Accountancy 2015 (Outside Delhi) SET I

Time allowed : 3 hours **Maximum marks : 80**

PART A

(Accounting for Partnership Firms and Companies)

1. **In the absence of Partnership Deed, interest on loan of a partner is allowed :**
   (i) at 8% per annum.
   (ii) at 6% per annum.
   (iii) no interest is allowed.
   (iv) at 12% per annum. **[1]**
   Answer : (ii) at 6% per annum.
2. **Geeta, Sunita and Anita were partners in a firm sharing profits in the ratio of 5 : 3 : 2. On 1.1.2015 they admitted Yogita as a new partner for 1/10th share in the profits. On Yogita's admission, the Profit and Loss Account of the firm was showing a debit balance of ₹ 20,000 which was credited by the ac-**

countant of the firm to the capital accounts of Geeta, Sunita and Anita in their profit sharing ratio. Did the accountant give correct treatment ? Give reason in support of your answer. **[1]**

Answer : No, the accountant didn't give correct treatment because debit balance of Profit and Loss A/c represents the loss to the firm. It should be debited and not credited to the capital accounts of Geeta, Sunita and Anita.

3. **On the death of a partner, his share in the profits of the firm till the date of this death is transferred to the :** **[1]**

(i) Debit of Profit and Loss Account.

(ii) Credit of Profit and Loss Account.

(iii) Debit of Profit and Loss Suspense Account.

(iv) Credit of Profit and Loss Suspense Account.

Answer : (iii) Debit of Profit and Loss Suspense Account.

4. **Anant, Gulab and Khushbu were partners in a firm sharing profits in the ratio of 5 : 3 : 2. From 1.4.2014, they decided to share the profits equally. For this purpose the goodwill of the firm was valued at ₹ 2,40,000.**

Pass necessary Journal entry for the treatment of goodwill on change in the profit sharing ratio of Anant, Gulab and Khushbu. **[1]**

Answer : Journal Entry

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
1.4.2014	Gulab's Capital A/c Dr.		8,000	
	Khushbu's Capital A/c Dr.		32,000	
	To Anant's Capital A/c			40,000
	(Gulab and Khushbu, being the gaining partners compensated Anant for his share of sacrifice)			

Working Notes :

1. Calculation of Sacrificing Ratio :

Old Ratio 5 : 3 : 2

New Ratio 1 : 1 : 1

$$\text{Sacrificing Ratio} = \text{Old Ratio} - \text{New Ratio}$$

$$\text{Anant} = \frac{5}{10} - \frac{1}{3} = \frac{5}{30} \text{ (Sacrifice)}$$

$$\text{Gulab} = \frac{3}{10} - \frac{1}{3} = -\frac{1}{30} \text{ (Gain)}$$

$$\text{Khushbu} = \frac{2}{10} - \frac{1}{3} = -\frac{4}{30} \text{ (Gain)}$$

2. Adjustment of Goodwill :

$$\text{Share of Anant in firm's goodwill} = \frac{5}{30} \times 2{,}40{,}000 = ₹\,40{,}000$$

Gulab and Khushbu, being the gaining partner will pay Anant, a sacrificing partner in the ratio of their gain *i.e.*, 1 : 4.

So,
$$\text{Gulab will pay} = 40{,}000 \times \frac{1}{5} = ₹\,8{,}000$$

$$\text{Khushbu will pay} = 40{,}000 \times \frac{4}{5} = ₹\,32{,}000$$

5. **Give the meaning of forfeiture of shares.** **[1]**

Answer : Cancellation of shares allotted on non-payment of due calls and treating actually received amount as forfeited is known as forfeiture of shares.

6. **Nirman Ltd. issued 50,000 equity shares of ₹ 10 each. The amount was payable as follows :**

On application—₹ 3 per share

On allotment—₹ 2 per share

On first and final call—The balance

Applications for 45,000 shares were received and shares were allotted to all the applicants. Pooja, to whom 500 shares were allotted, paid her entire share money at the time of allotment, whereas Kundan did not pay the first and final call on his 300 shares. The amount received at the time of making first and final call was :

(i) ₹ 2,25,000

(ii) ₹ 2,20,000

(iii) ₹ 2,21,000

(iv) ₹ 2,19,500 **[1]**

Answer : (iii) ₹ 2,21,000

7. **Guru Ltd. invited applications for issuing 5,00,000 equity shares of ₹ 10 each at a premium of ₹ 5 per share. Because of favourable market conditions the issue was over-subscribed and applications for 15,00,000 shares were received.**

Suggest the alternatives available to the Board of Directors for the allotment of shares. **[3]**

Answer : Alternatives available to the Board of Directors are as follows :

(a) To reject the excess applications of 10,00,000 shares.

(b) To allot shares to all the share applicants on pro-rata basis, *i.e.*, alloting 5,00,000 shares to 15,00,000 share applicants.

(c) To exercise a mix of both the practices as listed in (a) and (b). That is, rejecting the excess application say for 5,00,000 shares and allotting 5,00,000 shares to the remaining 10,00,000 share applicants.

8. **On 1.4.2013, Brij and Nandan entered into partnership to construct toilets in government girls schools in the remote areas of Uttarakhand. They contributed capitals of ₹ 10,00,000 and ₹ 15,00,000 respectively. Their profit sharing ratio was 2 : 3 and interest allowed on capital as provided in the Partnership Deed was 12% per annum. During the year ended 31.3.2014, the firm earned a profit of ₹ 2,00,000.**

Prepare Profit and Loss Appropriation Account of Brij and Nandan for the year ended 31.3.2014.[3]

In the books of Brij and Nanadan

Answer : **In the Books of Brij and Nandam**

Profit and Loss Appropriation Account

Dr. *for the year ended 31st March, 2014* **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Interest on Capital : Brij's Capital A/c 80,000 Nandan's Capital A/c 1,20,000	2,00,000	By Profit and Loss A/c	2,00,000
	2,00,000		**2,00,000**

Working Notes :

1. **Calculation of Interest on Capital :**

$$\text{On Brij's Capital} = 10{,}00{,}000 \times \frac{12}{100} = ₹\ 1{,}20{,}000$$

$$\text{On Nandan's Capital} = 15{,}00{,}000 \times \frac{12}{100} = ₹\ 1{,}80{,}000$$

$$\text{Total Interest} = 1{,}20{,}000 + 1{,}80{,}000 = ₹\ 3{,}00{,}000$$

2. Calculation of Proportionate Profit :

$$\text{Proportionate Interest to Brij} = \frac{1,20,000}{3,00,000} \times 2,00,000 = ₹\,80,000$$

$$\text{Proportionate Interest to Nandan} = \frac{1,80,000}{3,00,000} \times 2,00,000 = ₹\,1,20,000$$

Note : Interest on capital is to be treated as an appropriation of profits and is to be provided to the extent of available profit *i.e.*, ₹ 2,00,000.

9. 'Suvidha Ltd.' is registered with an authorised capital of ₹ 10,00,00,000 divided into 10,00,000 equity shares of ₹ 100 each. The company issued 1,00,000 shares for public subscription. A shareholder holding 100 shares, failed to pay the final call of ₹ 20 per share. His shares were forfeited. The forfeited shares were re-issued at ₹ 90 per share as fully paid up.

Present the 'Share Capital' in the Balance Sheet of the company as per Schedule VI Part I of the Companies Act, 1956. Also prepare 'Notes to Accounts'. [3]

Answer :

Suvidha Ltd.
Balance Sheet
as at............(as per Schedule VI)

	Particulars	Note No.	Amount (₹)
I.	**Equity and Liabilities**		
	1. Shareholder's Funds		
	(a) Share Capital	1	1,00,00,000
	(b) Reserves and Surplus	2	7,000
			1,00,07,000

Notes to Accounts :

	Particulars	Amount (₹)
1.	**Share Capital**	
	Authorised Capital	
	10,00,000 shares of ₹ 100 each	10,00,00,000
	Issued Capital	
	1,00,000 shares of ₹ 100 each	1,00,000
	Subscribed, Called-up and Paid-up Capital	
	1,00,000 shares of ₹ 100 each	1,00,00,000
2.	**Reserves and Surplus**	
	Capital Reserve	7,000

10. 'Good Blankets Ltd.' are the manufacturers of woollen blankets. Blankets of the company are exported to many countries. The company decided to distribute blankets free of cost to five villages of Kashmir Valley destroyed by the recent floods. It also decided to employ 100 young persons from these villages in their newly established factory at Solan in Himachal Pradesh. To meet the requirements of funds for starting its new factory, the company issued 50,000 equity shares of ₹ 10 each and 2,000 8% debentures of ₹ 100 each to the vendors of machinery purchased for ₹ 7,00,000.

Pass necessary journal entries for the above transactions in the books of the company. Also identify any one value which the company wants to communicate to the society. **[3]**

Answer : **In the books of Good Blankets Ltd.**

Journal Entries

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
	Machinery A/c Dr.		7,00,000	
	To Vendor's A/c			7,00,000
	(Being machinery purchased from vendor)			
	Vendor's A/c Dr.		7,00,000	
	To Equity Share Capital A/c			5,00,000
	To 8% Debentures A/c			2,00,000
	(Being 50,000 equity shares of ₹ 10 each and 2,000 8% debentures of ₹ 100 each issued to the vendor for payment of machinery)			

Value involved in the above scenario is 'Creation of employment opportunities'.

11. **Arun, Varun and Karan were partners in a firm sharing profits in the ratio of 4 : 3 : 3. On 31.3.2014, their Balance Sheet was as follows :**

Particulars		Amount (₹)	Particulars	Amount (₹)
Creditors		17,000	Cash	8,000
Bills Payable		12,000	Debtors	13,000
Karan's Loan		28,000	Bills Receivables	9,000
Capitals :			Furniture	27,000
Arun	70,000		Machinery	1,25,000
Varun	68,000	1,38,000	Karan's Capital	13,000
		1,95,000		**1,95,000**

On 30.9.2014, Karan died. The Partnership Deed provided for the following to the executors of the deceased partner :

(a) His share in the goodwill of the firm calculated on the basis of three years' purchase of the average profits of the last four years. The profits of the last four years were ₹ 1,90,000; ₹ 1,70,000; ₹ 1,80,000 and ₹ 1,60,000 respectively.

(b) His share in the profits of the firm till the date of his death calculated on the basis of the average profits of the last four years.

(c) Interest @ 8% p.a on the credit balance, if any, in his Capital Account.

(d) Interest on his loan @ 12% p.a.

Prepare Karan's Capital Account to be presented to his executors, assuming that his loan and interest on loan were transferred to his Capital Account. **[4]**

Answer :

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

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	13,000	By Arun's Capital A/c	90,000
To Karan's Executor's A/c	2,00,430	By Varun's Capital A/c	67,500
		By Profit and Loss Suspense A/c	26,250
		By Karan's Loan A/c	28,000
		By Interest on Karan's Loan A/c	1,680
	2,13,430		**2,13,430**

Working Notes :

1. Interest on Karan's Loan $= 28{,}000 \times \frac{12}{100} \times \frac{6}{12} = ₹\ 1{,}680$

2. **Calculation of Karan's Share in Profits :**

$$\text{Average Profit} = \frac{1,90,000 + 1,70,000 + 1,80,000 + 1,60,000}{4}$$
$$= ₹\ 1,75,000$$

$$\text{Share of Karan in profit} = 1,75,000 \times \frac{3}{10} \times \frac{6}{12} = ₹\ 26,250$$

3. **Adjustment of Goodwill :**

$$\text{Goodwill of the firm} = \text{Average Profit} \times \text{Number of years' purchase}$$
$$= 1,75,000 \times 3 = ₹\ 5,25,000$$

$$\text{Karan's Share of Goodwill} = 5,25,000 \times \frac{3}{10} = ₹\ 1,57,500$$

$$\text{Arun will pay} = 1,57,500 \times \frac{4}{7} = ₹\ 90,000$$

$$\text{Varun will pay} = 1,57,500 \times \frac{4}{7} = ₹\ 67,500$$

Note : Since, here no information is given regarding the share acquired by Arun and Varun, therefore, their gaining ratio is same as their new profit sharing ratio *i.e.*, 4 : 3.

12. **Prem, Param and Priya were partners in a firm. Their fixed capitals were Prem ₹ 2,00,000; Param ₹ 3,00,000 and Priya ₹ 5,00,000. They were sharing profits in the ratio of their capitals. The firm was engaged in the sale of ready-to-eat food packets at three different locations in the city, each being managed by Prem, Param and Priya. The outlet managed by Prem was doing more business than the outlets managed by Param and Priya. Prem requested Param and Priya for a higher share in the profits of the firm which Param and Priya accepted. It was decided that the new profit sharing ratio will be 2 : 1 : 2 and its effect will be introduced retrospectively for the last four years. The profits of the last four years were ₹ 2,00,000; ₹ 3,50,000; ₹ 4,75,000 and ₹ 5,25,000 respectively.**

Showing your calculations clearly, pass a necessary adjustment entry to give effect to the new agreement between Prem, Param and Priya. **[4]**

Answer : Journal Entry

Date	Particulars		L.F.	Amount (₹)	Amount (₹)
	Param's Current A/c	Dr.		1,55,000	
	Priya's Current A/c	Dr.		1,55,000	
	To Prem's Current A/c				3,10,000
	(Rectification done)				

Adjusting Table :

Particulars	Prem	Param	Priya	Total
Profit to be credited (Cr.)	6,20,000	3,10,000	6,20,000	15,50,000
Profit wrongly credited (Dr.)	3,10,000	4,65,000	7,75,000	15,50,000
Difference	3,10,000 Cr.	(1,55,000) Dr.	(1,55,000) Dr.	—

Working Notes :

1. **Calculation of Profit Share in Capital Ratio (2 : 3 : 5)**

Total Profit of last 4 years = ₹ (2,00,000 + 3,50,000 + 4,75,000 + 5,25,000) = ₹ 15,50,000

$$\text{Prem's Share} = 15,50,000 \times \frac{2}{10} = ₹\,3,10,000$$

$$\text{Param's Share} = 15,50,000 \times \frac{3}{10} = ₹\,4,65,000$$

$$\text{Priya's Share} = 15,50,000 \times \frac{5}{10} = ₹\,7,75,000$$

2. Calculation of Profit Share in New Ratio (2 : 1 : 2)

$$\text{Prem's Share} = 15,50,000 \times \frac{2}{5} = ₹\,6,20,000$$

$$\text{Param's Share} = 15,50,000 \times \frac{1}{5} = ₹\,3,10,000$$

$$\text{Priya's Share} = 15,50,000 \times \frac{2}{5} = ₹\,6,20,000$$

13. On 1.1.2008, Uday and Kaushal entered into partnership with fixed capitals of ₹ 7,00,000 and ₹ 3,00,000 respectively. They were doing good business and were interested in its expansion but could not do the same because of lack of capital. Therefore, to have more capital, they admitted Govind as a new partner on 1.1.2010. Govind brought ₹ 10,00,000 as capital and the new profit sharing ratio decided was 3 : 2 : 5. On 1.1.2012, another new partner Hari was admitted with a capital of ₹ 8,00,000 for 1/10th share in the profits, which he acquired equally from Uday, Kaushal and Govind. On 1.4.2014 Govind died and his share was taken over by Uday and Hari equally.

Calculate :

(i) The sacrificing ratio of Uday and Kaushal on Govind's admission.

(ii) New profit sharing ratio of Uday, Kaushal, Govind and Hari on Hari's admission.

(iii) New Profit sharing ratio of Uday, Kaushal and Hari on Govind's death. **[6]**

Answer : (i) Calculation of Sacrificing Ratio of Uday and Kaushal on Govind's admission :

Old Ratio of Uday and Kaushal = 1 : 1

New Ratio of Uday, Kaushal and Govind = 3 : 2 : 5

Sacrificing Ratio = Old Ratio – New Ratio

$$\text{Uday's Sacrifice} = \frac{1}{2} - \frac{3}{10} = \frac{2}{10}$$

$$\text{Kaushal's Sacrifice} = \frac{1}{2} - \frac{2}{10} = \frac{3}{10}$$

Sacrificing Ratio = 2 : 3

(iii) Calculation of New Profit Sharing Ratio of Uday, Kaushal, Govind and Hari on Hari's Admission :

Old Ratio of Uday, Kaushal and Govind = 3 : 2 : 5

Hari was admitted for 1/10th share, which was acquired by him equally from Uday, Kaushal and Govind.

$$\text{Uday's Sacrifice} = \frac{1}{3} \times \frac{1}{10} = \frac{1}{30}$$

$$\text{Kaushal's Sacrifice} = \frac{1}{3} \times \frac{1}{10} = \frac{1}{30}$$

$$\text{Govind's Sacrifice} = \frac{1}{3} \times \frac{1}{10} = \frac{1}{30}$$

New Profit Share = Old Share – Sacrificing Share

$$\text{Uday} = \frac{3}{10} - \frac{1}{30} = \frac{8}{30}$$

$$\text{Kaushal} = \frac{2}{10} - \frac{1}{30} = \frac{5}{30}$$

$$\text{Govind} = \frac{5}{10} - \frac{1}{30} = \frac{14}{30}$$

$$\text{Hari} = \frac{1}{10} \text{ or } \frac{3}{30}$$

Therefore, New Profit Sharing Ratio of Uday, Kaushal, Govind and Hari = 8 : 5 : 14 : 3

(iii) Calculation of New Profit Sharing Ratio of Uday, Kaushal and Hari on Govind's death :

Old Ratio of Uday, Kaushal, Govind and Hari = 8 : 5 : 14 : 3.

