Accountancy 2019
Abroad Set-3

General Instructions:

(i) *This question paper contains* ***two*** *parts* ***A*** *and* ***B****.*

(ii) Part ***A*** *is* ***compulsory*** *for all.*

(iii) Part ***B*** *has* ***two*** *options: Analysis of Financial Statements and Computerized Accounting.*

(iv) Attempt only ***one*** *option of Part* ***B****.*

(v) All parts of a question should be attempted at one place.

Question 1

A and B were partners in a firm sharing profits in the ratio of 3 : 2. C and D were admitted as new partners. A sacrificed 1/4 th of his share in favour of C and B sacrificed 50% of his share in favour of D. Calculate the new profit sharing ratio of A, B, C and D.

SOLUTION:

Profit-sharing ratio between A & B = 3 : 2

A's new share = Old Share − Share sacrificed in favour of $\mathrm{C} = \frac{3}{5} - \left(\frac{1}{4} \times \frac{3}{5}\right) = \frac{9}{20}$

$\mathrm{C's\ Share} = \left(\frac{1}{4} \times \frac{3}{5}\right) = \frac{3}{20}$

B's Share = Old Share − Share sacrificed in favour of $\mathrm{D} = \frac{2}{5} - \left(\frac{1}{2} \times \frac{2}{5}\right) = \frac{1}{5}$

$\mathrm{D's\ Share} = \left(\frac{1}{2} \times \frac{2}{5}\right) = \frac{1}{5}$

New profit-sharing ratio between A, B, C and D

$\mathbf{A : B : C : D} = \frac{9}{20} : \frac{4}{20} : \frac{3}{20} : \frac{4}{20}$

Question 2

Distinguish between 'Reconstitution of Partnership' and 'Dissolution of Partnership Firm' on the basis of 'Closure of books'.

OR

State the basis of calculating the amount of profit payable to the legal representative of a deceased partner in the year of death.

SOLUTION:

Basis of Difference	Reconstitution of Partnership	Dissolution of a Partnership Firm
Closure of Books of Accounts	Books of accounts are not closed as there is only a change in the existing agreement between the partners.	There is a closure of the books of accounts as there is discontinuance of business of the firm.

OR

The legal representative of the deceased partner is eligible for profits on the basis of either:

Time Basis = Average Profits × No. of months partner remained /12 × Share of deceased Partner; or

Sales Basis = Previous Year's Profit/ Previous Year's Sale × Sales till the death of a partner × Share of Deceased Partner

Question 3
What is meant by 'Issue of Debentures as Collateral Security'?

OR

State the provision of the Companies Act, 2013 for the creation of Debenture Redemption Reserve.

SOLUTION:
Issue of debentures as collateral security means the issue of debentures as a secondary security in addition to the primary security and acts as an extra cushion to the lender against default in repayment of loan.

OR

As per the provisions of the Companies Act, 2013, at-least twenty-five per cent of the nominal value of the debentures being redeemed is to be transferred to this reserve before the redemption takes place.

Question 4
Differentiate between 'Receipt and Payments Account' and 'Income and Expenditure Account' on the basis of 'Period'.

OR

What is meant by 'Life membership fees'?

SOLUTION:

Basis of Difference	Receipts and Payments Account	Income and Expenditure Account
Period of recording the transactions	All the cash transactions are recorded in this account irrespective of the time period.	All the transactions whether cash or non-cash pertaining to the current year are recorded in this account.

OR

These are the lump-sum fees which are paid only once by the member of a Not-for-profit organization.

Question 5

Dev withdrew ₹ 10,000 on 15[th] day of every month. Interest on drawings was to be charged @ 12% per annum. Calculate interest on Dev's drawings.

SOLUTION:

Amount of Drawings = ₹ (10,000 × 12) = ₹ 1,20,000
Rate of Interest on Drawings = 12% p.a.

Amount of Drawings = ₹ (10,000 × 12) = ₹ 1,20,000
Rate of Interest on Drawings = 12% p.a.

$$\text{Average Period of drawings} = \frac{\text{Months remaining after the first drawings} + \text{Months remaining after the last drawings}}{2}$$

$$= \frac{11.5+0.5}{2} = 6$$

$$\textbf{Interest on Drawings} = \text{Amount of Drawings} \times \frac{\text{Average Period of drawings}}{12} \times \frac{\text{Rate of Drawings}}{100}$$

$$= 1,20,000 \times \frac{6}{12} \times \frac{12}{100} = \textbf{□7,200}$$

Question 6

State any two situation when a partnership firm may be compulsorily dissolved

SOLUTION:

A firm is compulsorily dissolved in the following circumstances:
When all the partners or any one partner becomes insolvent.

When the business of the firm becomes unlawful.

Question 7
What is meant by 'over-subscription' of shares ? With the help of an example, briefly explain the alternatives available for allotment of shares in case of over-subscription.

OR

What is meant by 'Forfeiture of shares' ? When does 'gain on forfeited shares' arise and when is it transferred to capital reserve ?

SOLUTION:
Over-subscriptions of shares means that the number of shares applied for by the general public exceeds the number of shares offered for subscription. The various alternatives in case of over-subscription has been explained with the help of an example below:
Suppose, ABC Ltd. has issued 50,000 shares for subscription whereas applications have been received for 80,000 shares then in this case the options available for the company are:

- **Reject excess applications** i.e. 50,000 shares will be allotted to 50,000 applicants on a first come first serve basis and the excess applications of 30,000 shares are rejected.

- **Allot on a pro-rata basis (proportionate basis)** i.e. 50,000 shares are allotted to applicants of 80,000 shares on a proportionate basis.

- **Allot some on pro-rata basis and reject some** i.e. 50,000 shares are allotted to 70,000 applicants on a proportionate basis and the rest 10,000 applications are rejected.

OR

Forfeiture of Shares is the cancellation of shares due to non-payment of allotment or call money or both after giving a proper notice to the shareholder of such shares.
The gain on forfeited shares arises when such shares are reissued for subscription to another shareholder.

When the shares are reissued at par, premium or discount then in this case the amount in the share forfeiture account after all the necessary adjustments is transferred to the capital reserve.

Question 8

Devi, Dayal and Daya were partners in a firm sharing profits in the ratio of 2 : 1 : 2. On 31st March, 2018, they admitted Divya as a new partner for 1/5 th share in the profits. Their new profit sharing ratio was 1 : 2 : 1 : 1. Divya brought ₹ 5,00,000 as her capital and ₹ 50,000 for her share of goodwill premium.
Pass necessary journal entries for the above transactions in the books of the firm on Divya's admission.

