

CLASS 12 ACCOUNTANCY SAMPLE QUESTION PAPER 5

A Highly Simulated Practice Question Paper for CBSE Class XII Examination

5

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. Which of the following cannot be recorded in the receipt and payment account of a club?

- (a) Payment made to workers (b) Sale of old newspaper
(c) Loss on sale of fixed asset (d) All of these

Ans. (c) Loss on sale of fixed asset

2. If debentures are issued at premium, then they can be redeemed at

- (a) par (b) premium (c) Both (a) and (b) (d) can't be redeemed

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

3. A, B and C are partners sharing profits and losses in the ratio of 4/10, 4/10 and 1/5 B retires from the firm, A and C decided to share future profits and losses in the ratio of 3 : 2. Calculate gaining ratio.

- (a) 1 : 2 (b) 1 : 1 (c) 3 : 2 (d) 2 : 1

Ans. (b) 1 : 1

Hint Gaining ratio = New share - Old share

Gaining ratio of A = $3/5 - 4/10 = 6/10 - 4/10 = 2/10$ and Gaining ratio of C = $2/5 - 1/5 = 1/5 \times 2/2 = 2/10$

Gaining ratio = $2/10 : 2/10$ or $2 : 2$, i.e. $1 : 1$.

4. Total capital specified in capital clause is Rs. 50,00,000 which is divided in 35,000 equity shares of Rs. 100 each and 15,000, 10% preference shares of Rs. 100 each. The company issued 10,000 equity shares and 5,000 preference shares. The public subscribed for 9,000 equity shares and 4,500 preference shares out of the issued shares. What will be the subscribed capital amount?

- (a) Rs. 50,00,000 (b) Rs. 50,000 (c) Rs. 9,00,000 (d) Rs. 13,50,000

Ans. (d) Rs. 13,50,000

Hint Subscribed capital amount will be the amount corresponding to shares which have been subscribed

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by public, i.e.

Equity shares (9,000 x 100) =	9,00,000
Preference shares (4,500 x 100) =	4,50,000

Rs. 13,50,000

Answer the following (Q. no. 5 to 8)

5. State the conditions under which the capital balances may change under the system of fixed capital account.

Ans. The conditions under which the capital balances may change under the system of fixed capital are (i) When additional capital is introduced (ii) When capital is withdrawn.

6. If capitals are fixed, where will the interest on drawings be recorded?

Ans. If capitals are fixed, then interest on drawings will be recorded in partner's current account (debit side).

7. Vijay, a director of the company proposed in a board meeting that to inculcate the habit of savings among people he wanted to bring a special issue of shares. His proposal was accepted by the company. The company issued 35,000 shares of Rs. 100 each, payable Rs. 30 on application, Rs. 50 on allotment and Rs. 20 on call. Tarun, a shareholder holding 25 shares could not pay his call money and Arjun another shareholder holding 30 shares paid the call money with allotment. Tarun, paid the amount due to him after four months explaining the reason for this delay, the company did not charge any interest from him. Calculate the amount received by the company on allotment.

Ans. Calculation of Total Amount Received on Allotment

Amt (Rs.)

Amount to be received on allotment (35,000x50) 17,50,000

(+) Calls-in-advance (30x20) 600

17,50,600

8. Name the asset that is not transferred to debit side of realisation account, but brings certain amount of cash against its disposal at the time of dissolution of the firm.

Ans. Unrecorded asset

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. A company redeemed its own 2,000, 10% Debentures of Rs. 100 each at a premium of 10% on 31st March, 2019. Pass journal entries for redemption of debentures, if company already maintained required DRR and DRI.

Ans. JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
2019				
Mar 31	10% Debentures A/c (2,000 x 100) Dr		2,00,000	
	Premium on Redemption of Debentures A/c (2,000 x 10) Dr		20,000	
	To Debentureholders' A/c			2,20,000
	(Being 2,000, 10% debentures of Rs. 100 each is due for redemption)			

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Debentureholders' A/c	Dr	2,20,000	
To Bank A/c			2,20,000
(Being 10% debentures amount is paid on maturity date to the debentureholder at premium)			

10. Issue of 10,000 shares of Rs. 100 each to the Narayan Ltd @10% premium and paid Rs. 2,00,000 in cash for a consideration of running business purchased.

Ans. JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Narayan Ltd Dr		13,00,000	
	To Share Capital A/c (10,000 x 100)			10,00,000
	To Securities Premium Reserve A/c (10,000 x 10)			1,00,000
	To Cash A/c			2,00,000
	(Being 10,000 shares @10% premium and Rs. 2,00,000 in cash issued to the Narayan)			

11. Tournament fund received by Sohil club is the nature receipt.

Ans. capital

12. Can company redeem his X% debentures out of capital? Give reason.

Ans. Yes, a company can redeem his X% Debentures out of capital.

It can be done by the company, when it has insufficient profits to meet the redemption.

13. Uttam Charitable gets surplus from his income and expenditure account of Rs. 65,000 in 2018-19. It will be recorded in debit side of the income and expenditure account. Is it true or false?

Ans. True, because it shows excess of income over expenditure.

SHORT ANSWER TYPE I QUESTION (3 Marks)

14. Subscription received during the year ended 31st March, 2019 at Youth Club were as under

2017- 18	Rs. 5,000
2018- 19	Rs. 90,000
2019- 20	<u>Rs.2,500</u> Rs. 97,500

The club has 1,000 members each paying Rs. 100 each as annual subscription. Subscription outstanding as on 31st March, 2018 were Rs. 9,000. Calculate the amount of subscription to be shown in the income and expenditure account and total outstanding subscription on 31st March, 2019.

Or

From the following information, calculate outstanding subscription for the year 2018.

Particulars	1st January, 2018 (Rs.)	31st December, 2018 (Rs.)
Advance Subscription Received	14,000	5,600

Total subscription received during the year is Rs. 56,000.

There are total 300 members each paying Rs. 300 p.a.