Govind died and his share $\left(\frac{14}{30}\right)$ is acquired by Uday and Hari equally.

$$\text{Uday's Gain} = \frac{1}{2} \times \frac{14}{30} = \frac{7}{30}$$

$$\text{Hari's Gain} = \frac{1}{2} \times \frac{14}{30} = \frac{7}{30}$$

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

$$= \frac{8}{30} + \frac{7}{30} = \frac{15}{30}$$

$$\text{Hari's New Share} = \frac{3}{30} + \frac{7}{30} = \frac{10}{30}$$

$$\text{Kaushal's Share} = \frac{5}{30}$$

Therefore, New Profit Sharing Ratio of Uday, Kaushal and Hari = 15 : 5 : 10 or 3 : 1 : 2 :

14. 'Ananya Ltd.' had an authorized capital of ₹ 10,00,00,000 divided into 10,00,000 equity shares of ₹ 100 each. The company had already issued 2,00,000 shares. The dividend paid per share for the year ended 31.3.2007 was ₹ 30. The management decided to export its products to African countries. To meet the requirements of additional funds, the finance manager put up the following three alternate proposals before the Board of Directors :

(i) Issue 47,500 equity shares at a premium of ₹ 100 per share.

(ii) Obtain a long-term loan from bank which was available at 12% per annum.

(iii) Issue 9% debentures at a discount of 5%.

After evaluating these alternatives the company decided to issue 1,00,000, 9% debentures on 1.4.2008. The face value of each debenture was ₹ 100. These debentures were redeemable in four instalments starting from the end of third year, which was as follows :

Year	**Amount (₹)**
III	**10,00,000**
IV	**20,00,000**
V	**30,00,000**
VI	**40,00,000**

Prepare 9% debenture account from 1.4.2008 till all the debentures were redeemed. **[6]**

Answer :

Dr. **9% Debentures Account** **Cr.**

Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
2019	To Balance c/d		1,00,00,000	2008	By Debenture Application A/c		95,00,000

Mar. 31				Apr.1	By Discount on Issue of Debentures A/c		5,00,000
2010	To Balance c/d		**1,00,00,000**				**1,00,00,000**
Mar. 31			1,00,00,000	2009 Apr.1	By Balance b/d		1,00,00,000
			1,00,00,000				**1,00,00,000**
2011	To Debenture holders A/c		1,00,00,000	2010	By Balance b/d		1,00,00,000
Mar. 31	To Balance c/d		90,00,000	Apr.1			
			1,00,00,000				**1,00,00,000**
2012	To Debenture holders A/c		20,00,000	2011	By Balance b/d		90,00,000
Mar. 31	To Balance c/d		70,00,000	Apr.1			
			90,00,000				**90,00,000**
2013	To Debenture holders A/c		30,00,000	2012	By Balance b/d		70,00,000
Mar. 31	To Balance c/d		40,00,000	Apr.1			
			70,00,000				**70,00,000**
2014	To Debenture holders A/c		40,00,000	2013	By Balance b/d		40,00,000
Mar. 31				Apr.1			
			40,00,000				**40,00,000**

15. Mala, Neela and Kala were partners sharing profits in the ratio of 3 : 2 : 1. On 1.3.2015 their firm was dissolved. The assets were realized and liabilities were paid off. The accountant prepared Realisation Account, Partners' Capital Accounts and Cash Account, but forgot to post few amounts in these accounts.

You are required to complete these below given accounts by posting correct amounts. [6]

Dr. **Realisation Account** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Sundry Assets : Machinery 10,000 Stock 21,000		By Provision for bad debts By Sundry Creditors By Sheela's Loan	1,000 15,000 13,000
Debtors 20,000 Prepaid Insurance 400 Investments 3,000 To Mala's Capital A/c - Sheela's Loan To Cash - Creditors paid To Cash - Dishonoured bill paid To Cash - Expenses	54,000 13,000 15,000 5,000 800	By Repairs and Renewals Reserve By Cash - Assets sold : Machinery 8,000 Stock 14,000 Debtors 16,000 By Mala's Capital - Investments	 38,000 2,000 ....
	88,200		**88,200**

Dr. Capital Accounts Cr.

Particulars	Mala (₹)	Neela (₹)	Kala (₹)	Particulars	Mala (₹)	Neela (₹)	Kala (₹)
....	....	....	....	....	....	....	....
....	....			....	....		
To Cash	12,000	9,000		By Cash			1,000
	23,000	**15,000**	**3,000**		**23,000**	**15,000**	**3,000**

Dr. Realisation Account Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	2,800	By Realisation A/c - Creditors paid	15,000
To Realisation A/c – Sale of assets	38,000	By Dishonoured bill	5,000
To Kala's Capital A/c	1,000	....	....
		By Mala's Capital A/c	12,000
		By Neela's Capital A/c	9,000
	41,800		**41,800**

Answer :

Dr. Realisation Account Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Sundry Assets :		By Provision for bad debts	1,000
Machinery 10,000		By Sundry Creditors	15,000
Stock 21,000		By Sheela's Loan	13,000
Debtors 20,000		By Repairs and Renewals Reserve	1,200
Prepaid Insurance 400		By Cash - Assets sold :	
Investments 3,000	54,400	Machinery 8,000	
To Mala's Capital A/c - Sheela's Loan	13,000	Stock 14,000	
To Cash - Creditors paid	15,000	Debtors 16,000	38,000
To Cash - Dishonoured bill paid	5,000	By Mala's Capital - Investments	2,000
To Cash - Expenses	800	By Loss transferred to :	
		Mala's Capital 9,000	
		Neela's Capital 6,000	
		Kala's Capital 3,000	18,000
	88,200		**88,200**

Dr. Partner's Capital Accounts Cr.

Particulars	Mala (₹)	Neela (₹)	Kala (₹)	Particulars	Mala (₹)	Neela (₹)	Kala (₹)
To Realisation A/c (Loss)	9,000	6,000	3,000	By Balance b/d	10,000	15,000	2,000
To Realisation A/c	2,000			By Realisation A/c (Loan)	13,000		
To Cash A/c	12,000	9,000		By Cash A/c			1,000
	23,000	**15,000**	**3,000**		**23,000**	**15,000**	**3,000**

Dr. **Cash Account** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	2,800	By Realisation A/c - Creditors paid	15,000
To Realisation A/c – Sale of assets	38,000	By Dishonoured bill	5,000
To Kala's Capital A/c	1,000	By Realisation A/c (Expenses)	800
		By Mala's Capital A/c	12,000
		By Neela's Capital A/c	9,000
	41,800		**41,800**

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

On application—₹ 10 per share (including ₹ 5 premium)

On allotment—The balance

The issue was fully subscribed. A shareholder holding 300 shares paid the full share money with application.

Another shareholder holding 200 shares failed to pay the allotment money. His shares were forfeited. Later on these shares were re-issued for ₹ 4,000 as fully paid up.

Pass necessary jounal entries for the above transactions in the books of BMY Ltd. [8]

OR

'Blue Star Ltd.' was registered with an authorized capital of ₹ 2,00,000 divided into 20,000 shares of ₹ 10 each. 6,000 of these shares were issued to the vendor for building purchased. 8,000 shares were issued to the public and ₹ 5 per share were called up as follows :

On application— ₹ 2 per share

On allotment—₹ 1 per share

On first call—Balance of the called up amount

The amount received on these shares were as follows :

On 6,000 shares—Full amount called

On 1,250 shares—₹ 3 per share

On 750 shares—₹ 2 per share

The directors forfeited 750 shares on which ₹ 2 per share were received. Pass necessary journal entries for the above transactions in the books of Blue Star Ltd. [8]

Answer : **In the books of BMY Ltd. (Journal Entries)**

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
	Bank A/c Dr. To Equity Share Application A/c (Being application money received on 1,00,000 shares along with allotment money on 300 shares)		10,03,000	10,03,000

	Equity Share Application A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c To Equity Share Allotment A/c (Being amount of application transferred to share capital and securities premium reserve)		10,03,000	 5,00,000 5,00,000 3,000
	Equity Share Allotment A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c (Being amount due on allotment)		10,00,000	 5,00,000 5,00,000
	Bank A/c (10,00,000 – 3,000 – 2,000) Dr. To Equity Share Allotment A/c (Being amount received on share allotment)		9,95,000	 9,95,000
	Equity Share Capital A/c Dr. Securities Premium Reserve A/c Dr. To Equity Share Forfeiture A/c To Equity Share Allotment A/c (Being 200 shares forfeited for non-payment of allotment money)		2,000 1,000	 1,000 2,000
	Bank A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c (Being forfeited shares reissued for ₹ 4,000 as fully paid up)		4,000	 2,000 2,000
	Equity Share Forfeiture A/c Dr. To Capital Reserve A/c (Being excess amount on forfeiture is transferred to capital reserve)		1,000	 1,000

OR

In the books of Blue Star Ltd. (Journal Entries)

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
	Building A/c Dr. To Vendor's A/c (Being building purchased)		60,000	 60,000
	Vendor's A/c Dr. To Equity Share Capital A/c (Being 6,000 shares issued to the vendor of building)		60,000	 60,000
	Bank A/c Dr. To Equity Share Application A/c (Being application money received on 8,000 shares)		16,000	 16,000
	Equity Share Application A/c Dr. To Equity Share Capital A/c (Being amount of application transferred to share capital)		16,000	 16,000

	Equity Share Allotment A/c Dr. To Equity Share Capital A/c (Being amount due on share allotment)		8,000	8,000
	Bank A/c (8,000 – 750) Dr. To Equity Share Allotment A/c (Being amount received on share allotment except on 750 shares)		7,250	7,250
	Equity Share First Call A/c Dr. To Equity Share Capital A/c (Being amount due on share first call)		16,000	16,000
	Bank A/c (16,000 – 2,500 – 1,500) Dr. To Equity Share First Call A/c (Being amount received on share first call except on 2,000 shares)		12,000	12,000
	Equity Share Capital A/c Dr. To Equity Share Forfeiture A/c To Equity Share Allotment A/c To Equity Share First Call A/c (Being 750 shares forfeited for non-payment of allotment and first call money)		3,750	1,500 750 1,500

17. **Om, Ram and Shanti were partners in a firm sharing profits in the ratio of 3 : 2 : 1. On 1st April, 2014 their Balance Sheet was as follows :**

Dr. Cash Account Cr.

Liabilities		Amount (₹)	Assets	Amount (₹)
Capital Accounts :			Land and Building	3,64,000
Om	3,58,000		Plant and Machinery	2,95,000
Ram	3,00,000		Furniture	2,33,000
Shanti	2,62,000	9,20,000	Bills Receivables	38,000
General Reserve		48,000	Sundry Debtors	90,000
Creditors		1,60,000	Stock	1,11,000
Bills Payable		90,000	Bank	87,000
		12,18,800		**12,18,800**

On the above date Hanuman was admitted on the following terms :

(i) He will bring ₹ 1,00,000 for his capital and will get 1/10th share in the profits.

(ii) He will bring necessary cash for his share of goodwill premium. The goodwill of the firm was valued at ₹ 3,00,000.

(iii) A liability of ₹ 18,000 will be created against bills receivables discounted.

(iv) The value of stock and furniture will be reduced by 20%.

(v) The value of land and building will be increased by 10%.

(vi) Capital accounts of the partners will be adjusted on the basis of Hanuman's capital in their profit sharing ratio by opening current accounts.

Prepare Revaluation Account and Partner's Capital Accounts. **[8]**

OR

Xavier, Yusuf and Zaman were partners in a firm sharing profits in the ratio 4 : 3 : 2. On 1.4.2014 their Balance Sheet was as follows :

Liabilities		Amount (₹)	Assets		Amount (₹)
Sundry Creditors		41,400	Cash at Bank		33,000
Capital Accounts :			Sundry Debtors	30,450	
Xavier	1,20,000		*Less* : Provision for BadDebts	1,050	29,400
Yusuf	90,000		Stock		48,000
Zaman	60,000	2,70,000	Plant and Machinery		51,000
			Land and Building		90,000
					1,50,000
		3,11,400			**3,11,400**

Yusuf had been suffering from ill health and thus gave notice of retirement from the firm. An agreement was, therefore, entered into as on 1.4.2014, the terms of which were as follows :

(i) That land and building be appreciated by 10%.

(ii) The provision for bad debts is no longer necessary.

(iii) That stock be appreciated by 20%.

(iv) That goodwill of the firm be fixed at ₹ 54,000. Yusuf's share of the same be adjusted into Xavier's and Zaman's Capital Accounts, who are going to share future profits in the ratio of 2 : 1.

(v) The entire capital of the newly constituted firm be readjusted by bringing in or paying necessary cash so that the future capitals of Xavier and Zaman will be in their profit sharing ratio.

Prepare Revaluation Account and Partners' Capital Accounts. **[8]**

Answer :

Dr. **Revaluation Account** **Cr.**

Particulars	Amount (₹)	Particulars		Amount (₹)
To Stock A/c	22,200	By Land and Building A/c		36,400
To Furniture A/c	46,600	By Loss transferred to :		
To B/R Discounted A/c	18,000	Om	25,200	
		Ram	16,800	
		Shanti	8,400	50,400
	86,800			**86,800**

Dr. **Partner's Capital Accounts** **Cr.**

Particulars	Om (₹)	Ram (₹)	Shanti (₹)	Hanuman (₹)	Particulars	Om (₹)	Ram (₹)	Shanti (₹)	Hanuman (₹)
To Revaluation A/c (Loss)	25,200	16,800	8,400		By Balance b/d	3,58,000	3,00,000	2,62,000	
To Ram's Current A/c		9,200			By General Reserve A/c	24,000	16,000	8,000	
To Shanti's Current A/c			1,16,600		By Bank A/c				1,00,000
To Balance c/d	4,50,000	3,00,000	1,50,000	1,00,000	By Premium for Goodwill A/c	15,000	10,000	5,000	
					By Om's Current A/c	78,200			
	4,75,200	**3,26,000**	**2,75,000**	**1,00,000**		**4,75,200**	**3,26,000**	**2,75,000**	**1,00,000**

Working Notes :

1. Calculation of New Profit Sharing Ratio :

$$\text{Old Ratio} = 3:2:1$$

$$\text{Let the total profit share of the firm} = 1$$

$$\text{Remaining profit share of the firm} = 1 - \frac{1}{10} = \frac{9}{10}$$

$$\text{Om's New Share} = \frac{3}{6} \times \frac{9}{10} = \frac{27}{60}$$

$$\text{Ram's New Share} = \frac{2}{6} \times \frac{9}{10} = \frac{18}{60}$$

$$\text{Shanti's New Share} = \frac{1}{6} \times \frac{9}{10} = \frac{9}{60}$$

$$\text{Hanuman's Share} = \frac{6}{6} \times \frac{1}{10} = \frac{6}{60}$$

$$\therefore \quad \text{New Profit Sharing Ratio} = 27:18:9:6 \text{ or } 9:6:3:2.$$

2. Calculation of Sacrificing Ratio :

$$\text{Old Ratio} = 3:2:1$$

$$\text{New Ratio} = 9:6:3:2$$

$$\text{Sacrificing Ratio} = \text{Old Ratio} - \text{New Ratio}$$

$$\text{Om} = \frac{3}{6} - \frac{9}{20} = \frac{30-27}{60} = \frac{3}{60}$$

$$\text{Ram} = \frac{2}{6} - \frac{6}{20} = \frac{20-18}{60} = \frac{2}{60}$$

$$\text{Shanti} = \frac{1}{6} - \frac{3}{20} = \frac{10-9}{60} = \frac{1}{60}$$

$$\therefore \quad \text{Sacrificing Ratio} = 3:2:1$$

3. Hanuman's Share of Goodwill $= 3{,}00{,}000 \times \frac{1}{10} =$ ₹ 30,000

This will be credited to Om, Ram and Shanti in sacrificing ratio.

