

CBSE
Class XII Accountancy
All India Board Paper_Set1_2014

Time: 3 Hrs

Max. Marks: 80

General Instructions:

- 1) This question paper contains two parts **A** and **B**.
- 2) Part **A** is **compulsory** for all.
- 3) All parts of a question should be attempted at one place.

Section A

- (i) This section consists of **18** questions.
- (ii) All the question are compulsory.
- (iii) Question Nos. **1 to 7** are very short – answer questions carrying **1** mark each.
- (iv) Question Nos. **8 to 10** carry **3** marks each.
- (v) Question Nos. **11 and 14** carry **4** marks each.
- (vi) Question Nos. **15 to 16** carry **6** marks each.
- (vii) Question Nos. **17 and 18** Carry **8** marks each.

Section B

- (i) This section consists of **7** questions
- (ii) All questions are compulsory
- (iii) Question Nos.**19 and 21** are very short – answer carrying **1** mark each
- (iv) Question Nos. **22** carry **3** marks
- (v) Question Nos. **23 to 24** carry **4** marks
- (vi) Question No.**25** carries **6** marks

Section-A

1. X, Y and Z were partners sharing profits in the ratio of $\frac{1}{2}$, $\frac{3}{10}$ and $\frac{1}{5}$. X retired from the firm. Calculate the gaining ratio of the remaining partners.
2. State the rights acquired by a newly admitted partner.
3. Distinguish between 'Dissolution of partnership' and 'Dissolution of partnership firm' on the basis of Court's intervention.
4. Give the meaning of 'Reconstitution of a partnership firm'?
5. D Ltd. invited applications for issuing 10,00,000 equity shares of ₹10 each. The public applied for 8,55,000 shares. Can the company proceed for the allotment of shares? Give reason in support of your answer.
6. A Ltd. forfeited 100 equity shares of ₹10 each issued at a premium of 20% for the non-payment of final call of ₹5 including premium. State the maximum amount of discount at which these shares can be re-issued?
7. What is meant by issue of debentures as collateral security?
8. Hemant and Nishant were partners in a firm sharing profits in the ratio of 3:2. Their capitals were ₹1,60,000 and ₹1,00,000 respectively. They admitted Somesh on 1st April, 2013 as a new partner for $\frac{1}{5}$ share in the future profits. Somesh brought ₹1,20,000 as his capital. Calculate the value of goodwill of the firm and record

necessary journal entries for the above transactions on Somesh's admission.

9. Tata Ltd. issued 5,000, 10% Debentures of ₹100 each on 1st April, 2012. The issue was fully subscribed. According to the terms of issue, interest on debentures is payable half-yearly on 30th September and 31st March and tax deducted at source is 10%.
Pass the necessary journal entries related to the debenture interest for the half-yearly ending on 31st March, 2013 and transfer of interest on debentures to Statement of Profit and Loss.
10. Pass necessary journal entries in the following cases :
 - i. Sunrise Ltd. converted 500, 9% debentures of ₹100 each issued at a discount of 10% into equity shares of ₹100 each issued at a premium of ₹25%.
 - ii. Britannia Ltd. redeemed 3,000, 12% debentures of ₹100 each which were issued at a discount of ₹10 per debenture by converting them into equity shares of ₹100 each ₹90 paid up.
11. Singh and Gupta decided to start a partnership firm to manufacture low cost jute bags as plastic bags were creating many environmental problems. They contributed capitals of ₹1,00,000 and ₹50,000 on 1st April, 2012 for this. Singh expressed his willingness to admit Shakti as a partner without capital, who is specially abled but a very creative and intelligent friend of his. Gupta agreed to this. The terms of partnership were as follows :
 - i. Singh, Gupta and Shakti will share profits in the ratio of 2:2:1.
 - ii. Interest on capital will be provided @ 6% p.a.
 Due to shortage of capital, Singh contributed ₹25,000 on 30th September, 2012 and Gupta contributed ₹10,000 on 1st January, 2013 as additional capital. The profit of the firm for the year ended 31st March 2013 was ₹1,68,900.
 - a. Identify any two values which the firm wants to communicate to the society.
 - b. Prepare Profit and Loss Appropriation Account for the year ending 31st March, 2013.
12. Monika, Sonika and Mansha were partners in a firm sharing profits in the ratio of 2:2:1 respectively. On 31st, March 2013, their Balance Sheet as under:

Balance Sheet as on March 31, 2013			
Liabilities	₹	Assets	₹
Capital:		Fixed Asset	3,60,000
Monika 1,80,000		Stock	60,000
Sonika 1,50,000		Debtors	1,20,000
Mansha 90,000	4,20,000	Cash	2,70,000
Reserve Fund	1,50,000		
Creditors	2,40,000		
	8,10,000		8,10,000

Sonika died on 30th June, 2013. It was agreed between her executors and the remaining partners that:

- a. Goodwill of the firm be valued at 3 years' purchase of average profits for the last four years. The average profits were ₹2,00,000.
 - b. Interest on capital be provided at 12% p.a.
 - c. Her share in the profits up to the date of death will be calculated on the basis of average profits for the last four years.
- Prepare Sonika's Capital Account as on 30th June, 2013.
13. On 1st April, 2012, Vishwas Ltd. was formed with an authorised capital of ₹10,00,000 divided into 1,00,000 equity shares of ₹10 each. The company issued prospectus inviting applications for 90,000 equity shares. The company received applications for 85,000 equity shares. During the first year, ₹8 per share were called. Ram holding 1,000 shares and Shyam holding 2,000 shares did not pay the first call of ₹2 per share. Shyam's shares were forfeited after the first call and later on 1,500 of the forfeited share were re-issued at ₹6 per share, ₹8 called up.

