Accountancy 2018

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

PART A

(Accounting for Partnership Firms and Companies)

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

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

Answer : Share of profit acquired by Chaman from Amit = $\frac{1}{6} \times \frac{2}{5} = \frac{2}{30}$.

Share of profit acquired by Chaman from Beena = $\frac{1}{6} - \frac{2}{30} = \frac{3}{30}$ OR $\frac{1}{10}$.

2. Neetu, Meetu and Teetu were partners in a firm. On 1st January, 2018, Meetu retired. On Meetu's retirement the goodwill of the firm was valued at ₹ 4,20,000.

Pass necessary journal entry for the treatment of goodwill on Meetu's retirement. **[1]**

Answer :

Journal

Date	Particulars	L.F.	Dr.	Cr.
2018 Jan. 1	Neetu's Capital A/c Dr.		70,000	
	Teetu's Capital A/c Dr.		70,000	
	To Meetu's Capital A/c			1,40,000
	(Being Meetu's share of goodwill credited to her capital A/c given by Neetu and Teetu)			

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

Answer :

Basis	Dissolution of Partnership	Dissolution of Partnership Firm
Settlement of Assets and liabilities	Assets and liabilities are re-valued and shown in new Balance sheet.	Assets are sold and liabilities are paid off.

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

Answer : No, they are not doing business in partnership as they are not involved in doing sale and purchase of land on regular basis. Also, there is no agreement between the two for carrying out business in partnership.

5. Is 'Reserve Capital' a part of 'Unsubscribed Capital' or 'Uncalled Capital' ? **[1]**

Answer : Reserve capital is a part of Uncalled Capital.

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

Answer : When the company issue debentures to the lenders as an additional security in addition to other primary security is called debentures issued as a collateral security.

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

Answer :

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

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

$$\text{Jayant's new share} = \frac{5}{10} + \frac{4}{50} = \frac{29}{50}$$

$$\text{Leena's new share} = \frac{3}{10} + \frac{6}{50} = \frac{21}{50}$$

∴ New profit sharing ratio of Jayant and Leena = 29 : 21

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

Answer : A share refers to the unit into which the total share capital of the company is divided.

Difference :

1. Preference shares are shares which carry a preferential right at the time of payment of dividend and at the time of repayment of capital. They don't have voting rights except in special circumstances.
2. Equity shares are shares which do not carry a preferential right at the time of payment of dividend and at the time of repayment of capital. They have voting rights.

9. NK Ltd. a truck manufacturing company, is registered with an authorised capital of ₹ 1,00,00,000 divided into equity shares of ₹ 100 each. The subscribed and paid up capital of the company is ₹ 50,00,000. The company decided to open technical schools in the Jhalawar district of Rajasthan to train the specially abled children of the area. It is planning to provide them employment in its various production units and industires in the neighbourhood area.

To meet the capital expenditure requirements of the project, the company offered 20,000 shares to the public for subscription. The shares were fully subscribed and paid.

Present the share capital in the Balance Sheet of the company as per the provisions of Schedule III of the Companies Act, 2013.

Also identify any two values that the company wants to communicate. **[3]**

Answer :

Balance Sheet of NK Ltd.
as at ....

Particulars	Note No.	Current Year (₹)	Previous Year (₹)
Equity and Liabilities 1. Shareholders funds : (a) Share Capital	1	70,00,000	

Notes to Accounts :

	Particulars	₹
1.	<u>Share Capital</u> (a) Authorised Capital 1,00,000 equity shares of ₹ 100 each	1,00,00,000
	(b) Issued Capital 70,000 shares of ₹ 100 each	70,00,000
	(c) Subscribed Capital Subscribed and fully paid 70,000 shares of ₹ 100 each	70,00,000

Values :

(1) Concern for the specially abled.

(2) Development of backward regions.

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

VK Ltd.

Journal

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2018 February 01	....Dr. ....Dr. (Purchased own 500, 9% debentures of ₹ 100 each at ₹ 97 each for immediate cancellation)		....	....
Feb. 1	.... Dr. .... (Cancelled own debentures)		....	....
....	.... Dr. .... (......................................)		....	....

Answer :

VK Ltd.