4. Adjustment of Capital :

$$\text{Total Capital of the firm} = \text{Hanuman's Capital} \times \text{Reciprocal of his share}$$

$$= 1{,}00{,}000 \times \frac{10}{1} = ₹\ 10{,}00{,}000$$

$$\text{New Profit Sharing Ratio} = 9:6:3:2$$

$$\text{Om's New Capital} = 10{,}00{,}000 \times \frac{9}{20} = ₹\ 4{,}50{,}000$$

$$\text{Ram's New Capital} = 10{,}00{,}000 \times \frac{6}{20} = ₹\ 3{,}00{,}000$$

$$\text{Shanti's New Capital} = 10{,}00{,}000 \times \frac{3}{20} = ₹\ 1{,}50{,}000$$

OR

Dr. **Revaluation Account** Cr.

Particulars		**Amount (₹)**	**Particulars**	**Amount (₹)**
To Profit transferred to :			By Land and Building A/c	15,000
Xavier's Capital A/c	11,400		By Sundry Debtors A/c	1,050
Yusuf's Capital A/c	8,550		By Stock A/c	9,600
Zaman's Capital A/c	5,700	25,650		
		25,650		**25,650**

Dr. **Partner's Capital Account** Cr.

Particulars	**Xavier (₹)**	**Yusuf (₹)**	**Zaman (₹)**	**Particulars**	**Xavier (₹)**	**Yusuf (₹)**	**Zaman (₹)**
To Yusuf's Capital A/c	12,000		6,000	By Balance b/d	1,20,000	90,000	60,000
To Yusuf's Loan A/c		1,16,550		By Revaluation A/c (Profit)	11,400	8,550	5,700
To Balance c/d	1,19,400		59,700	By Xavier's Capital A/c		12,000	
				By Zaman's Capital A/c		6,000	
	1,31,400	**1,16,550**	**65,700**		**1,31,400**	**1,16,550**	**65,700**

Working Notes :

1. Adjustment of Goodwill :

$$\text{Yusuf's Share of Goodwill} = 54{,}000 \times \frac{3}{9} = ₹\,18{,}000$$

$$\text{Xavier will pay} = 18{,}000 \times \frac{2}{3} = ₹\,12{,}000$$

$$\text{Zaman will pay} = 18{,}000 \times \frac{1}{3} = ₹\,6{,}000$$

2. Adjustment of Capital :

Adjusted Old Capital of Xavier = ₹ 1,19,400

Adjusted Old Capital to Yusuf = ₹ 1,16,550, will be transferred to Loan A/c

Adjusted Old Capital to Zaman = ₹ 59,700

Total Adjusted Capital = 1,19,400 + 59,700

= ₹ 1,79,100

New Profit Sharing Ratio = 2 : 1

$$\text{Xavier's New Capital} = 1{,}79{,}100 \times \frac{2}{3}$$

= ₹ 1,19,400

$$\text{Zaman's New Capital} = 1{,}79{,}100 \times \frac{1}{3}$$
$$= ₹\,59{,}700$$

PART B

(Analysis of Financial Statements)

18. Which of the following transactions will result into flow of cash ?

(i) Cash withdrawn from bank ₹ 20,000.

(ii) Issued ₹ 20,000, 9% debentures for the vendors of machinery.

(iii) Received ₹ 19,000 from debtors.

(iv) Deposited cheques of ₹ 10,000 into bank. **[1]**

Answer : (iii) Received ₹ 19,000 from debtors.

19. The accountant of Manav Ltd. while preparing Cash Flow Statement added depreciation provided on fixed assets to net profit for calculating cash flow from operating activities. Was he correct in doing so ? Give reason. **[1]**

Answer : Yes, the accountant of Manav Ltd. was correct in adding the amount of depreciation provided on fixed assets to the net profit for calculating cash flow from operating activites. Depreciation is deducted from the net profit in the Statement of Profit and Loss. But while preparing a Cash Flow Statement, only those items are considered that result in any cash flow. Since, depreciation is a non-cash expense, therefore it has to be added back to the net profit.

20. Under which major headings and sub-headings will the following items be shown in the Balance Sheet of a Company as per Schedule VI Part I of the Companies Act, 1956 :

(i) Net loss as shown by Statement of Profit and Loss.

(ii) Capital redemption reserve.

(iii) Bonds.

(iv) Loans repayable on demand.

(v) Unpaid dividend.

(vi) Buildings

(vii) Trademarks

(viii) Raw Materials. **[4]**

Answer :

S. No.	Items	Major Head	Sub-Head
(i)	Net Loss as shown by Statement of Profit and Loss	Shareholders' Funds	Deducted from Reserves and Surplus
(ii)	Capital redemption reserve	Shareholders' Funds	Reserves and Surplus
(iii)	Bonds	Non-Current Liabilities	Long Term Borrowings
(iv)	Loans repayable on demand	Current Liabilities	Short Term Borrowings
(v)	Unpaid dividend	Current Liabilities	Other Current Liabilities
(vi)	Buildings	Non-Current Assets	Fixed Assets (Tangible)
(vii)	Trademarks	Non-Current Assets	Fixed Assets (Intangible)
(viii)	Raw materials	Current Assets	Inventories

21. **The Current Ratio of a company is 2.1 : 1.2. State with reasons which of the following transactions will increase, decrease or not change the ratio :**

(i) **Redeemed 9% debentures of ₹ 1,00,000 at a premium of 10%.**

(ii) **Received from debtors ₹ 17000.**

(iii) **Issued ₹ 2,00,000 equity shares to the vendors of machinery.**

(iv) **Accepted bills of exchange drawn by the creditors ₹ 7,000.** **[4]**

Answer :

S. No.	Items	Effect	Explanation
(i)	Redeemed 9% debentures of ₹ 1,00,000 at a premium of 10%	Decrease	Current liabilities remain unchanged but current assets will decrease because of outflow of cash.
(ii)	Received from debtors ₹ 17,000	No Change	Both debtors and cash/bank are current assets, so increase and decrease in current assets by same amount leaves current ratio unaffected.
(iii)	Issued ₹ 2,00,000 equity shares to the vendors of machinery	No Change	Since non-current assets and non-current liabilities are increased by the same amount and have no affect on current assets and current liabilities, therefore, current ratio remains the same *i.e.*, 2.1 : 1.2.
(iv)	Accepted bills of exchange drawn by the crdditors ₹ 7,000	No Change	Here, only one current liability is converting into another current liability (*i.e.*, creditors into bills payable), thus, current ratio remains unaffected.

22. **The motto of 'Pharma Ltd.', a company engaged in the manufacturing of low-cost generic medicines, is Healthy India'. Its management and employees are hardworking, honest and motivated. The net profit of the company doubled during the year ended 31.3.2014. Encouraged by its performance, the company decided to pay bonus to all employees at double the rate than last year.**

Following is the Comparative Statement of Profit and Loss of the company for the years ended 31.3.2013 and 31.3.2014.

Pharma Ltd.

Comparative Statement of Profit and Loss

Particulars	Note No.	2012–13 (₹)	2012–13 (₹)	Absolute Change (₹)	% Change
Revenue form operations		20,00,000	30,00,000	10,00,000	50
Less : Employees benefit expenses		12,00,000	14,00,000	2,00,000	16.67
Profit before tax		8,00,000	16,00,000	8,00,000	100
Tax at 25% rate		2,00,000	4,00,000	2,00,000	100
Profit after tax		6,00,000	12,00,000	6,00,000	100

(i) **Calculate Net Profit Ratio for the years ending 31st March, 2013 and 2014.**

(ii) **Identify any two values which 'Pharma Ltd.' is trying to propagate.** **[4]**

Answer : (i)

For 2013 :

$$\text{Net Profit Ratio} = \frac{\text{Net Profit after Tax}}{\text{Revenue from Operations}} \times 100$$

$$= \frac{6,00,000}{20,00,000} \times 100$$

$$= 30\%$$

For 2014 :

$$\text{Net Profit Ratio} = \frac{\text{Net Profit after Tax}}{\text{Revenue from Operations}} \times 100$$

$$= \frac{12,00,000}{30,00,000} \times 100$$

$$= 40\%$$

(ii) The following are the values that are propagated by Pharma Ltd. :

(a) Staff welfare.

(b) Boosting the morale of employees.

23. Following is the Balance Sheet of Solar Power Ltd. as at 31.3.2014 : **[6]**

Solar Power Ltd.

Balance Sheet

Particulars	Note No.	31.3.2014 (₹)	31.3.2013 (₹)
I-Equity and Liabilities :			
1. Shareholder's Funds :		24,00,000	22,00,000
(a) Share Capital	1	6,00,000	4,00,000
(b) Reserves and Surplus			
2. Non-Current Liabilities :			
Long-term Borrowings		4,80,000	3,40,000
3. Current Liabilities :			
(a) Trade Payables			
(b) Short-term Provisions		3,58,000	4,08,000
		1,00,000	1,54,000
Total		**39,38,000**	**35,02,000**
II-Assets :			
1. Non-Current Assets :			
(a) Fixed Assets :	2	21,40,000	17,00,000
(i) Tangible	3	80,000	2,24,000
(ii) Intangible			
2. Current Assets :			
(a) Current Investments			
(b) Inventories		4,80,000	3,00,000
(c) Trade Receivables		2,58,00	2,42,000
(d) Cash and Cash equivalents		3,40,000	2,86,000
		9,40,000	7,50,000
Total		**39,38,000**	**35,02,000**

Notes to Accounts :

S. No.	Particulars	As on 31.3.2014 (₹)	As on 31.3.2013 (₹)
1.	**Reserves and Surplus**		
	Surplus (balance in Statement of Profit and Loss)	6,00,000	4,00,000
2.	**Tangible Assets**		
	Machinery	25,40,000	20,00,000
	Less : Accumulated Depreciation	(4,00,000)	(3,00,000)
3.	**Intangible Assets**		
	Goodwill	80,000	(2,24,000)

Additional Information :

During the year a piece of machinery costing ₹ 48,000 on which accumulated depreciation was ₹ 32,000 was sold for ₹ 12,000.

Prepare Cash Flow Statement.

Answer : **Cash Flow Statement of Solar Power Ltd. as per AS -3 (Revised)**

for the year ended March 31, 2014

	Particulars	Amount (₹)	Amount (₹)
A.	**Cash Flow from Operating Activities**		
	Net Profit before tax and extraordinary items		3,00,000
	Add : Goodwill written off	1,44,000	
	Depreciation on Machinery	1,32,000	
	Loss on Sale of Machinery	4,000	2,80,000
	Operating Profit before Working Capital Adjustments		5,80,000
	Less : Increase in current assets and decrease in current liabilities		
	Inventories	(16,000)	
	Trade Receivables	(54,000)	
	Trade Payables	(50,000)	(1,20,000)
	Cash generated from Operating Activities		4,60,000
	Less : Tax Paid		(1,54,000)
	Cash Flow from Operating Activities		3,06,000
B.	**Cash Flow from Investing Activities**		
	Sale of Machinery	12,000	
	Purchase of Machinery	(5,88,000)	
	Cash Used in Investing Activities		(5,76,000)
C.	**Cash Flow from Financing Activities**		
	Issue of Share Capital	2,00,000	
	Borrowing of Loan	1,40,000	
	Cash Flow from Financing Activites		3,40,000
	Net Increase or Decrease in Cash and Cash Equivalents (A + B + C)		

	[3,06,000 + (5,76,000) + 3,40,000]		70,000
	Add : Cash and Cash Equivalents in the beginning [7,50,000 + 3,00,000]		10,50,000
	Cash and Cash Equivalents at the end of year [6,40,000 + 4,80,000]		11,20,000

Working Notes :

1. Net Profit before Tax :

Surplus = 2,00,000
Provision for tax = 1,00,000
= 3,00,000

Note : It is assumed that short-term provision is provision for tax.

2.

Dr. Machinery Account Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	20,00,000	By Bank A/c (Sale)	12,000
To Bank A/c (Bal. fig.) (Purchase)	5,88,000	By Accumulated Depreciation A/c	32,000
		By P & L A/c (Loss on Sale)	4,000
		By Balance c/d	25,40,000
	25,88,000		**25,88,000**

Dr. Accumulated Depreciation Account Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Machinery A/c (Disposal)	32,000	By Balance b/d	3,00,000
To Balance c/d	4,00,000	By Depreciation A/c (Bal. fig.)	1,32,000
	4,32,000		**4,32,000**

●●

Accountancy 2015 (Outside Delhi) SET II

Time allowed : 3 hours **Maximum marks : 80**

Note : Except for the following questions, all the remaining questions have been asked in previous set.

PART A
(Accounting for Partnership Firms and Companies)

7. State any three purposes other than 'issue of bonus shares' for which securities premium can be utilized. **[3]**

Answer : As per the Section 52(2) of the Companies Act 2013, the amount of securities premium can be used by the company for the following activities :

(i) For writing off the preliminary expenses of the company.

(ii) For writing off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

(iii) For paying up the premium that is to be payable on redemption of preference shares or debentures of the company.

9. 'India Auto Ltd.' is registered with an authorized capital of ₹ 7,00,00,000 divided into 7,00,000 shares of ₹ 100 each. The company issued 50,000 shares to the vendor for building purchased and ₹ 2,00,000 shares were issued to the public. The amount was payable as follows :

On application and allotment - ₹ 20 per share

On first call - ₹ 50 per share

On second and final call - The balance

All calls were made and were duly received except on 100 shares held by Rajani, who failed to pay the second and final call. Her shares were forfeited.

Present the 'Share Capital' in the Balance Sheet of the company as per Schedule VI Part I of the Companies Act, 1956. Also prepare 'Notes to Accounts'. [3]

Answer :

India Auto Ltd.
Balance Sheet

	Particulars	Note No.	Amount (₹)
I.	**Equity and Liabilities**		
	1. Shareholder's Funds		
	(a) Share Capital	1	2,49,97,000
	(b) Reserves and Surplus		—
			2,49,97,000

Notes to Accounts :

Note No.	Particulars		Amount (₹)
1.	**Share Capital**		
	Authorised Capital		
	7,00,000 shares of ₹ 100 each		7,00,00,000
	Issued Capital		
	2,50,000 shares of ₹ 100 each		2,50,00,000
	Subscribed, Called-up and Paid-up Capital		
	2,49,900 shares of ₹ 100 each	2,49,90,000	
	Add : Shares Forfeited (100 × ₹ 70)	7,000	2,49,97,000

11. The following is the Balance Sheet of A, B anc C as on 31st March, 2014.

Liabilities		Amount (₹)	Assets	Amount (₹)
Sundry Creditors		4,500	Cash in hand	300
Reserve Fund		4,800	Cash at bank	7,500
Capital Account :			Stock	9,000
A	15,000		Debtors	9,000
B	7,500		Furniture	12,000
C	7,500	30,000	Tools	1,500
		39,300		**39,300**

C died on 30th June, 2014. Under the terms of Partnership Deed, the executors of the deceased partner were entitled to:

(a) Amount standing to the credit of partner's capital account.

(b) Interest on capital @ 6% per annum.

(c) Share of goodwill on the basis of twice the average of past three years profits.

(d) Share of profit from the closing of last financial year to the date of death on the basis of last year's profit. The profits of the last three years were as follows :

Year	**Profit (₹)**
2011-2012	**9,000**
2012-2013	**10,500**
2013-2014	**12,000**

The firm closes its books on 31st March every year. The partners shared profits in the ratio of their capitals. Prepare C's Capital Account to be presented to his executors. **[4]**

Answer :

Dr. **C's Capital Account** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To C's Executor's A/c	14,812,50	By Balance b/d	7,500
		By Interest on Capital A/c	112.50
		By Profit and Loss Suspense A/c	750
		By A's Capital A/c	3,500
		By B's Capital A/c	1750
		By Reserve Fund A/c	1,200
	14,812.50		**14,812.50**

Working Notes :

1. Interest on C's Capital = $7{,}500 \times \frac{6}{100} \times \frac{3}{12} = ₹\ 112.50$

2. C's Share in Profit = $12{,}000 \times \frac{1}{4} \times \frac{3}{12} = ₹\ 750$

3. **Adjustment of Goodwill :**

$$\text{Average Profit} = \frac{9{,}000 + 10{,}500 + 12{,}000}{3} = ₹\ 10{,}500$$

$$\text{Goodwill of the firm} = 10{,}500 \times 2 = ₹\ 21{,}000$$

$$\text{C's Share of Goodwill} = 21{,}000 \times \frac{1}{4} = ₹\ 5{,}250$$

So,

$$\text{A will pay} = 5{,}250 \times \frac{2}{3} = ₹\ 3{,}500$$

$$\text{B will pay} = 5{,}250 \times \frac{1}{3} = ₹\ 1{,}750$$

Note : Since, here no information is given regarding the share acquired by A and B, therefore, their gaining ratio is same as their new profit sharing ratio *i.e.*, 2 : 1.