Show the following:

- a. Share Capital in the Balance Sheet of the company as per revised Schedule VI Part I of the Companies Act, 1956.
- b. Also prepare 'Notes to Accounts' for the same.
14. Pass necessary journal entries for the following transactions in the books of Gopal Ltd:
- Purchased furniture for ₹2,50,000 from M/s Furniture Mart. The payment to M/s Furniture Mart was made by issuing equity shares of ₹10 each at a premium of 25%.
 - Purchased a running business from Aman Ltd, for a sum of ₹15,00,000. The payment of ₹12,00,000 was made by issue of fully paid equity shares of ₹10 each and balance by a bank draft. The assets and liabilities consisted of the following:
Plant ₹3,50,000; Stock ₹4,50,000; Land and Building ₹6,00,000; Sundry Creditors ₹1,00,000.
15. Seema, Tanuja and Tripti were partners in a firm trading in garments. They were sharing profits in the ratio of 5:3:2. Their capitals on 1st April, 2012 were ₹3,00,000, ₹4,00,000 and ₹8,00,000 respectively. After the flood in Uttarakhand, all partners decided to help the flood victims personally. For this Seema withdrew ₹20,000 from the firm of 15th September, 2012. Tanuja instead of withdrawing cash from the firm took garments amounting to ₹24,000 from the firm and distributed those to the flood victims. On the other hand, Tripti withdrew ₹2,00,000 from her capital on 1st January, 2013 and provided a mobile medical van in the flood affected area. The partnership deed provides for charging interest on drawings @ 6% p.a. After the final accounts were prepared it was discovered that interest on drawings had not been charged. Give the necessary adjusting journal entry and show the working notes clearly. Also state any two values which the partners wanted to communicate to the society.
16. Hanif and Jubed were partners in a firm sharing profits in the ratio of their capitals. On 31st march ,2013 their Balance Sheet was as follows:

Balance Sheet of Hanif and Jubed as on 31st March ,2013

Liabilities	₹	Assets	₹
Creditors	1,50,000	Bank	2,00,000
Workman Companion Fund	3,00,000	Debtors	3,40,000
General Reserve	75,000	Stock	1,50,000
Hanif's Current Account	25,000	Furniture	4,60,000
Capital's:		Machinery	8,20,000
Hanif 10,00,000		Jubed's Current Account	80,000
Jubed 5,00,000	15,00,000		
	20,50,000		20,50,000

On the above date the firm was dissolved:

- Debtors were realised at a discount of 5%, 50% of the stock was taken over by Hanif at 10% less than the book value. Remaining stock was sold for ₹65,000.
 - Furniture was taken over by Jubed for ₹1,35,000. Machinery was sold as scrap for ₹74,000.
 - Creditors were paid in full.
 - Expenses on realisation ₹8,000 were paid by Hanif.
- Prepare Realisation Account.
17. X Ltd. invited applications for issuing 75,000 equity shares of ₹10 each at a premium of ₹5 per share. The amount was payable as follows:
On applications and allotment - ₹9 per share (including premium)
On first and final call - the balance amount
Applications for 3,00,000 shares were received. Applications for 2,00,000 shares were rejected and money refunded. Shares were allotted on pro-rata basis to the remaining applicants. The first and final call was made. The amount was duly received except on 1,500 shares applied by Ravi. His shares were forfeited. The forfeited shares were re-issued at a discount of ₹4 per share.
Pass necessary journal entries for the above transactions in the books of X Ltd.

OR

Y Ltd. invited applications for issuing 80,000 equity shares of ₹10 each at a discount of 10%. The amount was payable as follows:

On applications and allotment - ₹6 per share

On first and final call - the balance amount

Application for 2,00,000 shares were received. Applications for 40,000 shares were rejected and money refunded. Shares were allotted on pro-rata basis to the remaining applicants. The first and final call was made. All money was received except on 1,600 shares applied by Rohan. His shares were forfeited. The forfeited shares were re-issued at the maximum discount permissible under the law.

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

18. Shikhar and Rohit were partners in a firm sharing profit in the ratio 7:3. On 1st April, 2013 they admitted Kavi as a new partners for $\frac{1}{4}$ share in profit of the firm. Kavi brought ₹4,30,000 as his capital and ₹25,000 for his share of goodwill premium. The Balance Sheet of Shikhar and Rohit as on 1st April, 2013 was as follows:

Balance Sheet of Shikhar and Rohit as on 1st April, 2013

Liabilities	₹	Assets	₹
Capital:		Land and Building	3,50,000
Shikhar 8,00,000		Machinery	4,50,000
Rohit 3,50,000	11,50,000	Debtors 2,20,000	
General Reserve	1,00,000	Less: Provision 20,000	2,00,000
Workman's Compensation Fund	1,00,000	Stock	3,50,000
Creditors	1,50,000	Cash	1,50,000
	15,00,000		15,00,000

It was agreed that:

- The value of Land and Building will be appreciated by 20%.
- The value of Machinery will be depreciated by 10%.
- The liabilities of Workmen's Compensation Fund was determined at ₹50,000.
- Capitals of Shikhar and Rohit will be adjusted on the basis of Kavi's capital and actual cash to be brought in or to be paid off as the case may be.

Prepare Revaluation Account, Partners' Capital Accounts and the Balance Sheet of the new firm.