Ans. Income and Expenditure Account

Dr forthe year ending 31 st March, 2019 Cr

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Expenditure	Amt (Rs.)	Income	Amt (Rs.)
		By Subscription	90,000
		(+) Outstanding (Current Year)	10,000

Calculation of Outstanding Subscription

as on 31st March, 2019

	Amt (Rs.)
1. Total subscription to be received during the year (1,000 x 100)	1,00,000
(-) Amount received during the year	(90,000)
Total outstanding subscription for current year (2018-19)	10,000
2. Outstanding subscription for previous year	9,000
(-) Received during the current year	(5,000)
Still outstanding subscription for previous year (2017-18)	4,000
3. Total outstanding subscription on 31st March, 2019	
Previous year	4,000
Current year	10,000
	14,000

Or

Calculation of Outstanding Subscription

Particulars	Amt (Rs.)
Total Subscription Due (300 x 300)	90,000
(+) Advance Subscription at the End	5,600
(-) Advance Subscription at the Beginning	95,600
(-) Subscription Received during the Year	(14,000)
	81,600
	(56,000)
	25,600

SHORT ANSWER TYPE II QUESTIONS (4 Marks)

15. Ajay, Vijay and Sanjay were partners in a firm sharing profits in the ratio of 2 : 2 : 1. On 31st December, 2018, their balance sheet was as under

Balance Sheet

as at 31st December, 2018

Liabilities	Amt (Rs.)	Assets	Amt (Rs.)
Creditors	40,000	Cash	32,000
General Reserve	30,000	Debtors	48,000
Capital A/cs		Stock	12,000
Ajay	80,000	Patents	2,000
Vijay	40,000	Machinery	64,000
Sanjay	40,000	Buildings	72,000
	2,30,000		2,30,000

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Ajay died on 1st July, 2019. It was agreed between his executor and the remaining partners that
 (i) Goodwill to be valued at two years' purchase of the average profits of the previous four years which were as under

2015 20,000; 2016 -Rs. 28,000; 2017 -Rs. 36,000 and 2018 -Rs. 24,000.

(ii) Goodwill is not to be shown in the books at all.

(iii) Interest on capital be provided at 12% per annum.

(iv) His share of profit for the year 2019 be taken as accrued at the same rate as that of the previous year.

Prepare Ajay's capital account as on 1st July, 2019.

Or

S and P are two partners in a firm sharing profit and losses in the ratio of 3 : 2. At the time of distributing the net profit between the partners, interest on capital was credited @18% instead of 8% wrongly. Now pass an adjusting journal entry to correct this error. Partners' capitals are given on 1st April, 2018 is Rs. 5,00,000 and Rs. 3,00,000 respectively. Profit on 31st March, 2019 is Rs. 2,00,000.

Ans. Dr		Ajay's Capital Account		Cr
Particulars	Amt (Rs.)	Particulars	Amt (Rs.)	
To Ajay's Executor's A/c	1,23,200	By Balance b/d	80,000	
		By General Reserve A/c	12,000	
		By Vijay's Capital A/c	14,400	
		By Sanjay's Capital A/c	7,200	
		By Interest on Capital A/c	4,800	
		By Profit and Loss Suspense A/c (Profit)	4,800	
	1,23,200		1,23,200	

Working Notes

1. Calculation of Gaining Ratio

Gaining ratio = New share - Old share

Vijay = $\frac{2}{3} - \frac{2}{5} = \frac{10-6}{15} = \frac{4}{15}$; Sanjay = $\frac{1}{3} - \frac{1}{5} = \frac{5-3}{15} = \frac{2}{15} \Rightarrow 4:2$ or 2 : 1

2 Calculation of Share of Profit

Average profit of four years = $\frac{1,08,000}{4} = \text{Rs. } 27,000$

Firm's goodwill = Average profit x Number of years' purchase = $27,000 \times 2 = \text{Rs. } 54,000$ Vijay's share in goodwill = $54,000 \times \frac{2}{5} = \text{Rs. } 21,600$ to be adjusted in gaining ratio, i.e. 2:1.

3 Calculation of General Reserve

$30,000 \times \frac{2}{5} = \text{Rs. } 12,000$

4 Calculation of Interest on Capital

80,000

$\times \frac{12}{100} \times \frac{6}{12} = \text{Rs. } 4,800$

5 Calculation of Profit upto Death

24,000

$\times \frac{2}{5} \times \frac{6}{12} = \text{Rs. } 4,800$

Or

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Particulars	S(Rs.)	P(Rs.)
Net Interest on Capital should be Debited (18% - 8% = 10%)	5,00,000 x 10/100 = Rs. 50,000	3,00,000 x 10/100 = Rs. 30,000

Adjustment Table

Name of the Partners	Amount should be	Amount should be	Net Adjustment	
	(Dr) (Rs.)	(Cr) (3 : 2) (Rs.)	? (Dr)	? (Cr)
S	50,000	48,000	2,000-	
P	30,000	32,000-		2,000
	80,000	80,000		

Adjustment Journal

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
2019 Apr 1	S's Capital A/c Dr To P's Capital A/c (Being an adjusting journal entry was passed regarding omission in last year)		2,000	2,000

16. The following is the receipts and payments account of Dhara Sports Club for the year ended 31st March, 2019.

Receipts and Payments Account

Dr for the year ending 31 st March. 2019 Cr

Receipts	Amt (Rs.)	Payments	Amt (Rs.)
To Advertisement in Club's Year Book	39,900	By Rent	1,12,000
To Grant	70,000	By Salary	1,96,000
To Entrance Fees	24,500	By Telephone	17,500
To Table Tennis Fees	28,000	By Postage	22,400
To Billiard Fees	36,400	By Rent and Tax	50,400
To Bar Receipts	4,20,000	By Bar Purchases	3,15,000
To Subscription	1,75,000	By Furniture	35,000
To Ponation	84,000	By Stationery	56,000
		By Balance c/d	
		Cash	19,600
		Bank	53,900
	8,77,800		8,77,800

Additional Information

- (i) Donations are for specifically building fund.
- (ii) Salary is paid @ Rs.17,500 p.m. and salary of Rs. 7,000 is prepaid.

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(iii) Subscription in arrear Rs. 21,000 and received in advance Rs. 3,500.

(iv) Rent is paid for 3 years in advance.

(v) Sundry person owed Rs. 10,500 for advertisement in club's year book.

(vi) Bar stock at the end Rs. 56,000 and stationery at the end Rs. 7,500.

You are required to prepare income and expenditure account for the year ended 31st March, 2019.