Journal

Date	Particular	L. F.	Dr. Amount (₹)	Amount (₹)
2018 Feb. 1	Own Debentures A/c Dr. To Bank A/c (Purchased own 500, 9% debentures of ₹ 100 each at ₹ 97 each for immediate cancellation		48,500	 48,500
Feb. 1	9% Debentures A/c Dr. To Own Debentures To Profit on Redemption of Debentures A/c (Cancelled own debentures)		50,000	 48,500 1,500
Feb. 1	Profit on Redemption of Debentures A/c Dr. To Capital Reserve A/c (Being profit on redemption of debenture transferred to capital reserve)		1,500	 1,500

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

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

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

Answer :

Dr. **Girdhari's Loan A/c** Cr.

Date	Particulars	Amount (₹)	Date	Particulars	Amount
2015			2014		
March 31	To Bank A/c	75,000	April 1	By Girdhari's Capital A/c	1,50,000
March 31	To Balance c/d	90,000	2015		
			March 31	By Interest A/c	15,000
		1,65,000			1,65,000
2016			2015		
March 31	To Bank A/c	75,000	April 1	By Balance b/d	90,000
March 31	To Balance c/d	24,000	2016		
			March 3	By Interest A/c	9,000
		99,000			99,000
2017			2016		
March 31	To Bank A/c	26,400	April 1	By Balance b/d	24,000
			2017		
			March 31	By Interest A/c	2,400
		26,400			26,400

Working Notes :

<u>Calculation of amount payable to Girdhari :</u>

	₹
Girdhari's Capital :	1,00,000
Share of goodwill :	38,000
Share of Revaluation Profit :	2,000
Share of General Reserve :	10,000
	1,50,000

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

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

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

The following additional information is given :

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

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

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

Answer :

Journal

Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)
	Bank A/c Dr. To Raghav's Capital A/c To Premium for Goodwill A/c (Being capital and premium brought in by Raghav)		8,50,000	 6,00,000 2,50,000
	Premium of Goodwill A/c Dr. To Asha's Capital A/c To Aditi's Capital A/c (Being premium distributed between old partners in their sacrificing ratio)		2,50,000	 1,50,000 1,00,000

Working Notes :

Calculation of goodwill :

Profit of 2016–17 = ₹ 7,45,000 – ₹ 15,000 = ₹ 7,30,000

Total Profits of four years = 3,50,000 + 4,75,000 + 6,70,000 + 7,30,000

= ₹ 22,25,000

Average profits = ₹ $\frac{22,25,000}{4}$ ₹ – 56,250 = ₹ 5,56,250 – ₹ 56,250 = ₹ 5,00,000

Goodwill of the firm = ₹ 5,00,000 × 2 = ₹ 10,00,000

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

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

Balance Sheet of Pranav, Karan and Rahim as on 31.3.2017

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

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

(i) Balance in his Capital Account.

(ii) Interest on Capital @ 12% p.a.

(iii) Share of goodwill. Goodwill of the firm on Karan's death was valued at ₹ 60,000.

(iv) Share in the profits of the firm till the date of his death, calculated on the basis of last year's profit. The profit of the firm for the year ended 31.3.2017 was ₹ 5,00,000.

Prepare Karan's Capital Acount to be presented to his representatives. **[4]**

Answer :

Karan's Capital A/c

Dr. Particulars	**Amount (₹)**	**Particulars**	**Amount (₹) Cr.**
To Karan's Executors'A/c	3,28,800	By Balance b/d	2,00,000
		By Interest on Capital A/c (1)	4,800
		By P & L Suspense A/c (2)	40,000
		By Pranav's Capital A/c (3)	16,000
		By Rahim's Capital A/c (3)	8,000
		By General Reserve A/c (4)	60,000
	3,28,800		**3,28,800**

Working Notes :

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

2. Share of Profits $= 5,00,000 \times \frac{73}{365} \times \frac{2}{5} =$ ₹ 40,000

3. Share of Goodwill $= \frac{2}{5} \times 60,000 =$ ₹ 24,000

4. Share of General Reserve =- $1,50,000 \times \frac{2}{5}$ =₹ 60,000

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

Balance Sheet of Chander and Damini as on 31.3.2017

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

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

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

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

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

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

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

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

Answer :

Revaluation A/c

Dr. Particulars	**Amount (₹)**	**Particulars**	**Amount (₹) Cr.**
To Furniture A/c	11,000	By Debtors A/c	5,000
To Provision for Doubtful Debts on Debtors A/c	4,000	By Land and Building A/c	62,000
To Provision for Doubtful Debts on B/R A/c	2,250		

