Accountancy All India (Set 2)

General Instructions:

Read the following instructions very carefully and strictly follow them :
(i) This question paper comprises **two** · PARTS - **A** and **B**. There are 32 questions in the question paper. **All** questions are compulsory.
(ii) **Part - A** is compulsory for all candidates.
(iii) **Part - B** has **two options** i.e. (i) Analysis of Financial Statement and
(ii) Computerized Accounting. You have to attempt only **one** of the given OPTIONS.
(iv) Heading of the option opted must be written on the Answer-Book before attempting the questions of that particular OPTION.
(v) Question number **1** to **13** and **23** to **29** are very short answer type questions carrying **1** mark each.
(vi) Question number **14** and **30** are short answer type-I questions carrying **3** marks each.
(vii) Question number **15** to **18** and **31** are short answer type-II questions carrying **4** marks each.
(viii) Question number **19** to **20** and **32** are also long answer type-I questions carrying 6 marks each.
(ix) Question number **21** and **22** are long answer type-II questions carrying 8 marks each.
(x) Answer should be brief and to the point. The answer of each part should be written at one place.
(xi) There is no overall choice. However, an internal choice has been provided in **2** questions of three marks, **2** questions of four marks, **1** question of six marks and **2** questions of eight marks. You have to **attempt only one of the choices** in such questions.
(xii) However, separate instructions are given with each section and question, wherever necessary.

Question 1

Why does the Fixed Capital Account of partners show credit balance even when the firm suffers losses year after year?

Solution:

Fixed Capital Account of the Partner shows credit balance even after losses year after year because loss is charged to the current account of the partners rather than the capital account under the fixed capital method. Therefore, the balance in the capital account of the partners remains unchanged except when additional capital is introduced or existing capital is withdrawn.

Question 2

Milan, Khilan and Silam were partners sharing profits in the ratio of 2 : 2 : 1. They decided to share future profits in the ratio of 7 : 5 : 3 with effect from 1st April, 2019. After the revaluation of assets and re-assessment of liabilities, Revaluation Account showed a loss of ₹ 15,000. The amount to be debited in the capital account of Milan because of loss on revaluation will be:
(A) ₹ 15,000
(B) ₹ 6,000
(C) ₹ 7,000
(D) ₹ 5,000

Solution:

Loss on revaluation is divided among all the existing partners in old ratio. Thus, amount to be debited to Milan's Capital will be ₹6,000 (i.e. 15,000 × 2/5).
Hence, the correct answer is option B.

Question 3

Name an item which is transferred to credit side of Realisation Account at the time of dissolution of partnership firm, but does not involve cash payment.

Solution:

All the liabilities (except Bank Overdraft, Partner Capital Account, Free Reserves, Credit balance of Profit and Loss Account, Partner's Loan, General Reserve, Reserve Fund, etc.) are transferred to the credit side of Realisation Account but does not involve cash payment.

Question 4

Which of the following statements does ***not*** relate to 'Reserve Capital':
(A) It is part of uncalled capital of a company.
(B) It cannot be used during the lifetime of a company.
(C) It can be used for writing off capital losses.
(D) It is part of subscribed capital.

Solution:

Reserve Capital is used only in the event of winding up of the company thus; it cannot be used to write off capital losses.
Hence, the correct answer is option C.

Question 5

P and Q were partners in a firm sharing profits in the ratio of 5 : 3. R was admitted for 1/4th share in the profits, of which he took 75% from P and the remaining from Q. Calculate the sacrificing ratio of P and Q.

Solution:

Share of Profit sacrificed by P and Q will be equal to the share gained by R, which is in the ratio **75: 25 or 3: 1**.
Thus, sacrificing ratio among **P and Q will be 3: 1**.

Question 6

Excess of issue price of a debenture over its face value is called _______________.

Solution:

Excess of issue price over face value of debentures is called **premium on issue of debentures**.

Question 7

A, B and C were partners in a firm sharing profits in the ratio of 2 : 2 : 1. C retired. The balance in this capital account after adjustments regarding reserves, accumulated profits/loss and revaluation of assets and liabilities was ₹ 4,40,000. C was paid ₹ 5,00,000 including his share of goodwill. The amount that was credited to his capital account on account of goodwill was:
(A) ₹ 60,000
(B) ₹ 3,00,000
(C) ₹ 1,00,000
(D) ₹ 12,000

Solution:

Capital balance of C after all the adjustments was ₹4,40,000 however, the amount actually paid was ₹5,00,000. Thus, the difference of ₹60,000 is on account of Goodwill provided to him by the gaining partners.

Hence, the correct answer is option A.

Question 8

Rohan, Mohan and Sohan were partners sharing profits equally. At the time of dissolution of the partnership firm, Rohan's loan to the firm will be :
(A) Credited to Rohan's Capital Account.
(B) Debited to Realisation Account.

(C) Credited to Realisation Account.
(D) Credited to Bank Account.

Solution:

Rohan's Loan to the firm will be paid separately and before the payment of Partner's Capital. Thus, Rohan's Loan Account will be debited and Bank Account will be credited. Hence, the correct answer is option D.

Question 9

Rahul, Sahil and Jatin were partners in a firm sharing profits and losses in the ratio of 4 : 3 : 2. Rahul died on 15th October, 2017. At that time, the capitals of Sahil and Jatin after all the adjustments were ₹ 3,56,000 and ₹ 2,44,000 respectively. Sahil and Jatin decided to adjust their capital according to their new profit sharing ratio by opening current accounts. Calculate the new capitals of Sahil and Jatin.

Solution:

New Ratio among Sahil and Jatin can be obtained by simply cancelling Rahul's share. Thus, new ratio will be 3: 2

Sahil's Existing Capital	=	₹ 3,56,000
Jatin's Existing Capital	=	₹ 2,44,000
Total Capital of the firm	=	Sahil's Existing Capital + Jatin's Existing Capital
	=	₹ (3,56,000 + 2,44,000) = ₹ 6,00,000
Sahil's New Capital	=	₹ (6,00,000 × 3/5) = ₹ 3,60,000
Jatin's New Capital	=	₹ (6,00,000 × 2/5) = ₹ 2,40,000

Thus, the new Capitals of Sahil and Jatin will be ₹ 3,60,000 and ₹ 2,40,000 respectively.

Question 10

Name an item that is never shown on the payment side of Receipts and Payments Account, but is shown on the debit side of the Income and Expenditure Account.

