CLASS 12 ACCOUNTANCY SAMPLE QUESTION PAPER 2

A Highly Simulated Practice Question Paper for CBSE Class XII Examination

Time : 3 hrs
M.M.: 80

• This question paper contains two parts A and B.

• Part A is compulsory for all.

• Part B has two options-Analysis of Financial Statements and Computerised Accounting*.

Attempt only one option of Part B.

• All parts of a question should be attempted at one place.

♦Computerised Accounting has not been covered.

Part A

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

OBJECTIVE TYPE QUESTIONS (1 Mark)

Multiple choice questions (Q. no. 1 to 4)

There are four options for each question, out of these, only one is correct. You have to identify the correct option.

1. If a partner withdraws equal amount at end of each quarter, then are to be considered

for interest on total drawings.

(a) 5.5 months (b) 6 months (c) 4.5 months (d) 7.5 months

Ans. (c) 4.5 months

Hint Time Period = Time left after first drawings + Time left after last drawings/2 = 9+0/2 = 4.5 months

2. X, Y and Z are partners in the ratio of 3 : 5 : 1, respectively. Y retires. His share is purchased by Z. Find the new profit sharing ratio.

(a) 1 : 2 (b) 1 : 3 (c) 1 : 4 (d) None of these

Ans. (a) 1 : 2

Hint	X Y Z
Old ratio	3:5:1

Z's gained share = Y's share =5/9; Z's new share = Old share + Gain share =1/9 + 5/9 = 6/9

X's new share = Old share + Gained share = 3/9 + 0 = 3/9

New profit sharing ratio between X : Z = 3: 6 or 1:2

3. TDS refers to relating to debenture interest.

(a) the debenture security (b) tax deducted at source

(c) these debentures secured (d) None of these

Ans. (b) tax deducted at source

4. Receipt and payment account shows

(a) income and expenditure (b) profit and loss (c) saving and deficit (d) cash receipts and payments ***Ans.*** (d) cash receipts and payments

Answer the following (Q. no. 5 to 7)

5. The 'share of premium for goodwill' brought in by the new partner is divided in which ratio?

Ans. in sacrificing ratio

6. Amount of debenture redemption reserve is transferred to which account?

Ans. Capital reserve account

7. How are the following items presented in financial statements of a non-profit organisation

(a) Sport fund - Rs.40,000 **(b) Expenses on sports events - Rs.21,000**

***Ans.* Balance Sheet**

as at...

Liabilities		**Amt (Rs.)**	**Assets**	**Amt (Rs.)**
Sports fund	40,000			
(-) Expenses on sports events	(21,000)	19,000		

Journalise the following (Q. no. 8 to 9)

Here, we have given some accounting transactions. You have to give the correct journal entry(ies) for all.

8. A and B are two partners sharing profits in the ratio of 2 : 1. C, a new partner admitted for l/4th share. At the time of admission, loss from revaluation is Rs. 9,000. Pass a necessary journal entry for distribution of loss between the partners.

***Ans.* JOURNAL**

Date	**Particulars**	**LF**	**Amt** (Dr)	**Amt** (Cr)
	A's Capital A/c Dr		6,000	
	B's Capital A/c Dr		3,000	
	To Revaluation A/c			9,000
	(Being loss on revaluation account is transferred to capital accont)			

9. Jhunjhun, a partner paid loan of the firm of Rs. 1,00,000 at the time of dissolution. Pass a journal entry for this transaction.

***Ans.* JOURNAL**

Date	**Particulars**	**LF**	**Amt** (Dr)	**Amt** (Cr)
	Realisation A/c Dr		1,00,000	1,00,000
	To Jhunjhun's Capital A/c (Being loan of firm paid by the Jhunjhun)			

Difference between (Q. no. 10 to 12)

Here, we have given two related terms. You are required to provide distinction between the given terms. **10. Revenue receipts and capital receipts in NPO's.**

Ans.

Revenue Receipts	**Capital Receipts**
It is recorded on credit side of the income and expenditure account.	It is not recorded in income and expenditure account but it's affects are recorded in the balance sheet.

11. Revenue payments and capital payments.

Ans.

Revenue Payments	Capital Payments
It is recurring (regular) nature of expenditure.	It is not a recurring nature of expenditure
Recorded on debit side of the income and expenditure account.	Not recorded in income and expenditure account. But, it’s effects are recorded in balance sheet.

12. Shares and debentures. ***Ans.***

Shares	Debentures
Shares are the denomination of share capital.	Debentures are the denomination of loan.
The holders of equity shares are the owners of the company.	The holders of debentures are the creditors of the company.

13. The maximum number of members in a private company can be

Ans. **200**

SHORT ANSWER TYPE I QUESTION (3 Marks)

14. Surender, Ramesh, Naresh and Mohan are partners in a firm sharing profits in 2:1:2:1 ratio. On the retirement of Naresh, the goodwill was valued at Rs. 2,16,000. Surender, Ramesh and Mohan decided to share future profits equally. Pass the necessary journal entry for the treatment of goodwill without opening goodwill account.

Or

X, Y and Z are partners sharing profits in the ratio of 4 : 3 : 2. On 1st April, 2017, Y gave a notice to retire from the firm. X and Z decided to share future profits in the ratio of 1 : 1. The capital accounts of X and Z after all adjustments showed a balance of Rs. 21,500 and Rs. 40,250 respectively. The total amount to be paid to Y was Rs. 47,750. This amount was to be paid by X and Z in such a way that their capitals become proportionate to their new profit sharing ratio. Pass necessary journal entries in the books of the firm for the above transactions. Show your working clearly.

Ans. JOURNAL

Date	Particulars	LF	**Amt** (Dr)	**Amt** (Cr)
	Ramesh’s Capital A/c Dr		36,000	
	Mohan’s Capital A/c Dr		36,000	
	To Naresh’s Capital A/c			72,000
	(Being Naresh’s share of goodwill adjusted to remaining partners)			

Working Note

Calculation of Gaining Ratio

Gaining ratio = New share - Old share

Surender = 1/3 - 2/6 = 2-2/6 = 0/6 = 0

Ramesh = 1/3 - 1/6 = 2-1/6 = 1/6, Mohan = 1/3 - 1/6 = 2-1/6 = 1/6

Gaining ratio of Ramesh and Mohan = 1:1

Naresh's share of goodwill = 2,16,000 x 2/6 = Rs. 72,000

Or

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
2017 Apr 1	Cash A/c Dr		47,750	
	To X's Capital A/c			33,250
	To Z's Capital A/c			14,500
	(Being cash to be paid to Y brought in by X and Z)			
Apr 1	Y's Capital A/c Dr		47,750	
	To Cash A/c			47,750
	(Being cash paid to Y for his capital)			

