

# Model Test Paper 18

## Answers

### PART A

1. No. **Reason:** Life membership fee is a *capital receipt* and hence is added to the Capital Fund in the Balance Sheet.
2. Preference Shares
3. Revaluation
4. Yes, it is correct.
5. (ii) Payment of Outside Liabilities.  
(iii) Payment of Loan by Partner.  
(i) Repayment of Capital.

#### 6. JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Partner's Capital A/c ...Dr. To Loan to Partner A/c (Being the loan to partner adjusted)		50,000	50,000

7. ₹ 6,000 (i.e., ₹ 1,20,000 × 10/100 × 6/12)

#### 8. JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Revaluation A/c ...Dr. To Stock A/c To Building A/c (Being the values of stock and building reduced)		70,000	20,000 50,000

9. ₹ 27,000 (i.e., ₹ 9,00,000 × 6/100 × 6/12)

10. (a)

11. (c)

	₹
Z's Annual Salary (₹ 8,000 × 12)	96,000

Add: Z's Commission $\left[ \frac{5}{105} (\text{₹ } 13,56,000 - \text{₹ } 96,000) \right]$	60,000
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Total Remuneration of Z	1,56,000
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12. (a)

13. (c)

14.

SUBSCRIPTION ACCOUNT			
Dr.			Cr.
Particulars	₹	Particulars	₹
To Outstanding Subscription A/c (Opening)	15,000	By Advance Subscription A/c (Opening)	60,000
To Income and Expenditure A/c (Bal. Fig.)	<b>2,55,000</b>	By Bank A/c (₹ 10,000 + ₹ 1,90,000 + ₹ 20,000)	2,20,000
To Advance Subscription A/c (Closing) (₹ 20,000 + ₹ 35,000)	55,000	By Outstanding Subscription A/c: 2017-18 (₹ 15,000 – ₹ 10,000)	5,000
		2018-19	40,000
	<u>3,25,000</u>		<u>3,25,000</u>

**Alternative Method:** Amount of subscription to be credited to Income and Expenditure Account can be calculated in the following manner:

Particulars	₹
Subscription received during the year for 2018-19	1,90,000
Add: Subscription received in advance for 2018-19 (previous year)	25,000
	<u>2,15,000</u>
Add: Subscription outstanding for 2018-19	40,000
<b>Subscription to be credited to Income and Expenditure A/c</b>	<u><u>2,55,000</u></u>

Or

(a)

BALANCE SHEET as at...

Liabilities	₹	Assets	₹
<b>Capital Fund</b>		Stadium-in-Progress	6,00,000
Opening Balance ...			
Add: Transfer from Stadium Fund 6,00,000	6,00,000		
<b>Stadium Fund</b>			
Opening 10,00,000			
Add: Donation 5,00,000			
Income 1,00,000			
	<u>16,00,000</u>		
Less: Construction of Stadium 6,00,000	10,00,000		

(b)

Dr. INCOME AND EXPENDITURE ACCOUNT for the year ended... Cr.

Expenditure	₹	Income	₹
To Prizes Awarded*	10,000		

BALANCE SHEET as at...

Liabilities	₹	Assets	₹
<b>Prize Fund</b>			
Opening Balance 50,000			
Add: Donation 40,000			
	<u>90,000</u>		
Less: Prizes Awarded* 90,000	Nil		

\*Prizes Awarded are ₹ 1,00,000 out of which ₹ 90,000 are met from Prize Fund and balance of ₹ 10,000 are debited to Income and Expenditure Account.

**15.** ADJUSTMENT JOURNAL ENTRY

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Z's Current A/c ...Dr. To X's Current A/c To Y's Current A/c (Being the rectification for adjustment of profits as per the provisions of Indian Partnership Act, 1932)		20,000	10,000 10,000

**Working Note:** STATEMENT SHOWING THE REQUIRED ADJUSTMENT

Particulars	X ₹	Y ₹	Z ₹
<b>I. Amount Already Recorded:</b>			
Interest on Capital (Cr.) (1)	50,000	1,00,000	1,50,000
Interest on Drawings (Dr.) (2)	(30,000)	(50,000)	(80,000)
Commission (Cr.) (3)	...	40,000	...
Salary (Cr.) (3)	1,20,000	...	...
Share of Profit (₹ 3,00,000 in the ratio of 1 : 2 : 3) (Cr.)	50,000	1,00,000	1,50,000
Amount already recorded, now written Back (Dr.)	1,90,000	1,90,000	2,20,000
<b>II. Amount which should have been Credited:</b>			
Share of Profit (i.e., ₹ 6,00,000* in 1 : 1 : 1 ratio) (Cr.) (4)	2,00,000	2,00,000	2,00,000
<b>III. Difference (I – II) or Net Effect</b>	10,000 (Cr.)	10,000 (Cr.)	20,000 (Dr.)