OR

L, M and N were partners in a firm sharing profits in the ratio of 2:1:1. On 15th April, 2013 their Balance Sheet was follows:

Balance Sheet of L, M and N as on 1st April, 2013

Liabilities	₹	Assets	₹
Capital:		Land	8,00,000
L 6,00,000		Building	6,00,000
M 4,80,000		Furniture	2,40,000
N 4,80,000	15,60,000	Debtors 4,00,000	
General Reserve	4,40,000	Less: Provision 20,000	3,80,000
Workman's Compensation Fund	3,60,000	Stock	4,40,000
Creditors	2,40,000	Cash	1,40,000
	26,00,000		26,00,000

On the above date N retired.

The following were agreed:

- Goodwill of the firm was valued at ₹6,00,000.
- Land was to be appreciated by 40% and Building was to be depreciated by ₹1,00,000. Furniture was to be depreciated by ₹30,000.
- The liabilities for Workmen's Compensation Fund was determined at ₹1,60,000.
- Amount payable to N was transferred to his loan account.
- Capitals of L and M were to be adjusted in their new profit sharing ratio and for this purpose current accounts of the partners will be opened. Prepare Revaluation Account, Partners' Capital Accounts and the Balance Sheet of the new firm.

Section- B

19. What is meant by 'Cash Flow Statement'?
20. Why is separate disclosure of cash flow from investing activities important while preparing Cash Flow Statement?
21. State any one objective of financial statements analysis.
22. Under which major sub-headings the following items will be placed in the Balance Sheet of a company as per revised Schedule-VI, Part-I of the Companies Act, 1956:
- Capital Reserve
 - Bonds
 - Loans repayable on demand
 - Vehicles
 - Goodwill
 - Loose tools
23. From the following Statement of profit and loss of Fenox Ltd, for the year ended 31st March, 2013; prepare a comparative statement of Profit and Loss:
- | Particulars | 2012-13
₹ | 2011-12
₹ |
|------------------------|--------------|--------------|
| Revenue from operation | 8,00,000 | 6,00,000 |
| Other Income | 1,00,000 | 50,000 |
| Expenses | 5,00,000 | 4,00,000 |
- Rate of Income tax was 40%.
24. (a) The quick ratio of a company is 1.5 : 1. State with reason which of the following transactions would
- increase:
 - decrease or
 - not change the ratio:
- Paid rent ₹3,000 in advance.
 - Trade receivables included a debtor Shri Ashok who paid his entire amount due ₹9,700.

(b) From the following information compute 'Proprietary Ratio'.

Long Term Borrowings'	2,00,000
Long Term Provision	1,00,000
Current Liabilities	50,000
Non-Current-Assets	3,60,000
Current -Assets	90,000

25. Prepare a Cash Flow Statement from the information given in the balance sheet of Simco Ltd. As at 31-3-2013 and 31-3-2012:

Particulars	Note No.	31-3-2013 ₹	31-3-2012 ₹
I. Equity and Liabilities			
1. Shareholders' Funds			
a. Equity share Capital		2,00,000	1,50,000
b. Reserves and Surplus		90,000	75,000
2. Non-current Liabilities			
a. Long term-borrowing		87,500	87,500
3. Current liabilities			
a. Trade Payables		10,000	76,000
Total		3,87,500	3,88,500
II. Assets			
1. Non- Current assets			
a. Fixed assets			
i. Tangible assets		1,87,500	1,40,000
b. Non –Current Investment		1,05,000	1,02,500
2. Current assets			
a. Current-Investment (marketable)		12,500	33,500
b. Inventory		4,000	5,500
c. Trade receivable		9,500	23,000
d. Cash and Cash equivalents		68,500	84,000
Total		3,87,500	3,88,500

**Notes to Account:
Note -1**

Particulars	2013 ₹	2012 ₹
Reserve and Surplus		
Surplus(balance in statement of profit and loss)	90,000	75,000

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All India Board Paper Set1-2014- Solution

SECTION A

1. Answer :

Calculation of Gaining Ratio:

X : Y : Z

$$\text{Old Ratio} = \frac{1}{2} : \frac{3}{10} : \frac{1}{5}$$
$$\frac{5:3:2}{10}$$

New Ratio = 3:2

Gaining Ratio = New Ratio – Old Ratio

$$\text{Y's Gain} = \frac{3}{5} - \frac{3}{10} = \frac{3}{10}$$

$$\text{Z's Gain} = \frac{2}{5} - \frac{2}{10} = \frac{2}{10}$$

Gaining Ratio = 3:2

2. Answer :

The new partner on admission acquires the two rights:

- i. Right to share the future profits of the partnership firm.
- ii. Right to share the assets of the partnership firm.

3. Answer :

Basis	Dissolution of Partnership	Dissolution of firm
Intervention by Court	Court does not intervene.	Dissolution of partnership firm can be done with the intervention of the court.

4. Answer :

When there is a change in the existing partnership agreement which causes the termination of the agreement and a new partnership agreement comes into form it is called as 'Reconstitution of a partnership firm'.

5. Answer :

The subscribed shares are less than the minimum subscription required (90%). Thus, D Ltd. cannot proceed with allotment of shares.

6. Answer:

Maximum amount of discount that can be allowed at the time of reissue is the amount received (or paid by) the original shareholder i.e. ₹7. ₹5 is called at the time of final call which includes premium amount also. Thus, it means that ₹7 are received from the shareholder.

7. Answer:

The issue of debentures as an additional security against the loan in addition to the principal security is known as issue of debentures as collateral security.

