Accountancy 2019 (Outside Delhi)

SET I

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

General Instructions :

(i) *This question paper contains two parts—A and B.*
(ii) *Part A is compulsory for all.*
(iii) *Part B has two options – Analysis of Financial Statements and Computerised Accounting.*
(iv) *Attempt only one option of Part B.*
(v) *All parts of a question should be attempted at one place.*

PART A

(Accounting for Not-for-Profit Organisations, Partnership Firms and Companies)

1. Pass the necessary journal entry for treatment of Partner's loan appearing on the asset side of the Balance Sheet in case of dissolution of a partnership firm. **[1]**

Answer : Concerned Partner's Capital A/c Dr.
To Loan to Partner A/c
(Being the loan given to a partner transferred to his/her capital account on dissolution of a partnership firm)

2. A new partner acquires two main rights in the partnership firm which he joins. State one of these rights. **[1]**

Answer : A new partner acquires the right to share future profits of the partnership firm which he joins.

OR

How does 'Nature of business' affect the value of goodwill of a firm ? **[1]**

Answer : The nature of business means the type of products, demand for them, competition prevailing, government regulations affecting the business, etc., that are worthy to be looked upon. When all these situations are favourable, earnings of the firm will be higher and it will, thus, increase the value of goodwill.

3. State the main aim of a not-for-profit organisation. **[1]**

Answer : The main aim of a not-for-profit organisation is to serve the soecity, *i.e.,* they work for the benefit of the society as a whole.

OR

How is 'Life membership fee' treated while preparing the financial statements of a not-for-profit organisation ? **[1]**

Answer : 'Life membership fee' is a non-recurring income, it is debited to 'Receipts and Payment Account' and afterwards it is added to Capital Fund or shown seperately on the Liabilities side of the Balance Sheet.

4. Kiya and Leela are partners sharing profits in the ratio of 3 : 2. Kiran was admitted as a new partner with $\frac{1}{5}^{th}$ share in the profits and brought in ₹ 24,000 as her share of goodwill premium that was credited to the capital accounts of Kiya and Leela respectively with ₹ 18,000 and ₹ 6,000.

Calculate the new profit sharing ratio of Kiya, Leela and Kiran. **[1]**

Answer : Method 1.

Old Ratio of Kiya and Leela = $3 : 2$ or $\frac{3}{5} : \frac{2}{5}$

Let the total Share be = 1

Kiran's Share = $\frac{1}{5}$

Remaining Share of Kiya and Leela = $1 - \frac{1}{5} = \frac{4}{5}$

Kiya's new share = $\frac{4}{5} \times \frac{3}{5} = \frac{12}{25}$

Leela's new share = $\frac{4}{5} \times \frac{2}{5} = \frac{8}{25}$

New Profit Sharing Ratio of Kiya, Leela and Kiran $= \frac{12}{25} : \frac{8}{25} : \frac{1}{5}$ or 12 : 8 : 5

Method 2 :

Old Ratio of Kiya and Leela = 3 : 2 or $\frac{3}{5} : \frac{2}{5}$

Goodwill premium brought in by Kiran = ₹ 24,000

Goodwill premium credited to Kiya and Leela's Capital A/c is the ratio = ₹ 18,000 : ₹ 6,000

So, Sacrificing Ratio = 18,000 : 6,000 or 3 : 1

Kiran's share $= \frac{1}{5}$

Kiya's Sacrifice $= \frac{1}{5} \times \frac{3}{4} = \frac{3}{20}$

Leela's Sacrifice $= \frac{1}{5} \times \frac{1}{4} = \frac{1}{20}$

Kiya's New Share $= \frac{3}{5} - \frac{3}{20} = \frac{12-3}{20} = \frac{9}{20}$

Leela's New Share $= \frac{2}{5} - \frac{1}{20} = \frac{8-1}{20} = \frac{7}{20}$

□ New Ratio $= \frac{9}{20} : \frac{7}{20} : \frac{1}{5}$ or 9 : 7 : 4

So, this method can't be used to calculate new profit sharing ratio.

5. **Dinkar, Navita and Vani were partners sharing profits and losses in the ratio of 3 : 2 : 1. Navita died on 30th June, 2017. Her share of profit for the intervening period was based on the sales during that period, which were ₹ 6,00,000. The rate of profit during the past four years had been 10% on sales. The firm closes its books on 31st March every year.**

Calculate Navita's share of profit. **[1]**

Answer : Profit upto the date of Navita's death $= ₹\ 6{,}00{,}000 \times \frac{10}{100}$

$= ₹\ 60{,}000$

Navita' Share of profit (upto 30th June, 2017) $= ₹\ 60{,}000 \times \frac{2}{6}$

$= ₹\ 20{,}000$

6. **What is meant by 'Private Placement of Shares' ?** **[1]**

Answer : Private placement of shares is made by private or unlisted companies. Here, the issue and allotment of shares is made to a selected group of persons privately and not to public in general through public issue.

OR

What is meant by 'Reserve Capital' ? **[1]**

Answer : Reserve capital is that part of authorised capital which can be called up in the event of winding up of the company.

7. **Average profits of a firm during the last few years are ₹ 80,000 and the normal rate of return in a similar business is 10%. If the goodwill of the firm is ₹ 1,00,000 at 4 years' purchase of super profit, find the capital employed by the firm.** **[3]**

Answer : Goodwill = Super Profit × No. of Years' Purchase

₹ 1,00,000 = (Average Profit – Normal Profit) × 4

₹ 1,00,000 = (₹ 80,000 – Normal Profit) × 4

$₹\ \frac{1{,}00{,}000}{4}$ = ₹ 80,000 – Normal Profit

Normal Profit = ₹ 80,000 – ₹ 25,000 = ₹ 55,000

$$\text{Normal Profit} = \text{Capital Employed} \times \frac{\text{Normal Rate of Return}}{100}$$

$$₹\ 55{,}000 = \text{Capital Employed} \times \frac{10}{100}$$

$$\text{Capital Employed} = ₹\ 55{,}000 \times \frac{100}{10} = ₹\ 5{,}50{,}000$$

8. 'UZ Ltd.' purchased Plant and Machinery from Elk Machine Ltd. for ₹ 6,90,000. Elk Ltd. was paid by accepting a draft of ₹ 90,000 payable after three months and the balance by issue of 6% debentures of ₹ 100 each at a discount of 20%.

Pass necessary journal entries for the above transactions in the books of 'UZ Ltd.' **[3]**

Answer :

Journal of UZ Ltd.

Date	Particulars		L.F.	Amount (₹)	Amount (₹)
	Plant and Machinery A/c	Dr.		6,90,000	
	To Elk Machine Ltd.				6,90,000
	(Being the assets purchased from Elk Machine Ltd. for ₹ 6,90,000)				
	Elk Machine Ltd.	Dr.		90,000	
	To Bills Payable A/c				90,000
	(Being payment of ₹ 90,000 made by a draft payable after three months)				
	Elk Machine Ltd.	Dr.		6,00,000	
	Discount on Issue of Debentures A/c	Dr.		1,50,000	
	To 6% Debentures A/c				7,50,000
	(Being balance amount of ₹ 6,00,000 settled by the issue of 6% Debentures of ₹ 100 each at a discount of 20%)				

OR

'ZK Ltd.' issued ₹ 4,00,000, 9% Debentures of ₹ 100 each at a discount of 5% redeemable at a premium of 10%.

Pass necessary journal entries for the above transactions in the books of 'ZK Ltd.' **[3]**

Answer :

Journal of ZK Ltd.

Date	Particulars		L.F.	Amount (₹)	Amount (₹)
	Bank A/c	Dr.		3,80,000	
	To 9% Debenture App. and Allot. A/c				3,80,000
	(Being application money received)				
	9% Debenture App. and Allot. A/c	Dr.		3,80,000	
	Loss on Issue of Debentures A/c	Dr.		60,000	
	To 9% Debentures A/c				4,00,000
	To Premium on Redemption of Debentures A/c				40,000
	(Being transfer of application money to Debentures Account issued at discount and redeemable at premium)				

9. Willow Ltd. was registered with an authorized capital of ₹ 10,00,000 divided into 1,00,000 equity shares of ₹ 10 each. The company offered 80,000 shares for subscription to the public, out of which 75,000 shares were subscribed. All amounts were received except the final call of ₹ 2 per share on

3,000 shares. Fill in the missing figures in the Balance Sheet of Willow Ltd. as per the provisions of Schedule III, Part I of the Companies Act, 2013. **[3]**

Balance Sheet as at 31st March, 2018 (An extract)

Particulars	Note No.	₹
EQUITY AND LIABILITIES 1. Share holders Funds (a) Share Capital	1	....
		....

Note to Accounts

Note No.	Particulars		₹
1.	**Share Capital**		
	Authorised Capital		
	....		....
	Issued Capital		
	....		....
	Subscribed Capital		
	Subscribed and full paid		
	..........shares of ₹ 10 each		....
	Subscribed but not fully paid		
	..........shares of ₹ 10 each	....	
	Less..............	....	....
			....

Answer :

Balance Sheet as at 31st March, 2018 (An Extract)

Particulars	Note No.	₹
EQUITY AND LIABILITIES 1. Shareholder's Funds (a) Share Capital	1	7,44,000
		7,44,000

Note to Accounts

Note No.	Particulars		₹
1.	**Share Capital**		
	Authorised Capital		
	1,00,000 Equity Shares of ₹ 10 each		10,00,000
	Issued Capital		
	80,000 Equity Shares of ₹ 10 each		8,00,000
	Subscribed Capital		
	Subscribed and full paid		
	72,000 Equity Shares of ₹ 10 each		7,20,000
	Subscribed but not fully paid		
	3,000 Shares of ₹ 10 each	30,000	
	Less : Calls in Arrears	6,000	24,000
			7,44,000

10. Janta Kalayan Club has 1250 members each paying an annual subscription of ₹ 150. During the year ended 31st March, 2018 the club did not receive subscription from 45 members and received subscriptions in advance from 46 members for the year ending 31st March, 2019. On 31st March, 2017 the outstanding subscriptions were ₹ 15,000 and subscriptions received in advance were ₹ 3,000.

Calculate the amount of subscription that will be debited to the 'Receipts and Payments Account' for the year ended 31st March, 2018. **[3]**

Answer : **Computation of Subscriptions**

	₹
Total subscriptions to be received for the year ended 31st March, 2018 (1250 × ₹ 150)	1,87,500
Less : Subscriptions not received for the year ended 31st March, 2018 (45 × ₹ 150)	6,750
	1,80,750
Add : Subscriptions received in advance for the year ended 31st March, 2019 (46 × ₹ 150)	6,900
Subscriptions outstanding on 31st March, 2017	15,000
	2,02,650
Less : Subscriptions received in advance on 31st March, 2017	3,000
Amount of subscriptions to be debited to Receipts and Payment A/c	1,99,650

11. Hari, Kunal and Uma are partners in a firm sharing profits and losses in the ratio of 5 : 3 : 2. From 1st April, 2018 they decided to share future profits and losses in the ratio of 2 : 5 : 3. Their Balance Sheet showed a balance of ₹ 75,000 in the Profit and Loss Account and a balance of ₹ 15,000 in Investment Fluctuation Fund. For this purpose, it was agreed that :

(i) Goodwill of the firm was valued at ₹ 3,00,000

(ii) That investments (having a book value of ₹ 50,000) were valued at ₹ 35,000.

(iii) That stock having a book value of ₹ 50,000 be depreciated by 10%.

Pass the necessary journal entries for the above in the books of the firm. **[4]**

Answer : **Journal**

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
	Profit and Loss A/c Dr.		75,000	
	To Hari's Capital A/c			37,500
	To Kunal's Capital A/c			22,500
	To Uma's Capital A/c			15,000
	(Being transfer of profits to old partners in their old profit sharing ratio)			
	Kunal's Capital A/c Dr.		60,000	
	Uma's Capital A/c Dr.		30,000	
	To Hari's Capital A/c			90,000
	(Being adjustment made for goodwill on change in the profit sharing ratio)			
	Investment Fluctuation Fund A/c Dr.		15,000	
	To Investments A/c			15,000
	(Being fall in book value of investments adjusted through Investment Flucutation Fund)			
	Revaluation A/c Dr.		5,000	
	To Stock A/c			5,000
	(Being decrease in the value of stock)			

	Hari's Capital Dr. Kunal's Capital A/c Dr. Uma's Capital A/c Dr. To Revaluation A/c (Being loss on revaluation transferred to partners' capital accounts in old profit sharing ratio)		2,500 1,500 1,000	 5,000

Working Note :

Calculation of Sacrifice or Gain in Share of Partners :

	Hari	Kunal	Uma
Old Ratio	5/10	3/10	2/10
New Ratio	2/10	5/10	3/10
Difference (Gain or Sacrifice)	3/10	– 2/10	– 1/10
	Sacrificing Partner	Gaining Partner	Gaining Partner

12. Meera, Sarthak and Rohit were partners sharing profits in the ratio of 2 : 2 : 1. On 31 March, 2018, their Balance Sheet was as follows :

Balance Sheet of Meera, Sarthak and Rohit as at 31 March, 2018

Liabilities	Amount (₹)	Assets	Amount (₹)
Creditors	3,00,000	Fixed Assets	7,00,000
Contingency Reserve	1,00,000	Stock	2,00,000
Capital :		Debtors	1,50,000
Meera	4,00,000	Cash at bank	3,50,000
Sarthak	3,50,000		
Rohit	2,50,000		
	14,00,000		14,00,000

Sarthak died on 15th June, 2018. According to the partnership deed, his executors were entitled to :

(i) Balance in his Capital Account.

(ii) His share of goodwill will be calculated on the basis of thrice the average of the past 4 years' profits.

(iii) His share in profits up to the date of death on the basis of average profits of the last two years. The time period for which he survived in the year of death will be calculated in months.

(iv) Interest on capital @ 12% p.a. up to the date of his death.

The firm's profits for the last four years were :-

2014–15 ₹ 1,20,000, 2015–16 ₹ 2,00,000, 2016–17 ₹ 2,60,000 and 2017–18 ₹ 2,20,000.

Sarthak's executors were paid the amount due immediately. Prepare Sarthak's Capital Account to be presented to his executors. **[4]**

Answer :

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

Particulars	Amount (₹)	Particulars	Amount (₹)
To Sarthak's Executors' A/c (Bal. Fig.)	6,58,750	By balance b/d	3,50,000
		By Profit & Loss Suspense A/c	20,000
		By Meera's Capital A/c	1,60,000

		By Rohit's Capital A/c By Interest on Capital A/c By Contingency Reserve A/c	80,000 8,750 40,000
	6,58,750		6,58,750

Working Notes :

1. **Calculation of Sarthak's share of profit :**

$$\text{Total profit of last two years} = ₹\ 2,60,000 + ₹\ 2,20,000 = ₹\ 4,80,000$$

$$\text{Average Profits} = ₹\ \frac{4,80,000}{2} = ₹\ 2,40,000$$

Profit for 2½ months, *i.e.*, from 1st April, 2018 to 15th June, 2018, the date of Sarthak's death

$$= ₹\ 2,40,000 \times \frac{2\frac{1}{2}}{12} = ₹\ 50,000.$$

$$\text{Sarthak's share of profit} = \frac{2}{5} \times ₹\ 50,000 = ₹\ 20,000$$

2. **Calculation of Sarthak's share of Goodwill :**

Total profit of last four years = ₹ 1,20,000 + ₹ 2,00,000 + ₹ 2,60,000 + ₹ 2,20,000 = ₹ 8,00,000

$$\text{Average Profit} = \frac{₹\ 8,00,000}{4} = ₹\ 2,00,000$$

$$\text{Total Goodwill} = ₹\ 2,00,000 \times 3 = ₹\ 6,00,000$$

$$\text{Sarthak's share of Goodwill} = ₹\ 6,00,000 \times \frac{2}{5} = ₹\ 2,40,000$$

3. **Calculation of Interest on Sarthak's Capital :**

$$\text{Interest on Capital} = ₹\ 3,50,000 \times \frac{12}{100} \times \frac{2\frac{1}{2}}{12} = ₹\ 8,750$$

4. **Calculation of Sarthak's share in Contingency Reserve :**

$$\text{Share of contingency reserve to Sarthak} = ₹\ 1,00,000 \times \frac{2}{5} = ₹\ 40,000$$

13. **From the following information of Gems Club, prepare Income and Expenditure Account for the year ended 31st March, 2018.**

Receipts and Payments Account of Gems Club for the year ending 31st March, 2018

Receipts	Amount (₹)	Payments	Amount (₹)
To Balance b/d	50,000	By Furniture	1,30,000
To Interest on Investments	2,400	By Salaries	64,500
To Donations	17,000	By Miscellaneous Expenses	52,000
To Subscriptions	3,00,000	By Telephone Charges	12,000
To Rent Received	70,000	By Fax Machine	6,000
To Sale of old newspapers	600	By 6% Investments (on 01.08.2017)	1,00,000
		By Printing and Stationery	19,000
		By Balance c/d	56,500
	4,40,000		4,40,000

Additional Information :

Subscriptions received included ₹ 15,000 for 2018–19. The amount of subscriptions outstanding on 31st March, 2018 were ₹ 20,000. Salaries unpaid on 31st March, 2018 were ₹ 8,000 and Rent receivable was ₹ 2,000. Opening stock of printing and stationery was ₹ 12,000, whereas Closing stock was ₹ 15,000. **[6]**

Answer :

Income and Expenditure A/c
for the year ended 31st March, 2018

Dr. Cr.

