CBSE
Class XII Accountancy
Delhi Board Paper Set 3 – 2012

Time: 3 Hours **Max. Marks: 80**

General Instructions:
1) This question paper contains two parts **A** and **B**
2) Part **A** is **compulsory** for all
3) All parts of a question should be attempted at one place

Section A
(i) This section consists of **16** questions
(ii) All the question are compulsory
(iii) Question Nos. **1** to **5** are very short – answer questions carrying **1** mark each.
(iv) Question Nos. **6** to **8** carry **3** marks each
(v) Question Nos. **9** and **11** carry **4** marks each
(vi) Question Nos. **12** to **14** carry **6** marks each
(vii) Question Nos. **15** and **16** Carry **8** marks each

Section B
(i) This section consists of **7** questions
(ii) All questions are compulsory
(iii) Question Nos.**17** and **19** are very short – answer carrying **1** mark each
(iv) Question Nos. **20** carry **3** marks
(v) Question Nos. **21** to **22** carry **4** marks
(vi) Question No.**23** carries **6** marks

SECTION A

1. For which share of Goodwill a partner is entitled at the time of his retirement?

2. Name the financial statement prepared by a Not-For-Profit Organisation on accrual basis.

3. Give any one advantage for the redemption of debentures by purchase in the open market?

4. State the provisions of Indian Partnership Act regarding the payment of remuneration to a partner for the services rendered.

5. State any two occasions on which a firm can be reconstituted.

6. Jain Ltd. purchased Building for ₹10, 00,000 from Gupta Ltd. 10% of the payable amount was paid by a cheque drawn in favour of Gupta Ltd. The balance was paid by issue of Equity Shares of ₹10 each at a discount of 10%. Pass necessary Journal Entries in the books of Jain Ltd.

7. Narain Laxmi Ltd. invited applications for issuing 7500, 12% Debentures of ₹100 each at a premium of ₹35 per Debenture. The full amount was payable on application.
Applications were received for 10,000 Debentures. Applications for 2500 Debentures were rejected and the application money was refunded. Debentures were allotted to the remaining applicants.
Pass necessary Journal Entries for the above transactions in the books of Narain Laxmi Ltd.

8. From the following information, calculate the amount of income from subscriptions to be shown in the Income and Expenditure Account for the year ended 31-3-2011:

Subscriptions received during the year 2010-2011	₹ 3,40.000
Subscriptions outstanding as on 31-3-2011	₹ 47,000
Subscriptions received in advance as on 31-3-2011	₹ 35,000
Subscriptions outstanding as on 1-4-2010	₹ 28,000
Subscriptions received in advance as on 1-4-2010	₹ 25,000

9. Arjun, Bhim and Nakul are partners sharing profits & losses in the ratio of 14:5:6 respectively. Bhim retires and surrenders his 5/25th share in favour of Arjun. The goodwill of the firm is valued at 2 years purchase of super profits based on average profits of last 3 years. The profits for the last 3 years are ₹50,000, ₹55,000 & ₹60,000 respectively. The normal profits for the similar firm are ₹30,000. Goodwill already appears in the books of the firm at ₹75,000.
The profit for the first year after Bhim's retirement was ₹1,00,000. Give the necessary Journal Entries to adjust Goodwill and distribute profits showing your workings.

10. Shakti Ltd. decided to redeem its 750, 12% Debentures of ₹ 100 each. The company purchased 500 Debentures at ₹ 94 per Debenture from the open market. The remaining debentures were redeemed out of profits. The company had already made a provision for Debenture Redemption Reserve in its books.
Pass necessary Journal Entries in the books of the company for the above transactions.

11. Arun and Arora were partners in a firm sharing profits in the ratio of 5: 3. Their fixed capitals on 1-4-2010 were: Arun ₹60,000 and Arora ₹80,000. They agreed to allow interest on capital @ 12% p.a. And to charge on drawings @ 15% p.a. The profit of the firm for the year ended 31-3 2011 before all above adjustments were ₹ 12,600. The drawings made by Arun were ₹ 2,000 and by Arora ₹4,000 during the year. Prepare Profit and Loss Appropriation Account of Arun and Arora. Show your calculations clearly. The interest on capital will be allowed even if the firm incurs loss.

12. Pass necessary Journal Entries for the following transactions in the books of N.R. Ltd.
(i) Redeemed 1,200, 9% Debentures of Rs 175 each by converting into New 10% Debenture of Rs 100 each issued at a premium of 5%
(ii) Redeemed 19,000, 6% Debentures of Rs 50 each by converting them into Equity shares of Rs 100 each. The Equity shares were issued at a discount of 5%.

