

Model Test Paper 17

Answers

PART A

- No. **Reason:** Periodical subscriptions are *Revenue Receipts* and hence credited to *Income* and *Expenditure Account*.
- No. **Reason:** Gain (Profit) on reissue of forfeited shares being a *capital profit* is transferred to *Capital Reserve Account*.
- Yes, it is correct.

4. JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Abhimanyu's Capital A/c ...Dr.		30,000	
	Bhaskar's Capital A/c ...Dr.		30,000	
	Jyoti's Capital A/c ...Dr.		30,000	
	To Advertisement Suspense A/c			90,000
	(Being the Advertisement Suspense balance written off in equal proportion)			

Note: Old profit-sharing ratio is not given. Hence, it is equal.

- 6% p.a.
 - ₹ 2,750 (*i.e.*, ₹ 60,000 × 10/100 × 5.5/12)
- Note:** Interest on Drawings is not charged on Drawings against Capital.

7. JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Pawan's Loan A/c ...Dr.		20,000	
	To Realisation A/c			20,000
	(Being the balance transferred being not payable)			

- Weighted Average Profit Method.
- ₹ 25,000 per month
- (c) Total amount required = ₹ 72,300 (Amount Payable to C) + ₹ 20,000 (Required Cash in Hand) – ₹ 7,000 (Cash already in hand)
= ₹ 85,300.
A will bring = ₹ 51,180 (Given)
B will bring = ₹ 34,120 (*i.e.*, 2/5 of ₹ 85,300).
- (a) Old Ratio = 5 : 4 : 3; New Ratio = 7 : 5
Gain of a partner = New share – Old share
B's Gain = 7/12 – 4/12 = 3/12
C's Gain = 5/12 – 3/12 = 2/12
Gaining Ratio of B and C = 3/12 : 2/12 or 3 : 2.
- (a)
- (a)

14.

SUBSCRIPTION ACCOUNT			
Dr.			Cr.
Particulars	₹	Particulars	₹
To Outstanding Subscription A/c (31.3.2018)	52,000	By Advance Subscription A/c (31.3.2018)	30,000
To Income and Expenditure A/c (150 × ₹ 1,000)	1,50,000	By Bank A/c	1,60,000
To Advance Subscription A/c (31.3.2019)	20,000	By Outstanding Subscription A/c (31.3.2019: Balancing Figure)	32,000
	2,22,000		2,22,000

Outstanding Subscription for the year 2018–19 = ₹ 32,000 – ₹ 24,000 = ₹ **8,000**.

Alternative Method: Outstanding Subscription for the year ended 31st March, 2019 can be calculated by preparing the following statement:

Particulars	₹
Subscription due for 2018–19 (150 × ₹ 1,000)	1,50,000
Less: Subscription Received for 2018–19 [₹ 1,60,000 – ₹ 20,000 (Advance) – ₹ 28,000* (for 2017–18)]	1,12,000
	38,000
Less: Subscription received in advance as at 31.3.2018	30,000
Outstanding Subscription for 2018–19	8,000

*₹ 52,000 (Subscription Outstanding as on 31.3.2018) – ₹ 24,000 (Still in Arrears) = ₹ 28,000.

Or

(i) *There is No Specific Fund:* Hence ₹ 25,000 incurred as Billiard Match Expenses would be shown on the Debit side of the Income and Expenditure Account.

(ii)

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

Liabilities	₹	Assets	₹
Capital Fund		Pavilion in Progress (Note)	6,00,000
Opening Balance	20,00,000		
Add: Transferred from Pavilion Fund	6,00,000		
	26,00,000		
Pavilion Fund			
Opening Balance	8,00,000		
Add: Donation for Pavilion	10,00,000		
	18,00,000		
Less: Transferred to Capital Fund	6,00,000		
	12,00,000		

Note: Any expenditure of Capital Nature out of Specific Fund (e.g., expenditure on the construction of pavilion out of Pavilion Fund) is shown on the assets side of the Balance Sheet and an equal amount is transferred from that Specific Fund to Capital Fund.

15. ADJUSTMENT ENTRY

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Priyanka's Capital A/c ...Dr.		15,000	
	To Mona's Capital A/c			7,500
	To Nisha's Capital A/c			7,500
	(Being the adjustment for profit divided in wrong ratio)			

Working Note:

Profit for last three years = ₹ 15,000 + ₹ 25,000 + ₹ 50,000 = ₹ 90,000.

Priyanka has taken ₹ 45,000 whereas, she was entitled to ₹ 30,000 as agreed.

