CLASS 12 ACCOUNTANCY SAMPLE QUESTION PAPER 4

A Highly Simulated Practice Question Paper for CBSE Class XII Examination

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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 3)

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

1. A, B and C are partners with capitals Rs. 1,00,000, Rs. 75,000 and ^ 50,000 respectively. On C's retirement, his share is acquired by A and B in ratio of 5 : 3. Gaining ratio will be

(a) 3 : 2 (b) 2 : 2 (c) 5 : 3 (d) None of these

Ans. (c) 5 : 3

Hint On C’s retirement, his share is acquired by A and B in the ratio of 5 : 3. Therefore, 5 : 3 is the gaining ratio.

2. In a partnership, interest on drawings is a

(a) income for partners (b) asset of firm (c) income for firm (d) liability of firm

Ans. (c) income for firm

3. Receipt and payment account is the summary of

(a) bank balance (b) capital account
(c) cash book (d) income and expenditure account

Ans. (c) cash book

Answer the following (Q. no. 4 to 6)

4. Name the two financial statements which are prepared by not-for-profit organisations.

Ans. The two financial statements prepared by not-for-profit organisations are (i) Income and Expenditure Account (ii) Balance Sheet

5. What do you mean by oversubscription of shares?

Ans. Oversubscription of shares is that situation where subscribed shares by the public exceeds shares offered by the company for subscription.

Subscribed shares > Ottered for subscription

6. What rate of interest is allowed by the company on the amount of calls-in-advance? *Ans.* 12%

p.a. interest is allowed by the company on amount of calls-in-advance.

Journalise the following (Q. no. 7 to 8)

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

7. Aman is a partner of Jivan firm with a fixed capital of Rs. 9,00,000. He withdrew Rs. 60,000 during financial year 2018-19.

Ans. **JOURNAL**

Date	**Particulars**		**LF**	**Amt** (Dr)	**Amt** (Cr)
2019 Mar 31	Aman's Current A/c	Dr		60,000	60 000
	To Drawings A/c				
	(Being drawings made by Aman during the year)				

8. At the time of retirement of Mahesh, value of stock is given Rs. 60,000 in the balance Sheet of the firm. Pass a journal entry when found stock is undervalued by 20%. *Ans.* **JOURNAL**

Date	**Particulars**		**LF**	**Amt** (Dr)	**Amt** (Cr)
	Stock A/c (60,000/80 x 20j	Dr		15,000	
	To Revaluation A/c (Being stock is undervalued by 20%)				15,000

Difference between (Q. no. 9 to 10)

Here, we have given two related terms. You are required to provide distinction between the given terms.

9. Sacrificing ratio and new profit sharing ratio.

Ans **Sacrificing Ratio**	**New Profit Sharing Ratio**
It is the ratio in which the old partners agree to sacrifice their share in profits in favour of a new partner.	It is the ratio in which all partners including the incoming partner share the future profits and losses.

10. Preference shares and debentures.

Ans' **Preference Shares**	**Debentures**
Fixed rate of dividend is allowed by the company on these shares.	Fixed rate of interest is allowed by the company on debentures.

11. The firm maintains the partners' capital accounts under the fixed capital accounts method. The accountant of the firm has credited their salary and interest on capital to their capital accounts. Is the treatment correct? Give reason.

Ans. No, the treatment is not correct, when accounts are maintained under fixed capital method, interest on capital and salary are credited to partner's current account.

12. If there is a sports fund appearing in the balance sheet, then expenses incurred on sports activities will be shown on the

Ans. Liability side of the balance sheet as deduction of sports fund.

Note As sports fund is a special fund of capital nature, so the expenses incurred on sports activities will be deducted from sports fund in the liability side of the balance sheet.

13. Debentures can be redeemed in lump-sum or by draw of lots. Is it true or false?

Ans. True

SHORT ANSWER TYPE I QUESTION (3 Marks)

14. Ajay, Pranav and Vijay are in partnership sharing profits in the ratio of 4 : 3 : 1. Pranav takes retirement on 30th June, 2018. The firm's profits for various years were : 2013 (profits Rs.3,24,444), 2014 (profits Rs. 80,000), 2015 (profits Rs. 10,000), 2016 (losses Rs. 10,000),2017 (profitsRs. 40,000) and2018 (profits Rs.50,000). Ajay and Vijay decided to share future profits in the ratio of 3 : 2. Goodwill is to be valued on the basis of 2 years' purchase of average profit of 4 completed years immediately preceding the year of retirement of a partner. Pass the journal entry to record Pranav's share of goodwill.

Or

Calculate the value of goodwill by super profit method, when goodwill is to be valued at 2.5 years' purchase of the average profits of the last 5 years. Profits of the previous five years are given below

2019 - Rs. 60,000, 2018 - Rs. 40,000, 2017 - Rs. 1,10,000 2016 - Rs. 40,000, 2015 - Rs. 30,000

Capital investment of the firm is Rs. 1,00,000 and having rate of return is 20%.

Ans. JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
2018 Jun 30	Ajay's Capital A/c (22,500 x 4/15) Dr Vijay's Capital A/c (22,500 x 11/15) Dr To Pranav's Capital A/c (Being the Pranav's share of goodwill credited to Pranav and debited to Ajay and Vijay in their gaining ratio of 4 : 11)		6,000 16,500	22,500

Working Notes

1. Gaining ratio = New share - Old share

Ajay's gain = 3/5 - 4/8 = 24-20/40 = 4/40 vijay's gain = 2/5 - 1/8 = 16-5/40 = 11/40

Gaining ratio of Ajay and Vijay = 4/40: 11/40 = 4:11

2. Average profit of 4 years = 80,000 + Rs. 10,000 + (Rs. 10,000) + Rs.40,000/4 =Rs.30,000

Firm's goodwill =Rs.30,000x2=Rs.60,000 Pranav's share of goodwill =Rs.60,000 x3/8 = Rs.22,500

Or

Average profit of last 3 years

= <u>60,000 + 40,000 + 1,10,000/3</u> = <u>2,10,000/3 = Rs. 70,000</u>

Normal profit = Capital employed x Rate return/100

= 1,00,000 x 20/100 =Rs. 20,000

Super profit = Average profit - Normal profit = 70,000 - 20,000 = Rs. 50,000

Goodwill of the firm = Super profit x No. of years' purchase = 50,000x2.5 = Rs. 1,25,000

SHORT ANSWER TYPE II QUESTIONS (4 Marks)

15. Ultimate Ltd purchased machinery from Evergreen Ltd for Rs. 10,00,000 to start a business of manufacturing low cost school dresses for children belonging to low income group. It made the payment as follows Rs. 2,00,000 by cheque,

5,000, 10% preference shares of Rs. 100 each at par, and

3,000, 10% debentures ofRs.100 each at par.