To Claim for Damages A/c		8,000		
To Profit transferred to :				
Chander's Capital A/c	20,875			
Damini Capital A/c	20,875	41,750		
		67,000		67,000

Dr. **Partners' Capital A/c** **Cr.**

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

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

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

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

Answer :

KK Ltd.
Journal

Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)
2014 April 1	Bank A/c Dr. To Deb. Application and Allotment A/c (Being Application money received)		56,40,000	56,40,000
April 1	Deb. Application and Allotment A/c Dr. Loss on Issue of Deb. A/c Dr. To 10% Deb. A/c To Premium on Redemption of Deb. A/c To Bank A/c (Being transfer of application money to Debentures A/c)		56,40,000 8,00,000	50,00,000 5,00,000 9,40,000
2016 March 31	Surplus in Statement of Profit and Loss Dr. To Debenture Redemption Reserve A/c (Being Debenture Redemption Return created equal to 25% of face value of debentures to be redeemed)		12,50,000	12,50,000
2016 April 1	Debenture Redemption Investment A/c Dr. To Bank A/c (Being DRI purchased equal to 15% of the face value of debentures)		7,50,000	7,50,000

2017 March 31	Bank A/c Dr. TDS Collected A/c Dr. To Interest on Debenture Redemption Investment A/c (Being interest received on Investment)		60,750 6,750	67,500
2017 March 31	Bank A/c Dr. To Debenture Redemption Investments A/c (Being Investment Sold)		7,50,000	7,50,000
2017 March 31	10% Debentures A/c Dr. Premium on Redemption of Debentures A/c Dr. To Debentureholder A/c (Being Debentures due for redemption)		50,00,000 5,00,000	55,00,000
2017 March 31	Debentureholders A/c Dr. To Bank A/c (Being Debenturesholder paid)		55,00,000	55,00,000
2017 March 31	Debenture Redemption Reserve A/c Dr. To General Reserve A/c (Being DRR transferred to general reserve)		12,50,000	12,50,000

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

Balance Sheet of Srijan, Raman and Manan as on 31.3.2017

Liabilities		Amount (₹)	Assets	Amount (₹)
Capitals :			Capital : Manan	10,000
Srijan	2,00,000		Plant	2,20,000
Raman	1,50,000	3,50,000	Investments	70,000
Creditors		75,000	Stock	50,000
Bills Payable		40,000	Debtors	60,000
Outstanding Salary		35,000	Bank	10,000
			Profit and Loss Account	80,000
		5,00,000		5,00,000

On the above date they decided to dissolve the firm.

(i) Srijan was appointed to realise the assets and discharge the liabilities. Srijan was to receive 5% commission on sale of assets (except cash) and was to bear all expenses of realisation.

(ii) Assets were realised as follows :

	(₹)
Plant	**85,000**
Stock	**33,000**
Debtors	**47,000**

(iii) Investments were realised at 95% of the book value.

(iv) The firm had to pay ₹ 7,500 for an outstanding repair bill not provided for earlier.

(v) A contingent liability in respect of bills receivable, discounted with the bank had also materialised and had to be discharged for ₹ 15,000.

(vi) Expenses of realisation amounting to ₹ 3,000 were paid by Srijan.

Prepare Realisation Account, Partners' Capital Accounts and Bank Account. **[8]**

OR

Moli, Bhola and Raj were partners in a firm sharing profits and losses in the ratio of 3 : 3 : 4. Their partnership deed provided for the following :

(i) Interest on capital @ 5% p.a.

(ii) Interest on drawing @ 12% p.a.

(iii) Interest on partner's loan @ 6% p.a.

(iv) Moli was allowed an annual salary of ₹ 4,000; Bhola was allowed a commission of 10% of net profit as shown by Profit and Loss Account and Raj was guaranteed a profit of ₹ 1,50,000 after making all the adjustments as provided in the partnership agreement.

Their fixed capitals were Moli : ₹ 5,00,000; Bhola : ₹ 8,00,000 and Raj : ₹ 4,00,000. On 1st April, 2016 Bhola extended a loan of ₹ 1,00,000 to the firm. The net profit of the firm for the year ended 31st March, 2017 before interest on Bhola's loan was ₹ 3,06,000.