Ans. Income and Expenditure Account

Dr for the year ending 31 st March, 2019 Cr

Expenditure	Amt (Rs.)	Income	Amt (Rs.)
To Rent	1,26,000	By Subscription	1,75,000
(-) Prepaid	(84,000)	(+) Arrear	21,000
To Salary	1,96,000		1,96,000
(+) Outstanding	21,000	(-) Advance	(3,500)
	2,17,000	By Bar Receipts	4,20,000
(-) Prepaid	(7,000)	By Billiards Fees	36,400
To Rent and Taxes	50,400	By Table Tennis Fees	28,000
To Bar Purchase	3,15,000	By Entrance Fees	24,500
(-) Stock at the End	(56,000)	By Grant	70,000
To Stationery	56,000	By Advertisement in Club's	
(-) Stock at the End	(17,500)	Year Book	39,900
To Telephone	17,500	(+) Outstanding	10,500
To Postage	22,400		
To Surplus, i.e. Excess of Income over Expenditure	1,82,000		
	8,21,800		8,21,800

17. P Q and R were partners in a firm sharing profits and losses in the ratio of 3 : 1 : 1. On 1st April, 2019, their balance sheet stood as under

Balance Sheet

as at 1st April, 2019

Liabilities	Amt (Rs.)	Assets	Amt (Rs.)
General Reserve	25,000	Land and Building	1,50,000
Profit and Loss A/c	35,000	Machinery	50,000
Machinery Replacement Fund	17,000	Machinery Replacement Fund	17,000
Investments Fluctuation Reserve	20,000	Investments	
Workmen's Compensation Reserve	23,000	Furniture	10,000
Employees' Provident Fund	30,000	Investments (Market value Rs. 28,000)	30,000
		Current Assets	1,18,000

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Creditors		1,00,000	Advertisement Expenditure	25,000
Capital A/cs			(Deferred revenue)	
P	1,00,000			
Q	30,000			
R	20,000	1,50,000		
		4,00,000		4,00,000
		f "		

They admitted S into partnership for 1/5th share of profits on the above date. A claim on account of workmen's compensation is estimated at Rs. 13,000 only. Give the necessary journal entries to adjust the accumulated profits and losses.

Ans. JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
2019 Apr 1	Investments Fluctuation Reserve A/c Dr To Investments A/c (Being the value of investment brought down to market value)		2,000	2,000
Apr 1	Workmen's Compensation Reserve A/c Dr To Provision for Workmen's Compensation Claim A/c (Being the workmen's compensation claim provided for)		13,000	13,000
Apr 1	General Reserve A/c Dr Profit and Loss A/c Dr Investments Fluctuation Reserve A/c Dr [20,000 - (30,000 - 28,000)]Dr Workmen's Compensation Reserve A/c (23,000 - 13,000) To P's Capital A/c (88,000x3/5) To Q's Capital A/c (88,000x1/5) To R's Capital A/c (88,000x1/5) (Being the transfer of accumulated profits to old partners in their old profit sharing ratio)		25,000 35,000 18,000 10,000	52,800 17,600 17,600
Apr 1	P's Capital A/c (25,000x3/5) Dr Q's Capital A/c (25,000x1/5) Dr R's Capital A/c (25,000x1/5) Dr To Advertisement Expenditure A/c (Being the transfer of accumulated losses to old partners in their old profit sharing ratio)		15,000 5,000 5,000	25,000

18. Arun and Varun were partners sharing profits in 3 : 2 ratio. Their balance sheet on 31st March, 2019 was as follows

Balance Sheet

as at 31st March, 2019

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Liabilities	Amt (Rs.)	Assets	Amt (Rs.)
Capital A/cs		Cash	7,500
Arun	1,37,500	Sundry Debtors	30,000
Varun	75,000	Stock	50,000
Creditors		Land and Building	1,00,000
		Plant and Machinery	62,500
	2,50,000		2,50,000

They admitted Tarun as partner on the following terms

(i) Tarun is to bring Rs. 62,500 as capital.

(ii) They will share future profits in 2 : 2 : 1 ratio.

(iii) Assets and liabilities are revalued as

Land and building at Rs. 1,25,000, depreciate plant and machinery @10% per annum, provision for doubtful debts Rs. 2,500, stock at Rs. 45,000, Rs. 2,500 be reserved for bills discounted.

Show memorandum revaluation account.

Ans. Dr **Cr**

Memorandum Revaluation Account			
Particulars	Amt (Rs.)	Particulars	Amt (Rs.)
To Plant and Machinery	6,250	By Land and Building	25,000
To Provision for Doubtful Debts	2,500		
To Stock	5,000		
To Reserve for Bills Discounted	2,500		
To Profit on Revaluation Transferred to Arun's Capital A/c 5,250			
Varun's Capital A/c 3,500	8,750		
	25,000*		25,000
To Land and Building	25,000	By Plant and Machinery	6,250
		By Provision for Doubtful Debts	2,500
		By Stock	5,000
		By Reserve for Bills Discounted	2,500
		By Loss on Revaluation Transferred to Arun's Capital A/c 3,500	
		Varun's Capital A/c 3,500	
		Tarun's Capital A/c 1,750	8,750
	25,000		25,000

LONG ANSWER TYPE I QUESTIONS (6 Marks)

19. Karan and Kartik are partners in a firm sharing profits and losses in the ratio of 3 : 2. The balances in their capital and current accounts as on 1st April, 2019 were as under

Items	Karan (Rs.)	Kartik (Rs.)
Capital accounts	3,00,000	2,00,000

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Current accounts (Cr)	1,00,000	80,000
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The partnership deed provides that Karan is to be paid salary @ Rs. 500 per month, whereas Kartik is to get a commission of Rs. 40,000 for the year. Interest on capital is to be credited at 6% per annum. The drawings of Karan and Kartik for the year were Rs. 30,000 and Rs. 10,000, respectively.

The net profit of the firm before making these adjustments was Rs. 2,49,000. Interest on Karan's drawings was Rs. 750 and Kartik's drawings was Rs. 250. Prepare profit and loss appropriation account and partners' capital and current accounts.

Or S and T were partners from 1st April, 2017 with capitals of Rs. 1,20,000 and Rs. 80,000 respectively. They shared profits in the ratio of 3 : 2. They carried on business for two years. In the first year ended 31st March, 2018, they earned a profit of Rs. 1,00,000 but in the second year ended 31st March, 2019, a loss of Rs. 40,000 was incurred. As the business was no longer profitable, they dissolved the firm on 31st March, 2019.