You are required to pass the journal entries for the transactions.

Ans. **JOURNAL**

Date	**Particulars**	**LF**	**Amt** (Dr)	**Amt** (Cr)
	Machinery A/c Dr		10,00,000	10,00,000
	To Evergreen Ltd			
	(Being the machinery purchased from Evergreen Ltd)			
	Evergreen Ltd Dr		10,00,000	
	To Bank A/c			2,00,000
	To 10% Preference Share Capital A/c (5,000x100)			5,00,000
	To 10% Debentures A/c (3,000x100)			3,00,000
	(Being the consideration paid by issue of cheque for Rs. 2,00,000, 5,000,10% preference shares of Rs. 100 each and 3,000, 10% debentures of Rs. 100 each)			

16. ABC Pvt Ltd Company'issued 50,000,10% debentures ofRs. 100 each at 10% premium to the public on 1st April, 2019, which are redeemable after 5 years of issue at a premium of 20%. Pass a journal entry for writing-off 'loss on issue of debentures' in the same year of issue and prepare 'loss on issue of debenture account' also.

Ans. **In the Books of ABC Pvt Ltd'**

JOURNAL

Date	**Particulars**	**LF**	**Amt** (Dr)	**Amt** (Cr)
2020 Mar 31	Securities Premium Reserve A/c Dr		5,00,000	
	Statement of Profit and Loss Dr		5,00,000	
	To Loss on Issue of Debentures A/c			10,00,000
	(Being loss on issue of debentures is written-off from available balance of SPR and profit and loss account)			

Working Note

Securities premium reserve (By issue of 50,000,10% debentures of Rs. 100 each at 10% premium)

= 50,000 x 10 = Rs. 5,00,000

Loss on issue of debentures = 50000 x 20 = Rs. 1000,000

Dr **Loss on Issue of Debentures Account** Cr

Date	**Particulars**	**Amt (Rs.)**	**Date**	**Particulars**	**Amt (Rs.)**
2019			2020		
Apr 1	To Premium on Redemption of Debentures A/c	10,00,000	Mar 31	By Securities Premium Reserve A/c	5,00,000
			Mar 31	By Statement of Profit and Loss A/c	5,00,000
		10,00,000			10,00,000

17. Sita, Reeta and Geeta are partners in a firm sharing profits and losses in the ratio of 4 : 3 : 1. As per the terms of partnership deed, on the death of any partner, goodwill was to be valued at 50% of the net profits credited to that partner's capital account during the last three completed

years before her death. Sita died on 28th February, 2019. The profits for the last five years were 2014- Rs. 60,000, 2015- Rs.97,000,

2016-Rs. 1,05,000, 2017-Rs. 30,000 and 2018-Rs. 84,000.

On the date of Sita's death, building was found undervalued by Rs. 80,000, which was to be considered. Calculate amount of Sita's share of goodwill in the firm and complete the following journal entries. The new profit sharing ratio between Reeta and Geeta will be equal.

JOURNAL

Date	**Particulars**	**LF**	**Amt** (Dr)	**Amt** (Cr)
	Dr		80,000	
	To		13,688	
	(Being the increase in value of building brought into account)			
	Revaluation A/c Dr			
	To Sita's Capital A/c			
	To			
	To Geeta's Capital A/c			
	(Being the transfer of profit on revaluation to partners' capital account in their old profit sharing ratio)			
	Dr			
	Dr			
	To			
	(Being Sita's share of goodwill adjusted in the capital accounts of gaining partners in their gaining ratio, i.e. 1 : 3)			

Or

Given below is the balance sheet of A and B who are partners in a firm sharing profits in the ratio of 3:2.

Balance Sheet

as at 1st April, 2019

Liabilities		**Amt (Rs.)**	**Assets**	**Amt (Rs.)**
Sundry Creditors		3,00,000	Land and Buildings	4,00,000
Profit and Loss A/c		1,00,000	Plant and Machinery	3,00,000
Capital A/cs			Stock	70,000
A	4,00,000		Debtors	1,80,000
B	2,00,000	6,00,000	Bank	50,000
		10,00,000		10,00,000

On the same date, C is admitted as a partner on the following terms

(i) A gives 1/3rd of his share, while B gives 1/1 Oth from his share to C.

(ii) Goodwill is valued at 2 years' purchase of the average profits of the last 5 years, which were Rs. 50,000 (loss); Rs. 1,20,000; Rs. 10,000 (loss); Rs. 3,00,000 and Rs. 3,40,000 respectively. C does not bring his share of goodwill in cash.

(iii) C brings in capital in proportion to his share of profit in the firm.

Pass necessary journal entries.

Ans. JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Building A/c Dr		**80,000**	
	To **Revaluation A/c**			**80,000**
	(Being the increase In value of building brought into account)			
	Revaluation A/c Dr		80,000	
	To Sita's Capital A/c (80,000 x 4/8)			**40,000**
	To **Reeta's Capital A/c** (80,000x2/8)			**30,000**
	To Geeta's Capital A/c (80,000x1/8)			**10,000**
	(Being the transfer of profit on revaluation to partners' capital accounts in their old profit sharing ratio)			
	Reeta's Capital A/c Dr		13,688	
	Geeta's Capital A/c Dr		**41,062**	
	To **Sita's Capital A/c**			**54,750**
	(Being Sita's share of goodwill adjusted in the capital accounts of gaining partners in their gaining ratio, i.e. 1 : 3)			

Working Notes

1 Calculation of Gaining Ratio

Gaining ratio = New share - Old share

Reeta = 1/2 - 3/8 = 4--3/8 = 1/8 ; Geeta = 1/2 - 1/8 = 4-1/8 = 3/8

Gaining ratio =1:3

2 Calculation of Sita's Share of Goodwill

Total of last three years profit = 1,05,000 + 30,000 + 84,000 = Rs. 2,19,000

Sita's share in last three years profit =2,19,000 x 4/8 =Rs. 1,09,500

Sita's share of goodwill = 1,09,500 x 50/100 =Rs.54,750

Sita's share of goodwill will be contributed by Reeta and Geeta in their gaining ratio.

