CLASS 12 ACCOUNTANCY SAMPLE QUESTION PAPER 3

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)

1. Admission is one of the modes of reconstitution of the partnership firm. Is it true or false? ***Ans.*** True

Multiple choice questions (Q. no. 2 to 5)

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

2. Receipt and payment account generally shows

(a) a debit balance (b) a credit balance

(c) surplus and deficit (d) capital fund

Ans. (a) a debit balance

3. Ram, Raghav and Raghu are partners in a firm sharing profits in the ratio of 5 : 3 : 2. As per partnership deed, Raghu is to get a minimum amount of Rs. 10,000 as profit. Net profit for the year is Rs. 40,000. Calculate deficiency (if any) to Raghu.

(a)Rs.750 (b) Rs. 2,000

(c) Rs. 1,500 (d) None of these

Ans. (b) Rs. 2,000

Hint Guaranteed share of Raghu is = Rs. 10,000 (-) Share in given profit ^40,000 x = (Rs. 8,000)

Deficiency in Raghu's share of profit = Rs. 2,000

4. Amount payable on shares can be received in installments by the company. What is the first installment called?

(a) Application money

(b) Allotment money

(c) First call money

(d) Second call money *Ans.* (a) Application money

5. Amount paid by purchasing company in consideration for assets taken over is called

(a) payment

(b) purchase consideration

(c) sale

(d) correct amount

Ans. (b) purchase consideration

Answer the following (Q. no. 6 to 8)

6. Name any two capital receipts that are directly added to the capital fund.

Ans. Two capital receipts that are directly added to capital fund are

(i) Legacies (ii) Life membership fee

7. A, B and C are partners sharing profits equally. A drew regularly Rs. 4,000 in the beginning of every month for the six months ended 30th September, 2016. Calculate interest on As drawings @ 5% p.a.

Ans. Interest on As Drawings = Total Drawings x Rate of Interest/100 x Average Period*/100

= 4,000 x 6 x 5/100 x 35/12 =Rs.350

Average Period = Months Left after First Drawings + Months Left after Last Drawings/2

= months = 3.5 months 2

8. State the right order of deductions for presenting correct view of the profit and loss appropriation account.

(i) Interest on the partner's loan.

(ii) Manager's commission on net proft.

(iii) Interest on partner's capital.

Ans. The right order of deductions is

(i) * (ii) * (iii)

Journalise the following (Q. no. 9 to 10)

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

9. X **Ltd issued 10,000, 8% debentures of Rs. 10 each, payable on application and redeemable at par at any time after 6 years. Record the entries for the issue of debentures in the books of** X **Ltd.**

Ans. JOURNAL

Date	**Particulars**	**LF**	**Amt** (Dr)	**Amt** (Cr)
	Bank A/c (10,000x10) Dr To Debenture Application and Allotment A/c (Being the application money received)		1,00,000	1,00,000
	Debenture Application and Allotment A/c Dr To 8% Debentures A/c (Being the application money transferred to debentures account)		1,00,000	1,00,000

10. Goel Ltd invited applications for issuing 6,000, 12% debentures of Rs. 100 each at a premium of Rs. 50 per debenture. The full amount was payable on application. Applications were received for 8,000 debentures. Applications for 2,000 debentures were rejected and application money was refunded. Debentures were allotted to the remaining applicants. Pass necessary journal entries for the above transactions in the books of Goel Ltd.

Ans. JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Bank A/c (8,000 x 150) Dr		12,00,000	12,00,000
	To Debenture Application and Allotment A/c (Being application money received on 8,000 debentures)			
	Debenture Application and Allotment A/c Dr		12,00,000	6,00,000
	To 12% Debentures A/c (6,000 x 100)			3.00. 000
	To Securities Premium Reserve A/c (6,000 x 50)			3.00. 000
	To Bank A/c (2,000 x 150)			
	(Being application money transferred to 12% debentures account and excess money refunded)			

Fill in the blanks (Q. no. 11 to 12)

Here, each sentence is incomplete due to one missing word. You are required to fill that missing word correctly.

11. receipts and expenditures are always recorded in income and expenditure account.

Ans. Revenue, revenue

12. Excess of expenditure over income from income and expenditure account is known **as**

Ans. deficit

13**.** Write a difference between 'shares' and 'share capital'.

Ans.

Snares	Share Capital
Share is a single smallest unit of the share capital.	Share capital is the total capital of the company.

SHORT ANSWER TYPE I QUESTION (3 Marks)

14. Ultimate Ltd decided to expand its business and for this purpose it opened a new unit in the remote areas of Assam. To finance the project, it issued 1,50,000 shares of Rs. 10 each, payable as Rs. 3 on application, Rs. 2 on allotment, Rs. 2 on first call and the balance Rs. 3 on second and final call. The shares were fully subscribed and all the amount due was received. Pass necessary journal entries.

Or

Pass the necessary journal entries for the issue of debentures in the following cases

(i) 20,000, 12% debentures of Rs. 50 each issued at 10% premium, repayable at 20% premium.

(ii) 15,000, 10% debentures ofRs. 100 each issued at 10% premium, repayable at par.

(iii) 20,000, 12% debentures of Rs. 50 each issued at par, repayable at 10% premium.

Ans. **JOURNAL**

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Bank A/c Dr		4,50,000	4,50,000
	To Share Application A/c (1,50,000x3)			
	(Being application money received on 1,50,000 shares at Rs. 3 per share)			
	Share Application A/c Dr		4,50,000	

	To Share Capital A/c (Being application money transferred to share capital account at the time of allotment)			4,50,000
	Share Allotment A/c Dr To Share Capital A/c (1,50,000x2) (Being allotment money due on 1,50,000 shares at Rs. 2 per share)		3,00,000	3,00,000
	Bank A/c Dr To Share Allotment A/c (Being receipt of Rs. 2 per share on 1,50,000 shares)		3,00,000	3,00,000
	Share First Call A/c Dr To Share Capital A/c (1,50,000 x 2) (Being first call money due on 1,50,000 shares @ Rs. 2 per share)		3,00,000	3,00,000
	Bank A/c Dr To Share First Call A/c (Being first call money received)		3,00,000	3,00,000
	Share Second and Final Call A/c Dr To Share Capital A/c (1,50,000 x 3) (Being second and final call money due on 1,50,000 shares @ Rs. 3 per share)		4,50,000	4,50,000
	Bank A/c Dr To Share Second and Final Call A/c (Being second and final call money received)		4,50,000	4,50,000

