CBSE
Class XII Accountancy
All India Board Paper Set 3 – 2018

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) Part B has two options- Analysis of Financial Statement and Computerised Accounting.
4) Attempt only one option of part B.
5) All parts of a question should be attempted at one place

SECTION A

1. Distinguish between 'Dissolution of partnership' and 'Dissolution of partnership firm' on the basis of settlement of assets and liabilities. **[1]**

2. Is 'Reserve Capital' a part of 'unsubscribed capital' or 'Uncalled Capital'? **[1]**

3. Ritesh and Hitesh are childhood friends. Ritesh is a consultant whereas Hitesh is an architect. They contributed equal amounts and purchased a building for ₹2 crores. After a year, they sold it for ₹3 crores and shared the profits equally. Are they doing the business in partnership? Give reason in support of your answer. **[1]**

4. Amit and Beena were partners in a firm sharing profits and losses in the ratio of 3 : 1. Chaman was admitted as a new partner for $\frac{1}{6}$th share in the profits. Chaman acquired $\frac{2}{5}$th of his share from Amit.

How much share did Chaman acquire from Beena? **[1]**

5. Give the meaning of 'Debentures issued as Collateral Security'. **[1]**

6. Neetu, Meetu and Teetu were partners in a firm. On 1st January, 2018, Meetu retired. On Meetu's retirement the goodwill of the firm was valued at ₹4,20,000.
Pass necessary journal entry for the treatment of goodwill on Meetu's retirement. **[1]**

7. NK Ltd., a truck manufacturing company, is registered with an authorised capital of ₹1,00,00,000 divided into equity shares of ₹100 each. The subscribed and paid up capital of the company is ₹50,00,000. The company decided to open technical schools in the Jhalawar district of Rajasthan to train the specially abled children of the area. It is planning to provide them employment in its various production units and industries in the neighbourhood area.
To meet the capital expenditure requirements of the project, the company offered 20,000 shares to the public for subscription. The shares were fully subscribed and paid.
Present the share capital in the Balance Sheet of the company as per the provisions of Schedule III of the Companies Act, 2013. Also identify any two values that the company wants to communicate. **[3]**

8. What is meant by a 'Share'? Give any two differences between 'Preference Shares' and 'Equity Shares'. **[3]**

9. Jayant, Kartik and Leena were partners in a firm sharing profits and losses in the ratio of 5 : 2 : 3. Kartik died and Jayant and Leena decided to continue the business. Their gaining ratio was 2 : 3.
Calculate the new profit sharing ratio of Jayant and Leela. **[3]**

10. Complete the following journal entries left blank in the books of VK Ltd.: **[3]**

VK Ltd.
Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2018 Feb 1	______________________ Dr. ______________________ (Purchased own 500, 9% debentures of ₹100 each at ₹97 each for immediate cancellation)		______	 ______
Feb 1	______________________ Dr. ______________________ ______________________ (Cancelled own debentures)		______	 ______ ______
______	______________________ Dr. ______________________ (______________________)		______	 ______

11. Banwari, Girdhari and Murari are partners in a firm sharing profits and losses in the ratio of 4 : 5 : 6. On 31st March, 2014, Girdhari retired. On that date the capitals of Banwari, Girdhari and Murari before the necessary adjustments stood at ₹2,00,000, ₹1,00,000 and ₹50,000 respectively. On Girdhari's retirement, goodwill of the firm was valued at ₹1,14,000. Revaluation of assets and re-assessment of liabilities resulted in a profit of ₹6,000. General Reserve stood in the books of the firm at ₹30,000.

The amount payable to Girdhari was transferred to his loan account. Banwari and Murari agreed to pay Girdhari two yearly instalments of ₹75,000 each including interest @ 10% p.a. on the outstanding balance during the first two years and the balance including interest in the third year. The firm closes its books on 31st March every year.

Prepare Girdhari's loan account till it is finally paid showing the working notes clearly. **[4]**

12. Asha and Aditi are partners in a firm sharing profits and losses in the ratio of 3 : 2. They admit Raghav as a partner for $\frac{1}{4}$th share in the profits of the firm. Raghav brings ₹6,00,000 as his capital and his share of goodwill in cash. Goodwill of the firm is to be valued at two years' purchase of average profits of the last four years.

The profits of the firm during the last four years are given below:

Year	Profit (₹)
2013-14	3,50,000
2014-15	4,75,000
2015-16	6,70,000
2016-17	7,45,000

The following additional information is given:

(i) To cover management cost an annual charge of ₹56,250 should be made for the purpose of valuation of goodwill.

(ii) The closing stock for the year ended 31.3.2017 was overvalued by ₹15,000.

Pass necessary journal entries on Raghav's admission showing the working notes clearly. **[4]**

13. Chander and Damini were partners in a firm sharing profits and losses equally. On 31r4 March, 2017 their Balance Sheet was as follows:

Balance Sheet of Chander and Damini

as on 31.3.2017

Liabilities		**Amount ₹**	**Assets**	**Amount ₹**
Sundry Creditors		1,04,000	Cash at Bank	30,000
Capitals:			Bills Receivable	45,000
Chander	2,50,000		Debtors	75,000
Damini	2,16,000	4,66,000	Furniture	1,10,000
			Land and Building	3,10,000
		5,70,000		**5,70,000**

On 1.4.2017, they admitted Elina as a new partner for $\frac{1}{3}$rd share in the profits on the following conditions:

(i) Elina will bring ₹3,00,000 as her capital and ₹50,000 as her share of goodwill premium, half of which will be withdrawn by Chander and Damini.