SOLUTION:

In the books of Devi, Dayal, Daya and Divya
Journal

Date	Particulars	L.F.	Debit Amount ₹	Credit Amount ₹
2018 March 31	Cash A/c Dr.		5,50,000	
	To Divya's Capital A/c			5,00,000
	To Premium for Goodwill A/c			50,000
	(Being capital and goodwill brought in by the new partner)			
2018 March 31	Premium for Goodwill A/c Dr.		50,000	
	To Devi's Capital A/c			25,000
	To Daya's Capital A/c			25,000
	(Being goodwill brought in by new partner adjusted)			
2018 March 31	Dayal's Capital A/c Dr.		50,000	
	To Devi's Capital A/c			25,000
	To Daya's Capital A/c			25,000
	(Being adjustment of goodwill)			

Working Notes:

Calculation of Sacrificing Ratio			
	Devi	**Dayal**	**Daya**
Old Ratio	2/5	1/5	2/5
New Ratio	1/5	2/5	1/5
Sacrificing Ratio	1/5	(1/5)	1/5

Since, Dayal is also a gaining partner due to change in the profit sharing ratio so he will also be bringing certain sum by way of goodwill.
For 1/5 th share goodwill brought in = ₹ 50,000 (as is also brought in by Divya)

Question 9
From the follwing informaiton, calculate the amount of stationery consumed by 'shree Club' for the year ended 31st March, 2018.

Particulars	31.3.2017 ₹	31.3.2018 ₹
Balance of stationery	24,000	29,500
Creditors for stationery	2,09,000	1,95,000

During the year creditors were paid ₹ 3,00,000

SOLUTION:

Calculation of Stationery consumed by Shree Club for the year ended 31st March 2018

Particulars	Amount (₹)
Opening Stock of Stationery	24,000
Add: Closing Creditors of Stationery	1,95,000
Payment to Creditors during the year	3,00,000
	5,19,000
Less: Opening Creditors of Stationery	(2,09,000)
Closing Stock of Stationery	(29,500)
Amount to be debited to Income & Expenditure A/c	**2,80,500**

Question 10

On 1st April, 2018, R.J. Ltd issued ₹ 10,00,000, 9 % debentures of ₹ 100 each at a discount of 10%. These debentures were redeemable at a premium of 5% after four years.

Pass necessary journal entries for the issue of debentures and prepare 9% Debentures Account.

SOLUTION:

Journal of RJ Ltd.

Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)
2018 April 01	Bank A/c (90 × 10,000) Dr.		9,00,000	
	To 9% Debenture Application A/c			9,00,000
	(Being application money received on 10,000 debentures of ₹100 each @ 10% discount)			
April 01	9% Debenture Application A/c Dr.		9,00,000	
	Loss on issue of Debentures A/c (15 × 10,000) Dr.		1,50,000	
	To 9% Debentures A/c (100 × 10,000)			10,00,000
	To Premium on Redemption of Debentures A/c (5 × 10,000)			50,000
	(Being application money transferred to 9% Debentures, created liability against premium payable on redemption and assumed loss)			

9% Debentures Account

Dr. Cr.

Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
2018 April 30	To Balance c/d		10,00,000	2018 April 01	By 9% Debenture Application A/c		9,00,000
				April 01	By Loss on issue of Debentures A/c		1,00,000
			10,00,000				**10,00,000**

Question 11

J, K and L were partners in a firm sharing profits in the ratio of 4 : 5 : 1. On 31st March, 2018 their firm was dissolved. On this date the Balance Sheet showed a balance of ₹ 1,34,000 in debtors account and a balance of ₹ 14,000 in provision for bad debts account. Both the accounts were closed by transferring their balances to realisation account. ₹ 4,000 of the debtors became bad and nothing could be realised from them on dissolution. K agreed to look after the dissolution work for which he was allowed a remuneration of ₹ 16,000. K also agreed to bear dissolution expenses for which he was allowed a lumpsum payment of ₹ 4,000. Actual dissolution expenses were ₹ 6,500 and the same were paid from the firm's cash. Loss on dissolution amounted to ₹ 37,000. Pass necessary journal entries for the above transactions in the books of the firm on its dissolution

SOLUTION:

Journal

Date	Particulars	L.F.	Debit Amount ₹	Credit Amount ₹
	Cash A/c Dr. To Realisation A/c (1,34,000 – 4,000) (Being debtors realised after adjusting for bad debts)		1,30,000	 1,30,000
	Realisation A/c Dr. To K's Capital A/c (Being remuneration paid for dissolution work)		16,000	 16,000
	Realisation A/c Dr. To K's Capital A/c (Being lump-sum payment made to K for bearing dissolution expenses)		4,000	 4,000
	K's Capital A/c Dr. To Cash/Bank A/c (Being realisation expenses were to be borne by K but paid out of firm's cash)		6,500	 6,500
	J's Capital A/c Dr. K's Capital A/c Dr. L's Capital A/c Dr. To Realisation A/c (Being loss on realisation transferred to partner's capital accounts)		14,800 18,500 3,700	 37,000

Question 12

E, F and G were partners in a firm sharing profits in the ratio of 3 : 3 : 4. Their respective fixed capitals were E ₹ 3,00,000; F ₹ 4,00,000 and G ₹ 5,00,000. The partnership deed provided for allowing interest on capital @ 12% p.a. even if it results into a loss to the firm. The net profit of the firm for the year ended 31st March, 2018 was ₹ 2,10,000. Pass necessary journal entries for allowing interest on capital and division of profit/loss in the books of the firm.

SOLUTION:

In the books of E, F and G
Journal

Date	Particulars	L.F.	Debit Amount ₹	Credit Amount ₹
	Profit & Loss A/c Dr.		1,44,000	
	To E's Current A/c			36,000
	To F's Current A/c			48,000
	To G's Current A/c			60,000
	(Being Interest on capital charged)			
	Profit & Loss A/c Dr.		66,000	
	To Profit & Loss Appropriation A/c			66,000
	(Being profit transferred to profit and loss appropriation account for distribution)			
	Profit & Loss Appropriation A/c Dr.		66,000	
	To E's Current A/c			19,800
	To F's Current A/c			19,800
	To G's Current A/c			26,400
	(Being profit distributed among the partners in the ratio 3:3:4)			

Working Notes:

Calculation of Interest on Capital

$$\text{Interest on E's Capital} = 3,00,000 \times \frac{12}{100} = ₹\ \mathbf{36,000}$$

$$\text{Interest on F's Capital} = 4,00,000 \times \frac{12}{100} = ₹\ \mathbf{48,000}$$

$$\text{Interest on G's Capital} = 5,00,000 \times \frac{12}{100} = ₹\ \mathbf{60,000}$$

Net Profit after charging interest on Capital = ₹ (2,10,000 − 1,44,000) = ₹ 66,000

Question 13

Pass necessary rectifying journal entries for the following omissions committed while preparing Profit and Loss Appropriation Account. You are also required to show your workings clearly.