\*Revised Profit = ₹ 3,00,000 + (₹ 50,000 + ₹ 1,00,000 + ₹ 1,50,000: Interest on Capital (1))  
 – (₹ 30,000 + ₹ 50,000 + ₹ 80,000: Interest on Drawings (2))  
 + ₹ 40,000 (Commission (3)) + ₹ 1,20,000 (Salary (3)) = ₹ 6,00,000.

As Partnership Deed is silent, the following provisions of the Indian Partnership Act, 1932 are to be applied:

1. No interest is payable to any partner in respect of capital.
2. No interest on drawings is to be charged.
3. No salary or commission is to be paid to any partner.
4. Profits/losses are to be shared equally.

**16. (a)** Private Placement of shares means issue and allotment of shares to a selected group of persons instead to public in general.

**(b)** JOURNAL OF Z LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Machinery A/c ...Dr. To K Ltd. (Note) (Being machinery purchased from K Ltd.)		2,03,000	2,03,000
	K Ltd. ...Dr. Discount on Issue of Debentures A/c ...Dr.		2,03,000 10,000	
	To Equity Share Capital A/c			50,000
	To 8% Debentures A/c			1,00,000
	To Bills Payable A/c			48,000
	To Securities Premium Reserve A/c (₹ 50,000 × 30/100) (Being payment made to K Ltd.)			15,000

**Note:** Purchase consideration = ₹ 65,000 + ₹ 90,000 + ₹ 48,000 = ₹ 2,03,000.

## 17. JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(a)	Realisation A/c ...Dr. To Bank A/c (Being the remaining creditors of ₹ 30,000 paid at 10% discount)		27,000	27,000
(b)	Kunal's Capital A/c ...Dr. To Realisation A/c (Being the unrecorded machine taken by Kunal)		30,000	30,000
(c)	Rohit's Capital A/c ...Dr. Kunal's Capital A/c ...Dr. Sarathak's Capital A/c ...Dr. To Profit and Loss A/c (Being the accumulated loss distributed)		5,000 5,000 5,000	15,000
(d)	Realisation A/c ...Dr. To Sarathak's Capital A/c (Being the remuneration allowed to Sarathak for dissolution)		15,000	15,000

18. (i) Goodwill of the Firm = Half of Average Profit of last 5 years credited to Ram's Capital Account  $\times$  No. of Years' Purchase

*Calculation of Profit credited to Ram's Capital Account:*

Year Ended	Profit (₹)
31st March, 2015	80,000
31st March, 2016	1,00,000
31st March, 2017	1,20,000
31st March, 2018	1,40,000
31st March, 2019	(1,40,000)
Total Profit	<u>3,00,000</u>

$$\text{Average Profit} = \frac{\text{₹ } 3,00,000}{5} = \text{₹ } 60,000$$

$$\text{Goodwill of the Firm} = \text{₹ } 60,000 \times \frac{1}{2} \times 3 = \text{₹ } 90,000$$

Ram's Share of Goodwill = ₹ 90,000  $\times \frac{5}{10}$  = ₹ 45,000, which is contributed by Mohan and Sohan in their gaining ratio of 3 : 2. Thus,

$$\text{Mohan's Contribution} = \text{₹ } 45,000 \times \frac{3}{5} = \text{₹ } 27,000, \text{ and}$$

$$\text{Sohan's Contribution} = \text{₹ } 45,000 \times \frac{2}{5} = \text{₹ } 18,000.$$

(ii) *Ram's Share of Profit/(Loss) till the date of his death:*

Profit-sharing Ratio of Ram, Mohan and Sohan = 5 : 3 : 2.

Ram's Date of Death = 30th June, 2019

Time period from 1st April, 2019 to 30th June, 2019 = 3 months

Ram's Share of Profit/(Loss) = Last Year's Profit  $\times$  Ram's Share  $\times$  Time Period

$$= (\text{₹ } 1,40,000) \times \frac{5}{10} \times \frac{3}{12} = \text{₹ } 17,500 \text{ (Loss).}$$

(iii)

RAM'S CAPITAL ACCOUNT			
Dr.			Cr.
Particulars	₹	Particulars	₹
To Profit and Loss A/c (₹ 1,40,000 $\times$ 5/10)	70,000	By Balance b/d	40,000
To Profit and Loss Suspense A/c (Loss)	17,500	By General Reserve A/c (₹ 1,40,000 $\times$ 5/10)	70,000
To Ram's Executors' A/c (Balancing Figure)	72,500	By Workmen Compensation Reserve A/c [5/10(₹ 18,000 – ₹ 8,000)]	5,000
		By Mohan's Capital A/c (Goodwill)	27,000
		By Sohan's Capital A/c (Goodwill)	18,000
	1,60,000		1,60,000