Expenditure		Amount (₹)	Income		Amount (₹)
To Salaries	64,500		By Subscriptions	3,00,000	
Add : O/s (2017-18)	8,000	72,500	*Less* : Advance (2018-19)	15,000	
To Miscellaneous Expenses		52,000		2,85,000	
To Telephone Charges		12,000	*Add* : O/s (2017-18)	20,000	3,05,000
To Printing & stationery consumed :			By Rent Received	70,000	
Opening Stock	12,000		*Add* : Rent Receivable	2,000	72,000
Add : Purchase	19,000		By Interest on Investment	2,400	
	31,000		*Add* : Int. Accrued	1,600	4,000
Less : Closing Stock	15,000	16,000	By Donations		17,000
To Surplus (Bal. fig.)		2,46,100	By Sale of Old Newspapers		600
(Excess of Income over Expenditure)					
		3,98,600			3,98,600

Working Note :

Interest on Investment (from 01.08.2017 to 31.03.2018) = ₹ 1,00,000 × $\frac{6}{100} \times \frac{8}{12}$ = ₹ 4,000

Interest Accrued = ₹ 4,000 – ₹ 2,400 = ₹ 1,600

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

Balance Sheet of Ashish and Kanav as at 31st March, 2018

Liabilities		Amount (₹)	Assets	Amount (₹)
Trade Creditors		42,000	Bank	35,000
Employees' Provident Fund		60,000	Stock	24,000
Mrs. Ashish's Loan		9,000	Debtors	19,000
Kanav's Loan		35,000	Furniture	40,000
Workmen's Compensation Fund		20,000	Plant	2,10,000
Investment Fluctuation		4,000	Investments	32,000
Reserve			Profit and Loss Account	10,000
Capital :				
Ashish	1,20,000			
Kanav	80,000	2,00,000		
		3,70,000		3,70,000

On the above date they decided to dissolve the firm.

(i) Ashish agreed to take over furniture at ₹ 38,000 and pay off Mrs. Ashish's loan.

(ii) Debtors realised ₹ 18,500 and plant realised 10% more.

(iii) Kanav took over 40% of the stock at 20% less than the book value. Remaining stock was sold at a gain of 10%

(iv) Trade creditors took over investments in full settlement.

(v) Kanav agreed to take over the responsibility of completing dissolution at an agreed remuneration of ₹ 12,000 and to bear realization expenses. Actual expenses of realization amounted to ₹ 8,000.

Prepare Realisation Account. **[6]**

Answer :

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

Particulars	Amount (₹)	Particulars	Amount (₹)
To Stock A/c	24,000	By Trade Creditors A/c	42,000
To Debtors A/c	19,000	By Employees' Provident Fund A/c	60,000
To Furniture A/c	40,000	By Mrs. Ashish's Loan A/c	9,000
To Plant A/c	2,10,000	By Investment Fluctuation Reserve A/c	4,000
To Investments A/c	32,000	By Ashish's Capital A/c (Furniture taken)	38,000
To Ashish's Capital A/c (Mrs. Ashish's Loan paid)	9,000	By Bank A/c (Debtors)	18,500
To Bank A/c (Employees' Provident Fund paid)	60,000	By Bank A/c (Plant)	2,31,000
To Kanav's Capital A/c (Remuneration)	12,000	By Kanav's Capital A/c (40% Stock taken)	7,680
To Profit on Realisation transferred to Capital A/cs : Ashish 12,012; Kanav 8,008	20,020	By Bank A/c (Remaining Stock)	15,840
	4,26,020		4,26,020

15. **Naveen, Qadir and Rajesh were partners doing an electronic goods business in Uttarakhand. After the accounts of partnership were drawn up and closed, it was discovered that interest on capital has been allowed to partners @ 6% p.a. for the years ending 31st March, 2017 and 2018, although there is no provision for interest on capital in the partnership deed. On the other hand, Naveen and Qadir were entitled to a salary of ₹ 3,500 and ₹ 4,000 per quarter respectively, which has not been taken into consideration. Their fixed capitals were ₹ 4,00,000, ₹ 3,60,000 and ₹ 2,40,000 respectively. During the last two years they had shared the profits and losses as follows :**

Year Ended	Ratio
31st March, 2017	3 : 2 : 1
31st March, 2018	5 : 3 : 2

Pass necessary adjusting entry for the above adjustments in the books of the firm on 1st April, 2018. Show your workings clearly. **[6]**

Answer : **Table Showing Adjustment**

	Naveen (₹)	Qadir (₹)	Rajesh (₹)	Total (₹)
Interest allowed on Capitals @ 6% p.a.				
For 2016-17 (Dr.)	24,000	21,600	14,400	60,000
For 2017-18(Dr.)	24,000	21,600	14,000	60,000
	48,000	43,200	28,800	1,20,000
Add : Salary				
For 2016-17 (Cr.)	14,000	16,000	—	30,000
For 2017-18 (Cr.)	14,000	16,000	—	30,000
	28,000	32,000	—	60,000
Amount recoverable from Partners				
For 2016-17 (Dr.)	10,000	5,600	14,400	30,000
For 2017-18 (Dr.)	10,000	5,600	14,400	30,000
Total Amount recoverable from Partners (Dr.)	20,000	11,200	28,800	60,000
Division of firm's profit will be :				
For 2016-17 in ratio of 3 : 2 : 1	15,000	10,000	5,000	30,000
For 2017-18 in ratio of 5 : 3 : 2	15,000	9,000	6,000	30,000
Total Profit distributed among partners (Cr.)	30,000	19,000	11,000	60,000

Adjustment Entry

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
2018				
April 1	Rajesh's Current A/c (28,800 – 11,000) Dr.		17,800	
	To Naveen's Current A/c (30,000 – 20,000)			10,000
	To Qadir's Current A/c (19,000 – 11,200)			7,800
	(Being interest on capital wrongly provided and omission of salary in the accounts for two years, now adjusted)			

Note : It is assumed that salary has not been taken into consideration in the accounts of partnership for the years ending 31st March, 2017 and 2018, as it is not clearly stated in the question.

OR

On 31st March, 2018 the balance in the Capital Accounts of Abhir, Bobby and Vineet, after making adjustments for profits and drawings were ₹ 8,00,000, ₹ 6,00,000 and ₹ 4,00,000 respectively.

Subsequently, it was discovered that interest on capital and interest on drawings had been omitted. The partners were entitled to interest on capital @ 10% p.a. and were to be charged interest on drawings @ 6% p.a. The drawings during the year were : Abhir – ₹ 20,000 drawn at the end of each month, Bobby – ₹ 50,000 drawn at the beginning of every half year and Vineet – ₹ 1,00,000 withdrawn on 31st October, 2017. The net profit for the year ended 31st March, 2018 was ₹ 1,50,000. The profit sharing ratio was 2 : 2 : 1.

Pass necessary adjusting entry for the above adjustments in the books of the firm. Also, show your workings clearly. **[6]**

Answer :

Adjustment Entry

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
2018				
April 1	Bobby's Capital A/c Dr.		14,402	
	To Abhir's Capital A/c			10,112
	To Vineet's Capital A/c			4,290
	(Being adjustment for omissions)			

Working Notes :

1. Calculation of Interest on Drawings :

$$\text{Abhir} = (20{,}000 \times 12) \times \frac{5.5}{12} \times \frac{6}{100} = ₹\,6{,}600$$

$$\text{Bobby} = (50{,}000 \times 2) \times \frac{9}{12} \times \frac{6}{100} = ₹\,4{,}500$$

$$\text{Vineet} = 1{,}00{,}000 \times \frac{5}{12} \times \frac{6}{100} = ₹\,2{,}500$$

2.

Past Adjustment Table

	Abhir (₹)	Bobby (₹)	Vineet (₹)	Total (₹)
Cancellation of Profits	60,000 (Dr.)	60,000 (Dr.)	30,000 (Dr.)	1,50,000 (Cr.)
Omission of Interst on Drawings	6,600 (Dr.)	4,500 (Dr.)	2,500 (Dr.)	13,600 (Cr.)
Omission of Interest on Capital	76,712 (Cr.)	50,098 (Cr.)	36,790 (Cr.)	1,63,600 (Dr.)
Net Effect	10,112 (Cr.)	14,402 (Dr.)	4,290 (Cr.)	—

3. Calculation of Opening Capital :

Particulars	Abhir (₹)	Bobby (₹)	Vineet (₹)
Capital on 31.3.18	8,00,000	6,00,000	4,00,000
Add : Drawings	2,40,000	1,00,000	1,00,000
	10,40,000	7,00,000	5,00,000
Less : Share of Profit	60,000	60,000	30,000
Capital on 1.4.17	9,80,000	6,40,000	4,70,000

4. Interest on Capital Total = ₹ 98,000 + ₹ 64,000 + ₹ 47,000
= ₹ 2,09,000
Profits available = ₹ 1,50,000 + ₹ 13,600
= ₹ 1,63,600

□ Interest on capital is given as ₹ 1,63,600 divided in the ratio of opening capitals, *i.e.*, 98 : 64 : 47

16. Denspar Ltd. invited applications for issuing 2,00,000 equity shares of ₹ 10 each at a premium of ₹ 20 per share. The amount was payable as follows :

On Application — ₹ 2 per share
On Allotment — ₹ 13 per share (including ₹ 10 premium)
On First Call — ₹ 7 per share (including ₹ 5 premium)
On Final Call — ₹ 8 per share (including ₹ 5 premium)

Applications for 1,80,000 shares were received. Shares were allotted to all the applicants. Yogesh, a shareholder holding 5,000 shares paid his entire share money along with the allotment money. Vishesh, a holder of 7,000 shares, failed to pay the allotment money. Afterwards the first call was made. Vishesh paid the allotment money along with the first call money. Samyesh, holding 2,000 shares did not pay the final call. Samyesh's shares were forfeited immediately after the final call. Out of the forfeited shares, 1,500 shares were reissued at ₹ 8 per share fully paid up.

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

Answer : **Journal of Denspar Ltd.**

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
	Bank A/c Dr.		3,60,000	
	To Equity Share Application A/c			3,60,000
	(Being application money received for 1,80,000 shares)			
	Equity Share Application A/c Dr.		3,60,000	
	To Equity Share Capital A/c			3,60,000
	(Being application money transferred)			
	Equity Share Allotment A/c Dr.		23,40,000	
	To Equity Share Capital A/c			5,40,000
	To Securities Premium Reserve A/c			18,00,000
	(Being allotment money due)			
	Bank A/c Dr.		23,24,000	
	To Equity Share Allotment A/c			22,49,000
	To Calls in Advance A/c			75,000
	(Being allotment money received, except on 7,000 shares and calls in advance on 5,000 shares)			
	Equity Share First Call A/c Dr.		12,60,000	
	To Equity Share Capital A/c			3,60,000
	To Securities Premium Reserve A/c			9,00,000
	(Being first call money due)			

	Bank A/c Dr. Calls in Advance A/c Dr. To Equity Share First Call A/c To Equity Share Allotment A/c (Being first call money received)		13,16,000 35,000	 12,60,000 91,000
	Equity Share Final Call A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c (Being final call money due)		14,40,000	 5,40,000 9,00,000
	Bank A/c Dr. Calls in Advance A/c Dr. To Equity Share Final Call A/c (Being final call money received)		13,84,000 40,000	 14,24,000
	Equity Share Capital A/c (2,000 × ₹ 10) Dr. Securities Premium Reserve A/c (2,000 × ₹ 5) Dr. To Equity Share Final Call A/c (2,000 × ₹ 8) To Share Forfeiture A/c (2,000 × ₹ 7) (Being 2,000 shares of Samyesh forfeited for non-payment of final call money)		20,000 10,000	 16,000 14,000
	Bank A/c Dr. Share Forfeiture A/c Dr. To Equity Share Capital A/c (Being re-issue of 1,500 shares at ₹ 8 per share fully paid up)		12,000 3,000	 15,000
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Being profit on re-issue of 1,500 shares transferred to capital reserve)		7,500	 7,500

Working Note :

Profit on forfeiture of 2,000 shares = ₹ 14,000

Profit on forfeiture of 1,500 shares = ₹ 14,000 × $\frac{1,500}{2,000}$ = ₹ 10,500

Profit on Re-issue of 1,500 shares = ₹ 10,500 – Loss on Re-issue

= ₹ 10,500 – ₹ 3,000 = = ₹ 7,500

OR

'KLN Ltd.' invited applications for issuing 1,00,000 shares of ₹ 10 each at a premium of ₹ 2 per share. The amount was payable as follows :

On Application — ₹ 3 per share (including premium ₹ 1)
On Allotment — ₹ 4 per share (including premium ₹ 1)
On First Call — ₹ 3 per share
On Second and Final Call— Balance amount

Application for 1,90,000 shares were received. Allotment was made to the applicants as follows :

Category	No. of Shares Applied	No. of Shares Allotted
I	50,000	40,000
II	1,00,000	60,000

Remaining applications were rejected.

Rajat, a shareholder belonging to Category I who had applied for 2,500 shares, failed to pay the amount due on allotment and first call. His shares were immediately forfeited.

Reema, a shareholder belonging to Category II who was holding 3,000 shares failed to pay the first call and second call money. Her shares were also forfeited. Afterwards 4,000 shares were reissued @ ₹ 8 per share fully paid up. These included all the forfeited shares of Reema.

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

Answer : **Journal of KLN Ltd.**

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
	Bank A/c Dr.		5,70,000	
	To Share Application A/c			5,70,000
	(Being applications for 1,90,000 shares received)			
	Share Application A/c Dr.		5,70,000	
	To Share Capital A/c			2,00,000
	To Securities Premium Reserve A/c			1,00,000
	To Share Allotment A/c			1,50,000
	To Bank A/c			1,20,000
	(Being share application money transferred)			
	Share Allotment A/c Dr.		4,00,000	
	To Share Capital A/c			3,00,000
	To Securities Premium Reserve A/c			1,00,000
	(Being allotment money due)			
	Bank A/c Dr.		2,43,500	
	To Share Allotment A/c			2,43,500
	(Being allotment money received except on 2,000 shares of Rajat)			
	Share First Call A/c Dr.		3,00,000	
	To Share Capital A/c			3,00,000
	(Being first call money due)			
	Bank A/c Dr.		2,85,000	
	To Share First Call A/c			2,85,000
	(Being first call money received except on 5,000 shares)			
	Share Capital A/c Dr.		16,000	
	Securities Premium Reserve A/c Dr.		2,000	
	To Share Allotment A/c			6,500
	To Share First Call A/c			6,000
	To Share Forfeiture A/c			5,500
	(Being forfeiture of 2,000 shares of Rajat for non-payment of allotment and first call money)			
	Share Second and Final Call A/c Dr.		1,96,000	
	To Share Capital A/c			1,96,000
	(Being second and final call money due)			

	Bank A/c Dr.		1,90,000	
	To Share Second and Final Call A/c			1,90,000
	(Being second and final call money received on 95,000 shares)			
	Share Capital A/c Dr.		30,000	
	To Share First Call A/c			9,000
	To Share Second and Final Call A/c			6,000
	To Share Forfeiture A/c			15,000
	(Being forfeiture of 3,000 shares of Reema for non-payment of first and final call money)			
	Bank A/c Dr.		32,000	
	Share Forfeiture A/c Dr.		8,000	
	To Share Capital A/c			40,000
	(Being 4,000 shares re-issued at ₹ 8 per share fully paid up)			
	Share Forfeiture A/c Dr.		9,750	
	To Capital Reserve A/c			9,750
	(Being profit on 4,000 re-issued shares transferred to capital reserve)			

Working Notes :

1. **Excess amount received from Rajat on application :**

If shares applied for by Rajat were 2,500, shares allotted $= 2{,}500 \times \frac{40{,}000}{50{,}000}$

= 2,000 shares

Excess money received from Rajat = 2,500 shares – 2,000 shares = 500 shares × ₹ 3

= ₹ 1,500

2. Amount due from Rajat on allotment = 2,000 shares × ₹ 4 = ₹ 8,000

Less : Excess received from Rajat on application = ₹ 1,500

Net amount due from Rajat on allotment, which has not been received = ₹ 6,500

3. Total amount due on allotment = 1,00,000 shares × ₹ 4 = ₹ 4,00,000

Less : Excess amount received on application = ₹ 1,50,000

Balance Due = ₹ 2,50,000

Less : Amount not received from Rajat on Allotment = ₹ 6,500

Net Amount received on allotment = ₹ 2,43,500

4. Only 4,000 shares are re-issued. Therefore, the profit on 4,000 shares will only be transferred to Capital Reserve :

Profit on 1,000 shares of Rajat $= 5{,}500 \times \frac{1{,}000 \text{ shares}}{2{,}000 \text{ shares}}$ = ₹ 2,750

Profit on 3,000 shares of Reema = ₹ 15,000

= ₹ 17,750

Less : Loss on re-issue of 4,000 shares @ ₹ 2 each = ₹ 8,000

= ₹ 9,750

17. Mohan, Vinay and Nitya were partners in a firm sharing profits and losses in the proportion of, $\frac{1}{2}, \frac{1}{3}$ and $\frac{1}{6}$ respectively. On 31st March, 2018, their Balance Sheet was as follows :

Balance Sheet of Mohan, Vinay and Nitya as at 31st March, 2018

Liabilities	Amount (₹)	Assets	Amount (₹)
Creditors	48,000	Cash at Bank	31,000
Employees' Provident Fund	1,70,000	Bills Receivable	54,000
Contingency Reserve	30,000	Book Debts 63,000	
Capital :		Less : Provision for doubtful	
Mohan 1,20,000		debts 2,000	61,000
Vinay 1,00,000		Plant and Machinery	1,20,000
Nitya 90,000	3,10,000	Land and Building	2,92,000
	5,58,000		5,58,000

Mohan retired on the above date and it was agreed that :

(i) Plant and machinery will be depreciated by 5%.