(i) A, B and C were partners sharing profits and losses equally. Their fixed capitals were A ₹ 4,00,000; B ₹ 5,00,000 and C ₹ 6,00,000. The partnership deed provided that interest on partners' capital will be allowed @ 10% per annum. The same was omitted.

(ii) P, Q and R were partners in a firm sharing profits and losses in the ratio of 2 : 2 : 1. Their partnership deed provided that interest on partners' drawings will be charged @ 18% p.a. Interest on the partners' drawings was ₹ 1,000, ₹ 500 and ₹ 2,000 respectively. The same was omitted.

SOLUTION:

(i)

In the books of A, B and C
Journal

Date	Particulars	L.F.	Debit Amount ₹	Credit Amount ₹
	A's Current A/c Dr. To C's Current A/c (Being Interest on capital previously omitted and now adjusted)		10,000	 10,000

Statement showing adjustment:

Particulars	A's Current A/c		B's Current A/c		C's Current A/c		Firm	
	Dr. (₹)	Cr. (₹)	Dr. (₹)	Cr. (₹)	Dr. (₹)	Cr. (₹)	Dr. (₹)	Cr. (₹)
Interest on Capital @10% p.a. (Cr.)		40,000		50,000		60,000	1,50,000	
For sharing the loss above (Dr.)	50,000		50,000		50,000			1,50,000
Balance to be adjusted	**10,000 (Dr.)**		**Nil**		**10,000 (Cr.)**		**Nil**	

In the books of P, Q and R
Journal

Date	Particulars	L.F.	Debit Amount ₹	Credit Amount ₹
	R's Capital A/c Dr. To P's Capital A/c To Q's Capital A/c (Being Interest on Drawings previously omitted and now adjusted)		1,300	 400 900

Statement showing adjustment:

Particulars	P's Capital A/c		Q's Capital A/c		R's Capital's A/c		Firm	
	Dr. (₹)	Cr. (₹)	Dr. (₹)	Cr. (₹)	Dr. (₹)	Cr. (₹)	Dr. (₹)	Cr. (₹)
Interest on Drawings (Dr.)	1000		500		2,000			3,500
For sharing the profit above (Cr.)		1,400		1,400		700	3,500	
Balance to be adjusted	**400 (Cr.)**		**900 (Cr.)**		**1,300 (Dr.)**		**NIL**	

Question 14

A, B and C were partners sharing profits and losses in the ratio of 2 : 2 : 1. Their Balance Sheet as at 31st March, 2018 was as follows:

Balance Sheet of A, B and C as on 31st March, 2018

Liabilities		Amount (₹)	Assets		Amount (₹)
Capitals :			Cash at Bank		3,00,000
			Sundry Debtors	1,95,000	
A	7,50,000		*Less*: Provision for Bad Debts	5,000	1,90,000
B	3,00,000				
C	2,50,000	13,00,000	Stock		3,00,000
Creditors		2,00,000	Fixed Assets		7,10,000
		15,00,000			**15,00,000**

On the above date they dissolved the firm and following amounts were realised :

Fixed Assets ₹ 6,75,000: Stock ₹ 3,39,000: Debtors ₹ 1,35,000; Creditors were paid ₹ 1,85,000 in full settlement of their claim. Expenses on Realisation amounted to ₹ 19,000. Pass the necessary journal entries on the dissolution of the firm.

OR

P, Q and R were partners in a firm sharing profits and losses in the ratio of 3 : 2 : 1. On 31st March, 2018 their Balance Sheet was as follows:

Balance Sheet of P, Q and R as at 31st March, 2018

Liabilities		Amount ₹	Assets	Amount ₹
Creditors :		50,000	Cash in Hand	40,000
General Reserve		60,000	Cash at Bank	2,00,000
Capital :				
P	2,00,000		Stock	50,000
Q	3,00,000		Debtors	60,000
R	3,00,000	8,00,000	Fixed Assets	5,60,000
		9,10,000		**15,00,000**

On the above date the firm was reconstituted and it was decided that:

(i) The new profit sharing ratio will be 2 : 2 : 1.
(ii) Bad debts ₹ 6,000 were to be written off and a provision of ₹ 3,000 was to be made for bad and doubtful debts.
(iii) The capital of the partners will be adjusted in the new firm in their profit sharing ratio. For this, partners' current accounts will be
opened.
Pass the necessary journal entries on the reconstitution of the firm.

SOLUTION:

Journal

Date	Particulars		L.F.	Debit Amount ₹	Credit Amount ₹
	Realisation A/c	Dr.		12,05,000	
	To Sundry Debtors A/c				1,95,000
	To Stock A/c				3,00,000
	To Fixed Assets A/c				7,10,000
	(Being assets transferred to realisation account)				
	Creditors A/c	Dr.		2,00,000	
	Provision for Bad Debts A/c	Dr.		5,000	
	To Realisation A/c				2,05,000
	(Being liabilities transferred to realisation account)				
	Cash/Bank A/c (WN)	Dr.		11,49,000	
	To Realisation A/c				11,49,000
	(Being assets realised)				
	Realisation A/c	Dr.		1,85,000	
	To Cash/Bank A/c				1,85,000
	(Being creditors paid off)				
	Realisation A/c	Dr.		19,000	
	To Cash/Bank A/c				19,000
	(Being realisation expenses paid)				
	A's Capital A/c	Dr.		22,000	
	B's Capital A/c	Dr.		22,000	
	C's Capital A/c	Dr.		11,000	
	To Realisation A/c				55,000
	(Being loss on realisation transferred to partner's capital account)				

Working Notes:

Realisation A/c

Dr. Particulars	Amount (₹)	Particulars		Amount (₹) Cr.
To Sundry Debtors A/c	1,95,000	By Creditors A/c		2,00,000
To Stock A/c	3,00,000	By Provision for bad debts A/c		5,000
To Fixed Assets A/c	7,10,000			
To Cash/Bank (Creditors paid off)	1,85,000	By Cash/Bank (Assets realised)		
		Fixed Assets	6,75,000	
		Stock	3,39,000	
		Debtors	1,35,000	11,49,000
To Cash/Bank (Expenses paid)	19,000	By Loss on realisation transferred to:		
		A's Capital A/c	22,000	
		B's Capital A/c	22,000	
		C's Capital A/c	11,000	55,000
	14,09,000			**14,09,000**