Reeta will contribute = 54,750 x 1/4=Rs.13,688; Geeta will contribute = 54,750 x3/4=Rs. 41,062 ***Or***

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Profit and Loss A/c Dr		1,00,000	
	To A's Capital A/c			60,000
	To B's Capital A/c			40,000
	(Being transfer of profit and loss balance to old partners' capital accounts)			
	C's Current A/c Dr		84,000	
	To A's Capital A/c			56,000
	To B's Capital A/c			28,000
	(Being adjustment for goodwill in sacrificing ratio of 2 :1)			

	Particulars		LF	Amt (Dr)	Amt (Cr)
	Bank A/c	Dr		3,36,000	
	To C's Capital A/c				3,36,000
	(Being proportionate capital brought in by C)				

Working Notes

1. Calculation of Sacrificing Ratio

Share surrendered by A= 3/5 x 1/3 =1/5 ; Share surrendered by B= 1/10

Sacrificing ratio=1/5: 1/10=>*2/1*=>2:1

2. **Calculation of C's Share**

2/10 + 1/10 = 2+1/10 = 3/10

3 Valuation of Goodwill

Average profit = (50,000)+ 1,20,000+ (10,000)+ 3,00,000+3,40,000/5 = Rs. 1,40,000

Goodwill at 2 years' purchase =1,40,000x2 = Rs. 2,80,000

C's share of goodwill =2,80,000 x 3/10 = Rs. 84,000

4 Calculation of C's Capital

A's capital (Rs. 4,00,000 + 60,000 + 56,000) = 5,16,000

(+) B's capital (Rs. 2,00,000 + 40,000 + 28,000) = <u>2,68,000</u>

Rs. <u>7,84,000</u>

For 7/10th share of profits, the capital is Rs. 7,84,000.

.-.Total capital of the firm = 7,84,000 x 10/7 = Rs. 11,20,000

Now, C's capital for 3/10th share = 11,20,000 x A = Rs. 3,36,000

18. Karan and Pragya are partners in a firm sharing profits in the ratio of 2 : 3. The balance sheet of the firm as on 31st March, 2019 is given below

Balance Sheet

as at 31st March, 2019

Liabilities		Amt (Rs.)	Assets	Amt (Rs.)
Creditors		6,20,000	Bills Receivable	3,60,000
Bills Payable		1,80,000	Stock	16,00,000
Capital A/cs			Machinery	18,40,000
Karan	16,00,000		Land and Building	10,00,000
Pragya	24,00,000	40,00,000		
		48,00,000		48,00,000

The partners decided to share profits in egual ratio with effect from 1st April, 2019. The following adjustments were agreed upon

(i) Land and building was valued at Rs. 16,00,000 and machinery at Rs. 16,40,000 and were to appear at revalued amounts in the balance sheet.

(ii) The goodwill of the firm was valued at Rs. 80,000 but it was not to appear in books. Pass the necessary journal entries to give affect to the above and also prepare revaluation account, partners' capital account and balance sheet.

Ans. JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)

	Land and Building A/c Dr To Revaluation A/c (Being value of land and building appreciated)		6,00,000	6,00,000
	Revaluation A/c Dr To Machinery A/c (Being value of machinery depreciated)		2,00,000	2,00,000
Date	**Particulars**	**LF**	**Amt** (Dr)	**Amt** (Cr)
	Revaluation A/c Dr To Karan's Capital A/c (4,00,000x2/5) To Pragya's Capital A/c (4,00,000x^5) (Being profit distributed among partners)		4,00,000	1,60,000 2,40,000
	Karan's Capital A/c Dr To Pragya's Capital A/c (Being amount of goodwill adjusted among partners)		8,000	8,000

Dr **Revaluation Account** Cr

Particulars	**Amt (Rs.)**	**Particulars**	**Amt (Rs.)**
To Machinery	2,00,000	By Land and Building	6,00,000
To Profit Transferred to Capital A/cs			
Karan 1,60,000			
Pragya 2,40,000	4,00,000		
	6,00,000		6,00,000

Dr **Partners' Capital Account** Cr

Particulars	**Karan (Rs.)**	**Pragya (Rs.)**	**Particulars**	**Karan (Rs.)**	**Pragya (Rs.)**
To Pragya's Capital A/c	8,000	—	By Balance b/d	16,00,000	24,00,000
To Balance c/d	17,52,000	26,48,000	By Revaluation A/c (Profit)	1,60,000	2,40,000
			By Karan's Capital A/c	—	8,000
	17,60,000	26,48,000		17,60,000	26,48,000

Balance Sheet

as at...

Liabilities		**Amt (Rs.)**	**Assets**		**Amt (Rs.)**
Capital A/cs			Bills Receivable		3,60,000
Karan	17,52,000		Stock		16,00,000
Pragya	26,48,000	44,00,000	Machinery	18,40,000	
Creditors		6,20,000	(-) Depreciation	(2,00,000)	16,40,000
Bills Payable		1,80,000	Land and Building	10,00,000	
			(+) Appreciation	6,00,000	16,00,000
		52,00,000			52,00,000

Working Note

Sacrificing ratio = Old share - New share

Karan = 2/5 - 1/2 = 4-5/10 = (1/10) Gain; Pragya= 3/5 - 1/2 = 6-5/10 = 1/10 Sacrifice

LONG ANSWER TYPE I QUESTIONS (6 Marks)

19. Adil and Muneer, who were sharing profits and losses in the ratio of 3 : 1 respectively, decided to dissolve the firm on 31st March, 2019.

At that date, some of their balances are given below Adil's Capital ?50,000

Muneer's Capital Rs. 5,000 (Debitbalance)

Profit and Loss Account Rs. 4,000 (Debit balance)

Trade Creditors Rs. 15,000

Loan from Mrs. Adil ?5,000

Cash at Bank Rs. 1,000

The assets (other than cash at bank) realised Rs. 55,000 and all creditors including loan from Mrs. Adil were paid-off less 5% discount. Realisation expenses amounted to Rs. 500. Prepare the realisation account, bank account and the capital account of the partners assuming that both the partners are solvent.

Or **(i) Abhinav, Bharat and Vishwas are partners sharing profits and losses equally. They agree to admit Divakar for equal share. For this purpose, value of goodwill is to be calculated on the basis of 4 years' purchase of average profit of last 5 years.**

Years	Profit/Loss (Rs.)
2015	30,000
2016	70,000 (including an abnormal gain of Rs. 10,000)
2017	1,00,000 (after charging an abnormal loss of Rs. 20,000)
2018	1,40,000
2019	1,20,000

Calculate the value of Divakar's share of goodwill after adjusting the above.

(ii) A, B and C are partners sharing profits in the ratio of 3 : 4 : 2. From 1st January, 2019 they decide to share profits equally. Goodwill was valued at Rs. 45,000 as on that date. Pass journal entry to give effect to the above adjustment.