ADJUSTMENT TABLE

Particulars		Mona ₹	Nisha ₹	Priyanka ₹
Profit already Distributed (₹ 90,000 in 1 : 1 : 2)	(Dr.)	22,500	22,500	45,000
Profit ought to have been Distributed (₹ 90,000 in 1 : 1 : 1)	(Cr.)	30,000	30,000	30,000
Net Effect		7,500 (Cr.) <i>Short</i>	7,500 (Cr.) <i>Short</i>	15,000 (Dr.) <i>Excess</i>

16. JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2019 July 1	Q's Capital A/c ...Dr. R's Capital A/c ...Dr. To P's Capital A/c (WN 1) (Being the P's Share of Goodwill adjusted by debiting gaining partners in their gaining ratio, i.e., 2 : 1)		24,000 12,000	36,000
	Profit and Loss Suspense A/c ...Dr. To P's Capital A/c (WN 2) (Being the P's share of profit till the date of his death transferred to his Capital Account)		10,500	10,500

Working Notes:

1. Calculation of P's Share of Goodwill:

$$P's \text{ Share of Goodwill} = ₹ 90,000 \times \frac{2}{5} = ₹ 36,000.$$

Unless agreed otherwise, Gaining Ratio of continuing partners is same as their old profit-sharing ratio.

Thus, Gaining Ratio of Q and R = 2 : 1.

2. Calculation of P's Share of Profit:

(a) Total Profit = ₹ (2,00,000 + 1,80,000 + 2,10,000 – 1,70,000) = ₹ 4,20,000

(b) Average Profit = ₹ 4,20,000 ÷ 4 = ₹ 1,05,000

(c) P's Share of Profit = ₹ 1,05,000 × $\frac{3}{12} \times \frac{2}{5}$ = ₹ 10,500.

Or

Calculation of Net Effect of Adjustment to be made:	₹
(i) Profit and Loss Account (Dr. Balance)	(24,000)
(ii) General Reserve	1,44,000
(iii) Value of Goodwill	1,80,000
(iv) Decrease in amount of Creditors	2,400
(v) Decrease in value of Machinery	(18,000)
(vi) Unrecorded Investments	1,35,600
(vii) Increase in value of Land	1,80,000
Net Effect	6,00,000

CALCULATION OF GAIN/(SACRIFICE) OF SHARE

Partners	New Share	Old Share	Difference = New Share – Old Share
A	$\frac{3}{6}$	$\frac{2}{6}$	$\frac{3}{6} - \frac{2}{6} = \frac{1}{6}$ (Gain)
B	$\frac{2}{6}$	$\frac{3}{6}$	$\frac{2}{6} - \frac{3}{6} = -\frac{1}{6}$ (Sacrifice)
C	$\frac{1}{6}$	$\frac{1}{6}$	...

ADJUSTMENT ENTRY

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2019 April 1	A's Capital A/c (₹ 6,00,000 × 1/6) ...Dr. To B's Capital A/c (₹ 6,00,000 × 1/6) (Being the adjustment made on account of change in profit-sharing ratio by debiting gaining partner and crediting sacrificing partner)		1,00,000	1,00,000

17. JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	Bank A/c ...Dr. To Debentures Application and Allotment A/c (Being the application money received for 4,000 debentures @ ₹ 108 each)		4,32,000	4,32,000
	Debentures Application and Allotment A/c ...Dr. Loss on Issue of Debentures A/c ...Dr. To 9% Debentures A/c To Securities Premium Reserve A/c To Premium on Redemption of Debentures A/c (Being the allotment of 4,000; 9% Debentures of ₹ 100 each at 8% premium redeemable at 10% premium)		4,32,000 40,000	4,00,000 32,000 40,000
	Statement of Profit and Loss (Finance Cost) ...Dr. To Loss on Issue of Debentures A/c (Being the loss on issue of debentures written off)		40,000	40,000

(ii)	Underwriting Commission A/c To Underwriters' A/c (Being the underwriting commission due on shares)	...Dr.	90,000	90,000
	Underwriters' A/c Discount on Issue of Debentures A/c To 10% Debentures A/c (Being the issue of 1,000; 10% Debentures of ₹ 100 each to underwriters)	...Dr. ...Dr.	90,000 10,000	1,00,000
	Securities Premium Reserve A/c To Discount on Issue of Debentures A/c (Being the discount on issue of debentures written off)	...Dr.	10,000	10,000

18.

Dr.		REALISATION ACCOUNT		Cr.	
Particulars	₹	Particulars	₹		
To Sundry Assets—Transfer:		By Provision for Doubtful Debts		1,200	
Other Sundry Assets	1,17,000	By Loan		11,500	
Furniture	11,000	By Creditors		16,000	
Debtors	1,24,200	By Z's Capital A/c:			
Stock	17,800	Furniture	8,000		
	2,70,000	Debtors (Book Value ₹ 1,20,000)	1,17,200	1,25,200	
To Z's Capital A/c (Creditors taken over)	16,000	By X's Capital A/c:			
To Y's Capital A/c (₹ 11,500 + ₹ 2,300) (Loan along with Interest)	13,800	Stock	17,000		
To Cash A/c (Realisation Expenses)	2,700	Other Sundry Assets (Book Value ₹ 80,000)	72,000	89,000	
		By Y's Capital A/c [80% (₹ 1,17,000 – ₹ 80,000)]		29,600	
		By Cash A/c (Remaining Debtors) (50% of ₹ 4,200)		2,100	
		By Loss on Realisation transferred to:			
		X's Capital A/c	11,160		
		Y's Capital A/c	11,160		
		Z's Capital A/c	5,580	27,900	
	3,02,500			3,02,500	