(ii) Debtors to the extent of ₹5,000 were unrecorded.

(iii) Furniture will be reduced by 10% and 5% provision for bad and doubtful debts will be created on bills receivables and debtors.

(iv) Value of land and building will be appreciated by 20%.

(v) There being a claim against the firm for damages, a liability to the extern of ₹8,000 will be created for the same.

Prepare Revaluation Account and Partners Capital Accounts. **[6]**

14. On 1st April, 2014, KK Ltd. invited applications for issuing 5,000 10% debentures of ₹1,000 each at a discount of 6%. These debentures were repayable at the end of 3rd year at a premium of 10%. Applications for 6,000 debentures were received and the debentures were allotted on pro-rata basis to all the applicants. Excess money received with applications was refunded.

The directors decided to transfer the minimum amount to Debenture Redemption Reserve on 31.3.2016. On 1.4.2016, the company invested the necessary amount in 9% bank fixed deposit as per the provisions of the Companies Act 2013. Tax was deducted at source by bank on interest @10% p.a.

Pass the necessary journal entries for issue and redemption of debentures. Ignore entries relating to writing off loss on issue of debentures and interest paid on debentures. **[6]**

15. Pranav, Karan and Rahim were partners in a firm sharing profits and losses in the ratio of 2: 2 : 1. On 31st March, 2017 their Balance Sheet was as follows:

Balance Sheet of Pranav, Karan and Rahim

as on 31.3.2017

Liabilities		**Amount ₹**	**Assets**	**Amount ₹**
Creditors		3,00,000	Fixed Assets	4,50,000
General Reserve		1,50,000	Stock	1,50,000
Capitals			Debtors	2,00,000
Pranav	2,00,000		Bank	1,50,000
Karan	2,00,000			
Rahim	1,00,000	5,00,000		
		9,50,000		9,50,000

Karan died on 12.6.2017. According to the partnership deed, the legal representatives of the deceased partner were entitled to the following:

(i) Balance in his Capital Account

(ii) Interest on Capital @12% p.a.
(iii) Share of goodwill. Goodwill of the firm on Karan's death was valued at ₹60,000.
(iv) Share in the profits of the firm till the date of his death, calculated on the basis of last year's profit. The profit of the firm for the year ended 31.3.2017 was ₹5,00,000.

Prepare Karan's Capital Account to be presented to his representatives. **[6]**

16. Moli, Bhola and Raj were partners in a firm sharing profits and losses in the ratio of 3 : 3 : 4. Their partnership deed provided for the following:
(i) Interest on capital @ 5% p.a.
(ii) Interest on drawing @ 12% p.a.
(iii) Interest on partners' loan @ 6% p. a.
(iv) Moli was allowed an annual salary of ₹4,000; Bhola was allowed a commission of 10% of net profit as shown by Profit and Loss Account and Raj was guaranteed a profit of ₹1,50,000 after making all the adjustments as provided in the partnership agreement. Their fixed capitals were Moli : ₹5,00,000; Bhola : ₹8,00,000 and Raj : ₹4,00,000. On 1st April, 2016 Bhola extended a loan of ₹1,00,000 to the firm. The net profit of the firm for the year ended 31st March, 2017 before interest on Bhola's loan was ₹3,06,000. Prepare Profit and Loss Appropriation Account of Moli, Bhola and Raj for the year ended 31st March, 2017 and their Current Accounts assuming that Bhola withdrew ₹5,000 at the end of each month, Moli withdrew ₹10,000 at the end of each quarter and Raj withdrew ₹40,000 at the end of each half year. **[8]**

Or

Srijan, Raman and Manan were partners in a firm sharing profits and losses in the ratio of 2 : 2 : 1. On 31st March, 2017 their Balance Sheet was as follows: **[8]**

Balance Sheet of Chander and Damini
as on 31.3.2017

Liabilities		Amount ₹	Assets	Amount ₹
Capitals:			Capital: Manan	10,000
Srijan	2,00,000		Plant	2,20,000
Raman	1,50,000	3,50,000	Investment	70,000
Creditors		75,000	Stock	50,000
Bills Payable		40,000	Debtors	60,000
Outstanding Salary		35,000	Bank	10,000
			Profit & Loss A/c	80,000
		5,00,000		**5,00,000**

On the above date they decided to dissolve the firm.
(i) Srijan was appointed to realise the assets and discharge the liabilities. Srijan was to receive 5% commission on sale of assets (except cash) and was to bear all expenses of realisation.
(ii) Assets were realised as follows:

	₹
Plant	85,000
Stock	33,000
Debtors	47,000

(iii) Investments were realised at 95% of the book value.
(iv) The firm had to pay ₹7,500 for an outstanding repair bill not provided for earlier.
(v) A contingent liability in respect of bills receivable, discounted with the bank had also materialised and had to be discharged for ₹15,000.
(vi) Expenses of realisation amounting to ₹3,000 were paid Srijan.

Prepare Realisation Account Partners' Capital Accounts and Bank Account.

17. A Ltd. invited applications for issuing 1,00,000 shares of ₹10 each at a premium of ₹1 per share. The amount was payable as follows:

On Application:	₹3 per share
On Allotment:	₹3 per share (including premium)
On First Call:	₹3 per share
On Second and Final Call:	Balance amount

Applications for 1,60,000 shares were received. Allotment was made on the following basis:

(i) To applicants for 90,000 shares:	40,000 shares
(ii) To applicants for 50,000 shares:	40,000 shares
(iii) To applicants for 20,000 shares:	full shares

Excess money paid on application is to be adjusted against the amount due on allotment and calls.