Or

JOURNAL

Date	**Particulars**	**LF**	**Amt** (Dr)	**Amt** (Cr)
(i)	Bank A/c (20,000 x 55) Dr To Debentures Application and Allotment A/c (Being the receipt of application money)		11,00,000	11,00,000
	Debenture Application and Allotment A/c Dr Loss on Issue of Debentures A/c Dr To 12% Debentures A/c (20,000x50) To Premium on Redemption of Debentures A/c (20,000 x 10) To Securities Premium Reserve A/c (20,000 x 5) (Being application money transferred to 12% debentures account)		11,00,000 2,00,000	10,00,000 2,00,000 1,00,000
Date	**Particulars**	**LF**	**Amt** (Dr)	**Amt** (Cr)
(ii)	Bank A/c (15,000x110) Dr To Debenture Application and Allotment A/c (Being the		16,50,000	16,50,000

	receipt of application money)			
	Debenture Application and Allotment A/c Dr		16,50,000	
	To 10% Debentures A/c (15,000x100)			15,00,000
	To Securities Premium Reserve A/c (15,000x10)			1,50,000
	(Being the issue of 10% debentures at 10% premium, repayable at par)			
(iii)	Bank A/c (20,000 x 50) Dr		10,00,000	10,00,000
	To Debenture Application and Allotment A/c (Being application money received)			
	Debenture Application and Allotment A/c Dr		10,00,000	
	Loss on Issue of Debentures A/c Dr		1,00,000	
	To 12% Debentures A/c (20,000 x 50)			10,00,000
	To Premium on Redemption of Debentures A/c (20,000x5) (Being issue of 12% debentures of par payable at 10% premium)			1,00,000

SHORT ANSWER TYPE II QUESTIONS (4 Marks)

15. 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.

Arts. **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)	61,750
(+) Amount to be Paid to Y	47,750
Total Capital of New Firm	1,09,500

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

Particulars	X(Rs.)	Z(Rs.)
1. 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

16. S, Q and V are partners sharing profit in the ratio of 6 : 4 : 2. They have decided to share profits equally since 1st April, 2019 and following transactions should be recorded in the books

(i) Contingent liability worth Rs. 7,000 proved to be actual liability and was to be paid by the firm.

(ii) Bill of Rs. 2,000 discounted with the bank has been dishonoured by the drawee.

(iii) Contingent liability worth Rs. 25,000 was undertaken by Q for Rs. 15,000.

(iv) An employee met with an accident in the factory and suffered serious injuries. The firm has been ordered by the court to pay a compensation ofRs. 20,000 to the employee. The firm has made the payment.

(v) Claim for damages by the customer amounting to Rs. 8,000 was admitted by the firm and paid.

(vi) The firm lost a litigation case and was ordered to pay a penalty of Rs. 16,000 which was paid.

Or

Following is the balance sheet of Amit, Rahul and Ankit as at 31st March, 2019

Balance Sheet

as at 31 st March, 2019

Liabilities		**Amt (Rs.)**	**Assets**	**Amt (Rs.)**
Sundry Creditors		40,000	Plant and Machinery	2,00,000
Reserve Fund		64,000	Stock	80,000
Capital A/cs			Sundry Debtors	1,20,000
Amit	2,00,000		Cash at Bank	1,00,000
Rahul	1,00,000		Cash in Hand	4,000
Ankit	1,00,000	4,00,000		
		5,04,000		5,04,000

Ankit died on 30th June, 2019. Under the terms of partnership deed, the executors of the deceased partner were entitled to the following

(i) Amount standing to the credit of the partners' capital account.

(ii) Interest on capital @ 5% per annum.

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

(iv) Share of profits from the closing of the last financial year to the date of death on the basis of the last year's profits.

(v) Ankit's share of goodwill will be adjusted to the accounts of Amit and Rahul who will maintain a profit sharing ratio of 2 : 1 in the new firm. They decide not to raise any goodwill account.

Profits for the year ended 31st March, 2017, 2018 and 2019 were Rs. 1,60,000, Rs. 1,80,000, Rs. 2,00,000 respectively. Profits were shared in the ratio of capitals.

Draw up Ankit's capital account.

Ans. **JOURNAL**

Date	**Particulars**		**LF**	**Amt** (Dr)	**Amt** (Cr)
(i)	Revaluation A/c	Dr		7,000	7,000

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	To Liability A/c (Being contingent liability due)			
(ii)	Revaluation A/c Dr To Liability for Bill Dishonoured A/c (Being discounted bill dishonoured)		2,000	2,000
(iii)	Revaluation A/c Dr To Liability A/c (Being contingent liability due)		25,000	25,000
	Liability A/c Dr To Q's Capital A/c (Being contingent liability paid)		15,000	15,000
(iv)	Compensation to Employee A/c Dr To Bank A/c (Being compensation paid to employees)		20,000	20,000
(v)	Claim for Damages A/c Dr To Bank A/c (Being claim for damages paid by the firm)		8,000	8,000
(Vi)	Litigation Case A/c Dr To Bank A/c (Being penalty of Rs. 16,000 paid by the firm)		16,000	16,000
	S's Capital A/c Dr Q's Capital A/c Dr V's Capital A/c Dr To Revaluation A/c [Being loss on revaluation account Rs. 34,000 (7,000+2,000+25,000) is distributed in profit sharing ratio 6:4:2]		17,000 11,333 5,667	34,000

Or

Or **Ankit's Capital Account** **Cr**

Particulars	Amt (Rs.)	Particulars	Amt (Rs.)
To Ankit's Executor's A/c	2,19,750	By Balance b/d	1,00,000
(Balancing Figure)		By Reserve Fund	16,000
		By Interest on Capital A/c	1,250
		By Amit's Capital A/c (Goodwill)	60,000
		By Rahul's Capital A/c (Goodwill)	30,000
		By Profit and Loss Suspense A/c	12,500
	2,19,750		2,19,750