Dr.		PARTNERS' CAPITAL ACCOUNTS						Cr.	
Particulars	X ₹	Y ₹	Z ₹	Particulars	X ₹	Y ₹	Z ₹		
To Realisation A/c (Assets taken)	89,000	29,600	1,25,200	By Balance b/d	1,27,500	1,10,000	17,000		
To Realisation A/c (Loss)	11,160	11,160	5,580	By Realisation A/c (Creditors taken over)	...	...	16,000		
To Cash A/c (Bal. Fig.) (Final Payment)	27,340	83,040	...	By Realisation A/c (Loan liability taken)	...	13,800	...		
				By Cash A/c (Bal. Fig.) (Cash brought in)	...	...	97,780		
	1,27,500	1,23,800	1,30,780		1,27,500	1,23,800	1,30,780		

Dr.		CASH ACCOUNT		Cr.	
Particulars	₹	Particulars		₹	
To Balance <i>b/d</i>	13,200	By Realisation A/c (Realisation expenses)		2,700	
To Realisation A/c	2,100	By X's Capital A/c (Final payment)		27,340	
To Z's Capital A/c	97,780	By Y's Capital A/c (Final payment)		83,040	
	<u>1,13,080</u>			<u>1,13,080</u>	

19. In the Books of Bharat Ltd.
JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2019 March 31	Surplus, <i>i.e.</i> , Balance in Statement of Profit and Loss A/c ...Dr. To Debentures Redemption Reserve A/c (Being the transfer of profit to Debentures Redemption Reserve) (WN)		1,20,000	1,20,000
April 30	Debentures Redemption Investment A/c ...Dr. To Bank A/c (Being the investment made in specified securities @ 15% of the face value of the debentures)		6,00,000	6,00,000
July 31	Bank A/c ...Dr. To Debentures Redemption Investment A/c To Interest Earned A/c (₹ 6,00,000 × 10/100 × 3/12) (Being the investment bearing 10% p.a. interest encashed)		6,15,000	6,00,000 15,000
July 31	9% Debentures A/c ...Dr. Premium on Redemption of Debentures A/c ...Dr. To Debentureholders' A/c (Being the amount due to debentureholders)		40,00,000 4,00,000	44,00,000
	Debentureholders' A/c ...Dr. To Bank A/c (Being the payment made to debentureholders)		44,00,000	44,00,000
	Debentures Redemption Reserve A/c ...Dr. To General Reserve A/c (Being the transfer of Debentures Redemption Reserve to General Reserve)		10,00,000	10,00,000

Working Note: Calculation of amount to be transferred to DRR:	₹
Debentures Redemption Reserve (DRR) Required (25% of ₹ 40,00,000)	10,00,000
Less: Existing Balance of DRR	8,80,000
Amount to be transferred to Debentures Redemption Reserve	<u>1,20,000</u>

Or
JOURNAL OF AB LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c ...Dr. To Equity Shares Application A/c (Being the application money received @ ₹ 2 per share on 3,00,000 shares)		6,00,000	6,00,000
	Equity Shares Application A/c ...Dr. To Equity Share Capital A/c (1,00,000 × ₹ 2) To Equity Shares Allotment A/c (1,00,000 × ₹ 3) To Bank A/c (Being the adjustment of application money)		6,00,000	2,00,000 3,00,000 1,00,000
	Equity Shares Allotment A/c ...Dr. To Equity Share Capital A/c (Being the allotment money due on 1,00,000 shares)		3,00,000	3,00,000
	Equity Shares First and Final Call A/c ...Dr. To Equity Share Capital A/c (Being the first and final call money due on 1,00,000 shares)		5,00,000	5,00,000
	Bank A/c ...Dr. To Equity Shares First and Final Call A/c (Being the first and final call money received except for 1,000 shares) (WN 1)		4,95,000	4,95,000
	Equity Share Capital A/c (1,000 × ₹ 10) ...Dr. To Forfeited Shares A/c (1,000 × ₹ 5) To Equity Shares First and Final Call A/c (1,000 × ₹ 5) (Being the shares forfeited due to non-payment of call money)		10,000	5,000 5,000
	Bank A/c (1,000 × ₹ 8) ...Dr. Forfeited Shares A/c (1,000 × ₹ 2) ...Dr. To Equity Share Capital A/c (Being the reissue of 1,000 shares @ ₹ 8 per share as fully paid-up)		8,000 2,000	10,000
	Forfeited Shares A/c ...Dr. To Capital Reserve A/c (Being the gain on reissue transferred to Capital Reserve) (WN 2)		3,000	3,000

Working Notes:

- Number of shares allotted to M = $\frac{1,00,000}{3,00,000} \times 3,000 = 1,000$ shares.
- Amount transferred to Capital Reserve = ₹ 5,000 – ₹ 2,000 = ₹ 3,000.