Prepare Profit and Loss Appropriation Account of Moli, Bhola and Raj for the year ended 31st March, 2017 and their Current Accounts assuming that Bhola withdrew ₹ 5,000 at the end of each month, Moli withdrew ₹ 10,000 at the end of each quarter and Raj withdrew ₹ 40,000 at the end of each half year.

Answer :

Dr. **Realisation A/c** Cr.

Particulars		Amount (₹)	Particulars		Amount (₹)
To Sundry Assets :			**By Sundry Liabilities :**		
Plant	2,20,000		Creditors	75,000	
Investments	70,000		Bills Payable	40,000	
Stock	50,000		Outstanding Salary	35,000	1,50,000
Debtors	60,000	4,00,000			
To Bank A/c :			**By Bank A/c :**		
Creditors	75,000		Plant	85,000	
Bills Payable	40,000		Stock	33,000	
Outstanding exp.	7,500		Debtor's	47,000	
Contingent Liability	15,000		Investments	66,500	2,31,500
O/S Salary	35,000	1,72,500	**By Loss transferred to the Partner's Capital A/c**		
To Srijan's Capital A/c (Commission)		11,575	Srijan	81,030	
			Raman	81,030	
			Manan	40,515	2,02,575
		5,84,075			5,84,075

Dr. **Partners' Capital A/c** Cr.

Particular	Srijan	Raman	Manan	Particulars	Srijan	Raman	Monan
To Balance b/d	–	–	10,000	By Balance b/d	2,00,000	1,50,000	–
To P & L A/c	32,000	32,000	16,000	By Realisation A/c	11,575	–	–
To Realisation A/c	81,030	81,030	40,515	By Bank A/c	–	–	66,515
To Bank A/c	98,545	36,970	–				
	2,11,575	1,50,000	66,515		2,11,575	1,50,000	66,515

Dr. **Bank A/c** Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	10,000	By Realisation A/c	1,72,500
To Realisation A/c	2,31,500	By Srijan's Capital A/c	98,545
To Manan's Capital A/c	66,515	By Raman's Capital A/c	36,970
	3,08,015		3,08,015

OR

Dr. P & L Appropriation A/c for the the year ended 31st March, 2017 Cr.

Particulars		Amount (₹)	Particulars		Amount (₹)
To Interest on Capital :			By Profit & Loss A/c (3,06,000 – 6,000)		3,00,000
Moli's Current A/c	25,000				
Bhola's Current A/c	40,000				
Raj's Current A/c	20,000	85,000	By Interest on Drawings :		
To Salary A/c (Moli)		4,000	Moli	1,800	
			Bhola	3,300	
To Commission A/c (Bhola)		30,000	Raj	2,400	7,500
To Profit transferred to					
Moli s' Current A/c	56,550				
Less : To Raj	(37,300)	19,250			
Bhola s' Current A/c	56,550				
Less : To Raj	(37,300)	19,250			
Raj's Current A/c	75,400				
Add : From Moli	(37,300)				
Add : From Bhola	(37,300)	1,50,000			
		3,07,500			3,07,500

Dr. Partner's Current A/c Cr.

Particulars	Moli ₹	Bhola ₹	Raj ₹	Particulars	Moli ₹	Bhola ₹	Raj ₹
To Drawings A/c	40,000	60,000	80,000	By Interest on Capital A/c	25000	40,000	20,000
To Interest on Drawings A/c	1,800	3,300	2,400	By Salary A/c	4,000	–	–
				By Commission A/c	–	30,000	–
To Balance c/d	6,450	25,950	87,600	By P & L Appropriation A/c	19,250	19,250	1,50,000
	48,250	89,250	1,70,000		48,250	89,250	1,70,000

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

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

Applications for 70,000 shares were received. Applications for 10,000 shares were rejected and the application money was refunded.

Shares were allotted to the remaining applicants on a pro-rata basis and excess money received with applications was transferred towards sums due on allotment and calls, if any.