(ii) An old computer previously written off was sold for ₹ 4,000.

(iii) Bad debts amounting to ₹ 3,000 will be written off and a provision of 5% on debtors for bad and doubtful debts will be maintained.

(iv) Goodwill of the firm was valued at ₹ 1,80,000 and Mohan's share of the same was credited in his account by debiting Vinay's and Nitya's accounts.

(v) The capital of the new firm was to be fixed at ₹ 90,000 and necessary adjustments were to be made by bringing in or paying off cash as the case may be.

(vi) Vinay and Nitya will share future profits in the ratio of 3 : 2.

Prepare Revaluation Account, Partners' Capital Accounts and the Balance Sheet of the reconstituted firm. **[8]**

Answer :

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

Particulars	Amount (₹)	Particulars	Amount (₹)
To Plant and Machinery A/c	6,000	By Bank A/c (Sale of old computer)	4,000
To Bad Debts A/c (₹ 3,000 – ₹ 2,000)	1,000	By Loss on Revaluation transferred to :	
To Provision for Bad and Doubtful Debts A/c	3,000	Mohan's Cap. A/c 3,000	
		Vinay's Cap. A/c 2,000	
		Nitya's Cap. A/c 1,000	6,000
	10,000		10,000

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

Particulars	Mohan (₹)	Vinay (₹)	Nitya (₹)	Particulars	Mohan (₹)	Vinay (₹)	Nitya (₹)
To Revaluation A/c (Loss)	3,000	2,000	1,000	By Balance b/d	1,20,000	1,00,000	90,000
To Mohan's Cap. A/c (Goodwill)	—	48,000	42,000	By Contingency Reserve A/c	15,000	10,000	5,000
To Bank A/c	2,22,000	—	—	By Vinay's Cap. A/c	48,000	—	—
To Bank A/c (Bal. Fig.)	—	6,000	16,000	By Nitya's Cap. A/c	42,000	—	—
To Balance C/d	—	54,000	36,000				
	2,25,000	1,10,000	95,000		2,25,000	1,10,000	95,000

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

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	31,000	By Mohan's Capital A/c	2,22,000
To Revaluation A/c	4,000	By Vinay's Capital A/c	6,000
To Balance c/d (Bal. Fig.)	2,09,000	By Nitya's Capital A/c	16,000
	2,44,000		2,44,000

Balance Sheet

Liabilities		Amount (₹)	Assets		Amount (₹)
Creditors		48,000	Bills Receivable		54,000
Employees' Provident Fund		1,70,000	Book Debts	63,000	
Bank Overdraft		2,09,000	*Less* : Bad Debts	3,000	
Capital :				60,000	
Vinay	54,000		*Less* : PBD	3,000	57,000
Nitya	36,000	90,000	Plant and Machinery		1,14,000
			Land and Building		2,92,000
		5,17,000			5,17,000

Working Notes :

1. Mohan's share of Goodwill = ₹ 1,80,000 × $\frac{1}{2}$ = ₹ 90,000

   which should be contributed by Vinay and Nitya in their gaining ratio.

   Vinay's Gain = $\frac{3}{5}$ (New Share) – $\frac{1}{3}$ (Old Share) = $\frac{4}{15}$

   Nitya's Gain = $\frac{2}{5}$ (New Share) – $\frac{1}{6}$ (Old Share) = $\frac{7}{30}$

   Gaining Ratio of Vinay and Nitya = $\frac{4}{15}:\frac{7}{30}$ or 8 : 7

2. Total Capital of the new firm = ₹ 90,000

   Vinay's Capital in new firm = ₹ 90,000 × $\frac{3}{5}$ = ₹ 54,000

   Nitya's capital in new firm = ₹ 90,000 × $\frac{2}{5}$ = ₹ 36,000

OR

Leena and Rohit are partners in a firm sharing profits in the ratio of 3 : 2. On 31st March, 2018, their Balance Sheet was as follows :

Balance Sheet of Leena and Rohit as at 31st March, 2018

Liabilities		Amount (₹)	Assets		Amount (₹)
Sundry Creditors		80,000	Cash		42,000
Bills Payable		38,000	Debtors	1,32,000	
General Reserve		50,000	Less : Provision for		
Capital :			doubtful debts	2,000	1,30,000
Leena	1,60,000		Stock		1,46,000
Rohit	1,40,000	3,00,000	Plant and Machinery		1,50,000
		4,68,000			4,68,000

On the above date Manoj was admitted as a new partner for $\frac{1}{5}^{th}$ share in the profits of the firm on the following terms :

(i) Manoj brought proportionate capital. He also brought his share of goodwill premium of ₹ 80,000 in cash.

(ii) 10% of the general reserve was to be transferred to provision for doubtful debts.

(iii) Claim on account of workmen's compensation amounted to ₹ 40,000.

(iv) Stock was overvalued by ₹ 16,000.

(v) Leena, Rohit and Manoj will share future profits in the ratio of 5 : 3 : 2.

Prepare Revaluation Account, Partners' Capital Accounts and the Balance Sheet of the reconstituted firm. **[8]**

Answer :

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

Particulars	Amount (₹)	Particulars		Amount (₹)
To Workmen's Compensation Claim A/c	40,000			
To Stock A/c	16,000	By Loss on Revaluation transferred to :		
		Leena's Cap. A/c	33,600	
		Rohit's Cap. A/c	22,400	56,000
	56,000			56,000

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

Particulars	Leena (₹)	Rohit (₹)	Manoj (₹)	Particulars	Leena (₹)	Rohit (₹)	Manoj (₹)
To Revaluation A/c (Loss)	33,600	22,400		By Balance b/d	1,60,000	1,40,000	
To Balance c/d (Bal. Fig.)	1,93,400	1,75,600	92,250	By Cash A/c	—	—	92,250
				By Premium for Goodwill A/c	40,000	40,000	—
				By General Reserve A/c	27,000	18,000	—
	2,27,000	1,98,000	92,250		2,27,000	1,98,000	92,250

Dr. **Cash A/c** Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	42,000	By Balance c/d (Bal. Fig.)	2,14,250
To Manoj's Capital A/c	92,250		
To Premium for Goodwill A/c	80,000		
	2,14,250		2,14,250

Balance Sheet

Liabilities		Amount (₹)	Assets		Amount (₹)
Sundry Creditors		80,000	Cash		2,14,250
Bills Payable		38,000	Debtors	1,32,000	
Workmen's Compensation Claim		40,000	*Less* : PDD	7,000	1,25,000
Capital :			Stock		1,30,000
Leena	1,93,400		Plant and Machinery		1,50,000
Rohit	1,75,600				
Manoj	92,250	5,01,250			
		6,19,250			6,19,250

Working Notes :

1. **Calculation of Sacrificing ratio :**

Leena's Sacrifice = $\frac{3}{5}$ (Old Share) – $\frac{5}{10}$ (New Share) = $\frac{1}{10}$

Rohit's Sacrifice = $\frac{2}{5}$ (Old Share) – $\frac{3}{10}$ (New Share) = $\frac{1}{10}$

Sacrificing Ratio = $\frac{1}{10} : \frac{1}{10}$ or 1 : 1

2. **Computation of Manoj's Capital :**

Capital of Leena after adjustments	₹ 1,93,400
Capital of Rohit after adjustments	₹ 1,75,600
Combined capital of Leena and Rohit for 4/5th Share	₹ 3,69,000

Total capital of new firm = ₹ 3,69,000 × $\frac{5}{4}$

Manoj's Share in capital = ₹ 3,09,000 × $\frac{5}{4} \times \frac{1}{5}$ = ₹ 92,250

PART – B

OPTION 1

(Analysis of Financial Statements)

18. Under which type of activity will you classify 'Cash advances and loans made to third party' while preparing Cash Flow Statement ? **[1]**

Answer : Investing Activity.

19. State the primary objective of preparing 'Cash Flow Statement.' **[1]**

Answer : The primary objective or purpose of preparing 'Cash Flow Statement' is to ascertain the sources and applications of cash and cash equivalents from operating, investing and financing activities of a company during a particular period.

20. Under which major headings and subheadings will the following items be presented in the Balance Sheet of a company as per Schedule III, Part I of the Companies Act, 2013 ?

(i) Interest accrued and due on debentures

(ii) Loose tools

(iii) Accrued interest on calls in advance

(iv) Interest due on calls in arrears

(v) Trademarks

(vi) Premium on redemption of debentures

(vii) Plant and Machinery

(viii) Patents

Answer :

S. No.	Heading	Sub-heading
(i)	Current Liabilities	Other Current Liabilities
(ii)	Current Assets	Inventories
(iii)	Current Liabilities	Other Current Liabilities

(iv)	Current Assets	Other Current Assets
(v)	Non-Current Assets	Fixed Assets–Intangible
(vi)	Non-Current Liabilities	Other Long-term Liabilities
(vii)	Non-Current Assets	Fixed Assets-Tangible
(viii)	Non-Current Assets	Fixed Assets–Intangible

OR

Explain briefly any four limitations of 'Analysis of Financial Statements. **[1]**

Answer : Limitations of 'Analysis of Finanical Statements' are as follows :

(a) Window-dressing—Some companies deliberately skew the results of financial statements presented to cover up the bad financial position on the eve of accounting date.

(b) Not always comparable across companies—If a user wants to compare two firms using different accounting policies, the comparison between the two will be unreliable.

(c) No reflection of price level changes—The figures in finanical statements don't show the effect of changes in price level. As such, the comparison of past year finanical statements with current year may mislead the conclusions.

(d) Biasness of analyst—Conclusions obtained from the analysis of the financial statements are affected to a great extent by the ability and biasness of the analyst.

21. (i) From the following information calculate Interest Coverage Ratio : Net profit after interest and tax ₹ 1,20,000; Rate of income tax 40%; 15% debentures ₹ 1,00,000; 12% Mortgage loan ₹ 1,00,000.

(ii) A company had Current Assets ₹ 3,00,000 and Current Liabilities ₹ 1,40,000. Afterwards, it purchased goods worth ₹ 20,000 on credit. Calculate the Current Ratio after the purchase of goods.

[4]

Answer : (i) Interest Coverage Ratio $= \dfrac{\text{Net profit before Interest and Tax}}{\text{Fixed Interest charges}}$

Fixed Interest charges = 15% Interest on Debentures = ₹ 1,00,000 + 12% Interest of Mortage Loan of ₹ 1,00,000

= ₹ 15,000 + ₹ 12,000

= ₹ 27,000

Net Profit after Interest and Tax = ₹ 1,20,000

Net Profit before Tax $= ₹\ 1{,}20{,}000 \times \dfrac{100}{60} = ₹\ 2{,}00{,}000$

Net Profit before Interest and Tax = ₹ 2,00,000 + Fixed Interest charges

= ₹ 2,00,000 + ₹ 27,000

= ₹ 2,27,000

Interest Coverage Ratio $= \dfrac{₹\ 2,27,000}{₹\ 27,000} = 8.407$ times

(ii) Current Assets (after purchase of goods on credit) = ₹ 3,00,000 + ₹ 20,000

= ₹ 3,20,000

Current Liabilities (after purchase of goods on credit) = ₹ 1,40,000 + ₹ 20,000

= ₹ 1,60,000

Current Ratio $= \dfrac{₹\ 3,20,000}{₹\ 1,60,000} = 2:1$

OR

Quick ratio of a company is 1 : 1. State, with reason, whether the following transactions will increase, decrease or not change the ratio :

(i) Paid insurance premium in advance ₹ 10,000.

(ii) Purchased goods on credit ₹ 8,000.

(iii) Issued fully paid equity shares of ₹ 1,00,000.

(iv) Issued 9% debentures of ₹ 5,00,000 to the vendor for machinery purchased. **[4]**

Answer :

Transaction	Effect on Quick Ratio	Reasons
(i)	Reduce	Current liabilities remain unchanged but liquid assets are decreased by the amount of cash paid for insurance premium.
(ii)	Reduce	Liquid assets remain unchanged but current liabilities are increased.
(iii)	Improve	Current liabilities remain unchanged but liquid assets are increased by the amount of cash received on issue of equity shares.
(iv)	Not change	Neither liquid assets nor the current assets are affected.

22. From the information extracted from the Statement of Profit and Loss for the years ended 31st March, 2017 and 31st March, 2018, prepare a Comparative Statement of Profit and Loss :

Particulars	2017–2018	2016–2017
Revenue from operations	300% of cost of material consumed	200% of cost of material consumed
Cost of materials consumed	₹ 2,40,000	₹ 2,00,000
Other expenses	20% of cost of material consumed	10% of cost of material consumed
Tax rate	50%	50%

[4]

Answer :

Comparative Statement of Profit and Loss

for the years ended 31st March, 2017 and 2018

Particulars	Note No.	2016–17	2017–18	Absolute Change (Increase or Decrease)	% Change (Increase or Decrease)
		₹	₹	₹	%
I. Revenue from Operations		4,00,000	7,20,000	3,20,000	80
II. Expenses :					
Cost of Material Consumed		2,00,000	2,40,000	40,000	20
Other Expenses		20,000	48,000	28,000	140
Total Expenses		2,20,000	2,88,000	68,000	30.91
III. Profit before Tax (I – II)		1,80,000	4,32,000	2,52,000	140
IV. Tax @ 50%		90,000	2,16,000	1,26,000	140
V. Profit after Tax (III – IV)		90,000	2,16,000	1,26,000	140

23. From the following Balance Sheet of DCX Ltd. and the additional information as at 31st March, 2018 prepare a Cash Flow Statement :

DCX Ltd.

Balance Sheet as at 31st March, 2018

	Particulars	Note No.	31.3.2018 (₹)	31.3.2017 (₹)
I–Equity and Liabilities :				
1.	**Shareholder's Funds :**			
	(a) Share Capital		30,00,000	21,00,000
	(b) Reserves and Surplus	1	4,00,000	5,00,000
2.	**Non-Current Liabilities :**			
	Long-term Borrowings	2	8,00,000	5,00,000
3.	**Current Liabilities :**			
	(a) Trade Payables		1,50,000	1,00,000
	(b) Short-term Provisions	3	76,000	56,000
	Total		44,26,000	32,56,000
II–Assets :				
1.	**Non-Current Assets :**			
	Fixed Assets :			
	(i) Tangible Assets		27,00,000	20,00,000
	(ii) Intangible Assets	4	8,00,000	7,00,000
2.	**Current Assets :**			
	(a) Current Investment		89,000	78,000
	(b) Inventories		8,00,000	4,00,000
	(c) Cash and Cash Equivalents		37,000	78,000
	Total		44,26,000	32,56,000

Notes to Accounts :

Note No.	Particulars	31.3.2018 (₹)	31.3.2017 (₹)
1.	**Reserves and Surplus :**		
	(Surplus *i.e.,* Balance in the Statement of Profit and Loss)	4,00,000	5,00,000
		4,00,000	5,00,000
2.	**Long-term Borrowings :**		
	8% Debentures	8,00,000	5,00,000
		8,00,000	5,00,000
3.	**Short-term Provisions :**	76,000	56,000
	Provision for Tax	76,000	56,000
4.	**Tangible Asset :**		
	Machinery	33,00,000	25,00,000
	Less : Accumulated Depreciation	(6,00,000)	(5,00,000)
		27,00,000	20,00,000

Additional Information :

(i) During the year a machinery costing ₹ 8,00,000 on which accumulated depreciation was ₹ 3,20,000 was sold for ₹ 6,40,000.