20.**Delhi Football Club**

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

Expenditure	₹	Income	₹
To Salaries	7,000	By Donations (10/100 × ₹ 50,000)	5,000
Add: Outstanding Salaries (31.3.2019)	500	By Subscription	5,200
	7,500	Add: Subscription Due (WN 1)	300
Less: Outstanding Salaries (1.4.2018)	1,000	By Lockers Rent	400
To Insurance	350	By Gain (Profit) on Sale of Furniture (₹ 10,000 – ₹ 8,000)	2,000
To Sundry Expenses	470	By Entrance Fees	5,000
To Match Expenses (WN 3) (₹ 9,000 – ₹ 8,000)	1,000	By Interest on Investments	1,000
To Surplus, i.e., excess of Income over Expenditure	10,780	Add: Accrued Interest (WN 2)	200
			1,200
	19,100		19,100

BALANCE SHEET as at 31st March, 2019

Liabilities	₹	Assets	₹
Outstanding Salaries	500	Cash at Bank	480
Building Fund		Building in Progress	40,000
Donations (₹ 50,000 – ₹ 5,000)	45,000	Investments	16,000
Less: Transfer to Capital Fund	40,000	Furniture	4,100
Capital Fund		Accrued Interest on Investments	200
Opening Balance	800	Subscription Receivable	300
Add: Surplus	10,780		
Life Membership Fee	4,000		
Transfer from Building Fund	40,000		
	55,580		
	61,080		61,080

Working Notes:

1. Subscription for 2018–19 [550 × ₹ 10]	₹ 5,500
Less: Subscription received during the year	5,200
Subscription Due (2018–19)	300
2. Interest earned on Investments [₹ 16,000 × 10/100 × 9/12]	1,200
Less: Interest received during the year	1,000
Accrued Interest but not received	200
3. Match Fund is ₹ 8,000 whereas match expenses are ₹ 9,000, the difference is adjusted through Income and Expenditure Account.	

21.

Dr. REVALUATION ACCOUNT Cr.			
Particulars	₹	Particulars	₹
To Provision for Doubtful Debts A/c (₹ 7,500 – ₹ 2,500)	5,000	By Sundry Creditors A/c	12,000
To Provision for Claim for Damages A/c	15,000	By Loss transferred to: X's Capital A/c (2/3) 14,000	
To Outstanding Electricity Charges A/c	13,000	Y's Capital A/c (1/3) 7,000	21,000
	33,000		33,000

Dr. PARTNERS' CAPITAL ACCOUNTS Cr.							
Particulars	X (₹)	Y (₹)	Z (₹)	Particulars	X (₹)	Y (₹)	Z (₹)
To Profit and Loss A/c	60,000	30,000	...	By Balance b/d	2,70,000	1,80,000	...
To Revaluation A/c (Loss)	14,000	7,000	...	By Z's Loan A/c	...	...	1,50,000
To Bank A/c (Goodwill)	20,000	10,000	...	By Premium for Goodwill A/c	40,000	20,000	...
To Bank A/c (Bal. Fig.)	...	3,000	...	By Bank A/c (Bal. Fig.)	84,000	...	...
To Balance c/d (WN 2)	3,00,000	1,50,000	1,50,000				
	3,94,000	2,00,000	1,50,000		3,94,000	2,00,000	1,50,000

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

Liabilities	₹	Assets	₹
Sundry Creditors (₹ 5,90,000 – ₹ 12,000)	5,78,000	Cash at Bank (WN 3)	4,43,500
Outstanding Electricity Charges	13,000	Debtors 1,50,000	
Provision for Claim for Damages	15,000	Less: Provision for Doubtful Debts 7,500	1,42,500
Capital A/cs:		Stock	3,20,000
X	3,00,000	Land and Building	3,00,000
Y	1,50,000		
Z	1,50,000		
	6,00,000		
	12,06,000		12,06,000

Working Notes:

1. Calculation of New Profit-sharing Ratio:

Let the Total Profit = 1

$$Z's \text{ Share} = \frac{1}{4}$$

$$\text{Share of X and Y} = 1 - \frac{1}{4} = \frac{3}{4}$$

$$X's \text{ New Share} = \frac{3}{4} \times \frac{2}{3} = \frac{6}{12}$$

$$Y's \text{ New Share} = \frac{3}{4} \times \frac{1}{3} = \frac{3}{12}$$

$$Z's \text{ Share} = \frac{1}{4} \text{ or } \frac{3}{12}$$

Thus, New Profit-sharing Ratio of X, Y and Z = $\frac{6}{12} : \frac{3}{12} : \frac{3}{12} = 6 : 3 : 3$ or 2 : 1 : 1.