Working Notes

1 **Particulars**	**Amt (Rs.)**
Adjusted Capitals of X and Z (Rs. 21,500 + Rs. 40,250) (+) Amount to be Paid to Y	61.750 47.750
Total Capital of New Firm	1,09,500

2. **Amount to be Brought in or Withdrawn**

Particulars	**X(Rs.)**	z**(Rs.)**
I. New Capital (Rs. 1,09,500 in new ratio, i.e. 1:1)	54,750	54,750
II. Existing Capitals	(21,500)	(40,250)
III. Cash to be Brought in (Paid-off) (1 - II)	33,250	14,500

SHORT ANSWER TYPE II QUESTIONS (4 Marks)

15. Wadhwa Ltd issued 60,000 15% debentures of Rs. 10 each credited as fully paid to the promoters for their services and issued 15,000, 15% debentures of Rs. 10 each credited as fully paid to the underwriters for the underwriting services. Journalise these transactions.

Ans. **JOURNAL**

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Formation Expenses/Goodwill A/c Dr		6,00,000	
	.To 15% Debentures A/c			6,00,000
	(Being 60,000, 15% debentures of Rs. 10 per debenture issued to promoters for their services)			
	Underwriting Commission A/c Dr		1,50,000	
	To Underwriters A/c			1,50,000
	(Being underwriting commission due)			
	Underwriters A/c Dr		1,50,000	
	To 15% Debentures A/c			1,50,000
	(Being 15,000, 15% debentures of Rs. 10 per debenture issued to underwriters for their services)			

16. Prabhu Darbaar Pvt Ltd issued 20,000, 9% debentures of Rs. 100 each to the public at 10% discount on 1st April, 2018. These debentures are redeemable after 6 years at a premium of 10%. Pass the necessary journal entries for issue of debentures and writing-off 'loss on issue of debentures' in same year of issue, if company has a balance of Rs. 1,60,000 in its securities

premium reserve account.

***Ans.* In the Books of Prabhu Darbaar Pvt Ltd**

JOURNAL

Date	**Particulars**	**LF**	**Amt** (Dr)	**Amt** (Cr)
2018 Apr 1	Bank A/c (20,000 x 90) Dr To 9% Debentures A/c (Being money received on 20,000, 9% debentures @10% discount)		18,00,000	18,00,000
Apr 1	9% Debentures A/c Dr Discount on Issue of Debentures A/c Dr Loss on Issue of Debentures A/c Dr To 9% Debentures A/c (20,000x100) To Premium on Redemption of Debentures A/c (20,000x10) (Being money is transferred to 9% debentures account with the term of issue and redemption)		18,00,000 2,00,000 2,00,000	20,00,000 2,00,000
2019 Mar 31	Securities Premium Reserve A/c Dr Statement of Profit and Loss Dr To Loss on Issue of Debentures A/c (Being loss on issue of debentures written-off from securities premium reserve and profit and loss account)		1,60,000 2,40,000	4,00,000

Working Note

Total loss on issue of debentures account = Discount on issue of debentures + Premium on redemption of debentures account = 2,00,000 + 2,00,000 = Rs. 4,00,000

17. Pass the necessary journal entries for the following transactions on the dissolution of firm of Anju, Manju and Sanju (who were sharing profits in the ratio of 2 : 2 :1) after the transfer of all assets (other than cash) and external liabilities to realisation account.

(i) Debtors were of Rs. 62,100. Anju takes over debtors amounted to Rs. 60,000 at Rs. 58,600 and the remaining debtors were sold to a debt collecting agency at 50% of the value.

(ii) Sundry assets were of Rs. 58,500. Manju is to take over some sundry assets at Rs. 36,000 (being 10% less than the book value). Sanju is to take over remaining sundry assets at 80% of the book value.

(iii) Sanju assumes the responsibility of discharge of Mrs Sanju's loan of Rs. 5,750 together with accrued interest of Rs. 1,150.

***Ans.* JOURNAL**

Date	**Particulars**	**LF**	**Amt** (Dr)	**Amt** (Cr)
(i)	Anju's Capital A/c Dr To Realisation A/c (Being some debtors taken over by Anju)		58,600	58,600
	Cash/Bank A/c [(62,100 - 60,000) x 50/100] Dr To Realisation A/c (Being the remaining debtors sold to a debt collecting agency)		1,050	1,050
(ii)	Manju's Capital A/c Dr		36,000	

	To Realisation A/c (Being sundry assets of value Rs. 40,000 ^36,000x155 j taken over by Manju at Rs. 36,000)			36,000

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
(iii)	Sanju's Capital A/c [(58,500 - 40,000) x 80/100] Dr		14,800	
	To Realisation A/c			14,800
	(Being the remaining sundry assets taken over by Sanju)			
(iv)	Realisation A/c Dr		6,900	
	To Sanju's Capital A/c (5,750 + 1,150) (Being Mrs Sanju's loan paid by Sanju)			6,900

18. Bhagwan and Insaan are two partners in Natural and Sons, a partnership firm sharing profits in the ratio of 1 : 2. They decided to admit Sagar into the firm for -th
4
share on 1st April, 2019. Sagar brings Rs. 60,000 share of premium for goodwill in cash out of Rs. 90,000. Goodwill already appears Rs. 3,00,000 in the old books of the firm at the time of admission. Pass journal entries related with goodwill using raising and writing-off method of goodwill.

Or

Arab, Kharab and Zero are three partners in a firm sharing profits and losses in the ratio of 2 : 3 : 5. They decided to share profits and losses in the ratio of 3 : 5 : 2 from 1st April, 2019. For this purpose, adjustment of goodwill is required to be done on this date. Goodwill of the firm is valued at Rs. 6,00,000. Goodwill also appeared in the books of old firm for Rs.4,00,000. Make the adjustments for goodwill in this situation by the method of raising and writing-off goodwill.