Or

(a) *Calculation of Interest on X's Drawings:*

A Date	B Amount (₹)	C Number of Months up to 31st March, 2019	D = B $\times$ C Product
1st April	20,000	12	2,40,000
1st June	18,000	10	1,80,000
1st November	28,000	5	1,40,000
1st December	10,000	4	40,000
			6,00,000

$$\text{Interest on X's Drawings} = \text{₹ } 6,00,000 \times \frac{6}{100} \times \frac{1}{12} = \text{₹ } 3,000.$$

*Calculation of Interest on Y's Drawings:*

Total Drawings during the Year = ₹ 30,000  $\times$  4 = ₹ 1,20,000

$$\begin{aligned} \text{Interest on Y's Drawings} &= \text{Total Drawings} \times \frac{\text{Rate of Interest}}{100} \times \frac{7.5^*}{12} \\ &= \text{₹ } 1,20,000 \times \frac{6}{100} \times \frac{7.5}{12} = \text{₹ } 4,500. \end{aligned}$$

\*When drawings of equal amounts are made at regular quarterly intervals on the first day of every quarter, interest should be charged on the whole amount for average period, i.e., 7.5 months.

**Accounting Treatment of Interest on Drawings:** As interest on drawings is a gain to the firm, it is credited to Profit and Loss Appropriation Account and debited to Partners' Capital Accounts (or Partners' Current Accounts in case of Fixed Capitals).

(i) *Adjustment Entry to charge Interest on Drawings:*

Partners' Capital/Current A/cs ...Dr.

To Interest on Drawings A/c

(Being the interest charged on partners' drawings)

(ii) *Closing Entry to close the Interest on Drawings Account:*

Interest on Drawings A/c ...Dr.

To Profit and Loss Appropriation A/c

(Being the interest on drawings transferred to Profit and Loss Appropriation A/c)

(b) Rent paid to Y is debited to Profit and Loss Account since it is *a charge against the profit and not an appropriation of profit.*

## 19. JOURNAL OF RAMA LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2019				
Mar. 31	Surplus, i.e., Balance in Statement of Profit and Loss A/c ...Dr. To Debentures Redemption Reserve A/c (Being the profit transferred to DRR equivalent to 25% of the value of Debentures outstanding)		2,50,000	2,50,000
April 1	Debentures Redemption Investment A/c ...Dr. To Bank A/c (Being the amount invested in specified securities equal to 15% of the amount of redeemable debentures)		1,50,000	1,50,000
Sept. 30	Bank A/c ...Dr. To Debentures Redemption Investment A/c To Interest Earned A/c (Being the debentures redemption investment realised and interest received)		1,56,000	1,50,000 6,000
Oct. 1	9% Debentures A/c ...Dr. To Debentureholders' A/c (Being the amount due to debentureholders on redemption)		10,00,000	10,00,000
	Debentureholders' A/c ...Dr. To Bank A/c (Being the payment made to debentureholders)		10,00,000	10,00,000
	Debentures Redemption Reserve A/c ...Dr. To General Reserve A/c (Being the amount in DRR A/c transferred to General Reserve)		2,50,000	2,50,000

**Note:** An amount at least equal to 25% of the Nominal Value of Debentures Outstanding is credited to Debentures Redemption Reserve Account. Investment is made in specified securities of an amount equal to at least 15% of the nominal value of debentures to be redeemed.

Dr. DEBENTURES REDEMPTION RESERVE ACCOUNT			Cr.		
Date	Particulars	₹	Date	Particulars	₹
2019 Oct. 1	To General Reserve A/c	2,50,000	2019 March 31	By Surplus, i.e., Balance in Statement of Profit and Loss A/c	2,50,000
		2,50,000			2,50,000

  

Dr. DEBENTURES REDEMPTION INVESTMENT ACCOUNT			Cr.		
Date	Particulars	₹	Date	Particulars	₹
2019 April 1	To Bank A/c	1,50,000	2019 Sept. 30	By Bank A/c	1,50,000
		1,50,000			1,50,000

