

Model Test Paper 20

Answers

PART A

1. No. **Reason:** Current Account of a partner shows either debit or credit balance because in Current Account transactions other than transactions for capital are posted, such as drawings, interest on drawings, interest on capital, etc. Excess drawings may result in debit balance in the account.

2. Yes

3. JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Maira's Capital/Current A/c ...Dr.		50,000	
	To Nimrat's Capital A/c			25,000
	To Zoya's Capital A/c			25,000
	(Being the goodwill not brought by Maira adjusted)			

4. BALANCE SHEET as at...

Liabilities	₹	Assets	₹
Match Fund			
Opening Balance	20,000		
Less: Match Expenses	20,000		
	...		

5. JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Concerned Partner's Capital A/c ...Dr.		20,000	
	To Revaluation A/c			20,000
	(Being the unrecorded asset taken)			

6. debited, old profit-sharing

7. Raj will pay the balance amount of ₹ 20,000 to the firm. It will be recorded by passing the following entry:

		₹	₹
Cash/Bank A/c	...Dr.	20,000	
To Realisation A/c			20,000

8. ₹ 3,300 (i.e., ₹ 1,20,000 × 6/100 × 5.5/12)

9. Forfeited Shares Account

10. (a)

11. (c)

12. (a)

13. (d)

14.

Dhyan Chand Hockey Club

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

Expenditure	₹	Income	₹
		By Interest on General Fund Investments	80,000

BALANCE SHEET
as at 31st March, 2019

Liabilities	₹	Assets	₹
Sports Fund		Sports Fund Investments	3,50,000
Balance on 1st April, 2018	3,50,000	General Fund Investments	8,00,000
Add: Interest on Sports Fund Invt.	40,000		
Donations for Sports Fund	1,50,000		
	5,40,000		
Less: Sports Prizes Awarded	1,00,000		
Expenses on Sports			
Events	40,000		
	4,00,000		
General Fund	8,00,000		

Or

Dr. CREDITORS FOR STATIONERY ACCOUNT Cr.

Particulars	₹	Particulars	₹
To Bank A/c (Payment)	56,800	By Balance b/d	4,600
To Balance c/d	11,800	By Stock of Stationery A/c (Credit Purchase)	64,000
		(Balancing Figure)	
	68,600		68,600

Amount of Stationery to be shown in Income and Expenditure Account
= Opening Stock of Stationery + Purchases of Stationery – Closing Stock
of Stationery
= ₹ 15,000 + ₹ 64,000 – ₹ 30,400 = ₹ **48,600.**

15.

Dr. SURESH'S CAPITAL ACCOUNT Cr.

Particulars	₹	Particulars	₹
To Drawings A/c	27,500	By Balance b/d	2,00,000
To Suresh's Executors' A/c	2,35,500	By Interest on Capital A/c	6,667
(Balancing Figure)		(₹ 2,00,000 × 10/100 × 4/12)	
		By Profit and Loss Suspense A/c (Profit)	11,333
		By Mahesh's Capital A/c (₹ 45,000 × 3/5)	27,000
		By Naresh's Capital A/c (₹ 45,000 × 2/5)	18,000
	2,63,000		2,63,000

Working Notes:1. *Calculation of Suresh's Share of Profit:*

Estimated Current Year's Profit = Previous Year's Profit + 20% = ₹ 1,70,000 + ₹ 34,000 = ₹ 2,04,000

$$\text{Suresh's Share of Profit} = \text{Estimated Current Year's Profit} \times \frac{\text{Months till Death}}{12} \times \text{Suresh's Share of Profit}$$

$$\text{Thus, Suresh's Share of Profit} = ₹ 2,04,000 \times \frac{1}{6} \times \frac{4}{12} = ₹ 11,333.$$

2. *Adjustment of Suresh's Share of Goodwill:*

$$\text{Average Profit} = \frac{₹ 75,000 + ₹ 1,40,000 - ₹ 25,000 + ₹ 1,70,000}{4} = ₹ 90,000$$

$$\text{Value of Firm's Goodwill} = ₹ 90,000 \times 3 = ₹ 2,70,000$$

Suresh's Share of Goodwill = ₹ 2,70,000 × $\frac{1}{6}$ = ₹ 45,000, which is to be contributed by Mahesh and Naresh in their gaining ratio of 3 : 2.