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	2,36,000	By Creditors	40,000		
To Cash A/c (Creditors)	40,000	By Cash A/c (Assets realised)	2,00,000		
To Cash A/c (Expenses)	6,000	By	42,000		
	2,82,000		2,82,000		

Dr			Partners' Capital Account			Cr		
Particulars	S (Rs.)	T (Rs.)	Particulars	S (Rs.)	T (Rs.)			
To Cash A/c (Final payment)	98,800	55,200	By Balance b/d	1,24,000	72,000			
	1,24,000	72,000		1,24,000	72,000			

Dr		Cash Account		Cr	
Particulars	Amt (Rs.)	Particulars	Amt (Rs.)		
To Realisation A/c (Assets realised)	2,00,000	By	2,00,000		
	2,00,000	By S's Capital A/c (Final payment)	2,00,000		
		By T's Capital A/c (Final payment)			

Ans. Profit and Loss Appropriation Account

Dr		for the year ending		31st March,		2019	
		Cr					
Particulars	Amt (Rs.)	Particulars	Amt (Rs.)				
To Karan's Current A/c (Salary) (500x12)	6,000	By Net Profit as per Profit and Loss A/c	2,49,000				
To Kartik's Current A/c (Commission)	40,000	By Interest on Drawings					
To Interest on Capital		Karan's Current A/c	750				

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Karan's Current A/c (3,00,000x6/100)	18,000		Kartik's Current A/c	250	1,000
Kartik's Current A/c (2,00,000x6/100)	12,000	30,000			
To Profit Transferred to Karan's Current A/c	1,04,400				
Kartik's Current A/c	69,600	1,74,000			
		2,50,000			2,50,000

Dr			Partners' Capital Account			Cr		
Particulars	Karan (Rs.)	Kartik (Rs.)	Particulars	Karan (Rs.)	Kartik (Rs.)			
To Balance c/d	3,00,000	2,00,000	By Balance b/d	3,00,000	2,00,000			
	3,00,000	2,00,000		3,00,000	2,00,000			

Dr			Partners' Current Account			Cr		
Particulars	Karan (Rs.)	Kartik (Rs.)	Particulars	Karan (Rs.)	Kartik (Rs.)			
To Drawings A/c	30,000	10,000	By Balance b/d	1,00,000	80,000			
To Interest on Drawings A/c	750	250	By Salary A/c	6,000	—			
To Balance c/d	1,97,650	1,91,350	By Commission A/c	—	40,000			
			By Interest on Capital A/c	18,000	12,000			
			By Profit and Loss Appropriation A/c	1,04,400	69,600			
	2,28,400	2,01,600		2,28,400	2,01,600			

Or

Dr			. Realisation Account			Cr		
Particulars	Amt (Rs.)		Particulars	Amt (Rs.)				
To Sundry Assets A/c	2,36,000		By Creditors	40,000				
To Cash A/c (Creditors)	40,000		By Cash A/c (Assets realised)	2,00,000				
To Cash A/c (Expenses)	6,000		By Loss Transferred to S's Capital A/c 25,200 T's Capital A/c 16,800	42,000				
	2,82,000			2,82,000				

Dr			Partners' Capital Account			Cr		
Particulars	S(Rs.)	T(Rs.)	Particulars	S(Rs.)	T (Rs.)			
To Realisation A/c (Loss)	25,200	16,800	By Balance b/d	1,24,000	72,000			
To Cash A/c (Final payment)	98,800	55,200						
	1,24,000	72,000		1,24,000	72,000			

Dr			Cash Account			Cr		
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Particulars	Amt (Rs.)	Particulars	Amt (Rs.)
To Realisation A/c (Assets realised)	2,00,000	By Realisation A/c (Creditors)	40,000
		By Realisation A/c (Expenses)	6,000
		By S's Capital A/c (Final payment)	98,800
		By T's Capital A/c (Final payment)	55,200
			2,00,000
	2,00,000		

20. VK Ltd issued 5,000, 9% debentures of Rs. 100 each at par for cash which are redeemable at 10% premium and also raised a loan of Rs. 80,000 from America Bank, for which the company placed with the bank Rs. 1,00,000, 9% debenture as collateral security. As per the terms, the bank is obliged and bound to immediately release the debentures, as soon as the loan is repaid. How will you show the debentures in the balance sheet of the company assuming that the company has recorded the issue of debentures as collateral in the books? Also pass the journal entries.

Ans In the Books of VK Ltd

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
(i)	To Debenture Application and Allotment A/c (Being 5,000, 9% debentures @ Rs. 100 each received on application and allotment)		5,00,000	5,00,000
(ii)	Debenture Application and Allotment A/c Loss on Issue of Debentures A/c Dr		5,00,000	
	To 9% Debentures A/c			5,00,000
	To Premium on Redemption of Debenture A/c (5,000x10) (Being 9% debentures is due on 5,000 debentures @ Rs. 100 each with 10% premium on redemption)			50,000
(iii)	Bank A/c Dr		80,000	80,000
	To America Bank Loan A/c (Being taken loan from America Bank)			
(iv)	Debenture Suspense A/c Dr		1,00,000	1,00,000
	To 9% Debentures A/c (Being 1,000, 9% debentures of Rs. 100 each are issued as a collateral securities to the Bank of America)			

Balance Sheet

as at..

Particulars	Note No.	Amt (?)
1. EQUITY AND LIABILITIES 1. Non-current Liabilities	1	5,80,000
Long-term Borrowings		5,80,000
<i>Notes to Accounts</i>		
Particulars		Amt (Rs.)