8. Answer:

Journal Entry

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Cash A/c To Somesh's Capital A/c (Being Somesh brought his share capital)	Dr.	1,20,000	1,20,000
	Somesh's Capital A/c To Hemant's Capital A/c To Naresh's Capital A/c (Being share of goodwill brought in by Somesh, distributed among sacrificing partners in sacrificing ratio 3:2)	Dr.	44,000	26,400 17,600

Calculation of Profit sharing Ratio:

Hemant :Naresh

Old Ratio = 3:2

$$\text{Somesh Share} = \frac{1}{5}$$

Let the total share of the firm =1

$$\text{Remaining share of the firm} = 1 - \frac{1}{5} = \frac{4}{5}$$

$$\text{Hemant's New Share} = \frac{3}{5} \times \frac{4}{5} = \frac{12}{25}$$

$$\text{Naresh's New Share} = \frac{2}{5} \times \frac{4}{5} = \frac{8}{25}$$

$$\text{New profit Sharing Ratio} = \frac{12}{25} : \frac{8}{25} : \frac{1}{5}$$

$$\frac{12}{25} : \frac{8}{25} : \frac{1}{5}$$

$$12 : 8 : 5$$

Sacrificing Ratio = old Ratio - New Ratio

$$\text{Hemant's Sacrifice} = \frac{3}{5} - \frac{12}{25} = \frac{3}{25}$$

$$\text{Naresh's Sacrifice} = \frac{2}{5} - \frac{8}{25} = \frac{2}{25}$$

Sacrificing Ratio = 3 : 2

Calculation of Somesh's share of Goodwill:

Total Capitalised Value of Firm = Capital brought in by Somesh x Reciprocal of his share

$$\text{Total Capitalised Value of Firm} = 1,20,000 \times \frac{5}{1} = 6,00,000$$

Net Worth = Capital of Hemant + Capital of Naresh + Capital of Somesh

$$\text{Net Worth} = 1,60,000 + 1,00,000 + 1,20,000 = ₹3,80,000$$

Goodwill of the Firm = Total Capitalised Value of the Firm – Net Worth

$$\text{Goodwill of the Firm} = 6,00,000 - 3,80,000 = ₹2,20,000$$

$$\text{Somesh's share of Goodwill} = 2,20,000 \times \frac{1}{5} = 44,000$$

$$\text{Hemant will get} = 44,000 \times \frac{3}{5} = 26,400$$

$$\text{Naresh will get} = 44,000 \times \frac{2}{5} = 17,600$$

9. Answer :

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
2012				
Sept.30	Debenture Interest A/c $\left(5,00,000 \times \frac{10}{100} \times \frac{6}{12}\right)$ Dr. To Income Tax Payable A/c (25,000 × 10%) To Debenture holders' A/c (Being amount of interest due for 6 month and tax deducted at source)		25,000	2,500 22,500
Sept. 30	Debenture holders' A/c Dr. To Bank A/c (Being interest paid to the debenture holders)		22,500	22,500
Sept.30	Income Tax Payable A/c Dr. To Bank A/c (Being payment of tax on interest on denatures)		2,500	2,500
2013				
Mar.31	Debenture Interest A/c $\left(5,00,000 \times \frac{10}{100} \times \frac{6}{12}\right)$ Dr. To Income Tax Payable A/c (12,000 × 10%) To Debenture holders' A/c (Being amount of interest due for 6 month and tax deducted at source)		25,000	2,500 22,500
Mar.31	Debenture holders' A/c Dr. To Bank A/c (Being interest paid to the debenture holders)		22,500	22,500
Mar.31	Income Tax Payable A/c Dr. To Bank A/c (Being payment of tax on interest on denatures)		2,500	2,500
Mar.31	Statement of Profit and Loss A/c Dr. To interest on debentures A/c (Being interest on debentures transferred to statement of profit and loss)		50,000	50,000

10. Answer

Books of Sunrise Ltd.
Journal Entry

Date	Particulars	L.F.	Debit ₹	Credit ₹
	12% Debenture A/c Dr. To Debenture holder A/c To Discount on issue of debenture A/c (Being 500 12% debenture of ₹100 each issue at a discount of 6% due for redemption)		50,000	45,000 5,000
	Debenture A/c Dr. To Equity Share Capital A/c		45,000	36,000

	To Securities Premium A/c (Being payment made to debenture holder by issuing 360 equity share of ₹100 each at premium of ₹25%)			9,000
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Working Note:

$$\text{Number of Equity share issued} = \frac{\text{Amount Payable to Debentureholder}}{\text{Price of a Share}}$$

$$\text{Number of Equity share issued} = \frac{45,000}{125(100 + 25)} = 360 \text{ Equity shares}$$

**Books of Britannia Ltd.
Journal Entry**

Date	Particulars	L.F.	Debit ₹	Credit ₹
	12% Debenture A/c Dr. To Debenture Holder A/c To Discount on issue of Debentures A/c (Being 3,000 12% debenture of ₹100 each due for redemption)		3,00,000	2,70,000 30,000
	Debenture Holder A/c Dr. Discount A/c Dr. To Equity share capital A/c (Being payment made to debenture holder by issuing 3,000 equity share of ₹100 each issued at discount of ₹10)		2,70,000 30,000	3,00,000

$$\text{Number of Equity share issued} = \frac{\text{Amount Payable to Debentureholder}}{\text{Price of a Share}}$$

$$\text{Number of Equity share issued} = \frac{2,70,000}{90} = 3,000 \text{ Equity shares}$$

11. Answer :

(a) Value involved in the above scenario:

- i. Conservation of the environment
- ii. Encouraging Talent

(b)