13. A and B were partners sharing profits in the ratio of 3:2. On 31-3-2011 their Balance Sheet of the firm was as follows :

Balance Sheet of A and B
as on 31-3-2011

Liabilities		Amount ₹	Assets	Amount ₹
Capitals			Buildings	2,40,000
A	3,00,000		Furniture	1,75,000
B	2,00,000	5,00,000	Debtors	80,000
Sundry Creditors		1,17,000	Stock	75,000
			Cash	47,000
		6,17,000		6,17,000

The firm was dissolved on 1-4-2011 and the Assets and Liabilities were settled as follows:
(i) Building was taken over by the creditors as their full & final payment
(ii) Furniture was taken over by B for cash payment at 5% less than the book value.
(iii) Debtors were collected by a debt collection agency at a cost Rs 5,000
(iv) Stock realized Rs 70.500
(v) 'B' agreed to bear all realisation expenses. For this service B is paid Rs 500. Actual expenses on realization amounted to Rs 1,000 Pass necessary Journal Entries for dissolution of the firm.

14. From the following 'Receipt and Payments Account' of 'New Club' for the year ended 31-3-2011, prepare 'Income and Expenditure Account'.

Receipts and Payments Account of 'New Club'

For the year ended 31-3-2011

Dr. **Cr.**

Receipts	Amount ₹	Payments	Amount ₹
To Balance b/d	3,400	By Salary (Paid for 8 months)	24,000
To Subscriptions	21,100	By Rent	300
To Entrance Fee	5,750	By Electricity	2,750
To Donations (includes Rs 1,000 for Buildings)	2,100	By Honorarium	5,000
To Hall Rent	7,550	By Books	7,500
To Sale of Investment (Book value Rs 16,000)	15,400	By 9% Fixed Deposits (on 30-6-2010)	10,000
		By Balance c/d	16,800
	55,200		55,200

15. 'B' and 'C' were partners sharing profits in the ratio of 3:2 Their Balance Sheet as on 31-3-2011 was as follows :

Balance Sheet of B and C

as on 31-3-2011

Liabilities		Amount ₹	Assets	Amount ₹
Capitals			Land and Buildings	80,000
'B'	60,000		Machinery	20,000
'C'	40,000	1,00,000	Debtors	10,000
Provision for bad debts		1,000	Bank	25,000
Creditors		60,000	Cash	16,000
			Profit and Loss Account	10,000
		1,61,0000		1,61,000

'D' was admitted to the partnership for 1/5th share in the profits on the following terms:

(i) The new profit sharing ratio was decided as 2:2:1.

(ii) D will bring ₹30,000 as his capital and ₹15,000 for his share of goodwill.

(iii) Half of goodwill amount was withdrawn by the partner who sacrificed his share of profit in favour of 'D'.

(iv) A provision of 5% for bad and doubtful debts was to be maintained.

(v) An item of ₹500 included in Sundry Creditors was not likely to be paid.

(vi) An provision of ₹800 was to be made for claims for damages against the firm.

After making the above adjustments the Capital Accounts of 'B' and 'C' were to be adjusted on the basis of D's Capital. Actual cash wash to be brought in or to be paid off as the case may be.

Prepare Revaluation Account, Partner's Capital Accounts and Balance Sheet of the new firm.

OR

'G', 'E' and 'F' were partners in a firm sharing profits in the ratio of 7: 2 :1. The Balance Sheet of the firm as on 31st March, 2011 was as follows:

Balance Sheet of 'G', 'E' and 'F'
as on 31-3-2011

Liabilities		Amount ₹	Assets	Amount ₹
Capitals			Goodwill	40,000
'G'	70,000		Land & Building	60,000
'E'	20,000		Machinery	40,000
'F'	10,000	1,00,000	Stock	7,000
General Reserve		20,000	Debtors	12,000
Loan from 'E'		30,000	Cash	5,000
Creditors		14,000		
		1,64,000		1,64,000

'E' died on 24th August 2011. Partnership deed provides for the settlement of claims on the death of a partner of a partner in addition to his capital as under:

(i) The share of profit of deceased partner to be computed up to the date of death on the basis of average profits of the past three years which was ₹80,000.

(ii) His share in profit/loss on revaluation of assets and re-assessment of liabilities which were as follows: Land and Buildings were revalued at ₹94,000, Machinery at ₹38,000 and Stock at ₹ 5,000. A provision of $2\frac{1}{2}$% was to be created on debtors for bad and doubtful debts.

(iii) The net amount payable to 'Es executors was transferred to his Loan Account, to be paid later on.

Prepare Revaluation Account, Partners Capital Accounts, E's Executor A/c and Balance Sheet of 'G' and 'F' who decided to continue the business keeping their capital balances in their new profit sharing ratio. Any surplus or deficit to be transferred to current accounts of the partners.

16. Shyam Ltd. invited applications for issuing 80,000 Equity Shares of ₹10 each at a premium of ₹40 per share. The amount was payable as follows:

On Application ₹35 per share (including ₹30 Premium)
On Allotment ₹8 per share (including ₹4 Premium)
On First and Final Call - Balance

Applications for 77,000 shares were received. Shares were allotted to all the applicants. Sundram to whom 7,000 shares were allotted failed to pay the allotment money. His shares were forfeited immediately after allotment. Afterwards the first and final call was made. Satyam the holder of 500 shares failed to pay the first and final call. His shares were also forfeited. Out of the forfeited shares 1,000 shares were re-issued at ₹50 per share fully paid up. The re-issued shares included all the shares of Satyam.