Ans. **In the Books of Natural and Sons**

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
2019				
Apr 1	Bhagwan's Capital A/c Dr		1,00,000	
	Insaan's Capital A/c Dr		2,00,000	
	To Goodwill A/c			3,00,000
	(Being existing goodwill is written-off in old partners in old2) ratio 1			
Apr 1	Cash/Bank A/c Dr		60,000	
	To Premium for Goodwill A/c			60,000
	(Being some amount of premium is bring by the Sagar in cash)			
Apr 1	Goodwill A/c (WN 1) Dr		1,20,000	
	To Bhagwan's Capital A/c			40,000
	To Insaan's Capital A/c			80,000
	(Being raising of goodwill in old ratio, i.e. 1 : 2 in old			

	partners)			
Apr 1	Bhagwan’s Capital A/c Dr		30,000	
	Insaan’s Capital A/c Dr		60,000	
	Sagar's Capital A/c Dr		30,000	
	To Goodwill A/c			1,20,000
	(Being goodwill written-off in new ratio, i.e. 1 : 2 : 1 in all partners’)			
Apr 1	Premium for Goodwill A/c Dr		60,000	
	To Bhagwan’s Capital A/c			20,000
	To Insaan’s Capital A/c			40,000
	(Being brought amount of goodwill is distributed between sacrificing ratio, i.e. 1 : 2)			

Working Notes

1. Goodwill amount not brought by the Sagar = 90,000 - 60,000 = Rs. 30,000

Goodwill of the firm = 30,000 x Reciprocal of Sagar's share = 30,000 x ^ Rs. 120,000

2. **Calculation of New Profit Sharing Ratio**

Let the total share be = 1

Remaining share = 1 - 1/4 = 3/4; Bhagwan's new share = 1/3 x 3/4 = 3/12

insaan's new share = 2/3 x 3/4 = 6/12; Sagar's new share = 1/4 x 3/3 = 3/12

New ratio among Bhagwan, Insaan and Sagar = 3:6:3 or 1:2:1

Or

JOURNAL

Date	**Particulars**	**LF**	**Amt** (Dr)	**Amt** (Cr)
2019				
Apr 1	Goodwill A/c (valued goodwill) Dr		6,00,000	
	To Arab’s Capital A/c			1,20,000
	To Kharab’s Capital A/c			1,80,000
	To Zero’s Capital A/c			3,00,000
	(Being goodwill is raised in old profit sharing ratio, i.e. 2:3:5)			
Apr 1	Arab’s Capital A/c Dr		1,80,000	
	Kharab’s Capital A/c Dr		3,00,000	
	Zero’s Capital A/c Dr		1,20,000	6,00,000
	To Goodwill A/c			
	(Being goodwill written-off in new profit sharing ratio, i.e. 3:5:2)			
Apr 1	Arab’s Capital A/c Dr		80,000	
	Kharab’s Capital A/c Dr		1,20,000	
	Zero’s Capital A/c Dr		2,00,000	
	To Goodwill A/c (existing goodwill) 5)			4,00,000

	(Being existing goodwill is write-off from the books in old ratio, i.e. 2 : 3			

Working Note

Arab’s sacrificing ratio = Old share - New share = 2/10 - 3/10 = 2-3/10 = -1/10 (Gaining partner)

Kharab’s sacrificing ratio = 3/10 - 5/10 = 3-5/10 = -2/10 (Gaining partner)

Zero’s sacrificing ratio = 5/10 - 2/10 = 5-2/10 = 3/10 (Sacrificing partner)

Gaining ratio between Arab and Kharab is 1 : 2 ; Zero is a sacrificing partner by —.

LONG ANSWER TYPE I QUESTIONS (6 Marks)

19. From the following receipts and payments account, prepare income and expenditure account for the year ending 31st December, 2019 and balance sheet

Receipts and Payments Account

Dr fortheyearending31stDecember,2019 Cr

Receipts	**Amt (Rs.)**	**Payments**	**Amt (Rs.)**
To Balance b/d	4,080	By Salaries	14,400
To Subscriptions	36,120	By Travelling Expenses	3.600
To Donations	1,800	By Stationery	1,380
To Sale of Furniture (Book value Rs. 3,600)	2,400	By Rent	9.600
To Entrance Fees	480	By Repairs	420
To Life Membership Fees	4,200	By Books Purchased	3.600
To Interest on Investment @ 5% for Full Year	3,000	By Building Purchased	18,000
		By Balance c/d	1,080
	52,080		52,080

Additional Information

	Particulars	**1 st January, 2019 (Rs.)**	**31st December, 2019 (Rs.)**
(i)	Subscription Received in Advance	600	1,920
(ii)	Outstanding Subscription	1,200	2,220
(iii)	Stock of Stationery	720	480
(iv)	Books	8,100	9,900
(v)	Furniture	9,600	4,800
(vi)	Outstanding Rent	600	1,200

Ans. **Income and Expenditure Account**

Dr for the year ending 31 st December, 2019 Cr

Expenditure	**Amt** (Rs.)	**Income**		**Amt (Rs.)**
To Salaries	14,400	By Subscription	36,120	
To Travelling Expenses	3,600	(+) Outstanding for Current		
To Stationery Consumed		Year	2,220	

Opening Stock	720		(+) Advance Received in		
(+) Purchases	1,380		Previous Year	600	
	2,100			38,940	
(-) Closing Stock	(480)	1,620	(-) Outstanding for		
To Rent	9,600		Previous Year	(1,200)	
(+) Outstanding for Current Year	1,200			37,740	
	10,800		(-) Advance Received in		
(-) Outstanding for Previous Year	(600)	10,200	Current Year	(1,920)	35,820
			By Donations		1,800
To Repairs		420	By Entrance Fees		480
To Books			By Interest on Investments		3,000
Opening Stock	8,100				
(+) Purchases	3,600				
	11,700				
(-) Closing Stock	(9,900)	1,800			
To Loss on Sale of Furniture		1,200			
(3,600 - 2,400)					
To Depreciation on Furniture		1,200			
(9,600-3,600-4,800)					
To Surplus, i.e. Excess of					
Income over Expenditure		6,660			
		41,100			41,100

Balance Sheet

as at 31 st December, 2019

Liabilities		Amt (Rs.)	Assets	Amt (Rs.)
Advance Subscription		1,920	Cash	. 1,080
Outstanding Rent		1,200	Outstanding Subscription	2,220
Capital Fund	82,500		Stationery	480
(+) Surplus	6,660	89,160	Books	9,900
Life Membership Fees		4,200	Furniture	4,800
			Investment	60,000
			Building	18,000
		96,480		96,480

Balance Sheet

as at 31 st December, 2018

Liabilities	Amt (Rs.)	Assets	Amt (Rs.)

Advance Subscription	600	Cash	4,080
Outstanding Rent	600	Outstanding Subscription	1,200
Capital Fund (Balancing figure)	82,500	Stationery	720
		Books	8,100
		Furniture	9,600
		Investment	60,000
	83,700		83,700

20. (i) A, B and C shared profits in the ratio of 3 : 2 : 1. The profits of the last three years were Rs. 70,000, Rs. 42,000 and Rs. 53,000 respectively. These profits were by mistake, shared equally for all the three years. It is now decided to correct the error. Pass necessary journal entry for the same.