16. **'X Ltd.' invited applications for issuing 10,000 equity shares of ₹ 100 each at a premium of ₹ 100 per share. The amount was payable as follows :**

On application and allotment ₹ 100 per share (including ₹ 50 premium)

On first and final call - The balance

The issue was fully subscribed. A shareholder holding 500 shares paid the full share money with application. Another shareholder holding 200 shares failed to pay the first and final call money. His shares were forfeited. The forfeited shares were re-issued for ₹ 19,000 as fully paid up.

Pass necessary journal entries for the above transactions in the books of the company. [8]

OR

'Y Ltd.' invited applications for issuing 15,000 equity shares of ₹ 10 each on which ₹ 6 per share were called up, which were payable as follows :

On application - ₹ 2 per share

On allotment - ₹ 1 per share

On first call - ₹ 3 per share

The issue was fully subscribed and the amount was received as follows :

On 10,000 shares - ₹ 6 per share

On 3,000 shares - ₹ 3 per share

On 2,000 shares - ₹ 2 per share

The directors forfeited those shares on which less than ₹ 6 per share were received. The forfeited shares were re-issued at ₹ 9 per share, as ₹ 6 per share paid up.

Pass necessary Journal Entries for the above transactions in the books of the company. [8]

Answer : **In the Books of X Ltd.**

Journal Entries

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
	Bank A/c Dr.		10,50,000	
	To Equity Share Application and Allotment A/c			10,50,000
	(Being application money received on 10,000 shares along with first call money on 500 shares)			
	Equity Share Application and Allotment A/c Dr.		10,50,000	
	To Equity Share Capital A/c			5,00,000
	To Securities Premium Reserve A/c			5,00,000
	To Calls-in-Advance A/c			50,000
	(Being amount of application transferred to share capital and securities premium reserve)			
	Equity Share First and Final Call A/c Dr.		10,00,000	
	To Equity Share Capital A/c			5,00,000
	To Securities Premium Reserve A/c			5,00,000
	(Being first & final call money due)			
	Bank A/c (10,00,000 – 50,000 – 20,000) Dr.		9,30,000	
	Call-in-Advance A/c Dr.		50,000	
	To Equity Share First and Final Call A/c			9,80,000
	(Being amount received on first & final call)			

	Equity Share Capital A/c Dr. Securities Premium Reserve A/c Dr. To Equity Share Forfeiture A/c To Equity Share First & Final Call A/c (Being 200 shares forfeited for non-payment of call)		20,000 10,000	 10,000 20,000
	Bank A/c Dr. Equity Share Forfeiture A/c Dr. To Equity Share Capital A/c (Being forfeited shares were reissued for ₹ 19,000 as fully paid-up)		19,000 1,000	19,000 1,000
	Equity Share Forfeiture A/c Dr. To Capital Reserve A/c (Being excess amount on forfeiture is transferred to capital reserve)		9,000	9,000

OR

In the Books of Y Ltd.

Journal Entries

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
	Bank A/c Dr. To Equity Share Application A/c (Being application money received on 15,000 shares)		30,000	 30,000
	Equity Share Application A/c Dr. To Equity Share Capital A/c (Being amount of application transferred to share capital)		30,000	 30,000
	Equity Share Allotment A/c Dr. To Equity Share Capital A/c (Being amount due on allotment)		15,000	 15,000
	Bank A/c (15,000 – 2,000) Dr. To Equity Share Allotment A/c (Being amount received on allotment except on 2,000 shares)		13,000	 13,000
	Equity Share First Call A/c Dr. To Equity Share Capital A/c (Being amount due on first call) Bank A/c (45,000 – 9,000 – 6,000) Dr. To Equity Share First Call A/c (Being amount received on first call except on 5,000 shares)		45,000 30,000	 45,000 30,000
	Equity Share Capital A/c Dr. To Equity Share Forfeiture A/c To Equity Share Allotment A/c To Equity Share First Call A/c (Being 5,000 shares forfeited)		30,000	 13,000 2,000 15,000

	Bank A/c Dr. To Equity Share Capital A/c To Securities Premium A/c (Being forfeited shares reissued @ ₹ 9 as ₹ 6 per share paid up)		45,000	 30,000 15,000
	Equity Share Forfeiture A/c Dr. To Capital Reserve A/c (Being excess amount on forfeiture is transferred to capital reserve)		13,000	 13,000

PART B
(Analysis of Financial Statements)

18. Amongst the following, 'Payment of bonus to the employees' by an insurance company is which type of activity ?

(i) Operating activity.

(ii) Investing activity.

(iii) Financing activity.

(iv) Both operating and financing activity. **[1]**

Answer : **(i)** Operating activity.

19. While preparing Cash Flow Statement, the accountant of 'Rachana Ltd.', a financing company, included 'Interest received on loan' in financing activities. Was he correct in doing so ? Give reason. **[1]**

Answer : No, he is not correct. Since 'Rachana Ltd.' is a financing company, its main business is lending or borrowing of funds. Thus, 'Interest received on loan', is a source of income from funds invested, should be shown as operating activity.

20. Under which major headings and sub-headings will the following items be shown in the Balance Sheet of a company as per Schedule VI Part I of the Companies Act, 1956 : **[4]**

(i) Cheques in hand.

(ii) Stock of work-in-progress.

(iii) Copyrights.

(iv) Loose tools.

(v) Provision for bad debts.

(vi) Negative balance shown by the Statement of Profit and Loss.

(vii) Bonds.

(viii) Unpaid dividend.

Answer :

S. No.	Items	Major Head	Sub-Head
(i)	Cheques in hand	Current Assets	Cash and Cash Equivalents
(ii)	Stock of work-in-progress	Current Assets	Inventories
(iii)	Copyrights	Non-Current Assets	Fixed Assets-Intangible Assets
(iv)	Loose tools	Current Assets	Inventories

(v)	Provision for bad debts	Current Liabilities	Short-Term Provisions
(vi)	Negative balance by the Statement of Profit and Loss	Shareholders' Funds	Deducted from 'Reserve and Surplus'
(vii)	Bonds	Non-Current Liabilities	Long-Term Borrowings
(viii)	Unpaid dividend	Current Liabilities	Other Current Liabilities

Accountancy 2015 (Outside Delhi) SET III

Time allowed : 3 hours **Maximum marks : 80**

Note : Except for the following questions, all the remaining questions have been asked in previous sets.

PART A

(Accounting for Partnership Firms and Companies)

7. For issuing shares at discount a company has to fulfil many conditions. State any three such conditions. **[3]**

Answer : Section 53 of the Companies Act, 2013 prohibits a company from issuing shares at a discount to the public. Discount on shares is permissible only on sweat equity shares, subject to the following conditions :

(i) The issue is authorized by a special resolution.

(ii) The resolution specifies the number of shares, the current market price, consideration and the class of employees who would be entitled to such sweat equity shares at discounted price.

(iii) A period of one year should have elapsed from the date of commencement of business to until the date of issue of such shares.

(iv) The issue should be in accordance with the SEBI guidelines.

9. 'David Ltd.' issued ₹ 40,00,000 equity shares of ₹ 10 each out of its registered capital of ₹ 10,00,00,000. The amount payable on these shares was as follows :

On application - ₹ 1 per share

On allotment - ₹ 2 per share

On first call - ₹ 3 per share

On second and final call - ₹ 4 per share

All calls were made and were duly received, except the second and final call on 1,000 shares held by Vipul. These shares were forfeited.

Present the 'Share Capital' in the Balance Sheet of the company as per Schedule VI Part I of the Companies Act, 1956. Also prepare 'Notes to Accounts'. **[3]**

Answer : **Balance Sheet of David Ltd.**

	Particulars	Note No.	Amount (₹)
I.	**Equity and Liabilities**		
	1. Shareholder's Funds		
	(a) Share Capital	1	39,96,000
	(b) Reserves and Surplus		—
			39,96,000

Notes to Accounts :

Note No.	Particulars		Amount (₹)
1.	**Share Capital**		
	Authorised Capital		
	1,00,00,000 shares of ₹ 10		10,00,00,000
	Issued Capital		
	4,00,000 shares of ₹ 10		40,00,000
	Subscribed, Called-up and Paid-up Capital		
	3,99,000 shares of ₹ 10	39,90,000	
	Add : Shares Forfeited (1,000 shares of ₹ 6)	6,000	39,96,000

11. On 1.4.2014 the Balance Sheet of Anant, Sampat and Gunvant was as follows :

Liabilities		Amount (₹)	Assets	Amount (₹)
Sundry Creditors		9,000	Bank	15,600
General Reserve		9,600	Bills Receivables	18,000
Capital Accounts :			Stock	18,000
Anant	30,000		Tools	3,000
Sampat	15,000		Furniture	24,000
Gunvant	15,000	60,000		
		78,600		**78,600**

Gunvant died on 30.9.2014. Under the terms of Partnership Deed the executors of the deceased partner were entitled to :

(a) Amount standing to the credit of partner's capital account.

(b) Interest on capital @ 12% per annum.

(c) Share of goodwill on the basis of twice the average of past three years profits.

(d) Share of profit from the closing of last financial year to the date of death on the basis of last year's profit. The profits of the last three years were as follows :

Year	Profit (₹)
2011-2012	18,000
2012-2013	21,000
2013-2014	24,000

The firm closes its books on 31st March every year. Partners share profits in the ratio of their capitals. Prepare Gunvant's Capital Account to be presented to his executors. **[4]**

Answer :

Dr. **Gunvant's Capital Account** Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Gunvant's Executor's A/c	31,800	By Balance b/d	15,000
		By Interest on Capital A/c	900
		By Profit and Loss Suspense A/c	3,000
		By Anant's Capital A/c	7,000
		By Sampat's Capital A/c	3,500
		By General Reserve A/c	2,400
	31,800		**31,800**

Working Notes :

1. Interest on Gunvant's Capital $= 15{,}000 \times \frac{12}{100} \times \frac{6}{12} = ₹\,9003$

2. Gunvant's Share in Profit $= 24{,}000 \times \frac{1}{4} \times \frac{6}{12} = ₹\,3{,}000$

3. **Adjustment of Goodwill :**

Average Profit $= \frac{18{,}000 + 21{,}000 + 24{,}000}{3} = ₹\,21{,}000$

Goodwill of the firm $= 21{,}000 \times 2 = ₹\,42{,}000$

Gunvant's Share of Goodwill $= 42{,}000 \times \frac{1}{4} = ₹\,10{,}500$

Anant will pay $= 10{,}500 \times \frac{2}{3} = ₹\,7{,}000$

Sampat will pay $= 10{,}500 \times \frac{1}{3} = ₹\,3{,}500$

4. Gunvant's Share in General Reserve $= 9{,}600 \times \frac{1}{4} = ₹\,2{,}400$

Note : Since, here no information is given regarding the share acquired by Anant and Sampat, therefore, their gaining ratio is same as their new profit sharing ratio *i.e.*, 2 : 1.

16. **'Luxury Cars Ltd. invited applications for issuing 10,000 equity shares of ₹ 50 each at a premium of ₹ 100 per share. The amount was payable as follows :**

On application - ₹ 75 per share (including ₹ 50 premium)

On allotment - The balance

The issue was fully subscribed. A shareholder holding 400 shares paid his entire share money at the time of application. Another shareholder holding 300 shares did not pay the allotment money. His shares were forfeited. The forfeited shares were later on re-issued for ₹ 90 per share as fully paid up.

Pass necessary journal entries for the above transactions in the books of the company. **[8]**

OR

'Software Ltd.' invited applications for issuing 70,000 equity shares of ₹ 10 each on which ₹ 7 per share were called up, which were payable as follows :

On application - ₹ 2 per share

On allotment - ₹ 3 per share

On first call - The balance

The amount was received as follows :

On 40,000 shares - ₹ 7 per share

On 20,000 shares - ₹ 5 per share

On 10,000 shares - ₹ 2 per share

The directors forfeited 30,000 shares on which less than ₹ 7 per share were received. Later on the forfeited shares were re-issued at ₹ 5 per share, as ₹ 7 per share paid up.

Pass necessary journal entries for the above transactions in the books of the company. **[8]**

Answer :

In the Books of Luxury Cars Ltd.
Journal Entries

Date	Particulars		L.F.	Amount (₹)	Amount (₹)
	Bank A/c	Dr.		7,800,000	
	To Equity Share Application A/c				7,80,000
	(Being application money received on 10,000 shares along with allotment money on 400 shares)				
	Equity Share Application A/c	Dr.		7,800,000	
	To Equity Share Capital A/c				2,50,000
	To Securities Premium Reserve A/c				5,00,000
	To Equity Share Allotment A/c				30,000
	(Being amount of application transferred to share capital and securities premium reserve)				
	Equity Share Allotment A/c	Dr.		7,50,000	
	To Equity Share Capital A/c				2,50,000
	To Securities Premium Reserve A/c				5,00,000
	(Being amount due on allotment)				
	Bank A/c (7,50,000 – 30,000 – 22,500)	Dr.		6,97,5000	
	To Equity Share Allotment A/c				6,97,500
	(Being amount received on allotment)				
	Equity Share Capital A/c	Dr.		15,000	
	Securities Premium Reserve A/c	Dr.		15,000	
	To Equity Share Forfeiture A/c				7,500
	To Equity Share Allotment A/c				22,500
	(Being 300 shares forfeited for non-payment of allotment money)				
	Bank A/c	Dr.		27,000	
	To Equity Share Capital A/c				15,000
	To Securities Premium Reserve A/c				12,000
	(Being forfeited shares reissued for ₹ 90 per share as fully paid-up)				
	Equity Share Forfeiture A/c	Dr.		7,500	
	To Capital Reserve A/c				7,500
	(Being forfeiture amount transferred to capital reserve)				

OR

In the Books of Software Ltd.
Journal Entries

Date	Particulars		L.F.	Amount (₹)	Amount (₹)
	Bank A/c	Dr.		1,40,000	
	To Equity Share Application A/c				1,40,000
	(Being application money received on 70,000 shares)				

	Equity Share Application A/c Dr. To Equity Share Capital A/c (Being amount of application transferred to share capital)		1,40,000	1,40,000
	Equity Share Allotment A/c Dr. To Equity Share Capital A/c (Being allotment money due)		2,10,000	2,10,000
	Bank A/c (2,10,000 – 30,000) Dr. To Equity Share Allotment A/c (Being amount received on share allotment except on 10,000 shares)		1,80,000	1,80,000
	Equity Share First Call A/c Dr. To Equity Share Capital A/c (Being amount due on share first call)		1,40,000	1,40,000
	Bank A/c (1,40,000 – 40,000 – 20,000) Dr. To Equity Share First Call A/c (Being amount received on share first call except on 30,000 shares)		80,000	80,000
	Equity Share Capital A/c Dr. To Equity Share Forfeiture A/c To Equity Share Allotment A/c To Equity Share First Call A/c (Being 30,000 shares forfeited for non-payment of allotment and call money)		2,10,000	1,20,000 30,000 60,000
	Bank A/c Dr. Equity Share Forfeiture A/c Dr. To Equity Share Capital A/c (Being forfeited shares re-issued @ ₹5 per share as ₹ 7 per share paid-up)		1,50,000 60,000	2,10,000
	Equity Share Forfeiture A/c Dr. To Capital Reserve A/c (Being excess amount on forfeiture is transferred to capital reserve)		60,000	60,000

PART B
(Analysis of Financial Statements)

18. While preparing Cash Flow Statement, the accountant of a financing company showed 'Dividend Received ₹ 50,000 on investments' as an investing activity. Was he correct in doing so ? Give reason. [1]

Answer : No, he is not correct.

As financing companies are primarily engaged in lending or borrowings of funds. Dividend received on investments by a financing company is cash flow from operating activities. Therefore, it is to be categorised under 'Cash Flow from Operating Activities'.

19. Which of the following transactions will result into flow of cash ?

(i) Deposited ₹ 40,000 into bank.

(ii) Withdrew cash from bank ₹ 54,000.

(iii) Sold marketable securities of ₹ 25,000 at par.

(iv) Sold machinery of book value of ₹ 50,000 at a gain of ₹ 10,000. **[1]**

Answer : (iv) Sold machinery of book value of ₹ 50,000 at a gain of ₹ 10,000.

20. Under which major headings and sub-headings will the following items be shown in the Balance Sheet of a Company as per Schedule VI Part I of the Companies Act, 1956 :

(i) Balance of the Statement of Profit and Loss.

(ii) Loan of ₹ 1,00,000 payable after three years.

(iii) Short-term deposits payable on demand.

(iv) Loose tools.

(v) Trademark.

(vi) Land.

(vii) Cash at bank.