OR

In the books of P, Q and R
Journal

Date	Particulars		L.F.	Debit Amount ₹	Credit Amount ₹
	General Reserve A/c	Dr.		60,000	
	To P's Capital A/c				30,000
	To Q's Capital A/c				20,000
	To R's Capital A/c				10,000
	(Being general reserve distributed among the partners in old ratio)				
	Revaluation A/c	Dr.		6,000	
	To Debtors A/c				6,000
	(Being bad debts written off)				
	Revaluation A/c	Dr.		3,000	
	To Provision for bad and doubtful debts A/c				3,000
	(Being provision for bad and doubtful debts created)				
	P's Capital A/c	Dr.		4,500	
	Q's Capital A/c	Dr.		3,000	
	R's Capital A/c	Dr.		1,500	
	To Revaluation A/c				9,000
	(Being loss on revaluation transferred to partner's capital account)				
	R's Current A/c (WN1)	Dr.		1,38,300	
	To P's Current A/c				1,14,900
	To Q's Current A/c				23,400
	(Being adjustment of the capital in the profit-sharing ratio)				

Working Notes:

(1) Calculation of the adjusted capital of the partners

P's Capital = ₹ (2,00,000 + 30,000 – 4,500) = ₹2,25,500

Q's Capital = ₹ (3,00,000 + 20,000 – 3,000) = ₹3,17,000

R's Capital = ₹ (3,00,000 + 10,000 – 1,500) = ₹3,08,500

Combined Capital of the firm = ₹(2,25,500 + 3,17,000 + 3,08,500) = ₹ 8,51,000

Capital in the new profit-sharing ratio

P's adjusted capital = ₹(8,51,000 × 2/5) = ₹ 3,40,400

Q's adjusted capital = ₹ (8,51,000 × 2/5) = ₹3,40,400

R's adjusted capital = ₹ (8,51,000 × 1/5) = ₹ 1,70,200

Adjustment of Capital:

P's Current A/c = ₹(3,40,400 –2,25,500) = ₹1,14,900 (Cr.)

Q's Current A/c = ₹ (3,40,400 –3,17,000) = ₹ 23,400 (Cr.)

R's Current A/c = ₹(3,08,500 –1,70,200) = ₹1,38,300 (Dr.)

Question 15

From the following Receipts and Payments Account and additional information of Swachh Bharat Club, New Delhi for the year ended 31st March, 2018, prepare Income and Expenditure Account and Balance Sheet.

Receipts and Payments Account of Swachh Bharat Club for the year ended 31st march, 2018

Particulars		Amount (₹)	Particulars		Amount (₹)
			By Campaign Expenses		1,30,000
To Balance b/d			By Office rent		40,000
Cash	20,000		By Salary		10,000
Bank	40,000	60,000	By Furniture hire rent		12,000
			By Advertisement		15,000
To Subscriptions		1,80,000	By Fixed deposit		2,00,000
To Sale of old			(On 1.8.2017 @12% p.a)		
furniture (book value ₹ 3,000)		2,000			
To Life Membership fees		30,000	By Balance c/d		
To Government grants		2,00,000	Cash	25,000	
			Bank	40,000	65,000
		4,72,000			**4,72,000**

Additional Information:

Assets on 1.4.2017 were : Books ₹ 50,000; Computers ₹ 75,000. Liabilities and Capital fund on 1.4.2017 were : Creditors ₹ 60,000; Capital fund ₹ 1,28,000.

SOLUTION:

Income & Expenditure A/c of Swachh Bharat Club

Dr. **Cr.**

Expenditure	Amount (₹)	Income	Amount (₹)
To Campaign Expenses	1,30,000	By Accrued Interest on Fixed Deposit	16,000
To Office Rent	40,000	By Subscriptions	1,80,000
To Salary	10,000	By Government grants	2,00,000
To Furniture hire rent	12,000		
To Advertisement	15,000		
To Loss on sale of Furniture (3,000 – 2,000)	1,000		
To Surplus transferred to Capital Fund	1,88,000		
	3,96,000		**3,96,000**

Balance Sheet
As at 31st March, 2018

Liabilities		Amount (₹)	Assets	Amount (₹)
Capital Fund	1,28,000		Books	50,000
Add: Surplus as per I&E A/c	1,88,000		Computers	75,000
Add: Life Membership fees	30,000	3,46,000	Fixed Deposit	2,00,000
Creditors		60,000	Cash in hand	25,000
			Cash at Bank	40,000
			Accrued Interest on Fixed deposit	16,000
		4,06,000		**4,06,000**

Balance Sheet
As at 1st April, 2017

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital Fund	1,28,000	Books	50,000
Creditors	60,000	Computers	75,000
		Furniture (Balancing fig.)	3,000
		Cash in hand	20,000
		Cash at Bank	40,000
	1,88,000		**1,88,000**

Question 16

S Ltd. invited applications for issuing 1,00,000 equity shares of ₹ 10 each. The shares were issued at a premium of ₹ 5. The amount was payable as follows:

On Application and Allotment – ₹ 8 per share (including premium ₹ 3)
On the First and Final call – Balance including premium

Applications for 1,50,000 shares were received. Applications for 10,000 shares were rejected and pro-rata allotment was made to the remaining applicants on the following basis :

(I) Applicants for 80,000 shares were allotted 60,000 shares, and

(II) Applicants for 60,000 shares were allotted 40,000 shares.

Excess amount received on application and allotment was to be adjusted against sums due on call. X, who belonged to the first category and was allotted 300 shares, failed to pay the first and final call money. Y, who belonged to the second category and was allotted 200 shares, also failed to pay the first and final call money. Their shares were forfeited. The forfeited shares were reissued @ ₹ 12 per share as fully paid-up.
Pass necessary journal entries for the above transactions in the books of the company.

OR

Jain Ltd. invited applications for issuing 1,12,000 equity shares of ₹ 10 each at par. The amount per share was payable as follows :

On Application –₹1
On Allotment –₹2
On First call –₹3
On Second and Final call –₹4

Applications for 1,00,000 shares were received. Shares were fully allotted to all the applicants. Ramesh failed to pay his allotment money which was ₹ 2,000. His shares were forfeited immediately. Suresh did not pay the first call on 500 shares applied by him. His shares were forfeited after the first call. The forfeited shares of Ramesh and Suresh were re-issued at ₹ 9 per share fully paid up. Afterwards the second and final call was made and was duly received.