16. (a) Out of total applications of 80,000 shares, allotment was made as follows:

Category	Shares Applied	Shares Allotted
(i)	20,000	Nil
(ii)	20,000	20,000
(iii)	40,000	30,000

Calculation of Total Amount Received on Allotment (including Calls-in-Advance):

Particulars	₹
Total allotment money due (50,000 shares × ₹ 3 per share)	1,50,000
Less: Excess application money adjusted on allotment [(40,000 – 30,000) × ₹ 2]	20,000
Amount due but not paid by applicants whom full allotment was made (20,000 × ₹ 3)	60,000
Amount received on allotment	70,000
Add: Calls-in-Advance received from Sohan (3,000 × ₹ 5)	15,000
Total Amount received on allotment including Calls-in-Advance	85,000

- (b) Securities Premium once received cannot be utilised for purposes other than those specified in Section 52(2) of the Companies Act, 2013. Therefore, Securities Premium Reserve Account is not debited at the time of forfeiture since the amount of premium is already received.

17.

Dr. REALISATION ACCOUNT Cr.			
Particulars	₹	Particulars	₹
To Sundry Assets—Transfer:		By Sundry Liabilities—Transfer:	
Debtors 48,400		Creditors 12,000	
Stock 15,600		Loan 3,000	
Furniture 2,000		Provision for Doubtful Debts 2,400	17,400
Other Sundry Assets 34,000	1,00,000	By Ajit's Capital A/c:	
To Ajit's Capital A/c (Creditors) 12,000		Furniture 1,600	
To Bank A/c (Liabilities Paid):		Debtors (Book Value ₹ 40,000) 34,200	35,800
Loan 3,000		By Brijesh's Capital A/c:	
Dissolution Expenses 540	3,540	Stock 14,000	
		Other Sundry Assets (B.V ₹ 16,000) 14,400	28,400
		By Chandni's Capital A/c (₹ 34,000 – ₹ 16,000)	18,000
		(Rest other Sundry Assets)	
		By Bank A/c (Remaining Debtors)	4,200
		[50% of (₹ 48,400 – ₹ 40,000)]	
		By Loss on Realisation transferred to:	
		Ajit's Capital A/c 7,044	
		Brijesh's Capital A/c 2,348	
		Chandni's Capital A/c 2,348	11,740
	1,15,540		1,15,540

Dr. PARTNERS' CAPITAL ACCOUNTS Cr.							
Particulars	Ajit (₹)	Brijesh (₹)	Chandni (₹)	Particulars	Ajit (₹)	Brijesh (₹)	Chandni (₹)
To Profit and Loss A/c 6,000		2,000	2,000	By Balance b/d 55,000		20,000	14,000
To Realisation A/c 35,800		28,400	18,000	By General Reserve A/c 6,000		2,000	2,000
(Assets taken)				By Realisation A/c 12,000		...	...
To Realisation A/c (Loss) 7,044		2,348	2,348	By Bank A/c (Bal. Fig.) ...		10,748	6,348
To Bank A/c (Bal. Fig.) 24,156		...	...	(Cash Brought in)			
(Final payment)							
	73,000	32,748	22,348		73,000	32,748	22,348

18.

PROFIT AND LOSS APPROPRIATION ACCOUNT

Dr. for the year ended 31st March, 2019 Cr.			
Particulars	₹	Particulars	₹
To Interest on Capital A/cs:		By Profit and Loss A/c (Net Profit)	1,15,900
X (₹ 90,000 × 6/100) 5,400		By Interest on Drawings A/c:	
Y (₹ 60,000 × 6/100) 3,600		Z (₹ 6,000 × 5/100) (WN) 300	300
Z (₹ 30,000 × 6/100) 1,800	10,800	By Interest on Current A/c:	
To Interest on Current A/cs:		Y (₹ 10,000 × 5/100) 500	500
X (₹ 20,000 × 5/100) 1,000			
Z (₹ 12,000 × 5/100) 600	1,600		
To Partners' Salaries A/cs:			
Y 6,000			
Z 8,000	14,000		
To Profit transferred to:			
X's Current A/c 54,180			
Y's Current A/c 27,090			
Z's Current A/c 9,030	90,300		
	1,16,700		1,16,700

Working Note:

ASCERTAINMENT OF INTEREST ON DRAWINGS TO BE CHARGED

Particulars	X (₹)	Y (₹)	Z (₹)
Drawings including Salaries	40,000	31,000	23,000
Less: Salaries	...	6,000	8,000
Drawings excluding Salaries	40,000	25,000	15,000
Share of Profit of ₹ 90,000* (6 : 3 : 1)	54,000	27,000	9,000
Excess or Short Drawings	14,000 (Short)	2,000 (Short)	6,000 Excess
Interest to be Charged @ 5%			300

* ₹ 1,15,900 (Profit) – ₹ 14,000 (Salaries of Y and Z) – ₹ 10,800 (Interest on Capitals of X, Y and Z) – ₹ 1,600 (Interest allowed on Current A/cs of X and Z) + ₹ 500 (Interest charged on Y's Current A/c) = ₹ 90,000.