(ii) Prepare profit and loss appropriation account and partners' capital account for the year ended 31st March, 2019 from the following given information Suraj and Arihant are the two partners sharing profit and losses in the ratio of 1/4 and 3/4 respectively. Terms of their deed are

(a) Allowed interest on capital @ 10% on their respective capital (Suraj introduce

Rs. 6,00,000 on 1st July, 2018 but Arihant introduced Rs. 20,00,000 on 1st April, 2018 as their capital).

(b) 15% commission is allowed to the manager on profit of the firm.

(c) Suraj is a working partner and taken a salary of Rs. 50,000 per month.

(d) Both the partner withdrew Rs. 50,000 each in the year.

Net profit of the firm is calculated Rs. 80,00,000 on 31st March, 2019.

Or

Ishu and Nishu are partners sharing profits and losses in the ratio of 2 : 1. On 31st December, 2019, the partners decided to dissolve the firm. Complete the realisation account, partners' capital account and cash account.

Dr Realisation Account Cr

Particulars		Amt (Rs.)	Particulars		Amt (Rs.)
To Sundry Assets A/c			By Sundry Liabilities A/c		
Debtors	26,000		Provision for Doubtful Debts	2,000	
Investments	40,000		Investment Fluctuation Fund	20,000	
Inventory	10,000		Bank Overdraft	30,000	52,000
Plant	10,000		By Ishu's Capital A/c (Investments taken)		35,000
Buildings	60,000	1,46,000	By Bank A/c (Assets Realised)		
To Bank A/c (Bank Overdraft Paid)		30,000	Debtors	26,000	
To Bank A/c (Payment of Compensation			Inventory	8,500	
to Employees)		10,000	Plant	8,000	
To			Buildings	1,00,000	1,42,500

	2,29,500		2,29,500

Dr **Partners' Capital Account** Cr

Particulars	**Ishu (Rs.)**	**Nishu (Rs.)**	**Particulars**	**Ishu (Rs.)**	**Nishu (Rs.)**
To Balance b/d	—	30,000	By	50,000	
To			By	37,333	18,667
To Bank A/c (Final payment)			By General Reserve A/c		
	1,16,333	33,167		1,16,333	33,167

Dr **Bank Account** Cr

Particulars	**Amt (Rs.)**	**Particulars**	**Amt (Rs.)**
To Balance b/d		By	
Cash in Hand	6,000	By	
Cash at Bank	10,000	By Ishu's Loan A/c	34,000
To Realisation A/c (Assets Realised)	1,42,500	By Ishu's Capital A/c	81,333
		By Nishu's Capital A/c	3,167
	1,58,500		1,58,500

Arts. (i) **Adjusting Journal Entry**

Date	**Particulars**	**LF**	**Amt** (Dr)	**Amt** (Cr)
	C's Capital A/c Dr To A's Capital A/c (Being the adjustment made for profit divided in wrong ratio)		27,500	27,500

Adjustment Table

Particulars	A(Rs.)	**B (Rs.)**	cm
I. Amounts already Recorded (Rs.1,65,000 in 1 : 1 : 1)	55,000	55,000	55,000
II. Amounts which should have been Recorded (Rs. 1,65,000 in 3 : 2 : 1)	82,500	55,000	27,500
Difference (I - II)	27,500 (Cr)	—	27,500 (Dr)

Working Note

Profit = 70,000 + 42,000 + 53,000 = Rs. 1,65,000 (ii) **Profit and Loss Appropriation Account**

Dr forthe year ended 31 st March, 2019 Cr

Particulars		**Amt (Rs.)**	**Particulars**	**Amt (Rs.)**
To Interest on Capital			By Net Profit	80,00,000
Suraj	45,000			
Arihant	2,00,000	2,45,000		
To Partner's Salary				

Suraj (50,000x12)		6,00,000		
To Profit Transferred to				
Suraj's Capital A/c	17,88,750			
Arihant's Capital A/c	53,66,250	71,55,000		
		80,00,000		80,00,000

Dr **Partners' Capital Account** Cr

Particulars	**Suraj (Rs.)**	**Arihant (Rs.)**	**Particulars**	**Suraj (Rs.)**	**Arihant (Rs.)**
To Drawings	50,000	50,000	By Balance b/d	6,00,000	20,00,000
To Balance c/d	29,83,750	75,16,250	By Interest on Capital	45,000	2,00,000
			By Partner's Salary	6,00,000	—
			By P & L App. A/c (Profit)	17,88,750	53,66,250
	30,33,750	75,66,250		30,33,750	75,66,250

Working Notes

1. Interest on capital of Suraj = 6,00,000 x 10/100 x 9/12 = Rs. 45,000

Interest on capital of Arihant = 20,00,000 x 10/100 = Rs. 2,00,000

2. Suraj's share of profit = 71,55,000 x 1/4 = Rs. 17,88,750

Arihant's share of profit = 71,55,000 x 3/4 = Rs. 53,66,250

Or

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

Particulars		**Amt (Rs.)**	**Particulars**		**Amt (Rs.)**
To Sundry Assets A/c			By Sundry Liabilities A/c		
Debtors	26,000		Provision for Doubtful Debts	2,000	
Investments	40,000		Investment Fluctuation Fund	20,000	
Inventory	10,000		Bank Overdraft	30,000	52,000
Plant	10,000		By Ishu's Capital A/c (Investments taken)		35,000
Buildings	60,000	1,46,000	By Bank A/c (Assets realised)		
To Bank A/c (Bank Overdraft Paid)		30,000	Debtors	26,000	
To Bank A/c (Payment of Compensation		10,000	Inventory	8,500	
to Employees)			Plant	8,000	
To **Profit Transferred to Capital A/cs**			Buildings	1,00,000	1,42,500
Ishu	**29,000**				
Nishu	**14,500**	**43,500**			
		2,29,500			2,29,500

Dr	Partners' Capital Account				Cr
Particulars	**Ishu (Rs.)**	**Nishu (Rs.)**	**Particulars**	**Ishu (Rs.)**	**Nishu (Rs.)**
To Balance b/d	—	30,000	By **Balance b/d**	50,000	—
To **Ishu's Capital A/c**	**35,000**	—	By **Realisation A/c (Profit)**	**29,000**	**14,500**
To Bank A/c (Final payment)	**81,333**	**3,167**	By General Reserve A/c	37,333	18,667
	1,16,333	33,167		1,16,333	33,167

Dr Bank Account			**Cr**
Particulars	**Amt (Rs.)**	**Particulars**	**Amt (Rs.)**
To Balance b/d		By **Realisation A/c (Bank Overdraft)**	**30,000**
Cash in Hand	6,000	By **Realisation A/c (Compensation**	**10,000**
Cash at Bank	10,000	**to Employees)**	
To Realisation A/c (Assets Realised)	1,42,500	By Ishu's Loan A/c	34,000
		By Ishu's Capital A/c	81,333
		By Nishu's Capital A/c	3,167
	1,58,500		1,58,500

LONG ANSWER TYPE II QUESTIONS (8 Marks)

21. Raja Ltd invited applications for 1,00,000 equity shares of Rs. 10 each. The shares were issued at a premium of Rs. 5 per share. The amount was payable as follows On application and allotment Rs. 8 per share (including premium Rs. 3).