Or

## JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	<b>Entry for Forfeiture of 500 shares in all Cases</b>			
	Share Capital A/c (500 × ₹ 8) ...Dr.		4,000	
	To Forfeited Shares A/c (500 × ₹ 5)			2,500
	To Shares First Call A/c (500 × ₹ 3)			1,500
	(Being the forfeiture of 500 shares for non-payment of first call)			
Case 1	Bank A/c (500 × ₹ 5) ...Dr.		2,500	
	Forfeited Shares A/c (500 × ₹ 3) ...Dr.		1,500	
	To Share Capital A/c			4,000
	(Being 500 forfeited shares reissued for ₹ 5 per share)			
	Forfeited Shares A/c ...Dr.		1,000	
	To Capital Reserve A/c			1,000
	(Being the gain on reissue transferred to Capital Reserve)			
Case 2	Bank A/c (500 × ₹ 9) ...Dr.		4,500	
	To Share Capital A/c (500 × ₹ 8)			4,000
	To Securities Premium Reserve A/c (500 × ₹ 1)			500
	(Being 500 forfeited shares reissued for ₹ 9 per share, ₹ 8 called-up)			
	Forfeited Shares A/c ...Dr.		2,500	
	To Capital Reserve A/c			2,500
	(Being the gain on reissue transferred to Capital Reserve)			
Case 3	Bank A/c (500 × ₹ 8) ...Dr.		4,000	
	Forfeited Shares A/c (500 × ₹ 2) ...Dr.		1,000	
	To Share Capital A/c			5,000
	(Being 500 forfeited shares reissued for ₹ 8 per share, as fully paid)			
	Forfeited Shares A/c ...Dr.		1,500	
	To Capital Reserve A/c			1,500
	(Being the gain on reissue transferred to Capital Reserve)			
Case 4	Bank A/c (500 × ₹ 12) ...Dr.		6,000	
	To Share Capital A/c (500 × ₹ 10)			5,000
	To Securities Premium Reserve A/c (500 × ₹ 2)			1,000
	(Being 500 forfeited shares reissued for ₹ 12 per share)			
	Forfeited Shares A/c ...Dr.		2,500	
	To Capital Reserve A/c			2,500
	(Being the gain on reissue transferred to Capital Reserve)			

**20.**

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

Dr.

Cr.

Expenditure	₹	Income	₹
To Salaries	3,00,000	By Donations	10,000
To Depreciation on Furniture	10,000	By Interest on Investments	40,000
To Rent	8,500	Add: Accrued Interest	5,000
Add: Unpaid Rent	2,000	By Subscriptions	3,00,000
To Postage	11,500	Less: For 2017-18	2,000
To Honorarium to Manager	10,000		2,98,000
To Surplus	1,65,000	Less: For 2019-20	1,000
(i.e., Excess of Income over Expenditure)			2,97,000
		Add: Outstanding For 2018-19	5,000
		By Entrance Fees	1,50,000
	5,07,000		5,07,000

**BALANCE SHEET**  
as at 31st March, 2019

Liabilities	₹	Assets	₹
Subscription Received in Advance	1,000	Cash in Hand	20,000
Unpaid Rent	2,000	Cash at Bank	1,00,000
Capital Fund	2,02,000	Furniture	50,000
Add: Surplus	1,65,000	Less: Depreciation	10,000
	3,67,000	Investments	2,00,000
		Accrued Interest on Investments	5,000
		Subscription in Arrear	5,000
	3,70,000		3,70,000

**21.****JOURNAL**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2019 April 1	Building A/c ...Dr. Stock A/c ...Dr. To Revaluation A/c (Being the increase in value of assets recorded)		1,00,000 40,000	1,40,000
	Revaluation A/c ...Dr. To Mohan's Capital A/c To Mahesh's Capital A/c (Being the transfer of gain (profit) on revaluation to Old Partners' Capital Accounts in their old ratio)		1,40,000	84,000 56,000
	Workmen Compensation Reserve A/c ...Dr. To Workmen Compensation Claim A/c To Mohan's Capital A/c To Mahesh's Capital A/c (Being the liability provided and the excess Workmen Compensation Reserve divided among old partners in their old profit-sharing ratio)		2,50,000	2,30,000 12,000 8,000



General Reserve A/c To Mohan's Capital A/c To Mahesh's Capital A/c (Being the General Reserve distributed among old partners)	...Dr.	1,60,000	96,000 64,000
Bank A/c To Nusrat's Capital A/c (WN 3) To Premium for Goodwill A/c (Being the capital and premium for goodwill brought in cash)	...Dr.	2,20,000	1,20,000 1,00,000
Premium for Goodwill A/c To Mohan's Capital A/c (Being the premium for goodwill credited to sacrificing Partner's Capital Account)	...Dr.	1,00,000	1,00,000

## BALANCE SHEET OF THE RECONSTITUTED FIRM as at 1st April, 2019

Liabilities	₹	Assets	₹
Creditors	2,10,000	Cash at Bank (WN 4)	3,60,000
Workmen Compensation Claim	2,30,000	Debtors	1,60,000
Capital A/cs:		Stock	1,60,000
Mohan 3,92,000		Machinery	1,00,000
Mahesh 2,08,000		Building	3,80,000
Nusrat 1,20,000	7,20,000		
	11,60,000		11,60,000

**Working Notes:**

1. Dr. REVALUATION ACCOUNT Cr.			
Particulars	₹	Particulars	₹
To Gain (Profit) on Revaluation transferred to:		By Building A/c	1,00,000
Mohan's Capital A/c 84,000		By Stock A/c	40,000
Mahesh's Capital A/c 56,000	1,40,000		
	1,40,000		1,40,000

2. Dr. PARTNERS' CAPITAL ACCOUNTS Cr.							
Particulars	Mohan ₹	Mahesh ₹	Nusrat ₹	Particulars	Mohan ₹	Mahesh ₹	Nusrat ₹
To Balance c/d	3,92,000	2,08,000	1,20,000	By Balance b/d	1,00,000	80,000	...
				By Revaluation A/c (Gain)	84,000	56,000	...
				By General Reserve A/c	96,000	64,000	...
				By Workmen Compensation Reserve A/c	12,000	8,000	...
				By Premium for Goodwill A/c	1,00,000*	...	...
				By Bank A/c (WN 3)	...	...	1,20,000
	3,92,000	2,08,000	1,20,000		3,92,000	2,08,000	1,20,000

\*Premium for Goodwill has been credited to Mohan's Capital Account because only he has sacrificed his share of profit in favour of Nusrat.