Working Notes

1 **Calculation of Gaining Ratio**

Gaining ratio = New share-Old share

Amit's = 2/3 - 2/4 = 8-6/12 = 2/12 = Rahul's = 1/3 - 1/4 = 4-3/12 = 1/12 Gaining ratio=2:1

2. Value of goodwill = Average profit x Number of years' purchase

Average profit = 160,000 + 1,80,000 + 2,00,000/3 = Rs.180000; Goodwill = 1,80,000 x 2 = Rs. 3,60,000

3. Calculation of Ankit's share in goodwill (3,60,000 x 1 / 4) = Rs. 90,000 Amit's contribution for Ankit's goodwill (90,000 x 2/3) = Rs. 60,000 Rahul's contribution for Ankit's goodwill (90,000 x 1/3) = Rs. 30,000

4. Calculation of Ankit's share in profit = 2,00,000 x 1/4 x 3/12 = Rs.12 500

5. Calculation of reserve fund = 64,000 x 1/4 = Rs. 16,000

6. Calculation of interest on capital = 1,00,000 x 5/100 x 3/12 = Rs. 1,250

17. Malakar's Ltd is authorised with a capital of Rs. 50,00,000 divided into 50,000 shares of Rs. 100 each. The company issued 30,000 shares to the public for subscription. The company received application for 25,000 shares. In 1st year, Rs. 80 is called by the company. Ranjeet and Sandeep are two shareholders holding 2,000 and 4,000 shares respectively. Both the shareholders did not paid first call money of Rs. 20 per share. Sandeep's shares forfeited by the company after first call and later on 3,000 shares out of forfeited were re-issued at Rs. 60 per share as Rs. 80 called-up.

Show the following

(i) Share capital in the balance sheet of the company as per Schedule III, Part I of the Companies Act 2013.

(ii) Also prepare notes to accounts for the same.

***Ans.* In the Books of Malakar's Ltd**

Balance Sheet

as at...

Particulars	**Note No.**	**Amt** (Rs.)
I EQUITY AND LIABILITIES 1. **Shareholders' Funds** (a) Share Capital	1	20,00,000

Notes to Accounts

Particulars		**Amt (Rs.)**
1. Share Capital		50,00,000
Authorised Share Capital 50,000 Shares @ Rs. 100 each **Issued Share Capital** 30,000 Shares @ Rs. 100 each		30,00,000
Subscribed but not Fully Paid-up Share Capital	19,20,000	20,00,000
24,000 Shares of Rs. 100 each, Rs. 80 called-up (-) Calls-in-arrears (2,000 x 20)	(40,000)	
	18,80,000	
(+) Share Forfeiture A/c (From forfeiture and re-issued amount)	1,20,000	

18. Rashid and Komal are partners in a firm. Their capitals are: Rashid Rs. 30,000 and Komal Rs. 20,000. During the year ended 31st March, 2019, the firm earned a profit ofRs. 15,000. Assuming that the normal rate of return is 20%, calculate the value of goodwill of the firm of Rashid and Komal.

(i) By capitalisation method; and

(ii) By super profit method, if the goodwill is valued at 4 years' purchase of super profit. Ans. (i) **Capitalisation Method**

Total Capitalised Value of the Firm = Average Profit x 100/Normal Rate of Return = Rs. 15,000x100/20 =Rs. 75,000

Goodwill of the firm = Total Capitalised Value of Business - Capital Employed

=Rs. 75,000 -Rs. 50,000 [i.e., Rs. 30,000 (Rashid) + 20,000 (Komal)]

Goodwill of the firm =Rs. 25,000 (ii) **Super Profit Method**

Normal Profit = Capital Employed x Normal Rate of Return/100 =Rs. 50,000 x 20/100 =Rs. 10,000

Average Profit =Rs. 15,000

Super Profit = Average Profit - Normal Profit =Rs. 15,000 -Rs. 10,000 = Rs. 5,000 Goodwill of the Firm = Super Profit x Number of Years' Purchase =Rs. 5,000 x 4 =Rs. 20,000

LONG ANSWER TYPE I QUESTION (6 Marks)

19. The following is the receipts and payments account of Ananda Hospital for the year ended on 31st March, 2019. You are required to prepare income and expenditure account for the year ended on 31st March, 2019 and balance sheet as on that date.

Receipts and Payments Account

Dr as on 31 st March, 2019 Cr

Receipts	**Amt (Rs.)**	**Payments**	**Amt (Rs.)**
To Balance b/d	23,800	By Medicines	92,400
To Grant	56,000	By Salaries	75,600
To Subscription	1,34,400	By Fees to Doctors	67,200
To Donation	42,000	By General Expenses	3,360
To Proceeds from Charity Show	33,600	By Equipments	42,000
To Interest on Investment @ 9% p.a.	25,200	By Charity Show Expenses	11,200
		By Balance c/d	23,240
	3,15,000		3,15,000

Other Information

Particulars	**31st March, 2018 (Rs.)**	**31st March, 2019 (Rs.)**
(i) Subscription-in-arrears	1,400	2,800
(ii) Subscription-in-advance	4,200	3,500
(iii) Stock of Medicines	30,800	35,000
(iv) Amount due to Suppliers of Medicines	19,600	32,200
(v) Value of Equipments	75,600	95,200
(vi) Value of Building	1,90,400	1,79,200

Ans. **Income and Expenditure Account**

Dr forthe year ending 31st March, 2019 Cr

Expenditure		**Amt (Rs.)**	**Income**		**Amt (Rs.)**
To Medicines	92,400		By Grant		56,000
(+) Opening Stock	30,800		By Subscription	1,34,400	

Closing Creditors	32,200		(+) Outstanding (c/y)	2,800	
	1,55,400		Prepaid (p/y)	4,200	
(-) Closing Stock	(35,000)			1,41,400	
Opening Creditors	(19,600)	1,00,800	(-) Outstanding (p/y)	(1,400)	
To Salaries		75,600	Prepaid (c/y)	(3,500)	1,36,500
To Fees to Doctors		67,200	By Donation		42,000
To General Expenses		3,360	By Proceeds from Charity Show		33,600
To Charity Show Expenses	75,600	11,200	By Interest on Investment		25,200
To Depreciation on Equipments Opening Balance					
(+) Purchases	42,000				
	1,17,600				
(-) Closing Balance	(95,200)	22,400			
To Depreciation on Building		11,200			
To Excess of Income over Expenditure or Surplus		1,540			
		2,93,300			2,93,300