Or

ADJUSTMENT ENTRY

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2019 April 1	Q's Capital A/c ...Dr. To P's Capital A/c To R's Capital A/c (Being the adjustment made for omissions in previous year)		450	300 150

Working Note:

STATEMENT SHOWING THE ADJUSTMENT TO BE MADE

Particulars	P's Capital A/c		Q's Capital A/c		R's Capital A/c		Firm	
	Dr. (₹)	Cr. (₹)	Dr. (₹)	Cr. (₹)	Dr. (₹)	Cr. (₹)	Dr. (₹)	Cr. (₹)
1. Profit already distributed (in the ratio of 1 : 1 : 1)	6,000	...	6,000	...	6,000	...	...	18,000
2. Profit as should be distributed								
—Remuneration to R	...	...	...	...	...	3,000	3,000	...
—Interest on Capital	...	1,500	...	750	...	750	3,000	...
—Net Profit distributed (2 : 2 : 1)	...	4,800	...	4,800	...	2,400	12,000	...
	6,000	6,300	6,000	5,550	6,000	6,150	18,000	18,000
3. Net Effect (Dr./Cr.)	300 (Cr.)		450 (Dr.)		150 (Cr.)		Nil	

19.**Jaipur Club**

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

Expenditure	₹	Income	₹
To Salary 90,000		By Subscriptions 2,20,000	
Add: Outstanding Salary 40,000	1,30,000	Add: Outstanding for 2018–19* 25,000	2,45,000
To Newspapers and Magazines	20,000	By Sale of Old Newspapers and Magazines	15,000
To Rent 70,000		By Government Grants	2,00,000
Add: Outstanding Rent 10,000	80,000	By Surplus from Entertainment	20,000
To Loss on Sale of Furniture (₹ 90,000 – ₹ 60,000)	30,000	By Accrued Interest on Fixed Deposit (₹ 2,50,000 × 12/100)	30,000
To Surplus (i.e., excess of Income over Expenditure)	2,50,000		
	5,10,000		5,10,000

	₹
*Subscription Outstanding as on 31st March, 2018	20,000
Less: Subscription Received during the year for 2017–18	15,000
Subscription still outstanding for 2017–18	<u>5,000</u>
Subscription Outstanding as on 31st March, 2019	30,000
Less: Subscription still Outstanding for 2017–18	5,000
Subscription Outstanding for 2018–19	<u>25,000</u>

Calculation of Capital Fund on 31st March, 2018:

BALANCE SHEET
as on 31st March, 2018

Liabilities	₹	Assets	₹
Capital Fund (Balancing Figure)	4,50,000	Cash in Hand	50,000
		Outstanding Subscriptions	20,000
		Furniture	2,00,000
		Books	1,80,000
	<u>4,50,000</u>		<u>4,50,000</u>

20. (a)

BALANCE SHEET OF RADHIKA TEXTILES LTD.
(An Extract) as at 31st March, 2019

Particulars	Note No.	₹
I. EQUITY AND LIABILITIES		
Shareholders' Funds		
Share Capital	1	10,70,000

Note to Accounts

Particulars	₹
1. Share Capital	
Authorised Capital	
2,50,000 Equity Shares of ₹ 10 each	25,00,000
Issued Capital	
2,10,000 Equity Shares of ₹ 10 each	21,00,000
Subscribed Capital	
Subscribed and Fully Paid-up	
10,000 Equity Shares of ₹ 10 each (Above 10,000 Equity Shares have been issued for consideration other than cash)	1,00,000
Subscribed but not fully Paid-up	
2,00,000 Equity Shares of 10 each; ₹ 5 Called-up	10,00,000
Less: Calls-in-Arrears (15,000 × ₹ 2)	30,000
	<u>9,70,000</u>
	<u>10,70,000</u>

(b) JOURNAL				
Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	(i) Sundry Assets A/c ...Dr.		2,00,000	
	Goodwill A/c (Balancing Figure) ...Dr.		10,000	
	To Sundry Liabilities A/c			50,000
	To Samay Ltd.			1,60,000
	(Being the business of Samay Ltd. purchased)			
	(ii) Samay Ltd. ...Dr.		1,60,000	
	To 10% Debentures A/c			1,60,000
	(Being 1,600; 10% Debentures of ₹ 100 each issued at par against purchase price)			

Note: Number of Debentures to be issued = ₹ 1,60,000 ÷ ₹ 100 = 1,600 Debentures.