(viii) Trade payables. **[4]**

Answer :

S. No.	Items	Major Head	Sub-Head
(i)	Balance of the Statement of Profit and Loss	Shareholders' Funds	Reserves and Surplus
(ii)	Loan of ₹ 1,00,000 payable after three years	Non-Current Liabilities	Long Term Borrowings
(iii)	Short-term deposits payable on demand	Current Assets	Short Term Loans and Advances
(iv)	Loose tools	Current Assets	Inventories
(v)	Trademark	Non-Current Assets	Fixed Assets (Intangible)
(vi)	Land	Non-Current Assets	Fixed Assets (Tangible)
(vii)	Cash at bank	Current Assets	Cash and Cash Equivalents
(viii)	Trade Payables	Current Liabilities	Trade Payables

●●

Accountancy 2015 (Delhi) SET I

Time allowed : 3 hours **Maximum marks : 80**

Note : Except for the following questions, all the remaining questions have been asked in previous sets.

PART A

(Accounting for Partnership Firms and Companies)

1. In the absence of partnership deed the profits of a firm are divided among the partners :

(a) In the ratio of capital

(b) Equally

(c) In the ratio of time devoted for the firm's business

(d) According to the managerial abilities of the partners **[1]**

Answer : (b) Equally

2. **A, B, C and D were partners in a firm sharing profits in the ratio of 4 : 3 : 2 : 1. On 1-1-2015 they admitted E as a new partner for $\frac{1}{10}$ share in the profits. E brought ₹ 10,000 for his share of goodwill premium which was correctly recorded in the books by the accountant. The accountant showed goodwill at ₹ 1,00,000 in the books. Was the accountant correct in doing so ? Give reason in support of your answer.** **[1]**

Answer : No, the Accountant was not correct. The accountant has shown the goodwill of the firm (₹ 1,00,000) as an asset in the books of the firm. This is certainly violating the rules contained in the AS-26, as goodwill cannot be shown in the books until it is purchased. Thus, here the accountant has adopted the wrong accounting treatment.

3. **On the retirement of Hari from the firm of 'Hari, Ram and Sharma' the balance-sheet showed a debit balance ₹ 12,000 in the profit and loss account. For calculating the amount payable to Hari this balance will be transferred**

(a) to the credit of the capital accounts of Hari, Ram and Sharma equally

(b) to the debit of the capital accounts of Hari, Ram and Sharma equally

(c) to the debit of the capital accounts of Ram and Sharma equally

(d) to the credit of the capital accounts of Ram and Sharma equally **[1]**

Answer : (b) to the debit of the capital accounts of Hari, Ram and Sharma equally.

4. **Kumar, Verma and Naresh were partners in a firm sharing profit & loss in the ratio of 3 : 2 : 2. On 23rd January, 2015 Verma died. Verma's share of profit till the date of his death was calculated at ₹ 2,350.**

Pass necessary Journal Entry for the same in the books of the firm. **[1]**

Answer : **Journal Entries**

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
2015	Profit and Loss Suspense A/c Dr.		2,350	
Jan. 23	To Verma's Capital A/c			2,350
	(Verma's share of profit transferred to his capital account)			

6. **Joy Ltd. issued 1,00,000 equity shares of ₹ 10 each. The amount was payable as follows :**

On application - ₹ 3 per share.

On allotment - ₹ 4 per share.

On 1st and final call - balance

Applications for 95,000 shares were received and shares were allotted to all the applicants. Sonam to whom 500 shares were allotted failed to pay allotment money and Gautam paid his entire amount due including the amount due on first and final call on the 750 shares allotted to him along with allotment. The amount received on allotment was : **[1]**

(a) ₹ 3,80,000

(b) ₹ 3,78,000

(c) ₹ 3,80,250

(d) ₹ 4,00,250

Answer : (c) ₹ 3,80,250

8. **On 1.4.2013 Jay and Vijay, entered into partnership for supplying laboratory equipments to government schools situated in remote and backward areas. They contributed capitals of ₹ 80,000 and**

₹ 50,000 respectively and agreed to share the profits in the ratio of 3 : 2. The partnership deed provided that interest on capital shall be allowed at 9% per annum. During the year the firm earned a profit of ₹ 7,800.

Showing your calculations clearly, prepare 'Profit and Loss Appropriation Account' of Jay and Vijay for the year ended 31-3-2014. **[3]**

Answer :

In the books of Jay and Vijay
Profit and Loss Appropriation Account.

Dr. *for the year ended 31st March, 2014* Cr.

Particulars		Amount (₹)	Particulars	Amount (₹)
To Interest on Capital :			By Profit and Loss A/c	7,800
Jay's Capital	4,800			
Vijay's Capital	3,000			
		7,800		**7,800**

Working Notes :

1. Calculation of Interest on Capital :

$$\text{(a) On Jay's Capital} = 80{,}000 \times \frac{9}{100} = ₹\,7{,}200$$

$$\text{(b) On Vijay's Capital} = 50{,}000 \times \frac{9}{100} = ₹\,4{,}500$$

$$\text{Total Interest} = 7{,}200 + 4{,}500 = ₹\,11{,}700$$

2. Calculation of Proportionate Interest on Capital :

$$\text{Proportionate Interest to Jay} = \frac{7{,}200}{11{,}700} \times 7{,}800 = ₹\,4{,}800$$

$$\text{Proportionate Interest to Vijay} = \frac{4{,}500}{11{,}700} \times 7{,}800 = ₹\,3{,}000$$

Note : Interest on capital is to be treated as an appropriation of profits and is to be provided to the extent of available profit *i.e.*, ₹ 7,800.

9. **'Tractors India Ltd.' is registered with an authorized capital of ₹ 10,00,000 divided into 1,00,000 equity shares of ₹ 10 each. The company issued 50,000 equity shares at a premium of ₹ 5 per share. ₹ 2 per share were payable with application, ₹ 8 per share including premium on allotment and the balance amount on first and final call. The issue was fully subscribed and all the amount due was received except the first and final call money on 500 shares allotted to Balaram.**

Present the 'Share Capital' in the Balance Sheet of 'Tractors India Ltd.' as per Schedule VI Part I of the Companies Act, 1956. Also prepare Notes to Accounts for the same. **[3]**

Answer :

Tractors India Ltd.
Balance Sheet

	Particulars	Note No.	Amount (₹)
I.	**Equity and Liabilities**		
	1. Shareholder's Funds		
	(a) Share Capital (Equity Shares)	1	4,97,000
	(b) Reserves and Surplus	2	2,50,000
			7,47,500

Notes to Accounts :

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

	1,00,00,000 shares of ₹ 10 each			10,00,000
	Issued Capital			
	50,000 equity shares of ₹ 10 each			5,00,000
	Subscribed and fully paid			
	49,500 shares of ₹ 10 each		4,95,000	
	Subscribed but not fully paid			
	500 shares of 10 each	5,000		
	Less : Calls in arrer (500 × ₹ 5)	(2,500)	2,500	4,97,500
2.	**Reserves and Surplus**			
	Securities Premium			2,50,000

10. 'Sangam Woollens Ltd.' Ludhiana, are the manufacturers and exporters of woollen garments. The company decided to distribute free of cost woollen garments to 10 villages of Lahaul and Spiti District of Himachal Pradesh. The company also decided to employ 50 young persons from these villages in its newly established factory. The company issued 40,000 equity shares of ₹ 10 each and 1,000 9% debentures of ₹ 100 each to the vendors for the purchase of machinery of ₹ 5,00,000.

Pass necessary Journal Entries. Also identify any one value that the company wants to communicate to the society. [3]

Answer : **In the Books of Sangam Woollens Ltd.**

Journal Entries

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
	Machinery A/c Dr.		5,00,000	
	To Vendor's A/c			5,00,000
	(Being machinery purchased from vendor)			
	Vendor's A/c Dr.		5,00,000	
	To Equity Share Capital A/c			4,00,000
	To 9% Debentures A/c			1,00,000
	(Being 40,000 equity shares and 1,000 debentures issued to the vendor for payment of machinery)			

Value involved in the above scenario is creation of employment opportunities in rural areas.

11. Dev, Swati and Sanskar were partners in a firm sharing profits in the ratio of 2 : 2 : 1. On 31-3-2014 their Balance Sheet was as follows : [3]

Balance Sheet

Liabilities		Amount (₹)	Assets	Amount (₹)
Trade Payables		17,000	Building	1,04,000
Bank Loan		13,000	Inventory	16,000
Capitals :			Trade Receivables	23,000
Dev	77,000		Cash	40,000
Swati	87,000		Profit & Loss A/c	57,00
Sanskar	46,000	2,10,000		
		2,40,000		**2,40,000**

On 30th June, 2014 Dev died. According to partnership agreement Dev was entitled to interest on capital at 12% per annum. His share of profit till the date of his death was to be calculated on the basis of the average profits of last four years. The profits of the last four years were :

Years	Profit (₹)
2010-2011	2,04,000
2011-2012	1,80,000
2012-2013	90,000
2013-2014 (Loss)	57,000

On 1-4-2014, Dev withdrew ₹ 15,000 to pay for his medical bills.

Prepare Dev's account to be presented to his executors. [4]

Answer :

Dr. **Dev's Capital Account** Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Drawings A/c	15,000	By Balance b/d	77,000
To Profit and Loss A/c	22,000	By Interest on Capital A/c	2,310
To Dev's Executor's A/c (Balancing Fig.)	51,935	By Profit and Loss Suspense A/c	10,425
	89,735		89,735

Working Notes :

1. **Calculation of Interest on Capital :**

$$\text{Interest on Dev's Capital} = 77{,}000 \times \frac{12}{100} \times \frac{3}{12} = ₹\,2{,}310$$

2. **Calculation of Share of Profit :**

$$\text{Average Profit} = \frac{2,04,000 + 1,80,000 + 90,000 - 57,000}{4} = ₹\,1{,}04{,}250$$

$$\text{Dev's Share} = 1{,}04{,}250 \times \frac{3}{12} \times \frac{2}{5} = ₹\,10{,}425$$

3. **Calculation of Share of Debit balance of P & L A/c :**

$$\text{Dev's Share} = 57{,}000 \times \frac{2}{5} = ₹\,22{,}800$$

12. Kumar, Gupta and Kavita were partners in a firm sharing profits and losses equally. The firm was engaged in the storage and distribution of canned juice and its godowns were located at three different places in the city. Each godown was being managed individually by Kumar, Gupta and Kavita. Because of increase in business activities at the godown managed by Gupta, he had to devote more time. Gupta demanded that his share in the profits of the firm be increased, to which Kumar and Kavita agreed. The new profit sharing ratio was agreed to be 1 : 2 : 1. For this purpose the goodwill of the firm was valued at two years purchase of the average profits of last five years. The profits of the last five years were as follows :

Year	Profit (₹)
I	4,00,000
II	4,80,000
III	7,33,000
IV (Loss)	33,000
V	2,20,000

You are required to :

(i) Calculate the goodwill of the firm.

(ii) Pass necessary Journal Entry for the treatment of goodwill on change in profit sharing ratio of Kumar, Gupta and Kavita. **[4]**

Answer : (i) Calculation of Goodwill of the firm :

$$\text{Average Profit} = \frac{\text{Sum of profit of years}}{\text{Number of years}}$$

$$= \frac{4,00,000 + 4,80,000 + 7,33,000 - 33,000 + 2,20,000}{5}$$

$$= \frac{18,00,000}{5} = ₹\,3,60,000$$

$$\text{Goodwill} = \text{Average Profit} \times \text{No. of years of purchase}$$

$$= 3,60,000 \times 2 = ₹\,7,20,000$$

(ii) **Journal Entries**

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
	Gupta's Capital A/c Dr.		1,20,000	
	To Kumar's Capital A/c			60,000
	To Kavita's Capital A/c			60,000
	(Being adjusting entry for change in profit sharing ratio)			

Working Notes :

Calculation of Gaining Ratio :

$$\text{Old Ratio} = 1:1:1$$

$$\text{New Ratio} = 1:2:1$$

$$\text{Gaining Ratio} = \text{New Ratio} - \text{Old Ratio}$$

$$\text{Kumar} = \frac{1}{4} - \frac{1}{3} = \frac{3-4}{12} = -\frac{1}{12} \text{ (Sacrifice)}$$

$$\text{Gupta} = \frac{2}{4} - \frac{1}{3} = \frac{6-4}{12} = \frac{2}{12} \text{ (Gain)}$$

$$\text{Kavita} = \frac{1}{4} - \frac{1}{3} = \frac{3-4}{12} = -\frac{1}{12} \text{ (Sacrifice)}$$

Only Gupta is gaining; Kumar and Kavita are sacrificing in the ratio of 1 : 1.

13. On 1-4-2010 Sahil and Charu entered into partnership for sharing profits in the ratio of 4 : 3. They admitted Tanu as a new partner on 1-4-2012 for $\frac{1}{5}$th share which she acquired equally from Sahil and Charu. Sahil, Charu and Tanu earned profits at a higher rate than the normal rate of return for the year ended 31-3-2013. Therefore, they decided to expand their business. To meet the requirements of additional capital they admitted Puneet as a new partner on 1-4-2013 for $\frac{1}{7}$th share in profits which he acquired from Sahil and Charu in 7 : 3 ratio.

Calculate :

(i) New profit sharing ratio of Sahil, Charu and Tanu for the year 2012-13.

(ii) New profit sharing ratio of Sahil, Charu, Tanu and Puneet on Puneet's admission. **[6]**

Answer : (i) Calculation of New Profit Sharing Ratio of Sahil, Charu and Tanu for the year 2012-13 :

Old Ratio of Sahil and Charu = 4 : 3

Tanu was admitted for 1/5th share, which was acquired by her equally from Sahil and Charu

Sacrificing Share :

$$\text{Sahil} = \frac{1}{5} \times \frac{1}{2} = \frac{1}{10}$$

$$\text{Charu} = \frac{1}{5} \times \frac{1}{2} = \frac{1}{10}$$

$$\text{New Profit Share} = \text{Old Share} - \text{Sacrificing Share}$$

$$\text{Sahil} = \frac{4}{7} - \frac{1}{10} = \frac{40-7}{70} = \frac{33}{70}$$

$$\text{Charu} = \frac{3}{7} - \frac{1}{10} = \frac{30-7}{70} = \frac{23}{70}$$

$$\text{Tanu} = \frac{1}{10} + \frac{1}{10} = \frac{2}{10} \text{ or } \frac{14}{70}$$

Therefore, New Profit Sharing Ratio of Sahil, Charu and Tanu = 33 : 23 : 14

(ii) Calculation of New Profit Sharing Ratio of Sahil, Charu, Tanu and Puneet :

Old Ratio of Sahil, Charu and Tanu = 33 : 23 : 14

Puneet was admitted for 1/7th share, which he acquired from Sahil and Charu in the ratio of 7 : 3

Sacrificing Share :

$$\text{Sahil} = \frac{1}{7} \times \frac{7}{10} = \frac{7}{70}$$

$$\text{Charu} = \frac{1}{7} \times \frac{3}{10} = \frac{3}{70}$$

$$\text{New Profit Share} = \text{Old Share} - \text{Sacrificing Share}$$

$$\text{Sahil} = \frac{33}{70} - \frac{7}{70} = \frac{26}{70}$$

$$\text{Charu} = \frac{23}{70} - \frac{3}{70} = \frac{20}{70}$$

$$\text{Tanu} = \frac{14}{70}$$

$$\text{Puneet} = \frac{7}{70} + \frac{3}{70} = \frac{10}{70}$$

Therefore, New Profit Sharing Ratio of Sahil, Charu, Tanu and Puneet = 26 : 20 : 14 : 10.

= 13: 10 : 7 : 5

14. Bharat Ltd. had an authorized capital of ₹ 20,00,000 divided into 2,00,000 equity shares of ₹ 10 each. The company issued 1,00,000 shares and the dividend paid per share was ₹ 2 for the year ended 31-3-2008. The management of the company decided to export its products to the neighbouring countries Nepal, Bhutan, Sri Lanka and Bangladesh. To meet the requirement of additional funds the financial manager of the company put up the following three alternatives before its Board of Directors :

(i) Issue 54,000 equity shares.

(ii) Obtain a loan from Import and Export Bank of India. The loan was available at 12% per annum interest.

(iii) To issue 9% Debentures at a discount of 10%.