Balance Sheet

as at 31st March, 2019

Liabilities		Amt (Rs.)	Assets	Amt (Rs.)
Advance Subscription		3,500	Cash	23,240
Suppliers of Medicines		32,200	Outstanding Subscription	2,800
Capital Fund	5,78,200		Medicines	35,000
(+) Surplus	1,540	5,79,740	Equipment	95,200
			Building	1,79,200
			Investment	2,80,000
		6,15,440		6,15,440

Working Note

Balance Sheet

as at 31st March, 2018

Liabilities	Amt (Rs.)	Assets	Amt (Rs.)
Advance Subscription	4,200	Cash	23,800
Suppliers of Medicines	19,600	Outstanding Subscription	1,400
Capital Fund (Balancing figure)	5,78,200	Medicines	30,800
		Equipment	75,600
		Building	1,90,400
		Investment (25,200/9%)	2,80,000
	6,02,000		6,02,000

20. A, B and C were partners in a firm sharing profits in the ratio of 2 : 2 : 1, On 28th February, 2019, their firm was dissolved. From the following information, complete realisation account, partners' capital accounts and cash account.

Dr **Realisation Account** Cr

Particulars	**Amt (Rs.)**	**Particulars**	**Amt (Rs.)**
To Sundry Assets A/c	2,60,000	By Creditors	1,60,000
To A's Capital A/c (Creditors)	1,50,000	By C's Capital A/c (Sundry assets)	1,30,000
To B's Capital A/c	10,000	By	
(Realisation expenses)	4,20,000		4,20,000

Dr **Partners'Capital Account** Cr

Particulars	**A (Rs.)**	**B (Rs.)**	**C(Rs.)**	**Particulars**	**A (Rs.)**	**B (Rs.)**	**C(Rs.)**
To Balance b/d	—	—	46,000	By Balance b/d	1,50,000	10,000	—
To				By Realisation A/c			—
To Realisation A/c	—	—	1,30,000	By Cash A/c	—	32,000	2,02,000
(Assets)				(Cash brought in)			
To Cash A/c	2,48,000	—	—				
(Final payment)							
	3,00,000	52,000	2,02,000		3,00,000	52,000	2,02,000

Dr **Cash Account** Cr

Particulars	**Amt (Rs.)**	**Particulars**	**Amt (Rs.)**
To Balance b/d	14,000	By	
To			
To			
	2,48,000		2,48,000

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Calculation of Share of Excess Profit to be Borne by A and B

Particulars		A (Rs.)	**B (Rs.)**	c(Rs.)
Total Profit	7,20,000			
(-) Interest on Capitals (10% on Rs. 12,00,000)	(1,20,000)			
Divide in New Ratio (2:1 : 1)	6,00,000	3,00,000	1,50,000	1,50,000
Minimum Guaranteed Amount payable to C is Rs. 2,00,000; Therefore, 2,00,000 -1,50,000 = 50,000. Excess Payable to C will				
be Borne by A and B in 4 : 1		(-) 40,000	(-) 10,000	(+) 50,000
		2,60,000	1,40,000	2,00,000

Or **Profit and Loss Appropriation Account** Cr

Particulars	**Amt (Rs.)**	**Particulars**	**Amt (Rs.)**

To Interest on Capital A 50,000 B 40,000 C 30,000	1,20,000	By Profit	7,20,000
To Profit Transferred to A's Capital A/c 2,60,000 B's Capital A/c 1,40,000 C's Capital A/c 2,00,000	6,00,000		
	7,20,000		7,20,000

LONG ANSWER TYPE II QUESTIONS (8 Marks)

21. A and B are partners sharing profits and losses in the ratio of 1:1. Following is their balance sheet

Balance Sheet

as at...

Liabilities		**Amt (Rs.)**	**Assets**	**Amt (Rs.)**
Creditors		1,00,000	Cash	50,000
General Reserve		60,000	Debtors	60,000
Workmen Compensation Fund		40,000	Building	2,00,000
Employees Provident Fund		50,000	Machine	1,00,000
Bills Payable		50,000	Stock	80,000
Capital A/cs			Patents	20,000
A	2,00,000		Investment	50,000
B	1,00,000	3,00,000	Goodwill	20,000
			Profit and Loss	20,000
		6,00,000		6,00,000

Adjustments

(i) C comes for l/6th share and brings capital of Rs. 1,00,000 and proportionate share in goodwill.

(ii) Goodwill of the firm is valued at Rs. 1,20,000.

(iii) Half the premium is withdrawn by old partners.

(iv) Rs. 20,000 unrecorded typewriter brought into books.

(v) Make Rs. 5,000 provision for unforseen liabilities.

(vi) Bills payable paid-off.

(vii) Building was found undervalued by Rs. 40,000.

(viii) Capital of A and B adjusted in new profit sharing ratio on the basis of C's capital. The difference is adjusted in cash.

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

Or **Randhir, Rishi and Rajeev are partners with 2:2:1 ratio.**

Balance Sheet

as at 31 st December, 2019

Liabilities		Amt (Rs.)	Assets	Amt (Rs.)
Creditors		60,000	Cash in Hand	30,000
General Reserve		20,000	Bank	20,000
Workmen Compensation Fund		10,000	Debtors	50,000
Capital A/cs			Building	1,00,000
Randhir	60,000		Investment	20,000
Rishi	40,000		Deferred Revenue Expenses	10,000
Rajeev	40,000	1,40,000		
		2,30,000		2,30,000

Adjustments

(i) Rajeev takes retirement.

(ii) New profit sharing ratio between Randhir and Rishi is 11: 9 and goodwill of the firm is valued at Rs. 40,000.

(iii) Investment is taken over by Rajeev at Rs. 15,000.

(iv) Rs. 6,000 worth unrecorded typewriter is taken by Randhir at Rs. 5,000.

(v) Building increase by 10%.

(vi) Rs. 10,000 paid to Rajeev in cash and the balance transferred to his loan account.