Rishabh, a shareholder, who applied for 1,500 shares and belonged to category (ii), did not pay allotment, first and second and final call money.

Another shareholder, Sudha, who applied for 1,800 shares and belonged to category (i), did not pay the first and second and final call money.

All the shares of Rishabh and Sudha were forfeited and were subsequently re-issued at ₹7 per share fully paid.

Pass the necessary journal entries in the books of A Ltd. Open Calls-in-Arrears Account and Calls-in-Advance Account wherever required. **[8]**

Or

X Ltd. invited applications for issuing 50,000 equity shares of ₹10 each. The amount was payable as follows:

On Application:	₹2 per share
On Allotment:	₹2 per share
On First Call:	₹3 per share
On Second and Final Call:	Balance amount

Applications for 70,000 shares were received. Applications for 10,000 shares were rejected and the application money was refunded. Shares were allotted to the remaining applicants on a pro-rata basis and excess money received with applications was transferred towards sums due on allotment and calls, if any.

Gopal, who applied for 600 shares, paid his entire share money with application. Ghosh, who had applied for 6,000 shares, failed to pay the allotment money and his shares were immediately forfeited. These forfeited shares were re-issued to Sultan for ₹20,000; ₹4 per share paid up. The first call money and the second and final call money was called and duly received.

Pass necessary journal entries for the above transactions in the books of X Ltd. Open Calls-in-Advance Account and Calls-in-Arrears Account wherever necessary. **[8]**

SECTION B

18. State the primary objective of preparing a Cash Flow Statement. **[1]**

19. 'Interest received and paid' is considered as which type of activity by a finance company while preparing a Cash Flow Statement? **[1]**

20. From the following information obtained from the books of Kundan Ltd., calculate the inventory turnover ratio for the years 2015-16 and 2016-17 :

	2015-16 (₹)	**2016-17(₹)**
Inventory on 31st March	7,00,000	17,00,000
Revenue from operations	50,00,000	75,00,000

(Gross profit is 25% on cost of revenue from operations)

In the year 2015-16, inventory increased by ₹2,00,000. **[4]**

21. JW Ltd. was a company manufacturing geysers. As a part of its long term goal for expansion, the company

decided to identify the opportunity in rural areas. Initial plan was rolled out for Bhiwani village in Haryana. Since the village did not have regular supply of electricity, the company decided to manufacture solar geysers. The core team consisting of the Regional Manager, Accountant and the Marketing Manager was taken from the Head Office and the remaining employees were selected from the village and neighbourhood areas.
At the time of preparation of financial statements, the accountant of the company fell sick and the company deputed a junior accountant temporarily from the village for two months.
The Balance Sheet prepared by the junior accountant showed the following items against the Major Heads and Sub-heads mentioned which were not as per Schedule III of the Companies Act, 2013.

Items	Major Head/Sub-Head
Loose Tools	Trade Receivables
Cheques in Hand	Current Investments
Term Loan from Bank	Other Long-term Liabilities
Computer Software	Tangible Fixed Assets

Identify any two values that the company wants to communicate to the society. Also present the above items under the correct major heads and sub-heads as per Schedule III of the Companies Act, 2013. **[4]**

22. Prepare a common size Balance Sheet of KJ Ltd. from the following information: **[4]**

Particular	Note No.	31-3-2017 ₹	31-3-2016 ₹
I. Equity and Liabilities			
1. Shareholders' Funds		8,00,000	4,00,000
2. Non-current Liabilities		5,00,000	2,00,000
3. Current Liabilities		3,00,000	2,00,000
Total		**16,00,000**	**8,00,000**
II. Assets			
1. Non- Current Assets		10,00,000	5,00,000
2. Current Assets		6,00,000	3,00,000
Total		**16,00,000**	**8,00,000**

23. From the following Balance Sheet of JY Ltd. as at 31st March 2017, prepare a Cash Flow Statement : **[6]**

Balance Sheet of JY Ltd.
as at 31.3.2017

Particular	Note No.	31-3-2017 ₹	31-3-2016 ₹
I. Equity and Liabilities			
1. Shareholders' Funds:			
(a) Share capital		5,00,000	5,00,000
(b) Reserves and surplus	1	1,00,000	(25,000)
2. Non-current Liabilities:			
Long term-borrowing	2	2,50,000	1,50,000
3. Current Liabilities:			
(a) Short-term borrowings	3	1,50,000	1,00,000
(b) Short-term provisions	4	2,00,000	1,25,000
Total		**12,00,000**	**8,50,000**
II. Assets			
1. Non- Current Assets:			
(a) Fixed Assets:			
(i) Tangible	5	6,00,000	4,50,000
2. Current Assets:			
(a) Trade Receivable		2,75,000	2,25,000
(b) Cash and Cash Equivalents		1,25,000	75,000
(c) Short-term Loans and Advances		2,00,000	1,00,000
Total		**12,00,000**	**8,50,000**

Notes to Accounts

Note No	Particulars	31-3-2017 ₹	31-3-2016 ₹
1.	Reserve and Surplus (Surplus i.e. Balance in Statement of Profit and Loss)	1,00,000	(25,000)
		1,00,000	**(25,000)**
2.	Long term borrowings : 10 % Debentures	2,50,000	1,50,000
		2,50,000	**1,50,000**
3.	Short – term borrowings : Bank Overdraft	1,50,000	1,00,000
		1,50,000	**1,00,000**
4.	Short – term provisions: (i) Proposed Dividend (ii) Provision for Tax	75,000 1,25,000	50,000 75,000
		2,00,000	**1,25,000**
5.	Tangible Assets: Machinery Accumulated Depreciation	7,37,500 (1,37,500)	5,25,000 (75,000)
		6,00,000	**4,50,000**

Additional Information:

₹1,00,000, 10% Debentures were issued on 31-3-2017.