Pass necessary Journal Entries for the above transactions in the books of Shyam Ltd.

OR

Jain Ltd. Invited applications for issuing 35,000 Equity Shares of ₹10 each at a discount o 10%. The amount was payable as follows:

On Application ₹5 per share.
On Allotment ₹3 per share
On First and Final Call - Balance

Applications for 50,000 shares were received. Applications for 8,000 shares were rejected and the application money of these applicants was refunded. Shares were allotted on pro-rata basis to the remaining applicants and the excess money received with applications from these applicants was adjusted towards sums due on allotment. Jeevan who had applied for 600 shares failed to pay allotment and first and final call money. Naveen the holder of 400 shares failed to pay first and final call money. Shares of Jeevan and Naveen were forfeited. Of the forfeited 800 shares were re-issued at ₹15 per share fully paid up. The re-issued shares included all the shares of Naveen.

Pass necessary Journal Entries for the above transactions in the books of Jain Ltd.

SECTION B

17. State the purpose of preparing a 'Cash Flow Statement'.

18. While preparing Cash Flow Statements what type of activity is, 'Payments of Cash to acquire Debentures by an investment company?

19. State the significance of Analysis of Financial Statements to the 'Lenders'.

20. O.M. Ltd has a Current Ratio of 3.5:1 and Quick Ration of 2:1. If the excess of Current Assets over Quick Assets as represented by Stock is ₹1,50,000, calculate Current Assets and Current Liabilities.

21. From the following information, calculate any two of the following ratios:
(a) Debt-Equity Ratio
(b) Working Capital Turnover Ratio and
(c) Return on Investment
Information: Equity Share capital ₹50,000, General Reserve ₹5,000; Profit and Loss Account after tax and interest ₹15,000; 9% Debenture ₹20,000; Creditors ₹15,000; Land and Building ₹65,000; Equipments ₹15,000; Debtors ₹14,500 and Cash ₹5,500. Discount on issue of shares ₹ 5,000 Sales for the year ended 31-3-2011 was ₹1,50,000. Tax rate 50%.

22. Following is the Income Statements of Raj Ltd. For the year ended 31-3-2011:

Particulars	**Amount ₹**
Income:	
Sales	2,00,000
Other Incomes	15,000
Total Incomes	2,15,000
Expenses :	
Cost of goods sold	1,10,000
Operating expenses	5,000
Total Expenses	1,15,000
Tax	40,000

Prepare a common size income Statements of Raj Ltd. For the year ended 31-3-2011.

23. From the following Balance Sheets of C.P Ltd as on 31-3-2012 and 31-3-2011.
Prepare a Cash Flow Statement:

Liabilities	**31-3-2012 ₹**	**31-3-2011 ₹**	**Assets**	**31-3-2012 ₹**	**31-3-2011 ₹**
Equity Shares Capital	3,00,000	4,50,000	Patents	37,500	31,250
Profit and Loss Account	75,000	1,50,000	Building	4,50,000	4,50,000
Bank Loan	1,50,000	75,000	Investment	-	56,250
Proposed Dividend	60,000	45,000	Debtors		
Provision for tax	30,000	52,500	Stock		
Creditors	45,000	33,750	Cash		
	6,60,000	8,06,250		6,60,000	8,06,250

Additional Information:

During the year a Building having book value Rs.1,50,000 was sold at a loss of 6,000 and depreciation charged on Building was Rs 16,000.

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SECTION A

1. **Answer :**
At the time of retirement, the retiring partner is entitled to share the goodwill as per his/her profit share in the business. This share of goodwill will be compensated by the remaining partners in their gaining ratio.

2. **Answer:**
Not-For-Profit Organisation prepares Income and Expenditure Account on accrual basis

3. **Answer:**
Purchase of own debentures enables the company to redeem the debentures at a later stage as per its own convenience, i.e. when the company has sufficient funds to redeem the debentures.

4. **Answer :**
In the absence of partnership deed, no salary or remuneration is allowed to the partners against their services as per the Indian Partnership Act.

5. **Answer :**
The two occasions when a firm is reconstituted are as follows:
i. Change in profit sharing ratio among the existing partner
ii. Retirement or death of a partner

6. **Answer :**

Books of Jain Ltd

Date	Particulars		L.F.	Dr. ₹	Cr. ₹
	Building A/c To Gupta Ltd (Being building purchased from Gupta Ltd)	Dr.		10,00,000	10,00,000
	Gupta Ltd To Bank A/c (Being 10 % of amount paid through cheque to Gupta Ltd)	Dr.		1,00,000	1,00,000
	Gupta Ltd Discount on Issue of Shares A/c To Equity Share Capital A/c (Being issue of 1,00,000 equity shares issued of ₹ 10 each at a discount of ₹ 1)	Dr. Dr.		9,00,000 1,00,000	10,00,000

Working Notes:
Calculation of number of shares to be issued

$$\text{No.of shares} = \frac{\text{Purchase Consideration}}{\text{Issue Price}} = \frac{9,00,000\ \text{share}}{9} = 1,00,000\ \text{shares}$$