## 3. Calculation of Nusrat's Capital in the New Firm:

Combined Capital of Mohan and Mahesh = ₹ 3,92,000 + ₹ 2,08,000 = ₹ 6,00,000

$$\text{Nusrat's Capital} = ₹ 6,00,000 \times \frac{20}{100} = ₹ 1,20,000.$$

Dr.		BANK ACCOUNT		Cr.
Particulars	₹	Particulars	₹	
To Balance b/d	1,40,000	By Balance c/d	3,60,000	
To Nusrat's Capital A/c	1,20,000			
To Premium for Goodwill A/c	1,00,000			
	3,60,000		3,60,000	

Or

Dr.		REVALUATION ACCOUNT		Cr.
Particulars	₹	Particulars	₹	
To Building A/c	1,00,000	By Land A/c	1,20,000	
To Furniture A/c	20,000	By Loss transferred to:		
To Provision for Doubtful Debts A/c	5,000	Kushal's Capital A/c	3,000	
		Kumar's Capital A/c	1,000	
		Kavita's Capital A/c	1,000	5,000
	1,25,000			1,25,000

Dr.		PARTNERS' CAPITAL ACCOUNTS						Cr.
Particulars	Kushal ₹	Kumar ₹	Kavita ₹	Particulars	Kushal ₹	Kumar ₹	Kavita ₹	
To Advertisement Expenditure A/c	12,000	4,000	4,000	By Balance b/d	3,00,000	2,80,000	3,00,000	
To Revaluation A/c (Loss)	3,000	1,000	1,000	By General Reserve A/c	84,000	28,000	28,000	
To Kavita's Capital A/c (Goodwill)	6,000	2,000	...	By Kushal's Capital A/c (Goodwill)	...	...	6,000	
To Cash A/c (10%)	...	...	33,100	By Kumar's Capital A/c (Goodwill)	...	...	2,000	
To Kavita's Loan A/c (90%) (Transfer)	...	...	2,97,900	By Kushal's Current A/c (Balancing Figure)	1,35,000	...	...	
To Kumar's Current A/c (Balancing Figure)	...	1,35,000	...					
To Balance c/d (WN 1) (Adjusted Capital)	4,98,000	1,66,000	...					
	5,19,000	3,08,000	3,36,000		5,19,000	3,08,000	3,36,000	

## BALANCE SHEET OF THE RECONSTITUTED FIRM as at 1st April, 2019

Liabilities	₹	Assets	₹
Creditors	1,20,000	Cash (WN 2)	36,900
Bills Payable	1,80,000	Debtors	2,00,000
Kavita's Loan A/c	2,97,900	Less: Provision for Doubtful Debts	15,000
Capital A/cs:		Stock	2,20,000
Kushal	4,98,000	Furniture	1,00,000
Kumar	1,66,000	Building	2,00,000
Kumar's Current A/c	1,35,000	Land	5,20,000
		Kushal's Current A/c	1,35,000
	13,96,900		13,96,900

**Working Notes:**

## 1. Calculation of Adjusted Capital of Remaining Partners in the New Firm:

Kushal's Capital after all adjustments [₹ 3,00,000 + ₹ 84,000 – ₹ 12,000 – ₹ 3,000 – ₹ 6,000]	₹ 3,63,000
Kumar's Capital after all adjustments [₹ 2,80,000 + ₹ 28,000 – ₹ 4,000 – ₹ 1,000 – ₹ 2,000]	₹ 3,01,000
Total Capital of the New Firm	<u>₹ 6,64,000</u>

$$\text{Adjusted Capital of Kushal} = ₹ 6,64,000 \times \frac{3}{4} = ₹ 4,98,000$$

$$\text{Adjusted Capital of Kumar} = ₹ 6,64,000 \times \frac{1}{4} = ₹ 1,66,000.$$

2. Dr.		CASH ACCOUNT		Cr.
Particulars	₹	Particulars	₹	
To Balance b/d	70,000	By Kavita's Capital A/c	33,100	
		By Balance c/d	36,900	
	<u>70,000</u>		<u>70,000</u>	