2. Adjustment of Capitals:

$$\begin{aligned} \text{Total Capital of New Firm on the basis of New Partner's Capital} &= \frac{\text{Capital of New Partner}}{\text{Share of Profit of the New Partner}} \\ &= \frac{\text{₹ } 1,50,000 \times 4}{1} = \text{₹ } 6,00,000 \end{aligned}$$

$$X's \text{ Capital in the New Firm} = \text{₹ } 6,00,000 \times \frac{2}{4} = \text{₹ } 3,00,000;$$

$$Y's \text{ Capital in the New Firm} = \text{₹ } 6,00,000 \times \frac{1}{4} = \text{₹ } 1,50,000;$$

$$Z's \text{ Capital in the New Firm} = \text{₹ } 6,00,000 \times \frac{1}{4} = \text{₹ } 1,50,000.$$

Dr.		BANK ACCOUNT		Cr.	
Particulars	₹	Particulars	₹		
To Balance b/d	3,32,500	By X's Capital A/c	20,000		
To Premium for Goodwill A/c	60,000	By Y's Capital A/c	10,000		
To X's Capital A/c	84,000	By Y's Capital A/c	3,000		
		By Balance c/d	4,43,500		
	<u>4,76,500</u>		<u>4,76,500</u>		

Or

Dr.		REVALUATION ACCOUNT		Cr.	
Particulars	₹	Particulars	₹		
To Outstanding Rent A/c	25,000	By Land and Building A/c	60,000		
To Machinery A/c	60,000	By Stock A/c	25,000		
To Bad Debts A/c (WN 1)	7,000	By Loss transferred to:			
		Aruna's Capital A/c	2,000		
		Karuna's Capital A/c	3,000		
		Varuna's Capital A/c	2,000		7,000
	<u>92,000</u>				<u>92,000</u>

PARTNERS' CAPITAL ACCOUNTS							
Dr.				Cr.			
Particulars	Aruna ₹	Karuna ₹	Varuna ₹	Particulars	Aruna ₹	Karuna ₹	Varuna ₹
To Revaluation A/c (Loss)	2,000	3,000	2,000	By Balance b/d	2,00,000	3,00,000	2,00,000
To Aruna's Capital A/c	...	20,000	20,000	By General Reserve A/c	10,000	15,000	10,000
To Bank A/c	50,000	...	...	By Workmen Compensation Reserve A/c	2,000	3,000	2,000
To Aruna's Loan A/c	2,00,000	...	...	By Karuna's Capital A/c (Goodwill) (WN 2)	20,000	...	...
To Balance c/d (WN 3)	...	4,00,000	3,00,000	By Varuna's Capital A/c (Goodwill) (WN 2)	20,000	...	...
				By Bank A/c (Bal. Fig.)	...	1,05,000	1,10,000
	<u>2,52,000</u>	<u>4,23,000</u>	<u>3,22,000</u>		<u>2,52,000</u>	<u>4,23,000</u>	<u>3,22,000</u>

BALANCE SHEET
(After Aruna's Retirement)
as at 1st April, 2019

Liabilities	₹	Assets	₹
Aruna's Loan A/c	2,00,000	Land and Building	2,60,000
Outstanding Rent	25,000	Machinery	2,40,000
Workmen Compensation Claim	8,000	Stock	1,25,000
Sundry Creditors	50,000	Sundry Debtors (₹ 1,10,000 – ₹ 17,000)	93,000
Capital A/cs:		Cash at Bank (WN 4)	2,65,000
Karuna	4,00,000		
Varuna	<u>3,00,000</u>		
	<u>7,00,000</u>		
	<u>9,83,000</u>		<u>9,83,000</u>

Working Notes:

1. Accounting Entries for Bad Debts:

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bad Debts A/c ...Dr. To Sundry Debtors A/c		17,000	17,000
	Provision for Doubtful Debts A/c ...Dr. Revaluation A/c ...Dr. To Bad Debts A/c		10,000 7,000	17,000

2. Adjustment of Goodwill:

(i) Aruna's Share of Goodwill = ₹ 1,40,000 × $\frac{2}{7}$ = ₹ 40,000, which is contributed by Karuna and Varuna in their gaining ratio. It is calculated as follows:

$$\text{Karuna's Gain} = \frac{4}{7} - \frac{3}{7} = \frac{1}{7}; \text{Varuna's Gain} = \frac{3}{7} - \frac{2}{7} = \frac{1}{7}$$

Thus, Gaining Ratio of Karuna and Varuna = $\frac{1}{7} : \frac{1}{7}$ or 1 : 1.

(ii) Karuna's contribution for Aruna's Goodwill = ₹ 40,000 × $\frac{1}{2}$ = ₹ 20,000

Varuna's contribution for Aruna's Goodwill = ₹ 40,000 × $\frac{1}{2}$ = ₹ 20,000.