CBSE
Class XII Accountancy
All India Board Paper Set 3– 2018 Solution

SECTION A

1. Answer :

Basis	Dissolution of partnership	Dissolution of firm
Settlements of Assets and Liabilities	Assets and Liabilities are revalued and the gain or loss is distributed to all partners in old ratio.	Assets of the firm are realised and liabilities are settled. Balance amount, if any is distributed among all partners.

2. Answer :

Reserve Capital is a part of "Uncalled Capital".

3. Answer :

No, the relationship between Ritesh and Hitesh cannot be called as Partnership but would be they regarded as the co-owners. This is because, Partnership requires the partners to conduct the business on a regular basis and share the profits from the same whereas in this case this is a one-time activity.

4. Answer :

$$\text{Share of Chaman} = \frac{1}{6}$$

$$\text{Share acquired from Amit} = \frac{2}{5} \times \frac{1}{6} = \frac{2}{30}$$

Share acquired from Beena = Share of Chaman – Acquired from Amit

$$= \frac{1}{6} - \frac{2}{30} = \frac{3}{30} = \frac{1}{10}$$

5. Answer :

Loans taken are majorly secured by mortgage of the assets known as prime or principal security. Security given in addition to the prime or principal security is termed as Collateral Security. If the borrower is not able to pay the principal amount or interest on loan amount, then the lender has the right to recover the dues from the sale of primary security and in case if the primary security is not sufficient to recover the amount of debt, then the collateral security can be used to recover the due amount.

6. Answer :

Meetu's Share in Profits: 1/3 (as the profit sharing ratio is not given, it is assumed to be equal).
Goodwill of the firm = ₹4,20,000

$$\text{Meetu's share of Goodwill} = 4{,}20{,}000 \times \frac{1}{3} = ₹1{,}40{,}000$$

Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2018 Jan 1	Neetu's Capital A/c Dr. Teetu's Capital A/c Dr. To Meetu's Capital A/c (Being goodwill adjusted in 1:1)		70,000 70,000	 1,40,000

7. Answer :

Balance Sheet (Extract)

Particular	Note No.	Current year ₹	Previous year ₹
I. Equity and Liabilities			
1. Shareholders' Funds			
(a) Share capital	1	70,00,000	50,00,000
Total		**70,00,000**	**50,00,000**

NOTES TO ACCOUNT

	Particulars	₹
1	**Share Capital**	
	Authorised Capital	
	1,00,000 Equity Shares of ₹100 each	1,00,00,000
	Issued share Capital	
	70,000 Equity Shares of ₹100 each	70,00,000
	subscribed fully paid-up capital	
	70,000 Equity Shares of ₹100 each; Fully Called up	**70,00,000**

Values involved are:

(a) Generation of Employment

(b) Social-upliftment by showing concerns for the differently-abled children.

8. Answer :

A company is an entity incorporated by a group of persons through the process of law and has a share capital divided into shares, the owners of which are referred to as members or shareholders. Share here refers to a unit into which the share capital of a company is divided. It includes the stock of the company and represents ownership claims on business.

Basis of Difference	Preference Shares	Equity Shares
Voting Rights	Preference shareholders have voting rights only in special circumstances	Equity shareholders have voting rights in all the circumstances.
Rate of Dividend	Fixed rate of dividend is received	Rate of dividend is decided by the board every year and is approved by the shareholders.

9. Answer :

$$\text{Jayant's Share (Old)} = \frac{5}{10}$$

$$\text{Jayant's Gain} = \frac{2}{5} \times \frac{2}{10} = \frac{4}{50}$$

$$\text{Jayant's New Share} = \text{Jayant's Old Share} + \text{Jayant's Gain}$$

$$= \frac{5}{10} + \frac{4}{50} = \frac{29}{50}$$

$$\text{Leena's Share (Old)} = \frac{3}{10}$$

$$\text{Leena's Gain} = \frac{3}{5} \times \frac{2}{10} = \frac{6}{50}$$

$$\text{Leena's New Share} = \text{Leena's Old Share} + \text{Leena's Gain}$$

$$= \frac{3}{10} + \frac{6}{50} = \frac{21}{50}$$

Thus, the New Profit Sharing Ratio of Jayant and Leena would be 29 : 21

10. Answer :

VK Ltd.
Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2018 Feb 1	Own Debenture A/c Dr. To cash and Bank A/c (Purchased own 500, 9% debentures of ₹100 each at ₹97 each for immediate cancellation)		48,500	48,500
Feb 1	9% Debentures A/c Dr. To Own Debenture A/c To Gain on cancellation of Own Debenture A/c (Cancelled own debentures)		50,000	48,500 1,500
March 31	Gain on cancellation of Own Debenture A/c Dr. To Capital Reserve A/c (Gain on cancellation transferred to capital Reserve)		1,500	1,500

11. Answer :

Capital of Girdhari = ₹1,00,000

Girdhari's Share of Goodwill = $1,14,000 \times \frac{5}{15} = 38,000$

Girdhari's Share in Revaluation Profit = $6,000 \times \frac{5}{15} = 2,000$

Girdhari's Share in General Reserve = $30,000 \times \frac{5}{15} = 10,000$

Total Amount Payable to Girdhari = ₹1,00,000 + ₹ 38,000 + ₹ 2,000 + ₹ 10,000 = ₹1,50,000

In books of Banwari & Murari
Girdhari's Loan Account

Dr. Cr.