**Profit and Loss Appropriation Account
For the year ended April 01,2012**

Dr.			Cr.	
Particulars	₹		Particulars	₹
To Interest on capital A/c:			By Profit and Loss A/c	1,68,900
Singh	6,750			
Gupta	3,150	9,900		
To Profit transferred to:				
Singh's capital A/c	63,600			
Gupta's Capital A/c	63,600			
Shakti's Capital A/c	31,800	1,59,000		
	1,68,900			1,68,900

Working Capital:

Calculation of Interest on Capital:

Interest on Singh's Capital:

On 1,00,000 for whole year:

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

On 25,000 for 6 month (from Sept.30 to Mar. 31)

$$25,000 \times \frac{6}{100} \times \frac{6}{12} = 750$$

Total Interest on Singh's Capital = 6,000 + 750 = 6,750

Interest on Gupta's Capital:

On 50,000 for whole year:

$$50,000 \times \frac{6}{100} = 3,000$$

On 10,000 for 3 month (from Jan.01 to Mar. 31)

$$10,000 \times \frac{6}{100} \times \frac{3}{12} = 150$$

Total Interest on Singh's Capital = 3,000 + 150 = 3,150

12. Answer:

Sonika's Capital Account

Dr.		Cr.	
Particulars	₹	Particulars	₹
To Executor's A/c	4,74,500	By Balance b/d	1,50,000
		By Monika's Capital A/c	1,60,000
		By Mansha's Capital A/c	80,000
		By Profit and Loss Suspense A/c	20,000
		By Reserve Fund A/c	60,000
		By Interest on Capital A/c	4,500
	4,74,500		4,74,500

Calculation of Gaining Ratio of Monika and Mansha:

Monika : Sonika : Mansha

Old Ratio = 2 : 2 : 1

New Ratio of Monika and Mansha = 2 : 1

Gaining Ratio = New Ratio - old Ratio

$$\text{Monika's Gain} = \frac{2}{3} - \frac{2}{5} = \frac{4}{15}$$

$$\text{Mansha's Gain} = \frac{1}{3} - \frac{1}{5} = \frac{2}{15}$$

Gaining Ratio = 4:2 or 2:1

WN1: Calculation of Sonika's Share of Goodwill

Goodwill of the firm = Average Profit × Number of year's purchase

Goodwill of the firm = 2,00,000 × 3 = 6,00,000

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

Monika Will give = $2,40,000 \times \frac{2}{3} = 1,60,000$

Mansha will give = $2,40,000 \times \frac{1}{3} = 80,000$

WN2: Calculation of Profit share of Sonika :

Profit for the year = 2,00,000

Sonika's share of Profit = $2,00,000 \times \frac{3}{2} \times \frac{2}{5} = 20,000$

WN3: Calculation Of Interest on Sonika's capital :

Sonika's Capital = 1,50,000

Interest on Capital = $1,50,000 \times \frac{3}{12} \times \frac{12}{100} = 4,500$

WN4 : Sonika's share of Reserve fund :

Share of Reserve Fund = $1,50,000 \times \frac{2}{5} = 60,000$

13. Answer :

Balance Sheet
as at April 01, 2012

Particulars	Note No.	₹
I. Equity and Liabilities		
1. Shareholders' fund		
a. Share capital		6,77,000
b. Reserve and Surplus		6,000
2. Non-Current Liabilities		
3. Current Liabilities		
Total		6,83,000
II. Assets		
1. Non-Current Assets		
2. Current Assets		
Cash and Cash Equivalents		6,83,000
Total		6,83,000

Note to Account

Note No.	Particular	₹
1	Share capital	
	1,00,000 share of ₹10 each	10,00,000
	Issued capital	
	90,000 equity share of ₹10 each	9,00,000
	Subscribed Called up and paid up Capital	
	84,500 equity share of ₹8 each	6,67,000
	Less: Calls-in- arrears (on 1,000 equity share @ ₹2 per Share)	2,000
	Add: Share forfeiture(on 500 equity share)	3,000
		6,77,000

2	Reserve and Surplus Capital Reserve	6,000
3	Cash and Cash Equivalents Cash at Bank	6,83,000

14. Answer :
(a)

Journal Entries

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Furniture A/c Dr. To M/s Furniture A/c (Being furniture is purchased from M/s Furniture mart for ₹2,50,000)		2,50,000	2,50,000
	M/s Furniture Mart A/c Dr. To Equity share capital A/c To Securities Premium A/c (Being issue of 20,000 share at ₹10 each at a premium of 25%)		2,50,000	2,00,000 50,000

Working Note:

Calculation of Number of shares to be issued (at Premium of 25%)

$$\text{No. of shares} = \frac{\text{Purchase Price}}{\text{Issue Price}} = \frac{2,50,000}{12.5(10+2.5)} = 20,000 \text{ share}$$

(b)

Journal Entries

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Plant A/c Dr. Land and Building A/c Dr. Stock A/c Dr. Goodwill A/c (Balancing Figure) Dr. To Sundry Creditors A/c To Aman Ltd. A/c (Being purchase of business from Aman ltd.)		3,50,000 6,00,000 4,50,000 2,00,000	1,00,000 15,00,000
	Aman Ltd. A/c Dr. To Equity share capital A/c To Bank A/c (Being issue of 1,20,000 share of ₹10 each and remaining payment is made through bank draft)		15,00,000	12,00,000 3,00,000

15. Answer :

Journal Entries

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Tripti's Capital A/c Dr. To Seema's Capital A/c To Tanuja's Capital A/c (Being interest on drawings has been changed, now adjusted)		2,114	1,565 549