7. Answer :

Books of Narian Laxmi Ltd

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
	Bank A/c Dr. To Debenture Application A/c (Being debenture application money received for 10,000 Debenture at ₹135 per debenture)		13,50,000	 13,50,000
	Debenture Application A/c Dr. To 12% Debenture A/c To Securities Premium A/c (Being debenture application money on 7,500 debentures transferred to 12% Debenture and Securities Premium)		10,12,500	 7,50,000 2,62,500
	Debenture Application A/c Dr. To Bank A/c (Being 2500 12% Debenture application money returned)		3,37,500	 3,37,500

8. Answer :

Subscriptions Account

Dr. **Cr.**

Particulars	Amount ₹	Particulars	Amount ₹
To Outstanding Subscriptions A/c (Outstanding subscriptions in the beginning)	28,000	By Advance subscriptions A/c (Advance subscriptions in the beginning)	25,000
To Income and Expenditure A/c (Balancing Figure)	3,49,000	By Bank A/c (Subscription received during the year)	3,40,000
To Advance Subscription A/c (Advance subscription at the end)	35,000	By Outstanding Subscription A/c (outstanding subscription at the end)	47,000
	4,12,000		**4,12,000**

9. Answer :

Journal Entries

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
	Arjun's Capital A/c Dr. Bhim's Capital A/c Dr. Nakul's Capital A/c Dr. To Goodwill A/c (Being goodwill written off)		42,000 15,000 18,000	 75,000
	Arjun's Capital A/c Dr. To Bhim's Capital A/c		10,000	 10,000

	(Being arjun's share of goodwill purchased by Bhim)			
	Profit and Loss Appropriation A/c Dr. To Arjun's Capital A/c To Nakul's Capital A/c (Being profit after Bhim's retirement disturbed)		1,00,000	 76,000 24,000

Average Actual Profit = 50,000 + 55,000 + 60,000

$$\text{Average Actual Profit} = \frac{50{,}000 + 55{,}000 + 60{,}000}{3} = \frac{1{,}65{,}000}{3} = 55{,}000$$

Super Profit = Actual Average Profit – Normal Profit

= 55,000 – 30,000

= 25,000

Goodwill of the new firm = Super Profit × Number of Years's Purchased

=25,000 × 2= 50,000

$$\text{Bhim's share of Goodwill} = 50{,}000 \times \frac{5}{25} = ₹\ 10{,}000$$

Bhim Share = Arjun's Gain

$$= \frac{5}{25}$$

New Ratio = Old + Gaining

$$\text{Arjun} = \frac{14}{25} + \frac{5}{25}(\text{Bhim's Share})$$

$$= \frac{19}{25}$$

$$\text{Nakul} = \frac{6}{25} + 0$$

$$= \frac{6}{25}$$

New Ratio : Arjun : Nakul

$$\frac{19}{25} : \frac{6}{25}$$

$$19 : 6$$

Profit of the firm after Bhim's retirement = 1,00,000

$$\text{Bhim will get} = 1{,}00{,}000 \times \frac{19}{25}$$

$$= 76{,}000$$

$$\text{Nakul will get} = 1{,}00{,}000 \times \frac{6}{25}$$

$$= 24{,}000$$

10. Answer :

Books of Shakti Ltd
Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
	Own Debenture A/c Dr. To Bank A/c (Being 500 Debenture face value ₹100 purchased at ₹94 per debentures)		47,000	47,000
	12% Debenture A/c Dr. To Own Debentures A/c To Profit on Cancellation of Own Debentures A/c (Being 500 own debentures cancelled)		50,000	47,000 3,000
	Debenture A/c Dr. To Debenture holders A/c (Being debenture due for redemption to debenture holders)		25,000	25,000
	Debenture holders A/c Dr. To Bank A/c (Being amount paid to the debenture holders)		25,000	25,000
	Profit on Cancellation of own Debenture A/c Dr. To Capital Reserve A/c (Being profit on cancellation of own debentures transferred to Capital Reserve)		3,000	3,000

11. Answer :

Profit and Loss Adjustment Account

Dr. **Cr.**

Particulars		Amount ₹	Particulars		Amount ₹
To Interest on Capital A/c			By Profit and Loss A/c (Net Profit)		12,600
Arun	7,200		By Interest on Drawings A/c		
Arora	9,600	16,800	Arun	150	
			Arora	300	450
			By Loss transferred to Current A/c		
			Arun	2,344	
			Arora	1,406	3,750
		16,800			16,800

Interest on Capital

$$\text{Arun} = 60{,}000 \times \frac{12}{100} = 7{,}200$$

$$\text{Arora} = 80{,}000 \times \frac{12}{100} = 9{,}600$$

Interest on Drawings: As the date of drawings is not mentioned, so interest on drawings will be changed for 6 months

$$\text{Arun} = 2{,}000 \times \frac{15}{100} \times \frac{6}{12} = 150$$

$$\text{Arora} = 4{,}000 \times \frac{15}{100} \times \frac{6}{12} = 300$$

12. Answer :

(i)