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

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

OR

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

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

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

(i) To applicants for 90,000 shares : 40,000 shares

(ii) To applicants for 50,000 shares : 40,000 shares

(iii) To applicants for 20,000 shares : full shares

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

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

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

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

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

Answer :

X Ltd.
Journal

Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)
	Bank A/c Dr.		1,44,800	
	To Equity Share Application A/c			1,44,800
	(Being application money received on 70,000 shares @ ₹ 2 per share with full amount on 600 shares)			
	Equity Share Application A/c Dr.		1,44,800	
	To Equity Share Capital A/c			1,00,000
	To Equity Share Allotment A/c			20,800
	To Bank A/c			21,000
	To Calls in Advance A/c			3,000
	(Being application money transferred to capital A/c and balance (adjusted)			
	Equity Share Allotment A/c Dr.		1,00,000	
	To Equity Share Capital A/c			1,00,000
	(Being allotment money due on 50,000 shares)			
	Bank A/c Dr.		71,200	
	Calls in Arrears A/c Dr.		8,000	
	To Equity Share Allotment A/c			79,200
	(Being allotment money received)			

	Equity Share Capital A/c Dr. To Share Forfeiture A/c To Calls in Arrears A/c (Being 5,000 shares forfeited)		20,000	 12,000 8,000
	Bank A/c Dr. To Equity Share Capital A/c (Being ₹ 5,000 shares reissued at ₹ 4 per share paid up)		20,000	 20,000
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Being gain on reissue transferred to capital reserve)		12,000	 12,000
	Equity Share First Call A/c Dr. To Equity Share Capital A/c (Being first call money due)		1,50,000	 1,50,000
	Bank A/c Dr. Calls in Advance A/c Dr. To Equity Share First Call A/c (Being first call money received)		1,48,500 1,500	 1,50,000
	Equity Share Second and Final Call A/c Dr. To Equity Share Capital A/c (Being final call money due)		1,50,000	 1,50,000
	Bank A/c Dr. Calls in Advance A/c To Equity Share Second & Final Call A/c (Being second and final call money received)		1,48,500 1,500	 1,50,000

Working Notes :

Application Money received = 70,000 × 2 = 1,40,000
= 600 × 8 = 4,800
= ₹ 1,44,800

OR

A Ltd.

Journal

Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)
	Bank A/c Dr. To Equity Share Application A/c (Being application money received on 1,60,000 shares)		4,80,000	 4,80,000
	Equity Share Application A/c Dr. To Equity Share Capital A/c To Equity Share Allotment A/c To Calls in Advance A/c (Being application money transferred to share capital calls in and share allotment account advance)		4,80,000	 3,00,000 1,50,000 30,000

	Equity Share Allotment A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c (Being share allotment money due on 1,00,000 shares at ₹ 3 per share including premium of ₹ 1 per share)		3,00,000	 2,00,000 1,00,000
	Bank A/c Dr. Calls in Arrears A/c To Equity Share Allotment A/c (Being allotment money received except on 1,200 shares)		1,47,300 2,700	 1,50,000
	Equity Share First Call A/c Dr. To Equity Share Capital A/c (Being first call money due)		3,00,000	 3,00,000
	Bank A/c Dr. Calls in Arrears A/c Dr. Calls in Advance A/c Dr. To Equity Share First Call A/c (Being First call money received)		2,64,600 5,400 30,000	 3,00,000
	Equity Share second and Final Call A/c Dr. To Equity Share Capital A/c (Being share second and final call money due)		2,00,000	 2,00,000
	Bank A/c Dr. Calls in Arrears A/c Dr. To Equity Share Second and Final Call A/c (Being second and final call money received)		1,96,000 4,000	 2,00,000
	Equity Share Capital A/c Dr. Securities Premium Reserve A/c Dr. To Share Forfeiture A/c To Calls in Arrears A/c (Being 2,000 shares forfeited)		20,000 1,200	 9,100 12,100
	Bank A/c Dr. Share Forfeiture A/c Dr. To Equity Share Capital A/c (Being 2,000 shares reissued @ ₹ 7 per share)		14,000 6,000	 20,000
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Being gain on reissue of forfeited shares transferred to capital reserve account)		3,100	 3,100

(1) Working Notes :

Analytical Table

Shares Issued	Application Received	Amount Received	Amount due	Adjust
1,00,000	1,60,000	4,80,000	3,00,000	1,80,000
	90,000–40,000	2,70,000	1,20,000	1,50,000 (A)
	50,000–40,000	1,50,000	1,20,000	30,000 (A)
	20,000–20,000	60,000	60,000	NIL