Adjusting Table:

Particular	Seema	Tanuja	Tripti	Total
Interest on Drawings	650	780	3,000	4,430
Profit of ₹ 770 shared in Ratio 5:3:2(Cr.)	2,215	1,329	886	4,430
Difference	1,565 (Cr.)	549 (Cr.)	2,114 (Dr.)	Nil

Working Notes:

Calculation of Interest Drawings:

$$\text{Interest on Seema's Drawings} = 20,000 \times \frac{6}{100} \times \frac{6.5}{12} = 650$$

$$\text{Interest on Tanuja's Drawings} = 24,000 \times \frac{6}{100} \times \frac{6.5}{12} = 780$$

$$\text{Interest on Tripti's Drawings} = 2,00,000 \times \frac{6}{100} \times \frac{3}{12} = 3,000$$

Values involved in the above scenario are as follows:

- Duty for Nation
- Upliftment of Victims

16. Answer :

Realisation Account

Dr.	Cr.		
Particulars	₹	Particulars	₹
To Sundry Asset A/c		By Sundry Liabilities A/c	
Debtors 3,40,000		Creditors	1,50,000
Stock 1,50,000			
Furniture 4,60,000		Bank A/c:	
Machinery 8,20,000	17,70,000	Debtors 3,23,000	
		Stock 65,000	
To Bank A/c	1,50,000	Machinery 74,000	4,62,000
Hanif's Current A/c			
(Realisation Expenses)	8,000	Hanif's Current A/c (stock)	67,500
		Jubed's Current A/c	
		(Furniture)	1,35,000
		Loss transferred to:	
		Hanif's Current A/c 7,42,333	
		Jubed's Current A/c 3,71,167	11,13,500
	19,28,000		19,28,000

17.

Journal Entries

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Bank A/c Dr. To Share Application and Allotment A/c (Being share application and allotment received on 3,00,000 of ₹9 each including premium of ₹5 each)		27,00,000	27,00,000
	Share Application and Allotment A/c Dr. To Share Capital A/c To Securities Premium A/c To Bank A/c To Share First and Final Call A/c (Being share application of 75,000 shares transferred to share capital, share application and allotment on 2,00,000 share refunded and rest is adjusted on share first and final call)		27,00,000	3,00,000 3,75,000 18,00,000 2,25,000
	Share First and Final Call A/c Dr. To Share Capital A/c (Being share first and final Call due on 75,000 shares of ₹6 each)		4,50,000	4,50,000
	Bank A/c Dr. To Share First and Final Call A/c (Being share first and final call received)		2,21,625	2,21,625
	Share Capital A/c Dr. To Share Forfeiture A/c To Share First and Final Call A/c (Being 1,125 share were forfeited for non-payment of share first and final of ₹6 each)		11,250	7,875 3,375
	Bank A/c Dr. Share Forfeited A/c Dr. To Share Capital A/c (Being 1,125 forfeited share were re-issued at a discount of ₹4 per share)		6,750 4,500	11,250
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Being share forfeiture transferred to capital reserve)		3,375	3,375

Computation Table

Category	Share Applied	Share Allotted	Money received on Application and Allotment @ ₹9 each including premium of ₹5 each	Money transfers to share capital @ ₹4 each	Money transfer to securities premium @ ₹5 each	Excess Application and Allotment money	Share first and final call due @ ₹6 each	Amount receivable on share first and final call after adjustment	Money Refunded
I	2,00,000	Nil	18,00,000						18,00,000
II	1,00,000	75,000	9,00,000	3,00,000	3,75,000	2,25,000	4,50,000	2,21,625	
	3,00,000	75,000	27,00,000	3,00,000	3,75,000	2,25,000	4,50,000	2,21,625	18,00,000

Working Note:

Those who applied for 1,00,000 shares, allotted = 75,000 Shares

Those who applied for 1,500 shares, allotted = $75,000 \times \frac{1,500}{1,00,000} = 1,125$ share

Share Application and Allotment received on 1,500 shares of ₹9 each

(including premium of ₹5 each) = ₹13,500

Shares Allotted (1,125 × 9) = ₹10,125

Excess Application and Allotment money received = ₹3,375

Share First and Final Call due on 1,125 shares of ₹6 each = ₹6,750

Excess Application and Allotment money received = ₹3,375

Share First and Final Call not received = ₹3,375 (6,750 – 3,375)

Therefore, Share First and final Call received = ₹2,21,625 (4,50,000 – 2,25,000 – 3,375)

OR**Journal Entries**

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Bank A/c Dr. To Share Application and Allotment A/c (Being share application and allotment received on 2,00,000 of ₹6 each including discount of ₹1 each)		12,00,000	12,00,000
	Share Application and Allotment A/c Dr. Discount on Issue A/c Dr. To Share Capital A/c To Bank A/c To Share First and Final Call A/c (Being share application of 80,000 share transferred to share capital, share application and allotment on 40,000 shares refunded and rest is adjusted on share first and final call)		12,00,000 80,000	5,60,000 2,40,000 4,80,000
	Share First and Final Call A/c Dr. To Share Capital A/c		2,40,000	2,40,000

(Being share first and final call due on 80,000 shares of ₹3 each)

Computation Table

Category	Share Applied	Share Allotted	Money received on Application and Allotment @ ₹6 each including discount of ₹1 each	Money transfers to share capital @ ₹7 each	Money transfer to securities premium @ ₹1 each	Excess Application and Allotment money	Share first and final call due @ ₹3 each	Money Refunded
I	40,000	Nil	2,40,000					2,40,000
II	1,60,000	80,000	9,60,000	5,60,000	80,000	4,80,000	2,40,000	
	2,00,000	80,000	12,00,000	5,60,000	80,000	4,80,000	2,40,000	