Or

Dr. CASH BOOK (BANK COLUMN ONLY) Cr.					
Particulars	L.F.	₹	Particulars	L.F.	₹
To Shares Application A/c		30,000	By Shares Application A/c		6,000
To Shares Allotment A/c (WN 2)		25,480	(3,000 × ₹ 2)		
To Shares First Call A/c		29,400	By Balance c/d		80,680
To Share Capital A/c		1,600			
To Securities Premium Reserve A/c		200			
		86,680			86,680

JOURNAL				
Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Shares Application A/c ...Dr.		24,000	
	To Share Capital A/c			20,000
	To Shares Allotment A/c			4,000
	(Being the application money adjusted)			
	Shares Allotment A/c ...Dr.		30,000	
	To Share Capital A/c			30,000
	(Being the allotment money due on 10,000 shares)			
	Share Capital A/c ...Dr.		1,000	
	To Shares Allotment A/c			520
	To Forfeited Shares A/c			480
	(Being 200 shares forfeited for non-payment of allotment money) (WN 1)			
	Shares First Call A/c ...Dr.		29,400	
	To Share Capital A/c			29,400
	(Being the first call money due on 9,800 shares)			
	Forfeited Shares A/c ...Dr.		480	
	To Capital Reserve A/c			480
	(Being the transfer of gain on reissue) (WN 3)			

Working Notes:

- 10,000 shares were issued to the applicants for 12,000 shares.
 \therefore Ratio of allotment = 5 : 6
 One who was allotted 5 shares had applied for 6 shares
 \therefore A shareholder who was allotted 200 shares had applied for = $6/5 \times 200 = 240$ shares

Total application money paid by shareholder on 240 shares applied for @ ₹ 2 per share	₹ 480
Less: Application money on 200 shares allotted transferred to share capital	400
Excess Application Money to be adjusted against shares allotment	80
Allotment money due on 200 shares @ ₹ 3 per share	600
Less: Excess Application Money to be adjusted against Shares Allotment	80
Allotment money in arrears	520
- Calculation of allotment money received:

Allotment money due (Gross)	30,000
Less: Excess Application money to be adjusted ($2,000 \times ₹ 2$)	4,000
	26,000
Less: Allotment money in arrears (WN 1)	520
Amount received on allotment	25,480
- Shares have been forfeited before the first call. Called-up money up to allotment is ₹ 5 per share. But shares have been reissued before the second call for ₹ 9 as ₹ 8 paid-up. It means ₹ 8 is transferred to Share Capital Account and ₹ 1 be transferred to Securities Premium Reserve Account. No discount has been allowed on the reissue of forfeited shares. Therefore, money forfeited on these shares is a gain and transferred to Capital Reserve.

21.

Dr.				REVALUATION ACCOUNT				Cr.	
Particulars		₹		Particulars		₹			
To Provision for Doubtful Debts A/c (WN 2)		8,500		By Advertisement Expenditure A/c		6,000			
To A's Capital A/c (Revaluation Expenses)		10,100		By B's Capital A/c		10,000			
To Furniture A/c (WN 4)		40,000		By Loss transferred to:					
				A's Capital A/c		21,300			
				B's Capital A/c		14,200			
				C's Capital A/c		7,100			
						42,600			
						58,600			

Dr.					PARTNERS' CAPITAL ACCOUNTS					Cr.	
Particulars	A	B	C	D	Particulars	A	B	C	D		
	₹	₹	₹	₹		₹	₹	₹	₹		
To Revaluation A/c	...	10,000	...	...	By Balance b/d	3,00,000	3,00,000	2,00,000	...		
To Revaluation A/c	21,300	14,200	7,100	...	By Creditors A/c	...	...	...	50,000		
(Loss)					By Bank A/c	...	...	...	2,00,000		
To Balance c/d	3,83,300	3,38,800	2,24,400	2,50,000	By Premium for Goodwill A/c	94,500	63,000	31,500	...		
					By Revaluation A/c	10,100	...	...	...
	4,04,600	3,63,000	2,31,500	2,50,000		4,04,600	3,63,000	2,31,500	2,50,000		

BALANCE SHEET (After D's Admission)
as at 1st April, 2019

Liabilities	₹	Assets	₹
Capital A/cs:		Building	2,50,000
A	3,83,300	Machinery	2,00,000
B	3,38,800	Furniture (₹ 1,50,000 – ₹ 40,000)	1,10,000
C	2,24,400	Stock	1,00,000
D	2,50,000	Debtors (₹ 1,50,000 + ₹ 20,000)	1,70,000
Creditors	1,00,000	Less: Provision for Doubtful Debts	8,500
Bills Payable	50,000	Bills Receivable	1,00,000
		Bank ₹ (50,000 + 2,00,000 + 1,89,000 – 20,000: Dishonour of Bills Receivable)	4,19,000
		Advertisement Expenditure A/c	6,000
	13,46,500		13,46,500

Working Notes:

- Contingent liability for bills discounted ₹ 60,000.
- Debtors after adjustment of bills dishonoured = ₹ 1,50,000 + ₹ 20,000 = ₹ 1,70,000.

