr.	
Particulars	₹	Particulars	₹	
To Balance <i>b/d</i>	10,000	By Balance <i>c/d</i>	83,000	
To Bad Debts Recovered A/c	4,000			
To Premium for Goodwill A/c	20,000			
To Gopal's Capital A/c	49,000			
	83,000		83,000	

JOURNAL OF JYOTI LTD.				
Particulars		L.F.	Dr. (₹)	Cr. (₹)
Bank A/c To Equity Shares Application A/c (Being the application money ₹ 2 per share received for 1,50,000 shares)	Dr.		3,00,000	3,00,000
Equity Shares Application A/c To Equity Share Capital A/c (50,000 × ₹ 2) To Equity Shares Allotment A/c To Bank A/c (45,000 × ₹ 2) (Being the application money adjusted and surplus refunded) (WN 1 and 2)	Dr.		3,00,000	1,00,000 1,10,000 90,000
Equity Shares Allotment A/c To Equity Share Capital A/c (Being the share allotment money due)	Dr.		2,00,000	2,00,000
	JOURNAL OF JYOTI LTD. Particulars Bank A/c To Equity Shares Application A/c (Being the application money ₹ 2 per share received for 1,50,000 shares) Equity Shares Application A/c To Equity Share Capital A/c (50,000 × ₹ 2) To Equity Shares Allotment A/c To Bank A/c (45,000 × ₹ 2) (Being the application money adjusted and surplus refunded) (WN 1 and 2) Equity Shares Allotment A/c To Equity Share Capital A/c (Being the share allotment money due)	JOURNAL OF JYOTI LTD. Particulars Dr. Bank A/c Dr. To Equity Shares Application A/c Dr. Equity Shares Application A/c Dr. To Equity Shares Application A/c Dr. To Equity Share Capital A/c (50,000 × ₹ 2) Dr. To Equity Share Capital A/c (50,000 × ₹ 2) Dr. To Equity Shares Allotment A/c Dr. To Bank A/c (45,000 × ₹ 2) (Being the application money adjusted and surplus refunded) (WN 1 and 2) Equity Shares Allotment A/c Equity Shares Allotment A/c Dr. To Equity Share Capital A/c Dr. To Equity Share Capital A/c Dr.	JOURNAL OF JYOTI LTD. Particulars L.F. Bank A/c Dr. To Equity Shares Application A/c Dr. (Being the application money ₹ 2 per share received for 1,50,000 shares) Equity Shares Application A/c Equity Shares Application A/c Dr. To Equity Share Capital A/c (50,000 × ₹ 2) Dr. To Equity Shares Allotment A/c Dr. To Bank A/c (45,000 × ₹ 2) Dr. (Being the application money adjusted and surplus refunded) Dr. (WN 1 and 2) Dr. Equity Shares Allotment A/c Dr. To Equity Share Capital A/c Dr. (Being the share allotment money due) Dr.	JOURNAL OF JYOTI LTD. Particulars L.F. Dr. (₹) Bank A/c Dr. 3,00,000 To Equity Shares Application A/c Dr. 3,00,000 (Being the application money ₹ 2 per share received for 1,50,000 shares) 3,00,000 Equity Shares Application A/c Dr. 3,00,000 To Equity Share Capital A/c (50,000 × ₹ 2) Dr. 3,00,000 To Equity Shares Allotment A/c Dr. 2,00,000 To Bank A/c (45,000 × ₹ 2) Dr. 2,00,000 (Being the application money adjusted and surplus refunded) Dr. 2,00,000 (WN 1 and 2) Equity Share Capital A/c Dr. 2,00,000 Equity Share Allotment A/c Dr. 2,00,000 Dr. To Equity Share Capital A/c Dr. 2,00,000 Dr.

Bank A/c	Dr.	88,900	
Calls-in-Arrears A/c	Dr.	1,100	
To Equity Shares Allotment A/c			90,000
(Being the balance amount received on allotment except on 600 share	es)		
(WN 3, 4 and 5)			
Equity Share Capital A/c (600 ×₹6)	Dr.	3,600	
To Calls-in-Arrears A/c			1,100
To Forfeited Shares A/c			2,500
(Being 600 shares forfeited on which allotment money was not receiv	ed)		
Equity Shares First and Final Call A/c (49,400 × ₹ 4)	Dr.	1,97,600	
To Equity Share Capital A/c			1,97,600
(Being the first and final call money due)			
Bank A/c	Dr.	1,97,600	
To Equity Shares First and Final Call A/c			1,97,600
(Being the first and final call money received)			
Bank A/c (600 ×₹ 11)	Dr.	6,600	
To Equity Share Capital A/c			6,000
To Securities Premium Reserve A/c			600
(Being the forfeited shares reissued at ₹ 11 per share fully paid-up)			
Forfeited Shares A/c	Dr.	2,500	
To Capital Reserve A/c			2,500
(Being the gain on reissue of forfeited shares transferred to Capital Reser	ve)		