Important Note: This question can't be solved further because the shareholder has already paid excess amount than required on first and final call as he has applied for 1,600 shares and 800 shares are allotted to him

Working Note:

Those who applied for 1,60,000 shares, allotted = 80,000 Shares

Those who applied for 1,600 shares, allotted = $80,000 \times \frac{1,600}{1,60,000} = 800$ share

Share Application and Allotment received on 1,600 shares of ₹ 6 each (including discount of Re 1 each) = ₹ 9,600

Shares Allotted (800 x 6) = ₹4,800

Excess Application and Allotment money received = ₹4,800

Share First and Final Call due on 800 shares of its 3 each = ₹2,400

Excess Application and Allotment money received = ₹4,800

Now, he has already paid amount of its 4,800 in excess at the time of application and allotment which is more than the amount due from him at the time of share final call. Thus, forfeiture is not possible in this case.

Thus, this question has incomplete or wrong information.

18. Answer:

Revaluation Account

Particulars	₹	Particulars	₹
To Machinery A/c	45,000	By Land and Building A/c	70,000
To Profit transferred to:			
Shikhar's Capital A/c	17,500		
Rohit's Capital A/c	7,500		
	25,000		
	70,000		70,000

Partners' Capital Account

Particulars	Shikhar	Rohit	Kavi	Particulars	Shikhar	Rohit	Kavi
To Balance c/d	9,40,000	4,10,000	4,30,000	By Balance b/d	8,00,000	3,50,000	
				By General Res. A/c	70,000	30,000	
				By Workman Compensation Fund A/c	35,000	15,000	
				By Cash A/c			4,30,000
				By Premium for	17,500	7,500	

				Goodwill A/c By Revaluation A/c (profit)	17,500	7,500	
	9,40,000	4,10,000	4,30,000		9,40,000	4,10,000	4,30,000
To Cash A/c	37,000	23,000		By Balance b/d	9,40,000	4,10,000	4,30,000
To Balance c/d	9,03,000	3,87,000	4,30,000		9,40,000	4,10,000	4,30,000
	9,40,000	4,10,000	4,30,000				

Balance Sheet
As on April 01,2013 after Kavi's admission

Liabilities	₹	Assets	₹
Liabilities for Workmen's Compensation	50,000	Land and Building	4,20,000
Creditors	1,50,000	Machinery	4,50,000
Capital:		Less: Depreciation @10%	45,000
Shikhar	9,03,000	Debtors	2,20,000
Rohit	3,87,000	Less: Provision	20,000
Kavi	4,30,000	Stock	3,50,000
	17,20,000	Cash	5,45,000
	19,20,000		19,20,000

Working Note:

Calculation of Profit of shareing Ratio

Shikhar : Rohit

Old Ratio = 3 : 2

Kavi's Share = $\frac{1}{4}$

Let the total share of the firm = 1

Remaining share of the firm = $1 - \frac{1}{4} = \frac{3}{4}$

Shikhar's New Share = $\frac{7}{10} \times \frac{3}{4} = \frac{21}{40}$

Rohit's New Share = $\frac{3}{10} \times \frac{3}{4} = \frac{9}{40}$

New Profit Shareing ratio = $\frac{21}{40} : \frac{9}{40} : \frac{1}{4}$

$\frac{21:9:10}{40}$

Sacrificing Ratio = Old Ratio - New Ratio

Shikhar's Sacrifice = $\frac{7}{10} - \frac{21}{40} = \frac{7}{40}$

Rohit's Sacrifice = $\frac{3}{10} - \frac{9}{40} = \frac{3}{40}$

Sacrificing Ratio = 7 : 3

WN1 : Distribution of Goodwill brought in by Kavi :

$$\text{Shikhar will get} = 25,000 \times \frac{7}{10} = 17,500$$

$$\text{Rohit will get} = 25,000 \times \frac{3}{10} = 7,500$$

WN2 : Distribution of Workmen's Compensation Fund

$$\text{Shikhar will get} = 50,000 \times \frac{7}{10} = 35,000$$

$$\text{Rohit will get} = 50,000 \times \frac{3}{10} = 15,000$$

WN3 : Distribution of General Reserve :

$$\text{Shikhar will get} = 1,00,000 \times \frac{7}{10} = 70,000$$

$$\text{Rohit will get} = 1,00,000 \times \frac{3}{10} = 30,000$$

WN4 : Adjustment of Capital

Total Capital of the firm = Capital brought in by Kavi × Reciprocal of her share

Capital Brought in by Kavi = 4,30,000

$$\text{Total Capital of the Firm} = 4,30,000 \times \frac{4}{1} = 17,20,000$$

$$\text{Shikhar's New Capital} = 17,20,000 \times \frac{21}{40} = 9,03,000$$

$$\text{Rohit's New Capital} = 17,20,000 \times \frac{9}{40} = 3,87,000$$

OR**Revaluation Account**

Particulars	₹	Particulars	₹
To Building A/c	1,00,000	By Land A/c	3,20,000
To Furniture A/c	30,000		
To Revaluation Profit			
L's Capital A/c	95,000		
M's Capital A/c	47,500		
N's Capital A/c	47,500		
	1,90,000		
	3,20,000		3,20,000