**22.**

## JOURNAL ENTRIES OF H.P. LTD.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c ...Dr. To Shares Application A/c (Being the application money received for 82,500 shares)		41,25,000	41,25,000
	Shares Application A/c ...Dr. To Share Capital A/c (50,000 × ₹ 50) To Bank A/c (20,000 × ₹ 50) To Shares Allotment A/c (12,500 × ₹ 50) (Being the application money adjusted)		41,25,000	25,00,000 10,00,000 6,25,000
	Shares Allotment A/c (50,000 × ₹ 35) ...Dr. To Share Capital A/c (50,000 × ₹ 25) To Securities Premium Reserve A/c (50,000 × ₹ 10) (Being the allotment money due)		17,50,000	12,50,000 5,00,000
	Bank A/c ...Dr. To Shares Allotment A/c (Being the balance allotment money received except on 1,000 shares (WN 1 and 2))		11,02,500	11,02,500
	Shares First and Final Call A/c (50,000 × ₹ 25) ...Dr. To Share Capital A/c (Being the first and final call money due)		12,50,000	12,50,000
	Bank A/c ...Dr. To Shares First and Final Call A/c (Being the first and final call money received except on 1,000 shares)		12,25,000	12,25,000
	Share Capital A/c (1,000 × ₹ 100) ...Dr. Securities Premium Reserve A/c ...Dr. To Forfeited Shares A/c To Shares Allotment A/c To Shares First and Final Call A/c (Being 1,000 shares forfeited for non-payment of allotment and call money)		1,00,000 10,000	62,500 22,500 25,000

Bank A/c (500 × ₹ 105)	...Dr.	52,500	
To Share Capital A/c (500 × ₹ 100)			50,000
To Securities Premium Reserve A/c			2,500
(Being 500 shares reissued at ₹ 105 per share fully paid-up)			
Forfeited Shares A/c	...Dr.	31,250	
To Capital Reserve A/c			31,250
(Being the gain on reissue of 500 shares transferred to Capital Reserve)			

## BALANCE SHEET OF H.P. LTD. as at ...

Particulars	Note No.	₹
<b>I. EQUITY AND LIABILITIES</b>		
<b>Shareholders' Funds</b>		
Share Capital	1	49,81,250

## Note to Accounts

Particulars	₹	₹
<b>1. Share Capital</b>		
<b>Authorised Capital</b>		
... Equity Shares of ₹ 100 each		...
<b>Issued Capital</b>		
50,000 Equity Shares of ₹ 100 each		50,00,000
<b>Subscribed Capital</b>		
<b>Subscribed and fully paid-up</b>		
49,500 Equity Shares of ₹ 100 each	49,50,000	
Add: Forfeited Shares A/c	31,250	49,81,250

## Working Notes:

1. Calculation of Amount due but not paid on Allotment by Sahil:

(a) Number of shares allotted to Sahil = $\frac{50,000}{62,500} \times 1,250 = 1,000$ shares.	₹
(b) Amount paid on application (1,250 × ₹ 50)	62,500
Less: Amount adjusted with application (1,000 × ₹ 50)	50,000
Excess application money adjusted on allotment	12,500
(c) Amount due on allotment (1,000 × ₹ 35)	35,000
Less: Excess application money adjusted [WN 1(b)]	12,500
Amount due but not paid on allotment	22,500

2. Calculation of Amount received on allotment:

Total amount due on allotment	17,50,000
Less: Excess application money adjusted	6,25,000
	11,25,000
Less: Amount due but not received on allotment [WN 1(c)]	22,500
Amount received on allotment	11,02,500

Or

## In the Books of Himalayas Ltd.

## JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c ...Dr. To Equity Shares Application A/c (Being the application money received on 2,25,000 shares)		6,75,000	6,75,000
	Equity Shares Application A/c ...Dr. To Equity Share Capital A/c (1,00,000 × ₹ 3) To Equity Shares Allotment A/c To Calls-in-Advance A/c To Bank A/c (25,000 × ₹ 3) (Being the application money adjusted)		6,75,000	3,00,000 1,60,000 1,40,000 75,000
	Equity Shares Allotment A/c ...Dr. To Equity Share Capital A/c (Being the allotment money due)		2,00,000	2,00,000
	Bank A/c ...Dr. To Equity Shares Allotment A/c (Being the allotment money received)		40,000	40,000
	Equity Shares First and Final Call A/c ...Dr. To Equity Share Capital A/c (Being the call money due on 1,00,000 shares)		5,00,000	5,00,000
	Bank A/c ...Dr. Calls-in-Advance A/c ...Dr. To Equity Shares First and Final Call A/c (Being the receipt of first and final call money except on 600 shares) (WN 4)		3,58,200 1,40,000	4,98,200
	Equity Share Capital A/c ...Dr. To Equity Shares First and Final Call A/c To Forfeited Shares A/c (Being 600 shares forfeited due to non-payment of call money)		6,000	1,800 4,200
	Bank A/c (600 × ₹ 9) ...Dr. Forfeited Shares A/c (600 × ₹ 1) ...Dr. To Equity Share Capital A/c (Being 600 forfeited shares reissued for ₹ 9 per share fully paid-up)		5,400 600	6,000
	Forfeited Shares A/c ...Dr. To Capital Reserve A/c (Being the gain (profit) on reissue transferred to Capital Reserve)		3,600	3,600

## BALANCE SHEET OF HIMALAYAS LTD.

as at ...