(ii) Debentures were issued on I[st] April, 2017. **[6]**

Answer :

Cash Flow Statement

for the year ended 31st March, 2018

Particulars	Amount (₹)	Amount (₹)
A. Cash Flow From Operating Activities		
Net Profit before tax	(24,000)	
Adjustments for non-cash and non-operating items :		
Add : Depreciation on Machinercy	4,20,000	
Interest paid on Debentures	64,000	
	4,60,000	
Less : Profit on sale of Machinery	1,60,000	
Operating Profit before working capital changes	3,00,000	
Add : Increase in Current Liabilities		
Trade Payables	50,000	
	3,50,000	
Less : Increase in Current Assets		
Inventories	4,00,000	
Cash generated from Operating Activities	(50,000)	
Less : Provision for Tax (for 2017)	56,000	
Net Cash used in Operating activities	(1,06,000)	(1,06,000)
B. Cash Flow from Investing activities		
Purchase of Machinery	(16,00,000)	
Purchase of Intangible Assets	(1,00,000)	
Sale of Machinery	6,40,000	
Net Cash used in Investing Activities	(10,60,000)	(10,60,000)
C. Cash flow from Financing Activities		
Proceeds from Issue of Shares	9,00,000	
Proceeds from Issue of Debentures	3,00,000	
Interest paid on Debentures	(64,000)	
Net Cash Flow from Financing Activities	11,36,000	11,36,000
Net Increase or Decrease in Cash and Cash Equivalents (A + B + C)		(30,000)
Add : Cash and Cash Equivalents at the beginning (78,000 + 78,000)		1,56,000
Cash and Cash Equivalents at the end (89,000 + 37,000)		1,26,000

Working Notes :

1. Calculation of Net Profit before Tax :

	₹
Balance in Statement of P & L on 31[st] March, 2018	4,00,000
Less : Balance in Statement of P & L on 31[st] March, 2017	5,00,000
	(1,00,000)
Add : Provision for Tax (for 2018)	76,000
Net Profit before Tax	(24,000)

2.

Dr. **Machinery A/c** Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	25,00,000	By Bank A/c (Sale)	6,40,000
To Profit and Loss A/c	1,60,000	By Accumulated Depreciation A/c	3,20,000
To Bank A/c (Bal. fig.) (Purchase)	16,00,000	By Balance c/d	33,00,000
	42,60,000		42,60,000

3.

Dr. **Accumulated Depreciation A/c** Cr.

Particular	Amount (₹)	Particulars	Amount (₹)
To Machinery A/c	3,20,000	By Balance b/d	5,00,000
To Balance c/d	6,00,000	By Depreciation A/c (Bal. Fig.)	4,20,000
	9,20,000		9,20,000

Accountancy 2019 (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 sets.

PART A

(Accounting for Not-for-Profit Organisations, Partnership Firms and Companies)

6. A, B and C were partners in a firm sharing profits and losses in the ratio of 2 : 2 : 1. On 31st March, 2018 their firm was dissolved. On that date provision for bad debts showed a balance of ₹ 4,500. Pass necessary journal entry for the treatment of provision for bad debts on the firm's dissolution. **[1]**

Answer :

Journal

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
2018 March 31	Provision for Bad Debts A/c Dr.		4,500	
	To Realisation A/c			4,500
	(Provision for Bad Debts transferred to Realisation Account)			

8. The firm of P, Q, and R earned ₹ 4,00,000 average profits during the last three years. The capital employed in the business was ₹ 6,00,000. Normal rate of return of the industry is 8%.

Calculate the goodwill of the firm by capitalising the super profits. **[3]**

Answer : Average Profit = ₹ 4,00,000

Normal Profit = Capital Employed × Normal Rate of Return

$$= ₹\ 6,00,000 \times \frac{8}{100}$$

= ₹ 48,000

Super Profit = Average Profit – Normal Profit

= ₹ 4,00,000 – ₹ 48,000

= ₹ 3,52,000

$$\text{Goodwill} = \text{Super Profit} \times \frac{100}{\text{Normal Rate of Return}}$$

$$= ₹\ 3,52,000 \times \frac{100}{8}$$

= ₹ 44,00,000

9. 'WX Ltd.' was registered with an authorised capital of 2,00,000 equity shares of ₹ 10 each. The company offered 1,50,000 shares to the public for subscription. 1,45,000 shares were subscribed. All calls were made and were duly received except the final call of ₹ 3 on 5,000 shares.

Present the Share Capital of the Company as per the provisions of Schedule III, Part I of the Companies Act, 2013. **[3]**

Answer : **Balance Sheet as at 31st March..........(An Extract)**

Particulars	Note No.	Amount (₹)
I. EQUITY AND LIABILITIES		
1. Shareholders' Funds :		
(a) Share Capital	1	14,35,000

Notes to Accounts :

Note No.	Particulars		₹
1.	**Share Capital :**		
	Authorised Capital		
	2,00,000 Equity Shares of ₹ 10 each		20,00,000
	Issued Capital		
	1,50,000 Equity Shares of ₹ 10 each		15,00,000
	Subscribed Capital		
	Subscribed and full paid		
	1,40,000 Equity Shares of ₹ 10 each		14,00,000
	Subscribed but not fully paid		
	5,000 Equity Shares of ₹ 10 each	50,000	
	Less : Calls in arrear @ ₹ 3 pershare	15,000	35,000
			14,35,000

10. From the following information, calculate the amount of medicines to be debited to 'Income and Expenditure Account' of a Charitable Hospital for the year ended 31st March, 2018. Also present the relevant information in the Balance Sheet of the hospital as at 31st March, 2018.

Particulars	31st March, 2017 (₹)	31st March, 2018 (₹)
Stock of medicines	8,00,000	15,00,000
Creditors for medicines	6,00,000	8,00,000

Cash paid to the creditors of medicines during the year was ₹ 25,00,000. **[3]**

Answer : **Income and Expenditure A/c**

Dr. *for the year 31st March 2018* Cr.

Expenditure		Amount (₹)	Income	Amount (₹)
To Medicines Consumed :				
Payment made	25,00,000			
Less : Creditors on 31st March 2017	6,00,000			
	19,00,000			
Add : Creditors on 31st March, 2018	8,00,000			
	27,00,000			
Add : Stock on 31st March, 2017	8,00,000			
	35,00,000			
Less : Stock on 31st March, 2018	15,00,000	20,00,000		

Balance Sheet as at 31st March, 2018

Liabilities	Amount (₹)	Assets	Amount (₹)
Creditors for Medicines	8,00,000	Stock of Medicines	15,00,000

11. L, M and N were partners in a firm sharing profits in the ratio of 2 : 3 : 5. From 1st April, 2018 they decided to share the profits in the ratio of 1 : 2 : 2. On this date, the Balance Sheet showed a credit balance of ₹ 1,17,000 in General Reserve and a debit balance of ₹ 35,000 in Profit and Loss account. The goodwill of the firm was valued at ₹ 5,00,000. The revaluation of assets and reassessment of liabilities resulted into a gain of ₹ 30,000.

Pass necessary journal entries for the above transactions on the reconstitution of the firm. **[4]**

Answer : **Journal**

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
	General Reserve A/c Dr.		1,17,000	
	To L's Capital A/c			23,400
	To M's Capital A/c			35,100
	To N's Capital A/c			58,500
	(Being transfer of general reserve on change in profit sharing ratio)			
	L's Capital A/c Dr.		7,000	
	M's Capital A/c Dr.		10,500	
	N's Capital A/c Dr.		17,500	
	To Profit & Loss A/c			35,000
	(Being transfer of undistributed loss on change in profit sharing ratio)			

	M's Capital A/c Dr. To N's Capital A/c (Being adjustment of goodwilll due to change in profit sharing ratio)		50,000	 50,000
	Revaluation A/c Dr. To L's Capital A/c To M's Capital A/c To N's Capital A/c (Being transfer of profit on revaluation to partners in old ratio)		30,000	 6,000 9,000 15,000

12. Manika, Rekha and Mohit were partners sharing profits in the ratio of 5 : 4 : 1. On 31st March, 2018 their Balance Sheet was as follows :

Balance Sheet of Manika, Rekha and Mohit as at 31st March, 2018

Liabilities	Amount (₹)	Assets	Amount (₹)
Creditors	5,00,000	Fixed Assets	9,00,000
General Reserve	2,00,000	Stock	3,00,000
Capital :		Debtors	3,00,000
Manika 6,00,000		Cash at Bank	4,50,000
Rekha 4,50,000			
Mohit 2,00,000	12,50,000		
	19,50,000		19,50,000

Rekha died on 1st July, 2018. According to the partnership deed, her executors were entitled to :

(i) Balance in her Capital Account.

(ii) Her share of goodwill, which is calculated on the basis of average profits of last four years.

(iii) Her share of profit up to the date of death calculated on the basis of average profits of last two years. The time period for which she survived in the year of death will be calculated in months.

(iv) Interest on capital @ 10% p.a. up to the date of death.

The firm's profits for the last four years were :

2014–15 ₹ 2,20,000, 2015–16 ₹ 3,00,000; 2016–7 ₹ 3,60,000 and 2017–18 ₹ 3,20,000.

Rekha's executors were paid the amount due immediately.

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

Answer :

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

Particulars	Amount (₹)	Particulars	Amount (₹)
To Rekha's Executors A/c	6,95,250	By Balance b/d	4,50,000
		By General Reserve A/c	80,000
		By Interest on Capital A/c	11,250
		By P & L Suspense A/c	34,000
		By Manika's Capital A/c	1,00,000
		By Mohit's Capital A/c	20,000
	6,95,250		6,95,250

Working Notes :

1. **Calculation of Goodwill of Rekha's Share :**

$$\text{Total Goodwill} = \frac{2,20,000 + 3,00,000 + 3,60,000 + 3,20,000}{4}$$

$$= ₹\ 3,00,000$$

$$\text{Rekha's Share of Goodwill} = ₹\ 3,00,000 \times \frac{4}{10}$$

$$= ₹\ 1,20,000$$

2. **Calculation of Rekha's Share of Profit :**

$$\text{Average Profit} = \frac{3,60,000 + 3,20,000}{2}$$

$$= ₹\ 3,40,000$$

Rekha's Share of profit from 1st April, 2018 to 1st July, 2018

$$= ₹\ 3,40,000 \times \frac{4}{10} \times \frac{3}{12} = ₹\ 34,000.$$

3. **Calculation of Interest on Rekha's Capital :**

$$\text{Interest on Capital} = ₹\ 4,50,000 \times \frac{10}{100} \times \frac{3}{12} = ₹\ 11,250$$

$$= ₹\ 11,250$$

4. **Calculation of Rekha's share in General Reserve :**

$$\text{Share of General Reserve to Rekha} = ₹\ 2,00,000 \times \frac{4}{10}$$

$$= ₹\ 80,000$$

PART B
OPTION 1
(Analysis of Financial Statements)

18. **While preparing Cash Flow Statement, 'Receipt of interest and dividend' will be classified under which type of activity in case of a non-financial enterprise ?** **[1]**

Answer : Investing Activity.

19. **What is meant by 'Cash and Cash Equivalents' ?** **[1]**

Answer : Cash and Cash equivalents are highly liquid investments that are readily convertible in to cash.

22. **Prepare a Comparative Statement of Profit and Loss from the following information extracted from the Statement of Profit and Loss for the years ended 31st March, 2017 and 31st March, 2018 :** **[4]**

Particulars	2017-18	2016-17
Revenue from operations	400% of cost of material consumed	300% of cost of material consumed
Cost of materials consumed	₹ 4,40,000	₹ 4,00,000
Other expenses	30% of cost of material consumed	20% of cost of material consumed
Tax rate	50%	50%

Answer : **Comparative Statement of Profit and Loss**

for the years ended 31st March, 2017 and 2018

Particulars	Note No.	2016–17	2017–18	Absolute Change (Increase or Decrease)	% Change (Increase or Decrease)
		₹	₹	₹	%
I. Revenue from Operations		12,00,000	17,60,000	5,60,000	46.67
II. Expenses :					
Cost of Material Consumed		4,00,000	4,40,000	40,000	10.00
Other Expenses		80,000	1,32,000	52,000	65.00
Total Expenses		4,80,000	5,72,000	92,000	19.17
III. Profit before Tax (I – II)		7,20,000	11,88,000	4,68,000	65.00
IV. Tax @ 50%		3,60,000	5,94,000	2,34,000	65.00
V. Profit after Tax (III – IV)		3,60,000	5,94,000	2,34,000	65.00

●●

Accountancy 2019 (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 Not-For-Profit Organisation, Partnership Firms and Companies)

6. B, C and D were partners in a firm sharing profits and losses in the ratio of 1 : 4 : 5. On 31st March, 2018 the firm was dissolved and on that date the Balance Sheet of the firm showed a loan of ₹ 10,000 given by C's brother F. C agreed to pay his brother's loan.

Pass necessary journal entry for the above on the firm's dissolution. **[1]**

Answer :

Journal

Date	Particulars		L.F.	Amount (₹)	Amount (₹)
2018					
March 31	F's Loan A/c	Dr.		10,000	
	To Realisation A/c				10,000
	(Being liability of F's loan transferred to Realisation A/c)				
	Realisation A/c	Dr.		10,000	
	To C's Capital A/c				10,000
	(Being F's loan paid by C)				

7. **A, B, C and D were partners in a firm sharing profits and losses equally. E was admitted as a new partner for $\frac{1}{3}$rd share in the profits of the firm which he acquires equally from C and D. On E's admission the goodwill of the firm was valued at ₹ 3,00,000.**

Calculate the new profit sharing ratio on E's admission. Also pass necessary journal entry on E's admission, assuming that he failed to bring his share of goodwill in cash. **[3]**

Answer : Calculation of New Profit Sharing Ratio :

$$\text{E's Share} = \frac{1}{3}$$

$$\text{E taken from C} = \frac{1}{3} \times \frac{1}{2} = \frac{1}{6}$$

$$\text{E taken from D} = \frac{1}{3} \times \frac{1}{2} = \frac{1}{6}$$

$$\text{New Share of C} = \frac{1}{4} - \frac{1}{6} = \frac{6-4}{24} = \frac{2}{24}$$

$$\text{New Share of D} = \frac{1}{4} - \frac{1}{6} = \frac{6-4}{24} = \frac{2}{24}$$

$$\text{New Profit Sharing Ratio of A, B, C, D and E} = \frac{1}{4} : \frac{1}{4} : \frac{2}{24} : \frac{2}{24} : \frac{1}{3} \text{ or } 3:3:1:1:4$$

Journal

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
	E's Current A/c Dr.		1,00,000	
	To C's Capital A/c			50,000
	To D's Capital A/c			50,000
	(Being current account of E debited from his share of goodwill and capital accounts of old partners (C and D) credited in their sacrificing ratio, *i.e.*, 1 : 1)			

Working Note :

$$\text{E's share of goodwill} = ₹\,3,00,000 \times \frac{1}{3} = ₹\,1,00,000$$

8. **'JN Ltd.' were registered with an authorised capital of 2,00,000 equity shares of ₹ 100 each. The company offered to the public for subscription 1,00,000 shares. Applications for 1,50,000 shares were received and allotment was made to all the applicants on pro-rata basis. All calls were made and were duly received except the second and final call of ₹ 4,000. The amount payable on second and final call was ₹ 20 per share.**

Present the Share Capital in the Balance Sheet of the company as per Schedule III, Part I of the Companies Act, 2013. **[3]**

Answer : **Balance Sheet as at 31st March, ...(An Extract)**

Particulars	Note No.	Amount (₹)
I. EQUITY AND LIABILITES		
1. Shareholders' Funds		
(a) Share Capital	1	99,96,000

Notes to Account :

Note No. 6	Particulars		₹
1.	**Share Capital :**		
	Authorised Capital		
	2,00,000 Equity Share of ₹ 100 each		2,00,00,000
	Issued Capital		
	1,00,000 Equity Shares of ₹ 100 each		1,00,00,000
	Subscribed Capital		
	Subscribed and fully paid		
	99,800 Equity Shares of ₹ 100 each		99,80,000
	Subscribed but not fully paid		
	200 Equity shares of ₹ 100 each	20,000	
	Less : Calls in Arrears @ ₹ 20 each	4,000	16,000
			99,96,000

10. Calculate the amount of stationery to be debited to 'Income and Expenditure Account' of New Friends Club for the year ended 31st March, 2018. Also present the relevant information in the Balance Sheet of the Club as at 31st March, 2018.

Particulars	31st March, 2017 (₹)	31st March, 2018 (₹)
Stock of stationery	25,000	40,000
Creditors for stationery	30,000	19,000

During the year ₹ 46,000 were paid to the creditors for stationery and stationery of ₹ 6,000 was purchased in cash. **[3]**

Answer :

Income and Expenditure A/c

Dr. *for the years' ended 31st March, 2018* Cr.