Ans. Dr **Realisation Account** Cr

Particulars	Amt (Rs.)	Particulars		Amt (Rs.)
To Sundry Assets A/c	60,000	By Sundry Liabilities A/c		
To Bank A/c (Trade creditors)	14,250	Trade Creditors	15,000	
To Bank A/c (Loan from Mrs, Adil)	4,750	Loan from Mrs. Adil	5,000	20,000
To Bank A/c (Expenses)	500	By Bank A/c		55,000
		(Sundry assets realised)		
		By Loss on Realisation Transferred to		
		Adil's Capital A/c	3,375	
		Muneer's Capital A/c	1,125	4,500

	79,500		79,500

Dr **Partners' Capital Account** Cr

Particulars	**Adil** ft	**Muneer** ft	**Particulars**	**Adil** ft	**Muneer** ft
To Balance b/d	—	5,000	By Balance b/d	50,000	—
To Profit and Loss A/c (Loss)	3,000	1,000	By Bank A/c (Cash brought in)	—	7,125
To Realisation A/c (Loss)	3,375	1,125			
To Bank A/c (Final payment)	43,625	—			
	50,000	7,125		50,000	7,125

Dr Bank Account Cr

Particulars	**Amt ft**	**Particulars**	**Amt ft**
To Balance b/d	1,000	By Realisation A/c (Trade creditors)	14,250
To Realisation A/c (Assets realised)	55,000	By Realisation Ac (Loan from Mrs. Adil)	4,750
To Muneer's Capital A/c (Cash brought in)	7,125	By Realisation Ac (Expenses)	500
		By Adil's Capital Ac (Final payment)	43,625
	63,125		63,125

Working Note

Calculation of sundry assets (except cash at bank) as at 31 st March, 2019.

Memorandum Balance Sheet

as at 31 st March, 2019

Liabilities	**Amt (Rs.)**	**Assets**	**Amt (Rs.)**
Trade Creditors	15,000	Cash at Bank	1,000
Loan from Mrs. Adil	5,000	Muneer's Capital	5,000
Adil's Capital	50,000	Profit and Loss A/c	4,000
		Other Sundry Assets (Balancing Figure)	60,000
	70,000		70,000

Or

(I) Calculation of Goodwill

Average Maintainable Profits	**Amt (Rs.)**
Profit for 2015	30,000
Profit for 2016 (70,000-10,000)	60,000
Profit for 2017 (1,00,000 + 20,000)	1,20,000
Profit for 2018	1,40,000
Profit for 2019	1,20,000

Total Profit for Last 5 Years	4,70,000

Average Profits = Total Profits/Number of Years => = Rs. 94,000

Goodwill = Average Profits x Number of Years' Purchase =*94,000x4=Rs. 3,76,000

Divakar's Share of Goodwill = 3,76,000 x- = Rs. 94,000

4

(ii) **JOURNAL**

Date	**Particulars**	**LF**	**Amt** (Dr)	**Amt** (Cr)
2019 Jan 1	C's Capital A/c (WN 2) Dr To B's Capital A/c (WN 2) (Being share of goodwill adjusted on change in profit sharing ratio)		5,000	5,000

Working Notes

1 Calculation of Change in Profit Share of Partners

Sacrificing/Gaining share = Old share - New share

A= 3/9 - 1/3 = 3-3/9 = Nil

B = 4/9 - 1/3 = 4-3/9 = 1/9 Sacrifice

C = 2/9 - 1/3 = 2-3/9 = (1/9) Gain

2. **Share of Goodwill**

B = 45,000 x 1/9 = Rs. 5,000

C = 45,000 x 1/9=Rs. 5,000

20. From the following receipts and payments account and information given below, prepare income and expenditure account and balance sheet of Adult Literacy Organisation as on 31st December, 2019

Receipts and Payments Account

Dr forthe year ending 31 st December, 2019 Cr

Receipts		**Amt (Rs.)**	**Payments**	**Amt (Rs.)**
Balance b/d			General Expenses	3,200
Cash in Hand		4,000	Newspaper	1,850
Cash at Bank		15,550	Electricity	3,000
Subscriptions			Fixed Deposit with Bank (on 30th June,	
2018	1,200		2019) @10% p.a.	18,000
2019	26,500		Book	7,000
. 2020	500	28,200	Salary	3,600
Sale of Old Newspapers		1,250	Rent	6,500
Government Grant		12,000	Postage Charges	300
Sale of Old Furniture (Book value		3,700	Furniture (Purchased)	10,500
Rs. 5,000)			Balance c/d	
Interest Received on FD		450	Cash in Hand	3,000
			Cash at Bank	8,200

	65,150		65,150

Information

(i) Subscription outstanding as on 31st December, 2018, Rs. 2,000 and on 31st December, 2019, Rs. 1,500.

(ii) On 31st December, 2019, salary outstanding Rs. 600 and one month rent paid in advance.

(iii) On 1st January, 2019, organisation owned furniture Rs. 12,000, books Rs. 5,000.

Ans. **Income and Expenditure Account**

Dr forthe year ending 31 st December, 2019 Cr

Expenditure		**Amt (Rs.)**	**Income**		**Amt (Rs.)**
General Expenses		3,200	Subscriptions		
Newspaper		1,850	Total Subscription Received	28,200	
Electricity		3,000	(+) Subscription Outstanding		
Salary	3,600		as on 31st Dec., 2019	2,300	
(+) Outstanding Salary	600	4,200		30,500	
Rent	6,500		(-) Subscription Outstanding		
(-) Prepaid Rent	(500)	6,000	as on 31st Dec., 2018	(2,000)	
Postage Charges		300		28,500	
Loss on Sale of Furniture		1,300	(-) Subscription Received in		
(5,000-3,700)			Advance for 2020	(500)	28,000
Excess of Income over			Sale of Old Newspaper		1,250
Expenditure (Surplus)		22,300	Interest Received on FD	450	
			(+) Accrued Interest	450	900
			Government Grant		12,000
		42,150			42,150

Opening Balance Sheet

as at 1st January, 2019

Liabilities	**Amt (Rs.)**	**Assets**	**Amt (Rs.)**
Capital Fund (Balancing figure)	38,550	Furniture	12,000
		Books	5,000
		Subscription Outstanding	2,000
		Cash at Bank	15,550
		Cash in Hand	4,000
	38,550		38,550