(2) Calculation of Amount not paid by Rishab :

$$\text{Rishab's Shares Alloted} = \frac{40,000}{50,000} \times 1,500 = 1,200 \text{ shares.}$$

Therefore,

Application money received = 1,500 × ₹ 3 = ₹ 4,500

Less : App. Money used = 1,200 × ₹ 3 = ₹ 3,600

Excess Amount = ₹ 900

Rishab's amount in arrear on allotment = ₹ 3,600 – ₹ 900

= ₹ 2,700

Amount not paid on First Call = 1,200 × ₹ 3

= ₹ 3,600

Amount not paid on Second and Final Call = 1,200 × ₹ 2

= ₹ 2,400

(3) Calculation of Amount not paid by Sudha :

$$\text{Sudha's Shares Alloted} = \frac{40,000}{90,000} \times 1,800 = 800 \text{ shares}$$

Therefore,

Application money received = 1,800 × ₹ 3 = ₹ 5,400

Less : Application Money used = 800 × ₹ 3 = ₹ 2,400

Less : Amount adjusted on Allotment = 800 × ₹ 3 = ₹ 2,400

Excess Amount = ₹ 600

Amount not paid on First Call = (800 × ₹ 3) – 600

= 2,400 – 600

= ₹ 1,800

Amount not paid on Second and Final Call = 800 × ₹ 2

= ₹ 1,600

PART B

(Analysis of Financial Statements)

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

Answer : The primary objective of Cash Flow Statement is to provide useful information about inflows and outflows of cash of an enterprises during a particular period.

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

Answer : Interest received – Operating Activity

Interest paid – Operating Activity

20. Prepare a Common Size Balance Sheet of KJ Ltd. from the following information : [4]

	Particulars	Note No.	31.3.2017 (₹)	31.3.2016 (₹)
I-Equity and Liabilities :				
1.	**Shareholders' Funds**		**8,00,000**	**4,00,000**
2.	**Non-current Liabilities**		**5,00,000**	**2,00,000**
3.	**Current Liabilities**		**3,00,000**	**2,00,000**
	Total		**16,00,000**	**8,00,000**

II-Assets :				
1. Non-Current Assets			10,00,000	5,00,000
2. Current Assets			6,00,000	3,00,000
Total			16,00,000	8,00,000

Answer : **Common Size Balance Sheet as at 31st March, 2017**

Particulars	Note No.	Absolute Amounts		Percentage of Total	
		2016 (₹)	2017 (₹)	2016 (%)	2017 (%)
Equity and Liabilities					
1. Shareholders' Funds		4,00,000	8,00,000	50	50
2. Non-current Liabilities		2,00,000	5,00,000	25	31.25
3. Current Liabilities		2,00,000	3,00,000	25	18.75
Total		8,00,000	16,00,000	100	100
Assets					
1. Non-Current Assets		5,00,000	10,00,000	62.5	62.5
2. Current Assets		3,00,000	6,00,000	37.5	37.5
Total		8,00,000	16,00,000	100	100

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

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

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

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

Answer : Inventory turnover ratio = $\dfrac{\text{Cost of Revenue from Operations}}{\text{Average Inventory}}$

2015–16 :

Cast of Revenue from Operations = ₹ 50,00,000 – ₹ 10,00,000 = ₹ 40,00,000

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

$$\text{Inventory Turnover Ratio} = \frac{40,00,000}{6,00,000} = 6.67 \text{ times}$$

2016–17 :

Cost of Revenue from Operations = ₹ 75,00,000 – ₹ 15,00,000

= ₹ 60,00,000

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

$$\text{Inventory Turnover Ratio} = \frac{60,00,000}{12,00,000} = 5 \text{ times}$$

22. JY Ltd. was a company manufacturing geysers. As a part of its long term goal for expansion, the company decided to identify the opportunity in rural areas. Initial plan was rolled out for Bhiwani village in Haryana. Since the village did not have regular supply of electricity, the company decided to manufacture solar geysers. The core team consisting of the Regional Manager, Accountant and the Marketing Manager was taken from the Head Office and the remaining employees were selected from the village and neighbourhood areas.

At the time of preparation of financial statements the accountant of the company fell sick and the company deputed a junior accountant temporarily from the village for two months.