Books of N.R. Ltd
Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
1)	9% Debentures A/c Dr To Debentures holders A/c (Being 1,200 9% Debentures due for redemption)		2,10,000	2,10,000
2)	Debenture holders A/c Dr To 10% Debenture A/c To Securities Premium A/c (Being 2,000 10% Debenture of ₹ 100 each issued at 5% premium to Debenture holders)		2,10,000	2,00,000 10,000

$$\text{No.of Equity Share issued} = \frac{\text{Amount Payable}}{\text{(Face value + Premium) per Debenture}}$$

$$= \frac{2{,}10{,}000}{105}$$

$$= 2{,}000 \text{ shars}$$

(ii)

Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
1)	6% Debentures A/c Dr To Debentures holders A/c (Being 19,000 6% due for redemption)		9,50,000	9,50,000
2)	Debenture holders A/c Dr Discount on Issue of Shares A/c To Securities Premium A/c (Being 10,000 equity shares of ₹ 100 each issued at 5% discount to debentueholders)		9,50,000 50,000	10,00,000

$$\text{No.of Equity Share issued} = \frac{\text{Amount Payable}}{\text{(Face value - Discount) per Share}}$$

$$= \frac{9{,}50{,}000}{95}$$

$$= 10{,}000 \text{ shares}$$

13. Answer :

Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2011 April 1	Realisation A/c Dr. To Building A/c To Furniture A/c To Debtors A/c To Stock A/c (Being assets transferred to Realisation Account)		5,70,000	 2,40,000 1,75,000 80,000 75,000
	Sundry Creditors A/c Dr. To Realisation A/c (Being creditors transferred to Realisation Account)		1,17,000	 1,17,000
	Cash A/c Dr. To Realisation A/c (Being furniture taken over by B for cash)		1,66,250	 1,66,250
	Cash A/c Dr. To Realisation A/c (Being debtors collected at a cost of ₹5,000)		75,000	 75,000
	Cash A/c Dr. To Stock A/c (Being stock realized)		70,500	 70,500
	Realisation A/c Dr. To B's Capital A/c (Being Realisation expenses paid by B)		500	 500
	A's Capital A/c Dr. B's Capital A/c Dr. To Realisation A/c (Note 1) (Being loss on realization transferred to Partners' Accounts)		85,050 56,700	 1,41,750
	A's Capital A/c Dr. B's Capital A/c Dr. To Cash A/c (Note 2) (Being final payment made to partners)		2,14,950 1,43,800	 3,58,750

Realisation Account

Dr. **Cr.**

Particulars	Amount ₹	Particulars	Amount ₹
To Building A/c	2,40,000	By Sundry Creditors A/c	1,17,000
To Furniture A/c	1,75,000	By Cash A/c (Furniture)	1,66,250
To Debtors A/c	80,000	By Cash A/c (Debtors)	75,000
To Stock A/c	75,000	By Cash A/c (Stock)	70,050
To Cash A/c (realization	500	By Loss transferred to	

expenses)		A's Capital	85,050	
		B's Capital	56,700	1,41,750
	5,70,500			5,70,500

Partner's Capital Account

Dr. **Cr.**

Particulars	A	B	Particulars	A	B
To Realisation A/c	85,050	56,700	By Balance b/d	3,00,000	2,00,000
To Cash A/c (Payment – Bal.Fig)	2,14,950	1,43,800	By Realisation A/c		500
	3,00,000	2,00,500		3,00,000	2,00,500

14. Answer :

New Club
Income and Expenditure Account
As on March 31, 2011

Dr. **Cr.**

Expenditure		Amount ₹	Income	Amount ₹
To Salary A/c	24,000		By Subscriptions A/c	21,000
Add : Outstanding	12,000	36,000	By Entrance Fees A/c	5,750
To Rent A/c		3,000	By Donation A/c (2,100 – 1,000)	1,100
To Electricity A/c		2,750	By Hall Rent A/c	7,550
To Honorarium A/c		5,000	By Interest on Fixed Deposit A/c	675
To Loss on Sale of Investments A/c		600	By Excess of expenditure over income A/c (Deficit)	11,275
		47,350		47,350

15. Answer:

Revaluation Account

Dr. **Cr.**

Particulars		Amount ₹	Particulars		Amount ₹
To Provision for Bad and doubtful debts A/c	1,250		By Sundry Creditors A/c		500
Less : Old Provision	1,000	250	By Revaluation loss A/c transferred to:		
			B's Capital A/c	330	
To Provisions for Claims A/c		800	C's Capital A/c	220	550
		1,050			1,050

Partner's Capital Account

Dr. Cr.

Particulars	B	C	D	Particulars	B	C	D
To Cash A/c	7,500	-	-	By Balance b/d	60,000	40,000	-
To Realisation A/c (Loss)	330	220	-	By Cash A/c	-	-	30,000
To Profit and Loss A/c	6,000	4,000		By Premium for Goodwill A/c	15,000	-	-
To Cash A/c (Balancing figure)	1,170	-	-	By Cash A/c (WN 2)	-	-	-
To Balancing c/d (adjusted)	60,000	60,000	30,000	By Cash A/c (Balancing figure)	-	24,220	-
	75,000	64,220	30,000		75,000	64,220	30,000

Balance Sheet

Liabilities		Amount ₹	Assets		Amount ₹
Capital			Land and Building		80,000
B	60,000		Machinery		20,000
C	60,000		Furniture		10,000
D	30,000	1,50,000	Debtors	25,000	
			Less : Provision for Doubtful debts	(1,250)	23,750
Creditors (60,000 – 500)		59,500			
Claim for Damages		800	Cash		76,550
		2,10,300			**2,10,300**

Cash Account

Dr. Cr.