Closing Balance Sheet

as at 31st December, 2019

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

Capital Fund	38,550		Furniture	12,000	
(+) Surplus	22,300	60,850	(-) Sale	(5,000)	
Subscription Received in				7,000	
Advance		500	(+) Purchased Furniture	10,500	17,500
Salary Outstanding		600	Books	5,000	
			(+) Purchased Book	7,000	12,000
			Fixed Deposit Interest		18,000
			Accrued		450
			Subscription Outstanding 2018	800	
			2019	1,500	2,300
			Prepaid Rent Cash at		500
			Bank		8,200
			Cash in Hand		3,000
		61,950			61,950

LONG ANSWER TYPE II QUESTIONS (8 Marks)

21. CANDID Ltd invited applications for issuing 75,000 equity shares of Rs. 100 each at a premium of Rs. 30 per share. The amount was payable as follows

On application and allotment—Rs. 85 per share (including premium)

On first and final call—the balance account

Applications for 1,27,500 shares were received. Applications for 27,500 shares were rejected and shares were allotted on pro-rata basis to the remaining applicants. Excess money received on application and alloment was adjusted towards sum due on first and final call. The calls were made. A shareholder, who applied for 1,000 shares, failed to pay the first and final call money. His shares were forfeited. All the forfeited shares were re-issued at Rs. 150 per share fully paid-up.

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

Or

Jatin Ltd has been registered with an authorised capital of Rs. 2,00,000 divided into

2,000 shares of Rs. 100 each of which 1,000 shares were offered for public subscription at a premium of Rs. 5 per share payable as under

On application Rs.10; on allotment Rs. 25 (including premium); on first call Rs. 40 and on final call Rs. 30.

Applications were received for 1,800 shares of which applications for 300 shares were rejected outright, the rest of the applications were allotted 1,000 shares on pro-rata basis. Excess application money was transferred to allotment.

All the money were duly received except from Sachin, a holder of 200 shares, who failed to pay allotment and first call money. His shares were later on forfeited and re-issued to Shyam at Rs. 60 per share, as Rs. 70 paid-up. Final call has not been made. Record necessary journal entries.

Ans. **JOURNAL**

Date	Particulars	LF	Amt *(Dr)*	Amt *(Cr)*
	Bank A/c (1,27,500 x Rs. 85) Dr To Equity Share Application and Allotment A/c (Being the		1,08,37,500	1,08,37,500

	application and allotment money received for 1,27,500 shares @ Rs. 85 per share)			
	Equity Share Application and Allotment A/c Dr To Equity Share Capital A/c (75,000 x Rs. 55) To Securities Premium Reserve A/c (75,000 x Rs. 30) To Equity Share First and Final Call A/c (25,000x Rs.85) To Bank A/c (27,500 x Rs. 85) (Being the shares allotted; applications for 27,500 shares rejected and the balance applicants issued shares on pro-rata)		1,08,37,500	41.25,000 22.50,000 21.25,000 23,37,500
	Equity Share First and Final Call A/c (75,000 x **Rs.** 45) Dr To Equity Share Capital A/c (Being the first and final call due on 75,000 shares @ **Rs.** 45 per share)		33,75,000	33,75,000
	Bank A/c (WN 2) Dr To Equity Share First and Final Call A/c (Being the amount due on shares first and final call received except on 750 shares)		12,37,500	12,37,500
	Equity Share Capital A/c (750 x **Rs.** 100) Dr To Equity Share First and Final Call A/c To Forfeited Shares A/c (Being 750 shares forfeited for non-payment of first and final call)		75,000	12.500 62.500
	Bank A/c (750 x **Rs.** 150) Dr To Equity Share Capital A/c To Securities Premium Reserve A/c (Being 750 forfeited shares re-issued **@ Rs.** 150 per shares as fully paid-up)		1,12,500	75,000 37,500
	Forfeited Shares A/c Dr To Capital Reserve A/c (Being the amount of forfeited shares credited to capital reserve upon re-issue)		62,500	62,500

Working Notes		**Amt** (Rs.)
1. Share application and allotment money (1,000 x Rs. 85) Shares a Noted 3 shares against 4 applied, i.e. 750		85,000
Appropriation of share application money		
(—) Towards share capital (750 x Rs. 55)	(41,250)	
(—) Towards securities premium reserve (750 x Rs. 30)	(22,500)	(63,750)
Excess application and allotment money received		21,250
Amount due towards first and final call (750 x Rs. 45)		33,750

Amount not received on 750 shares (Rs. 33,750 - Rs. 21,250)	12,500

2. **Amount Received on First and Final Call**

	Amt (Rs.)
Due (75,000 x Rs. 45)	33,75,000
(-) Received-in-Advance*	(21,25,000)
	12,50,000
(-) Not Received on 750 Shares (WN 1)	(12,500)
Received on first and final call	12,37,500

*Received in Advance = Total Amount Received on Application - Amount Refunded - Amount Adjusted in Capital and Securities Premium Reserve = Rs. 10837,500 -Rs.2337500 - Rs. 4125,000 -Rs. 22,50000 = Rs.2125,000

Or

JOURNAL

Date	**Particulars**	**LF**	**Amt** (Dr)	**Amt** (Cr)
	Bank A/c (1,800 x 10) Dr		18,000	
	To Share Application A/c			18,000
	(Being application money on 1,800 @ Rs. 10 each received)			
	Share Application A/c Dr		18,000	
	To Share Capital A/c (1,000 x 10)			10,000
	To Bank A/c (300 x 10)			3,000
	To Share Allotment A/c (500 x 10)			5,000
	(Being share application money transferred to share capital account on 1,000 shares @ Rs. 10 each on the pro-rata basis)			
	Share Allotment A/c Dr		25,000	
	To Share Capital A/c (1,000 x 20)			20,000
	To Securities Premium Reserve A/c (1,000 x 5)			5,000
	(Being share first call money due)			
	Bank A/c Dr		16,000	
	To Share Allotment A/c			16,000
	(Being share allotment money received with exception of Rs. 4,000)			
	Share First Call A/c Dr		40,000	
	To Share Capital A/c (1,000 x 40)			40,000
	(Being share first call money received)			
	Bank A/c (800 x 40) Dr		32,000	
	To Share First Call A/c			32,000
	(Being share first call money received with the exception of Rs.8,000)			
	Share Capital A/c (200 x 70) Dr		14,000	

	Securities Premium Reserve A/c (200 x 5) Dr		1,000	
	To Share Allotment A/c			4,000
	To Share First Call A/c (200x40)			8,000
	To Share Forfeiture A/c			3,000
	(Being 200 shares forfeited for the non-payment of allotment and share first call)			
	Bank A/c (200 x 60) Dr		12,000	
	Share Forfeited A/c (200 x 10) Dr		2,000	
	To Share Capital A/c (200 x 70)			14,000
	(Being reissued of forfeited shares at Rs. 60 per share Rs. 70 paid-up)			
	Share Forfeited A/c Dr		1,000	
	To Capital Reserve A/c			1,000
	(Being transfer of share forfeited to capital reserve account)			

Working Notes

1. Number of shares applied by Sachin = 200 x 1,500/1,000 = 300 shares

2. **Calculation of Amount of Calls-in-arrears**

Amt (Rs.)