Solution:

Expenses outstanding like Salaries Outstanding, etc. for the current year are never shown on the payments side of Receipts & Payments Account but are debited to the Income & Expenditure Account.

Question 11

Diya, Riya and Tiya were partners sharing profits and losses in the ratio of 2 : 3 : 5. Tiya died on 28th November, 2019. Her share of profit was taken equally by Diya and Riya. Diya's share of profit in the new firm will be _________.

Solution:

Diya's share in the new firm will be **9/20**.

Working Notes:

Tiya's Share taken over by Diya	=	(5/10 × 1/2)
	=	5/20
Diya's new share will be	=	Old Share + Share taken from Tiya
	=	**(2/10 + 5/20) = 9/20**

Question 12

Mona and Tina were partners in a firm sharing profits in the ratio of 3 : 2. Naina was admitted with 1/6th share in the profits of the firm. At the time of admission, Workmen's Compensation Reserve appeared in the Balance Sheet of the firm at ₹ 32,000. The claim on account of workmen's compensation was determined at ₹ 40,000. Excess of claim over the reserve will be:
(A) Credited to Revaluation Account.
(B) Debited to Revaluation Account.
(C) Credited to old partner's Capital Account.
(D) Debited to old partner's Capital Account.

Solution:

Excess of claim over the Workmen Compensation Fund to the tune of ₹ 8,000 will be debited to the Revaluation Account as a loss to the firm.
Hence, the correct answer is option B.

Question 13

Sun and Star were partners in a firm sharing profits in the ratio of 2 : 1. Moon was admitted as a new partner in the firm. New profit sharing ratio was 3 : 3 : 2. Moon brought the following assets towards his share of goodwill and his capital :

	₹
Machinery	2,00,000
Furniture	1,20,000
Stock	80,000
Cash	50,000

If his capital is considered as ₹ 3,80,000, the goodwill of the firm will be:
(A) ₹ 70,000
(B) ₹ 2,80,000
(C) ₹ 4,50,000
(D) ₹ 1,40,000

Solution:

Hence, the correct answer is option A.

Working Notes:

Total Assets brought in by Moon	= ₹ (2,00,000 + 1,20,000 + 80,000 + 50,000)
	= ₹ 4,50,000
Capital amount brought in by Moon	= ₹ 3,80,000
Goodwill amount brought in by Moon	= Total Assets brought in by Moon – Moon's Capital
	= ₹ (4,50,000 – 3,80,000) = ₹70,000

Question 14

How would the following items be treated while preparing the financial statements of a sports club?

Particulars	Amount (₹)
Prize Fund	44,000
Interest on Prize Fund Investments	6,000
Prizes Awarded	46,000
Match Expenses	64,000
Prize Fund Investments	44,000

OR

From the following information of a charitable dispensary, calculate the amount of medicines consumed during the year that would appear in the Income and Expenditure Account for the year ending 31st March, 2019:

Particulars	Amount (₹)
Stock of medicines on 1.4.2018	60,000
Creditors for medicines 1.4.2018	40,000
Stock of medicines 31.3.2019	10,000

Creditors for medicines 31.3.2019	25,000
Advances for medicines 31.3.2019	22,000
Credit purchases of medicines during the year	2,76,000
Cash purchases of medicines during the year	46,500

Solution:

In the books of Sports Club
Balance Sheet as at …….

Liabilities		Amount (₹)	Assets	Amount (₹)
Prize Fund	44,000		Prize Fund Investments	44,000
Add: Interest on Prize Fund Investments	6,000			
Less: Prizes Awarded	46,000	4,000		

Income & Expenditure A/c
for the year ended ……

Dr. **Cr.**

Expenditure	Amount (₹)	Income	Amount (₹)
To Match Expenses	64,000		

Note: *Prize Fund is set up primarily to provide prizes for various events organized by the Sports Club.*

OR

In the books of Charitable Dispensary
Income & Expenditure A/c
for the year ended 31st March, 2019

Dr. **Cr.**

Expenditure	Amount (`)	Income	Amount (`)
To Medicines consumed	3,72,500		

Working Notes:

Dr.	Stock of Medicines A/c		Cr.
Particulars	**Amount (`)**	**Particulars**	**Amount (`)**
To balance b/d	60,000	By Income & Expenditure A/c	3,72,500
		(Bal. Fig.)	
To Bank A/c (Purchases)	46,500		
To Creditors for Sports material a/c	2,76,000	By balance c/d	10,000
	3,82,500		3,82,500

Question 15

Raunit Styles Ltd. was registered with a capital of ₹ 85,00,000 divided into equity shares of ₹ 100 each. The company invited applications for issuing 45,000 shares.
The amount was payable as ₹ 25 on application, ₹ 35 on allotment, ₹ 25 on first call and balance on final call.

Applications were received for 42,000 shares and allotment was made to all the applicants. Kavi, to whom 3,300 shares were alloted, failed to pay both the calls. His shares were forfeited.

Present the Share Capital in the Balance Sheet of the company as per Schedule III of the Companies Act, 2013.

Solution:

In the book of Raunit Styles Ltd.
Balance Sheet as at ……

Particulars	**Note No.**	**(₹)**
EQUITY & LIABILITIES 1. Shareholder's Funds (a) Share Capital	1	40,68,000
		40,68,000

Notes to Account:

Note No.	**Particulars**	**Amount (₹)**
1.	Share Capital	

	Authorised Share Capital 85,000 Equity share of ₹100 each		85,00,000
	Issued Share Capital 45,000 Equity Shares of ₹100 each		45,00,000
	Subscribed Share Capital **Subscribed and fully paid-up** 38,700 share of ₹100 each		38,70,000
	Subscribed but not fully paid-up 3,300 shares of ₹ 100 each *Less:* Calls-in-Arrears (3,300 × 40)	3,30,000 1,32,000	1,98,000
			40,68,000

Question 16

Manu, Sonu and Tony were partners in a firm sharing profits in the ratio of 5 : 3 : 2. The firm closes its books on 31st March every year. Manu died on 31st July, 2019. His executor is entitled to:

(i) His capital ₹ 4,00,000 and his share of goodwill. Goodwill of the firm was valued at ₹ 96,000.

(ii) His share of profit till the date of his death which will be calculated on the basis of average profits of last 3 years.

(iii) Average profits of last 3 years were ₹ 78,000.

(iv) Interest on capital @ 6% p.a.

(v) His drawings till the date of death were ₹ 21,000.

Prepare Manu's Capital Account to be rendered to his executors.