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1. Long-term Borrowings	1,00,000	80,000
Loan from Bank Debentures		5,00,000
5,000, 9% Debentures of Rs. 100 each		
1,000, 9% Debentures of Rs. 100 each Issued as Collateral Security		
(-) Debenture Suspense	(1,00,000)	5,80,000

LONG ANSWER TYPE II QUESTIONS (8 Marks)

21. Anuj, Vishal and Shekhar were equal partners. Their balance sheet as at 31 st March, 2019 is

Balance Sheet
as at 31st March, 2019

Liabilities	Amt (Rs.)	Assets	Amt (Rs.)
Bills Payable	10,000	Bank	10,000
Sundry Creditors	20,000	Stock	10,000
General Reserve	15,000	Furniture and Fixtures	14,000
Profit and Loss A/c	3,000	Sundry Debtors	22,500
Capital A/cs		(-) Provision for Doubtful Debts	(2,500)
Anuj	30,000	Buildings	60,000
Vishal	20,000		
Shekhar	16,000		
	<u>66,000</u>		
	1,14,000		1,14,000

Vishal retired on 1st April, 2019. Anuj and Shekhar decided to continue the business as equal partners on the following terms

- (i) Goodwill of the firm was valued at Rs. 28,800.
- (ii) The provision for bad and doubtful debts to be maintained @ 10% on debtors.
- (iii) Buildings to be increased to Rs. 66,000.
- (iv) Furniture and fixtures to be reduced by Rs. 4,000.
- (v) Rent outstanding (not provided for as yet) was Rs. 750.

The remaining partners decided to bring in sufficient cash in the business to pay-off Vishal and to maintain a bank balance of Rs. 12,400. They also decided to re-adjust their capitals as per their new profit sharing ratio.

Prepare the necessary ledger accounts and the balance sheet.

Or

Anita and Sanjay are partners dealing in manufacturing plastic polythenes, with profit sharing ratio of 2 : 1. Their balance sheet as at 31st March, 2019 was as under, when the government banned the plastic polythene and therefore, they shifted to manufacturing paper bags.

Balance Sheet

as at 31 st March, 2019

Liabilities	Amt (Rs.)	Assets	Amt (Rs.)
Bills Payable	60,000	Cash in Hand	20,000

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Sundry Creditors		60,000	Cash at Bank	80,000
Salaries Outstanding		10,000	Sundry Debtors	40,000
Profit and Loss		30,000	Stock	60,000
Capital A/cs			Machinery	1,70,000
Anita	1,50,000		Goodwill	90,000
Sanjay	1,50,000	3,00,000		
		<u>4,60,000</u>		<u>4,60,000</u>

They admitted Sonu into partnership on 1st April, 2019. The new profit sharing ratio is agreed as 2 : 1 : 1. Other terms of Sonu's admission were as under

(i) He will bring in Rs. 1,20,000, through cheque, as his share of capital and Rs. 30,000 as his share of goodwill.

(ii) Machinery is to be appreciated by 10%.

(iii) Stock overvalued by Rs. 2,000.

(iv) A provision for doubtful debts is to be created at 5% on debtors.

(v) Creditors are unrecorded to the extent of Rs. 7,000.

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

Ans. Dr **Revaluation Account** **Cr**

Particulars	Amt (Rs.)	Particulars	Amt (Rs.)
To Furniture A/c	4,000	By Provision for Doubtful Debts A/c	250
To Outstanding Rent A/c	750	By Land and Building A/c	6,000
To Gain (Profit) on Revaluation Transferred to			
Anuj's Capital A/c	500		
Vishal's Capital A/c	500		
Shekhar's Capital A/c	500		
	<u>6,250</u>		<u>6,250</u>

Dr				Partners' Capital Account				Cr		
Particulars	Anuj (Rs.)	Vishal (Rs.)	Shekha (Rs.)	Particulars	Anuj (Rs.)	Vishal (Rs.)	Shekhar (Rs.)			
To Vishal's (Goodwill)	4,800	—	4,800	By Balance b/d	30,000	20,000	16,000			
To Bank A/c (Paid)	—	36,100	—	By General Reserve A/c	5,000	5,000	5,000			
To Balance c/d (WN)	43,950	—	43,950	By Profit and Loss A/c	1,000	1,000	1,000			
				By Anuj Capital A/c	—	4,800	—			
				By Shekhar Capital A/c	—	4,800	—			
				By Revaluation A/c (Profit)	500	500	500			
				By Bank A/c	12,250	—	26,250			

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			(Balancing figure)			
48,750	36,100	48,750		48,750	36,100	48,750

Dr		Bank Account		Cr	
Particulars	Amt (Rs.)	Particulars	Amt (Rs.)		
To Balance b/d	10,000	By Vishal's Capital A/c	36,100		
To Anuj's Capital A/c	12,250	By Balance c/d	12,400		
To Shekhar's Capital A/c	26,250				
	48,500				48,500

Balance Sheet

as at 1st April, 2019

Liabilities	Amt (Rs.)	Assets	Amt (Rs.)
Capital A/cs Anuj	43,950	Land and Building Furniture	66,000
			10,000
Shekhar	43,950	Stock	22,500
Creditors	20,000	Debtors	10,000
Bills Payable	10,000	(-) Provision for Doubtful Debts	(2,250)
Outstanding Rent	750	Bank	12,400
	1,18,650		1,18,650

Working Note

Capital of Anuj and Shekhar in the New Firm

Amt(Rs.)

Assets will remain as

Land and Building		66,000
Furniture		10,000
Stock		10,000
Debtors		22,500
Bank (Required)		12,400
(-) Creditors	(20,000)	1,20,900
Bills Payable	(10,000)	
Outstanding Rent	(750)	
Provision for Doubtful Debts	(2,250)	(33,000)
Capital of the new firm		87,900

Capital of Anuj and Shekhar in the new firm = Rs. 87,900 x 1/2 = Rs. 43,950

Alternatively, capital of the new firm = Balance of Anuj's capital account and Shekhar's capital account (Rs. 31,700 + Rs. 17,700) + Amount payable to Vishal (Rs. 36,100) + Bank balance required (Rs. 12,400) - Existing bank balance (Rs. 10000) = Rs. 87,900

Or

Dr Revaluation Account

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Cr

Particulars	Amt (Rs.)	Particulars	Amt (Rs.)
To Stock A/c	2,000	By Machinery A/c	17,000
To Provision for Doubtful Debts A/c	2,000		
To Creditors A/c	7,000		
To Gain (Profit) on Revaluation Transferred to Anita's Capital A/c 4,000			
Sanjay's Capital A/c 2,000	6,000		
	17,000		17,000