3. Calculation of Proportionate Capital of the remaining partners in the new firm:

Total Capital of the firm before the retirement of Aruna = ₹ 7,00,000

Karuna's Capital in the new firm = ₹ 7,00,000 × $\frac{4}{7}$ = ₹ 4,00,000Varuna's Capital in the new firm = ₹ 7,00,000 × $\frac{3}{7}$ = ₹ 3,00,000.

4. Dr.		BANK ACCOUNT		Cr.	
Particulars	₹	Particulars	₹		
To Balance b/d	1,00,000	By Aruna's Capital A/c	50,000		
To Karuna's Capital A/c	1,05,000	By Balance c/d	2,65,000		
To Varuna's Capital A/c	1,10,000				
	<u>3,15,000</u>				<u>3,15,000</u>

22.

In the Books of Sunrise Ltd.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c ...Dr. To Equity Shares Application A/c (Being the shares application money @ ₹ 10 per share received for 27,000 shares)		2,70,000	2,70,000
	Equity Shares Application A/c ...Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c (Being the application money adjusted)		2,70,000	54,000 2,16,000
	Equity Shares Allotment A/c ...Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c (Being the allotment money due on 27,000 shares @ ₹ 12 per share)		3,24,000	81,000 2,43,000
	Bank A/c ...Dr. To Equity Shares Allotment A/c <i>Or</i>		2,88,000	2,88,000
	Bank A/c ...Dr. Calls-in-Arrears A/c ...Dr. To Equity Shares Allotment A/c (Being the allotment money received except on 3,000 shares)		2,88,000 36,000	3,24,000
	Equity Shares First and Final Call A/c ...Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c (Being the amount of first and final call due on 27,000 shares)		4,86,000	1,35,000 3,51,000
	Bank A/c ...Dr. To Equity Shares First and Final Call A/c <i>Or</i>		3,96,000	3,96,000
	Bank A/c ...Dr. Calls-in-Arrears A/c ...Dr. To Equity Shares First and Final Call A/c (Being the first call money received except on 5,000 shares)		3,96,000 90,000	4,86,000

Equity Share Capital A/c	...Dr.	50,000	
Securities Premium Reserve A/c	...Dr.	92,000	
To Forfeited Shares A/c (₹ 6,000 + ₹ 10,000)			16,000
To Equity Shares Allotment A/c			36,000
To Equity Shares First and Final Call A/c			90,000
<i>Or</i>			
Equity Share Capital A/c	...Dr.	50,000	
Securities Premium Reserve A/c	...Dr.	92,000	
To Forfeited Shares A/c			16,000
To Calls-in-Arrears A/c			1,26,000
(Being 5,000 shares forfeited for non-payment of allotment on 3,000 shares and first and final call on 5,000 shares)			
Bank A/c	...Dr.	68,000	
To Equity Share Capital A/c			40,000
To Securities Premium Reserve A/c			28,000
(Being 4,000 forfeited shares reissued @ ₹ 17 per share as fully paid-up)			
Forfeited Shares A/c	...Dr.	14,000	
To Capital Reserve A/c (WN)			14,000
(Being the gain on reissue of 4,000 forfeited shares transferred to Capital Reserve)			

Working Note:

Calculation of Gain on reissue to be transferred to Capital Reserve:

	₹
Amount forfeited on Shiva's 2,000 Shares $\left(₹ 6,000 \times \frac{2,000}{3,000} \right)$	4,000
Amount forfeited on 2,000 shares of Girdhar	10,000
Gain on reissue transferred to Capital Reserve	<u>14,000</u>

Or

In the Books of IPC Ltd.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	...Dr.	3,20,000	
	To Equity Shares Application A/c			3,20,000
	(Being the shares application money @ ₹ 4 each received for 80,000 shares)			
	Equity Shares Application A/c	...Dr.	3,20,000	
	To Equity Share Capital A/c (70,000 × ₹ 4)			2,80,000
	To Equity Shares Allotment A/c (5,000 × ₹ 4)			20,000
	To Bank A/c (5,000 × ₹ 4)			20,000
	(Being the application money adjusted on allotted shares)			
	Equity Shares Allotment A/c (70,000 × ₹ 4)	...Dr.	2,80,000	
	To Equity Share Capital A/c			2,80,000
	(Being the allotment money due on 70,000 shares)			