Date	Particulars	₹	Date	Particulars	₹
2015			2014		
March 31	To Cash and Bank A/c	75,000	April 1	By Girdhari's Capital A/c	1,50,000
March 31	To Balance c/d	90,000	2015		
			March 31	By Interest A/c	15,000
		1,65,000			**1,65,000**
2016			2015		
March 31	To Cash and Bank A/c	75,000	April 1	By Balance b/d	90,000
March 31	To Balance c/d	24,000	2016		
			March 31	By Interest A/c	9,000
		99,000			**99,000**
2016			2016		
March 31	To Cash and Bank A/c	26,400	April 1	By Balance b/d	24,000
			2016		
			March 31	By Interest A/c	2,400
		26,400			**26,400**

Working Notes:

1. Interest for Year 1 $= 1,50,000 \times \frac{10}{100} = 15,000$

2. Interest for Year 2 $= 90{,}000 \times \frac{10}{100} = 9{,}000$

3. Interest for Year 1 $= 24{,}000 \times \frac{10}{100} = 2{,}400$

12. Answer :

Computation of Adjusted Profit:

Journal
In the books of Z Ltd

Year	Profit (₹) Adjustments		Adjusted Profit (₹)
2013-14	₹3,50,000 – ₹56,250 for Management Cost		2,93,750
2014-15	₹4,75,000 – ₹56,250 for Management Cost		4,18,750
2015-16	₹6,70,000 – ₹56,250 for Management Cost		6,13,750
	₹7,45,000 – ₹56,250 for Management Cost	6,88,750	
2016-17	– ₹15,000 overvaluation of closing Stock	(15,000)	6,73,750
	Total Profit		20,00,000

Average Profit $= \frac{₹20{,}00{,}000}{4} = ₹5{,}00{,}000$

Goodwill = Average Profit × No. of years purchase $= ₹5{,}00{,}000 \times 2 = ₹10{,}00{,}000$

Raghav's Share of Goodwill $= ₹10{,}00{,}000 \times \frac{1}{4} = ₹2{,}50{,}000$

In the books of Asha, Aditi & Raghav
Journal

Date	Particulars		L.F.	Dr. ₹	Cr. ₹
2017 Apr. 1	Cash A/c	Dr.		8,50,000	
	To Raghav's Capital A/c				6,00,000
	To Premium for Goodwill A/c				2,50,000
	(Being Raghav's Capital and share of goodwill brought in cash)				
Apr. 1	Premium for Goodwill A/c	Dr.		2,50,000	
	To Asha's Capital A/c				1,50,000
	To Aditi's Capital A/c				1,00,000
	(Being Goodwill distributed among sacrificing partners in the ratio 3:2)				

13. Answer :

In the books of Chander & Damini
Revaluation Account

Dr. Cr

Particulars		₹	Particulars	₹
To Furniture		11,000	By Debtors	5,000
To Provision for bad & Doubtful debts		6,250	By Land and Building	62,000
To Claim for Damages		8,000		
To Profit transferred to:				
Chander's Capital	20,875			
Damini's Capital	20,875	41,750		
		67,000		**67,000**

In the books of Chander, Damini & Elina
Partner's Capital Account

Dr. Cr.

Particulars	Chander	Damini	Elina	Particulars	Chander	Damini	Elina
To Bank A/c	12,500	12,500		By Balance b/d	2,50,000	2,16,000	
To Balance c/d	2,83,375	2,49,375	3,00,000	By Bank A/c			3,00,000
				By Premium for Goodwill A/c	25,000	25,000	
				By Revaluation A/c	20,875	20,875	
	2,95,875	2,61,875	3,00,000		2,95,875	2,61,875	3,00,000

14. Answer :

In the books of KK Ltd.
Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2014 Apr 1	Bank A/c Dr. To Debenture Application & Allotment A/c (Being debenture application money received @ ₹940 on 6,000 debentures)		56,40,000	56,40,000
Apr 1	Debenture Application & Allotment A/c Dr. Loss on Issue of Debentures A/c (3,00,000 + 5,00,000) Dr. To 10% Debenture A/c To Premium on Redemption of Debenture A/c To Bank A/c (1000*940) (Being debentures allotted at a discount of 6% to be redeemable at a 10% premium. Excess refunded.)		56,40,000 8,00,000	50,00,000 5,00,000 9,40,000
2016 Mar 31	Balance in Statement of Profit & Loss A/c Dr. To Debenture Redemption Reserve A/c (Being DRR created at 25%)		12,50,000	12,50,000
Apr 1	Debenture Redemption Investment A/c Dr. To Bank A/c (Being DRI in 9% Fixed deposit @ 15% of Debenture Face Value)		7,50,000	7,50,000
2017 Mar 31	10% Debenture A/c Dr. Premium on Redemption of Debentures A/c Dr. To Debentureholders A/c (Being debenture and premium repayment due)		50,00,000 5,00,000	55,00,000
Mar 31	Bank A/c Dr. Income Tax Paid A/c Dr. To Debenture Redemption Investment A/c To Interest on Debenture Redemption Investment A/c (Being DRI matured and 9% Interest received thereon. Tax Deducted at source being 10% of the interest)		8,10,750 6,750	7,50,000 67,500
Mar 31	Debentureholders A/c Dr. To Bank A/c		55,00,000	55,00,000