Partners' Capital Account

Particulars	L	M	N	Particulars	L	M	N
To N's Capital A/c	1,00,000	50,000		Balance b/d	6,00,000	4,80,000	4,80,000
To M Current A/c		1,20,000		By General Reserve A/c	2,20,000	1,10,000	1,10,000
To M Current A/c		1,20,000		By Revaluation Profit A/c	95,000	47,500	47,500
To N's Loan A/c			8,37,500	By Workmen Compensation fund	1,00,000	50,000	50,000
To Balance c/d	10,35,000	5,17,500		By L's Capital A/c			1,00,000
				By M's Capital A/c			50,000
				By L's Current A/c	1,20,00		
	11,35,000	6,40,000	8,37,500		11,35,000	6,40,000	8,37,500

Balance Sheet
As on April 01, 2012 after N's retirement

Liabilities	₹	Assets	₹
L's Capital	10,35,000	Land	11,20,000
M's Capital	5,17,500	Building	5,00,000
Workmen Compensation Liability	1,60,000	Furniture	2,10,000
Creditors	2,40,000	Stock	4,40,000
N's Loan	8,37,500	Cash	1,40,000
L's Current	1,20,000	Debtors	4,00,000
		Less : Provision	20,000
		M's Current	1,20,000
	29,10,000		29,10,000

Working Notes:

Total Capital of L = 10,15,000 – 1,00,000 = ₹9,15,000

Total Capital of M = 6,87,500 – 50,000 = ₹6,37,500

Total Capital of new firm = 9,15,000 + 6,37,500 = ₹15,52,500

The new Capital has to be in the new profit sharing ratio = 2:1

Therefore, L's new capital = $15,52,500 \times \frac{2}{3} = 10,35,000$

Mr's new Capital = $15,52,000 \times \frac{1}{3} = 5,17,500$

SECTION- B

19. Answer :

A cash flow statement is prepared to ascertain the gross inflows and outflows of cash and cash equivalents from various business activities.

20. Answer :

The separate disclosure of cash flow from investing activities is important as it helps to show the inflows and outflows of long-term investments and fixed assets.

21. Answer :

Analysis of Financial Statements helps to know profitability of the business with respect to sales and investments.

22. Answer :

Items	SUB-Heads
i. Capital Reserves	Reserves and Surplus
ii. Bonds	Non-current Investment
iii. Loans repayable on demand	Short-Term Borrowings
iv. Vehicles	Fixed Assets
v. Goodwill	Fixed Assets
vi. Loose Tools	Inventories

23. Answer :

Comparative Income Statement
For the years ended 31st March 2012 & 2013

Particulars	2012-13 ₹	2011-12 ₹	Absolute Change ₹	Percentage Change %
i. Revenue from operations	8,00,000	6,00,000	2,00,000	33.33
ii. Other Income	1,00,000	50,000	50,000	100
iii. Total Revenue (I+II)	9,00,000	6,50,000	2,50,000	38.46
iv. Expense	5,00,000	4,00,000	1,00,000	25
Profit before Income Tax(III-IV)	4,00,000	2,50,000	1,50,000	60
Less: Income Tax	1,60,000	1,00,000	60,000	60
Profit after Income Tax	2,40,000	1,50,000	90,000	60

24. Answer :

(a)

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

1. Rent of ₹3,000 paid in advance will affect the current assets in two ways:

- Cash will reduce by ₹3,000.
- Pre-paid expenses will increase by ₹3,000.

Quick Assets do not include pre-paid expenses. So, quick assets will reduce by ₹3,000 and subsequently, Quick ratio will also decrease.

2. A debtor of ₹9,700 paid his due amount will affect the quick assets in two ways:

Increase in Cash by ₹9,700

Decrease in Debtors by ₹9,700

This simultaneous increase and decrease will not affect the value of quick assets and thus there will be no change in the ratio.

(b)

$$\text{Proprietary Ratio} = \frac{\text{Shareholder's Fund}}{\text{Total Assets}}$$

Total Assets = Total Liabilities + Shareholder's Funds

Total Assets = Current Assets + Non-Current Assets

= 90,000 + 3,60,000 = 4,50,000

Total Liabilities = Long-Term Borrowings + Long-Term Provisions – Current Liabilities

= 2,00,000 + 1,00,000 + 50,000 = 3,50,000

Therefore, Shareholder's funds = Total Assets – Total Liabilities

= 4,50,000 – 3,50,000 = 1,00,000

Therefore, Proprietary Ratio = $\frac{1,00,000}{4,50,000} = 0.22 : 1$

25.

**Cash Flow Statement
For the year ended March 31,2013**

	Particulars	₹	₹
A	Cash Flow from Operating Activities		
	Profit as per statement of Profit and Loss	15,000	
	Profit Before Taxation	15,000	
	Operating Profit before Working Capital adjustment		15,000
	Add: Decrease in Current Assets		
	Trade Receivable	13,500	
	Inventories	1,500	15,000
	Less: Decrease in Current Liabilities		
	Trade Payable		(66,000)
	Net Cash Flow From Operating Activities		(36,000)
B	Cash Flow Investing Activities		
	Purchase Of Fixed Assets	(47,500)	
	Purchases Of Investment	(3,000)	
	Net Cash Flow from Investing Activities		(50,500)
C	Cash Flow Financing Activities		
	Proceeds from Issue Of Share Capital	50,000	
	Net Cash Flow from Financing Activities		50,000
D	Net Increases Or Decreases in Cash and Cash Equivalents		(36,500)
	Add: Cash and Cash Equivalents in the beginning of the period		1,17,500
	Cash and Cash Equivalents at the end of the period		81,000