Expenditure		Amount (₹)	Income	Amount (₹)
To Stationery Consumed :				
Payment made	46,000			
Less : Creditors on 31.3.2017	30,000			
	16,000			
Add : Creditors on 31.3.2018	19,000			
	35,000			
Add : Cash Purchases	6,000			
	41,000			
Add : Stock on 31.3.2017	25,000			
	66,000			
Less : Stock on 31.3.2018	40,000	26,000		

Balance Sheet

as at 31st March, 2018

Liabilities	Amount (₹)	Assets	Amount (₹)
Creditors of Stationery	19,000	Stock of Stationery	40,000

11. Satish and Taruna were partners in a firm sharing profits and losses in the ratio of 3 : 2. From 1st April, 2018 they decided to share profits equally. On that date their Balance Sheet showed a credit balance of ₹ 35,000 in workmen compensation fund and ₹ 40,000 in general reserve. The goodwill of the firm on that date was valued at ₹ 50,000. The firm accepted a claim of ₹ 40,000 for workmen compensation.

Pass necessary journal entries for the above transactions on the reconstitution of the firm. **[4]**

Answer :

Journal

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
	Workmen Compensation Fund A/c Dr.		35,000	
	Revaluation A/c Dr.		5,000	
	To Workmen compensation Claim A/c			40,000
	(Being transfer of loss on workmen compensation claim)			
	Satish's Capital A/c Dr.		3,000	
	Taruna's Capital A/c Dr.		2,000	
	To Revaluation A/c			5,000
	(Being loss on revaluation transferred to partners in old ratio)			
	General Reserve A/c Dr.		40,000	
	To Satish's Capital A/c			24,000
	To Taruna's Capital A/c			16,000
	(Being transfer of general reserve on change in profit sharing ratio)			
	Taruna's Capital A/c Dr.		5,000	
	To Satish's Capital A/c			5,000
	(Being adjustment of goodwill due to change in profit sharing ratio)			

12. Garima, Harish and Reena were partners in a firm sharing profit and loss equality. On 31st March, 2015, Harish died and the amount payable to his executors was ₹ 90,000. It was agreed between the remaining partners and Harish's executors that the executors will be paid in four equal yearly instalments along with interest @ 18% per annum starting from 31st March, 2015.

Prepare Harish's executor's account till it is finally closed. **[4]**

Answer :

Dr. **Harish's Executors' A/c** Cr.

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
2015			2015		
March 31	To Bank A/c	22,500	March 31	By Harish's Capital A/c	90,000
March 31	To Balance c/d	67,500			
		90,000			90,000
			2015		
2016			April 1	By Balance b/d	67,500
March 31	To Bank A/c	34,650	2016		
March 31	To Balance c/d	45,000	March 31	By Interest A/c	12,150
		79,650			79,6,50

2017			2016		45,000
March 31	To Bank A/c	30,600	April 1	By Interest A/c	8,100
March 31	To Balance c/d	22,500	2017		
		53,100			53,100
			March 31	By Balance b/d	22,500
			2017		
			April 1	By Balance b/d	4,050
2018			2018		
March 31	To Bank A/c	26,550	March 31	By Balance A/c	26,550

PART : B

OPTION 1

(Analysis of Financial Statements)

18. What is meant by 'Inflow of Cash' ? **[1]**

Answer : Inflows of cash means the receipts of cash and cash equivalents from the various activities of the enterprise.

19. Are 'Assets acquired by issue of shares' disclosed in the Cash Flow Statement ? Give reason in support of your answer. **[1]**

Answer : No. Because there is no inflow or outflow of cash from this transaction.

22. Prepare a Comparative Statement of Profit and Loss from the following information extracted from the Statement of Profit and Loss for the years ended 31st March, 2017 and 31st March, 2018 :

Particulars	2017-18	2016-17
Reveneu of operations	200% of cost of material consumed	200% of cost of material consumed
Cost of materials consumed	₹ 3,00,000	₹ 2,00,000
Other expenses	15% of cost of material consumed	25% of cost of material consumed
Tax rate	40%	40%

Answer : **Comparative Statement of Profit and Loss**

for the years ended 31st March, 2017 and 2018

Particulars	Note No.	2016–17	2017–18	Absolute Change	% Change
		₹	₹	₹	%
I. Revenue from Operations		4,00,000	6,00,000	2,00,000	50.00
II. Expenses :					
Cost of Material Consumed		2,00,000	3,00,000	1,00,000	50.00
Other Expenses		50,000	45,000	(5,000)	(10.00)
Total Expenses		2,50,000	3,45,000	95,000	38.00
III. Profit before Tax (I – II)		1,50,000	2,55,000	1,05,000	70.00
IV. Tax @ 40%		60,000	1,02,000	42,000	70.00
V. Profit after tax (III – IV)		90,000	1,53,000	63,000	70.00

Accountancy 2019 (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 Not-For-Profit Organisations, Partnership Firms and Companies)

1. Atul and Neera were partners in a firm sharing profits in the ratio of 3 : 2. They admitted Mitali as a new partner. Goodwill of the firm was valued at ₹ 2,00,000. Mitali brings her share of goodwill premium of ₹ 20,000 in cash, which is entirely credited to Atul's Capital Account. Calculate the new profit sharing ratio. **[1]**

Answer : Goodwill of the Firm of Mitali's admission = ₹ 2,00,000

Share of Goodwill brought in by Mitali = ₹ 20,000

So, Mitali's share in profit = $\frac{20,000}{2,00,000} = \frac{1}{10}$

Atul's Sacrificing share = Profit share of Mitali = $\frac{1}{10}$

Atul's new share = $\frac{3}{5} - \frac{1}{10} = \frac{5}{10}$

∴ New Profit Sharing Ratio = $\frac{5}{10} : \frac{2}{5} : \frac{1}{10}$ or 5 : 4 : 1

2. What is meant by 'Issued Capital ? **[1]**

Answer : Issued capital is that part of the Authorised Capital which is offered to the public for subscription.

OR

What is meant by 'Employees Stock Option Plan' ? **[1]**

Answer : Employee stock option is a plan where whole-time directors, officers and employees of the company get an option to purchase the securities offered by the company at a predetermined price in future, the price is usually lower than the market price.

3. Differentiate between Dissolution of Partnership and Dissolution of a Partnership Firm on the basis of 'Court's Intervention'. **[1]**

Answer :

	Dissolution of Partnership	Dissolution of Firm
Court's Intervention	The court does not intervene because partnership is dissolved by mutual agreement.	The firm can be dissolved by court's order.

4. What is meant by 'Gaining Ratio' on retirement of a partner ?

Answer : Gaining ratio is the ratio in which the remaining partners acquire the retiring partner's profit share.

OR

P, Q and R were partners in a firm. On 31st March, 2018 R retired. The amount payable to ₹ 2,17,000 was transferred to his loan account. R agreed to receive interest on this amount as per the provisions of Partnership Act, 1932. State the rate at which interest will be paid to R. **[1]**

Answer : 6% p.a.

5. Chhavi and Neha were partners in a firm sharing profits and losses equally. Chhavi withdrew a fixed amount at the beginning of each quarter. Interest on drawings is charged @ 6% p.a. At the end of the year, interest on Chhavi's drawings amounted to ₹ 900. Pass necessary journal entry for charging interest on drawings. **[1]**

Answer :

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
	Chhavi's Capital A/c Dr.		900	
	To Interest on Drawings A/c			900
	[Being interest on drawings charged]			

6. How are Specific donations treated while preparing final accounts of a 'Not-For-Profit Organisation' ? **[1]**

Answer : It is shown on the liabilities side of the Balance Sheet of Not-for-profit organisation.

OR

State the basis of accounting of preparing 'Income and Expenditure Account of a Not-For-Profit Organisation. **[1]**

Answer : Accural basis.

7. The capital of the firm of Anuj and Benu is ₹ 10,00,000 and the market rate of interest is 15%. Annual salary to the partners is ₹ 60,000 each. The profit for the last three years were ₹ 3,00,000, ₹ 3,60,000 and ₹ 4,20,000. Goodwill of the firm is to be valued on the basis of two years purchase of last three years average super profits. Calculate the goodwill of the firm. **[3]**

Answer :

$$\text{Average profit before salary} = \frac{₹\,3,00,000 + ₹\,3,60,000 + ₹\,4,20,000}{3} = ₹\,3,60,000$$

$$\text{Average profit after salary} = ₹\,3,60,000 - ₹\,1,20,000$$

$$= ₹\,2,40,000$$

$$\text{Normal profit} = ₹\,10,00,000 \times \frac{15}{100} = ₹\,1,50,000$$

$$\text{Super profit} = ₹\,2,40,000 - ₹\,1,50,000$$

$$= ₹\,90,000$$

$$\therefore \quad \text{Goodwill} = \text{Super profit} \times \text{No. of years purchase}$$

$$= ₹\,90,000 \times 2$$

$$= ₹\,1,80,000$$

8. How the following items for the year ended 31st March, 2018 will be presented in the financial statements of Aisko Club :

Particulars	Debit Amount (₹)	Credit Amount (₹)
Tournament Fund	—	1,50,000
Tournament Fund Investment	1,50,000	—
Income from Tournament Fund Investment	—	18,000
Tournament Expenses	12,000	—

Additional Information :

Interest Accrued on Tournament Fund Investments ₹ 6,000 **[3]**

Answer : **Balance Sheet of Aisko Club as on 31st March, 2018**

Liabilities		Amount (₹)	Assets	Amount (₹)
Tournament Fund	1,50,000		Tournament Fund Investment	1,50,000
Add : Income from Tournament Fund Investments	18,000		Accurued Interest on Tournament Fund Investment	6,000
Add : Acc. Interest	6,000			
Less : Tournament Expenses	12,000	1,62,000		

9. Garvit Ltd. invited applications for issuing 3,000, 11% Debentures of ₹ 100 each at a discount of 6%. The full amount was payable on application. Applications were received for 3,600 debentures. Applications for 600 debentures were rejected and the application money was refunded. Debentures were allotted to the remaining applicants.

Pass the necessary journal entries for the above transactions in the books of Garvit Ltd. **[3]**

Answer :

Journal

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	Dr.		3,38,400	
	To Debenture Application & Allotment A/c				3,38,400
	(Being application money received on 3,600 debentures)				
	Debenture Application & Allotment A/c	Dr.		3,38,400	
	Discount/Loss on Issue of Debentures A/c	Dr.		18,000	
	To 11% Debentures A/c				3,00,000
	To Bank A/c				56,400
	(Being application money adjusted)				

OR

On 1st April 2015, P Ltd. Issued 6,000 12% Debentures of ₹ 100 each at par redeemable at a premium of 7%. The Debentures were to be redeemed at the end of third year. Prepare Loss on issue of 12% Debentures Account. **[3]**

Answer :

Dr. **Loss on Issue of 12% Debentures A/c** **Cr.**

Date	Particulars	Amount	Date	Particulars	Amount
2015			2016		
April 1	To Premium on Redemption of Debenture A/c	42,000	March 31	By Statement of P & L	14,000
			March 31	By Balance c/d	28,000
		42,000			42,000
2016			2017		
April 1	To Balance b/d	28,000	March 31	By Statement of P & L	14,000
			March 31	By Balance c/d	14,000
		28,000			28,000
2017			2018		
April 1	To Balance b/d	14,000	March 31	By Statement of P & L	14,000
		14,000			14,000

10. **Unilink Ltd. had outstanding ₹ 12,00,000, 9% debentures on 1st April, 2014 redeemable at a premium of 8% in two equal annual instalments starting from 31st March, 2018. The company had a balance of ₹ 3,00,000 in Debenture Redemption Reserve on 31st March, 2017. Pass the necessary journal entries for redemption of debentures in the books of Unilink Ltd. for the year ended 31st March, 2018. [3]**

Answer :

In the Books of Unilink Ltd.

Journal

Date	Particulars		L.F.	Amount (₹)	Amount (₹)
2017					
April 30	Debenture Redemption Investment A/c	Dr.		90,000	
	To Bank A/c				90,000
	(Being Debenture Redemption Investment purchase)				
2018					
March 31	Bank A/c	Dr.		90,000	
	To Debenture Redemption Investment A/c				90,000
	(Being Debenture Redemption Investment sold)				
March 31	9% Debenture A/c	Dr.		6,00,000	
	Premium on Redemption of Debenture A/c	Dr.		48,000	
	To Debentureholders A/c				6,48,000
	(Being debentures due for redemption)				
March 31	Debentureholders A/c	Dr.		6,48,000	
	To Bank A/c				6,48,000
	(Being debentures redeemed)				
March 31	Debenture Redemption Reserve A/c	Dr.		1,50,000	
	To General Reserve A/c				1,50,000
	(Being Debenture Redemption Reserve amount transferred to general reserve)				

11. **Ankit, Bobby and Kartik were partners in a firm sharing profits in the ratio 4 : 3 : 3. The firm was dissolved on 31-3-2018. Pass the necessary Journal entries for the following transactions after various assets (other than cash and bank) and third party liabilities had been transferred to Realisation Account :**

(i) The firm had stock of ₹ 80,000. Ankit took over 50% of the stock at a discount of 20% while the remaining stock was sold off at a profit of 30% on cost.

(ii) A liability under a suit for damages included in creditors was settled at ₹ 32,000 as against only ₹ 13,000 provided in the books. Total creditors of the firm were ₹ 50,000.

(iii) Bobby's sister's loan of ₹ 20,000 was paid off along with interest of ₹ 2,000.

(iv) Kartik's Loan of ₹ 12,000 was settled at ₹ 12,500. [4]

Answer :

Journal

Date	Particulars		L.F.	Amount (₹)	Amount (₹)
	(i) Ankit's Capital A/c	Dr.		32,000	
	Bank A/c	Dr.		52,000	
	To Realisation A/c				84,000
	(Being 50% stock taken over by Ankit and remaining sold at a profit)				

	(ii) Realisation A/c Dr. To Bank A/c (Being Payment made to creditors)		69,000	69,000
	(iii) Realisation A/c Dr. To Bank A/c (Being Bobby's Sister's loan paid with interest)		22,000	22,000
	(iv) Kartik's Loan A/c Dr. Realisation A/c Dr. To Bank A/c (Being Kartik's loan settled)		12,000 500	12,500

12. Radhika, Bani and Chitra were partners in a firm sharing profits and losses in the ratio of 2 : 3 : 1. With effect from 1st April, 2018 they decided to share future profits and losses in the ratio of 3 : 2 : 1. On that date their Balance Sheet showed a debit balance of ₹ 24,000 in Profit and Loss Account and a balance of ₹ 1,44,000 in General Reserve. It was also agreed that :

(a) The goodwill of the firm be valued at ₹ 1,80,000.

(b) The Land (having book value of ₹ 3,00,000) will be valued at ₹ 4,80,000.