Dr				Partners' Capital Account				Cr			
Particulars	Anita (Rs.)	Sanjay (Rs.)	Sonu (Rs.)	Particulars	Anita (Rs.)	Sanjay (Rs.)	Sonu (Rs.)	Particulars	Anita (Rs.)	Sanjay (Rs.)	Sonu (Rs.)
To Goodwill A/c (Existing)	60,000	30,000	—	By Balance b/d	1,50,000	1,50,000	—				
To Balance c/d	1,34,000	1,42,000	1,20,000	By Profit and Loss A/c	20,000	10,000	—				
				By Premium for Goodwill A/c	20,000	10,000	—				
				By Bank A/c	—	—	1,20,000				
				By Revaluation A/c	4,000	2,000	—				
	1,94,000	1,72,000	1,20,000		1,94,000	1,72,000	1,20,000				

Dr				Bank Account				Cr			
Particulars	Amt (Rs.)			Particulars	Amt (Rs.)						
To Balance b/d	80,000			By Balance c/d	2,30,000						
To Sonu's Capital A/c	1,20,000										
To Premium for Goodwill A/c	30,000										
	2,30,000				2,30,000						

Balance Sheet

as at 1st April, 2019

Liabilities	Amt (Rs.)	Assets	Amt (Rs.)
Bills Payable	60,000	Cash in Hand	20,000
Sundry Creditors (Rs. 60,000 + Rs. 7,000)	67,000	Cash at Bank	2,30,000
Salaries Outstanding	10,000	Debtors	40,000
Capital A/cs		(-) Provision for Doubtful Debts	(2,000)
Anita	1,34,000	Stock	58,000
Sanjay	1,42,000	Machinery	1,87,000
Sonu	1,20,000		
	3,96,000		
	5,33,000		5,33,000

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Working Note

Sacrificing ratio = Old share - New share

Anita = $2/3 - 2/4 = 8-6/12 = 2/12$; Sanjay = $1/3 - 1/4 = 4-3/12 = 1/12$

Sacrificing ratio = 2:1

22. DEF Company Ltd offered for public subscription 10,000 shares of Rs. 10 each at Rs. 11 per share. Money was payable as follows

Rs.3 on application, Rs. 4 on allotment (including premium), Rs. 4 on first and final call. Applications were received for 12,000 shares and the directors made pro-rata allotment. Akansha, an applicant for 120 shares, could not pay the allotment and call money and Shalu, a holder of 200 shares, failed to pay the call. All these shares were forfeited. Out of the forfeited shares, 150 shares (the whole of Akansha shares being included) were issued at X 8 per share. Record journal entries for the above transactions and prepare the share forfeiture account.

Or

Hindustan Ltd invited application for 1,40,000 equity shares of Rs. 10 each payable as under

On application-Rs. 2 On first call- Rs. 3 On allotment-Rs. 2 On final call- Rs. 3

Application were received for 2,10,000 shares and pro-rata allotment was made to all the applicants.

All the shareholders paid the amount due with the following exception

(i) Rajeev, who was allotted 1,400 shares, failed to pay the allotment and calls.

(ii) Sanjeev, who was allotted 1,050 shares paid only application and allotment.

These shares were forfeited and subsequently 1,800 shares were reissued as fully paid at a discount of 20%. Shares reissued include 1,000 shares of Rajeev and 800 shares of Sanjeev. Pass necessary journal entries.

Ans. JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Bank A/c (12,000 x 3) Dr		36,000	
	To Share Application A/c (Being application money received on 12,000 shares @ Rs.3 per share)			36,000
	Share Application A/c Dr		36,000	
	To Share Capital A/c (10,000 x 3)			30,000
	To Share Allotment A/c (2,000 x 3)			6,000
	(Being transfer of application money to share capital account on 10,000 shares and the balance to allotment account)			
	Share Allotment A/c (10,000 x 4) Dr		40,000	
	To Share Capital A/c (10,000 x 3)			30,000
	To Securities Premium Reserve A/c (10,000 x 1)			10,000
	(Being money due on allotment @ Rs. 4 per share on 10,000 shares including Rs. 1 on account of share premium)			
	Bank A/c Dr		33,660	
	To Share Allotment A/c (WN 1)			33,660

(Being money received on share allotment)			
Share First and Final Call A/c (10,000 x 4) Dr	40,000	40,000	
To Share Capital A/c (Being money due on call on 10,000 shares @ Rs. 4 per share)			
Bank A/c (9,700 x 4) Dr	38,800		
To Share First and Final Call A/c (Being call money received on 9,700 shares)		38,800	
Share Capital A/c (300 x 10) Dr	3,000		
Securities Premium Reserve A/c (100 x 1) Dr	100		
To Share Allotment A/c			340
To Share First and Final Call A/c			1,200
To Share Forfeiture A/c (WN 3) (Being forfeiture of 300 shares)			1,560
Bank A/c (150x8) Dr	1,200		
Share Forfeiture A/c (150 x 2) Dr	300		1,500
To Share Capital A/c (150 x 10) (Being re-issue of 150 forfeited shares)			
Share Forfeiture A/c Dr	360		
To Capital Reserve A/c (WN 4) (Being profit on forfeiture and re-issue of 150 forfeited shares transferred)			360

Dr		Share Forfeiture Account		Cr	
Particulars	Amt (Rs.)	Particulars	Amt (Rs.)		
To Share Capital A/c	300	By Share Capital A/c	1,560		
To Capital Reserve A/c	360				
To Balance c/d	900				
	1,560				1,560

Working Notes

Number of shares allotted to Akansha = $120 \times 10,000 / 12,000 = 100$ shares

1. Amount received on allotment has been calculated as follows

	Amt (Rs.)
Total money due on 10,000 shares @Rs.4 per share	40,000
(-) Application money received on 2,000 shares adjusted against allotment money	(6,000)
Net amount due on allotment	34,000
(-) Amount due from an applicant not received for 120 shares who was allotted only 100 sharesf ■ x34,0001	(340)
Vi 0,000)	33,660

Amount received on allotment

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2. Securities premium account has been debited only with ? TOO relating to 100 shares allotted to Akansha from whom the allotment money (including premium) has not been received.