Particulars	Note No.	₹
<b>I. EQUITY AND LIABILITIES</b>		
<b>Shareholders' Funds</b>		
Share Capital	1	10,00,000

**Note to Accounts**

Particulars	₹
<b>1. Share Capital</b>	
<b>Authorised Capital</b>	
... Equity Shares of ₹ 10 each	...
<b>Issued Capital</b>	
1,00,000 Equity Shares of ₹ 10 each	10,00,000
<b>Subscribed Capital</b>	
<b>Subscribed and fully paid-up</b>	
1,00,000 Equity Shares of ₹ 10 each	10,00,000

**Working Notes:**

1. Total No. of Shares applied by an applicant who has not paid call money (Defaulter shareholder):

$$= \frac{1,40,000^*}{60,000^*} \times 600 = 1,400 \text{ Shares}$$

*Category	Shares Applied	Shares Allotted
Rejected	25,000	...
(i) Raman	40,000	20,000
(ii) Akbar	20,000	20,000
(iii) Pro rata basis	1,40,000	60,000
	<u>2,25,000</u>	<u>1,00,000</u>

	₹
2. Application money received from defaulter shareholder (1,400 × ₹ 3)	4,200
Less: Application money adjusted (600 × ₹ 3)	<u>1,800</u>
Surplus application money	2,400
Less: Surplus application money adjusted on allotment (600 × ₹ 2)	<u>1,200</u>
Surplus application money to be adjusted on first and final call (Call-in-Advance)	<u>1,200</u>
3. Calculation of call money not paid by defaulter shareholder:	
First and final call money due (600 × ₹ 5)	3,000
Less: Surplus application money to be adjusted on first and final call (WN 2)	<u>1,200</u>
Amount due but not paid on first and final call	<u>1,800</u>
4. Calculation of call money received:	
Total call money due	5,00,000
Less: Surplus application money to be adjusted on First and Final Call (Calls-in-Advance)	<u>1,40,000</u>
	3,60,000
Less: Amount due but not received (WN 3)	<u>1,800</u>
	<u>3,58,200</u>

**PART B**

- |                             |         |
|-----------------------------|---------|
| 23. Yes                     | 24. Yes |
| 25. Yes                     | 26. (c) |
| 27. Revenue from Operations | 28. (d) |
| 29. (b)                     |         |

**30. Trade Receivables Turnover Ratio**

$$= \frac{\text{Credit Revenue from Operations (Net Credit Sales)}}{\text{Average Trade Receivables or Debtors}}$$

$$= \frac{₹ 30,000}{₹ 30,000} = 1 \text{ Time.}$$

**Working Note:**

Credit Revenue from Operations, i.e., Net Credit Sales

= Total Net Sales – Net Cash Sales

= ₹ 1,50,000 – ₹ 1,20,000\* = ₹ 30,000.

Opening Debtors = Closing Debtors – Excess of Closing Debtors over Opening Debtors

= ₹ 40,000 – ₹ 20,000 = ₹ 20,000.

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

$$= \frac{₹ 20,000 + ₹ 40,000}{2} = ₹ 30,000.$$

\*Let Net Cash Sales be x, Net Credit Sales = 25% of x or  $\frac{x}{4}$ , Total Net Sales =  $x + \frac{x}{4} = \frac{5x}{4}$

x (Net Cash Sales) = ₹ 1,50,000 × 4/5 = ₹ 1,20,000.

Net Credit Sales = ₹ 1,20,000 × 25/100 = ₹ 30,000.

*Or*

$$\text{Operating Ratio} = \frac{\text{Operating Cost}}{\text{Revenue from Operations}} \times 100 = \frac{₹ 7,61,000}{₹ 6,80,000} \times 100 = 111.91\%.$$

Operating Cost = Cost of Revenue from Operations + Operating Expenses

= ₹ 5,44,000\* + ₹ 2,17,000 = ₹ 7,61,000.

*\*Calculation of Cost of Revenue from Operations:*

Let Cost = ₹ 100; Gross Profit = ₹ 25; Revenue from Operations = ₹ 125

Cost of Revenue from Operations = ₹ 100/₹ 125 × ₹ 6,80,000 = ₹ 5,44,000.