	(Being amount paid to Debentureholders)			
Mar 31	Debenture Redemption Reserve A/c Dr. To General Reserve A/c (Being DRR transferred to General Reserve)		12,50,000	12,50,000

15. Answer :

In the books of Pranav, Karan & Rahim
Karan's Capital Account

Dr. Cr

Date	Particulars	₹	Date	Particulars	₹
2017 Jun 12	Karan's Executors A/c	3,28,800	Jun 12	Balance b/d	2,00,000
			Jun 12	Interest on Capital A/c (WN 1)	4,800
			Jun 12	Pranav's Capital (Goodwill) (WN 2)	16,000
			Jun 12	Rahim's Capital (Goodwill) (WN 2)	8,000
			Jun 12	Profit Loss Suspense A/c (WN3)	40,000
			Jun 12	General Reserve A/c	60,000
		3,28,800			**3,28,800**

Working Notes:

1. **Interest on capital** $= 2,00,000 \times \frac{12}{100} \times \frac{73}{365} = 4,800$

2. **Karan's Goodwill** $= 60,000 \times \frac{2}{5} = 24,000$

3. **Profit till the date of death** $= 5,00,000 \times \frac{73}{365} \times \frac{2}{5} = 40,000$

16. Answer :

In the books of Moli, Bhola & Raj
Profit & Loss Account
for the year ended 31st march 2017

Dr. Cr.

Particulars	₹	Particulars	₹
To Interest on Bhola's Loan	6,000	By Net Profit	3,06,000
To Net Profit (P/L Appropriation)	3,00,000		
	3,06,000		**3,06,000**

In the books of Moli, Bhola & Raj
Profit & Loss Appropriation Account
for the year ended 31st march 2017

Dr. Cr.

Particulars		₹	Particulars		₹
To Interest on Capital:			By Net Profit (P/L A/c)		3,00,000
Moli's Current	25,000		By Interest on Drawing		
Bhola's Current	40,000		Moli's Current	1,800	
Raj's Current	20,000	85,000	Bhola's Current	3,300	
Moli's Salary		4,000	Raj Current	2,400	7,500
Bhola's Commission		30,000			
Profit transferred to:					
Moli's Current (56,550 – 37,300)	19,250				
Bhola's Current (56,550 – 37,300)	19,250				
Raj's Current (75,400+37,300+37,300)	1,50,000	1,88,500			
		3,07,500			**3,07,500**

Partner's Capital Account

Dr. Particulars	Moli	Bhola	Raj	Particulars	Moli	Bhola	Raj Cr.
To Drawings	60,000	40,000	80,000	By P/L Appropriation (IOC)	25,000	40,000	20,000
To P/L Appropriation	1,800	3,300	2,400	By P/L Appropriation (Salary)	4,000		
To Balance c/d		45,950	87,600	By P/L Appropriation (Commission)		30,000	
				By P/L Appropriation (Divisible profit)	19,250	19,250	1,50,000
				By Balance c/d	13,550		
	61,800	89,250	1,70,000		61,800	89,250	1,70,000

Or

Realisation Account

Dr. Particulars		₹	Particulars		₹ Cr
To Plant A/c		2,20,000	By Creditors		75,000
To Investment A/c		70,000	By Bills Payable		40,000
To Stock A/c		50,000	By Outstanding Salary		35,000
To Debtors A/c		60,000	By Bank A/c		
To Bank A/c			Plant	85,000	
Creditors	75,000		Stock	33,000	
Bills Payable	40,000		Debtors	47,000	
Outstanding Salary	35,000	1,50,000	Investment	66,500	2,31,500
To Bank A/c			By Partners Capital A/c		
Outstanding Bill for Repair	7,500		Srijan	81,030	
Dishonour of Discount Bill	15,000	22,500	Raman	81,030	
To Srijan's Capital A/c Commission (2,31,500×0.05)		11,575	Manan	40,515	2,02,575
		5,84,075			**5,84,075**

Partner's Capital Account

Dr. Particulars	Srijan	Raman	Manan	Particulars	Srijan	Raman	Manan Cr.
To Balance b/d			10,000	By Balance b/d	2,00,000	1,50,000	
To P/L A/c	32,000	32,000	16,000	By Realisation A/c (Commission)	11,575		
To Realisation A/c (Loss)	81,030	81,030	40,515	By Bank A/c			66,515
To Bank A/c	98,545	36,970					
	2,11,575	1,50,000	66,515		2,11,575	1,50,000	66,515

Bank Account

Dr. Particulars	₹	Particulars	₹ Cr.
To Balance b/d	10,000	By Realisation A/c	1,50,000
To Realisation A/c (Asset realised)	2,31,500	By Realisation A/c	22,500
To Manan's Capital A/c	66,515	By Srijan's Capital A/c	98,545
		By Raman's Capital A/c	36,970
	3,08,015		**3,08,015**