Solution:

Manu's Capital A/c

Dr. **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Drawings A/c	21,000	By balance b/d	4,00,000
		By Interest on Capital A/c (₹4,00,000 × 6/100 × 4/12)	8,000
To Manu's Executors A/c	**4,48,000**	By Sonu's Capital A/c (WN1)	28,800
		By Tony's Capital A/c (WN1)	19,200

		By Profit & Loss Suspense A/c (Share of Profits) (WN2)	13,000
	4,69,000		**4,69,000**

Working Notes:

(1) Calculation of Manu's share of goodwill		
Goodwill of the firm	=	₹96,000
Manu's share of goodwill	=	₹ (96,000 × 5/10) = ₹48,000
Gaining ratio among the partners will be same as the ratio obtained by cancelling Manu's share	=	3 : 2
(2) Calculation of Manu's Share of Profit		
Average Profits of last three years	=	₹ 78,000
Profits till the date of death	=	₹ (78,000 × 4/12) = ₹26,000
Manu's Share of Profits	=	₹ (26,000 × 5/10) = ₹13,000

Question 17

Ram, Mohan and Sohan were partners sharing profits in the ratio of 2 : 1 : 1. Ram withdrew ₹ 3,000 every month and Mohan withdrew ₹ 4,000 every month. Interest on drawings @ 6% p.a. was charged, whereas the partnership deed was silent about interest on drawings.

Showing your working clearly, pass the necessary adjustment entry to rectify the error.

OR

Yadu, Vidu and Radhu were partners in a firm sharing profits in the ratio of 4 : 3 : 3. Their fixed capitals on 1st April, 2018 were ₹ 9,00,000, ₹ 5,00,000 and ₹ 4,00,000 respectively. On 1st November, 2018, Yadu gave a loan of ₹ 80,000 to the firm. As per the partnership agreement:

(i) The partners were entitled to an interest on capital @ 6% p.a.
(ii) Interest on partners' drawings was to be charged @ 8% p.a.
The firm earned profits of ₹ 2,53,000 (after interest on Yadu's loan) during the year 2018 – 19. Partners' drawings for the year amounted to Yadu: ₹ 80,000, Vidu : ₹ 70,000 and Radhu : 50,000.

Prepare Profit and Loss Appropriation Account for the year ending 31st March, 2019.

Solution:

In the books of Ram, Mohan and Sohan
Journal

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
	Moahn's Capital A/c Dr. To Ram's Capital A/c To Sohan's Capital A/c (Being interest on drawings wrongly provided now rectified)		810	 180 630

Working Notes:

Statement showing Adjustment

Particulars	Ram		Mohan		Sohan		Firm	
	Dr. (₹)	Cr. (₹)	Dr. (₹)	Cr. (₹)	Dr. (₹)	Cr. (₹)	Dr. (₹)	Cr. (₹)
Interest on Drawings @ 6% p.a	1,080 (36,000 × 6/100 × 6/12)		1,440 (48,000 × 6/100 × 6/12)		-	-		2,520
Profit to be distributed among partners		1,260		630		630	2,520	
Total	**1,080**	**1,260**	**1,440**	**630**	**-**	**630**	**2,520**	**2,520**
Net Effect	**180 (Cr.)**		**810 (Dr.)**		**630 (Cr.)**		**-**	

***Note**: Since, date of drawings is not given in the question so interest has been calculated for an average period of 6 months.*

OR

In the books of Yadu, Vidu and
Profit & Loss Appropriation A/c
Dr. for the year ended 31st March, 2019 Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Interest on Capital: Yadu's Current A/c 54,000 Vidu's Current A/c 30,000		By Profit & Loss A/c (Net Profit)	2,53,000

Radhu's Current A/c	24,000	1,08,000	By Interest on Drawings:		
			Yadu's Current A/c	3,200	
To Profit transferred to:			Vidu's Current A/c	2,800	
Yadu's Current A/c	61,200		Radhu's Current A/c	2,000	8,000
Vidu's Current A/c	45,900				
Radhu's Current A/c	45,900	1,53,000			
		2,61,000			**2,61,000**

Note: *Since, date of drawings is not given in the question so interest has been calculated for an average period of 6 months.*

Working Notes:

(1) Calculation of Interest on Partner's drawings:

Interest on Yadu's Drawings = ₹(80,000 × 8/100 × 6/12) = ₹3,200

Interest on Vidu's Drawings = ₹(70,000 × 8/100 × 6/12) = ₹2,800

Interest on Radhu's Drawings = ₹(50,000 × 8/100 × 6/12) = ₹2,000

(2) Calculation of Interest on Partner's Capital:

Interest on Yadu's Capital = ₹(9,00,000 × 6/100) = ₹54,000

Interest on Vidu's Capital = ₹(5,00,000 × 6/100) = ₹30,000

Interest on Radhu's Capital = ₹(4,00,000 × 6/100) = ₹24,000

Question 18

Rakesh, Ram and Rohan were partners sharing profits in the ratio of 5 : 3 : 2. On 31st March, 2018, their Balance Sheet was as follows:

Balance Sheet of Rakesh, Ram and Rohan as at 31st March, 2018

Liabilities	Amount (₹)	Assets		Amount (₹)
Sundry Creditors	70,000	Land and Building		3,50,000
Rohan's Loan	20,000	Stock		3,00,000
Mrs. Rohan's Loan	20,000	Debtors	2,00,000	

			Less: Provision for doubtful debts	10,000	1,90,000
Capitals :					
Rakesh	4,00,000		Cash		70,000
Ram	3,00,000				
Rohan	1,00,000	8,00,000			
		9,10,000			**9,10,000**

The firm was dissolved on the above date on the following terms:
(i) Land and building and stock were sold for ₹ 6,00,000. Debtors were realised at 10% less than the book value.
(ii) Mrs. Rohan's loan was settled by giving her an unrecorded computer of ₹ 22,000.
(iii) Rakesh paid off one of the creditors ₹ 20,000 in settlement of ₹ 30,000.
(iv) Rohan's loan was fully settled at ₹ 18,500.
Prepare Realisation Account.