Provision for doubtful debts is to be created @ 5% of ₹ 1,70,000 = ₹ 8,500.

Accounting Entry for Dishonour of Bill:

	₹	₹
Debtor's A/c	...Dr.	20,000
To Bank A/c		20,000

- Capital brought in cash = ₹ 2,00,000 (i.e., ₹ 2,50,000 – ₹ 50,000).

- For sale of furniture, the actual rectifying entry will be:

Sales A/c	...Dr.	25,000	
Loss on Sale of Furniture A/c	...Dr.	15,000	
To Furniture A/c			40,000

As all the Nominal Accounts (i.e., Revenue and Expenses Accounts) have been closed at the time of preparing Final Accounts for 2018–19, the rectifying entry is passed through Revaluation Account. Thus, entry will be as under:

	₹	₹
Revaluation A/c	...Dr.	40,000
To Furniture A/c		40,000

Alternatively,

A's Capital A/c	...Dr.	20,000	
B's Capital A/c	...Dr.	13,333	
C's Capital A/c	...Dr.	6,667	
To Furniture A/c			40,000

Or

Dr.	REVALUATION ACCOUNT			Cr.
Particulars	₹	Particulars	₹	
To Stock A/c	2,500	By Office Equipments A/c (WN 1)	1,900	
To Furniture A/c	2,000	By Building A/c	25,000	
To Investments A/c	500	By Provision for Doubtful Debts A/c	750	
To Gain (Profit) transferred to:		(₹ 1,500 – 5% of ₹ 15,000)		
A's Capital A/c	11,325			
B's Capital A/c	7,550			
C's Capital A/c	3,775			
	22,650			
	27,650		27,650	

Dr. PARTNERS' CAPITAL ACCOUNTS				Cr.			
Particulars	A ₹	B ₹	C ₹	Particulars	A ₹	B ₹	C ₹
To B's Capital A/c (WN 2)	3,000	...	3,000	By Balance b/d	40,000	21,000	20,000
To B's Loan A/c	...	20,550	...	By General Reserve A/c	9,000	6,000	3,000
To Bank A/c (Bal. Fig.)	...	20,000	...	By A's Capital A/c (WN 2)	...	3,000	...
To Bank A/c (WN 3)	3,258	...	...	By C's Capital A/c (WN 2)	...	3,000	...
To Balance c/d (WN 3)	54,067	...	27,033	By Revaluation A/c (Profit)	11,325	7,550	3,775
				By Bank A/c (WN 3)	...	...	3,258
	60,325	40,550	30,033		60,325	40,550	30,033

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

Liabilities	₹	Assets	₹
Sundry Creditors	12,500	Cash at Bank	1,500
Employees' Provident Fund	20,000	Sundry Debtors	15,000
B's Loan	20,550	Less: Provision for Doubtful Debts	750
Capital A/cs:		Stock	10,000
A	54,067	Investments	7,500
C	27,033	Office Equipments (₹ 14,000 + ₹ 1,900)	15,900
		Furniture	10,000
		Building	75,000
	1,34,150		1,34,150

Working Notes:

- The printer purchased was wrongly debited to Office Expenses Account, but should have been debited to Office Equipments Account. In effect, depreciation for 6 months (from 1st October, 2018 to 31st March, 2019) has not been provided. Therefore, ₹ 2,000 (cost of printer) – ₹ 100 (depreciation for 6 months) = ₹ 1,900 should be debited (added) to Office Equipments Account and also credited to Revaluation Account.

2. Adjustment of Goodwill:

(i) Calculation of Gaining Ratio:

Gain of a Partner = New Share – Old Share

$$A's \text{ Gain} = \frac{2}{3} - \frac{3}{6} = \frac{4-3}{6} = \frac{1}{6}; C's \text{ Gain} = \frac{1}{3} - \frac{1}{6} = \frac{2-1}{6} = \frac{1}{6};$$

$$\text{Thus, Gaining Ratio of A and C} = \frac{1}{6} : \frac{1}{6} = 1:1.$$

(ii) Firm's Goodwill = ₹ 18,000

B's Share of Goodwill = ₹ 18,000 × 2/6 = ₹ 6,000, which is to be contributed by A and C in their gaining ratio, i.e., 1 : 1.

Thus, A's Contribution = ₹ 6,000 × 1/2 = ₹ 3,000; and C's Contribution = ₹ 6,000 × 1/2 = ₹ 3,000.