After comparing the available alternatives the company decided on 1- 4 -2008 to issue 6,000 9% debentures of ₹ 100 each at a discount of 10%. These debentures were redeemable in four installments starting from the end of third year. The amount of debentures to be redeemed at the end of third, fourth, fifth and sixth year was as follows :

Year	Profit (₹)
III	1,00,000
IV	1,00,000
V	2,00,000
VI	2,00,000

Prepare 9% Debentures Account for the years 2008-09 to 2013-14. **[6]**

Answer : **In the Books of Bharat Ltd.**

9% Debentures Account

Dr. Cr

Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
2009				2008	By Debenture App. & Allot. A/c		5,40,000
Mar. 31	To Balance c/d		6,00,000	Apr. 1	By Dis. on Issue of Debentures A/c		60,000
			6,00,000				**6,00,000**
2010				2009			
Mar. 31	To Balance c/d		6,00,000	Apr. 1	By Balance b/d		6,00,000
			6,00,000				**6,00,000**
2011				2010			
Mar. 31	To Debenture holders A/c		1,00,000	Apr. 1	By Balance b/d		6,00,000
Mar. 31	To Balance c/d		5,00,000				
			6,00,000				**6,00,000**
2012				2011			
Mar. 31	To Debenture holders A/c		1,00,000	Apr. 1	By Balance b/d		5,00,000
Mar. 31	To Balance c/d		4,00,000				
			5,00,000				**5,00,000**
2013				2012			
Mar. 31	To Debentureholders A/c		2,00,000	Apr. 1	By Balance b/d		4,00,000
Mar. 31	To Balance c/d		2,00,000				
			4,00,000				**4,00,000**
2014				2013			
Mar. 31	To Debentureholders A/c		2,00,000	Apr. 1	By Balance b/d		2,00,000
			2,00,000				**2,00,000**

15. Bora, Singh and Ibrahim were partners in a firm sharing profits in the ratio of 5 : 3 : 1. On 2-3-2015 their firm was dissolved. The assets were realized and the liabilities were paid off. Given below are the Realisation Account, Partners' Capital Accounts and Bank Account of the firm. The accountant of the firm left a few amounts unposted in these accounts. You are required to complete these accounts by posting the correct amounts. **[6]**

Dr. **Realisation Account** **Cr.**

Particulars		Amount (₹)	Particulars		Amount (₹)
To Stock		10,000	By Provision of bad debts		77,000
To Debtors		25,000	By Sundry Creditors		2,310
To Plant and Machinery		40,000	By Bills Payable		10,425
To Bank :			By Mortgage Loan		
Sundry Creditors	16,000		By Bank-assets realised :		
Bills Payable	3,400	34,400	Stock	6,700	
Mortgage Loan	15,000	400	Debtors	12,500	
To Bank (Outstanding repairs)		620	Plant & Machinery	36,000	
To Bank (Exp.)			By Bank - unrecorded assets realised		
			By		....
		1,10,420			1,10,420

Dr. **Capital Accounts** **Cr.**

Particulars	Bora (₹)	Singh (₹)	Ibrahim (₹)	Particulars	Bora (₹)	Singh (₹)	Ibrahim (₹)
....	....	....		By Balance b/d	22,000	18,000	10,000
....	....	....		By General Reserve	2,500	1,500	500
	24,500	19,500	10,500		24,500	19,500	10,500

Dr. **Realisation Account** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Bal. b/d	19,500	By Realisation (liabilities)	34,400
To Realisation (assets realised)	55,200	By Realisation (unrecorded liabilities)	400
....	....	By	....
		By	....
	80,920		80,920

Answer :

Dr. **Bank Account** **Cr.**

Particulars		Amount (₹)	Particulars		Amount (₹)
To Stock		10,000	By Provision of bad debts		5,000
To Debtors		25,000	By Sundry Creditors		16,600
To Plant and Machinery		40,000	By Bills Payable		3,400
To Bank :			By Mortgage Loan		3,400
Sundry Creditors	16,000		By Bank-assets realised :		15,000
Bills Payable	3,400		Stock	6,700	

Mortgage Loan	15,000	34,400	Debtors	12,500	
To Bank (Outstanding repairs)		400	Plant & Machinery	36,000	55,220
To Bank (Exp.)		620	By Bank - unrecorded assets realised		6,220
			By Loss transferred to :		
			Bora's Capital A/c	5,000	
			Singh's Capital A/c	3,000	
			Ibrahim's Capital A/c	1,000	9,000
		1,10,420			**1,10,420**

Dr. **Partner's Capital Account** **Cr.**

Particulars	Bora (₹)	Singh (₹)	Ibrahim (₹)	Particulars	Bora (₹)	Singh (₹)	Ibrahim (₹)
To Realisation A/c	5,000	3,000	1,000	By Balance b/d	22,000	18,000	10,000
To Bank A/c	19,500	16,500	9,500	By General Reserve	2,500	1,500	500
	24,500	**19,500**	**10,500**		**24,500**	**19,500**	**10,500**

Dr. **Bank Account** **Cr.**

Particulars	Amount (₹)	Particulars		Amount (₹)
To Bal. b/d	19,500	By Realisation (liabilities)		34,400
To Realisation (assets realised)	55,200	By Realisation (unrecorded liabilities)		400
To Realisation A/c	6,220	By Realisation A/c (exp.)		620
(unrecorded assets realised)		By Partner's Capital A/c :		
		Bora	19,500	
		Singh	16,500	
		Ibrahim	9,500	45,500
	80,920			**80,920**

16. Alfa Ltd. invited applications for issuing 75,000 equity shares of ₹ 10 each. The amount was payable as follows :

On application and allotment – ₹ 4 per share

On first call – ₹ 3 per share

On second and final callbalance.

Applications for 1,00,000 shares were received. Shares were allotted to all the applicants on pro-rata basis and excess money received with applications was transferred towards sums due on first call. Vibha who was allotted 750 shares failed to pay the first call. Her shares were immediately forfeited. Afterwards the second call was made. The amount due on second call was also received except on 1000 shares, applied by Monika. Her shares were also forfeited. All the forfeited shares were re-issued to Mohit for ₹ 9,000 as fully paid up. Pass necessary journal entries in the books of Alfa Ltd. for the above transactions. **[8]**

OR

Jeevan Dhara Ltd. invited applications for issuing 1,20,000 equity shares of ₹ 10 each at a premium of ₹ 2 per share.

The amount was payable as follows :

On application – ₹ 2 per share.

On allotment – ₹ 5 per share (including premium)

On first and final call - balance.

Applications for 1,50,000 shares were received. Shares were allotted to all the applicants on pro-rata basis. Excess money received on applications was adjusted towards sums due on allotment. All calls were made. Manu who had applied for 3,000 shares failed to pay the amount due on allotment and first and final call. Madhur who was allotted 2,400 shares failed to pay the first and final call. Shares of both Manu and Madhur were forfeited. The forfeited shares were re-issued at ₹ 9 per share as fully paid up.

Pass necessary journal entries for the above transactions in the books of Jeevan Dhara Ltd. [8]

Answer : In the Books of Alfa Ltd.

Journal Entries

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
	Bank A/c Dr.		4,00,000	
	To Equity Share Application and Allotment A/c			4,00,000
	(Being application and allotment money received on 1,00,000 shares)			
	Equity Share Application and Allotment A/c Dr.		4,00,000	
	To Equity Share Capital A/c			3,00,000
	To Equity Share First Call A/c			1,00,000
	(Being application and allotment money transferred to share capital account and excess money is adjusted in first call account)			
	Equity Share First Call A/c Dr.		2,25,000	
	To Equity Share Capital A/c			2,25,000
	(Being amount due on first call)			
	Bank A/c (2,25,000 – 1,00,000 – 1,250) Dr.		1,23,750	
	Calls in advance A/c Dr.		1,00,000	
	To Equity Share First Call A/c			2,23,750
	(Being amount received on first call)			
	Equity Share Capital A/c Dr.		5,250	
	To Equity Share Forfeiture A/c			4,000
	To Equity Share First Call A/c			1,250
	(Being Vibha's shares forfeited)			
	Equity Share Second and Final Call A/c Dr.		2,22,750	
	To Equity Share Capital A/c			2,22,750
	(Being amount due on second and final call after forfeiting Vibha's shares)			
	Bank A/c (2,22,750 – 2,250) Dr.		2,20,500	
	To Equity Share Second and Final Call A/c			2,20,500
	(Being amount received on second and final call)			
	Equity Share Capital A/c Dr.		7,500	
	To Equity Share Forfeiture A/c			5,250
	To Equity Share Second and Final Call A/c			2,250
	(Being Monika's shares forfeited)			

	Bank A/c Dr. Equity Share Forfeiture A/c Dr. To Equity Share Capital A/c (Being forfeited shares reissued for ₹ 9,000 as fully paid-up)		9.000 6.000	 15,000
	Equity Share Forfeiture A/c Dr. To Capital Reserve A/c (Being excess amount of forfeiture is transferred to Capital reserve)		3,250	 3,250

Working Notes :

1. Calculation of Amount not received on First Call :

Share applied by Vibha = $\frac{1,00,000}{75,000} \times 750 = 1,000$ Shares

Amount received on 1,000 shares of ₹ 4 each = ₹ 4,000

Amount transferred to Share Capital A/c (750 × 4) = ₹ 3,000

Excess money received on application and allotment = ₹ (4,000 – 3,000) = ₹ 1,000

Amount due on first call @ ₹ 3 each = ₹ 2,250

Amount not received on first call = ₹ (2,250 – 1,000) = ₹ 1,250

2. Calculation of Amount not received on Second Call :

Share allotted to Monika = $\frac{75,000}{1,00,000} \times 1,000 = 750$ shares

Amount not received on second call = ₹ (750 × 3) = ₹ 2,250

OR

In the Books of Jeevan Dhara Ltd.

Journal Entries

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
	Bank A/c Dr. To Equity Share Application A/c (Being application money received on 1,50,000 shares)		3,00,000	 3,00,000
	Equity Share Application A/c Dr. To Equity Share Capital A/c To Equity Share Allotment A/c (Being amount of application transferred to share capital and excess money is adjusted towards allotment)		3,00,000	 2,40,000 60,000
	Equity Share Allotment A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c (Being amount due on allotment)		6,00,000	 3,60,000 2,40,000

	Bank A/c Dr. To Equity Share Allotment A/c (Being amount received on share allotment)		5,29,200	5,29,200
	Equity Share First and Final Call A/c Dr. To Equity Share Capital A/c (Being amount due on first and final call)		6,00,000	6,00,000
	Bank A/c Dr. To Equity Share First and Final Call A/c (Being amount received on first and final call)		5,76,000	5,76,000
	Equity Share Capital A/c Dr. Securities Premium Reserve A/c Dr. To Equity Share Forfeiture A/c To Equity Share Allotment A/c To Equity Share First and Final Call A/c (Being shares of Manu and Madhur forfeited)		48,000 4,800	18,000 10,800 24,000
	Bank A/c Dr. Equity Share Forfeiture A/c Dr. To Equity Share Capital A/c (Being forfeited shares reissued for ₹ 9 as fully paid-up)		43,200 4,800	48,000
	Equity Share Forfeiture A/c Dr. To Capital Reserve A/c (Being excess amount on forfeiture is transferred to Capital reserve)		13,200	13,200

Working Notes :

1. **Calculation of amount not received on Allotment and First and Final Call :**

   Shares alloted to Manu = $\frac{1,20,000}{1,50,000} \times 3,000$ = 2,400 shares

   Amount received on 3,000 shares of ₹ 2 each = ₹ 6,000

   Amount transferred to Share Capital A/c (2,400 × 2) = ₹ 4,800

   Excess money received on application = ₹ (6,000 – 4,800) = ₹ 1,200

   Amount due on Allotment @ ₹ 5 each = 2,400 × 5 = ₹ 12,000

   Amount not received on Securities Premium = ₹ 4,800

   Amount not received on allotment = ₹ (7,200 – 1,200) = ₹ 6,000

   Amount not received on first and final call = 2,400 × 5 = ₹ 12,000

2. **Calculation of amount not received from Madhur :**

   Amount not received on first and final call = 2,400 × 5 = ₹ 12,000

17. **Charu and Harsha were partners in a firm sharing profits in the ratio of 3 : 2. On 1-4-2014 their Balance Sheet was as follows :**

Balance Sheet of Charu and Harsh as on 1.4.2014

Liabilities	Amount (₹)	Assets	Amount (₹)
Creditors	17,000	Cash	6,000
General Reserve	4,000	Debtors	15,000
Workmen Compensation Fund	9,000	Investments	20,000

Investment Fluctuation Fund		11,000	Plant	14,000
Provision for bad debts		2,000	Land and Building	38,000
Capitals :				
Charu	30,000			
Harsha	20,000	50,000		
		93,000		**93,000**

On the above date Vaishali was admitted for 1/4th share in the profits of the firm on the following terms :

(a) Vaishali will bring ₹ 20,000 for her capital and ₹ 4,000 for her share of goodwill premium.

(b) All debtors were considered good.

(c) The market value of investments was ₹ 15,000.

(d) There was a liability of ₹ 6,000 for workmen compensation.

(e) Capital accounts of Charu and Harsha are to be adjusted on the basis of Vaishali's capital by opening current accounts.

Prepare Revaluation Account and Partners' Capital Accounts. **[8]**

OR

Amit, Balan and Chander were partners in a firm sharing profits in the proportion of $\frac{1}{2}, \frac{1}{3}$ and $\frac{1}{6}$ respectively. Chander retired on 1.4.2014. The Balance Sheet of the firm on the date of Chander's retirement was as follows :

Balance Sheet of Amit, Balan and Chander as on 1-4-2014

Liabilities		**Amount (₹)**	**Assets**		**Amount (₹)**
Sundry Creditors		12,600	Bank		4,100
Provident Fund		3,000	Debtors	30,000	
General Reserve		9,000	*Less* : Provision	1,000	29,000
Capitals :			Stock		25,000
Amit	40,000		Investments		10,000
Balan	36,500		Patents		5,000
Chander	20,000	96,500	Machinery		48,000
		1,21,100			**1,21,100**

It was agreed that :

(a) Goodwill will be valued at ₹ 27,000.

(b) Depreciation of 10% was to be provided on machinery.

(c) Patents were to be reduced by 20%.

(d) Liability on account of Provident Fund was estimated at ₹ 2,400.

(e) Chander took over investments for ₹ 15,800.

(f) Amit and Balan decided to adjust their capitals in proportion of their profit sharing ratio by opening current accounts.

Prepare Revaluation Account and Partners' Capital Accounts on Chander's retirement. **[8]**

Answer :

Dr. **Revaluation Account** **Cr.**

Particulars		Amount (₹)	Particulars	Amount (₹)
To Profit transferred to :			By Provision for Bad Debts A/c	2,000
Charu's Capital A/c	1,200			
Harsha's Capital A/c	800	2,000		
		2,000		**2,000**

Dr. **Partner's Capital Account** **Cr.**

Particulars	Charu (₹)	Harsha (₹)	Vaishali (₹)	Particulars	Charu (₹)	Harsha (₹)	Vaishali (₹)
To Current A/c	5,400	3,600		By Balance b/d	30,000	20,000	
To Balance c/d	36,000	24,000	20,000	By General Reserve A/c	2,400	1,600	
				By Workmen Compensation Fund A/c	1,800	1,200	
				By Investment Fluctuation Fund A/c	3,600	2,400	
				By Revaluation A/c (Profit)	1,200	800	
				By Cash A/c			20,000
				By Premium for Goodwill A/c	2,400	1,600	
	41,400	**27,600**	**20,000**		**41,400**	**27,600**	**20,000**

Working Notes :

1. Calculation of New Profit Sharing Ratio :

$$\text{Old Ratio} = 3:2$$

$$\text{Let the total profit of the firm} = 1$$

$$\text{Remaining Share} = 1-\frac{1}{4}=\frac{3}{4}$$

$$\text{Charu's New Share} = \frac{3}{5}\times\frac{3}{4}=\frac{9}{20}$$

$$\text{Harsha's New Share} = \frac{2}{5}\times\frac{3}{4}=\frac{6}{20}$$

$$\therefore \quad \text{New Profit Sharing Ratio} = \frac{9}{20}:\frac{6}{20}:\frac{1}{4}=9:6:5$$

2. Calculation of Sacrificing Ratio :

$$\text{Old Ratio} = 3:2$$

$$\text{New Ratio} = 9:6:5$$

$$\text{Sacrificing Ratio} = \text{Old Ratio} - \text{New Ratio}$$

$$\text{Charu} = \frac{3}{5} - \frac{9}{20} = \frac{3}{20}$$

$$\text{Harsha} = \frac{2}{5} - \frac{6}{20} = \frac{2}{20}$$

$\therefore$ $$\text{Sacrificing Ratio} = 3:2$$

3. Distribution of Goodwill :

$$\text{Charu will get} = 4{,}000 \times \frac{3}{5}$$
$$= ₹\,2{,}400$$

$$\text{Harsha will get} = 4{,}000 \times \frac{2}{5}$$
$$= ₹\,1{,}600$$

4. Adjustment of Capital :

$$\text{Total Capital of the firm} = 20{,}000 \times \frac{4}{1}$$
$$= ₹\,80{,}000$$

$$\text{Charu's New Capital} = 80{,}000 \times \frac{9}{20}$$
$$= ₹\,36{,}000$$

$$\text{Harsha's New Capital} = 80{,}000 \times \frac{6}{20}$$
$$= ₹\,24{,}000$$

OR

Dr. **Revaluation Account** **Cr.**

Particulars		Amount (₹)	Particulars	Amount (₹)
To Machinery A/c		4,800	By Provident Fund A/c	600
To Patents A/c		1,000	By Investments A/c	5,800
To Profit transferred to :				
Amit's Capital	300			
Balan's Capital	200			
Chander's Capital	100	600		
		6,400		**6,400**

Dr. **Partner's Capital Account** **Cr.**

Particulars	Amit (₹)	Balan (₹)	Chander (₹)	Particulars	Amit (₹)	Balan (₹)	Chander (₹)
To Chander's Capital A/c	2,700	1,800		By Balance b/d	40,000	36,500	20,000
To Investment A/c			15,800	By General Reserve A/c	4,500	3,000	1,500
To Chander's Loan A/c			10,300	By Revaluation A/c	300	200	100
To Balance c/d	42,100	37,900		By Amit's Capital A/c			2,700
				By Balan's Capital A/c			1,800
	44,800	**39,700**	**26,100**		**44,800**	**39,700**	**26,100**
To Balan' Current A/c (Bal. Fig.)		5,900		By Balance b/d	42,100	37,900	
To Balance c/d	48,000	32,000		By Amit's Current A/c (Bal. Fig.)	5,900		
	44,800	**39,700**			**44,800**	**39,700**	

Working Notes :

1. Adjustment of Goodwill :

$$\text{Chander's Share of Goodwill} = 27{,}000 \times \frac{1}{6} = ₹\,4{,}500$$

$$\text{Amit will pay} = 4{,}500 \times \frac{3}{5} = ₹\,2{,}700$$

$$\text{Balan will pay} = 4{,}500 \times \frac{2}{5} = ₹\,1{,}800$$

2. Adjustment of Capital :

$$\text{Total adjusted capital} = ₹\,(42{,}100 + 37{,}900) = ₹\,80{,}000$$

$$\text{Amit's New Capital} = 80{,}000 \times \frac{3}{5} = ₹\,48{,}000$$

$$\text{Balan's New Capital} = 80{,}000 \times \frac{2}{5} = ₹\,32{,}000$$

Note : Since, here no information is given regarding the share acquired by Amit and Balan, therefore, their gaining ratio is same as their new profit sharing ratio *i.e.*, 3 : 2.