(vii) Continuing partners decide to adjust their capitals in their profit sharing ratio. Adjustments are to be made through cash.

Prepare necessary accounts and balance sheet.

Ans. '

Dr Revaluation Account Cr

Particulars	Amt (Rs.)	Particulars	Amt (Rs.)
To Provision for Unforseen Liability A/c	5,000	By Unrecorded Typewriter A/c	20,000
To Revaluation (Profit) Transferred to		By Building A/c	40,000
A's Capital A/c 27,500			
B's Capital A/c 27,500	55,000		
	60,000		60,000

Dr **Partners'Capital Account** Cr

Particulars	A (Rs.)	B (Rs.)	C (Rs.)	Particulars	A (Rs.)	B (Rs.)	C(Rs.)
To Profit and Loss A/c	10,000	10,000	—	By Balance b/d	2,00,000	1,00,000	—
To Goodwill A/c	10,000	10,000	—	By Cash A/c	—	—	1,00,000
To Cash A/c	5,000	5,000	—	By General Reserve A/c	30,000	30,000	—
To Cash A/c	12,500	—	—	By Workmen			
To Balance c/d	2,50,000	2,50,000	1,00,000	Compensation			
				Fund A/c	20,000	20,000	—

			By Revaluation A/c (Profit)	27,500	27,500	“
			By Premium for Goodwill A/c	10,000	10,000	—
			By Cash A/c	—	87,500	—
2,87,500	2,75,000	1,00,000		2,87,500	2,75,000	1,00,000

Balance Sheet

as at...

Liabilities		**Amt (Rs.)**	**Assets**	**Amt (Rs.)**
Provision for Unforseen Liability		5,000	Typewriter (Unrecorded)	20,000
Creditors		1,00,000	Building (2,00,000 + 40,000)	2,40,000
Employee Provident Fund		50,000	Debtors	60,000
Capital A/cs			Machine	1,00,000
A	2,50,000		Stock	80,000
B	2,50,000		Patents	20,000
C	1,00,000	6,00,000	Investment	50,000
			Cash	1,85,000
		7,55,000		7,55,000

Dr **Cash Account** Cr

Particulars	**Amt (Rs.)**	**Particulars**	**Amt (Rs.)**
To Balance b/d	50,000	By Bills Payable A/c	50,000
To C’s Capital A/c	1,00,000	By A’s Capital A/c	5,000
To Premium for Goodwill A/c	20,000	By B’s Capital A/c	5,000
To B’s Capital A/c	87,500	By A’s Capital A/c	12,500
		By Balance c/d	1,85,000
	2,57,500		2,57,500

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Date	**Particulars**	**LF**	**Amt** (Dr)	**Amt** (Cr)
	Cash A/c Dr		1,20,000	1,00,000
	To C’s Capital A/c			20,000
	To Premium for Goodwill A/c (Being cash brought in by C for capital and goodwill)			
	Premium for Goodwill A/c Dr		20,000	10,000
	To A’s Capital A/c			10,000
	To B’s Capital A/c			
	(Being amount of goodwill brought in by C transferred to A and B)			

Working Notes

1. Calculation of New Profit Sharing Ratio

Cs share = 1/6; Remaining share= 1- 1/6 = 5/6

A's new share = 5/6 x 1/2 = 5/12; B’s new share = 5/6 x 1/2 = 5/12
C s new share = 1/6 x 2/2 = 2/12; New profit sharing ratio = 5:5:2
Total goodwill = Rs. 1,20,000
C's share in goodwill = 1,20,000 x 1/6 = Rs.20,000
to be distributed between A and B in their sacrificing ratio, i.e. 1:1.
2. **Adjustment of Capital**
C's share = 1/6; C brings capital for 1/6 th share = Rs.1,00,000 6 6
Total capital of firm taking C's capital as base = 1,00,000 x 6/1 = Rs.6,00,000
A's capital = 6,00,000 x 5/12 = Rs. 2,50,000; B's capital = 6,00,000 x 5/12 = Rs. 2,50,000
C’s capital = 6,00,000 x 2/12 = Rs.1,00,000 12
Or

Dr **Revaluation Account** Cr

Particulars		**Amt (Rs.)**	**Particulars**	**Amt (Rs.)**
To Investment A/c		5,000	By Building A/c	10,000
To Profit Transferred to			By Unrecorded Typewriter A/c	5,000
Randhir’s Capital A/c	4,000			
Rishi’s Capital A/c	4,000			
Rajeev’s Capital A/c	2,000	10,000		
		15,000		15,000

Dr **Partners'Capital Account** Cr

Particulars	Randhir (Rs.)	Rishi (Rs.)	Rajeev (Rs.)	Particulars	Randhir (Rs.)	Rishi (Rs.)	Rajeev (Rs.)
To Deferred Revenue				By Balance b/d	60,000	40,000	40,000
Expenses A/c	4,000	4,000	2,000	By General Reserve A/c	8,000	8,000	4,000
To Rajeev’s Capital A/c	6,000	2,000	—	By Workmen Compen-			
To Unrecorded				sation Fund A/c	4,000	4,000	2,000
Typewriter A/c	5,000	—	—	By Revaluation A/c	4,000	4,000	2,000
To Investment A/c	—	—	15,000	(Profit)			
To Cash A/c	—	—	10,000	By Randhir’s Capital A/c	—	—	6,000
To Rajeev’s Loan A/c	—	—	29,000	By Rishi’s Capital A/c	—	—	2,000
To Cash A/c (Balancing figure)	—	50	—	By Cash A/c (Balancing figure)	50	—	—
To Balance c/d	61,050	49,950	—		•		
	76,050	56,000	56,000		76,050	56,000	56,000

Dr **Cash Account** Cr

Particulars	**Amt (Rs.)**	**Particulars**	**Amt (Rs.)**

To Balance b/d	30,000	By Rajeev's Capital A/c	10,000
To Randhir's Capital A/c	50	By Rishi's Capital A/c	50
		By Balance c/d	20,000
	30,050		30,050

Balance Sheet

as at 31st December, 2019

Liabilities		Amt (Rs.)	Assets	Amt (Rs.)
Creditors		60,000	Cash	20,000
Rajeev's Loan A/c		29,000	Debtors	50,000
Capital A/cs			Building (1,00,000 + 10,000)	1,10,000
Randhir	61,050		Bank	20,000
Rishi	49,950	1,11,000		
		2,00,000		2,00,000