Pass the necessary journal entries for the above changes. **[4]**

Answer : **Journal**

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
	Radhika's Capital A/c Dr. Bani's Capital A/c Dr. Chitra's Capital A/c Dr. To Profit & Loss A/c (Being loss transferred to partners' capital A/c)		8,000 12,000 4,000	24,000
	General Reserve A/c Dr. To Radhika's Capital A/c To Bani's Capital A/c To Chitras' Capital A/c (Being general reserve distributed to partners in old ratio)		1,44,000	48,000 72,000 24,000
	Radhika's Capital A/c Dr. To Bani's Capital A/c (Being adjustment entry made for goodwill)		30,000	30,000
	Land A/c Dr. To Revaluation A/c (Being land revalued)		1,80,000	1,80,000
	Revaluation A/c Dr. To Radhika's Capital A/c To Bani' Capital A/c To Chitra's Capital A/c (Being revaluation profit transferred to partners capital A/c in old ratio)		1,80,000	60,000 90,000 30,000

Working Note :

Calculation of Gain/Sacrifice share of partners :

$$\text{Radhika's Gain/sacrifice} = \frac{2}{6} - \frac{3}{6} = \frac{-1}{6} \text{ (Gain)}$$

$$\text{Bani's Gain/Sacrifice} = \frac{3}{6} - \frac{2}{6} = \frac{1}{6} \text{ (Sacrifice)}$$

$$\text{Chitra's Gain/Sacrifice} = \frac{1}{6} - \frac{1}{6} = 0 \text{ (No Gain/Sacrifice)}$$

13. **From the following Receipts and Payments Account and additional information, prepare Income and Expenditure Account and Balance Sheet of Sears Club, Noida as on March 31, 2018.**

Receipts and Payments & Accounts of Sears Club for the year ended 31-3-2018

Receipts		Amount (₹)	Payments	Amount (₹)
To Balance b/d		20,000	By Stationery	23,400
To Subscriptions			By 12% Investments	8,000
2016-17	40,000		By Electricity expenses	10,600
2017-18	94,000		By Expenses on lectures	30,000
2018-19	7,200	1,41,200	By Sports equipments	59,000
To Donations for building		40,000	By Books	40,000
To Interest on Investments		800	By Balance c/d	50,000
To Government Grant		17,400		
To Sale of old furniture				
(Book value ₹ 4,000)		1,600		
		2,21,000		**2,21,000**

Additional Information :

(i) **The club has 200 members each paying an annual subscription of ₹ 1,000. ₹ 60,000 were in arrears for last year and 25 members paid in advance in the last year for the current year.**

(ii) **Stock of stationery on 1-4-2017 was ₹ 3,000 and on 31-3-2018 was ₹ 4,000.** **[6]**

Answer :

Dr. **Income & Expenditure A/c** **Cr.**

Particulars		Amount (₹)	Particulars		Amount (₹)
To Stationery consumed :			By Subscriptions		2,00,000
Purchased	23,400		By Interest on Investment	800	
Add : Opening stock	3,000		*Add* : Accured Interest	160	960
	26,400		By Government Grant		17,400
Less : Closing stock	4000	22,400			
To Loss on sale of old furniture		2,400			
To Electricity expenses		10,600			
To Expenses on lectures		30,000			
To Surplus		1,52,960			
		2,18,360			2,18,360

Balance Sheet as on 31st March, 2018

Liabilities		Amount (₹)	Assets	Amount (₹)
Subscriptions in Advance		7,200	Outstanding Subscriptions	1,01,000
Donations for Building		40,000	Stock of Stationery	4,000
Capital Fund	62,000		Cash in Hand	50,000
Add : Surplus	1,52,960	2,14,960	12% Investments	8,000
			Accrued Interest	160
			Sports Equipment	59,000
			Books	40,000
		2,62,160		2,62,160

Balance Sheet as on 1st April, 2017

Liabilities	Amount (₹)	Assets	Amount (₹)
Subscriptions in Advance	25,000	Cash in Hand	20,000
Capital Fund (Bal. Fig.)	62,000	Outstanding Subscriptions	60,000
		Stock of Stationery	3,000
		Furniture	4,000
	87,000		87,000

Working Notes :

1. **Calculation of outstanding subscriptions on 31st March, 2018 :**

Subscriptions due for the year (200 × ₹ 1,000)	₹ 2,00,000
Less : Subscriptions received during the year	₹ 94,000
	₹ 1,06,000
Less : Subscriptions received during last year	₹ 25,000
Subscription in arrears for 2017-18	₹ 81,000
Add : Subscription still in arrears for 2016-17 (₹ 60,000 – ₹ 40,000)	₹ 20,000
Total subscriptions outstanding on 31st March, 2018	₹ 1,01,000

2. **Calculation of Accrued Interest on Investments :**

$$\text{Interest on Investments} = ₹\,8,000 \times \frac{12}{100}$$
$$= ₹\,690$$
$$\text{Accured Interest} = ₹\,960 - ₹\,800$$
$$= ₹\,160$$

14. **Girija, Yatin and Zubin were partners sharing profits in the ratio 5 : 3 : 2. Zubin died on 1st August, 2015. Amount due to Zubin's executor after all adjustments was ₹ 90,300. The executor was paid ₹ 10,300 in cash immediately and the balance in two equal annual instalments with interest @ 6% p.a. starting from 31st March, 2017. Accounts are closed on 31st March each year.**

Prepare Zubin's Executors Account till he is finally paid. **[6]**

Answer :

Dr. **Zubin's Executors' Account** Cr.

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
2015			2015		
Aug. 1	To Bank A/c	10,300	Aug. 1	By Zubin's Capital A/c	90,300
2016			2016		
March 31	To Balance c/d	83,200	March 31	By Interest A/c	3,200
				$\left(80,000 \times \frac{6}{100} \times \frac{8}{12}\right)$	
		93,500			93,500
2017			2016	By Balance b/d	83,200
March 31	To Bank A/c	48,000	April 1		
"	To Balance c/d	40,000	2017		
			March 31	By Interest A/c	4,800
2018		88,000	2017		88,000
March 31	To Bank A/c	42,400	April 1	By Balance b/d	40,000
			2018		
			March 31	By Interest A/c	2,400
		42,400			42,400

15. **Sonu and Rajat started a partnership firm on April 1, 2017. They contributed ₹ 8,00,000 and ₹ 6,00,000 respectively as their capitals and decided to share profits and losses in the ratio of 3 : 2.**

The partnership deed provided that Sonu was to be paid a salary of ₹ 20,000 per month and Rajat a commission of 5% on turnover. It also provided that interest on capital be allowed @ 8% p.a. Sonu withdrew ₹ 20,000 on 1st December, 2017 and Rajat withdrew ₹ 5,000 at the end of each month. Interest on drawings was charged @ 6% p.a. The net profit as per Profit and Loss Account for the year ended 31st March, 2018 was ₹ 4,89,950. The turnover of the firm for the year ended 31st March, 2018 amounted to ₹ 20,00,000. Pass necessary journal entries for the above transactions in the books of Sonu and Rajat. **[6]**

Answer : **Journal**

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
2018				
March 31	Profit & Loss A/c Dr.		4,89,950	
	To Profit & Loss Appropriation A/c			4,89,950
	(Being profits transferred to P & L Appropriation A/c)			
March 31	Sonu's Salary A/c Dr.		2,40,000	
	To Sonu's Capital A/c			2,40,000
	(Being salary credited to Sonu's Capital A/c)			

March 31	Profit and Loss Appropriation A/c Dr.		2,40,000	
	To Sonu's Salary A/c			2,40,000
	(Being salary transferred to P & L Appropriation A/c)			
March 31	Commission to Rajat Dr.		1,00,000	
	To Rajat's Capital A/c			1,00,000
	(Being commission Credited to Rajat's Capital A/c)			
March 31	Profit & Loss Appropriation A/c Dr.		1,00,000	
	To Commission to Rajat			1,00,000
	(Being commission transferred to P & L Appropriation A/c)			
March 31	Interest on Capital A/c Dr.		1,12,000	
	To Sonu's Capital A/c			64,000
	To Rajat's Capital A/c			48,000
	(Being interest on capital transferred to Partners Capital A/c)			
March 31	P & L Appropriation A/c Dr.		1,12,000	
	To Interest on Capital A/c			1,12,000
	(Being interest on capital transferred to P & L Appropriation A/c)			
March 31	Sonu's Capital A/c Dr.		400	
	Rajat's Capital A/c Dr.		1,650	
	To Interest on Drawings A/c			2,050
	(Being interest on drawings charged)			
March 31	Interest on Drawings A/c Dr.		2,050	
	To P & L Appropriation A/c			2,050
	(Being interest on drawings transferred to P & L Appropriation A/c)			
March 31	P & L Appropriation A/c Dr.		40,000	
	To Sonu's Capital A/c			24,000
	To Rajat's Capital A/c			16,000
	(Being profit credited to capital A/cs of partners)			

Working Notes :

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

   Drawings of Sonu = ₹ 20,000

   Interest on Sonu's drawings = $20,000 \times \frac{6}{100} \times \frac{4}{12}$ = ₹ 400

   Drawings of Rajat = 12 × ₹ 5,000 = ₹ 60,000

   Interest on Rajat's drawings = $60,000 \times \frac{6}{100} \times \frac{5.5}{12}$ = ₹ 1,650

2. **Calculation of divisible profit and its distribution between partners :**

   Divisible Profit = Net Profit + Interest on Drawings – Interest on Capital – Salary to Sonu – Commission to Rajat

   = 4,89,950 + (400 + 1,650) – (64,000 + 48,000) – 2,40,000 – 1,00,000

   = ₹ 40,000

   Sonu's Share in Divisible Profit = ₹ 40,000 × $\frac{3}{5}$ = ₹ 24,000

   Rajat's share in Divisible profit = ₹ 40,000 × $\frac{2}{5}$ = ₹ 16,000

OR

Jay, Vijay and Karan were partners of an architect firm sharing profits in the ratio of 2 : 2 : 1. Their partnership deed provided the following :

(i) A monthly salary of ₹ 15,000 each to Jay and Vijay.

(ii) Karan was guaranteed a profit of ₹ 5,00,000 and Jay guaranteed that he will earn an annual fee of ₹ 2,00,000. Any deficiency arising because of guarantee to Karan will be borne by Jay and Vijay in the ratio of 3 : 2.

During the year ended 31st March, 2018 Jay earned fee of ₹ 1,75,000 and the profits of the firm amounted to ₹ 15,00,000.

Showing your workings clearly prepare Profit and Loss Appropriation Account and the Capital Account of Jay, Vijay and Karan for the year ended 31st March, 2018. **[6]**

Answer :

Profit & Loss Appropriation A/c

Dr. *for the year ended 31st March, 2018* Cr.

Particulars		Amount (₹)	Particulars	Amount (₹)
To Salary :			By Profit & Loss A/c	15,00,000
Jay	1,80,000		By Jay's Capital A/c	
Vijay	1,80,000	3,60,000	(₹ 2,00,000 – ₹ 1,75,000)	25,000
To Profit transferred to Capital A/c s : (WN)				
Jay	3,05,800			
Vijay	3,59,200			
Karan	5,00,000	11,65,000		
		15,25,000		15,25,000

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

Particulars	Jay (₹)	Vijay (₹)	Karan (₹)	Particulars	Jay (₹)	Vijay (₹)	Karan (₹)
To P & L Appropriation A/c	25,000			By P & L Appropriation A/c (Salary)	1,80,000	1,80,000	
To Balance c/d	4,60,800	5,39,200	5,00,000	By P & L Appropriation A/c (Profit)	3,05,800	3,59,200	5,00,000
	4,85,800	3,59,200	5,00,000		4,85,800	5,39,200	5,00,000

Working Notes :

Divisible Profit = ₹ 11,65,000

Jay's share in divisible profit = $11,65,000 \times \frac{2}{5}$

= ₹ 4,66,000

Vijay's share in divisible profit = $11,65,000 \times \frac{2}{5}$

= ₹ 4,66,000

Karan's share in divisible profit = $11,65,000 \times \frac{1}{5}$

= ₹ 2,33,000

Profit share guaranteed to Karan = ₹ 5,00,000

Deficiency in Karan's share of profit = ₹ 5,00,000– ₹ 2,33,000

= ₹ 2,67,000

Deficiency to be borne by Jay = $2,67000 \times \frac{3}{5}$

= ₹ 1,60,200

Deficiency to be borne by Vijay = $2,67,000 \times \frac{2}{5}$

= ₹ 1,06,800

Jay's final share in divisible profit = ₹ 4,66,000 – ₹ 1,06,200

= ₹ 3,05,800

Vijay's final share is divisible profit = ₹ 4,66,000 – ₹ 1,06,800

= ₹ 3,59,200

Karan's final share in divisible profit = ₹ 2,33,000 + ₹ 1,60,200 + ₹ 1,06,800

= ₹ 5,00,000

16. DF Ltd. invited application for issuing 50,000 shares of ₹ 10 each at a premium of ₹ 2 per share. The amount was payable as follows :

On Application : ₹ 3 per share (including premium ₹ 1)

On Allotment : ₹ 3 per share (including premium ₹ 1)

On First call : ₹ 3 per share

On Second and Final Call : Balance amount

Application for 70,000 shares were received. Allotment was made on the following basis :

Applications for 5,000 shares – Full

Applications for 50,000 shares – 90%

Balance of the applications were rejected. ₹ 1,11,000 were received on account of allotment. The amount of allotment due from the shareholders to whom shares were allotted on prorata basis was fully received. A few shareholders to whom shares were allotted in full, failed to pay the allotment money. ₹ 1,20,000 were received on first call. Directors decided to forfeit those shares on which allotment and call money was due. Half of the forfeited shares were re-issued @ ₹ 8 per share fully paid up. Final call was not made.

Pass the necessary journal entries for the above transactions in the book of DF Ltd. [8]

Answer : Answer is not given due to ambiquity.

OR

EF Ltd. invited applications for issuing 80,000 equity shares of ₹ 50 each at a premium of 20%. The amount was payable as follows :

On Application : ₹ 20 per share (including premium ₹ 5)

On Allotment : ₹ 15 per share (including premium ₹ 5)

On First Call : ₹ 15 per share

On Second and Final Call : Balance amount

Applications for 1,20,000 shares were received. Applications for 20,000 shares were rejected and pro-rata allotment was made to the remaining applicants.

Seema, holding 4,000 shares failed to pay the allotment money. Afterwards the first call was made. Seema paid allotment money along with the first call. Sahaj who had applied for 2,500 shares failed

to pay the first call money. Sahaj's shares were forfeited and subsequently reissued to Geeta for ₹ 60 per share, ₹ 50 per share paid up. Final call was not made.

Pass necessary journal entries for the above transactions in the books of EF Ltd. by opening calls-in-arrears account. **[8]**

Answer : **Journal**

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
	Bank A/c Dr.		24,00,000	
	To Equity Share Application A/c			24,00,000
	(Being application money received)			
	Equity Share Application A/c Dr.		24,00,000	
	To Equity Share Capital A/c			12,00,000
	To Securities Premium Reserve A/c			4,00,000
	To Equity Share Allotment A/c			4,00,000
	To Bank A/c			4,00,000
	(Being application money adjusted and excess money on 20,000 Shares refunded)			
	Equity Share Allotment A/c Dr.		12,00,000	
	To Equity Share Capital A/c			8,00,000
	To Securities Premium Reserve A/c			4,00,000
	(Being allotment money due)			
	Bank A/c Dr.		7,60,000	
	Calls in Arrears A/c Dr.		40,000	
	To Equity Share Allotment A/c			8,00,000
	(Being allotment money received)			
	Equity Share First Call A/c Dr.		12,00,000	
	To Equity Share Capital A/c			12,00,000
	(Being first call money due)			
	Bank A/c Dr.		12,10,000	
	Calls in Arrears A/c Dr.		30,000	
	To Equity Share Capital A/c			12,00,000
	To Calls in Arrears A/c			40,000
	(Being first call money received)			
	Equity Share Capital A/c Dr.		80,000	
	To Share Forfeiture A/c			50,000
	To Calls in Arrears A/c			30,000
	(Being Sahaji's shares forfeited)			
	Bank A/c Dr.		1,20,000	
	To Equity Share Capital A/c			1,00,000
	To Securities Premium Reserve A/c			20,000
	(Being Sahaj's shares reissued for ₹ 60 per share and ₹ 50 paid up)			
	Share Forfeiture A/c Dr.		50,000	
	To Capital Reserve A/c			50,000
	(Being profit on reissue of shares transferred to capital reserve)			

Working Notes :

1. **Excess amount received from Seema on application :**

If shares allotted were 80,000, shares applied for were = 1,00,000

$\therefore$ If shares alloted were 4,000, shares applied for were $= \frac{1,00,000}{80,000} \times 4,000$

$= 5,000$

Excess application money received from Seema :

5,000 shares – 4000 shares = 1,000 shares × ₹ 20

= ₹ 20,000

2. **Amount not received fom Seema on allotment :**

Amount due on allotment = 4,000 × ₹ 15

= ₹ 60,000

Less : Excess money received on application = ₹ 20,000

Amount not received on allotment = ₹ 40,000

3. **Amount received on allotment :**

Total amount due on allotment = 80,000 × ₹ 15 = ₹ 12,00,000

Less : Excess money received on application = ₹ 4,00,000

= ₹ 8,00,000

Less : Amount not received from seema = ₹ 40,000

Net amount received on allotment = ₹ 7,60,000

17. **Akul, Bakul and Chandan were partners in a firm sharing profits in the ratio of 2 : 2 : 1. On 31st March, 2018 their Balance Sheet was as follows :**

Balance Sheet of Akul, Bakul and Chandan as on 31-3-2018

Liabilities		Amount (₹)	Assets		Amount (₹)
Sundry Creditors		45,000	Cash at Bank		42,000
Employees Provident Fund		13,000	Debtors	60,000	
General Reserve		20,000	*Less* : Provision		
Capitals :			for doubtful debts	2,000	58,000
Akul	1,60,000		Stock		80,000
Bakul	1,20,000		Furniture		90,000
Chandan	92,000	3,72,000	Plant and Machinery		1,80,000
		4,50,000			**4,50,000**

Bakul retired on the above date and it was agreed that :

(i) Plant and Machinery was undervalued by 10%.

(ii) Provision for doubtful debts was to be increased to 15% on debtors.

(iii) Furniture was to be decreased to ₹ 87,000.

(iv) Goodwill of the firm was valued at ₹ 3,00,000 and Bakul's share was to be adjusted through the capital accounts of Akul and Chandan.

(v) Capital of the new firm was to be in the new profit sharing ratio of the continuing partners.