17. Answer :

In the books of A Ltd.
Journal

Date	Particulars		L.F.	Dr. ₹	Cr. ₹
(i)	Bank A/c To Equity Share Application A/c (Being application money received on 1,60,000 shares)	Dr.		4,80,000	 4,80,000
(ii)	Equity Share Application A/c To Equity Share Capital A/c To Equity Share Allotment A/c To Calls in Advance A/c (Being application money received transferred to Share Capital, to be adjusted on allotment and calls)	Dr.		4,80,000	 3,00,000 1,50,000 30,000
(iii)	Equity Share Allotment A/c (3×1,00,000) To Equity Share Capital A/c (2×1,00,000) To Securities Premium Reserve A/c (1×1,00,000) (Being allotment made due on 1,00,000 shares)	Dr.		3,00,000	 2,00,000 1,00,000
(iv)	Bank A/c Calls in Arrears A/c (WN1) To Equity Share Allotment A/c (3×50,000) (Being allotment money received except 1,200 shares of Rishabh)	Dr. Dr.		1,47,300 2,700	 1,50,000
(v)	Equity Share First Call A/c (3×1,00,000) To Equity Share Capital A/c (3×1,00,000) (Being share first call money due on 1,00,000 shares)	Dr.		3,00,000	 3,00,000
(vi)	Bank A/c Calls in Advance A/c Calls in Arrears A/c (WN) To Equity Share First Call A/c (Being first call money received)	Dr. Dr. Dr.		2,64,600 30,000 5,400	 3,00,000
(vii)	Equity Share Second and Final Call A/c (2×1,00,000) To Equity Share Capital A/c (Being share second and final call money due on 1,00,000 shares)	Dr.		2,00,000	 2,00,000
(viii)	Bank A/c Calls in Arrears A/c(2×2,000) To Equity Share Second and Final Call A/c (Being share second and final Call money received)	Dr. Dr.		1,96,000 4,000	 2,00,000
(ix)	Share Capital A/c (2,000×10) Securities Premium Reserve A/c (1×1,200) To Calls in Arrears A/c (2,700 + 5,400 + 4,000) To Share Forfeiture A/c (Being 2000 shares of Rishabh and Sudha forfeited due to non-payment of allotment and call money)	Dr. Dr.		20,000 1,200	 12,100 9,100
(x)	Bank A/c (7×2,000) Share Forfeiture A/c To Share Capital A/c (10×2000)	Dr. Dr.		14,000 6,000	 12,000

	(Being 2000 forfeited shares of Rishabh and Sudha reissued as fully paid-up)			
(xi)	Share Forfeiture A/c (9,100 – 6,000) Dr. To Capital Reserve A/c (Being amount forfeited transferred to Capital Reserve)		3,100	3,100

Working Note:

Note No.	Particulars	Amount (₹)
1	**Amount not paid by Rishabh (Calls in Arrears)**	
	Allotment Due on Rishabh's Shares (3×1,200)	3,600
	Less: Excess on Application 3×(1500-1200)	900
		2,700
	#No. of Shares allotted to Rishabh = 1,500×40,000/50,000 =1,200	
2	**Amount not paid in respect of First Call (Calls in Arrears)**	
	First call Due (3×2000)-i.e. on 800 and 1,200 shares	6,000
	Less: Excess on Application on Sudha's Shares 3×(1800- 800)-2,400 i.e. adjusted on allotment	600
		5,400

Pro Rata Table

Shares Applied for (₹3)		Shares Allotted (₹3)		Allotment (₹3)	First Call (₹3)	Second & Final Call (₹2)	Refund
Units	₹	Units	₹	₹	₹	₹	₹
90,000	2,70,000	40,000	1,20,000	1,20,000	30,000	-	Nil
50,000	1,50,000	40,000	1,20,000	30,000	-	-	Nil
20,000	60,000	20,000	60,000	-	-	-	Nil
1,60,000	4,80,000	1,00,000	3,00,000	1,50,000	30,000		

Or

Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
	Bank A/c Dr. To Equity Share Application A/c (Being equity Share Application money received)		1,44,800	1,44,800
	Equity Share Application A/c Dr. To Equity Share Capital A/c To Equity Share Allotment A/c To Calls in Advance A/c To Bank A/c (Being pro-rata Allotment made, excess adjusted towards allotment, calls and refunded)		1,44,800	1,00,000 20,800 3,000 21,000
	Equity Share Allotment A/c Dr. To Equity Share Capital A/c (Being allotment made due)		1,00,000	1,00,000
	Bank A/c Dr. Calls in Arrears A/c Dr. To Equity Share Allotment A/c (Being allotment money received except from Ghosh)		71,200 8,000	79,200

	Equity Share Capital A/c Dr. To Calls in Arrears A/c To Share Forfeiture A/c (Being share forfeiture)		20,000	 8,000 12,000
	Bank A/c Dr. To Equity Share Capital A/c (Being shares reissued to Sultan)		20,000	 20,000
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Being amount forfeited transferred to Capital Reserve)		12,000	 12,000
	Equity Share First Call A/c Dr. To Equity Share Capital A/c (Being share first call money made due)		1,50,000	 1,50,000
	Bank A/c Dr. Calls in Advance A/c Dr. To Equity Share First Call A/c (Being first call money received)		1,48,500 1,500	 1,50,000
	Equity Share Second and Final Call A/c Dr. To Equity Share Capital A/c (Being share second and final call money made due)		1,50,000	 1,50,000
	Bank A/c Dr. Calls in Advance A/c Dr. To Equity Share Second and Final Call A/c (Being share second and final Call money received)		1,48,500 1,500	 1,50,000

Computation Table

Categories	Shares Applied	Shares Allotted	Money received on Application @ ₹2 each	Money transferred to Share Capital @ ₹2 each	Surplus	Allotment due @ ₹2 each	Call in Advance @ ₹6 each	Refund
I	10,000	NIL	20,000	NIL	20,000	NIL	NIL	20,000
II	59,400	49,500	1,18,800	99,000	19,800	19,800	NIL	NIL
III	600	500	6,000	1,000	5,000	1,000	3,000	1,000
	70,000	**50,000**	**1,44,800**	**1,00,000**	**44,800**	**20,800**	**3,000**	**21,000**

Calculation of Amount Due towards Ghosh:

Shared Applied: 6,000

Shares Allotted: 5,000

Application due towards Ghosh: ₹10,000

Application money received from Ghosh: ₹12,000

Excess application money received (to be adjusted against allotment): ₹2,000

Allotment money not received (Arrears): ₹8000 (10,000 – 2,000)

SECTION B

18. Answer:

The objective of preparing Cash Flow Statement is to determine the sources (receipts) and the application (payments) of cash and cash equivalents under different activities i.e., operating/investing/financing activity.