The balance including premium on the first and final call.

Applications for 1,50,000 shares were received. Applications for 10,000 shares were rejected and pro-rata allotment was made to the remaining applicants on the following basis

(i) Applicants for 80,000 shares were allotted 60,000 shares.

(ii) Applicants for 60,000 shares were allotted 40,000 shares.

E who belonged to the first category and was allotted 300 shares, failed to pay the first call money.

Q, who belonged to the second category and was allotted 200 shares, also failed to pay the first call money. Their shares were forfeited. The forfeited shares were re-issued @ Rs. 12 per share fully paid-up. Pass necessary journal entries and prepare cash book.

Or

On 1st June, 2019, Kartik Ltd offered for subscription 50,000 equity shares of Rs. 100 each at a premium of Rs. 20 per share payable as given below

On application Rs. 20 per share, on allotment (including premium) Rs. 50 per share and two months after allotment Rs. 50 per share.

Applications were received for 84,000 shares. On 1st July, 2019, the Directors proceeded to allot

shares proportionately. Of these, application for 4,500 shares were accompanied with full amount and hence, were accepted in full and the balance allotment was made on pro-rata basis.

Excess amount paid by applicants was utilised towards allotment and call money due from them.

One of the applicants to whom 300 shares were allotted proportionately, failed to pay the call money. His shares were forfeited on 30th November, 2019 and subsequently issued @ Rs. 130 per share.

Record entries relating to these transactions in the journal of the company.

Ans.

Dr Cash Book Cr

Particulars	Amt (Rs.)	Particulars	Amt (Rs.)
To Share Application and Allotment A/c (Application and allotment money on 1,50,000 shares)	12,00,000	By Share Application and Allotment A/c (Refund on 10,000 share applications @ Rs. 8 per share)	80,000
To Share First and Final Call A/c (WN 3)	3,78,100	By Balance c/d	15,04,100
■ To Share Capital A/c (Re-issue of 500 shares)	5,000		
To Securities Premium Reserve A/c	1,000		
	15,84,100		15,84,100

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Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Share Application and Allotment A/c Dr		11,20,000	
	To Share Capital A/c (1,00,000 x Rs. 5)			5,00,000
	To Securities Premium Reserve A/c (1,00,000 x Rs. 3)			3,00,000
	To Calls-in-Advance A/c (40,000 x Rs. 8)			3,20,000
	(Being the transfer of application and allotment money to share capital account and surplus transferred to calls-in-advance account)			
	Share First and Final Call A/c (1,00,000 x 7) Dr		7,00,000	
	To Share Capital A/c (1,00,000x5)			5,00,000
	To Securities Premium Reserve A/c (1,00,000x2) (Being the first and final call due on 1,00,000 shares)			2,00,000
	Calls-in-Advance A/c Dr		3,20,000	
	To Share First and Final Call A/c			3,20,000
	(Being calls-in-advance adjusted to share first and final calls account)			

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Share Capital A/c (500 x Rs. 10) Dr		5,000	
	Securities Premium Reserve A/c (500 x Rs. 2) Dr		1,000	
	To Forfeited Shares A/c			4,100

	To Share First and Final Call A/c (Being the forfeiture of 300 shares of P and 200 shares of Q for non-payment of calls money)			1,900
	Forfeited Shares A/c Dr To Capital Reserve A/c (WN 4) (Being the balance of shares forfeited transferred to capital reserve)		4,100	4,100

Working Notes

1. Number of shares applied by P=80,000/60,000 x 300 = 400 shares Number of shares applied by Q = 60,000/40,000 x 200 = 300 shares

2. The surplus application and allotment money paid by P and Q which is adjusted on the first and the final call = 200 xRs. 8 = Rs. 1,600.

3. **Calculation of First and Final Call Money Received**	Amt (Rs.)
Amount due on first and final call (1,00,000 x Rs. 7)	7,00,000
(-) Calls-in-advance	(3,20,000)
	3,80,000
(-) Not paid by P and Q (500 x Rs. 7 - Rs. 1,600)	(1,900)
	3,78,100

4. **Calculation of Amount Forfeited on 500 Shares**	3,200	2,300
P applied for 400 shares and paid @ Rs. 8	(900)	
(-) Transferred to securities premium reserve on 300 shares @ Rs. 3		
Q applied for 300 shares and paid @ Rs. 8	2,400	1,800
(-) Transferred to securities premium reserve on 200 shares allotted to him Rs. 3	(600)	
Amount to be forfeited		4,100

Or

JOURNAL

Date	**Particulars**	**LF**	**Amt** (Dr)	**Amt** (Cr)
2019				
Jun 1	Bank A/c (79,500 x 20) + (4,500 x 120) Dr To Equity Share Application A/c (Being share application money received)		21,30,000	21,30,000
Jul 1	Equity Share Application A/c Dr To Equity Share Capital A/c (50,000 x 20) To Equity Share Allotment A/c (6,80,000 + 2,25,000) To Calls-in-Advance A/c (4,500 x 50) (Being adjustment of share application money)		21,30,000	10,00,000 9.05,000 2.25,000
Jul 1	Equity Share Allotment A/c (50,000 x 50) Dr To Equity Share Capital A/c (50,000 x 30)		25,00,000	15.00. 000 10.00. 000

	To Securities Premium Reserve A/c (50,000 x 20) (Being balance of allotment money due, including premium)			
Jul 1	Bank A/c Dr To Equity Share Allotment A/c (Being balance of share allotment money received)		15,90,000	15,90,000