The Balance Sheet prepared by the junior accountant showed the following items against the Major Heads and Sub-heads mentioned which were not as per Schedule III of the Companies Act, 2013.

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

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

Answer : Values :

(i) Development of rural areas

(ii) Generation of employment.

Items	Heads	Sub-heads
1. Loose Tools	Current Assets	Inventories
2. Cheques in hand	Current Assets	Cash and Cash Equivalents
3. Term loan from Bank	Non-current Liabilities	Long Term Borrowings
4. Computer software	Non-current Assets	Fixed Assets (Intangible Assets)

23. From the following Balance sheet of JY Ltd. as at 31st March, 2017 prepare a Cash Flow Statement:

Balance Sheet of JY Ltd. as at 31.3.2017

	Particulars	Note No.	31.3.2016 (₹)	31.3.2017 (₹)
I-Equity and Liabilities :				
1.	Shareholder's Funds :			
	(a) Share Capital		5,00,000	5,00,000
	(b) Reserves and Surplus	1	1,00,000	(25,000)
2.	Non-Current Liabilities :			
	Long-term Borrowings	2	2,50,000	1,50,000
3.	Current Liabilities :			
	(a) Short-term Borrowings	3	1,50,000	1,00,000
	(b) Short-term Provisions	4	2,00,000	1,25,000
	Total		12,00,000	8,50,000
II-Assets :				
1.	Non-Current Assets :			
	(a) Fixed Assets :			
	(i) Tangible	5	6,00,000	4,50,000
2.	Current Assets :			
	(a) Trade Receivables		2,70,000	2,25,000
	(b) Cash and Cash Equivalents		1,25,000	75,000
	(c) Short-term Loans and Advances		2,00,000	1,00,000
	Total		12,00,000	8,50,000

Notes to Accounts :

Note No.	Particulars	31.3.2017 (₹)	31.3.201 6 (₹)
1.	**Reserves and Surplus :**		
	(Surplus, *i.e.*, Balance in the Statement of Profit and Loss)	**1,00,000**	**(25,000)**
		1,00,000	**(25,000)**
2.	**Long-term Borrowings :**		
	10% Debentures	**2,50,000**	**1,50,000**
		2,50,000	**1,50,000**
3.	**Short-term Borrowings :**		
	Bank Overdraft	**1,50,000**	**1,00,000**
		1,50,000	**1,00,000**
4.	**Short-term Provisions :**		
	(i) Proposed Dividend	**75,000**	**50,000**
	(ii) Provision for Tax	**1,25,000**	**75,000**
		2,00,000	**1,25,000**
5.	**Tangible Assets :**		
	Machinery	**7,37,500**	**5,25,000**
	Accumulated Depreciation	**(1,37,500)**	**(75,000)**

Additional Information : **[6]**

₹ 1,00,000, 10% debentures were issued on 31.3.2017.

Answer :

JY Ltd.
(Cash Flow Statement)
for the year ended 31st March, 2017

Particulars	Details (₹)	Amount (₹)
A. Cash Flow from Operating Activities		
Net profit before tax & extra ordinary items	3,25,000	
Add : Non Cash and Non-operating charges		
Depreciation on Machinery	62,500	
Interest on Debentures	15,000	
Operating profit before working capital changes	4,02,500	
Less : Increase in Current Assets		
Increase in Trade Receivables	(50,000)	
Cash Flow from Operations	3,52,500	
Less : Taxes paid	(75,000)	
Net Cash Flow from Operating Activities		2,77,500
B. Cash Flow from Investing Activities		
Purchase of Machinery	(2,12,500)	
Loans and Advances	(1,00,000)	
Net Cash used in Investing Activities (B)		(3,12,500)
C. Cash Flow from Financing Activities		
Issue of Debentures	1,00,000	
Interest paid on deventures	(15,000)	
Dividend paid	(50,000)	
Bank overdraft raised	50,000	
Net Cash Flow from Financing Activities		85,000
Net Increase in Cash & Cash Equivalent (A + B + C)		50,000
Add : Opening Balance of Cash and Cash Equivalents		75,000
Closing Balance of Cash and Cash Equivalents		1,25,000

Working Note :

Calculation of Profit before tax :

	₹
Net profit of the year =	1,25,000
Add : Proposed dividend =	75,000
Add : Provision for tax =	1,25,000
	3,25,000