Particulars	Amount ₹	Particulars	Amount ₹
To Balance b/d	16,000	By B's Capital A/c (7,500 – 1,170)	8,670
To D's Capital A/c	30,000		
To Premium for Goodwill A/c	15,000		
To C's Capital A/c	24,220	By Balance c/d	76,550
	85,220		85,220

Working Notes: *Calculation of New Ratio*

1) New Ratio = 2:2:1

Old Ratio (B and C) = 3:2

Sacrificing Ratio = Old Ratio – New Ratio

$$\text{B Sacrificing} = \frac{3}{5} - \frac{2}{5} = \frac{1}{5}$$

$$\text{C Sacrificing} = \frac{2}{5} - \frac{2}{5} = 0$$

2) Calculation of New Capitals of partners

Total capital of the firm on the basis of O's Capital = 30,000 × 5

= 1, 50,000

$$\text{B's New Capital} = 1{,}50{,}000 \times \frac{2}{5} = 60{,}000$$

$$\text{C's New Capital} = 1{,}50{,}00 \times \frac{2}{5} = 60{,}000$$

Capital to be brought/paid in by the partners B and C

Capital	B	C
Old Capital	61,170	35,780
(−) New Capital	60,000	60,000
	1,170	24,220

(1)	Cash A/c	Dr.	24,220	
	To C's Capital A/c			24,220
(2)	B's Capital A/c	Dr.	1,170	
	To Cash A/c			1,170

OR

Revaluation Account

Dr. **Cr.**

Particulars		**Amount ₹**	**Particulars**	**Amount ₹**
To Machinery A/c		2,000	By Land and Building A/c	34,000
To Stock A/c		2,000		
To Provision for Doubtful Debt A/c		300		
To Profit transferred to				
G's Capital A/c	20,790			
E's Capital A/c	5,940			
F's Capital A/c	2,970	29,700		
		34,000		34,000

Partner's Capital Account

Dr. **Cr.**

Particulars	**G**	**E**	**F**	**Particulars**	**G**	**E**	**F**
To Goodwill A/c	28,000	8,000	4,000	By Balance b/d	70,000	20,000	10,000
To E's Executors A/c		28,340		By General Reserve A/c	14,000	4,000	2,000
To Balance c/d	76,790		10,970	By Profit and loss Suspense A/c		6,400	
				By Revaluation A/c	20,790	5,940	2,970
	1,04,790	36,340	14,970		1,04,790	36,340	14,970
				By Balance b/d	76,790		10,970
To Balance c/d (adjusted)	76,790		10,970				
	76,790		10,970		76,790		10,970

Balance Sheet

After E's death as on August 24,2011

Liabilities		Amount ₹	Assets		Amount ₹
Capital			Land and Building		94,000
G	76,790		Machinery (40,000 – 2,000)		38,000
F	10,970	87,760	Stock (7,000 – 2,000)		5,000
E's Executors Loan		58,340	Debtors	12,000	
			Less : Provision for		
Creditors		14,000	Doubtful Debrs	300	11,700
			Cash		5,000
			Profit and Loss Suspense		6,400
		1,60,100			1,60,100

E's Executors Account

Dr. **Cr.**

Particulars	Amount ₹	Particulars	Amount ₹
		By E's Capital A/c	28,340
		By E's Loan A/c	30,000
To Balance c/d	58,340		
	58,340		58,340

Working Notes:

G = 76,790

F = 10,970

Combined Capital of G and F = $\boxed{87,760}$

Adjusted Capital

$$G = 87,760 \times \frac{7}{8}$$

$$= 76,790$$

$$F = 87,760 \times \frac{1}{8}$$

$$= 10,970$$

Share of E's profit till the date of death on the basis part three year profit

$$= 80,000 \times \frac{2}{10} \times \frac{146}{365}$$

$$= 6,400$$

16. Answer :

Books of Shyam Ltd

Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
	Bank A/c Dr.		26,95,000	

	To Share Application A/c (Being share application received for 77,000 shares at ₹35 per share)			26,95,000
	Share Application A/c Dr. To Equity Share Capital A/c To Equity Securities Premium A/c (Being share Application of 77,000 shares transferred to equity share capital and securities premium)		26,95,000	3,85,000 23,10,000
	Equity Share Allotment A/c Dr. To Equity Share Capital A/c To Securities Premium A/c (Being allotment due on 77,000 shares)		6,16,000	3,08,000 3,08,000
	Bank A/c Dr. Calls-in-Arrears A/c Dr. To Equity Share Allotment A/c (Being amount received on share allotment)		5,60,000 56,000	6,16,000
	Equity Share Capital A/c Dr. Securities Premium A/c Dr. To Equity Share Forfeiture A/c To Calls-in-Arrears A/c (Being 7,000 shares ₹ 9 called-up forfeited for the non-payment of allotment)		63,000 28,000	35,000 56,000
	Share First and final Call A/c Dr. To Equity Share Capital A/c To Securities Premium A/c (Being share first and final call due on 70,000 shares)		4,90,000	70,000 4,20,000
	Bank A/c Dr. Calls-in-Arrears A/c Dr. To Equity Share First & Final Call A/c (Being share first and Final Call received on all shares except 500 shares)		4,86,500 3,500	4,90,000
	Equity Share Capital A/c Dr. Securities Premium A/c Dr. To Equity Share Forfeiture A/c To Calls-in-Arrears A/c (Being 500 shares forfeited for the non-payment of First and Final Call)		5,000 3,000	4,500 3,500
	Bank A/c Dr. To Equity Share Capital A/c To Securities Premium A/c (Being forfeited share were reissued for 9 as fully paid up)		50,000	10,000 40,000
	Equity Share Forfeiture A/c Dr. To Capital Reserve A/c (Being share forfeiture of 1,000 shares transferred to Capital Reserve)		7,000	7,000

Satyam Shares

Share forfeiture	₹9	Credit per share
Share Forfeiture on reissue	Nil	Debit per share
	₹9	Credit

Capital Reserve of 500 share of Satyam

= 500 × Share Forfeiture per share

= 500 × 9

= ₹4,500

Sundram

Share Forfeiture	₹5	Credit per share
Share Forfeiture on reissue	Nil	Debit per share
	₹5	Credit per share

Capital Reserve of 500 shares = Shares forfeiture × No. of share reissue

= 5 × 500

= ₹2,500

Total amount transferred to Capital Reserve for 1,000 shares

= ₹4,500 + 2,500

= ₹7,000

OR

Books of Jain Ltd
Journal

Date	Particulars		L.F.	Dr. ₹	Cr. ₹
	Bank A/c To Share Application A/c (Being application money received for 50,000 Shares at ₹ 5 per share)	Dr.		2,50,000	 2,50,000
	Share Application A/c To Share Capital A/c To Share Allotment A/c To Bank A/c (Being share application of 35,000 shares transferred to share capital, 8,000 shares refunded and balance adjusted towards share allotment)	Dr.		2,50,000	 1,75,000 35,000 40,000
	Equity Share Allotment A/c Discount on Share A/c To Share Capital A/c (Being allotment due on 35,000 at ₹ 3 at a discount of ₹ 1) Bank A/c To Share Allotment A/c (Being allotment money received i.e. 1,05,000 – 35,000 – 1,000)	Dr. Dr. Dr.		1,05,000 35,000 69,000	 1,40,000 69,000
	Share First and Final Call A/c To Share Capital A/c (Being amount due on Share First and Final Call) Bank A/c To Equity Share First & Final Call A/c (Being call money received i.e. 35,000 – 900)	Dr. Dr.		35,000 34,100	 35,000 34,100
	Share Capital A/c (900 × 10) To Discount on Shares A/c (100 × 1) To Share forfeiture A/c	Dr.		9,000	 900 6,200

	To Share Allotment A/c To Share First and Final Call A/c (Being forfeiture of 900 shares for non-payment of allotment and call money)			1,000 900
	Bank A/c Dr. To Equity Share Capital A/c To Securities Premium A/c (800 × 5) (Being forfeited share were reissued for 9 as fully paid up)		12,000	8,000 4000
	Equity Share Forfeiture A/c Dr. To Capital Reserve A/c (Being share forfeiture of 1,000 shares transferred to Capital Reserve)		5,600	5,600

Working Notes:

Total money received on Application (50,000 × 5)	=	2,50,000
Less :Utilised on Application (35,000 × 5)	=	(1,75,000)
		75,000
Amount refunded (8,000 × 5)	=	(40,000)
Utilised on Allotment	=	35,000

Jeevan

Number of shares allotted to Jeevan

$$= \frac{35,000}{42,000} \times 600$$

$= 500$ shares

Money received on Application (600 × 5)	3,000
(−)Application money transferred Share Capital (500 × 5)	2,500
Excess money on Application	500
Allotment due on 500 shares (500 × 3)	1,500
(−)Excess money on Application	500
Calls-in-Arrears on Allotment	1,000

Jeevan

Capital Reserve = 400 × 6 = 2,400

Share forfeiture Credit $\left(\frac{3,000}{500}\right)$	6	per share
Share forfeiture Debit on reissue	NIL	per share
Share forfeiture after reissue	₹ 6	Per share

Naveen

Share foefeiture Credit	8	per share
Share forfeiture Debit on reissue	NIL	per share
Share forfeiture after reissue	₹ 8	per share

Capital Reserve = 400 ×8 = 3,200

Capital Reserve of 800 reissued shares

= 2,400 + 3,200

= ₹5,600

SECTION B

17. Answer :

Following are the main objectives for preparing Cash Flow Statement:

i. It helps in determining the inflows and outflows of cash and cash equivalents from various activities.

ii. Cash Flow Statement helps to evaluate various reasons responsible for the changes in the cash balances during an accounting year.