Working Notes:

1. Excess Application Money = [(1,50,000 × ₹ 2) – (50,000 × ₹ 2)] = ₹ 2,00,000.

2.	TABLE SHOWING ADJUSTMENT OF SURPLUS	APPLICATION	MONEY	
Pai	ticulars		Refund (₹)	Adjustment on Allotment (₹)
A.	30% share applications were rejected, hence refunded [(1,50,000 \times 30 Money received from Category L charabelders: (80,000 \times $\stackrel{?}{=}$ 2)	/100)×₹2]	90,000	
υ.	Less: Adjusted on application (40,000 \times ₹ 2)	80,000		
	Less: Adjusted at the time of allotment	80,000 80,000		80,000
c.	Money received from Category II shareholders: (25,000 \times \gtrless 2)	50,000		
	Less: Adjusted on application $(10,000 \times \mathbb{Z})$	20,000		
	Less: Adjusted at the time of allotment	30,000		30,000
		0	90,000	1,10,000

3. Number of shares allotted to Deepak = $1,000 \times 40,000/80,000 = 500$ shares.

Excess application money (500 × ₹ 2)	₹1,000
Allotment Money due (500 × ₹ 4)	₹2,000
Less: Excess application money adjusted	₹1,000
Allotment money due but not paid by Deepak	₹1,000

100

1,100

88,900

4.	Number of shares applied by Raju = $100 \times 25,000/10,000 = 250$ shares.							
	Excess application money (150 × ₹ 2)	₹ <u>300</u>						
	Allotment money due (100 × ₹ 4)	₹400						
	Less: Excess application money adjusted	₹ 300						
	Allotment money due but not paid by Raju	₹100						
				₹				
5.	Total allotment money due (50,000 × ₹ 4)			2,00,000				
	Less: Excess application money adjusted			1,10,000				
				90,000				
	Less: Allotment money due but not paid by Deepal	(WN 3)	1,000					

Allotment money due but not paid by Raju (WN 4)

Allotment money received

Or

JOUDINAL	UF NAJA LID.	

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	Dr.		1,90,000	
	To Shares Application A/c				1,90,000
	(Being the application money received for 95,000 shares @ \gtrless 2 each)				
	Shares Application A/c	Dr.	1	1,90,000	
	To Share Capital A/c (60,000 × ₹ 2)				1,20,000
	To Shares Allotment A/c (30,000 × ₹ 2)				60,000
	To Bank A/c (5,000 × ₹ 2)				10,000
	(Being the application money adjusted and surplus refunded)				
	Shares Allotment A/c (60,000 × ₹ 3)	Dr.	1	1,80,000	
	To Share Capital A/c				1,80,000
	(Being the allotment money due on 60,000 shares @ ₹ 3 each)				
	Bank A/c	Dr.	1	1,08,000	
	To Shares Allotment A/c				1,08,000
	Or				
	Bank A/c	Dr.		1,08,000	
	Calls-in-Arrears A/c	Dr.		12,000	
	To Shares Allotment A/c				1,20,000
	(Being the allotment money received except on 4,000 shares (Note 1))				
	Shares First and Final Call A/c (60,000 ×₹5)	Dr.	1	3,00,000	
	To Share Capital A/c				3,00,000
	(Being the first call money due on 60,000 shares @₹5 each)				
	Bank A/c	Dr.	1	2,50,000	
	To Shares First and Final Call A/c				2,50,000
	Or				
	Bank A/c	Dr.		2,50,000	
	Calls-in-Arrears A/c	Dr.		50,000	
	To Shares First and Final Call A/c				3,00,000
	(Being the first call money received on 50,000 shares)				
	Share Capital A/c (4,000 × ₹ 10)	Dr.	1	40,000	
	To Shares Allotment A/c (4,000 × ₹ 3)				12,000
	To Shares First and Final Call A/c (4,000 ×₹5)				20,000
	To Forfeited Shares A/c (4,000 × ₹ 2)				8,000

Or			
Share Capital A/c	Dr.	40,000	
To Calls-in-Arrears A/c		32,000	
To Forfeited Shares A/c			8,000
(Being 4,000 shares forfeited for non-payment of allotment			
and first and final call money)			
Bank A/c (4,000 × ₹ 3)	Dr.	12,000	
Forfeited Shares A/c (4,000 × ₹ 2)	Dr.	8,000	
To Share Capital A/c			20,000
(Being 4,000 forfeited shares reissued to Y for ₹ 3 per share as ₹ 5 paid-up)			

Dr.	BANK A	CCOUNT	Cr.
Particulars	₹	Particulars	₹
To Shares Application A/c	1,90,000	By Shares Application A/c	10,000
To Shares Allotment A/c	1,08,000	By Balance c/d	5,50,000
To Shares First and Final Call A/c	2,50,000		
To Share Capital A/c	12,000		
	5,60,000		5,60,000

BALANCE SHEET OF RAJA LTD.

as at ...