Pass necessary journal entries for the above transactions in the books of Jain Ltd.

SOLUTION:

In the books of S Ltd. Journal					
Date	**Particulars**		**L.F.**	**Debit Amount ₹**	**Credit Amount ₹**
	Bank A/c	Dr.		12,00,000	
	To Share Application & Allotment A/c				12,00,000
	(Being money received against application & allotment on 1,50,000 shares)				
	Share Application & Allotment A/c	Dr.		12,00,000	
	To Share Capital A/c (1,00,000 × 5)				5,00,000
	To Securities Premium Reserve A/c (1,00,000 × 3)				3,00,000
	To Calls in Advance A/c				3,20,000
	To Bank A/c				80,000
	(Being 1,00,000 shares allotted and excess money is refunded)				
	Share First and Final Call A/c	Dr.		7,00,000	
	To Share Capital A/c				5,00,000
	To Securities Premium A/c				2,00,000
	(Being share first & final call due)				
	Bank A/c (3,80,000 – 1,300 – 600)	Dr.		3,78,100	
	Calls-in-Arrears A/c	Dr.		1,900	
	Calls-in-advance A/c	Dr.		3,20,000	
	To Share First and Final Call A/c				7,00,000
	(Being share first & final call money received after adjusting excess money and unpaid amount on 500 shares)				
	Share Capital A/c (500 × 10)	Dr.		5,000	
	Securities Premium A/c (500 × 2)	Dr.		1,000	
	To Share Forfeiture A/c (500 × 5 + 1,600)				4,100
	To Calls-in-Arrears A/c				1,900
	(Being shares forfeited on account of non- payment of call money)				
	Bank A/c (500×12)	Dr.		6,000	
	To Share Capital A/c (500 × 10)				5,000

	To Securities Premium A/c (500×2)				1,000
	(Being all the forfeited shares reissued at ₹12, fully paid-up)				
	Share Forfeiture A/c	Dr.		4,100	
	To Capital Reserve A/c				4,100
	(Being capital gain on reissued shares transferred to capital reserve)				

Working Notes:

Computation Table

Categories	**Shares Applied**	**Shares Allotted**	**Money received on Application & Allotment @ ₹ 8 (including ₹3 premium)**	**Money Transferred to Share Capital @ ₹ 5**	**Money Transferred to Securities Premium @ ₹ 3**	**First and Final call due @ ₹ 7**	**Excess on Application & Allotment**	**Refund**
I	80,000	60,000	6,40,000	3,00,000	1,80,000	4,20,000	1,60,000	–
II	60,000	40,000	4,80,000	2,00,000	1,20,000	2,80,000	1,60,000	–
III	10,000	NIL	80,000	–	–	–	–	80,000
	1,50,000	**1,00,000**	**12,00,000**	**5,00,000**	**3,00,000**	**7,00,000**	**3,20,000**	**80,000**

	Shares Allotted	**Shares Applied**	**Amount due on First & Final Call @ ₹ 7**	**Excess on Application & Allotment**
X's Shares (Category I)	300	400(300 × 80,000/60,000)	2,100	800
Y's Shares (Category II)	200	300(200 × 60,000/40,000)	1,400	800

OR

In the books of Jain Ltd. Journal					
Date	**Particulars**		**L.F.**	**Debit Amount ₹**	**Credit Amount ₹**
	Bank A/c (1,00,000 × 1)	Dr.		1,00,000	
	To Share Application A/c (1,00,000 × 1)				1,00,000
	(Being share application money received)				
	Share Application A/c	Dr.		1,00,000	
	To Share Capital A/c				1,00,000
	(Being share application money transferred to share capital)				
	Share Allotment A/c	Dr.		2,00,000	
	To Share Capital A/c				2,00,000
	(Being allotment due)				
	Bank A/c (2,00,000 – 2,000)	Dr.		1,98,000	
	To Share Allotment A/c (2,00,000 – 2,000)				1,98,000
	(Being share allotment money received except for ₹2,000 on Ramesh share i.e. 1000 shares)				
	Share Capital A/c (1,000 × 3)	Dr.		3,000	
	To Share Forfeiture A/c (1,000 × 1)				1,000
	To Share Allotment A/c (1,000 × 2)				2,000
	(Being 1,000 shares of Ramesh immediately forfeited)				
	Share First Call A/c (99,000 × 3)	Dr.		2,97,000	
	To Share Capital (99,000 × 3)				2,97,000
	(Being share first call money due except for 1000 forfeited shares)				
	Bank A/c (2,97,000 – 500 × 3)	Dr.		2,95,500	
	To Share First Call A/c (2,97,000 – 500 × 3)				2,95,500
	(Being share first call money received except on 500 shares belonging to Suresh)				

	Share Capital A/c (500 × 6)	Dr.		3,000	
	To Share Forfeiture A/c (500 × 3)				1,500
	To Share First Call A/c (500 × 3)				1,500
	(Being 500 shares of Suresh forfeited on account of non-payment of first call money)				
	Bank A/c (1,500 × 9)	Dr.		13,500	
	Share forfeiture A/c	Dr.		1,500	
	To Share Capital A/c (1,500×10)				15,000
	(Being shares forfeited reissued at ₹9 per share fully				
	Share Forfeiture A/c	Dr.		1,000	
	To Capital Reserve A/c				1,000
	(Being capital gain on reissued shares transferred to capital reserve)				
	Share Second & Final Call A/c (98,500 × 4)	Dr.		3,94,000	
	To Share Capital A/c (98,500 × 4)				3,94,000
	(Being share second and final call money due on 98,500 shares)				
	Bank A/c	Dr.		3,94,000	
	To Share Second & Final Call A/c				3,94,000
	(Being call money duly received)				

Note: ***Though the number of shares allotted is below the minimum subscription i.e. 90% of the shares issued which is 1,00,800 shares (1,12,000 × 90/100) and in such a case as per SEBI's guidelines shares should not be allotted at all.***

Question 17

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 at 31st March, 2018, was as follows:

Balance Sheet of G, E and F as on 31st March, 2018

Liabilities		Amount ₹	Assets	Amount ₹
Capitals :			Cash	90,000
G	1,40,000		Sundry Debtors	24,000
E	40,000		Stock	14,000
F	20,000	2,00,000	Machinery	80,000
			Land and Building	1,20,000
Creditors		28,000		
General Reserve		40,000		
Loan from E		60,000		
		3,28,000		**3,28,000**

E retired on the above date. On E's retirement the following was agreed upon:

(i) Land and Building were revalued at ₹ 1,88,000, Machinery at ₹ 76,000 and Stock at ₹ 10,000 and goodwill of the firm was valued at ₹ 90,000.