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
Sep 1	Equity Share First and Final Call A/c (50,000 x 50) Dr To Equity Share Capital A/c (Being share first and final call money due)		25,00,000	25,00,000
Sep 1	Bank A/c Dr Calls-in-Advance A/c Dr To Equity Share First and Final Call A/c (Being share first and final call money received after adjustment of calls-in-advance and calls-in-arrears)		22,60,000 2,25,000	24,85,000
Nov 30	Equity Share Capital A/c (300x100) Dr To Equity Share First and Final Call A/c (300x50) To Share Forfeited A/c (300 x 50) (Being forfeiture of 300 shares)		30,000	15,000 15,000
Nov 30	Bank A/c (300 x 130) Dr To Equity Share Capital A/c (300 x 100) To Securities Premium Reserve A/c (300 x 30) (Being re-issue of 300 forfeited shares @ Rs. 130 each)		39,000	30,000 9,000
Nov 30	Share Forfeited A/c Dr To Capital Reserve A/c (Being balance of share forfeited account transferred to capital reserve)		15,000	15,000

Working Note	Amt**(Rs.)**
Amount received on 79,500 shares @ Rs. 20 per share	15,90,000
(-) Adjustment of application money for 45,500 allotted shares @ Rs. 20	(9,10,000)
Remaining amount adjusted on allotment for 45,500 shares	6,80,000
Amount received on 4,500 allotted shares @ Rs. 120 per share	5,40,000
(-) Adjustment of application money (4,500 shares x Rs. 20 per share)	(90,000)
	4,50,000
(-) Adjustment of allotment money (4500 x 50)	(2,25,000)
Remaining amount adjusted with call, i.e. calls-in-advance	2,25,000

22. The balance sheet of A, B and C, who were sharing profits in the ratio of 5 : 3 : 2 as at 31st March, 2019 was as follows

Balance Sheet

as at 31st March, 2019

Liabilities		Amt (Rs.)	Assets	Amt (Rs.)
Creditors		1,10,000	Bank	88,000
Employees Provident Fund		22,000	Debtors	2,20,000
Profit and Loss A/c		1,87,000	Stock	1,76,000
Capital A/cs			Fixed Assets	1,32,000
A	88,000			
B	1,36,400			
C	72,600	2,97,000		
		6,16,000		6,16,000

A retired on 31st March, 2019. It was agreed that

(i) Goodwill of the firm was valued Rs. 1,76,000.

(ii) Fixed assets are to be depreciated by Rs. 5,500.

(iii) Make a provision for doubtful debts at 5% on debtors.

(iv) New profit sharing ratio of B and C will be 2 : 3.

(v) A liability for claim, included in creditors for Rs. 22,000 is settled at Rs.17,600.

The amount to be paid to A by B and C in such a way that their capitals are proportionate to their profit sharing ratio and leave a balance of Rs. 33,000 in the bank. Prepare revaluation account and partners' capital account.

Or

X and Y were partners in a firm sharing profits in the ratio of 3 : 2. On 1st April, 2019, they admitted Z as a partner in the firm. The balance sheet of X and Y on that date was as under

Balance Sheet

as at 1st April, 2019

Liabilities		Amt (Rs.)	Assets	Amt (Rs.)
Creditors		1,05,000	Cash in Hand	70,000
Workmen's Compensation Fund		1,25,000	Debtors	80,000
General Reserve		80,000	Stock	60,000
Capital A/cs			Machinery	50,000
X	50,000		Building	1,40,000
Y	40,000	90,000		
		4,00,000		4,00,000

It was agreed that

(i) The value of building and stock be appreciated to Rs. 1,90,000 and Rs. 80,000 respectively.

(ii) The liabilities of workmen's compensation fund was determined at Rs. 1,15,000.

(iii) Z brought in her share of goodwill Rs. 50,000 in cash.

(iv) Z was to bring further cash as would make her capital equal to 20% of the combined capital of X and Y after above revaluation and adjustments are carried out.

(v) The future profit sharing ratio will be X 2/5th, Y 2/5th and Z l/5th.

Prepare revaluation account, partners' capital accounts and balance sheet of the new firm. Also,

show clearly the calculation of capital brought by Z.

Ans.

Dr Revaluation Account Cr

Particulars	**Amt (Rs.)**	**Particulars**		**Amt (Rs.)**
To Fixed Assets	5,500	By Creditors		4,400
To Provision for Doubtful Debts	11,000	By Loss Transferred to		
		A's Capital A/c	6,050	
		B's Capital A/c	3,630	
		C's Capital A/c	2,420	12,100
	16,500			16,500

Dr **Partners'Capital Account** Cr

Particulars	A (Rs.)	**B (Rs.)**	**C(Rs.)**	**Particulars**	A (Rs.)	**B (Rs.)**	**C(Rs.)**
To Revaluation A/c	6,050	3,630	2,420	By Balance b/d	88,000	1,36,400	72,600
(Loss)				By Profit and Loss A/c	93,500	56,100	37,400
To A's Capital A/c	—	17,600	70,400	By B's Capital A/c	17,600	—	—
To Bank	2,63,450	4,510	—	By C's Capital A/c	70,400	—	—
To Balance c/d	—	1,66,760	2,50,140	By Bank A/c	—	—	2,12,960
	2,69,500	1,92,500	3,22,960		2,69,500	1,92,500	3,22,960

Working Notes

1. Calculation of Gaining Ratio

Gaining ratio = New ratio - Old ratio

B= 2/5 - 3/10 = 4-3/10 = 1/10, C = 3/5 - 2/10 = 6-2/10 = 4/10 => Gaining ratio =1:4

2. A's share of goodwill = 1,76900x 5/10 = Rs. 88,000 to be contributed by B and C in 1 :4.

3. **Calculation** *of* **New Capital**	**Amt (Rs.)**
Capital after adjustment of A	2,63,450
Capital after adjustment of B	1,71,270
Capital after adjustment of C	37,180
(+) Bank	33,000
	5,04,900
(-) Already in bank	(88,000)
	4,16,900

B's new capital = 4,16,900x 2/5 =Rs.1,66,760; C's new capital = 4,16,900x 3/5 =Rs. 2,50,140

Or

Dr Revaluation Account Cr

Particulars	**Amt (Rs.)**	**Particulars**	**Amt (Rs.)**
To Profit Transferred to Capital A/cs	70,000	By Building A/c	50,000

X 42,000 Y 28,000		By Stock A/c	20,000
	70,000		70,000

Dr **Partners'Capital Account** Cr

Particulars	**X (Rs.)**	**Y (Rs.)**	**Z(Rs.)**	**Particulars**	**X(Rs.)**	**Y (Rs.)**	**Z(Rs.)**
To Balance c/d	1,96,000	1,04,000	60,000	By Balance b/d	50,000	40,000	—
				By Revaluation A/c	42,000	28,000	—
				By General Reserve A/c	48,000	32,000	—
				By Workmen's Compensation Fund A/c	6,000	4,000	
				By Premium for Goodwill A/c	50,000	—	—
				By Cash A/c			60,000
	1,96,000	1,04,000	60,000		1,96,000	1,04,000	60,000