Particulars	Note No.	₹
I. EQUITY AND LIABILITIES Shareholders' Funds Share Capital	1	5,50,000

Note to Accounts

Par	rticulars		₹
1.	Share Capital		
	Authorised Capital		
	Equity Shares of ₹ 10 each		
	Issued Capital		
	60,000 Equity Shares of ₹ 10 each		6,00,000
	Subscribed Capital		
	Subscribed and fully paid-up		
	50,000 Equity Shares of ₹ 10 each		5,00,000
	Subscribed but not fully paid		
	6,000 Equity Shares of ₹ 10 each	60,000	
	Less: Calls-in-Arrears (6,000 × ₹ 5)	30,000	30,000
	4,000 Equity Shares of ₹ 10 each; ₹ 5 Paid-up (Forfeited and Reissued)		20,000
			5,50,000

Notes: 1. Number of Shares Forfeited = $\frac{\text{Allotment Money Not Received}}{\dots}$

Allotment Money Per Share

$$= \frac{₹1,80,000 - ₹60,000 - ₹1,08,000}{₹3} = 4,000 \text{ shares.}$$

2. All the forfeited shares are from the category to whom full allotment was made.

3. There is no gain on reissue of forfeited shares.

23.	Inv	ve	ntor	y and Pre	paid Expenses.
24.	Yes	s			25. Yes
26.	Ret	tu	ırn o	n Investn	ent 27. Financing
28.	(<i>c</i>)				29. (c)
30.	(<i>a</i>)	(Capi	tal Emplo	yed = $\frac{₹ 20,00,000 \times 100}{20} = ₹ 1,00,00,000.$ Cost of Revenue from Operations
	(<i>b</i>)		(<i>i</i>)	Operatir	$\operatorname{rg} \operatorname{Ratio} = \frac{+\operatorname{Operating} \operatorname{Expenses}}{\operatorname{Revenue} \operatorname{from} \operatorname{Operations}} \times 100$
					$= \frac{\textcircled{7}13,20,000 + \textcircled{7}2,20,000}{\textcircled{7}22,00,000} \times 100 = 70\%.$
				Note:	Revenue from Operations = Cash Revenue from Operations + Credit Revenue from Operations
					= ₹ 10,00,000 + ₹ 12,00,000 = ₹ 22,00,000
					Gross Profit = 40% of ₹ 22,00,000 = ₹ 8,80,000
				Cost	of Revenue from Operations = Revenue from Operations – Gross Profit = ₹ 22,00,000 – ₹ 8,80,000 = ₹ 13,20,000
					Operating Expenses = 10% of ₹ 22,00,000 = ₹ 2,20,000.
			(ii)	Inventor	$ry Turnover Ratio = \frac{Cost of Revenue from Operations}{Average Inventory}$
					$= \frac{₹ 13,20,000}{₹ 1,60,000} = 8.25 \text{ Times.}$
				Note:	Average Inventory = $\frac{\text{Opening Inventory} + \text{Closing Inventory}}{2}$
					$= \frac{₹1,50,000 + ₹1,70,000}{2} = ₹1,60,000.$
		((iii)	Proprieta	$ary Ratio = \frac{Shareholders' Funds}{Total Assets}$
					$= \frac{₹ 6,00,000 \text{ (Share Capital)}}{₹ 8,00,000} = 0.75:1 \text{ or } 75\%.$
			Ν	lote: Tota	Assets = Current Assets + Non-Current Assets (Fixed Assets)

= ₹ 3,00,000 + ₹ 5,00,000 = ₹ 8,00,000.

Or

Working Capital Turnover Ratio = $\frac{\text{Revenue from Operations, } i.e., \text{ Net Sales}}{\text{Working Capital}}$

$$= \frac{\text{₹ 28,80,000}}{\text{₹ 9,60,000}} = 3 \text{ Times.}$$

Revenue from Operations, *i.e.*, Net Sales = Cash Sales + Credit Sales - Sales Return

$$=$$
 ₹ 12,00,000 - ₹ 2,40,000 = ₹ 9,60,000.