Amount received on application (300x10) =	3,000
Amount due on application (200x10) =	(2,000)
Excess amount to be adjusted on allotment =	1,000
Amount due on allotment (200x25) =	5,000
(-) Amount to be adjusted	= 0,000)
Calls-in-arrears at allotment	= 4,000
Calls-in-arrears at 1st call (200 x 40) =	Rs. 8,000

3. **Calculation of Amount Received at Allotment**

	(Rs.)
Amount due on allotment (1,000 x 25)	= 25,000
(-) Amount received at application to be adjusted	= (5,000)
	20,000
(-) Cails-in-arrears at allotment	= (4,000)
Amount received at allotment	16,000

22. Ritu, Mitu and Shitu are partners with profit sharing ratio of 2 : 2 : 1. Their balance sheet is given below

Balance Sheet

as at 31 st December, 2019

Liabilities	**Amt (Rs.)**	**Assets**		**Amt (Rs.)**
Creditors	1,00,000	Bank		60,000
Bills Payable	70,000	Debtors	52,000	
Reserve Fund	40,000	(-) Provision for Doubtful	(2,000)	50,000

			Debts		
Workmen Compensation Fund		30,000	Building	*	2,00,000
Profit and Loss		20,000	Furniture		1,30,000
Provident Fund		20,000	Investment		30,000
Capital A/cs			Prepaid Insurance		10,000
Ritu	80,000		Goodwill		20,000
Mitu	80,000				
Shitu	60,000	2,20,000			
		5,00,000			5,00,000

Adjustments

(i) Chintu comes as a new partner and brings proportionate capital and goodwill.

(ii) New ratio is 3 : 3 : 2 : 2.

(iii) Goodwill of the firm is Rs. 50,000.

(iv) Prepaid insurance is no more required.

(v) Provision for doubtful debts is to be increased to Rs. 5,000.

(vi) Investment is valued at Rs. 20,000 and is taken over by Ritu.

(vii) Furniture valued at Rs. 1,00,000.

(viii) Building valued at 120%.

Prepare necessary accounts and balance sheet.

Or

Manish, Nirjhar and Kshitij are partners with ratio of 5 : 3 : 2.

Balance Sheet

as at...

Liabilities		Amt (Rs.)	Assets	Amt (Rs.)
Creditors		1,00,000	Cash in Hand	40,000
Expenses Owing		20,000	Debtors	60,000
Reserve Fund		30,000	Building	1,00,000
Workmen Compensation Fund		10,000	Bills Receivable	40,000
Capital A/cs			Goodwill	20,000
Manish	60,000		Profit and Loss	30,000
Nirjhar	60,000		Patents	30,000
Kshitij	40,000	1,60,000		
		3,20,000		3,20,000

Adjustments

(i) Manish takes retirement.

(ii) New ratio of Nirjhar and Kshitij is 1: 1 and goodwill of the firm is valued at Rs. 60,000.

(iii) Expenses owing increased by Rs. 10,000.

(iv) Creditors increased to Rs. 1,05,000.

(v) Rs. 10,000 bills receivable dishonoured and are not recoverable.

(vi) Patents are now value less.

(vii) Rs. 20,000 unrecorded investment brought into books.

(viii) Rs. 10,000 paid to Manish in cash and balance is transferred to his loan account. Prepare necessary accounts and balance sheet.

Ans. Dr **Revaluation Account** Cr

Particulars	Amt (Rs.)	Particulars	Amt (Rs.)
To Prepaid Insurance A/c	10,000	By Building A/c	40,000
To Provision for Doubtful Debts A/c	3,000	By Revaluation Loss Transferred to	
To Investment A/c	10,000	Ritu's Capital A/c 5,200	
To Furniture A/c	30,000	Mitu's Capital A/c 5,200	
•		Shitu's Capital A/c 2,600	13,000
	53,000		53,000

Dr **Partners'Capital Account** Cr

Particulars	Ritu (Rs.)	Mitu (Rs.)	Shitu (Rs.)	Chintu (Rs.)	Particulars	Ritu (Rs.)	Mitu (Rs.)	Shitu (Rs.)	Chintu (Rs.)
To Goodwill A/c	8,000	8,000	4,000	—	By Balance b/d	80,000	80,000	60,000	—
To Investment A/c	20,000	—	—	—	By Profit & Loss A/c	8,000	8,000	4,000	—
To Revaluation A/c (Loss)	5,200	5,200	2,600	—	By Workmen Compensation Fund A/c	12,000	12,000	6,000	—
To Balance c/d	87,800	1,07,800	71,400	66,750	By Reserve Fund A/c	16,000	16,000	8,000	
					By Premium for Goodwill A/c	5,000	5,000	—	—
					By Bank A/c	—	—	—	66,750
	1,21,000	1,21,000	78,000	66,750		1,21,000	1,21,000	78,000	66,750

Dr **BankAccount** Cr

Particulars	Amt (Rs.)	Particulars	Amt (Rs.)
To Balance b/d	60,000	By Balance c/d	1,36,750
To Premium for Goodwill A/c	10,000		
To Chintu's Capital A/c	66,750		
	1.36,750		1,36,750

Balance Sheet

as at 31 st December, 2019

Liabilities		Amt (Rs.)	Assets		Amt (Rs.)
Creditors		1,00,000	Bank		1,36,750
Bills Payable		70,000	Debtors	52,000	
Provident Fund		20,000	(-) Provision for Doubtful		
Capital A/cs			Debts	(5,000)	47,000
Ritu	87,800		Building (2,00,000 + 40,000)		2,40,000
Mitu	1,07,800		Furniture (1,30,000 - 30,000)		1,00,000
Shitu	71,400				
Chintu	66,750	3,33,750			
		5,23,750			5,23,750