3. Ascertaining required Closing Capital:

Adjusted capitals of A and C after B's retirement are:

	₹
A (₹ 40,000 + ₹ 9,000 + ₹ 11,325 – ₹ 3,000)	57,325
C (₹ 20,000 + ₹ 3,000 + ₹ 3,775 – ₹ 3,000)	23,775
Total capital of the new firm	81,100

Thus, ₹ 81,100 will be contributed by A and C in their new profit-sharing ratio, i.e., 2 : 1

A's New Capital = ₹ 54,067; and C's New Capital = ₹ 27,033.

In effect, A will withdraw ₹ 3,258 (i.e., ₹ 57,325 – ₹ 54,067) and C will bring ₹ 3,258 (i.e., ₹ 27,033 – ₹ 23,775).

22. (a)

In the Books of Strong Ltd.
JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2015 April 1	Sundry Assets A/c ...Dr. Goodwill A/c (Balancing Figure) ...Dr. To Sundry Liabilities A/c To Star Ltd. (Being the purchase of business of Star Ltd.)		8,00,000 20,000	2,70,000 5,50,000
April 1	Star Ltd. ...Dr. Loss on Issue of Debentures A/c ...Dr. To 10% Debentures A/c To Securities Premium Reserve A/c To Premium on Redemption of Debentures A/c (Being 5,000; 10% Debentures issued at 10% premium and redeemable at 5% premium) (Note)		5,50,000 25,000	5,00,000 50,000 25,000
2016 March 31	Securities Premium Reserve A/c ...Dr. To Loss on Issue of Debentures A/c (Being the loss on issue of debentures written off)		25,000	25,000
2018 March 31	Surplus, i.e., Balance in Statement of Profit and Loss A/c ...Dr. To Debentures Redemption Reserve A/c (₹ 5,00,000 × 25/100) (Being the transfer of Profit to Debentures Redemption Reserve)		1,25,000	1,25,000
April 30	Debentures Redemption Investment A/c ...Dr. To Bank A/c (Being the investment made @ 15% of the face value of debentures to be redeemed)		75,000	75,000
2019 March 31	Bank A/c ...Dr. To Debentures Redemption Investment A/c (Being the investment encashed)		75,000	75,000
March 31	10% Debentures A/c ...Dr. Premium on Redemption of Debentures A/c ...Dr. To Debentureholders' A/c (Being the amount due to debentureholders on redemption)		5,00,000 25,000	5,25,000
March 31	Debentureholders' A/c ...Dr. To Bank A/c (Being the payment made to debentureholders)		5,25,000	5,25,000
March 31	Debentures Redemption Reserve A/c ...Dr. To General Reserve A/c (Being the transfer of DRR on the redemption of all debentures)		1,25,000	1,25,000

Note:

Number of Debentures to be issued = Purchase Price/Issue Price = ₹ 5,50,000/₹ 110 = 5,000 Debentures.

(b)

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c (900 × ₹ 80) ...Dr. Securities Premium Reserve A/c (900 × ₹ 20) ...Dr. To Shares Allotment A/c (900 × ₹ 50) To Forfeited Shares A/c (900 × ₹ 50) (Being 900 shares forfeited for non-payment of allotment money)		72,000 18,000	45,000 45,000

Bank A/c (800 × ₹ 100)	...Dr.	80,000	
To Share Capital A/c (800 × ₹ 80)			64,000
To Securities Premium Reserve A/c (800 × ₹ 20)			16,000
(Being 800 shares reissued as ₹ 80 paid-up for ₹ 100 per share)			
Forfeited Shares A/c (800 × ₹ 50)	...Dr.	40,000	
To Capital Reserve A/c			40,000
(Being the transfer of gain on reissue to Capital Reserve)			

Or

(a)

Dr. SHARES ALLOTMENT ACCOUNT Cr.			
Particulars	₹	Particulars	₹
To Share Capital A/c (10,000 × ₹ 2)	20,000	By Shares Application A/c (Note 1)	8,000
To Securities Premium Reserve A/c (10,000 × ₹ 3)	30,000	By Bank A/c (Note 3)	37,800
		By Calls-in-Arrears A/c (Note 2)	4,200
	50,000		50,000

Dr. SECURITIES PREMIUM RESERVE ACCOUNT Cr.			
Particulars	₹	Particulars	₹
To Calls-in-Arrears A/c (1,000 × ₹ 3)	3,000	By Shares Allotment A/c (10,000 × ₹ 3)	30,000
To Balance c/d	27,000		
	30,000		30,000