Bank A/c (WN 2) To Equity Shares Allotment A/c Or Bank A/c Calls-in-Arrears A/c (WN 1) To Equity Shares Allotment A/c (Being the allotment money received except on 1,400 shares)	...Dr. ...Dr. ...Dr.	2,54,800 5,200	2,54,800 2,60,000
Equity Share Capital A/c (1,400 × ₹ 8) To Forfeited Shares A/c (1,500 × ₹ 4) To Equity Shares Allotment A/c/Calls-in-Arrears A/c (Being 1,400 shares forfeited for non-payment of allotment money)	...Dr.	11,200	6,000 5,200
Equity Shares First and Final Call A/c To Equity Share Capital A/c (Being the first and final call money due on 68,600 shares)	...Dr.	1,37,200	1,37,200
Bank A/c To Equity Shares First and Final Call A/c Or Bank A/c Calls-in-Arrears A/c To Equity Shares First and Final Call A/c (Being the first and final call money received except on 700 shares)	...Dr. ...Dr. ...Dr.	1,35,800 1,35,800 1,400	1,35,800 1,37,200
Equity Share Capital A/c (700 × ₹ 10) To Forfeited Shares A/c To Equity Shares First and Final Call A/c Or Equity Share Capital A/c To Forfeited Shares A/c To Calls-in-Arrears A/c (Being 700 shares forfeited for non-payment of call money)	...Dr. ...Dr.	7,000	5,600 1,400 5,600 1,400
Bank A/c To Equity Share Capital A/c (1,500 × ₹ 10) To Securities Premium Reserve A/c (1,500 × ₹ 3) (Being 1,500 forfeited shares reissued at ₹ 3 premium)	...Dr.	19,500	15,000 4,500
Forfeited Shares A/c To Capital Reserve A/c (WN 3) (Being the gain on reissue of 1,500 forfeited shares transferred to Capital Reserve)	...Dr.	6,800	6,800

Working Notes:

1. Calculation of Allotment Money due but not paid by Jonney:

(i) Number of shares allotted to Jonney = $\frac{70,000}{75,000} \times 1,500 = 1,400$ shares

(ii) Application money received from Jonney = $1,500 \times ₹ 4 = ₹ 6,000$

(iii) Application money required = $1,400 \times ₹ 4 = ₹ 5,600$

(iv) Excess application money to be adjusted on Allotment = ₹ 6,000 – ₹ 5,600 = ₹ 400	₹
(v) Amount due on Allotment (1,400 × ₹ 4)	5,600
Less: Excess application money to be adjusted on Allotment	400
Amount due but not paid on Allotment	5,200
2. Calculation of Total Amount Received on Allotment:	₹
Total Allotment Money Due	2,80,000
Less: Excess application money adjusted on allotment	20,000
	2,60,000
Less: Allotment money not paid by Jonney (WN 1)	5,200
Amount received on allotment	2,54,800
3. Calculation of Gain on reissue of Shares:	₹
Amount forfeited on 1,400 shares of Jonney	6,000
Amount forfeited on 100 shares of Rommy $\left(\frac{₹ 5,600}{700} \times 100\right)$	800
Gain on reissue transferred to Capital Reserve	6,800

PART B

23. No. Reason: Its purpose is to calculate the number of days for which sales are tied up in Trade Receivables and not to ascertain realisable value of trade receivables. Thus, Provision for Doubtful Debts is not deducted from Trade Receivables.

24. No. Reason: Financial Statements do not show price level changes.

25. No. Reason: 'No flow of cash' as cash is not transacted.

26. Operating

27. Intra-firm

28. (a)

29. (b)

30. (a) Inventory Turnover Ratio and Trade Receivables Turnover Ratio.

(b) Operating Profit Ratio = 100 – Operating Ratio = 100 – 90 = 10%

$$\begin{aligned} \text{Operating Profit} &= \text{Revenue from Operations} \times \text{Operating Profit Ratio} \\ &= ₹ 20,00,000 \times 10/100 = ₹ 2,00,000 \end{aligned}$$

$$\begin{aligned} \text{Net Profit} &= \text{Operating Profit} + \text{Non-operating Income} - \text{Non-operating Expenses} \\ &= ₹ 2,00,000 + ₹ 1,10,000 - ₹ 10,000 = ₹ 3,00,000 \end{aligned}$$

$$\text{Net Profit Ratio} = \frac{\text{Net Profit}}{\text{Revenue from Operations}} \times 100 = \frac{₹ 3,00,000}{₹ 20,00,000} \times 100 = 15\%$$

Or

$$\text{Debt to Equity Ratio} = \frac{\text{Debt}}{\text{Equity (Shareholders' Funds)}} = \frac{₹ 3,50,000}{₹ 3,50,000} = 1 : 1.$$

$$\text{Debt} = 10\% \text{ Debentures} = ₹ 3,50,000$$

$$\begin{aligned} \text{Equity (Shareholders' Funds)} &= \text{Equity Share Capital} + \text{Reserves and Surplus} \\ &= ₹ 2,00,000 + ₹ 1,50,000 = ₹ 3,50,000. \end{aligned}$$

31. (a) To analyse (increase/decrease) each item of Revenue and Expense in absolute amount as well as in percentage, taking the data of previous year as base.