Solution:

Realisation A/c

Dr. **Cr.**

Particulars	**Amount (₹)**	**Particulars**		**Amount (₹)**
To Land and Building	3,50,000	By Provision for Doubtful debts		10,000
To Stock	3,00,000	By Sundry Creditors		70,000
To Debtors	2,00,000	By Mrs. Rohan's Loan		20,000
To Rakesh's Capital A/c	20,000	By Cash (Land and Stock)		6,00,000
To Cash A/c (Remaining creditors paid)	40,000	By Cash (Debtors)		1,80,000
		By Rohan's Loan A/c (Profit)		1,500
		By Loss transferred to:		
		Rakesh's Capital A/c	14,250	
		Ram's Capital A/c	8,550	
		Rohan's Capital A/c	5,700	28,500
	9,10,000			**9,10,000**

Note: *No recording for the unrecorded computer taken by Mrs. Rohan against her loan to the firm.*

Question 19

From the following Receipts and Payments Account of Vista Club, prepare an Income and Expenditure Account for the year ended 31st March, 2019:

Receipts and Payments Account of Vista Club for the year ended 31st March, 2019

Receipts		Amount (₹)	Payments	Amount (₹)
To Balance b/d		5,000	By Salaries	31,000
To Subscriptions:			By Electricity Expenses	14,500
2017 – 18	11,600		By Machinery (01.07.2018)	40,000
2018 – 19	73,000		By 8% Investments	30,000
2019 – 20	8,000	92,600	By Balance c/d	5,100
To Sale of old furniture (Book value of ₹ 2,000)		800		
To Entrance Fees		22,000		
To Interest on Investment		200		
		1,20,600		1,20,600

Additional Information:

(i) The club had 50 members each paying an annual subscription of ₹ 1,500. Subscriptions in arrears on 31st March, 2018, were ₹ 15,000.

(ii) On 31st March, 2019, outstanding salaries were ₹ 4,000.

(iii) 8% Investments were made on 31st December, 2018.

(iv) The club owned machinery of ₹ 1,00,000 on 1st April, 2018. Depreciate machinery @ 6% p.a.

Solution:

In the books of Vista Club
Income & Expenditure A/c
for the year ended 31st March, 2019

Dr. **Cr.**

Expenditure	Amount (₹)	Income	Amount (₹)

To Loss on Sale of Furniture		1,200	By Subscriptions (50 × 1500)		75,000
To Salaries	31,000		By Entrance Fees		22,000
Add: Outstanding	4,000	35,000	By Interest on Investments	200	
To Electricity Expenses		14,500	*Add:* Accrued Interest	400	600
To Depreciation on Machinery		7,800			
To Surplus excess of Income over Expenditure		**39,100**			
		97,600			**97,600**

Working Notes:

(1) Calculation of Interest accrued on investments:

Interest received on investments = ₹200

Interest to be received on investments = ₹(30,000 × 8/100 × 3/12) = ₹ 600

Interest Accrued on Investments = Interest due to be received – Interest actually received in cash

= ₹(600 – 200) = ₹400

(2) Calculation of depreciation on machinery

Depreciation on machinery = Depreciation on opening balance + Depreciation on additional machinery purchased

= ₹[(1,00,000 × 6/100) + (40,000 × 6/100 × 9/12)]

= ₹(6,000 + 1,800) = ₹7,800

Question 20

(i) Vayee Ltd. purchased the following assets of E.X. Ltd. :
Land and Building of ₹ 60,00,000 at ₹ 84,00,000; Plant and Machinery of ₹ 40,00,000 at ₹ 36,00,000.
The purchase consideration was ₹ 1,10,00,000. Payment was made by accepting a Bill of Exchange in favour of E.X. Ltd. of ₹ 20,00,000 and remaining by issue of 8% debentures of ₹ 100 each at a premium of 20%.
Record the necessary journal entries for the above transactions in the books of Vayee Ltd.
(ii) Zed Ltd. issued 2,00,000, 8% debentures of ₹ 100 each at a discount of 6% redeemable at a premium of 10% after 5 years. The amount was payable as follows:
On application – ₹ 50 per debenture and
On allotment – balance

Record the necessary journal entries for the issue of debentures in the books of Zed Ltd.

OR

Mahesh Ltd. had issued 20,000, 10% debentures of ₹ 100 each. 8,000, 10% debentures were due for redemption on 31st March, 2019. The company had a balance of ₹ 4,40,000 in the Debenture Redemption Reserve Account on 31st March, 2018. The company invested the required amount in the Debenture Redemption Investment on 1st April, 2018.

Pass the necessary journal entries for redemption of debentures. Ignore the entries for interest on debentures.

Solution:

In the books of Vayee Ltd.
Journal

Date	Particulars	L.F.	Debit Amount (`)	Credit Amount (`)
	Land & Building A/c Dr.		84,00,000	
	Plant & Machinery A/c Dr.		36,00,000	
	To EX Ltd. A/c			1,10,00,000
	To Capital Reserve A/c (Bal. Fig.)			10,00,000
	(Being assets of EX Ltd. purchased)			
	EX Ltd. A/c Dr.		1,10,00,000	
	To Bills Payable A/c			20,00,000
	To 8% Debentures A/c (75,000 × 100)			75,00,000
	To Securities Premium Reserve A/c (75,000 × 20)			15,00,000
	(Being purchase consideration paid by accepting a bill and issuing 75,000 8% debentures of `100 each at 20% premium)			

Working Notes:

Number of Debentures issued = (90,00,000/120) = 75,000 debentures

(ii)

In the books of Zed Ltd.
Journal

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
	Bank A/c Dr.		1,00,00,000	

	To Debenture Application A/c (Being debenture application money received)			1,00,00,000
	Debenture Application A/c Dr. Loss on Issue of debentures A/c Dr. To 8% Debentures A/c To Premium on Redemption A/c (Being debentures allotted and premium on redemption accounted for)		1,00,00,000 20,00,000	 1,00,00,000 20,00,000
	Debenture Allotment A/c Dr. Discount on Issue of Debenture A/c Dr. To 8% Debentures A/c (Being allotment due on debentures)		88,00,000 12,00,000	 1,00,00,000
	Bank A/c Dr. To Debenture Allotment A/c (Being allotment money received)		88,00,000	 88,00,000

OR

In the books of Mahesh Ltd.