Dr. SHARES FORFEITURE ACCOUNT Cr.			
Particulars	₹	Particulars	₹
To Share Capital A/c	2,400	By Share Capital A/c (1,200 × ₹ 4)	4,800
(Discount on reissue of 800 shares)			
To Capital Reserve A/c (Note 4)	1,440		
To Balance c/d (₹ 4,800/1,000 × 200)	960		
	4,800		4,800

Dr. CALLS-IN-ARREARS ACCOUNT Cr.			
Particulars	₹	Particulars	₹
To Shares Allotment A/c	4,200	By Share Capital A/c	3,200
To Shares First Call A/c	2,000	By Securities Premium Reserve A/c	3,000
	6,200		6,200

Notes:1. Excess application money adjusted on allotment = $(12,000 - 10,000) \times ₹ 4 = ₹ 8,000$.

2. Amount not received from defaulter shareholders (Calls-in-Arrears):

$$(i) \text{ Shares allotted to him} = \frac{10,000}{12,000} \times 1,200 = 1,000$$

$$(ii) \text{ Application money received} = 1,200 \times ₹ 4 = ₹ 4,800$$

$$(iii) \text{ Application money due on shares allotted} = 1,000 \times ₹ 4 = ₹ 4,000$$

$$(iv) \text{ Excess Application money to be adjusted on allotment} = ₹ 4,800 - ₹ 4,000 = ₹ 800$$

$$(v) \text{ Allotment money due on shares allotted} = 1,000 \times ₹ 5 = ₹ 5,000$$

$$(vi) \text{ Allotment money due but not received (Calls-in-Arrears)} = ₹ 5,000 - ₹ 800 = ₹ 4,200.$$

3. Calculation of amount received on allotment:	₹
Total allotment money due (10,000 × ₹ 5)	50,000
Less: Excess application money adjusted on allotment (Note 1)	8,000
	<u>42,000</u>
Less: Allotment money due but not received (Note 2)	4,200
Amount received on Allotment	<u>37,800</u>
4. Calculation of amount transferred to Capital Reserve:	
Amount forfeited on reissued shares (₹ 4,800/1,000 × 800)	3,840
Less: Reissue Discount (800 × ₹ 3)	2,400
Gain on reissue transferred to Capital Reserve	<u>1,440</u>

(b) All India Financial Institutions are exempt from transfer of profits to Debentures Redemption Reserve (DRR). Therefore, Debentures Redemption Reserve will not be created.

In the Books of Export-Import Bank of India

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Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2019 March 31	10% Debentures A/c ...Dr. To Debentureholders' A/c (Being the amount due to debentureholders on redemption)		50,00,000	50,00,000
March 31	Debentureholders' A/c ...Dr. To Bank A/c (Being the amount due to debentureholders paid)		50,00,000	50,00,000

PART B

23. Yes

24. Yes

25. Yes

26. Turnover or Activity Ratios

27. Interest Coverage Ratio

28. (d)

29. (b)

30.

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		6,00,000	8,40,000	100	100
Total Revenue		6,00,000	8,40,000	100	100
II. Expenses:					
Cost of Materials Consumed		3,00,000	6,72,000	50	80
Other Expenses		60,000	84,000	10	10
Total Expenses		3,60,000	7,56,000	60	90
III. Profit before Tax (I – II)		2,40,000	84,000	40	10
IV. Less: Tax Expense @ 30%		72,000	25,200	12	3
V. Profit for the Year (III – IV)		1,68,000	58,800	28	7

Or

COMMON-SIZE STATEMENT OF SUN LTD.
for the years ended 31st March, 2018 and 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		16,00,000	20,00,000	100.00	100.00
II. Employees Benefit Expenses		8,00,000	10,00,000	50.00	50.00
III. Other Expenses		2,00,000	1,00,000	12.50	5.00
IV. Total Expenses (II + III)		10,00,000	11,00,000	62.50	55.00
V. Profit before Tax (I – IV)		6,00,000	9,00,000	37.50	45.00

31. (a) Let the Current Assets after acquisition of Inventories be X

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

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

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

$$\text{Working Capital (i.e., CA – CL) after acquisition} = ₹ 2,00,000 - ₹ 1,00,000 = ₹ 1,00,000$$

$$\begin{aligned} \text{Current Assets before acquisition} &= \text{Current Assets After acquisition} \\ &\quad - \text{Purchase of Stock on credit} \\ &= ₹ 2,00,000 - ₹ 10,000 = ₹ 1,90,000 \end{aligned}$$

$$\text{Working Capital before acquisition} = ₹ 1,90,000 - ₹ 90,000 = ₹ 1,00,000.$$

$$\begin{aligned} \text{(b) Cost of Revenue from Operations} &= \text{Operating Cost} - \text{Operating Expenses} \\ &= ₹ 27,20,000 - ₹ 3,20,000 = ₹ 24,00,000 \end{aligned}$$