19. Answer :

For a finance company, Interest Paid & Received is treated as Cash Flow from Operating Activities. Interest received is cash inflow whereas interest paid is cash outflow.

20. Answer :

Computation of Inventory Turnover Ratio

2016-17

COGS = Revenue from Operations – Gross Profit

$$= 75{,}00{,}000 - \left(75{,}00{,}000 \times \frac{25}{125}\right) = 75{,}00{,}000 - 15{,}00{,}000 = ₹60{,}00{,}000$$

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

$$= \frac{7{,}00{,}000 + 17{,}00{,}000}{2} = ₹12{,}00{,}000$$

$$\text{Inventory Turnover Ratio} = \frac{\text{Cost of Goods Sold (COGS)}}{\text{Average Inventory}} = \frac{60{,}00{,}000}{12{,}00{,}000} = 5 \text{ times}$$

2015-16

Cost of Goods Sold (COGS) = Revenue from Operations – Gross Profit

$$= 50{,}00{,}000 - \left(50{,}00{,}000 \times \frac{25}{125}\right)$$

$$= 50{,}00{,}000 - 10{,}00{,}000 = `40{,}00{,}000$$

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

$$= \frac{5{,}00{,}000 + 7{,}00{,}000}{2} = ₹6{,}00{,}000$$

$$\text{Inventory Turnover Ratio} = \frac{\text{Cost of Goods Sold (COGS)}}{\text{Average Inventory}} = \frac{40{,}00{,}000}{6{,}00{,}000} = 6.67 \text{ times}$$

21. Answer :

The values being communicated are:

1. Sustainable use of Energy & Environment Protection
2. Rural Development & Employment Generation

Item	Major Heads	Sub Head
Loose tools	Current Assets	Inventories
Cheques in hand	Current Assets	Cash & Cash Equivalents
Term Loan from Bank	Non- Current Liabilities	Long-Term Borrowing
Computer Software	Non- Current Assets	Fixed Assets-Intangible Assets

22. Answer :

Common Size Balance sheet of KJ Ltd.

Particular	Note No.	Absolute Amount		% of Balance sheet Total	
		31-3-2016 ₹	31-3-2017 ₹	31-3-2016 ₹	31-3-2017 ₹
I. Equity and Liabilities					
1. Shareholders' Funds		4,00,000	8,00,000	50.00	50.00
2. Non-current Liabilities		2,00,000	5,00,000	25.00	31.25
3. Current Liabilities		2,00,000	3,00,000	25.00	18.75
Total		**8,00,000**	**16,00,000**	**100.00**	**100.00**
II. Assets					
1. Non- Current Assets		5,00,000	10,00,000	62.50	62.50
2. Current Assets		3,00,000	6,00,000	37.50	37.50
Total		**8,00,000**	**16,00,000**	**100.00**	**100.00**

23. Answer:

	Particulars	₹	₹
A	**Cash Flow from Operating Activities**		
	Profit as per statement of Profit and Loss on 31st March 2017	1,00,000	
	Less: Profit as per statement of Profit and Loss on 31st March 2016 (Loss)	(25,000)	
		1,25,000	
	Add: Proposed Dividend	75,000	
	Provision for Tax	1,25,000	3,25,000
	Net Profit Before Taxation and Extra-ordinary items		
	Items to be Added:		
	Depreciation Expenses (1,37,500 – 75,000)	62,500	
	Interest on Debentures (1,50,000 × 10%)	15,000	77,500
	Operating Profit Before Working Capital Changes		4,02,500
	Less : Decreases in Current Liabilities and Increases in Current Assets		
	Increases in Trade Receivables (2,75,000 – 2,25,000)	50,000	
	Increases in Short term Loans & Advance (2,00,000 – 1,00,000)	1,00,000	1,50,000
	Cash Generated from Operations		2,52,500
	Less : Tax Paid during the year		75,000
	Net Cash Flows from Operating Activities		**1,77,500**
B	**Cash Flow from Investing Activities**		
	Purchase of Machinery (7,37,500 – 5,25,000)	(2,12,500)	2,12,500
	Cash Used in Investing Activities		**(2,12,500)**
C	**Cash Flow from Financing Activities**		
	Proceeds from Issue of 10% Debentures (2,50,000 – 1,50,000)	1,00,000	
	Increase in Bank Overdraft (1,50,000 – 1,00,000)	50,000	
	Dividend Paid i.e. Opening Proposed Dividend	(50,000)	
	Interest on Debentures (1,50,000 × 10%)	(15,000)	
	Net Cash Flow from Financing Activities		**85,000**
D	**Net Increase or Decrease in Cash and Cash Equivalents (A+B +C)**		50,000
	Add : Cash and Cash Equivalents in the beginning of the period		75,000
	Cash and Cash Equivalents at the end of the period		**1,25,000**