Working Notes

1 Calculation of Sacrificing Ratio

Sacrificing ratio = Old share - New share

Ritu = 2/5 - 3/10 = 4-3/10 = 1/10

Mitu = 2/5 - 3/10 = 4-3/10 = 1/10

Shitu = 1/5 - 2/10 = 2-2/10 = 0/10

Sacrificing ratio = Ritu : Mitu =1 :1

2 Calculation of Shitu's Capital

Total capital of Ritu, Mitu and Shitu after all adjustments = 87,800 + 1,07,800 + 71,400 = Rs. 2,67,000

Total share = l; Chintu's share = 2/10 ; Remaining share of Ritu, Mitu and Shitu =1 - 2/10 = 10-2/10 = 8/10

Thus, for 8/10th share of profits, the capital = Rs. 2,67,000

Then, total capital of the firm = 2,67,000 x 10/2 = Rs.3,33,750

Chintu's capital for 2/10 th share of profits = 3,33,750 x 2/10 = Rs. 66,750

Or

Dr **Revaluation Account** Cr

Particulars	**Amt (Rs.)**	**Particulars**		**Amt (Rs.)**
To Bills Receivable A/c	10,000	By Investment A/c (Unrecorded)		20,000
To Patents A/c	30,000	By Revaluation Loss Transferred to		
To Expenses Owing A/c	10,000	Manish's Capital A/c	17,500	
To Creditors A/c	5,000	Nirjhar's Capital A/c	10,500	
		Kshitij's Capital A/c	7,000	35,000
	55,000			55,000

Dr **Partners'Capital Account** Cr

Particulars	**Manish** (Rs.)	**Nirjhar** (Rs.)	**Kshitij** (Rs.)	**Particulars**	**Manish** (Rs.)	**Nirjhar** (Rs.)	**Kshitij** (Rs.)

To Goodwill A/c	10,000	6,000	4,000	By Balance b/d	60,000	60,000	40,000
To Profit and Loss A/c	15,000	9,000	6,000	By Nirjhar's Capital A/c	12,000	—	—
To Manish's Capital A/c	—	12,000	18,000	By Kshitij's Capital A/c	18,000	—	—
To Revaluation A/c (Loss)	17,500	10,500	7,000	By Reserve Fund A/c	15,000	9,000	6,000
To Cash A/c	10,000	—	—	By Workmen Compensation			
To Manish's Loan A/c	57,500	—	—	Fund A/c	5,000	3,000	2,000
To Balance c/d	—	34,500	13,000				
	1,10,000	72,000	48,000		1,10,000	72,000	48,000

Dr **Cash Account** Cr

Particulars	**Amt (Rs.)**	**Particulars**	**Amt (Rs.)**
To Balance b/d	40,000	By Manish's Capital A/c	10,000
		By Balance c/d	30,000
	40,000		40,000

Balance Sheet

as at...

Liabilities		**Amt (Rs.)**	**Assets**	**Amt (Rs.)**
Creditors (1,00,000 + 5,000)		1,05,000	Debtors	60,000
Expenses Owing (20,000 + 10,000)		30,000	Building	1,00,000
Manish's Loan A/c		57,500	Bills Receivable (40,000 - 10,000)	30,000
Capital A/cs			Investment	20,000
Nirjhar	34,500		Cash	30,000
Kshitij	13,000	47.500		
		2,40,000		2,40,000

Working Note

Gaining ratio = New share - Old share

Nirjhar = 1/2 - 3/10 = 5-3/10 = 2/10; Kshitij = 1/2 - 2/10 = 5-2/10 = 3/10

Gaining ratio = 2:3

Manish's share of goodwill = 60000 x 5/10

= Rs. 30000, to be borne by Nirjhar and Kshitij in their gaining ratio, i.e. 2:3.

Part B

(Financial Statement Analysis)

OBJECTIVE TYPE QUESTIONS (1 Mark)

Multiple choice questions (Q. no. 23 to 24)

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

23. Liquid ratio is calculated as

(a) Current Assets - Fictitious Assets/Current Liabilities (b) Current Assets - Current Liabilities/Current Assets

(c) Current Assets - Liquid Assets/Current Liabilities (d) Current Assets - Inventories - Prepaid Expenses/Current Liabilities

Ans, (d) Liquid Assets = Current Assets- Inventories - Prepaid Expenses/Current Liabilities

24. %age of each item of any particular year in common-size balance sheet is calculated on the basis of particular item of that year and

(a) balance sheet total (b) revenue from operations (c) shareholders' fund (d) total assets ***Ans.*** (b) revenue from operations

Answer the following (Q. no. 25 to 26)

25. Write any one objective of common-size statement of profit and loss.

Ans. To analyse change in individual items of income statement.

26. Gross profit is 20% of the net sales. Calculate the value of net sales, if cost of goods sold is Rs. 5,00,000.

Ans. If gross profit is 20% of net sales, then it is 25% of the cost of goods sold.

Gross Profit + COGS = Net Sales

Net Sales = COGS x 25/100 + 5,00,000 = 5,00,000 x 25/100 + 5,00,000 = 125,000 + 5,00 000

Net Sales =Rs. 6,25,000

27. Cash flow statements are historical in nature. Is it true or false?

Ans. True. Cash flow statement is prepared on the basis of income statement and balance sheet which are historical, therefore, cash flow statement is historical in nature.

28. Decrease in value of goodwill of the company is recorded under activity of cash flow statement.

Ans. operating

29. Match the following

Column 1		**Column II**	
A.	Working Capital	(i)	Debtors + Bills Receivable
B.	Capital Employed	(ii)	Current Assets - Current Liabilities
C.	Average Trade Receivables	(iii)	Shareholders' Fund + Long-term Debts

Ans. A. (ii), B. (iii), C. -»(i)

SHORT ANSWER TYPE I QUESTION (3 Marks)

30. XYZ Ltd is in the process of preparing its balance sheet as per Schedule III, Part I of the Companies Act, 2013 and provides its true and fair view of the financial position.

(i) Under what head and sub-head will the company show stores and spares and loose tools in its balance sheet?

(ii) What is the accounting treatment of stores and spares and loose tools, when the company will calculate its inventory turnover ratio?

(iii) What is the objective of this analysis?

Or

What is meant by analysis of financial statements? State any two advantages of analysis of financial statements.

Ans. (i) Head Current Assets; Sub-head Inventories.

(ii) While calculating inventory turnover ratio, these are not included in inventories.

(iii) Objectives of such analysis are

(a) Assessing the ability of the enterprise to meet its short-term and long-term commitments.

(b) Assessing the earning capacity of the enterprise.

Or

The process of critical evaluation of the financial information contained in the financial statements in order to understand and make decisions regarding the operations of the firm is called analysis of financial statements.

The advantages of analysis of financial statements are

(i) It helps in determining the borrowing capacity of a prospective borrower.