(ii) A provision of 2.5% was to be created on debtors for doubtful debts.

(iii) The net amount payable to E was transferred to his loan account to be paid later on.

(iv) Total capital of the new firm was fixed at ₹ 2,40,000 which will be adjusted according to their new profit sharing ratio by opening current accounts.
Prepare Revaluation Account, Partners' Capital Accounts and the Balance Sheet of reconstituted firm.

OR

A and B were partners sharing profits and losses in the ratio of 3: 2. Their Balance Sheet as at 31st March, 2018, was as follows:

Balance Sheet of A and B
as at 31st March, 2018

Liabilities		Amount (Rs)	Assets		Amount (Rs)
Capital:			Cash		8,000
A	1,04,000		Sundry Debtors	37,600	
B	52,000	1,56,000	*Less*: Provision for doubtful debts	1,600	36,000
Creditors		1,54,000	Stock		60,000
Employees' Provident Fund		16,000	Prepaid Insurance		6,000
Workmen Compensation Fund		10,000	Plant and Machinery		76,000
Contingency Reserve		10,000	Building		1,40,000
			Furniture		20,000
		3,46,000			**3,46,000**

C was admitted as a new partner and brought ₹ 64,000 as capital and ₹ 15,000 for his share of goodwill premium. The new profit sharing ratio was 5 : 3 : 2.

On C's admission the following was agreed upon :

(i) Stock was to be depreciated by 5%.

(ii) Provision for doubtful debts was to be made at ₹ 2,000.

(iii) Furniture was to be depreciated by 10%.

(iv) Building was valued at ₹ 1,60,000.

(v) Capitals of A and B were to be adjusted on the basis of C's capital by bringing or paying of cash as the case may be.
Prepare Revaluation Account, Partners' Capital Accounts and the Balance Sheet of reconstituted firm.

SOLUTION:

Revaluation Account				
Dr.				Cr.
Particulars		Amount (₹)	Particulars	Amount (₹)
To Machinery A/c (80,000 – 76,000)		4,000	By Land and Building A/c (1,88,000 – 1,20,000)	68,000
To Stock A/c (14,000 – 10,000)		4,000		
To Provision for Doubtful debts A/c		600		
To Profit on Revaluation transferred to:				
G's Capital A/c	41,580			
E's Capital A/c	11,880			
F's Capital A/c	5,940	59,400		
		68,000		**68,000**

Partner's Capital Account

Dr.									Cr.
Date	Particulars	G (□)	E (□)	F (□)	Date	Particulars	G (□)	E (□)	F (□)
2018					2018				
Mar.31	To E's Capital A/c	15,750		2,250	Mar.31	By balance b/d	1,40,000	40,000	20,000
Mar.31	To E's Loan A/c		77,880		Mar.31	By Revaluation A/c - Profit	41,580	11,880	5,940
Mar.31	To balance c/d (WN3)	2,10,000		30,000	Mar.31	By General Reserve A/c	28,000	8,000	4,000
					Mar.31	By G's Capital A/c (18,000 × 7/8)		15,750	
					Mar.31	By F's Capital A/c (18,000 × 1/8)		2,250	
					Mar.31	By G's Current A/c	16,170		
					Mar.31	By F's Current A/c			2,310
		2,25,750	77,880	32,250			2,25,750	77,880	32,250

Balance Sheet of G and F
As at 31st March, 2018

Liabilities		Amount (□)	Assets		Amount (□)
Capital:			Cash		90,000
G	2,10,000		Sundry Debtors	24,000	
F	30,000	2,40,000	*Less*: Provision for doubtful debts	600	23,400
Creditors		28,000	Stock		10,000
Loan from E (60,000 + 77,880)		1,37,880	Machinery		76,000
			Land and Building		1,88,000
			Current A/Cs:		
			G	16,170	
			F	2,310	18,480
		4,05,880			**4,05,880**

Working Notes:

1. Calculation of gaining ratio

G: E: F = 7:2:1

E retires so,

New Ratio will be computed by simply crossing E's share in the above ratio i.e. G: F = 7: 1

Gaining Ratio = New Ratio − Old Ratio

$\text{G's gain} = \frac{7}{8} - \frac{7}{10} = \frac{7}{40}$

$\text{F's gain} = \frac{1}{8} - \frac{1}{10} = \frac{1}{40}$

Hence, gaining ratio = G: F = 7:1

2. Calculation of E's Share of Goodwill

Value of firm's goodwill = ₹ 90,000

$$\text{E's Share of goodwill} = \mathbf{90,000 \times \frac{2}{10} = 18,000}$$

3. Adjustment of Capital

G's Capital after adjustment = ₹ 1,93,830

F's Capital after adjustment = ₹ 27,690

Total Capital of the new firm = ₹ 2,40,000

New profit-sharing ratio between the partners = G: F = 7: 1

$$\mathbf{G'snewcapital = 2,40,000 \times \frac{7}{8} = 2,10,000}$$

$$\mathbf{F'snewcapital = 2,40,000 \times \frac{1}{8} = 30,000}$$

OR

Revaluation Account

Dr. **Cr.**

Particulars		Amount (₹)	Particulars	Amount (₹)
To Stock A/c		3,000	By Building A/c	20,000
To Provision for Doubtful debts A/c		400		
To Furniture A/c		2,000		
To Profit on revaluation transferred to:				
A's Capital A/c	**8,760**			
B's Capital A/c	**5,840**	14,600		
		20,000		**20,000**

Partner's Capital Account

Dr. Cr.