Journal

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2018 Apr. 01	Debenture Redemption Investments A/c Dr. To Bank A/c (Being investment made equal to 15% of ₹8,00,000)		1,20,000	 1,20,000
2019 Mar. 31	Bank A/c Dr. To Debenture Redemption Investment A/c (Being debenture redemption investment enchased)		1,20,000	 1,20,000
Mar. 31	10% Debentures A/c Dr. To Debenture holders A/c		8,00,000	 8,00,000

	(Being 10% debentures due for redemption)			
Mar. 31	Debenture holders A/c Dr.		8,00,000	
	To Bank A/c (Being amount paid to debenture holders)			8,00,000
Mar. 31	Debenture Redemption Reserve A/c Dr.		2,00,000	
	To General Reserve A/c (Being DRR amount transferred)			2,00,000

Question 21

(i) R.P. Ltd. forfeited 1,500 shares of Rahim of ₹ 10 each issued at a premium of ₹ 3 per share for non-payment of allotment and first call money. Rahim had applied for 3,000 shares. On these shares, amount was payable as follows:

On application	– ₹ 3 per shares
On allotment (including premium)	– ₹ 5 per shares
On first call	– ₹ 3 per shares
On final call	– Balance

Final call has not been called up. 1,000 of the forfeited shares were reissued for ₹ 8,500 as fully paid-up.

Record the necessary journal entries for the above transactions in the books of R.P. Ltd.

(i) Max Ltd. forfeited 500 shares of ₹ 100 each for non-payment of first call of ₹ 20 per share and final call of ₹ 25 per share. 250 of these shares were re-issued at ₹ 50 per share fully paid-up.

Pass the necessary journal entries in the books of Max Ltd. for forfeiture and re-issue of shares. Also prepare the Share Forfeiture Account.

OR

Karur Ltd. invited applications for issuing 2,40,000 equity shares of ₹ 10 each at a premium of ₹ 4 per share. The amount was payable as under:

On application	– ₹ 4 per share (including premium ₹ 2)
On allotment	– ₹ 4 per share
On first and final call	– ₹ 6 per share (including premium ₹ 2)

Applications for 3,00,000 shares were received and pro-rata allotment was made to all the applicants. Excess application money received on application was adjusted towards sums due on allotment. All calls were made and were duly received except from Rohini, who failed to pay allotment and first and final call on 7,500 shares applied by her. These shares were forfeited. Afterwards, 40% of the forfeited shares were re-issued at 11 per share as fully paid-up.

Pass the necessary journal entries in the books of Karur Ltd. Open call-in-arrears and call-in-advance accounts wherever necessary.

Solution:

(i)

In the books of R.P. Ltd.
Journal

Date	Particulars		L.F.	Debit Amount (₹)	Credit Amount (₹)
	Share Capital A/c (1,500 × 8)	Dr.		12,000	
	Securities Premium Reserve A/c (WN1)	Dr.		3,000	
	To Share Forfeiture A/c (App ₹4,500 + Excess face value ₹3,000)				7,500
	To Share Allotment A/c (WN1)				3,000
	To Share First Call A/c (Being 1,500 shares forfeited for non-payment of allotment & first call)				4,500
	Bank A/c	Dr.		8,500	
	Share Forfeiture A/c	Dr.		1,500	
	To Share Capital A/c (1,000 × 10) (Being 1,000 of the forfeited shares reissued as fully paid-up for ₹8,500)				10,000
	Share Forfeiture A/c	Dr.		3,500	
	To Capital Reserve A/c (Being gain on reissued shares transferred)				3,500

Working Notes:
(1)

Calculation of Excess Application Money of Rahim

Shares Allotted	Shares Applied	Application Money Received @ ₹3 each	Excess Application Money	Allotment Due @₹5 (including ₹3 as premium)	Amount not received on Allotment
1,500	3,000	9,000	4,500 (9,000 – 4,500)	7,500 (₹3,000 + Premium ₹4,500)	3,000 (Premium amount only)

(2) Amount in Share Forfeiture w.r.t. 1,000 shares is ₹5,000 (i.e. 7,500 × 1,000/1,500).

(ii)

In the books of Max Ltd.
Journal

Date	Particulars		L.F.	Debit Amount (₹)	Credit Amount (₹)
	Share Capital A/c (500 × 100)	Dr.		50,000	
	To Share Forfeiture A/c (500 × 55)				27,500
	To Calls-in-Arrears A/c (500 × 45)				22,500
	(Being 500 shares forfeited for non-Payment of calls)				
	Bank A/c (250 × 50)	Dr.		12,500	
	Share Forfeiture A/c (250 × 50)			12,500	
	To Share Capital A/c (250 × 100)				25,000
	(Being 250 shares forfeited, reissued at ₹50 fully paid-up)				
	Share Forfeiture A/c (WN)	Dr.		1,250	
	To Capital Reserve A/c				1,250
	(Being gain on reissued shares transferred)				

Dr. Share Forfeiture A/c Cr.

Particulars	Amount (`)	Particulars	Amount (`)
To Share Capital A/c (250 × 50) (at the time of reissue)	12,500	By Share Capital A/c (500 × 100)	27,500

To Capital Reserve A/c To balance c/d	1,250 13,750		
	27,500		27,500

Working Note:
Amount in Share Forfeiture w.r.t. 250 shares is ₹13,750 (i.e. 27,500 × 250/500).

OR

Journal
In the books of Karur Ltd.

Date	Particulars		L.F.	Debit Amount (₹)	Credit Amount (₹)
	Bank A/c (WN1)	Dr.		12,00,000	
	To Share Application A/c				12,00,000
	(Being application money received on 3,00,000 shares)				
	Share Application A/c	Dr.		12,00,000	
	To Share Capital A/c (WN1)				4,80,000
	To Securities Premium Reserve A/c				4,80,000
	To Calls-in-Advance A/c				2,40,000
	(Being amount transferred to share capital and excess adjusted)				
	Share Allotment A/c	Dr.		9,60,000	
	To Share Capital A/c				9,60,000
	(Being allotment due)				
	Bank A/c (Bal. Fig.)	Dr.		7,02,000	
	Call-in-Arrears A/c (WN2)	Dr.		18,000	
	Calls-in-Advance A/c	Dr.		2,40,000	
	To Share Allotment A/c				9,60,000
	(Being allotment money received except for 6,000 shares)				
	Share First & Final Call A/c	Dr.		14,40,000	
	To Share Capital A/c				9,60,000
	To Securities Premium A/c				4,80,000
	(Being call money due)				

	Bank A/c Dr. Calls-in-Arrears A/c Dr. To Share First & Final Call A/c (Being call money received except on 6,000 shares)		14,04,000 36,000	 14,40,000
	Share Capital A/c (6,000 × 10) Dr. Securities Premium Reserve A/c (6,000 × 2) Dr. To Share Forfeiture A/c (12,000 + 6,000) To Calls-in-Arrears A/c (18,000 + 36,000) (Being 6,000 shares forfeited for non-payment of allotment & call)		60,000 12,000	 18,000 54,000
	Bank A/c (2,400 × 11) Dr. To Share Capital A/c (2,400 × 10) To Securities Premium Reserve A/c (2,400 × 1) (Being 2,400 shares reissued at ₹11 fully paid-up)		26,400	 24,000 2,400
	Share Forfeiture A/c (WN3) Dr. To Capital Reserve A/c (Being gain on reissued shares transferred)		7,200	 7,200