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

Particulars	Note No.	31st March, 2018 ₹	31st March, 2019 ₹	Absolute Change (Increase/ Decrease) ₹	Percentage Change (Increase/ Decrease) %
I. <b>Revenue from Operations (Sales)</b>		12,00,000	16,00,000	4,00,000	33.33
II. <b>Expenses</b>					
(a) Purchases of Stock-in-Trade		7,00,000	9,00,000	2,00,000	28.57
(b) Change in Inventories of Stock-in-Trade		40,000	50,000	10,000	25.00
(c) Employees Benefit Expenses (Indirect)		1,48,000	1,71,000	23,000	15.54
<b>Total Expenses</b>		8,88,000	11,21,000	2,33,000	26.24
III. <b>Profit before Tax (I – II)</b>		3,12,000	4,79,000	1,67,000	53.53
IV. <b>Less: Tax @ 50%</b>		1,56,000	2,39,500	83,500	53.53
V. <b>Profit after Tax (III – IV)</b>		1,56,000	2,39,500	83,500	53.53

**Note:** Cost of Revenue from Operations = Purchases of Stock-in-Trade + Change in Inventories of Stock-in-Trade

For the year ended 31st March, 2018 = ₹ 7,00,000 + ₹ 40,000 = ₹ 7,40,000

For the year ended 31st March, 2019 = ₹ 9,00,000 + ₹ 50,000 = ₹ 9,50,000

Thus, Employees Benefit Expenses (% of Cost of Revenue from Operations):

For the year ended 31st March, 2018 = 20% of ₹ 7,40,000 = ₹ 1,48,000

For the year ended 31st March, 2019 = 18% of ₹ 9,50,000 = ₹ 1,71,000.

Or

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

Particulars	Note No.	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		7,50,000	10,00,000	100.00	100.00
II. Other Income		75,000	1,00,000	10.00	10.00
III. <b>Total Revenue (I + II)</b>		8,25,000	<b>11,00,000</b>	110.00	<b>110.00</b>
IV. <b>Expenses:</b>					
(a) Purchases of Stock-in-Trade		6,00,000	7,50,000	80.00	75.00
(b) Change in Inventories of Stock-in-Trade		<b>10,000</b>	(50,000)	<b>1.33</b>	(5.00)
(c) Other Expenses		7,500	10,000	1.00	<b>1.00</b>
V. <b>Total Expenses</b>		6,17,500	7,10,000	<b>82.33</b>	71.00
VI. <b>Profit before Tax (III – IV)</b>		2,07,500	<b>3,90,000</b>	27.67	39.00
VII. Less: Income Tax		1,03,750	1,95,000	13.83	19.50
VIII. <b>Profit after Tax (V – VI)</b>		1,03,750	1,95,000	<b>13.84</b>	19.50

**32. (a)**

CASH FLOW FROM OPERATING ACTIVITIES

Particulars	₹	₹
Profit before Tax		2,50,000
Add: Non-Cash and Non-operating Expenses:		
Depreciation and Amortisation Expenses	60,000	
Loss on Sale of Furniture	6,000	66,000
		3,16,000
Less: Non-Operating Incomes:		
Rent	60,000	
Profit on Sale of Machinery	10,000	
Interest on Debentures held as Investments	8,000	78,000
Operating Profit before Working Capital Changes		2,38,000
Add: Decrease in Current Assets and Increase in Current Liabilities:		
Inventories (Finished Goods)	80,000	
Outstanding Expenses	12,000	92,000
		3,30,000
Less: Increase in Current Assets and Decrease in Current Liabilities:		
Inventories (Work-in-Progress)	1,40,000	
Trade Receivables	20,000	
Prepaid Expenses	6,000	
Trade Payables	10,000	1,76,000
<b>Cash Flow from Operating Activities</b>		<b>1,54,000</b>



(b)

## CASH FLOW FROM INVESTING ACTIVITIES

Particulars	₹
Proceeds from Sale of Plant and Machinery	40,000
Proceeds from Sale of Land (WN 1)	1,60,000
Purchase of Plant and Machinery (WN 2)	(2,60,000)
Purchase of Non-Current Investments (₹ 1,00,000 – ₹ 40,000)	(60,000)
<b>Cash Used in Investing Activities</b>	<b>(1,20,000)</b>

**Working Notes:**

1. Dr.		LAND ACCOUNT		Cr.	
Particulars	₹	Particulars	₹		
To Balance <i>b/d</i>	2,00,000	By Bank A/c (Balancing Figure)—Sale Proceeds	1,60,000		
To Gain (Profit) on Sale of Land A/c (Statement of Profit and Loss)	60,000	By Balance <i>c/d</i>	1,00,000		
	2,60,000		2,60,000		
2. Dr.		PLANT AND MACHINERY ACCOUNT		Cr.	
Particulars	₹	Particulars	₹		
To Balance <i>b/d</i>	8,50,000	By Depreciation A/c	50,000		
To Bank A/c (Balancing Figure)—Purchase	2,60,000	By Bank A/c—Sale Proceeds	40,000		
		By Loss on Sale of Plant and Machinery A/c (Statement of Profit and Loss)	20,000		
		By Balance <i>c/d</i>	10,00,000		
	11,10,000		11,10,000		