$$\text{Let Revenue from Operations be ₹ 100, Gross Profit} = ₹ 25, \text{Cost} = ₹ 75,$$

$$\text{If Cost is ₹ 75, then Revenue from Operations} = ₹ 100$$

$$\text{If Cost is ₹ 24,00,000 then Revenue from Operations}$$

$$= ₹ 24,00,000 \times ₹ 100 / ₹ 75 = ₹ 32,00,000.$$

$$\begin{aligned} \text{Operating Ratio} &= \frac{\text{Operating Cost}}{\text{Revenue from Operations}} \times 100 \\ &= \frac{₹ 27,20,000}{₹ 32,00,000} \times 100 = 85\%. \end{aligned}$$

Or

Calculation of Revenue from Operations, i.e., Net Sales

$$\text{Let Sales} = ₹ 100; \text{Gross Profit } 20\% \text{ on Sales} = ₹ 20$$

$$\text{Therefore, Cost} = ₹ 80$$

$$\text{When Cost is ₹ 80, then Sales} = ₹ 100$$

$$\text{When Cost is ₹ 1, then Sales} = \frac{\text{₹ 100}}{\text{₹ 80}}$$

$$\text{When Cost is ₹ 10,00,000, then Sales} = \frac{\text{₹ 100}}{\text{₹ 80}} \times \text{₹ 10,00,000} = \text{₹ 12,50,000}$$

$$\begin{aligned} \text{Working Capital Turnover Ratio} &= \frac{\text{Revenue from Operations (Net Sales)}}{\text{Working Capital}} \\ &= \frac{\text{₹ 12,50,000}}{\text{₹ 2,50,000}} = 5 \text{ Times.} \end{aligned}$$

32. (a) CASH FLOW FROM OPERATING ACTIVITIES

Particulars	₹	₹
Surplus, i.e., Balance in the Statement of Profit and Loss as on 31st March, 2019		71,000
Less: Surplus, i.e., Balance in the Statement of Profit and Loss as on 31st March, 2018		89,000
Net Loss during the year		(18,000)
Add: Interim Dividend Paid	36,000	
Tax paid	23,000	59,000
Net Profit before Tax and Extraordinary Items		41,000
Add: Non-cash and Non-operating items:		
Depreciation on Machinery	18,000	
Loss on Sale of Machinery (₹ 50,000 – ₹ 20,000 – ₹ 10,000)	20,000	38,000
Operating Profit before Working Capital Changes		79,000
Add: Increase in Current Liabilities:		
Outstanding Expenses (₹ 14,600 – ₹ 10,000)		4,600
		83,600
Less: Increase in Current Assets:		
Inventory (₹ 12,000 – ₹ 4,000)	8,000	
Trade Receivables (₹ 58,000 – ₹ 45,000)	13,000	21,000
Cash Flow from Operating Activities before Tax		62,600
Less: Tax paid		23,000
Cash Flow from Operating Activities		39,600

Note: As the Gain (Profit) on sale of Non-current Investments ₹ 2,000 has not been transferred to Statement of Profit and Loss but to Capital Reserve, it will not be adjusted while computing Operating Profit before Working Capital Changes.

(b) CASH FLOW FROM INVESTING ACTIVITIES

Particulars	₹
Purchase of Machinery (WN 1)	(2,40,000)
Sale of Machinery	36,000
Cash Used in Investing Activities	(2,04,000)

Working Notes:

1. Dr.		MACHINERY ACCOUNT		Cr.
Particulars	₹	Particulars	₹	
To Balance <i>b/d</i>	2,50,000	By Bank A/c (Sale Proceeds)*	36,000	
To Gain (Profit) on Sale of Machinery A/c (Statement of Profit and Loss)	6,000	By Accumulated Depreciation A/c	50,000	
To Bank A/c (Purchase)—Balancing Figure	2,40,000	By Balance <i>c/d</i>	4,10,000	
	4,96,000		4,96,000	

₹

*Book Value of Machinery on the date of Sale (₹ 80,000 – ₹ 50,000) 30,000

Add: Gain (Profit) on Sale of Machinery (20% of ₹ 30,000) 6,000

Sale Proceeds 36,000

2. Dr.		ACCUMULATED DEPRECIATION ACCOUNT		Cr.
Particulars	₹	Particulars	₹	
To Machinery A/c—Transfer	50,000	By Balance <i>b/d</i>	60,000	
To Balance <i>c/d</i>	90,000	By Statement of Profit and Loss (Bal. Fig.) (Current Year Depreciation)	80,000	
	1,40,000		1,40,000	