Prepare Revaluation account, Partners' Capital accounts and the Balance Sheet of the reconstituted firm. **[8]**

Answer :

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

Particulars		Amount (₹)	Particulars	Amount (₹)
To Provision for doubtful debts A/c		7,000	By Plant A/c	20,000
To Furniture		3,000		
To Profits transferred to :				
Akul's Capital A/c	4,000			
Bakul's Capital A/c	4,000			
Chandan's Capital A/c	2,000	10,000		
		20,000		20,000

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

Particulars	Akul (₹)	Bakul (₹)	Chandan (₹)	Particulars	Akul (₹)	Bakul (₹)	Chandan (₹)
To Bakul's Cap. A/c	80,000	—	40,000	By Balance b/d	1,60,000	1,20,000	92,000
To Bakul's Loan A/c	—	2,52,000	—	By General Reserve A/c	8,000	8,000	4,000
To Bank A/c	—	—	8,000	By Revaluation A/c	4,000	4,000	2,000
To Balance c/d	1,00,000	—	50,000	By Akul's Cap. A/c	—	80,000	—
				By Chandan's Cap. A/c		40,000	—
				By Bank A/c	8,000	—	
	1,80,000	2,52,000	98,000		1,80,000	2,52,000	98,000

Balance Sheet

Liabilities		Amount (₹)	Assets		Amount (₹)
Sundry Creditors		45,000	Cash at Bank		42,000
Employees Provident Fund		13,000	Debtors	60,000	
Bakul's Loan		2,52,000	*Less* : Provision for doubtful debts	9,000	51,000
Capitals :			Stock		80,000
Akul	1,00,000		Furniture		87,000
Chandan	50,000	1,50,000	Plant & Machinery		2,00,000
		4,60,000			**4,60,000**

OR

Sanjana and Alok were partners in a firm sharing profits and losses in the ratio 3 : 2. On 31st March, 2018 their Balance Sheet was as follows :

Balance Sheet of Sanjana and Alok as on 31-3-2018

Liabilities		Amount (₹)	Assets		Amount (₹)
Creditors		60,000	Cash		1,66,000
Workmen's Compensation Fund		60,000	Debtors	1,46,000	
			Less : Provision for doubtful debts	2,000	1,44,000
Capitals :			Stock		1,50,000
Sanjana	5,00,000		Investments		2,60,000
Alok	4,00,000	9,00,000	Furniture		3,00,000
		10,20,000			**10,20,000**

On 1st April, 2018, they admitted Nidhi as a new partner for 1/4th share in the profits on the following terms :

(a) Goodwill of the firm was valued at ₹ 4,00,000 and Nidhi brought the necessary amount in cash for her share of goodwill premium, half of which was withdrawn by the old partners.

(b) Stock was to be increased by 20% and furniture was to be reduced to 90%.

(c) Investments were to be valued at ₹ 3,00,000. Alok took over investments at this value.

(d) Nidhi brought ₹ 3,00,000 as her capital and the capitals of Sanjana and Alok were adjusted in the new profit sharing ratio.

Prepare Revaluation Account, Partner's Capital Accounts and the Balance Sheet of the reconstituted firm on Nidhi's admission. [8]

Answer :

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

Particulars	Amount (₹)	Particulars	Amount (₹)
To Furniture A/c	30,000	By Investments A/c	40,000
To Profit transferred to :		By Stock A/c	30,000
Sanjana's Capital A/c 24,000			
Alok's Capital A/c 16,000	40,000		
	70,000		**70,000**

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

Particulars	Sanjana (₹)	Alok (₹)	Nidhi (₹)	Particulars	Sanjana (₹)	Alok (₹)	Nidhi (₹)
To Cash A/c	30,000	20,000	—	By Balance b/d	5,00,000	4,00,000	—
To Investment A/c	—	3,00,000	—	By Cash A/c	—	—	3,00,000
				By Premium for Goodwill A/c	60,000	40,000	—
To Cash A/c	50,000	—	—	By W.C.R.	36,000	24,000	—
To Balance c/d	5,40,000	3,60,000	3,00,000	By Revaluation A/c	24,000	16,000	—
				By Cash A/c	—	2,00,000	—
	6,20,000	6,80,000	3,00,000		6,20,000	6,80,000	3,00,000

Balance Sheet as on 1st April, 2018

Liabilities	Amount (₹)	Assets	Amount (₹)
Creditors	60,000	Cash at Bank	6,66,000
Capital :		Debtors 1,46,000	
Sanjana	5,40,000	*Less* : Provision for doubtful debts 2,000	1,44,000
Alok	3,60,000	Stock	1,80,000
Nidhi	3,00,000	Furniture	2,70,000
	12,60,000		**12,60,000**

PART B

OPTION 1

(Analysis of Financial Statements)

18. Mevo Ltd., a financial enterprise had advanced a loan of ₹ 3,00,000, invested ₹ 6,00,000 in shares of the other companies and purchased machinery for ₹ 9,00,000. It received dividend of ₹ 70,000 on investment in shares. The company sold an old machine of the book value of ₹ 79,000 at a loss of ₹ 10,000.

Compute Cash flows from Investing Activities. **[1]**

Answer :

Cash Flow from Investing Activities

Particulars	Amount (₹)
Sale of Machinery	69,000
Purchase of Machinery	(9,00,000)
Net Cash used in Investing Activities	8,31,000

19. Give the meaning of 'Cash Equivalents' for the purpose of preparing Cash Flow Statement. **[1]**

Answer : Cash Equivalents mean short term highly liquid investments that are readily convertible into known amount of cash and which are subject to an insignificant risk of value of change.

20. Explain briefly any four objectives of 'Analysis of Finanical Statements'. **[1]**

Answer : Objectives of Finanical Statement Analysis :

(a) Assessing the earning capacity or profitability.

(b) Assessing the managerial efficiency.

(c) Inter firm comparison.

(d) Forecasting and preparing budgets.

OR

State under which major headings and sub-headings will the following items be presented in the Balance Sheet of a company as per Schedule-III, Part-I of the Companies Act, 2013.

(i) Prepaid Insurance

(ii) Investment in Debentures

(iii) Calls-in-arrears

(iv) Unpaid dividend

(v) Capital Reserve

(vi) Loose Tools

(vii) Capital work-in-progress

(viii) Patents being developed by the company. **[4]**

Answer :

	Item	Head	Subhead
(i)	Prepaid Insurance	Current Assets	Other Current Assets
(ii)	Investment in Debentures	Non Current Assets	Non Current Investment
(iii)	Calls-in-arrears	Shareholders' Funds	Share Capital
(iv)	Unpaid dividend	Current Liabilities	Other Current Liabilities
(v)	Capital Reserve	Shareholders' Funds	Reserves & Surplus
(vi)	Loose Tools	Current Assets	Inventories
(vii)	Capital Work-in-progress	Non Current Assets	Fixed Assets
(viii)	Patents being developed by the company	Non Current Assets	Fixed Assets-Intangible Assets

21. (a) Calculate Revenue from operations of BN Ltd. From the following information : **[3 + 1 = 4]**

Current assets	**₹ 8,00,000**
Quick ratio is	**1.5 : 1**
Current ratio is	**2 : 1**
Inventory turnover ratio is	**6 times**

Goods were sold at a profit of 25% on cost.

(b) The Operating ratio of a company is 60%. State whether 'Purchase of goods costing ₹ 20,000, will increase, decrease or not change the operating ratio.

Answer : (a)

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

$$\text{Current Assets} = ₹\,8{,}00{,}000$$

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}} = \frac{2}{1} = \frac{8{,}00{,}000}{\text{Current Liabilities}}$$

$$\therefore \quad \text{Current Liabilities} = ₹\,4{,}00{,}000$$

$$\text{Quick Ratio} = \frac{\text{Quick Assets}}{\text{Current Liabilities}}$$

$$\frac{1.5}{1} = \frac{\text{Quick Assets}}{4{,}00{,}000}$$

$$\therefore \quad \text{Quick Assets} = ₹\,6{,}00{,}000$$

$$\text{Inventory} = \text{Current Assets} - \text{Quick Assets}$$

$$= ₹\,8{,}00{,}000 - ₹\,6{,}00{,}000$$

$$= ₹\,2{,}00{,}000$$

$$\text{Inventory turnover Ratio} = 6 \text{ times}$$

$$\text{Cost of Revenue from Operations/Average Inventory} = 6$$

$$\therefore \quad \text{Cost of Revenue from Operations} = ₹\,12{,}00{,}000$$

$$\text{Gross Profit is 25\% of cost} = 25\% \text{ of } ₹\,12{,}00{,}000$$

$$= ₹\,3{,}00{,}000$$

$$\therefore \quad \text{Revenue from Operations} = ₹\,12{,}00{,}000 + ₹\,3{,}00{,}000 = ₹\,15{,}00{,}000$$

(b) Operating ratio of company will not change.

OR

(a) Calculate 'Total Assets to Debt ratio' from the following information :

	₹
Equity Share Capital	**4,00,000**
Long Term Borrowings	**1,80,000**
Surplus *i.e.* Balance in Statement of Profit and Loss	**1,00,000**
General Reserve	**70,000**
Current Liabilities	**30,000**
Long Term Provisions	**1,20,000**

(b) The Debt Equity ratio of a company is 1 : 2. State whether 'Issue of Bonus shares' will increase, decrease or not change the Debt Equity Ratio. **[3 + 1 = 4]**

Answer : Total Assets = ₹ 4,00,000 + ₹ 1,80,000 + ₹ 1,00,000 + ₹ 70,000 + ₹ 30,000 + ₹ 1,20,000 = ₹ 9,00,000

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

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

$$= \frac{9{,}00{,}000}{3{,}00{,}000} = 3:1$$

(b) Issue of Bonus shares will not change the ratio.

22. **From the following information extracted from the Statement of Profit and Loss for the years ended 31st March, 2017 and 2018, prepare a Comparative Statement of Profit & Loss.** **[4]**

Particulars	2017-18	2016-17
Revenue from operations	₹ 6,00,000	₹ 5,00,000
Other incomes (% of revenue from operations)	20%	20%
Employee benefit expenses (% of Total Revenue)	40%	30%
Tax rate	50%	50%

Answer :

Comparative Statement of Profit & Loss

for the years ended 31st March, 2017 & 2018

	Particulars	2016-17	2017-18	Absolute Change	Percentage Change
		₹	₹	₹	%
I.	Revenue from Operations	5,00,000	6,00,000	1,00,000	20
II.	Other Income	1,00,000	1,20,000	20,000	20
III.	Total Income (I + II)	6,00,000	7,20,000	1,20,000	20
IV.	Employee Benefit Expenses	1,80,000	2,88,000	1,08,000	60
V.	Profit before Tax (III – IV)	4,20,000	4,32,000	12,000	2.86
VI.	Tax @ 50%	2,10,000	2,16,000	6,000	2.86
VII.	Profit after Tax (V – VI)	2,10,000	2,16,000	6,000	2.86

23. **From the following Balance Sheet of Kiero Ltd. and the additional information as on 31-3-2018, prepare a Cash Flow Statement :**

Kiero Ltd.
Balance Sheet as at 31-3-2018

Particulars	Note No.	31-3-18 (₹)	31-3-17 (₹)
I. Equity and Liabilities			
(1) Shareholders' Funds			
(a) Share Capital		7,90,000	5,80,000
(b) Reserves and Surplus	1	4,60,000	1,20,000
(2) Non-Current Liabilities			
Long term Borrowings	2	5,00,000	3,00,000
(3) Current Liabilities			
(a) Short term Borrowings	3	1,15,000	42,000
(b) Short term Provisions	4	1,18,000	46,000
Total		**19,83,000**	**10,88,000**
II. Assets			
(1) Non-Current Assets			
Fixed Assets			
(i) Tangible Assets	5	9,80,000	6,35,000
(ii) Intangible Assets	6	2,68,000	1,70,000
(2) Current Assets			
(a) Current Investment		1,40,000	70,000
(b) Trade Receivables		4,40,000	1,50,000
(c) Cash and Cash Equivalents		1,55,000	63,000
Total		**19,83,000**	**10,88,000**

Notes to Accounts

Note No.	Particulars	31-3-18 (₹)	31-3-17 (₹)
1.	**Reserves and Surplus**		
	Surplus (Balance in Statement of Profit & Loss)	3,20,000	60,000
	General Reserve	1,40,000	60,000
		4,60,000	**1,20,000**
2.	**Long-term Borrowings**		
	12% Debentures	5,00,000	3,00,000
		5,00,000	**3,00,000**
3.	**Short-term Borrowings**		
	Bank Overdraft	1,15,000	42,000
		1,15,000	**42,000**
4.	**Short-term Provisions**		
	Provision for Tax	1,18,000	46,000
		1,18,000	**46,000**
5.	**Tangible Assets**		
	Plant and Machinery	11,00,000	7,50,000
	Less : Accumulated Depreciation	(1,20,000)	(1,15,000)
		9,80,000	**6,35,000**
6.	**Intangible Assets**		
	Goodwil	2,68,000	1,70,000
		2,68,000	**1,70,000**

Additional Information :

12% debentures were issued on 1st September, 2017. **[6]**

Answer :

Cash Flow Statement for the year ended 31st March, 2018

Particulars	Details	Amount (₹)
A. Cash Flow from Operating Activities		
Profit before tax and extraordinary items	4,58,000	
Add : Depreciation	5,000	
Interest on debentures	50,000	
Operating Profit before Working Capital Changes	5,13,000	
Less : Increase in Trade Receivables	(2,90,000)	
Cash generated from operations	2,23,000	
Less : Taxes paid	(46,000)	
Net Cash Inflow from Operating Activities		1,77,000
B. Cash Flow from Investing Activities		
Purchase of Plant and Machinery	(3,50,000)	
Purchase of Goodwill	(98,000)	
Net Cash used in Investing Activities		(4,48,000)
C. Cash Flow from Financing Activities		
Proceeds from Issue of Shares	2,10,000	
Proceeds from Issue of 12% Debentures	2,00,000	

Bank overdraft raised	73,000	
Interest paid on debentures.	(50,000)	
Net Cash Flow from Financing Activities		4,33,000
Net Increase in Cash and Cash Equivalents (A + B + C)		1,62,000
Add : Opening Balance of Cash and Cash Equivalents		1,33,000
Closing Balance of Cash & Cash Equivalents		2,95,000

Working Notes :

Calculation of Profit before Tax and Extraordinary Items :	₹
Surplus as on 31st March, 2018	3,20,000
Less : Surplus as on 31st March, 2017	60,000
	2,60,000
Add : Transfer to General Reserve (1,40,000 – 60,000)	80,000
	3,40,000
Add : Provision for tax created during the year	1,18,000
	4,58,000

Accountancy 2019 (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 Not for Profit Organisations, Partnership Firms and Companies)

6. State any two situations when a partnership firm can be compulsorily dissolved. **[1]**

Answer : A partnership firm is compulsorily dissolved in the following cases :

(i) When all the partners become insolvent.

(ii) When the business of the firm becomes illegal.

8. A firm earned average profit of ₹ 3,00,000 during the last few years. The normal rate of return of the industry is 15%. The assets of the business were ₹ 17,00,000 and its liabilities were ₹ 2,00,000. Calculate the goodwill of the firm by capitalisation of average profits. **[3]**

Answer :

Average Profits = ₹ 3,00,000

Net Assets = ₹ 17,00,000 – ₹ 2,00,000

= ₹ 15,00,000

Capitalised Value of Average Profits = ₹ $3,00,000 \times \frac{100}{15}$

= ₹ 20,00,000

Goodwill of the Firm = Capitalised Value of Average Profits - Net Assets

= ₹ 20,00,000 – ₹ 15,00,000

= ₹ 5,00,000

9. **Present the following information for the year ended 31st March, 2018 in the financial statements of a not-for-profit organisation.** **[3]**

Particulars	(₹)
Opening balance of Match Fund	5,00,000
Sale of Match tickets	3,75,000
Donations for Match Fund received during the year	1,24,000
Match expenses	10,00,000

Answer :

Balance Sheet as on 31st March, 2018

Liabilities		Amount (₹)	Assets	Amount (₹)
Match Fund	5,00,000			
Add : Donations	1,24,000			
Add : Sale of Match Tickets	3,75,000			
Less : Match Expenses	9,99,000	—		

₹ 1,000 will be shown on the debit side of Income & Expenditure account.