Community Estimation and the second statement of the s								
Note	В	С	D = C - B	$E = D/B \times 100$				
No.	31st March,	31st March,	Absolute	Percentage				
	2018 (₹)	2019 (₹)	Change (₹)	Change (%)				
	6,00,000	9,00,000	3,00,000	50				
	1,20,000	1,08,000	(12,000)	(10)				
	7,20,000	10,08,000	2,88,000	40				
	3,00,000	5,40,000	2,40,000	80				
	60,000	90,000	30,000	50				
	3,60,000	6,30,000	2,70,000	75				
	3,60,000	3,78,000	18,000	5				
	1,44,000	1,51,200	7,200	5				
	2,16,000	2,26,800	10,800	5				
	Note No.	Note B No. 31st March, 2018 (₹) 6,00,000 1,20,000 7,20,000 3,00,000 3,60,000 3,60,000 1,44,000 2,16,000	Note B C No. 31st March, 2018 (₹) 2019 (₹) 6,00,000 9,00,000 1,20,000 1,08,000 7,20,000 10,08,000 3,60,000 90,000 3,60,000 6,30,000 3,60,000 3,78,000 1,44,000 1,51,200 2,16,000 2,26,800	Note B C D = C - B No. 31st March, 31st March, 2019 (₹) Change (₹) 2018 (₹) 2019 (₹) Change (₹) Change (₹) 6,00,000 9,00,000 3,00,000 1,20,000 1,20,000 1,08,000 (12,000) 7,20,000 10,08,000 2,88,000 3,00,000 5,40,000 2,40,000 6,00,000 90,000 30,000 3,60,000 6,30,000 2,70,000 3,60,000 3,78,000 18,000 1,44,000 1,51,200 7,200 2,16,000 2,26,800 10,800				

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

Or

COMMON-SIZE STATEMENT OF PROFIT AND LOSS for the year ended 31st March, 2018 and 31st March, 2019

Particulars		Absolute Amounts		Percentage of Revenue from Operations (Net Sales)	
		31st March, 2018 (₹)	31st March, 2019 (₹)	31st March, 2018 (%)	31st March, 2019 (%)
I. Revenue from Operations (Net Sales)		10,00,000	12,50,000	100.00	100.00
II. Expenses:					
(a) Purchases of Stock-in-Trade		7,20,000	8,70,000	72.00	69.60
(b) Change in Inventories of Stock-in-Trade		30,000	(20,000)	3.00	(1.60)
(c) Depreciation and Amortisation Expenses		20,000	30,000	2.00	2.40
(d) Other Expenses		30,000	50,000	3.00	4.00
Total Expenses		8,00,000	9,30,000	80.00	74.40
III. Profit before Tax (I – II)		2,00,000	3,20,000	20.00	25.60
IV. Less: Income Tax		60,000	96,000	6.00	7.68
V. Profit after Tax (III – IV)		1,40,000	2,24,000	14.00	17.92

32. CASH FLOW STATEMENT (as per AS-3) for the year ended 31st March, 20)19
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Particulars	₹	₹
A. Cash Flow from Operating Activities		
Net Profit before Tax and Extraordinary Items:		
Surplus, <i>i.e.</i> , 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	
<i>Add:</i> 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	
Add: Depreciation on Machinery (WN 2)	1,10,000	
Loss on Sale of Machinery (WN 1)	6,000	
Interest on Debentures	15,000	
[(₹1,00,000×10/100×6/12) + (₹2,00,000×6/12×10/100)]		
Operating Profit before Working Capital Changes	2,21,000	
Add: Decrease in Current Assets and Increase in Current Liabilities:		
Inventories	30,000	
Trade Payables	60,000	
	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 1)	(3,40,000)	
Purchase of Non-Current Investments	(20,000)	
Proceeds from Sale of Machinery (WN 1)	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 Balances) $(A + B + C)$		90,000
Aaa: Opening Balance of Cash and Cash Equivalents (Cash and Bank Balances)		1,30,000
E. Closing Balance of Cash and Cash Equivalents (Cash and Bank Balances)		2,20,000

Working Notes:

1. <i>Dr</i> .	MACHINE	RY ACCOUNT	Cr.
Particulars	₹	Particulars	₹
To Balance <i>b/d</i>To Bank A/c (Purchase) (Balancing Figure)	6,10,000 3,40,000 9,50,000	 By Accumulated Depreciation A/c By Bank A/c (Sale Proceeds)* By Loss on Sale of Machinery A/c (Statement of Profit and Loss) By Balance c/d 	70,000 24,000 6,000 8,50,000 9,50,000

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

2. Dr.	ACCUMULATED D	EPRECIATION ACCOUNT	Cr.
Particulars	₹	Particulars	₹
To Machinery A/c (Transfer)	70,000	By Balance <i>b/d</i>	1,10,000
To Balance <i>c</i> / <i>d</i>	1,50,000	By Statement of Profit and Loss (Depreciation Provided) (Balancing Figure)	1,10,000
	2,20,000	-	2,20,000

3. Discount on issue of debentures has been adjusted from Securities Premium Reserve. The balance of ₹ 5,000 in Securities Premium Reserve is after writing off Discount on Issue of Debentures of ₹ 10,000.