Working Notes:

(1)

Computation Table

Categories	Shares Applied	Shares Allotted	Money received on Application @ ₹4 (including	Money Transferred to Share Capital @ ₹2	Money Transferred to Securities Premium @ ₹2	Allotment due @ ₹4	Excess on Application	Refund

			premium ₹2)					
I	3,00,000	2,40,000	12,00,000	4,80,000	4,80,000	9,60,000	2,40,000	-
	3,00,000	**2,40,000**	**12,00,000**	**4,80,000**	**4,80,000**	**9,60,000**	**2,40,000**	-

(2) ***Calculation of Shares allotted to Rohini:***

Shares allotted to Rohini = (7,500 × 2,40,000/3,00,000) = 6,000 shares

Amount unpaid by Rohini	**₹**
Amount received on application (7,500 × 4)	30,000
Less: actual transfer to share capital (6,000 × 2)	12,000
Less: actual transfer to securities premium reserve (6,000 × 2)	12,000
Excess	6,000
Amount due on first call (6,000 × 4)	24,000
Less: excess adjusted	(6,000)
Calls-in-arrears	18,000

(3) Amount in Share Forfeiture w.r.t. 2, 400 shares is ₹7,200 (i.e. 18,000 × 2400/6000).

Question 22

Badal and Bijli were partners in a firm sharing profits in the ratio 3 : 2. Their Balance Sheet as at 31st March, 2019 was as follows:

Balance Sheet of Badal and Bijli as at 31st March, 2019

Liabilities		**Amount (₹)**	**Assets**	**Amount (₹)**
Capitals :			Building	1,50,000
Badal	1,50,000		Investments	73,000
Bijli	90,000	2,40,000	Stock	43,000
Badal's Current A/c		12,000	Debtors	20,000
Investment Fluctuation Reserve		24,000	Cash	22,000
Bills Payable		8,000	Bijli's Current A/C	2,000
Creditors		26,000		
		3,10,000		**3,10,000**

Raina was admitted on the above date as a new partner for 16th16th share in the profits of the firm. The terms of agreement were as follows:

(i) Raina will bring ₹ 40,000 as her capital and capitals of Badal and Bijli will be adjusted on the basis of Raina's capital by opening current accounts.
(ii) Raina will bring her share of goodwill premium for ₹ 12,000 in cash.
(iii) The building was overvalued by ₹ 15,000 and stock by ₹ 3,000.
(iv) A provision of 10% was to be created on debtors for bad debts.

Prepare the Revaluation Account and Current and Capital Accounts of Badal, Bijli and Raina.

OR

Prem, Kumar and Aarti were partners sharing profits in the ratio of 5 : 3 : 2. Their Balance Sheet as at 31st March, 2019 was as under:

Balance Sheet of Prem, Kumar and Aarti as at 31st March, 2019

Liabilities		Amount (₹)	Assets	Amount (₹)
Capitals :			Building	25,000
Prem	30,000		Plant and Machinery	15,000
Kumar	20,000		Investment	10,000
Aarti	20,000	70,000	Debtors	10,000
General Reserve		8,000	Stock	5,000
Investment Fluctuation Reserve		2,000	Cash	25,000
Bills Payable		8,000		
Sundry Creditors		10,000		
		90,000		**90,000**

On the above date, Kumar retired. The terms of retirement were:
(i) Kumar sold his share of goodwill to Prem for ₹ 8,000 and to Aarti for ₹ 4,000.
(ii) Stock was found to be undervalued by ₹ 1,000 and building by ₹ 7,000.
(iii) Investments were sold for ₹ 11,000.
(iv) There was an unrecorded creditor of ₹ 7,000.
(v) An amount of ₹ 30,000 was paid to Kumar in cash which was contributed by Prem and Aarti in the ratio of 2 : 1. The balance amount of Kumar was settled by accepting a Bill of Exchange in favour of Kumar.

Prepare the Revaluation Account, Capital Accounts of partners and the Balance Sheet of the reconstituted firm.

Solution:

In the books of Badal, Bijli and Raina

Revaluation A/c

Dr. Particulars	Amount (₹)	Particulars		Cr. Amount (₹)
To Building A/c	15,000	By Loss on revaluation trsf. to:		
To Stock A/c	3,000	Badal's Current A/c	12,000	
To Provision for Bad Debts A/c	2,000	Bijli's Current A/c	8,000	20,000
	20,000			**20,000**

Partner's Capital A/c

Dr. Particulars	Badal (₹)	Bijli (₹)	Raina (₹)	Particulars	Badal (₹)	Bijli (₹)	Cr. Raina (₹)
				By balance b/d	1,50,000	90,000	
To Current A/c	30,000	10,000		By Cash A/c			40,000
To balance c/d	1,20,000	80,000	40,000				
	1,50,000	**90,000**	**40,000**		**1,50,000**	**90,000**	**40,000**

Partner's Current A/c

Dr. Particulars	Badal (₹)	Bijli (₹)	Raina (₹)	Particulars	Badal (₹)	Bijli (₹)	Cr. Raina (₹)
To balance b/d		2,000		By balance b/d	12,000		
To Revaluation A/c (Loss)	12,000	8,000		By Premium for Goodwill A/c	7,200	4,800	
				By Investment Fluctuation Reserve A/c	14,400	9,600	

To balance c/d	51,600	14,400	–	By Capital A/c	30,000	10,000	
	63,600	**24,400**	**–**		**63,600**	**24,400**	**–**

Working Notes:

(1) Calculation of New Profit-Sharing Ratio

Old Profit-sharing ratio	=	3 : 2
Raina's Share	=	1/6
Remaining Profits of the firm	=	(1 – 1/6) = 5/6
Badal's New Share	=	(5/6 × 3/5) = 3/6
Bijli's New share	=	(5/6 × 2/5) = 2/6
New Profit-sharing ratio	=	3 : 2 : 1
Sacrificing ratio is same as old ratio	=	3 : 2

(2) Adjustment of Capital:

Raina's Capital for 1/6th share	=	₹40,000
For 1 whole share, capital of the firm	=	₹(40,000 × 6) = ₹2,40,000
New Capital of Badal	=	₹ (2,40,000 × 3/6) = ₹1,20,000
New Capital of Bijli	=	₹ (2,40,000 × 2/6) = ₹80,000