3. Shares forfeited account represents the money received on forfeited shares excluding share premium. This has been worked-out as follows

Akansha has paid application money @Rs.3 per share on 120 shares (120x3) 360

(+) Shalu has paid for capital @ Rs. 6 per share on 200 shares in (application and allotment

money excluding premium, i.e. 200 x 6) 1,200

Total amount received Rs. 1,560

4. Amount received from Akansha on 100 shares forfeited which have been reissued (+) 360

Amount received from Shalu on 50 shares forfeited which have been reissued
(50/100 x 1200) 300

Total amount received on 150 shares which have been forfeited and later reissued 660

(-) Discount on reissue of forfeited shares (150 x 2) (300)

Amount of capital profit transferred to capital reserve Rs. 360

Or

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Bank A/c (2,10,000 x 2) Dr		4,20,000	
	To Equity Share Application A/c (Being application money received)			4,20,000
	Equity Share Application A/c Dr		4,20,000	
	To Equity Share Capital A/c (1,40,000 x 2)			2,80,000
	To Equity Share Allotment A/c (70,000 x 2) (Being application money transferred to capital account and excess money adjusted at allotment)			1,40,000
	Equity Share Allotment A/c (1,40,000x2) Dr		2,80,000	
	To Equity Share Capital A/c (Being allotment money due)			2,80,000

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Bank A/c (WN 2) Dr		1,38,600	1,38,600
	To Equity Share Allotment A/c (Being allotment money received)			
	Equity Share First Call A/c (1,40,000x3) Dr		4,20,000	4,20,000
	To Equity Share Capital A/c (Being first call money due)			
	Bank A/c Dr		4,12,650	4,12,650
	To Equity Share First Call A/c . (Being first call money received)			
	Equity Share Final Call A/c (1,40,000x3) Dr		4,20,000	4,20,000

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To Equity Share Capital A/c (Being final call due)			
Bank A/c	Dr	4,12,650	4,12,650
To Equity Share Final Call A/c (Being final call money received)			
Equity Share Capital A/c (2,450 x 10)	Dr	24,500	8,400
To Forfeited Shares A/c			1,400
To Equity Share Allotment A/c (WN 1)			7,350
To Equity Share First Call A/c (2,450x3)			7,350
To Equity Share Final Call A/c (2,450x3) (Being 2,450 shares forfeited)			
Bank A/c (1,800 x 8)	Dr	14,400	18,000
Forfeited Shares A/c (1,800x2)	Dr	3,600	
To Equity Share Capital A/c (1,800x10) (Being 1,800 shares reissued @ Rs. 8 per share fully paid)			
Forfeited Share A/c (WN 3) Dr		2,600	2,600
To Capital Reserve A/c (Being profit on reissue of forfeited shares transferred to capital reserve account)			

Working Notes

1. No. of shares applied by Rajeev $(1,400 \times 2,10,000/1,40,000) = 2100$ **Amt (Rs.)**
shares

Application money received $(2,100 \times 2)$	4,200
(-) Application money due $(1,400 \times 2)$	(2,800)
Excess money	1,400
Allotment money due $(1,400 \times 2)$ from Rajeev	2,800
(-) Excess amount adjusted	0,400
Calls-in-arrears at allotment	1,400
2. Total allotment money due $(1,40,000 \times 2)$	2,80,000
(-) Amount received with application	(1,40,000)
	1,40,000
(-) Calls-in-arrears	(1,400)
Actual amount received on allotment	1,38,600
3. Forfeited amount on 1,400 shares of Rajeev	4200
Forfeited amount on 1,000 shares of Rajeev	3,000
$(4200/1,4000 \times 100)$ which are re-issued	(1,400)
Forfeited amount on 1,050 shares of Sanjeev	4,200
-. Forfeited amount on 800 shares of Sanjeev $(4,200/1,050 \times 800)$	3,200

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(-) Share forfeiture amount at re-issue (Loss)	(3,600)
Transferred to capital reserve	2,600

Part B

(Financial Statement Analysis)

OBJECTIVE TYPE QUESTIONS (1 Mark)

Give reason (Q. no. 23 to 24)

Here, we have given a statement or situation. You have to give the proper reason for all.

23. Net increase in working capital other than cash and cash equivalents will increase, decrease or not change cash flow from operating activities.

Ans. Net increase in working capital implies decrease in cash flow from operating activities due to outflow of cash.

24. The accountant of HP Ltd while preparing cash flow statement added loss on sale of fixed assets to net profit for calculating cash flow from operating activities. Was he correct in doing so?

Ans. Yes, the accountant is correct, loss on sale of fixed assets being a non-cash expense is added to net profit for calculating cash flow from operating activities.

25. What will be the operating profit ratio, if operating ratio is 82.59%?

Ans. Operating Ratio + Operating Profit Ratio = 100%

82.59% + Operating Profit Ratio = 100%

∴ Operating Profit Ratio = 100% - 82.59% = 17.41%

26. Complete this formula.

Opening Stock + Net Purchases + Direct Expenses - Closing Stock =

Ans. Cost of Goods Sold(COGS)

27. If current assets are Rs. 1,00,000, current liabilities are Rs. 50,000, inventories Rs. 6,000 and prepaid expenses Rs. 10,000. What is the value of quick assets?

(a) Rs. 50,000

(b) Rs. 94,000

(C) Rs. 90,000

(d) Rs. 84,000

Ans. (d)Rs. 84,000

Hint Quick Assets = Current Assets - Inventories - Prepaid Expense = 1,00,000 - 6,000 - 10,000 = Rs. 84,000

28. Livestock is a item of tangible assets under sub-head fixed assets and the major head non-current assets. Is it true or false?

Ans. True

29. Match the following with regard to current ratio.

Column 1	Column II
A. Cash Paid to Creditors	(i) Current Ratio will Improve
B. Goods Purchased on Credit	(ii) Current Ratio will Decrease
C. Purchased Goods for Cash	(iii) Current Ratio will not Changed

Ans A. → (ii), B. → (i), C. → (iii)

SHORT ANSWER TYPE I QUESTION (3 Marks)

30. Under which head and sub-head will the following items appear in the balance sheet of a company?

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- (i) Share option outstanding account
- (ii) Interest accrued and due on secured loans
- (iii) Advances recoverable in cash

Or

From the following balance sheet of Kushal Ltd as at 31st March, 2019 and additional information, calculate the debtors' turnover ratio and debt collection period.