10. **Krishna Ltd. had outstanding 20,000, 9% debentures of ₹ 100 each on 1st April, 2014. These debentures were redeemable at a premium of 10% in two equal instalments starting from 31st March, 2018. The company had a balance of ₹ 4,00,000 in Debenture Redemption Reserve on 31st March, 2017.**

Pass necessary journal entries for redemption of debentures in the books of Krishna Ltd. for the year ended 31st March, 2018. **[3]**

Answer :

Journal

Date	Particulars		L.F.	Amount (₹)	Amount (₹)
2017 March 31	Surplus *i.e.* Balance in Statement of P & L	Dr.		1,00,000	
	To Debenture Redemption Reserve A/c				1,00,000
	(Being necessary amount transferred to debenture redemption reserve)				
April 30	Debenture Redemption Investment A/c	Dr.		1,50,000	
	To Bank A/c				1,50,000
	(Being debenture redemption Investment purchased)				
2018 March 31	Bank A/c	Dr.		1,50,000	
	To Debenture Redemption Investment A/c				1,50,000
	(Being Debenture Redemption Investment sold)				
March 31	9% Debentures A/c	Dr.		10,00,000	
	Premium on Redemption of Debenture A/c	Dr.		1,00,000	
	To Debentureholders A/c				11,00,000
	(Being debentures due)				
March 31	Debentureholders A/c	Dr.		11,00,000	
	To Bank A/c				11,00,000
	(Being debentures redeemed)				
March 31	Debenture Redemption Reserve A/c	Dr.		2,50,000	
	To General Reserve A/c				2,50,000
	(Being DRR transferred to general reserve)				

11. Gaurav, Saurabh and Vaibhav were partners in a firm sharing profits and losses in the ratio of 2 : 2 : 1. They decided to dissolve the firm on 31st March, 2018. After transferring Sundry assets (other than cash in hand and cash at Bank) and third party liabilities to realisation account, the assets were realised and liabilities were paid off as follows :

(i) A machinery with a book value of ₹ 6,00,000 was taken over by Gaurav at 50% and stock worth ₹ 5,000 was taken over by a creditor of ₹ 9,000 in full settlement of his claim.

(ii) Land and building (book value ₹ 3,00,000) was sold for ₹ 4,00,000 through a broker who charged 2% commission.

(iii) The remaining creditors were paid ₹ 76,000 in full settlement of their claim and the remaining assets were taken over by Vaibhav for ₹ 17,000.

(iv) Bank loan of ₹ 3,00,000 was paid along with interest of ₹ 21,000.

Pass necessary journal entries for the above transactions in the books of the firm. [4]

Answer :

Journal

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
(i)	(a) Gaurav's Capital A/c Dr.		3,00,000	
	To Realisation A/c			3,00,000
	(Being machinery taken over by Gaurav)			
	(b) No Entry			
(ii)	Cash/Bank A/c Dr.		3,92,000	
	To Realisation A/c			3,92,000
	(Being Land & Building sold)			
(iii)	(a) Realisation A/c Dr.		76,000	
	To Cash/Bank A/c			76,000
	(Being payment made to creditors)			
	(b) Vaibhav's Capital A/c Dr.		17,000	
	To Realisation A/c			17,000
	(Being assets taken by Vaibhav)			
(iv)	Realisation A/c Dr.		3,21,000	
	To Cash/Bank A/c			3,21,000
	(Being bank loan paid with interest)			

12. P, Q and R were partners in a firm sharing profits in the ratio of 1 : 1 : 2. On 31st March, 2018, their balance sheet showed a credit balance of ₹ 9,000 in the profit and loss account and a Workmen Compensation Fund of ₹ 64,000. From 1st April, 2018 they decided to share profits in the ratio of 2 : 2 : 1. For this purpose it was agreed that :

(a) Goodwill of the firm was valued at ₹ 4,00,000.

(b) A claim on account of workmen compensation of ₹ 30,000 was admitted.

Pass necessary journal entries on reconstitution of the firm. [4]

Answer :

Journal

Date	Particulars		L.F.	Amount (₹)	Amount (₹)
2018					
April 1	Profit & Loss A/c	Dr.		9,000	
	To P's Capital A/c				2,250
	To Q's Capital A/c				2,250
	To R's Capital A/c				4,500
	(Being profit & loss distributed)				
April 1	Workmen Compensation Fund A/c	Dr.		64,000	
	To P's Capital A/c				8,500
	To Q's Capital A/c				8,500
	To R's Capital A/c				17,000
	To Workmen's Compensation Claim A/c				30,000
	(Being workmen compensation fund adjusted for claim and balance distributed)				
April 1	P's Capital A/c	Dr.		60,000	
	Q's Capital A/c	Dr.		60,000	
	To R's Capital A/c				1,20,000
	(Being adjustment entry made for goodwill)				

Working Notes :

1. **Calculation of Gain/Sacrifice share of partners :**

$$\text{P's Gain/Sacrifice} = \frac{1}{4} - \frac{2}{5} = \frac{5-8}{20}$$

$$= \frac{-3}{20}\text{ (Gain)}$$

$$\text{Q's Gain/Sacrifice} = \frac{1}{4} - \frac{2}{5} = \frac{5-8}{20}$$

$$= \frac{-3}{20}\text{ (Gain)}$$

$$\text{R's Gain/Sacrifice} = \frac{2}{4} - \frac{1}{5} = \frac{10-4}{20}$$

$$= \frac{6}{20}\text{ (Sacrifice)}$$

2. **Computation of amount to be compensated to sacrificing partner by the gaining partners :**

Goodwill of the firm = ₹ 4,00,000

P will pay to R = ₹ 4,00,000 × $\frac{3}{20}$ = ₹ 60,000

Q will pay to R = ₹ 4,00,000 × $\frac{3}{20}$ = ₹ 60,000

R will receive from P and Q = = ₹ 4,00,000 × $\frac{6}{20}$ = ₹ 1,20,000.

PART : B

OPTION I

(Analysis of Financial Statements)

18. What is meant by 'Cash Flows'? **[1]**

Answer : Cash flows imply movement of cash in and out due to some non-cash items.

19. K Ltd., a manufacturing company obtained a loan of ₹ 6,00,000, advanced a loan of ₹ 1,00,000 and purchased machinery for ₹ 5,00,000. Calculate the amount of Cash Flow from financing and investing activities. **[1]**

Answer :

Cash Flows from Financing Activities

Particulars	Amount (₹)
Loan Raised	6,00,000
Net Cash Flow from Financing Activities	6,00,000

Cash Flows from Investing Activities

Particulars	Amount (₹)
Loan Advanced	(1,00,000)
Machinery purchased	(5,00,000)
Net Cash Used in Investing Activities	(6,00,000)

20. Prepare a comparative statement of Profit and Loss from the following information extracted from the statement of Profit and Loss for the year ended 31st March, 2018. **[4]**

Particulars	2017-18	2016-17
Revenue from operations	₹ 12,00,000	₹ 10,00,000
Other income (% of Revenue from operations)	25%	25%
Employee benefit expenses (% of Total Revenue)	40%	30%
Tax Rate	40%	40%

Answer :

Comparative Statement of Profit and Loss for the years ended 31st March, 2017 & 2018

	Particulars	2016-17	2017-18	Absolute Change	Percentage Change
		₹	₹	₹	%
I.	Revenue from Operations	10,00,000	12,00,000	2,00,000	20
II.	Other Income	2,50,000	3,00,000	50,000	20
III.	Total Income (I + II)	12,50,000	15,00,000	2,50,000	20
IV.	Employee Benefit Expenses	3,75,000	6,00,000	2,25,000	60
V.	Profit before Tax (III – IV)	8,75,000	9,00,000	25,000	2.86
VI.	Tax @ 40%	3,50,000	3,60,000	10,000	2.86
VII.	Profit after Tax (V – VI)	5,25,000	5,40,000	15,000	2.86

Accountancy 2019 (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 Not-for-Profit Organisations, Partnership Firms and Companies)

6. State any two contigencies that may result into dissolution of a partnership firm. **[1]**

Answer : (i) If the firm is constituted for a fixed term, on the expiry of that term.

(ii) On the insolvency of a partner.

8. L, M and N were partners in a firm sharing profits and losses in the ratio of 5 : 3 : 2. On 1st April, 2018 they admitted S as a new partner in the firm for 1/5th share in the profits. On S' admission the goodwill of the firm was valued at 3 years purchase of last five years average profits. The profits during the last five years were : **[3]**

Year ended 31st March	Profit (₹)
2014	4,00,000
2015	3,00,000
2016	2,00,000
2017	50,000
2018	(50,000)

Calculate the value of the goodwill of the firm. Pass necessary journal entry for the treatment of goodwill on S's admission. **[1]**

Answer :

$$\text{Average profits} = \frac{₹\,4,00,000 + ₹\,3,00,000 + ₹\,2,00,000 + ₹\,50,000 - ₹\,50,000}{5}$$

$$= ₹\,1,80,000$$

$$\text{Goodwill of the Firm} = ₹\,1,80,000 \times 3$$

$$= ₹\,5,40,000$$

$$\text{S's share of goodwill} = ₹\,5,40,000 \times \frac{1}{5} = ₹\,1,08,000$$

Journal

Date	Particulars		L.F.	Amount (₹)	Amount (₹)
2018					
April 1	S's Current/Capital A/c	Dr.		1,08,000	
	To L's Capital A/c				54,000
	To M's Capital A/c				32,400
	To N's Capital A/c				21,600
	(Being adjustment entry made for goodwill)				

9. From the following information calculate the amount of 'Sports Material' to be debited to Income and Expenditure Account of Young Football Club for the year ended 31st March, 2018. **[3]**

	₹
Opening Stock of Sports Material	**21,000**
Closing Stock of Sports Material	**24,000**
Opening Creditors of Sports Material	**23,500**
Closing Creditors of Sports Material	**27,000**

During the year the creditors for sports material were paid ₹ 1,10,000.

Answer :

Dr. **Stock of Sports Materials A/c** Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	21,000	By Income & Expenditure (Bal. Fig.) A/c	1,10,500
To Creditors for Sports Material A/c	1,13,500	By Balance c/d	24,000
	1,34,500		1,34,500

Dr. **Creditors for Sports Materials A/c** Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Cash A/c	1,10,000	By Balance b/d	23,500
To Balance c/d	27,000	By Stock of Sports Material A/c	1,13,500
	1,37,000		1,37,000

10. On 1st April, 2013 Anushka Ltd. issued ₹ 70,000, 9% debentures of ₹ 100 each at par, redeemable at a premium of 5% on 31st March, 2018. The company created the necessary, minium amount of debenture redemption reserve and purchased debenture redemption reserve investments. The debentures were redeemed on 31st March, 2018.

Pass necessary journal entries for the redemption of debentures, in the books of the company. [3]

Answer :

Journal

Date	Particulars		Amount (₹)	Amount (₹)
2017 March 31	Surplus *i.e.* Balance in Statement of P & L	Dr.	17,50,000	
	To Debenture Redemption Reserve A/c			17,50,000
	(Being transfer of profit to Debenture Redemption Reserve)			
2017 April 30	Debenture Redemeption Investment A/c	Dr.	10,50,000	
	To Bank A/c			10,50,000
	(Being Debenture Redemption Investments purchased)			
2018 March 31	Bank A/c	Dr.	10,50,000	
	To Debenture Redemption Investment A/c			10,50,000
	(Being Debenture Redemption Investment sold)			
March 31	9% Debentures A/c	Dr.	70,00,000	
	Premium on Redemption of Debentures A/c	Dr.	3,50,000	
	To Debentureholders A/c			
	(Being Debentures due for redemption)			73,50,000
March 31	Debentureholders A/c	Dr.	73,50,000	
	To Bank A/c			73,50,000
	(Being Debentures redeemed)			
March 31	Debenture Redemption Reserve A/c	Dr.	17,50,000	
	To General Reserve A/c			17,50,000
	(Being DRR transferred to general reserve)			

11. Ravi, Shankar and Madhur were partners in a firm sharing profits in the ratio of 7 : 2 : 1. On 31st March, 2018, the firm was dissolved, after transferring sundry assets (other than cash in hand and cash at bank) and third party liabilities in the realisation account the following transactions took place.

(i) Debtors amounting to ₹ 1,40,000 were handed over to a debt collection agency which charged 5% commission. The remaining debtors were ₹ 47,000, out of which debtors of ₹ 17,000 could not be recovered because the same became insolvent.

(ii) Creditors amounting to ₹ 5,000 were paid ₹ 3,500 in full settlement of their claim and balance creditors were handed over stock of ₹ 90,000 in full settlement of their claim of ₹ 95,000.

(iii) A bills receivable ₹ 2,000 discounted with the bank was dishonoured by its acceptor and the same had to be met by the firm.

(iv) Profit on realisation amounted to ₹ 6,000.

Pass necessary journal entries for the above transactions in the books of Ravi, Shankar and Madhur. **[4]**

Answer :

Journal

Date	Particular	L.F.	Amount (₹)	Amount (₹)
(i)	Cash/Bank A/c Dr.		1,63,000	
	To Realisation A/c			1,63,000
	(Being amount received from debtors)			
(ii)	Realisation A/c Dr.		3,500	
	To Cash/Bank A/c			3,500
	(Being payment made to creditors)			
(iii)	Realisation A/c Dr.		2,000	
	To Cash/Bank A/c			2,000
	(Being discounted bill dishonoured earlier, met by firm)			
(iv)	Realisation A/c Dr.		6,000	
	To Ravi's Capital A/c			4,200
	To Shankar's Capital A/c			1,200
	To Madhur's Capital A/c			600
	(Being profit on realisation transferred to partners capital accounts)			

12. Aman, Bobby and Chandani were partners in a firm sharing profits and losses in the ratio of 5 : 4 : 1. From 1st April, 2018 they decided to share profits equally. The revaluation of assets and re-assessment of liabilities resulted in a loss of ₹ 5,000. The goodwill of the firm on its reconstitution was valued at ₹ 1,20,000. The firm had a balance of ₹ 20,000 in General Reserve.

Showing your workings clearly pass necessary journal entries on the reconstitution of the firm. [4]

Answer :

Journal

Date	Particular		L.F.	Amount (₹)	Amount (₹)
	Aman's Capital A/c	Dr.		2,500	
	Bobby's Capital A/c	Dr.		2,000	
	Chandani's Capital A/c	Dr.		500	
	To Revaluation A/c				5,000
	(Being loss on revaluation debited to partners' capital A/c in old ratio)				
	Chandani's capital A/c	Dr.		28,000	
	To Aman's Capital A/c				20,000
	To Bobby's Capital A/c				8,000
	(Being adjustment entry made for goodwill)				
	General Reserve A/c	Dr.		20,000	
	To Aman's Capital A/c				10,000
	To Bobby's Capital A/c				8,000
	To Chandani's Capital A/c				2,000
	(Being general reserve distributed to partners in old ratio)				

Working Notes :

1. **Calculation of Gain/Sacrifice share of partners :**

$$\text{Aman's Gain/Sacrifice} = \frac{5}{10} - \frac{1}{3} = \frac{15-10}{30} = \frac{5}{30}\text{ (Sacrifice)}$$

$$\text{Bobby's Gain/Sacrifice} = \frac{4}{10} - \frac{1}{3} = \frac{12-10}{30} = \frac{2}{30}\text{ (Sacrifice)}$$

$$\text{Chandani's Gain/Sacrifice} = \frac{1}{10} - \frac{1}{3} = \frac{3-10}{30} = \frac{-7}{30}\text{ (Gain)}$$

2. **Computation of amount to be compensated to sacrificing partners by the gaining partner :**

Goodwill of the firm = ₹ 1,20,000

Aman will receive from Chandani = ₹ 1,20,000 × $\frac{5}{30}$

= ₹ 1,20,000

Bobby will receive from Chandani = ₹ 1,20,000 × $\frac{2}{30}$

= ₹ 8,000

Chandani will pay to Aman and Bobby = ₹ 1,20,000 × $\frac{7}{30}$

= ₹ 28,000

PART : B

OPTION I

(Analysis of Financial Statements)

18. **How will 'commission received' be treated while preparing cash-flow-statement ?** [1]

Answer : It will be treated as Cash inflow from operating activities.

19. **How is 'dividend paid' treated by a financial enterprise for the purpose of preparing cahs flow statement ?** [1]

Answer : Dividend paid will be treated as a cash outflow under financing activity.

20. **Prepare a comparative statement of Profit and Loss from the information extracted from the statement of Profit and Loss for the year ended 31st March, 2017 and 2018.** [4]

Particulars	2017 – 18	2016 – 17
Revenue from operations	**₹ 15,00,000**	**₹ 10,00,000**
Other income (% of Revenue from operations)	**60%**	**50%**
Employee benefit expenses (% of total revenue)	**40%**	**30%**
Tax-Rate	**40%**	**40%**

Answer :

Comparative Statement of Profit & Los for the years ended 31st March 2017 & 2018

Particulars	2016 – 17	2017 – 18	Absolute charge	% change
	₹	₹	₹	%
I. Revenue from operations	10,00,000	15,00,000	5,00,000	50
II. Other Income	5,00,000	9,00,000	4,00,000	80
III. Total Revenue (I + II)	15,00,000	24,00,000	9,00,000	60
IV. Employee Benefit Expenses	4,50,000	9,60,000	5,10,000	113.33
V. Profit before Tax (III – IV)	10,50,000	14,40,000	3,90,000	37.14
VI. Tax Paid @ 40%	4,20,000	5,76,000	1,56,000	37.14
VII. Profit after Tax (V – VI)	6,30,000	8,64,000	2,34,000	37.14

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