Existing Capital of Badal and Bijli is ₹1,50,000 and ₹90,000

Amount to be credited to Badal's Current A/c	=	Old Capital – New Capital
	=	₹ (1,50,000 – 1,20,000)= ₹30,000
Amount to be credited to Bijli's Current A/c	=	Old Capital – New Capital
	=	₹ (90,000 – 80,000)= ₹10,000

OR

In the books of Prem and Kumar

Dr. **Revaluation A/c** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Creditors A/c (unrecorded)	7,000	By Stock A/c By Building A/c	1,000 7,000
To Profit transferred to:		By Investments A/c	1,000

Prem's Capital A/c	1,000			
Kumar's Capital A/c	600			
Aarti's Capital A/c	400	2,000		
		9,000		**9,000**

Dr. **Partner's Capital A/c** **Cr.**

Particulars	Prem (₹)	Kumar (₹)	Aarti (₹)	Particulars	Prem (₹)	Kumar (₹)	Aarti (₹)
To Kumar's Capital A/c	8,000		4,000	By balance b/d	30,000	20,000	20,000
				By Prem's Capital A/c		8,000	
To Cash A/c		30,000		By Aarti's Capital A/c		4,000	
To Bills Payable A/c		5,600		By Revaluation A/c	1,000	600	400
To balance c/d	48,000		28,400	By General Reserve A/c	4,000	2,400	1,600
				By Investment Fluctuation Reserve A/c	1,000	600	400
				By Cash A/c (Amt. to retiring partner)	20,000		10,000
	56,000	**35,600**	**32,400**		**56,000**	**35,600**	**32,400**

as at 31st March, 2019 Balance Sheet

Liabilities		Amount (₹)	Assets	Amount (₹)
Sundry Creditors		17,000	Building	32,000
Bills Payable		5,600	Plant & Machinery	15,000
Capital A/cs:			Debtors	10,000
Prem	48,000		Stock	6,000
Aarti	28,400	76,400	Cash (25,000 + 11,000 + 30,000 – 30,000)	36,000

	99,000		**99,000**

Question 23

Which of the following is ***not*** an objective of Analysis of Financial Statements :
(A) To judge the financial health of the firm.
(B) To judge the short-term and long-term liquidity position of the firm.
(C) To judge the reasons for change in the profitability of the firm.
(D) To judge the variations in the accounting practices of the business followed by different enterprises.

Solution:

Financial Analysis cannot be used to judge the variation in the accounting practices of the business enterprise as it is one of its limitations.
Hence, the correct answer is option D.

Question 24

What will be the impact of issuing ₹ 5,00,000 equity shares to vendors of machinery on the Debt-Equity Ratio of 2 : 1?

Solution:

Let's suppose that the amount of debt be ₹ 20,00,000 and equity of the firm be ₹ 10,00,000.

Issue of shares to the vendors of machinery will increase the amount of equity of the firm to ₹ 15,00,000. Thus, the new debt-equity ratio of the firm will be 1.33 : 1.
Thus, the ***debt-equity ratio will decrease*** as a result of issue of shares to the vendors of machinery.

Question 25

Total amount of Trade Receivables of Ashoka Ltd. as on 31st March, 2019 were ₹ 3,00,000. It had created a provision of 5% for bad and doubtful debts. What amount of Trade Receivables will be taken to calculate Trade Receivables Turnover Ratio?

Solution:

Trade receivables Turnover ratio is always calculated on the gross value of Trade receivables as it is computed to understand the amount of sales tied up to the receivables and not their realisable value. Thus, ***₹ 3,00,000 will be taken to compute the trade receivables turnover ratio.***

Question 26

An investment normally qualifies as cash-equivalent only when from the date of acquisition it has a short maturity period of :
(A) One month or less
(B) Three months or less
(C) Three months or more
(D) One year or less

Solution:

An investment qualifies as cash equivalent when it has a maturity period of three months or less from the date of its acquisition.
Hence, the correct answer is option B.

Question 27

On 1.10.2018, Micro Ltd. issued 20,000, 8% debentures of ₹100 each and paid interest of ₹ 80,000 on these debentures on 31st March, 2019. Calculate the cash flow from financing activities for the period ending 31st March, 2019. Calculate the cash flow from financing activities for the period ending 31st March, 2019.

Solution:

An Extract of Cash Flow Statement of Micro Ltd.
for the year ending 31st March, 2019

Particulars	Details (₹)	Amount (₹)
Cash Flow from Financing Activities		
Proceeds from issue of 8% debentures	20,00,000	
Payment of interest on debentures	(80,000)	
Cash flow from financing activities		19,20,000
		19,20,000

Question 28

Give an example of an activity which is always financing with regards to the Cash Flow Statement.

Solution:

Dividend paid by a company be it a financial or a non-financial enterprise, will always be classified as a financing activity in the Cash Flow Statement.

Question 29

State whether the following statement is true or false.
'Inventory Turnover Ratio measures the level of financial leverage.'

Solution:

False because it tells us about, how frequently we are able to convert our stock into sales.

Question 30

Under which major head/sub-head will the following items be presented in the Balance Sheet of a company as per Schedule III Part I of the the Companies Act, 2013?
(i) Capital Advances
(ii) Income received in advance
(iii) Capital work-in-progress
(iv) Motor vehicles
(v) Stores and spare parts
(vi) 9% Debentures

OR

Opening inventory is ₹ 60,000, closing inventory is 1·5 times of opening inventory.

Inventory Turnover Ratio is 6 times. Selling price is $33\frac{1}{3}\%$ above cost. Calculate the Gross Profit Ratio.