18. Answer:

'Payment of cash to acquire debentures' is considered as an operating activity in case of financing company because such payments are incurred by the business in the ordinary course of business.

19. Answer:

Financial statement analysis enables the lenders in determine long-term solvency of the business. It helps the lenders to decide whether their loans and interest due, would be paid in time.

20. Answer :

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

$$\text{or } 3.5 = \frac{\text{Current Assets}}{\text{Current Liablities}}$$

$$\text{or Current Assets} = 3.5\,\text{Current Liablities} \ldots\ldots\ldots (1)$$

$$\text{Quick Ratio} = \frac{\text{Quick Assets}}{\text{Current Liablities}} = \frac{\text{Current Stock - Prepaid Expenses}}{\text{Current Liablities}}$$

Or 2 Current Liabilities = 3.5 Current Liabilities – 1, 50,000 – 0

Or 1.5 Current Liabilities = 1, 50,000

Or Current Liabilities = 1,00,000

Or Current Assets = 3.5 × 1, 00,000

Or Current Assets = 3,50,000

∴ Current Assets = 3,50,000

21. Answer :

(a) Debt = 9% Debenture = ₹20,000

Equity = Equity Share Capital + General Reserve + Profit after Interest and Tax – Discount on issue of shares

= 50,000 +5,000 + 15,000 – 5,000

= 65,000

$$\therefore \text{Debt - Equity Ratio} = \frac{\text{Debt}}{\text{Equity}} = \frac{20{,}000}{65{,}000} = 0.31 : 1$$

(b) $$\text{Working Capital Turnover Ratio} = \frac{\text{Sales}}{\text{Working Capital}} \times 100$$

Sales = 1, 50,000

Working Capital = Current Assets – Current Liabilities

Current Assets = Debtors + Cash

= 14,500 + 5,500

= 20,000

Current Liabilities = Creditors – 15,000

∴ Working Capital = 20,000 – 15,000

= ₹ 5,000

$$\text{Working Capital Turnover Ratio} = \frac{1,50,000}{5,000} = 30 \text{ times}$$

(c) Return on Investment

$$\text{Return on Investment} = \frac{\text{Profit before Interest and Tax}}{\text{Capital Employed}}$$

Profit before Interest and Tax = Profit after Tax and Interest + tax + interest
= 15,000 + 15,000 +1,800
= 31,800
Capital employed = Debt + Equity
= 20,000 + 65,000 = 85,000

$$\therefore \text{Return on Investment} = \frac{31,800}{85,000} \times 100 = 37.41\%$$

22. Answer :

Common Size Statement

Particulars	**2011 ₹**	**% of Sales**
Sales	2,00,000	100
Less : Cost of goods Sold	(1,10,000)	(55)
Gross Profit	90,000	45
Less: Operating Expenses	(5,000)	(2.5)
Operating Profit	85,000	42.5
Add : Non-Operating Income	15,000	7.5
Profit before Tax	1,00,000	50
Less :Tax	(40,000)	(20)
Profit after Tax	60,000	30

23. Answer :

Cash Flow Statement of C.P. Ltd
As on March 31, 2010

	Particulars	**Amount ₹**	**Amount ₹**
	Cash Flow from Operating Activities		
	Profit as profit and loss account	75,000	
	Proposed Dividend	45,000	
	Provision for Taxation	52,500	
	Profit before Taxation	1,72,500	
	Items to be adjusted		
	Add : Depreciation	16,000	
	Add : Loss on Sale of Assets	6,000	
	Add : Patents Written-off	6,250	
	Operating Profit before Working Capital Changes	2,00,750	
	Less : Increase in Debtors	(41,250)	
	Less : Increase in Stock	(3,750)	
	Less : Decrease in Creditors	(11,250)	
	Cash from Operation	1,44,500	
	Less : Tax paid	(30,000)	
	Cash from Operating Activities		1,14,500
	Cash Flow from Investing Activities		

	Proceeds from Sale of Building	1,44,000	
	Less : Purchase of Building	(1,66,000)	
	Less : Purchase of Investment	(56,250)	
	Cash used in Investing Activities		(78,250)
	Cash Flow from Financing Activities		
	Proceeds from Issue of Share	1,50,000	
	Less : Repayment of loan	(75,000)	
	Less : Dividend Paid	(60,000)	
	Cash from Financing Activities		15,000
	Net Increase in Cash and Cash Equivalents		51,250
	Add : Cash at the beginning		15,000
	Cash at the end		66,250

Working Notes :

Building Account

Dr. Cr

Particulars	Amount ₹	Particulars	Amount ₹
To Balance b/d	4,50,000	By Bank A/c (1,50,000 – 6,000)	1,44,000
		By Profit and Loss A/c	6,000
		By Depreciation A/c	16,000
To Bank A/c (Purchase – Balancing figure)	1,66,000	By Balance c/d	4,50,000
	6,16,000		6,16,000