(ii) This analysis helps to assess the profit potential of the firm by identifying the key profit drivers and business risk.

SHORT ANSWER TYPE II QUESTION (4 Marks)

31. Calculate the amount of opening trade receivables and closing trade receivables from the following figures Trade Receivables Turnover Ratio =5 times Gross Profit Ratio = 20%

Opening Trade Receivables were 1/3rd of Closing Trade Receivables.

Cash Revenue from Operations being 1/4th of Credit Revenue from Operations.

Cost of Revenue from Operations is Rs. 10,00,000.

Or

(i) From the following information, calculate Inventory Turnover Ratio : Net Sales Rs. 40,000; Average Inventory Rs. 5,500; Gross Loss on Sales is 10%.

(ii) From the following information, calculate Inventory Turnover Ratio : Total Sales Rs. 22,000; Sales Return Rs. 2,000; Gross Profit Rs. 5,000; Closing Inventory Rs. 6,000;

Excess of Closing Inventory over Opening Inventory Rs. 2,000.

Ans. Revenue from Operations = Cost of Revenue from Operations x 100/100- Gross Profit Ratio

=10,00,000 x 100/100-20 = Rs. 12,50,000

Let Credit Revenue from Operations be ? *x.*

.-. Cash Revenue from Operations is ? x/4.

Total Revenue from Operations = x + x/4

i.e. *x* + x/4 = 12,50,000 => 5x/4 = 12,50,000 => x = Rs. 10,00,000

Trade Receivable Turnover Ratio = Credit Revenue from Operations/Average Trade Receivables

5 = Rs.10,00,000/Average Trade Receivables

Average Trade Receivables = *t* 2,00,000

Let Closing Trade Receivables = ? z

Opening Trade Receivables = ? z/3

Average Trade Receivables = 1/2 (z + z/3); i.e. 4z/3 *x 1/2* = 2,00,000

z= 2,00,000 x 6/4 =Rs. 3,00,000 4

So, Opening Trade Receivables = Rs. 1,00,000 and Closing Trade Receivables = Rs. 3,00,000

Or

(i) Inventory Turnover Ratio = Cost of revenue from Operation/Average inventory = Rs. 44,000/Rs.5,500 =

8 times

Average Inventory Rs. 5,500

Working Note

Net Sales = Rs. 40,000

Gross Loss = 10% of Rs. 40,000 = Rs. 4,000

Cost of Revenue from Operations = Net Sales + Gross Loss

= Rs. 40,000 + Rs. 4,000 = Rs. 44,000

(II) Inventory Turnover Ratio = Cost of Revenue from Operations/Average Inventory = Rs. 15,000/Rs. 5,000 = 3 times

Working Notes

1 Calculation of Inventory

Opening Inventory = Closing Inventory - Excess of Closing Inventory over Opening Inventory =Rs. 6,000-Rs. 2,000=Rs. 4,000

Average Inventory = (Opening Inventory + Closing Inventory) 2 = (Rs. 4,000+ Rs. 6,000) H-2 =Rs. 5,000

2. Cost of Revenue from Operations = Net Sales - Gross Profit

=Rs. 20,000-Rs. 5,000=Rs. 15,000

LONG ANSWER TYPE I QUESTION (6 Marks)

32. From the following balance sheet of Vikas Ltd as on 31st March, 2018 and 2019, prepare a cash flow statement

Balance Sheet

as at 31st March, 2018 and 2019

Particulars	Note No.	31st March, 2018 Amt (Rs.)	31st March, 2019 Amt (Rs.)
1. **EQUITY AND LIABILITIES** 1. **Shareholders' Funds**			
(a) Share Capital		90,000	1,30,000
(b) Reserves and Surplus	1	48,000	84,000
2. **Current Liabilities**			
Trade Payables		17,400	22,000
Total		1,55,400	2,36,000
II. **ASSETS**			
1**. Non-current Assets**			
Fixed Assets		93,400	1,66,000
2. **Current Assets**			
(a) Inventories		22,000	26,000
(b) Trade Receivables		36,000	39,000
(c) Cash and Cash. Equivalents		4,000	5,000
Total		1,55,400	2,36,000

Notes to Accounts

Particulars	2018 Amt	2019 Amt

	(Rs.)	(Rs.)
1 Reserves and Surplus	30,000	55,000
General Reserve		
Balance of Statement of Profit and Loss	20,000	30,000
Preliminary Expenses	(2,000)	(1,000)
	48,000	84,000

Additional Information

(i) Depreciation charged on fixed assets for the year 2018-19 was Rs. 20,000.

(ii) Income tax Rs. 5,000 has been paid during the year.

***Ans.* Cash Flow Statement**

for the year ended 31 st March, 2019

Particulars		**31st March, 2019 Amt (Rs.)**
1. Cash Flow from Operating Activities		
Net Profit before Tax and Extraordinary Items		40,000
Adjustments for		
(+) Depreciation	20,000	
Preliminary Expenses Written-off	1,000	21,000
Operating Profit before Working Capital Changes		61,000
(+) *Increase in Current Liabilities and Decrease in Current Assets*		
Trade Creditors	4,600	
(-) *Increase in Current Assets and Decrease in Current Liabilities*		
Stock	(4,000)	
Debtors	(3,000)	(2,400)
Cash Flow from Operating Activities before Tax		58,600
(-) Income Tax Paid		(5,000)
Cash Flow from Operating Activities after Tax		53,600
II. Cash Flow from Investing Activities		
Purchase of Fixed Assets	(92,600)	
Net Cash Used in Investing Activities		(92,600)
III. **Cash Flow from Financing Activities**		
Issue of Share Capital	40,000	
Cash Flow from Financing Activities		40,000
Net Increase in Cash and Cash Equivalent (1 + II + III)		1,000
(+) Cash and Cash Equivalent at the Beginning of the Period Cash and Cash Equivalent at the End of the Period		4,000
		5,000

Working Notes

1 Dr **Fixed Assets Account** Cr

Particulars	**Amt (Rs.)**	**Particulars**	**Amt (Rs.)**
To Balance b/d	93,400	By Depreciation A/c	20,000
To Bank A/c (Purchase) (Balancing figure)	92,600	By Balance c/d	1,66,000
	1,86,000		1,86,000

2 Calculation of Net Profit before Tax and Extraordinary Items

Amt (Rs.)

Profit as per Balance Sheet (30,000 - 20,000) 10,000		
(+) Income Tax Paid	5,000	
(+) Transfer to General Reserve	25,000	
		<u>40000</u>