Date	Particulars	A (□)	B (□)	C (□)	Date	Particulars	A (□)	B (□)	C (□)
					2018				
					Mar.31	By balance b/d	1,04,000	52,000	
					Mar.31	By Workmen Compensation Fund A/c	6,000	4,000	
2018 Mar.31	To balance c/d	1,60,000	96,000	64,000	Mar.31	By Contingency Reserve A/c	6,000	4,000	
					Mar.31	By Revaluation A/c	8,760	5,840	
					Mar.31	By Cash A/c			64,000
					Mar.31	By Premium for Goodwill A/c (WN)	7,500	7,500	
					Mar.31	By Cash A/c (WN)	27,740	22,660	
		1,60,000	**96,000**	**64,000**			**1,60,000**	**96,000**	**64,000**

Balance Sheet of A, B and C
As at 31st March, 2018

Liabilities		Amount (□)	Assets		Amount (□)
Capital:			Cash (8,000 + 27,740 + 22,660+ 64,000 + 15,000)		1,37,400
A	1,60,000		Sundry Debtors	37,600	
B	96,000		*Less*: Provision for Doubtful debts	2,000	35, 600
C	64,000	3,20,000	Stock		57,000
			Prepaid Insurance		6,000
			Plant and Machinery		76,000
Creditors		1,54,000	Building		1,60,000
Employee's Provident Fund		16,000	Furniture		18,000
		4,90,000			**4,90,000**

Working Notes:

1. Calculation of sacrificing ratio

Old Ratio = A:B = 3:2

New Ratio = A:B:C = 5:3:2

Sacrificing Ratio = Old Ratio – New Ratio

$$\text{A's Sacrificing Ratio} = \frac{3}{5} - \frac{5}{10} = \frac{1}{10}$$

$$\text{B's Sacrificing Ratio} = \frac{2}{5} - \frac{3}{10} = \frac{1}{10}$$

Sacrificing Ratio = A:B = 1:1

2. Adjustment of Capital

A's Capital after adjustment = ₹ 1,32,260

B's Capital after adjustment = ₹ 73,340

Total Capital of the firm as per C's Capital = 64,000 × 5 = ₹ **3,20,000**

$$\text{A's New Capital} = 3,20,000 \times \frac{5}{10} = 1,60,000$$

$$\text{B's New Capital} = 3,20,000 \times \frac{3}{10} = 96,000$$

Cash brought in by A = ₹ (1,60,000 – 1,32,260) = ₹ 27,740
Cash brought in by B = ₹ (96,000 – 73,340) = ₹ 22,660

Question 18
How is goodwill written off treated while calculating cash flow from operating activities ?

SOLUTION:

Goodwill written off is added to Profit before tax and extraordinary items to calculate operating profit before working capital changes while calculating cash flow from operating activities.

Question 19
When does an investment qualify as cash equivalent ?

SOLUTION:

An investment qualifies as cash equivalents when its maturity time is three months or less.

Question 20

Under which major heads and sub-heads will the following items be placed in the Balance Sheet of the company as per of the company as per Schedule III, Part I of the Companies Act, 2013 ?

(i) Cheques and Bank Drafts in Hand

(ii) Loose tools

(iii) Securities Premium Reserve

(iv) Long-Term Investments with maturity period less than six months

(v) Work-in-Progress

(vi) Mining Rights

(vii) Publishing titles

(viii) Debtors

OR

Explain the importance of financial analysis for (i) labour unions, and (ii) creditors.

SOLUTION:

Presentation of items in the Balance Sheet as per Part I and Schedule III of the Companies Act 2013

Sr. No.	Items	Major Head	Sub Head
(i)	Cheques and Bank Drafts in Hand	Current Assets	Cash & Cash Equivalents
(ii)	Loose Tools	Current Assets	Inventories
(iii)	Securities Premium Reserve	Shareholders' Fund	Reserves & Surplus
(iv)	Long-Term Investments with maturity period less than six months	Current Assets	Current Investments
(v)	Work-in-Progress	Current Assets	Inventories
(vi)	Mining Rights	Non-Current Assets	Intangible Assets
(vii)	Publishing titles	Non-Current Assets	Intangible Assets
(viii)	Debtors	Current Assets	Trade Receivables

OR

1. For labour unions the main concern is the wages of the labour employed and financial analysis thus provides useful information on whether an increase in wages can be demanded for. Also, it enables them to see if such an increase can be absorbed through higher productivity or by raising the price of the products.

2. Creditors lending money to the firm are concerned with the long-term survival and creditworthiness of the firm. Thus, financial analysis helps them in assessing whether the firm will be able to pay back their investment along with interest on time or not.

Question 21

From the following information prepare a Comparative Income Statement of NY Ltd :

Particulars	2016–17 ₹	2017–18 ₹
Revenue from operations	15,00,000	24,00,000
Cost of materials consumed	8,00,000	12,00,000
Employee benefit expenses	1,20,000	1,80,000
Other expenses	80,000	60,000

Tax Rate 50%.

SOLUTION:

Comparative Income Statement
For the year 2016-17 and 2017-18

Particulars	2016-17 (₹)	2017-18 (₹)	Absolute Change (₹)	Percentage Change
I. Revenue from Operations	15,00,0000	24,00,000	9,00,000	60%
II. Other Income	–	–	–	–
Total Revenue (I + II)	15,00,0000	24,00,000	9,00,000	60%
Less: Cost of materials consumed	8,00,000	12,00,000	4,00,000	50%
Employee Benefit Expenses	1,20,000	1,80,000	60,000	50%
Other Expenses	80,000	60,000	−20,000	−25%
Profit before Interest and Tax	5,00,000	9,60,000	4,60,000	92%
Less: Tax @ 50%	2,50,000	4,80,000	2,30,000	92%
Profit After Interest and Tax	**2,50,000**	**4,80,000**	**2,30,000**	**92%**

Question 22

The operating ratio of a company is 80%. State whether the following transactions will increase, decrease or not change the ratio :

(i) Purchased goods on credit ₹ 20,000

(ii) Paid wages ₹ 5,000

(iii) Redeemed ₹ 8,000, 9% debentures

(iv) Sold goods ₹ 50,000 for cash

OR

From the following information of Shiva Ltd., calculate total assets to debt ratio :

Equity Share Capital	–	₹ 5,00,000
9% Preference Share Capital	–	₹ 4,00,000
Fixed Assets	–	₹ 2,00,000
Non-Current Investments	–	₹ 1,50,000
Reserves and Surplus	–	₹ 2,40,000
Current Assets	–	₹ 1,90,000
Current Liabilities	–	₹ 1,00,000

SOLUTION:

$$\text{Operating Ratio} = \frac{\text{Operating Cost}}{\text{Net Sales}} \times 100 = 80\%$$

Where, Operating Cost = Cost of Goods sold + Operating Expenses
Cost of Goods sold = Opening Stock + Purchases + Direct Expenses – Closing Stock
Operating Expenses = Office and Administration Expenses + Selling and Distribution Expenses + Discount Allowed + Bad debts + Interest on Short-term loans

i. When goods are purchased on credit ₹ 20,000 then it will have no effect on the operating ratio since it will increase purchases as well as closing stock by the same amount. So, the combined effect will be no change in COGS hence no change in the operating ratio.

ii. When wages of ₹ 5,000 are paid, it will increase the operating cost due to increase in the direct expenses as a result the value of COGS increases. Hence, the operating ratio will increase in this case.

iii. When ₹ 8,000 9% debentures are redeemed there will be no change in the operating ratio as it does not incorporate the effect of such a transaction and is related to its non-operating activities.

iv. When goods worth ₹ 50,000 are sold for cash then the value of net sales will increase and as a result of this the operating ratio will decrease.