Working Notes

1. Goodwill of firm = Rs. 40,000 ; Rajeev's share of goodwill = 40,000 x 1/5 = Rs. 8,000

Gaining ratio = New share-Old share; Randhir = 11/20 - 2/5 = 11-8/20 = 3/20;

Rishi = 9/20 - 2/5 = 9-8/20 = 1/20; Gaining ratio = 3:1

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Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Randhir's Capital A/c Dr		6,000	
	Rishi's Capital A/c Dr		2,000	
	To Rajeev's Capital A/c			8,000
	(Being Rajeev's share of goodwill credited to Randhir and Rishi)			

2. Randhir's capital = Rs. 61,000

Rishi's capital <u>=Rs. 50,000</u>

<u>Rs. 1,11,000</u>

Randhir's new capital = 1,11,000 x 11/20 = Rs. 61,050

Rishi's new capital = 1,11,000 x 9/20 = 149,950

22. Kanso Ltd issued 10,00,000 shares of Rs. 10 each at a premium of Rs. 4 per share payable as follows

Rs. 4 on application Rs. 6 on allotment f 4 on call

Applications were received for 14,00,000 shares and pro-rata allotment was made as follows

To the applicants of 10,00,000 shares, 8,00,000 shares were issued and for the rest,

2.00. 000 shares were issued. All money due were received except the allotment and call money from Viresh who had applied for 15,000 shares (out of the group of

10.00. 000 shares). All his shares were forfeited. 7,500 of the forfeited shares were re-issued for Rs. 8 per share fully paid-up.

Pass necessary journal entries for the above transactions.

Or **Ram Ltd invited applications for 8,00,000 equity shares of Rs. 10 each at a premium of Rs. 40 per share. The amount was payable as follows**

On application — Rs. 35 per share (including Rs. 30 premium)

On allotment — Rs. 8 per share (including Rs. 4 premium)

On first and final call — Balance

Applications for 7,70,000 shares were received. Shares were allotted to all the applicants. Sumit to whom 70,000 shares were allotted failed to pay the allotment money. His shares were forfeited immediately after allotment.

Afterwards the first and final call was made. Sohail, the holder of 5,000 shares failed to pay the first and final call. His shares were also forfeited. Out of the forfeited shares

10,000 shares were reissued at Rs. 50 per share fully paid-up. The re-issued shares included all the shares of Sohail.

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

Ans. JOURNAL

Date	**Particulars**	**LF**	**Amt** (Dr)	**Amt** (Cr)
	Bank A/c Dr		56,00,000	
	To Share Application A/c (Being application money received)			56,00,000
	Share Application A/c Dr		56,00,000	
	To Share Capital A/c			40,00,000
	To Share Allotment A/c (Being application money adjusted)			16,00,000

Date	**Particulars**	**LF**	**Amt** (Dr)	**Amt** (Cr)
	Share Allotment A/c Dr		60,00,000	20,00,000
	To Share Capital A/c			40,00,000
	To Securities Premium Reserve A/c (Being allotment due)			
	Bank A/c Dr		43,40,000	43,40,000
	To Share Allotment A/c (WN 3) (Being allotment money received)			
	Share First and Final Call A/c Dr		40,00,000	40,00,000
	To Share Capital A/c (Being first and final call due)			
	Bank A/c Dr		39,52,000	39,52,000
	To Share First and Final Call A/c (Being first and final call received)			
	Share Capital A/c Securities Premium Dr		1,20,000	60,000 '
	Reserve A/c Dr		48,000	48,000
	To Share Allotment A/c			60,000
	To Share First and Final Call A/c			
	To Share Forfeiture A/c (Being share forfeited)			

	Bank A/c	Dr		60,000	75,000
	Share Forfeiture A/c	Dr		15,000	
	To Share Capital A/c (Being re-issue of shares)				
	Share Forfeiture A/c	Dr		22,500	22,500
	To Capital Reserve A/c (Beingforfeiture account proportionate amount of share transferred to capital reserve account)				

Working Notes

1. Excess amount received from Viresh on application Viresh has applied for 15,000 shares

He must have been allotted (8,00,000/10,00,000 x 15,000) = 12,000 shares

Excess application money received from Viresh = 15,000 shares -12,000 shares

= 3,000 shares x Rs. 4 = Rs. 12,000

2. Amount due from Viresh on allotment		**Amt(Rs.)**
12,000 shares xRs. 6		72,000
(-) Excess received from Viresh on application		(12,000)
Amount not received from Viresh on allotment		60,000
3. Total amount due on allotment (10,00,000 xRs. 6)		60,00,000
(-) Excess received on applications		(16,00,000)
		44,00,000
(-) Amount not received from Viresh		(60,000)
Allotment money received		43,40,000
4. Profit on forfeiture of 12,000 shares		60,000
Hence, profit on forfeiture of 7,500 shares		
	(60,000 x 7,500/12,0000)	37,500
(-) Loss on re-issue		(15,000)
Transfer to capital reserve		22,500

Or

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Date	**Particulars**		**LF**	**Amt** (Dr)	**Amt** (Cr)
	Bank A/c {7,70,000 x 35)	Dr		2,69,50,000	
	To Equity Share Application A/c				2,69,50,000
	(Being share application money received on 7,70,000 equity shares @ Rs. 35 per share including premium)				
	Equity Share Application A/c	Dr		2,69,50,000	
	To Equity Share Capital A/c (7,70,000 x 5)				38,50,000
	To Securities Premium Reserve A/c (7,70,000 x 30) (Being share application money transferred)				2,31,00,000
	Equity Share Allotment A/c	Dr		61,60,000	