(b) COMMON-SIZE STATEMENT OF PROFIT AND LOSS
for the years ended 31st March, 2018 and 2019

Particulars	Note No.	Absolute Amounts		Percentage of Revenue from Operations	
		31st March, 2018 (₹)	31st March, 2019 (₹)	31st March, 2018 (%)	31st March, 2019 (%)
I. Revenue from Operations		20,00,000	30,00,000	100	100
II. Other Income		4,00,000	3,60,000	20	12
III. Total Revenue (I + II)		24,00,000	33,60,000	120	112
IV. Expenses		12,00,000	21,00,000	60	70
V. Profit before Tax (III – IV)		12,00,000	12,60,000	60	42
VI. Tax @ 50%		6,00,000	6,30,000	30	21
VII. Profit after Tax (V – VI)		6,00,000	6,30,000	30	21

Or

Rajan Ltd.

COMPARATIVE BALANCE SHEET as at 31st March, 2018 and 2019

Particulars	Note No.	31st March, 2018 (₹)	31st March, 2019 (₹)	Absolute Change (Increase/Decrease) (₹)	Percentage Change (Increase/Decrease) (%)
		(A)	(B)	(C = B – A)	$(D = \frac{C}{A} \times 100)$
I. EQUITY AND LIABILITIES					
1. Shareholders' Funds					
(a) <i>Share Capital:</i>					
Equity Share Capital		3,00,000	3,60,000	60,000	20.00
(b) Reserves and Surplus		1,20,000	1,50,000	30,000	25.00
2. Non-Current Liabilities					
Long-term Borrowings		1,70,000	2,55,000	85,000	50.00
3. Current Liabilities					
Trade Payables		1,50,000	1,20,000	(30,000)	(20.00)
Total		7,40,000	8,85,000	1,45,000	19.60
II. ASSETS					
1. Non-Current Assets					
<i>Fixed Assets:</i>					
(i) Tangible Assets		5,00,000	6,50,000	1,50,000	30.00
(ii) Intangible Assets		1,00,000	1,00,000	...	...
2. Current Assets					
(a) Trade Receivables		1,20,000	1,25,000	5,000	4.17
(b) Cash and Cash Equivalents		20,000	10,000	(10,000)	(50.00)
Total		7,40,000	8,85,000	1,45,000	19.60

32.

Bee Ltd.

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

Particulars	₹	₹
I. Cash Flow from Operating Activities		
Closing Balance of Surplus, i.e., Balance in Statement of Profit and Loss	6,00,000	
Less: Opening Balance of Surplus, i.e., Balance in Statement of Profit and Loss	5,00,000	
Profit for the year	1,00,000	
Add: Transfer to General Reserve	50,000	
Dividend paid (Proposed Dividend for 2017-18—10% of ₹ 12,50,000)	1,25,000	
Provision for Tax	2,00,000	
Net Profit before Tax and Extraordinary Items		4,75,000
<i>Adjustment for Non-Cash and Non-Operating Items:</i>		
Add: Depreciation on Fixed Assets	50,000	
Interest on Debentures (10% of ₹ 2,00,000)	20,000	
Interest on Bank Loan (10% of ₹ 1,00,000)	10,000	80,000
Operating Profit before Working Capital Changes		5,55,000
<i>Change in Current Assets and Current Liabilities:</i>		
Decrease in Trade Receivables	80,000	
Increase in Inventories	(3,30,000)	
Decrease in Creditors	(50,000)	
Increase in Bills Payable	1,00,000	(2,00,000)
Cash Generated from Operations		3,55,000
Less: Tax Paid (WN 1)		1,00,000
<i>Cash Flow from Operating Activities</i>		2,55,000
II. Cash Flow from Investing Activities		
Fixed Assets Purchased (WN 2)	(1,50,000)	
Sale of Non-current Investments	50,000	
<i>Cash Used in Investing Activities</i>		(1,00,000)
III. Cash Flow from Financing Activities		
Proceeds from Issue of Shares	2,50,000	
Proceeds from Issue of 10% Debentures	2,00,000	
Increase in Short-term Borrowings (Bank Loan)	50,000	
Dividend Paid	(1,25,000)	
Interest paid on Debentures	(20,000)	
Interest paid on Bank Loan	(10,000)	
<i>Cash Flow from Financing Activities</i>		3,45,000
IV. Net Increase in Cash and Cash Equivalents (I + II + III)		5,00,000
V. Cash and Cash Equivalents in the beginning of the year		5,00,000
VI. Cash and Cash Equivalents at the end of the year (IV + V)		10,00,000

Working Notes:

1. Dr. PROVISION FOR TAX ACCOUNT Cr.			
Particulars	₹	Particulars	₹
To Bank A/c (Bal. Fig.) (Tax Paid)	1,00,000	By Balance b/d	1,50,000
To Balance c/d	2,50,000	By Statement of Profit and Loss (Prov. Made)	2,00,000
	3,50,000		3,50,000

2. Dr. FIXED ASSETS ACCOUNT Cr.			
Particulars	₹	Particulars	₹
To Balance b/d	2,00,000	By Depreciation A/c	50,000
To Bank A/c (Bal. Fig.) (Purchase)	1,50,000	By Balance c/d	3,00,000
	3,50,000		3,50,000