PART B
(Financial Statements Analysis)

18. Which of the following transactions will result into 'Flow of Cash' ?

(a) Deposited ₹ 10,000 into bank.

(b) Withdrew cash from bank ₹ 14,500.

(c) Sale of machinery of the book value of ₹ 74,000 at a loss of ₹ 9,000.

(d) Converted ₹ 2,00,000 9% debentures into equity shares. **[1]**

Answer : (c) Sale of machinery of the book value of ₹ 74,000 at a loss of ₹ 9,000.

19. While preparing the 'Cash Flow Statement' the accountant of Gulfam Ltd., a financing company showed 'Dividend received on Investments' as Investing Activity'. Was he correct in doing so ? Give reason. **[1]**

Answer : No, he is not correct. Since, Gulfam Ltd. is a financing company, its main business is lending and investing in securities. Thus, 'Dividend received on investments', should be shown as operating activity.

20. Under which major headings the following items will be presented in the Balance Sheet of a company as per Schedule VI Part I of the Companies Act, 1956 ?

(i) Loans provided repayable on demand
(ii) Goodwill
(iii) Copyrights
(iv) Loose tools
(v) Cheques
(vi) General Reserve
(vii) Stock of finished goods and
(viii) 9% Debentures repayable after three years **[4]**

Answer :

S. No.	Items	Major Head
(i)	Loans provided repayable on demand	Current Liabilities
(ii)	Goodwill	Fixed Assets/Non-current Assets
(iii)	Copyrights	Fixed Assets/Non-current Assets
(iv)	Loose tools	Inventories/Current Assets
(v)	Cheques	Cash & Cash Equivalents/Current Assets
(vi)	General reserve	Reserve and Surplus/Shareholder's Funds
(vii)	Stock of finished goods	Inventory/Current Assets
(viii)	9% Debentures repayable after three years	Long-term Borrowings/Non-current Liabilities

21. From the following information related to Naveen Ltd. calculate (a) Return on Investment and (b) Total Assets to Debt Ratio.

Information : Fixed Assets ₹ 75,00,000; Current Assets ₹ 40,00,000; Current Liabilities ₹ 27,00,000; 12% Debentures ₹ 80,00,000 and Net Profit before Interest, Tax and Dividend ₹ 14,50,000. **[4]**

Answer :

(a) Return on Investment :

$$\text{Return on Investment} = \frac{\text{Net Profit before Interest, Tax and Dividend}}{\text{Capital Employed}} \times 100$$

$$\text{Net Profit before Interest, Tax and Dividend} = ₹\ 14{,}50{,}000$$

$$\text{Capital Employed} = \text{Fixed Assets} + \text{Current Assets} - \text{Current Liabilities}$$

$$= ₹\ (75{,}00{,}000 + 40{,}00{,}000 - 27{,}00{,}000)$$

$$= ₹\ 88{,}00{,}000$$

$$\text{Return on Investment} = \frac{14{,}50{,}000}{88{,}00{,}000} \times 100$$

$$= 16.48\%$$

(b) Total Assets to Debt Ratio :

$$\text{Total Assets to Debt Ratio} = \frac{\text{Total Assets}}{\text{Debts}}$$

$$\text{Total Assets} = \text{Fixed Assets} + \text{Current Assets}$$

$$= ₹\,(75{,}00{,}000 + 40{,}00{,}000)$$

$$= ₹\,1{,}15{,}00{,}000$$

$$\text{Debt} = \text{12\% Debentures} = ₹\,80{,}00{,}000$$

$$\text{Total Assets to Debt Ratio} = \frac{1{,}15{,}00{,}000}{80{,}00{,}000} = 1.4375 : 1 = 1.44 : 1$$

22. The motto of Yash Ltd., an advertising company is 'Service With Dignity'. Its management and work force is hard-working, honest and motivated. The net profit of the company doubled during the year ended 31-3-2014. Encouraged by its performance company decided to give one month extra salary to all its employees. Following is the Comparative Statement of Profit and Loss of the company for the years ended 31st March, 2013 and 2014.

Yash Ltd.
Comparative Statements of Profit and Loss

Particulars	Note No.	2012–13 (₹)	2013–14 (₹)	Absolute Change (₹)	% Change
Revenue form operations		10,00,000	15,00,000	5,00,000	50
Less : Employees benefit expenses		6,00,000	7,00,000	1,00,000	16.67
Profit before tax		4,00,000	8,00,000	4,00,000	100
Tax Rate 25%		1,00,000	2,00,000	1,00,000	100
Profit after tax		3,00,000	6,00,000	3,00,000	100

(a) Calculate Net Profit Ratio for the years ending 31st March, 2013 and 2014.

(b) Identify any two values which Yash Ltd. is trying to propagate. **[4]**

Answer :

(a) $$\text{Net Profit Ratio} = \frac{\text{Net Profit after Tax}}{\text{Revenue from Operations}} \times 100$$

For 2012-13 : $$\text{Net Profit Ratio} = \frac{3{,}00{,}000}{10{,}00{,}000} \times 100$$

$$= 30\%$$

For 2013-14 : $$\text{Net Profit Ratio} = \frac{6{,}00{,}000}{15{,}00{,}000} \times 100$$

$$= 40\%$$

(b) The following are the values that are propagated by Yash Ltd. :

(i) Participation of employees in extra profit

(ii) Boosting the morale of employees.

23. Following is the Balance Sheet of Thermal Power Ltd. as at 31-3-2014 :

Thermal Power Ltd.
Balance Sheet as at 31-3-2014

Particulars	Note No.	2013-14 (₹)	2012-13 (₹)
I-Equity and Liabilities			
1. Shareholder's Funds			
(a) Share Capital		12,00,000	11,00,000
(b) Reserves and Surplus	1	3,00,000	2,00,000

2. Non-current Liabilities :			
Long-term Borrowings		2,40,000	1,70,000
3. Current Liabilities :			
(a) Trade Payables		1,79,000	2,04,000
(b) Short-term Provisions		50,000	77,000
Total		**19,69,000**	**17,51,000**
II-Assets :			
1. Non-current Assets :			
(a) Fixed Assets			
(i) Tangible	2	10,70,000	8,50,000
(ii) Intangible	3	40,000	1,12,000
2. Current Assets :			
(a) Current Investments		2,40,000	1,50,000
(b) Inventories		1,29,000	1,21,000
(c) Trade Receivables		1,70,000	1,43,000
(d) Cash and Cash equivalents		3,20,000	3,75,000
Total		**19,69,000**	**17,51,000**

Notes to Accounts :

S. No.	Particulars	2013-14 (₹)	2012-13 (₹)
1.	**Reserves and Surplus**		
	Surplus (balance in Statement of Profit and Loss)	3,00,000	2,00,000
2.	**Tangible Assets**		
	Machinery	12,70,000	10,00,000
	Less : Accumulated Depreciation	(2,00,000)	(1,50,000)
3.	**Intangible Assets**		
	Goodwill	40,000	1,12,000

Additional Information :

During the year a piece of machinery, costing ₹ 24,000 on which accumulated depreciation was ₹ 16,000, was sold for ₹ 6,000.

Prepare Cash Flow Statement. **[6]**

Answer : **Cash Flow Statement of Thermal Power Ltd.**

(AS -3 Revised) for the year ended 31st March, 2014

S. No.	Particulars	Amount (₹)	Amount (₹)
A.	**Cash Flow from Operating Activities**		
	Net Profit before Tax and extraordinary items		1,50,000
	Add : Non operating expenses		
	Depreciation on machinery	66,000	
	Loss on sale of machinery	2,000	
	Goodwill written off	72,000	1,40,000
	Operating Profit before Working Capital Changes		2,90,000
	Less : Increase in current assets and decrease in current liabilities		

	Inventories	(8,000)	
	Trade Receivables	(27,000)	
	Trade Payables	(25,000)	(60,000)
	Cash Generated from Operating Activities		2,30,000
	Less : Tax paid		(77,000)
	Cash Flow from Operating Activities		1,53,000
B.	**Cash Flow from Investing Activities**		
	Purchase of machinery	(2,94,000)	
	Sale of machinery	6,000	
	Cash Used in Investing Activities		(2,88,000)
C.	**Cash Flow from Financing Activities**		
	Issue of share capital	1,00,000	
	Borrowing of loan	70,000	
	Cash Flow from Financing Activities		1,70,000
	Net Increase or Decrease in Cash and Cash Equivalents (A + B + C) [1,53,000 + (2,88,000) + 1,70,000]		35,000
	Add : Cash and Cash Equivalents in the Beginning [3,75,000 + 1,50,000]		5,25,000
	Cash and Cash Equivalents at the end of Year [3,20,000 + 2,40,000]		5,60,000

Working Notes :

1. Net Profit before Tax :

Surplus	—	1,00,000
Provision for tax	—	50,000
		1,50,000

(Note : It is assumed that short term provision is provision for tax.)

2.

Dr. **Machinery Account** Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	10,00,000	By Bank A/c	6,000
To Bank A/c (Bal. fig.) (Purchase)	2,94,000	By P & L A/c	2,000
		By Accumulated Depreciation A/c	16,000
		By Balance c/d	12,70,000
	12,94,000		**12,94,000**

Dr. **Accumulated Depreciation Account** Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Machinery A/c	16,000	By Balance b/d	1,50,000
To Balance c/d	2,00,000	By Depreciation A/c (Bal. fig.)	66,000
	2,16,000		**2,16,000**

Accountancy 2015 (Delhi)

SET II

Time allowed : 3 hours **Maximum marks : 80**

Note : Except for the following questions, all the remaining questions have been asked in previous sets.

PART A

(Accounting for Partnership Firms and Companies)

7. State any three purposes other than 'buy back of shares' for which securities premium can be utilized. **[3]**

Answer : As per Sec. 52(2) of Companies Act 2013, the amount of securities premium received can be utilised for several purposes. Three of such purposes are listed below.

(i) For issuing fully paid bonus shares to the members.

(ii) For writing-off the preliminary expenses.

(iii) For writing-off the expenses of, or the commission paid or the discount allowed on any issue of shares or debentures of the company.

9. 'Scooters India Ltd.' is registered with an authorized capital of ₹ 50,00,000 divided into 5,00,000 shares of ₹ 10 each. The company issued 1,00,000 shares for subscriptions to the public at par. The amount was payable as follows :

On application and allotment - ₹ 3 per share

On 1st call - ₹ 2 per share

On 2nd and final call - ₹ 5 per share

The issue was fully subscribed. All calls were made and were duly received except the 2nd and final call on 1,000 shares held by Rohan. His shares were forfeited and afterwards re-issued at ₹ 8 per share as fully paid up. Present 'Share Capital' in the Balance Sheet of the Company as per Schedule VI Part I of the Companies Act, 1956. Also prepare Notes to accounts for the same. **[3]**

Answer :

Scooters India Ltd.

Balance Sheet

	Particulars	Note No.	Amount (₹)
I.	**Equity and Liabilities**		
	1. Shareholder's Funds		
	(a) Share Capital	1	10,00,000
	(b) Reserves and Surplus	2	3,000
			10,03,000

Notes to Accounts :

Note No.	Particulars	Amount (₹)
1.	**Share Capital**	
	Authorised Capital	
	5,00,000 equity shares of ₹ 10 each	50,00,000
	Issued Capital	
	1,00,000 equity shares of ₹ 10 each	10,00,000
	Subscribed, Called-up and Paid-up Capital	
	1,00,000 shares of ₹ 10 each	10,00,000
2.	**Reserves and Surplus**	
	Capital Reserve	3,000

11. Vikas, Gagan and Momita were partners in a firm sharing profits in the ratio of 2 : 2 : 1. The firm closes its books on 31st March every year. On 30th September, 2014 Momita died. According to the provisions of partnership deed the legal representatives of a deceased partner are entitled for the following in the event of his/her death :

(a) Capital as per the last Balance Sheet.

(b) Interest on capital at 6% p.a. till the date of her death.

(c) Her share of profit to the date of death calculated on the basis of average profits of last four years.

(d) Her share of goodwill to be determined on the basis of three years purchase of the average profits of last four years. The profits of last four years were :

Year	Profit (₹)
2010-2011	30,000
2011-2012	50,000
2012-2013	40,000
2013-2014	60,000

The balance in Momita's capital account on 31-3-2014 was ₹ 60,000 and she had withdrawn ₹ 10,000 till the date of her death. Interest on her drawings were ₹ 300.

Prepare Momita's Capital Account to be presented to her executors. [4]

Answer :

Dr. **Momita's Capital Account** Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Drawings A/c	10,000	By Balance b/d	60,000
To Interest on Drawings A/c	300	By Interest on Capital A/c	1,800
To Momita's Executor A/c	83,000	By Profit and Loss Suspense A/c	4,500
		By Vikas's Capital A/c	13,500
		By Gangan's Capital A/c	13,500
	93,000		**93,000**

Working Notes :

1. Calculation of Interest on Momita's Capital :

$$\text{Interest on Capital} = 60{,}000 \times \frac{6}{100} \times \frac{6}{12} = ₹\ 1{,}800$$

2. Calculation of Momita's Share in Profit :

$$\text{Average Profit} = \frac{30{,}000 + 50{,}000 + 60{,}000 + 40{,}000}{4} = ₹\ 45{,}000$$

$$\text{Share of Momita in Profit} = 45{,}000 \times \frac{1}{5} \times \frac{6}{12} = ₹\ 4{,}500$$

3. Adjustment of Goodwill :

$$\text{Average Profit} = ₹\ 45{,}000$$

$$\text{Goodwill} = \text{Average Profit} \times \text{Number of year's purchase}$$

$$= 45{,}000 \times 3 = ₹\ 1{,}35{,}000$$

$$\text{Momita's Share of Goodwill} = 1{,}35{,}000 \times \frac{1}{5} = ₹\ 27{,}000$$

$$\text{Vikas will pay} = 27{,}000 \times \frac{1}{2} = ₹\,13{,}500$$

$$\text{Gagan will pay} = 27{,}000 \times \frac{1}{2} = ₹\,13{,}500$$

Note : Since, here no information is given regarding the share acquired by Vikas and Gagan, therefore, their gaining ratio is same as their new profit sharing ratio *i.e.*, 2 : 2 or 1 : 1.