Date	Particulars		L.F.	Dr (Rs.)	Cr (Rs.)
	To Equity Share Capital A/c (7,70,000 x 4)				30.80,000
	To Securities Premium Reserve A/c (7,70,000 x 4)				30.80,000
	(Being allotment money due on 7,70,000 equity shares @ Rs. 8 per share including premium of Rs. 4 each)				
	Bank A/c	Dr		56,00,000	56,00,000
	To Equity Share Allotment A/c (7,00,000 x 8)				
	(Being share allotment money received on 7,00,000 equity shares @ Rs. 8 per share including premium)				
	Equity Share Capital A/c (70,000 x 9) Securities	Dr		6.30,000	3.50,000
	Premium Reserve A/c (70,000 x 4)	Dr		2.80,000	5.60,000
	To Forfeited Shares A/c (70,000 x 5)				
	To Equity Share Allotment A/c (70,000 x 8)				
	(Being 70,000 shares forfeited for the non-payment of allotment of Rs. 8 per share including premium)				
	Equity Share First and Final Call A/c (7,00,000 x 7)	Dr		49,00,000	
	To Equity Share Capital A/c (7,00,000 x 1)				7,00,000
	To Securities Premium Reserve A/c (7,00,000 x 6)				42,00,000
	(Being share first and final call due on 7,00,000 equity shares @ **Rs.** 7 per share including premium of **Rs.** 6 each)				
	Bank A/c (6,95,000x7)	Dr		48,65,000	48,65,000
	To Equity Share First and Final Call A/c				
	(Being share first and final call money received on 6,95,000 equity shares @ **Rs.** 7 per share including premium)				
	Equity Share Capital A/c (5,000 x 10)	Dr		50,000	45,000
	Securities Premium Reserve A/c (5,000 x 6)	Dr		30,000	35,000
	To Forfeited Shares A/c (5,000 x 9)				
	To Equity Share First and Final Call A/c (5,000 x 7)				
	(Being 5,000 shares forfeited for the non-payment of first and final call of **Rs.** 7 per share including premium)				
	Bank A/c (10,000 x 50)	Dr		5,00,000	
	To Equity Share Capital A/c (10,000 x 10)				1,00,000
	To Securities Premium Reserve A/c (10,000 x 40)				4,00,000
	(Being re-issue of 10,000 forfeited shares @ Rs. 50 per share as fully paid-up)				
	Forfeited Shares A/c	Dr		70,000	
	To Capital Reserve A/c				70,000
	(Being balance of forfeited shares account transferred to capital reserve)				

Working Note

Amt (Rs.)

Amount of Sumit's 5,000 forfeited shares (3,50,000 x 5,000/70,000) = 25,000	
(+) Amount of Sohail's 5,000 forfeited shares	45,000
Amount to be transferred to capital reserve	70,000

Part B

(Financial Statement Analysis)

OBJECTIVE TYPE QUESTIONS (1 Mark)

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

23. Rakshak Ltd made an operating profit of Rs. 1,85,500 after charging depreciation of Rs. 31,200. During that year, trade payables increased by Rs. 26,600 and inventory increased by Rs. 40,300. There was no change to trade receivables. Assuming that no other factors affected it, what would be the cash generated from operations?

Ans. Cash generated from operations	**Amt (Rs.)**
Operating profit	1,85,500
(+) Depreciation	31,200
	2,16,700
(-) Increase in inventory	(40,300)
(+) Increase in trade payables	26,600
	2,03,000

24. Sale of marketable securities at par would result in inflow, outflow or no flow of cash. *Ans.* No, flow of cash as marketable securities are cash equivalent.

25. Match the following.

Column 1	**Column II**
A. Sub-head	(i) Other Current Assets
B. Major-head	(ii) Prepaid Expenses
C. Item	(iii) Current Assets

Ans. A->(i), B-»(iii), C—>(ii)

26. Which one of the following is not an item of securities premium reserve?

(a) Revaluation reserve

(b) Securities premium reserve

(c) Share options outstanding account

(d) None of the above *Ans.* (d) None of the above

27. Ideal quick ratio of a company is always 2 : 1. Is it true or false?

Ans. False, Ideal quick ratio is 1 : 1.

28. Write any two differences between current ratio and quick ratio.

Current Ratio	**Quick Ratio/Liquid Ratio**
It is the relation between current assets and current liabilities.	It is the relation between liquid assets and current liabilities.
It is not considered to be better than the quick ratio to measure short-run financial position.	It is considered to be better than current ratio to measure short-run financial position.

29. Define the term 'Ratio Analysis'.

Ans. It is a technique which involves regrouping of data by application of arithmetical relationships. It is the powerful tool for measuring performance of a business enterprises.

SHORT ANSWER TYPE I QUESTION (3 Marks)

30. Draw notes to accounts for change in inventories of Kartik Ltd for the year ended 31st March, 2019 from the following information and determine the amount that will be shown in the statement of profit and loss against change in inventories of finished goods, work-in-progress and stock-in-trade.

Particulars	Opening Inventory (Rs.)	Closing Inventory (Rs.)
Finished Goods	5,00,000	4,00,000
Work-in-progress	9,00,000	10,00,000
Stock-in-trade	15,00,000	14,00,000

Or

(i) How the earning capacity of a business is assessed by financial statement analysis?

(ii) How does subjectivity become a limitation of financial statement analysis?

Ans. Notes to Accounts

Particulars		Year ended 31st March, 2019 Amt (Rs.)
Change in Inventories of Finished Goods, Work-in-progress and Stock-in-trade		
(a) **Finished Goods**		
Opening Inventory	5,00,000	
(-) Closing Inventory	(4,00,000)	
Sub-total		1,00,000
(b) **Work-in-progress**		
Opening Inventory	9,00,000	
(-) Closing Inventory	(10,00,000)	
Sub-total		(1,00,000)
(c) **Stock-in-trade**		
Opening Inventory	15,00,000	
(-) Closing Inventory	(14,00,000)	
Sub-total		1,00,000
Total (a + b + c)		1,00,000

Rs. 1,00,000 will be shown in the statement of profit and loss against change in inventories of finished goods, work-in-progress and stock-in-trade.

Or

(i) The earning capacity of a business is assessed by financial statement analysis through profitability ratios.

(ii) Subjectivity becomes a limitation of financial statement analysis because an analyst has to exercise his own judgement and bias in the process of drawing conclusions.