OR

$$\text{Total Assets to Debt ratio} = \frac{\text{Total Assets}}{\text{Debt}} = \frac{15,40,000}{3,00,000} = \mathbf{5\ .133: 1}$$

Where,

Total Assets = Fixed Assets + Non-current Investments + Current Assets = ₹ (12,00,000 + 1,50,000 + 1,90,000) = ₹ 15,40,000
We know that Total Assets = Total Liabilities

15,40,000 = Equity Share Capital + 9% Preference Share Capital + Reserves and Surplus + Non-current Liabilities + Current Liabilities 15,40,000 = (5,00,000 + 4,00,000 + 2,40,000 + Non-current Liabilities + 1,00,000)

Non-current Liabilities = ₹(15,40,000 – 12,40,000) = ₹ 3,00,000
Hence, Debt = ₹ 3,00,000

Question 23

The following is the Balance Sheet of R.M. Ltd. as at 31st March, 2017. Prepare a Cash Flow Statement :

	R.M. Ltd. Balance Sheet as at 31st March, 2017			
	Particulars	**Note No.**	**31.03.17 ₹**	**31.03.16 ₹**
I.	**Equity and Liabilities :**			
	1. Shareholder's Funds :			
	(a) Share Capital		15,00,000	10,00,000
	(b) Reserves and Surplus (Balance in Statement of Profit and Loss)		7,50,000	6,00,000
	2. Non-Current Liabilities :			
	Long term Borrowings	1	1,00,000	2,00,000
	3. Current Liabilities			
	(a) Trade Payables		1,00,000	1,10,000
	(b) Short-term Provisions	2	95,000	80,000
	Total		**25,45,000**	**19,90,000**
II	**Assets :**			
	1. Non-Current Assets			
	(a) Fixed Assets :			
	(i) Tangible Assets	3	10,10,000	9,00,000
	(ii) Intangible Assets	4	2,80,000	2,00,000
	(b) Non-Current Investment :		5,00,000	–
	2. Current Assets :			
	(a) Inventories		1,80,000	1,00,000
	(b) Trade Receivables		2,00,000	1,50,000
	(c) Cash and Cash Equivalents	5	3,75,000	6,40,000
	Total		**25,45,000**	**19,90,000**

Notes to Accounts			
Note No.	Particulars	31.03.17 ₹	31.03.16 ₹
1.	**Long-term Borrowings :**		
	9% Debentures	1,00,000	2,00,000
		1,00,000	**2,00,000**
2.	**Short-term Provisions :**		
	Provision for Tax	95,000	80,000
		95,000	**80,000**
3.	**Tangible Assets :**		
	Plant and Machinery	12,10,000	11,40,000
	Accumulated Depreciation	(2,00,000)	(2,40,000)
		10,10,000	**9,00,000**
4.	**Intangible Assets :**		
	Goodwill	2,80,000	2,00,000
		2,80,000	**2,00,000**
5.	**Cash and Cash Equivalents :**		
	(i) Cash in Hand	70,000	3,50,000
	(ii) Bank Balance	3,05,000	2,90,000
		3,75,000	**6,40,000**

Additional Information:

(1) During the year, a machine costing ₹ 80,000 on which accumulated depreciation was ₹ 50,000 was sold for ₹ 30,000.

(ii) 9% Debentures were released on 31st March, 2017.

SOLUTION:

Cash flow Statement *for the year ended 31st March, 2017*		
Particulars		**Amount (₹)**
I. Cash flow from Operating Activities		
Net Profit as per Statement of Profit and loss Account		1,50,000
Add: Provision for Tax made		95,000
Net Profit before tax and extraordinary items		2,45,000
Add: Depreciation charged during the year	10,000	
Interest on Debentures (2,00,000 × 9/100)	18,000	28,000
Operating Profit before Working Capital changes		2,73,000
Less: Decrease in trade payables	10,000	
Increase in Inventories	80,000	
Increase in Trade Receivables	50,000	(1,40,000)
Cash generated from Operations		1,33,000
Less: Tax Paid		(80,000)
Cash flow from Operating Activities		**53,000**
II. Cash flow from Investing Activities		
Purchase of Plant and Machinery (WN)	(1,50,000)	
Purchase of Goodwill	(80,000)	
Sale of Machinery	30,000	
Purchase of Non-current Investments	(5,00,000)	
Cash used in Investing Activities		**7,00,000**
III. Cash flow from Financing Activities		
Redemption of Debentures	(1,00,000)	
Interest paid on Debentures (2,00,000 × 9/100)	(18,000)	
Proceeds from Issue of shares	5,00,000	
Cash flow from financing activities		**3,82,000**
IV. Net Decrease in Cash & Cash (I + II + III)		**(2,65,000)**
Add: Cash and Cash Equivalents in the beginning of the year		
Cash in Hand	3,50,000	
Cash at Bank	2,90,000	**6,40,000**
V. Cash and Cash equivalents at the end of the year		
Cash in Hand	70,000	
Cash at Bank	3,05,000	**3,75,000**
		3,75,000

Working Notes:

Dr.		Plant & Machinery Account			Cr.
Date	**Particulars**	**Amount (₹)**	**Date**	**Particulars**	**Amount (₹)**
2016			2017		
Apr.01	To balance b/d	11,40,000	Mar.31	By Accumulated Depreciation A/c	50,000
2017					
Mar.31	To Bank A/c-Purchases (Balancing fig.)	1,50,000	Mar.31	By Bank A/c (Sale of machine)	30,000
			Mar.31	By balance	12,10,000
		12,90,000			**12,90,000**

Dr.		Accumulated Depreciation Account			Cr.
Date	**Particulars**	**Amount (₹)**	**Date**	**Particulars**	**Amount (₹)**
2017			2016		
Mar.31	To Plant & Machinery A/c	50,000	Apr.01	By balance b/d	2,40,000
2017			2017		
Mar.31	By balance c/d	2,00,000	Mar.31	By Statement of Profit & Loss	10,000
				(Depreciation charged during the year) (Balancing fig.)	
		2,50,000			**2,50,000**