Solution:

Item	Major Head	Sub-Head
1. Capital Advances	Non-Current Assets	Long-term loans and advances
2. Income Received in Advance	Current Liability	Other Current Liabilities
3. Capital Work-in-Progress	Non-Current Assets	Fixed Assets
4. Motor Vehicles	Non-Current Assets	Fixed Assets- Tangible
5. Stores and Spare parts	Current Assets	Inventories
6. 9% Debentures	Non-Current Liabilities	Long-term borrowings

OR

Gross Profit Ratio	=	(Gross Profit/ Net Sales) × 100
Opening Inventory of the firm	=	₹ 60,000

Closing Inventory of the firm	=	1.5 times of Opening Inventory
	=	(1.5 × 60,000) = ₹ 90,000
Average Stock of the firm	=	(Opening Stock + Closing Stock)/2
	=	(90,000 + 60,000)/2 = ₹ 75,000
Inventory Turnover Ratio	=	Cost of Goods Sold/Average Stock
6	=	Cost of Goods Sold/75,000
Cost of Goods Sold	=	₹(75,000 × 6) = ₹ 4,50,000
Sales of the firm	=	$33\frac{1}{3}\%$ above the cost
	=	4,50,000(1 + 100/300)
	=	4,50,000 × 4/3
	=	₹ 6,00,000
Gross Profit of the firm	=	Net Sales – Cost of Goods Sold
	=	₹(6,00,000 – 4,50,000) = ₹ 1,50,000
Gross Profit Ratio	=	Gross Profit/Net Sales × 100
	=	1,50,000/6,00,000 × 100
	=	25%

Therefore, gross profit ratio of the firm is 25%.

Question 31

Prepare a common size Balance Sheet of L.X. Ltd. from the following information:

Particulars	**Note No.**	**31-03-2019 (₹)**	**31-03-2018 (₹)**
I. Equity and Liabilities:			
1. Share holders Funds		20,00,000	10,00.000
2. Non-Current		20,00,000	5,00.000
3. Current Liabilities		10,00,000	5,00.000
Total		**50,00,000**	**50,00,000**
II. Assets			
1. Non-Current Assets		30,00,000	12,50,000
2. Current Assets		20,00,000	7,50,000

Total		50,00,000	20,00,000

OR

From the following information, prepare Comparative Statement of Profit and Loss :

Particulars	31.3.2018 ₹	31.3.2019 ₹
Revenue from operations	4,00,000	3,00,000
Other Income	80,000	40,000
Expenses - 50% of Revenue from operations		
Income Tax Rate	40%	

Solution:

Common Size Balance Sheet of L.X. Ltd.

for the years ended 31st March, 2018 and 31st March, 2019

Particulars	Note No.	Absolute Amounts		% of Balance Sheet total	
		31st March, 2018 ₹	31st March, 2019 ₹	31st March, 2018 ₹	31st March, 2019 ₹
I. Equity and Liabilities					
1. Shareholder's Funds		10,00,000	20,00,000	50	40
2. Non – Current Liabilities		5,00,000	20,00,000	25	40
3. Current Liabilities		5,00,000	10,00,000	25	20
Total		**20,00,000**	**50,00,000**	**100**	**100**
II. Assets					
1. Non – Current Assets		12,50,000	30,00,000	62.50	60
2. Current Assets		7,50,000	20,00,000	37.50	40
Total		**20,00,000**	**50,00,000**	**100.00**	**100.00**

OR

Comparative Statement of Profit and Loss

for the years ended 31st March, 2018 and 31st March, 2019

Particulars	Note No.	31st March, 2018 ₹	31st March, 2019 ₹	Absolute Change (Increase/Decrease) ₹	Percentage Change (Increase/Decrease) %
I. Revenue from operations		4,00,000	3,00,000	(1,00,000)	(25)
II. Other Income		80,000	40,000	(40,000)	(50)
III. Total Revenue (I + II)		4,80,000	3,40,000	(1,40,000)	(29.167)
IV. Expenses		2,00,000	1,50,000	(50,000)	(25)
V. Profit before Tax (III – IV)		2,80,000	1,90,000	(90,000)	(32.143)
VI. Tax		1,12,000	76,000	(36,000)	(32.143)
VII Profit after Tax (V – VI)		**1,68,000**	**1,14,000**	**(54,000)**	**(32.143)**

(i) From the following information of Nova Ltd., calculate the cash flow from investing activities:

Particulars	31.3.2019 (₹)	31.3.2018 (₹)
Machinery (At cost)	5,00,000	3,00,000
Accumulated Depreciation on machinery	1,00,000	80,000
Goodwill	1,50,000	1,00,000
Land	70,000	1,00,000

Additional Information :

During the year, a machine costing ₹ 50,000 on which the accumulated depreciation was ₹ 35,000, was sold for ₹ 12,000.

(ii) The profit of Jova Ltd. for the year ended 31st March, 2019 after appropriation was ₹ 2,50,000.

Additional Information:

S.No.	Particulars	Amount (₹)
1.	Depreciation of Machinery	20,000
2.	Goodwill written off	9,000

3.	Loss on sale of Furniture	2,000
4.	Transfer to General Reserve	22,500

The following was the position of its Current Assets and Current Liabilities as at 31st March, 2018 and 2019.

Particulars	31.3.2018 (₹)	31.3.2019 (₹)
Income Received in Advance	8,000	–
Inventory	12,000	8,000

Calculate the Cash flow from operating activities.

Solution

(i)

An Extract of Cash Flow Statement of Nova Ltd.

for the year ending 31st March, 2019

Particulars	Details (₹)	Amount (₹)
Cash Flow from Investing Activities		
Purchase of Machinery	(2,50,000)	
Sale of Machinery	12,000	
Purchase of Goodwill	(50,000)	
Sale of Land	30,000	
Cash used in Investing Activities		(2,58,000)
		(2,58,000)

Working Notes:

Machinery A/c

Dr. **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To balance b/d	3,00,000	By Accumulated depreciation A/c	35,000
To Bank A/c (Purchase)	2,50,000	By Statement of Profit & Loss	3,000

(Balancing Fig.)		By Bank A/c (Sale) By balance c/d	12,000 5,00,000
	5,50,000		**5,50,000**

Accumulated Depreciation A/c

Dr. **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Machinery A/c (Dep. on asset sold)	35,000	By balance b/d	80,000
To balance c/d	1,00,000	By Statement of Profit & Loss (Dep. Charged during the year)	55,000
	1,35,000		**1,35,000**

(ii)

An Extract of Cash Flow Statement of Jova Ltd.

for the year ending 31st March, 2019

Particulars	Details (₹)	Amount (₹)
Cash Flow from Operating Activities		
Balance as per Statement of Profit and Loss	2,50,000	
Add: Transfer to General Reserve	22,500	
Net Profit before Tax and Extraordinary Items	2,72,500	
Adjustments for non-cash and non-operating items:		
Add: Depreciation on Machinery	20,000	
Goodwill written off	9,000	
Loss on Sale of Furniture	2,000	
Operating Profit before working capital changes	3,03,500	
Less: Decrease in Current Liability (Income in advance)	8,000	
Add: Decrease in Current Assets (Inventory)	4,000	
Cash Flow from Operating Activities		(2,99,500)
		(2,99,500)