SHORT ANSWER TYPE II QUESTION (4 Marks)

31. From the following information, calculate any two of the following ratios

(i) Debt to equity ratio **(ii) Working capital turnover ratio**

(iii) Return on investment

Information

Equity share capital Rs. 25,000, general reserve Rs. 2,500, balance of statement of profit and loss after interest and tax Rs. 7,500, 9% debentures Rs. 10,000, creditors Rs. 7,500, land and building Rs. 32,500, equipments Rs. 7,500, debtors Rs. 7,250, cash Rs. 2,750, revenue from operations, i.e. sales for the year ended 31st March, 2017 was Rs. 50,000, tax rate is 50%.

Or

Assuming that debt to equity ratio is 2 : 1. State giving reasons, whether this ratio will increase or decrease or will have no change in each one of the following cases

(i) Sale of fixed asset (book value Rs. 40,000) at a loss of Rs. 5,000.

(ii) Issue of new shares for cash.

(iii) Redemption of debentures for cash.

(iv) Declaration of final dividend.

Ans. (i) Debt to Equity Ratio = Debt*/Equity or Shareholders Funds** = 10,000/35,000 = 0.286 : 1

*Debts = 9% Debentures = Rs. 10,000

♦♦Shareholders’ Funds = Equity Share Capital + General Reserve + Balance of Statement of Profit and Loss = 25,000 + 2,500 + 7,500 = Rs. 35,000

II Working Capital Turnover Ratio = Revenue from Operations (Net sales)/Working Capital* = 50,000/2,500 =20 times

♦Working Capital = Current Assets - Current Liabilities = 10,000 -7,500 = Rs. 2,500

Current Assets = Cash + Debtors = 2,750 + 7250 = Rs. 10,000 Current Liabilities = Creditors = Rs. 7,500

(iii) Return on Investment = Profit before Interest, Tax and Preference Dividend*/Capital Employed x 100

= 15,900/45,000 x 100 = 35:33%

Profit before Tax = Profit after Tax/100-Tax Rate x 100 = 7,500 x 100/100 - 50 = 7,500 x 100/50 = Rs. 15,000

Profit before Interest and Tax = 15,000 + 900 (Interest on Debentures) = Rs. 15,900

**Capital Employed = Equity Share Capital + General Reserve + Balance of Statement of Profit and Loss + 9% Debentures

= 25,000 + 2,500 + 7,500 + 10,000 = Rs. 45,000

Or

Transaction	**Effect on Debt to Equity Ratio**	**Reasons**
(i)	Increase	Total shareholders' funds are decreased by the amount of loss but total long-term debts remain unchanged. Therefore, debt to equity ratio will increase.
(ii)	Decrease	Total shareholders’ funds are increased by the amount of cash received but total long-term debts remairj unchanged. Therefore, debt

		to equity ratio will decrease,
(iii)	Decrease	Total long-term debts have decreased but total shareholders' funds remain unchanged. Therefore, Debt to equity ratio will decrease.
(iv)	Increase	Total shareholders' funds have decreased by the amount of profits appropriated for dividend but long-term debts remain unchanged.

LONG ANSWER TYPE I QUESTION (6 Marks)

32. From the balance sheet and information given below, prepare cash flow statement

Balance Sheet

as at 31 st March, 2019

Particulars	**31st March, 2018 (Rs.)**	**31st March, 2019 (Rs.)**
I. EQUITY AND LIABILITIES		
Creditors	. 32,000	35,200
A's Loan	20,000	-
Loan from Bank	32,000	40,000
Capital	1,00,000	1,22,400
	1,84,000	1,97,600
II. **ASSETS**		
Cash	8,000	5,600
Debtors	24,000	40,000
Stock	28,000	20,000
Land	32,000	40,000
Machinery	64,000	44,000
Building	28,000	48,000
	1,84,000	1,97,600

During the year, machine costing Rs. 8,000 (Accumulated Depreciation Rs. 2,400) was sold for Rs. 4,000. The provisions for depreciation against machinery as on 31st March, 2017 and 31st March, 2018 were Rs. 20,000 and Rs. 32,000 respectively. Net profit for the year amounting to Rs. 36,000.

Ans. Cash Flow Statement

for the year ended 31 st March, 2019

	Particulars		**Amt (Rs.)**
I.	**Cash Flow from Operating Activities**		36,000
	Net Profit before Tax and Extraordinary Items		
	(+) Non-cash and Non-operating Expenses		
	Depreciation on Machinery	14,400	
	Loss on Sale of Machinery	1,600	16,000
	Operating Profit before Working Capital Changes		52,000
	(+) *Increase in Current Liabilities and Decrease in Current Assets*		
	Creditors	3,200	

	Stock	8,000	11,200
	(-) *Decrease in Current Liabilities and Increase in Current Assets*		
	Debtors	(16,000)	(16,000)
	Cash Flow from Operating Activities		47,200
II.	**Cash Flow from Investing Activities**	4,000	
	Proceeds from Sale of Machinery		
	Purchase of Land	(8,000)	
	Purchase of Building	(20,000)	
	Cash Used in Investing Activities		(24,000)
III.	**Cash Flow from Financing Activities**	(20,000)	
	Payment of A's Loan Loan from Bank	8,000	
	Drawings	(13,600)	
	Cash Used in Financing Activities		(25,600)
IV.	Net increase in Cash and Cash Equivalents (I + II + III)		(2,400)
	(+) Cash and Cash Equivalent in the beginning of the year		8,000
V.	Cash and Cash Equivalent at the end of the year		5.600

Working Notes

Dr **Machinery Account** Cr

Particulars	**Amt (Rs.)**	**Particulars**	**Amt (Rs.)**
To Balance b/d	84,000	By Bank (Sale)	4,000
(64,000 + 20,000)		By Provision for Depreciation	2,400
		By Profit and Loss (Loss on Sale)	1,600
		By Balance c/d	76,000
		(44,000 + 32,000)	
	84,000		84,000

2.

Dr Provision for Depreciation Account Cr

Particulars	**Amt (Rs.)**	**Particulars**	**Amt (Rs.)**
To Machinery A/c	12,400	By Balance b/d	20,000
To Balance c/d	32,000	By Depreciation A/c	14,400
	34,400		34,400

3. **Calculation of Drawings**	**Amt (Rs.)**
Capital at the beginning	1,00,000
(+) Net Profit	36,000
	1,36,000
(-) Capital at the end	(1,22,400)
Drawings	13,600