Balance Sheet

as at 31st March, 2019

Liabilities		**Amt (Rs.)**	**Assets**		**Amt (Rs.)**
Creditors		1,05,000	Building	140,000	
Liabilities for Workmen's Compensation Fund		1,15,000	(+) Appreciation	50,000	1,90,000
Capital A/cs			Stock	60,000	
X	1,96,000		(+) Appreciation	20,000	80,000
Y	1,04,000		Machinery		50,000
• Z	60,000	3,60,000	Debtors		80,000
			Cash in Hand (70,000 + 50,000 + 60,000)		1,80,000
		5,80,000			5,80,000

Working Notes

1. Calculation of Sacrificing Ratio

Sacrificing ratio = Old share - New share

X = 3/5 - 2/5 = 3-2/5 = 1/5; Y 2/5 - 2/5 = 2-2/5 = Nil

Here, the entire sacrifice has been made by X.

2. **Calculation of Cash Brought in by Z as her Capital**

Adjusted capital of X = Rs. 1,96,000 Adjusted capital of Y = Rs.1,04,000 Total adjusted capital Rs. 3,00,000

Z's capital should be equal to 20% of the combined adjusted capital of X and Y, i.e.

3,00,000 x 20% =Rs. 60,000

Part B

(Financial Statement Analysis)

OBJECTIVE TYPE QUESTIONS (1 Mark)

Answer the following (Q. no. 23 to 24)

23. Cash flow statement is based upon which basis of accounting?

Ans. Accrual basis of accounting

24. Interest received is considered as which type of activity?

Ans. It should be considered as cash inflow under investing activities.

State true or false (Q. no. 25 to 26)

Here, we have given some statements. You are required to mention whether these statements are true or false.

25. Debt-equity ratio is a short-term solvency ratio.

Ans. False. Debt-equity ratio is a long-term solvency ratio.

26. Accrued incomes are recorded under other current assets.

Ans. True. Because accrued income is a part of current assets.

27. Ideal current ratio for a better financial position of company is

Ans. **2:1**

28. Which of the following item(s) can be presented on the assets side of the balance sheet of company?

(a) Sundry Debtors (b) Public Deposits (c) Live Stock (d) Both (a) and (c)

Ans. (d) Both (a) and (c)

29. Match the following.

Column 1	**Column II**
A. Gross Profit	(i) Current Assets - Current Liabilities
B. Working Capital	(ii) Sundry Debtors + Bills Receivables
C. Trade Receivables	(iii) Net .Sales - COGS

Ans. A-(iii), B-(i), C-(ii)

SHORT ANSWER TYPE I QUESTION (3 Marks)

30. Name any three items that can be disclosed under non-current investments.

Or **From the following information given, prepare common size statement of profit and loss**

Particulars	**2018 Amt (Rs.)**	**2019 Amt (Rs.)**
Revenue from Operations	10,00,000	12,50,000
Depreciation and Amortisation	20,000	30,000
Changes in Inventories of Stock-in-trade	30,000	(20,000)
Other Expenses	30,000	50,000
Purchases of Stock-in-trade	7,20,000	8,70,000
Tax	50,000	50,000

Ans. The items that can be disclosed under non-current investments are (any three)

(i) Investment in equity instruments

(ii) Investment in mutual funds

(iii) Investment in debentures or bonds

(iv) Investment in property

Or

Common Size Statement

for the year ended 2018 and 2019

Particulars	**Absolute Amounts**		**Percentage of Revenue from Operations (Net Sales)**	
	2018 (Rs.)	**2019 (Rs.)**	**2018(%)**	**2019(%)**
1. Revenue from Operations (Net Sales)	10,00,000	12,50,000	100.00	100.00
II. Expenses	7,20,000	8,70,000	72.00	69.60
(a) Purchases of Stock-in-Trade				
(b) Changes in Inventories of Stock-in-Trade	30,000	(20,000)	3.00	(160)
(c) Depreciation and Amortisation	20,000	30,000	2.00	2.40
(d) Other Expenses	30,000	50,000	3.00	4.00
Total Expenses	8,00,000	9,30,000	80.00	74.40
III. Profit Before Tax (I-II)	2,00,000	3,20,000	20.00	25.60
(-) Tax	(50,000)	(50,000)	(5.00)	(4.00)
IV. Profit after Tax	1,50,000	2,70,000	15.00	21.60

SHORT ANSWER TYPE II QUESTION (4 Marks)

31. From the following balance sheet, calculate the ratios.

(i) Debt-equity ratio (ii) Proprietary ratio (iii) Total assets to debt ratio

Balance Sheet

as at...

Particulars	**Amt (Rs.)**
I. **EQUITY AND LIABILITIES**	
1. Shareholders' Funds	
(a) Equity Share Capital	30,00,000
(b) Reserves and Surplus	12,00,000
2. **Non-current Liabilities**	
Long-term Borrowings (12% Debentures)	10,00,000
3. **Current Liabilities**	
(a) Short-term Borrowings	4,00,000
(b) Trade Payables	24,00,000
Total	80,00,000
II. **ASSETS**	
1. Non-current Assets	
(a) Fixed Assets	33,00,000
(b) Long-term Investments	3,20,000
2. **Current Assets**	

(a) Inventories	18,20,000
(b) Trade Receivables	24,80,000
(c) Cash and Cash Equivalents	80,000
Total	80,00,000

Or

(i) Current ratio of a company is 2 :1 and quick ratio is 1 :1. If value of inventory isRs. 10,000 and prepaid insurance is Rs. 5,000, then calculate the value of current assets, current liabilities and liquid assets.