16. 'Amrit Dhara Ltd.' invited applications for issuing 80,000 equity shares of ₹ 10 each. The amount was payable as follows :

On application and allotment - ₹ 2 per share

On first call - ₹ 4 per share

On second and final call - the balance

Applications for 1,00,000 shares were received. Shares were allotted on pro-rata basis to all the applicants. Excess money received with applications was adjusted towards sums due on first call. Manohar who had applied for 2,000 shares failed to pay the first call and his shares were immediately forfeited. Afterwards second and final call was made. Mahan who was allotted 2,400 shares failed to pay the second and final call. His shares were also forfeited. All the forfeited shares were re-issued at ₹ 9 per share as fully paid up. Pass necessary Journal Entries in the books of the company for the above transactions. [8]

OR

'Sulabh Ltd.' invited applications for issuing 1,50,000 equity shares of ₹ 10 each at a premium of ₹ 3 per share. The amount was payable as follows :

On application - ₹ 2 per share

On allotment - ₹ 6 per share (including premium)

On first and final call - the balance

Applications for 2,00,000 shares were received and shares were allotted on pro-rata basis to all the applicants. Excess money received with applications was adjusted towards sums due on allotment. Suman who had applied for 2,000 shares failed to pay the allotment and call money. Raman failed to pay first and final call on his 500 shares. Shares of both Suman and Raman were forfeited after the final call was made. The forfeited shares were re-issued for ₹ 12 per share as fully paid up.

Pass necessary Journal Entries for the above transactions in the books of the company. [8]

Answer : **In the Books of Amrit Dhara Ltd.**

Journal Entries

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
	Bank A/c Dr.		2,00,000	
	To Equity Share Application and Allotment A/c			2,00,000
	(Being share application money received)			
	Equity Share Application and Allotment A/c Dr.		2,00,000	
	To Equity Share Capital A/c			1,60,000
	To Equity Share First Call A/c			40,000
	(Being application money transferred to share capital account and excess money is adjusted in first call account)			

	Equity Share First Call A/c Dr. To Equity Share Capital A/c (Being first call money due)		3,20,000	3,20,000
	Bank A/c (3,20,000 – 40,000 – 5,600) Dr. To Equity Share First Call A/c (Being amount received on first call)		2,74,400	2,74,400
	Equity Share Capital A/c Dr. To Equity Share Forfeiture A/c To Equity Share First Call A/c (Being Manohar's shares forfeited)		9,600	4,000 5,600
	Equity Share Second and Final Call A/c Dr. To Equity Share Capital A/c (Being amount due on second and final call after forfeiting Monahar's shares)		3,13,600	3,13,600
	Bank A/c (3,13,600 – 9,600) Dr. To Equity Share Second and Final Call A/c (Being amount received on second and final call)		3,04,000	3,04,000
	Equity Share Capital A/c Dr. To Equity Share Forfeiture A/c To Equity Share Second and Final Call A/c (Being Mahan's shares forfeited)		24,000	14,400 9,600
	Bank A/c Dr. Equity Share Forfeiture A/c Dr. To Equity Share Capital A/c (Being forfeited shares reissued @ ₹ 9 as fully paid-up)		36,000 4,000	40,000
	Equity Share Forfeiture A/c Dr. To Capital Reserve A/c (Being excess amount on forfeiture is transferred to capital reserve)		14,400	14,400

Working Notes :

1. Calculation of Amount not received on First Call :

Shares applied by Manohar = $\frac{80,000}{1,00,000} \times 2,000 = 1,600$ shares

Amount received on 2,000 shares of ₹ 2 each = ₹ 4,000

Amount transferred to Share Capital A/c (1,600 × 2) = ₹ 3,200

Excess money received on application and allotment = ₹ (4,000 – 3,200) = ₹ 800

Amount due on first call @ ₹ 4 each = ₹ 6,400

Amount not received on first call = ₹ (6,400 – 800) = ₹ 5,600

2. Calculation of Amount not received on Second Call :

Amount not received on second call = ₹ (2,400 × 4) = ₹ 9,600

OR

In the books of Sulabh Ltd.

Journal Entries

Date	Particulars		L.F.	Amount (₹)	Amount (₹)
	Bank A/c	Dr.		4,00,000	
	To Equity Share Application A/c				4,00,000
	(Being application money received on 2,00,000 shares)				
	Equity Share Application A/c	Dr.		4,00,000	
	To Equity Share Capital A/c				3,00,000
	To Equity Share Allotment A/c				1,00,000
	(Being amount of application transferred to share capital and excess money is adjusted towards allotment)				
	Equity Share Allotment A/c	Dr.		9,00,000	
	To Equity Share Capital A/c				4,50,000
	To Securities Premium A/c				4,50,000
	(Being amount due on allotment)				
	Bank A/c	Dr.		7,92,000	
	To Equity Share Allotment A/c				7,92,000
	(Being share allotment money received)				
	Equity Share First and Final Call A/c	Dr.		7,50,000	
	To Equity Share Capital A/c				7,50,000
	(Being amount due on first and final call)				
	Bank A/c	Dr.		7,40,000	
	To Equity Share First and Final Call A/c				7,40,000
	(Being amount on first and final call)				
	Equity Share Capital A/c	Dr.		20,000	
	Securities Premium A/c	Dr.		4,500	
	To Equity Share Forfeiture A/c				6,500
	To Equity Share Allotment A/c				8,000
	To Equity Share First and Final Call A/c				10,000
	(Being shares of Suman and Raman forfeited)				
	Bank A/c	Dr.		24,000	
	To Equity Share Capital A/c				20,000
	To Securities Premium A/c				4,000
	(Being forfeited shares reissued for ₹ 12 as fully paid-up)				
	Equity Share Forfeiture A/c	Dr.		6,500	
	To Capital Reserve A/c				
	(Being excess amount on forfeiture is transferred to capital reserve)				6,500

Working Notes :

1. Calculation of Amount not received from Suman :

Shares alloted to Suman = $\frac{1,50,000}{2,00,000} \times 2,000 = 1,500$ shares

Amount received on 2,000 shares of ₹ 2 each = ₹ 4,000

Amount transferred to Share Capital A/c (1,500 × 2) = ₹ 3,000

Excess money received on application = ₹ (4,000 – 3,000) = ₹ 1,000

Amount due on Allotment @ ₹ 6 each = ₹ (4,500 + 4,500) = ₹ 9,000

Amount not received on Securities Premium = ₹ 4,500

Amount not received on allotment = ₹ (4,500 – 1,000) = ₹ 3,500

Amount not received on first and final call = 1,500 × 5 = ₹ 7,500

2. Calculation of Amount not received from Raman :

Amount not received on first and final call = 500 × 5 = ₹ 2,500

PART B

(Financial Statements Analysis)

18. Which of the following transactions will not result into flow of cash :

(a) Issue of equity shares of ₹ 1,00,000.

(b) Purchase of machinery of ₹ 1,75,000.

(c) Redemption of 9% debentures ₹ 3,50,000.

(d) Cash deposited into bank ₹ 15,000. **[1]**

Answer : (d) Cash deposited into bank ₹ 15,000.

19. While preparing the Cash Flow Statement of Alka Ltd. 'dividend paid' was shown as an operating activity by the accountant of the company. Was he correct in doing so ? Give reason. **[1]**

Answer : No, he was not correct because dividend paid comes under the head financing activity and show as negative item as cash outflows.

20. Under which major heads the following items wil be placed in the Balance Sheet of a company as per Schedule VI, Part I of the Companies Act, 1956 ?

(i) Securities Premium Reserve **(ii) Balances with banks**

(iii) Term loans from bank **(iv) Goods-in-transit**

(v) Loans repayable on demand **(vi) Computer software**

(vii) Unpaid dividends and **(viii) Vehicles** **[4]**

Answer :

S. No.	Items	Head
(i)	Securities Premium Reserve	Reserves and Surplus/Shareholder's Fund
(ii)	Balance with Banks	Current Assets
(iii)	Term Loan from Bank	Non-current Liabilities
(iv)	Goods in transit	Current Assets
(v)	Loans repayable on demand	Current Liabilities
(vi)	Computer software	Fixed Assets under Non-current Assets
(vii)	Unpaid dividends	Current Liabilities
(viii)	Vehicles	Fixed Assets under Non-current Assets

Accountancy 2015 (Delhi) SET III

Time allowed : 3 hours **Maximum marks : 80**

Note : Except for the following questions, all the remaining questions have been asked in previous sets.

PART A

(Accounting for Partnership Firms and Companies)

7. Securities premium can also be utilized for three other purposes besides (i) 'Issuing fully paid bonus shares' and (ii) 'Buy back of shares'. State those purposes. **[3]**

Answer : As per Sec. 52(2) of Companies Act, 2013, the amount of securities premium received can be utilised for following purposes :

(i) For writing off preliminary expenses.

(ii) For writing off the expenses of, or the commission paid or the discount allowed on, any issue of shares or debentures of the company.

(iii) For paying up premium payable on redemption of redeemable preference shares or debentures of the company.

9. Sun Pharma Ltd. is registered with an authorized capital of ₹ 1,00,00,000 divided into 1,00,000 equity shares of ₹ 100 each. The company issued 50,000 shares at a premium of ₹ 40 per share. A shareholder holding 500 shares did not pay the final call of ₹ 20 per share. His shares were forfeited.

Present the 'Share Capital' in the Balance Sheet of the Company as per Schedule VI Part I of the Companies Act, 1956. Also prepare notes to accounts. **[3]**

Answer : **Sun Pharma India Ltd.**

Balance Sheet

	Particulars	Note No.	Amount (₹)
I.	**Equity and Liabilities**		
	1. Shareholder's Funds		
	(a) Share Capital	1	49,90,000
	(b) Reserves and Surplus	2	20,00,000
			69,90,000

Notes to Accounts :

Note No.	Particulars		Amount (₹)
1.	**Share Capital**		
	Authorised Capital		
	1,00,000 equity shares of ₹ 100 each		10,00,000
	Issued Capital		
	50,000 equity shares of ₹ 100 each		50,00,000
	Subscribed, Called-up and Paid-up Capital		
	49,500 equity shares of ₹ 100 each	49,50,000	
	Add : Shares Forfeited (500 shares @ ₹ 80)	40,000	49,90,000
2.	**Reserves and Surplus**		
	Securities Premium (50,000 × 40)		20,00,000

11. Sunny, Honey and Rupesh were partners in a firm. On 31.3.2014 their Balance Sheet was as follows :

Balance Sheet

Liabilites		Amount (₹)	Assets	Amount (₹)
Creditors		10,000	Plant and Machinery	40,000
General Reserve		30,000	Furniture	15,000
Capitals :			Debtors	20,000
Sunny	30,000		Stock	20,000
Honey	30,000			25,000
Rupesh	20,000	80,000		
		1,20,000		1,20,000

Honey died on 31.12.2014. The partnership deed provides that the representatives of the deceased partner shall be entitled to :

(a) Balance in the capital account of the deceased partner.

(b) Interest on capital @ 6% p.a. upto the date of his death.

(c) His share in the undistributed profits or losses as per the balance sheet.

(d) His share in the profits of the firm till the date of his death, calculated on the basis of rate of net profit on sales of the previous year. The rate of net profit on sale of previous year was 20%. Sales of the firm during the year till 31.12.2014 was ₹ 6,00,000.

Prepare Honey's Capital Account to be presented to his executors. **[4]**

Answer :

Honey's Capital A/c

Particulars	Amount (₹)	Particulars	Amount (₹)
To Honey's Executors A/c	81,350	By Balance b/d	30,000
		By Interest on Capital A/c	1,350
		By Profit and Loss Suspense A/c	40,000
		By General Reserve A/c	10,000
	81,350		81,350

Working Notes :

1. Calculation of Interest on Honey's Capital :

$$\text{Interest on Capital} = 30{,}000 \times \frac{6}{100} \times \frac{9}{12} = ₹\,1{,}350$$

2. Calculation of Honey's Share in Profit :

$$\text{Profit} = \text{Sales} \times \frac{\text{Rate of Profit}}{100}$$

$$= 6{,}00{,}000 \times \frac{20}{100} = ₹\,1{,}20{,}000$$

$$\text{Honey's Share in Profit} = 1{,}20{,}000 \times \frac{1}{3} = ₹\,40{,}000$$

3. **Calculation of Honey's Share in General Reserve :**

$$\text{Honey's Share in General Reserve} = 30{,}000 \times \frac{1}{3} = ₹\ 10{,}000$$

16. **'Wellness Ltd.' invited applications for issuing 40,000 equity shares of ₹ 10 each at a discount of 10%. The amount was payable as follows :**

On application and allotment - ₹ 4 per share

On first call - ₹ 3 per share

On second and final call - The balance

Applications for 39,000 shares were received and allotment was made to all the applicants.

The payment was received as per the following details :

On 30,000 shares - Full amount.

On 6,000 shares - ₹ 7 per share.

On 3,000 shares - ₹ 4 per share.

The Directors forfeited those shares on which less than ₹ 7 per share were received. The forfeited shares were re-issued at ₹ 8 per share as fully paid up.

Pass necessary Journal Entries in the books of the company for the above transactions.** **[8]**

OR

'Subham Ltd.' invited applications for issuing 12,000 equity shares of ₹ 10 each at a premium of ₹ 3 per share. The amount was payable as follows :

On application and allotment - ₹ 6 per share (including premium)

On first call - ₹ 4 per share

On second and final call - The balance

Applications for 18,000 shares were received and pro-rata allotment was made to all the applicants. Excess money received with applications was adjusted towards sums due on first call. All calls were made and were duly received except the first call and second and final call on 120 shares allotted to Vibhu. His shares were forfeited. The forfeited shares were reissued at the maximum permissible discount as per the provisions of the Companies Act, 1956.

Pass necessary Journal Entries for the above transactions in the books of the company.** **[8]**

Answer :

OR

In the Books of Subham Ltd.

Journal Entries

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
	Bank A/c Dr.		1,08,000	
	To Equity Share Application and Allotment A/c			1,08,000
	(Being application money received on 18,000 shares)			
	Equity Share Application and Allotment A/c Dr.		1,08,000	
	To Equity Share Capital A/c			36,000
	To Securities Premium Reserve A/c			36,000
	To Equity Share First Call A/c			36,000
	(Being application money transferred to share capital and excess money is adjusted towards first call)			

** Answer is not given due to change in the present syllabus.

	Equity Share First Call A/c Dr. To Equity Share Capital A/c (Being amount due on first call)		48,000	48,000
	Bank A/c Dr. To Equity Share First Call A/c (Being amount received on first call)		11,880	11,880
	Equity Share Second and Final A/c Dr. To Equity Share Capital A/c (Being amount due on second and final call)		36,000	36,000
	Bank A/c Dr. To Equity Share Second and Final Call A/c (Being amount received on second and final call)		35,640	35,640
	Equity Share Capital A/c Dr. To Equity Share Forfeiture A/c To Equity Share First Call A/c To Equity Share Second and Final Call A/c (Being shares of Vibhu forfeited due to non-payment of first and final call)		1,200	720 120 360
	Bank A/c Dr. Equity Share Forfeiture A/c Dr. To Equity Share Capital A/c (Being forfeited shares reissued @ ₹ 4 as fully paid up)		480 720	1,200

Working Notes :

Shares applied by Vibhu = $\frac{18,000}{12,000} \times 120 = 180$ shares

Amount received on 180 shares of ₹ 6 each = ₹ 1,080

Amount transferred to Share Capital A/c (120 × 3) = ₹ 360

Amount transferred to Securities Premium A/c (120 × 3) = ₹ 360

Excess money received on Application and Allotment = ₹ 360

Amount due on First Call @ ₹ 4 each = ₹ 480

Amount not received on First Call = ₹ (480 – 360) = ₹ 120

Amount received on First Call = ₹ (48,000 – 36,000 – 120) = ₹ 11,880

PART B

(Financial Statements Analysis)

18. Which of the following is not included in cash and cash equivalents ?

(a) Balances with banks

(b) Bank deposits with 100 days of maturity

(c) Cheques and drafts on hand and

(d) Cash on hand **[1]**

Answer : (b) Bank deposits with 100 days of maturity.

19. While preparing Cash Flow Statement of Sharda Ltd. 'Depreciation provided on fixed assets' was added to net profit to calculate cash flow from operating activities. Was the accountant correct in doing so ? Give reason. [1]

Answer : Yes, the accountant was correct in doing so, because depreciation on fixed assets is a non-cash expense and it must be added to net profit for calculation of cash flow from operating activities.

20. Under which heads the following items will be placed in the Balance Sheet of a company as per Schedule VI Part I of the Companies Act, 1956 ?

(i) Cash in hand

(ii) Mining Rights

(iii) Short term deposits

(iv) Debenture Redemption Reserve

(v) Income received in advance

(vi) Balance of the Statement of Profit and Loss

(vii) Office Equipments and

(viii) Work-in-progress. [4]

Answer :

S. No.	Items	Head
(i)	Cash in hand	Current Assets
(ii)	Mining rights	Non-current Assets
(iii)	Short term deposits	Current Assets
(iv)	Debenture Redemption Reserve	Reserve and Surplus/Shareholder's Fund
(v)	Income received in advance	Current Liabilities
(vi)	Balance of the Statement of Profit and Loss	Reserve and Surplus/Shareholder's Fund
(vii)	Office Equipments	Non-current Assets
(viii)	Work-in-progress	Inventory/Current Assets

●●