(ii) Calculate value of opening stock and closing stock from the following information Sales Rs. 5,00,000, gross profit is 20% of net sales, return inward is Rs. 20,000, return outward is Rs. 50,000, purchases Rs. 2,50,000 and opening stock is 2 times of the closing stock

Ans. (i) Debt-Equity Ratio = Debt*/Equity** = 10,00,000/42,00,000 = 0.238:1

*Debt = Long-term Borrowings (Debentures) 10,00,000

**Equity = Equity Share Capital + Reserves = 30,00,000 +12,00,000 = Rs. 42,00,000

(n) Proprietary Ratio = Shareholders' Funds */Total Assets** = 42,00,000/ 80,00,000 = 0.525:1

* Shareholders' Funds = Share Capital + Reserves = 30,00,000 +12,00,000 = 142,00,000

** Total Assets = Non-current Assets + Current Assets =Rs. 80,00,000

(MI) Total Assets to Debt Ratio = = Total Assets/Debt = 80,00,000/10,00,000 = 8:1

Or

(i) Current Ratio (CR) =2:1

CR = Current Assets (CA)/Current Liabilities (CL) = 2/1

= CA/CL = 2/1; CA = 2CL

Quick Ratio (QR) = 1:1

QR = Liquid Assets (LA)/Current Liabilities (CL) = 1/1

LA/CL = 1/1; LA = CL

CA -Inventories-Prepaid Insurance=CL [(??) LA =CA - Inventories - Prepaid Expenses]

CA-10,000-5,000 = CL; CA = CL + 15,000 ...(ii)

From (i) and (ii) equation

2CL = CL + 15,000; 2CL - CL = 15,000; CL =Rs. 15,000 Put in equation (i)

CA = 2(15,000); CA=Rs. 30,000

LA = CA - Inventories - Prepaid Insurance

LA = 30,000 -10,000 -5,000; LA=Rs. 15,000

(ii) Gross Profit (GP) = Net Sales x 20/100 = (Sales - Return Inward) x 20/100

20 2 = (5,00,000 - 20,000) x — = 4,80,000 x — v 100 10

GP=Rs. 96,000

Cost of Goods Sold (COGS) = Net Sales - Gross Profit

= 4,80,000 - 96000 COGS =Rs. 3,84,000 Let the value of closing stock = x then, opening stock is = 2x

COGS = Opening Stock + Purchases - Return Outward + Direct Expenses - Closing Stock COGS = 2x + 2,50,000 - 50,000 + 0 - x; 3,84,000 = 2,00,000 + x; x = 384,000 -2,00,000 x =Rs. 1,84,000 = Closing stock So that, opening stock is = 2(1,84,000)= Rs. 3,68,000

LONG ANSWER TYPE I QUESTION (6 Marks)

32. From the following, calculate the net cash flow from operating activities

Particulars	**Note No.**	**31 st March, 2019 Amt (Rs.)**	**31st March, 2018 Amt (Rs.)**
1. EQUITY AND LIABILITIES			
1. **Shareholders' Funds**			
(a) Share Capital	1	1,87,500	1,87,500
(b) Reserves and Surplus	2	77,500	(5,000)
2. **Non-current Liabilities** (8% Debentures)		65,000	37,500
3. **Current Liabilities**			
(a) Short-term Borrowings		10,000	12,500
(b) Trade Payables		30,000	27,500
(c) Short-term Provisions		12,500	10,000
Total		3,82,500	2,70,000
II. **ASSETS**			
1. Non-current Assets			
(a) Tangible Fixed Assets (Net)		2,15,000	1,55,000
(b) Intangible Assets		3,750	10,000
(c) Non-current Investments		31,250	20,000
2. **Current Assets**			
(a) Current Investments		1,250	3,750
(b) Inventories		48,750	25,000
(c) Trade Receivables		50,000	50,000
(d) Cash and Cash Equivalents		32,500	6,250
Total		3,82,500	2,70,000

Notes to Accounts

Particulars	**2019 (Rs.)**	**2018 (Rs.)**
1. **Share Capital**		
Equity Share Capital	1,37,500	1,12,500
5% Preference Share Capital	50,000	75,000
	1,87,500	1,87,500
2. **Reserves and Surplus**		
General Reserve	37,500	30,000
Statement of Profit and Loss	37,500	(35,000)
Securities Premium Reserve	2,500	—
	77,500	(5,000)
3. **Short-term Borrowings**		
8% Bank Loan	10,000	12,500

4. Short-term Provisions		
Provision for Tax	12,500	10,000
5. **Intangible Assets**		
Goodwill	3,750	10,000

Additional Information

During the year, a piece of machinery costing Rs. 15,000 on which depreciation charged was Rs. 5,000 was sold for Rs. 5,000. Depreciation provided on fixed assets Rs.15,000. Dividend on equity shares @ 8% was paid on opening balance. Income tax Rs. 11,250 was provided. Additional debentures were issued at par on 1st October, 2018 and bank loan was repaid on the same date. At the end of the year, preference shares were redeemed at a premium of 5%.

Ans. **Calculation of Net Cash Flow from Operating Activities**

Particulars		**Amt** (Rs.)
1. Cash Flow from Operating Activities		
Net Profit before Tax		1,04,000
(+) Adjustment for Non-cash and Non-operating Items Depreciation on Fixed Assets	15,000	
Loss on Sale of Machinery	5,000	
Interest on Debentures	4,100	
[(37,500 x 8/100) + (Rs. 27,500 x 8/100 x 6/12)]	900	
Interest on Bank Loan [(Rs. 12,500 x 8/100 x 6/12) + (Rs. 10,000 x 8/100 x 6/12)]		
Goodwill Amortised	6,250	
Premium on Redemption of Preference Shares	1,250	32,500
Operating Profit before Working Capital Changes		1,36,500
(-) *Increase in Current Assets and Decrease Current Liabilities* Inventories		(23,750)
(+) *Decrease in Current Assets and Increase in Current Liabilities* Trade Payables		2,500
Net Cash Flow from Operating Activities before Tax		1,15,250
(-)Tax Paid		(8,750)
Net Cash Inflow from Operating Activities after Tax		1,06,500

Working Notes

1**. Calculation of Net Profit before Tax**

Particulars	**Amt (Rs.)**
Closing Balance of Profit and Loss A/c	37,500
(+) Opening Balance of Profit and Loss A/c (Debit)	35,000
(+) Transfer to Reserve	7,500
(+) Dividend on Equity Shares	9,000
(+) Dividend on Preference Shares	3,750
(+) Provision for Tax	11,250
Net Profit before Tax	1,04,000

2. Dr **Tangible Fixed Assets Account** Cr

Particulars	**Amt (Rs.)**	**Particulars**	**Amt (Rs.)**
To Balance b/d	1,55,000	By Depreciation A/c	15,000
To Bank A/c (Purchases)	85,000	By Bank A/c (Sale)	5,000
		By Profit and Loss (Loss)	5,000
		By Balance c/d	2,15,000
			2,40,000
	2,40,000		

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Dr Provision for Tax Account Cr

Particulars	**Amt (Rs.)**	**Particulars**	**Amt (Rs.)**
To Bank A/c (Balancing figure)	8,750	By Balance b/d	10,000
(Tax paid during the year)	12,500	By Profit and Loss A/c (Tax made during	11,250
To Balance c/d			
	21,250	the year)	21,250