Balance Sheet

as at 31st March, 2019

Particulars	31st March, 2019 Amt (Rs.)
1. EQUITY AND LIABILITIES	
1. Shareholders' Funds	
(a) Share Capital	5,00,000
(b) Reserves and Surplus	2,00,000
2. Non-current Liabilities	
(a) Long-term Borrowings	2,00,000
(b) Deferred Tax Liabilities (Net)	50,000
3. Current Liabilities	
(a) Trade Payables	2,00,000
(b) Short-term Provisions	10,000
Total	11,60,000
II. ASSETS	
1. Non-current Assets	
Fixed Assets (Tangible assets)	7,00,000
2. Current Assets	
(a) Trade Receivables	3,50,000
(b) Inventories	1,10,000
Total	11,60,000

Additional Information

- (i) Credit sales of Rs. 15,00,000 and cash sales of Rs. 2,50,000.
- (ii) Trade receivables in the beginning of the year were Rs. 4,50,000.

Ans.

Items	Major Heads	Sub-heads
(i) Share option outstanding account	Shareholders' funds	Reserves and surplus
(ii) Interest accrued and due on secured loans	Current liabilities	Other current liabilities
(iii) Advances recoverable in cash	Current assets	Other current assets

Or

Debtors' or Trade Receivables Turnover Ratio

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$$= \frac{\text{Credit Revenue from Operations (Net credit sales)}}{\text{Trade Receivables or Average Debtors}^*} = \frac{15,00,000}{4,00,000} = 3.75 \text{ times}$$

$$^* \text{Average Debtors} = \frac{3,50,000 + 4,50,000}{2} = ₹ 4,00,000$$

$$\text{Debt Collection Period} = \frac{12}{\text{Debtors' Turnover Ratio}} = \frac{12}{3.75} = 3.2 \text{ months}$$

SHORT ANSWER TYPE II QUESTION (4 Marks)

31. Fill in the missing figures in the following common size statement of profit and loss

Common Size Statement of Profit and Loss

for the year ending 31st March, 2019

Particulars	Note No.	Absolute Amt (Rs.)	Percentage of Revenue from Operations (%)
I. Revenue from Operations		3,00,000	
II. Other Income			
III. Total Revenue (I + II)		7,50,000	60
IV. Expenses			15
Cost of Materials Consumed			
Other Expenses		(...)	(20)
Total Expenses			
V. Profit before Tax (III - IV)			
VI. (-)Tax			
VII. Profit after Tax (V - VI)			

Or Calculate trade receivables turnover ratio from the following information

Cost of revenue from operations Rs. 4,50,000, Gross profit on sales 20%, Cash sales 25% of net credit sales, Opening trade receivables Rs. 60,000, Closing trade receivables ^ 90,000.

Ans. Common Size Statement of Profit and Loss

for the year ending 31st March, 2019

Particulars	Note No.	Absolute Amt (Rs.)	Percentage of Revenue from Operations (%)
I. Revenue from Operations		50,00,000	100
II Other Income		3,00,000	6
III. Total Revenue (I + II)		53,00,000	106
IV. Expenses			
Cost of Materials Consumed		30,00,000	60
Other Expenses		7,50,000	15
Total Expenses		37,50,000	75
V. Profit before Tax (III - IV)		15,50,000	31
VI (-)Tax		(10,00,000)	(20)

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VII. Profit after Tax (V - VI)	5,50,000
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Working Notes

1. Percentage of other expenses = Revenue from operations/other expenses x 100

Revenue from operations = Rs. 50,00,000

2. Percentage of other income = 3,00,000/50,00,000 x 100 = 6%

Or

Trade Receivables Turnover Ratio = Net credit sales/Average Trade Receivables

Average Trade Receivables = Opening T/R + Closing T/R/2 = $\frac{60,000 + 90,000}{2}$ = Rs. 75,000

COGS = Rs. 4,50,000

When gross profit is 20% of sales, then it will be always 25% of COGS (cost).

Gross Profit = COGS x 25/100 = 4,50,000 x 25/100 =Rs. 1,12,500

Net Sales = COGS + Gross Profit = 4,50,000 + 1,12,500 =Rs. 5,62,500
Net Sales = Cash Sales + Credit Sales

$$\begin{aligned}
 5,62,500 &= x \times 25/100 + x \\
 562,500 &= x/4 + x \\
 \mathbf{5,62,500} &= x + 4x/4 = 5x/4
 \end{aligned}$$

∴ Net Credit Sales (x) = 5,62,500 x 4/5 =Rs.4,50,000

Now, Trade Receivable Turnover Ratio = 4,50,000/75,000 = 6 times

LONG ANSWER TYPE I QUESTION (6 Marks)

32. From the following balance sheet of SS Ltd, prepare 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.)
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(a) Share Capital	1	8,00,000	10,00,000
(b) Reserves and Surplus	2	60,000	74,000
2. Non-current Liabilities			
15% Debentures		1,20,000	1,30,000
3. Current Liabilities			
(a) Short-term Borrowings: Bank Overdraft		2,50,000	1,36,000
(b) Trade Payables (Sundry creditors)		2,40,000	2,20,000
(c) Short-term Provisions	3	1,60,000	2,00,000
Total		16,30,000	17,60,000
II. ASSETS			
1. Non-current Assets			
Fixed Assets	4	6,00,000	5,00,000
Particulars	Note	31st March, 2018 Amt (Rs.)	31st March, 2019 Amt (Rs.)

	No.		
2. Current Assets			
(a) Trade Receivables (Debtors)		4,00,000	4,80,000
(b) Inventories (Stock)		6,00,000	7,00,000
(c) Other Current Assets		6,000	10,000
(d) Cash and Cash Equivalent		24,000	70,000
Total		16,30,000	17,60,000

Notes to Accounts

Particulars	2018 (Rs.)	Amt (Rs.)	2019 (Rs.)	Amt
1. Share Capital	8,00,000		9,00,000	
Equity Share Capital			1,00,000	
12% Preference Share Capital	8,00,000		10,00,000	
2. Reserves and Surplus	20,000		24,000	
Statement of Profit and Loss General Reserve	40,000		50,000	
3. Short-term Provisions	60,000		74,000	
Provision for Taxation Proposed Dividend	60,000		84,000	
4. Fixed Assets (Tangible)	1,00,000		1,16,000	
Fixed Assets (-) Depreciation	1,60,000		2,00,000	
	8,20,000		8,00,000	
	(2,20,000)		(3,00,000)	
	6,00,000		5,00,000	

Additional Information

(i) Debenture interest paid Rs. 18,000.

(ii) Preference shares were issued at the end of the year.

Ans. Cash Flow Statement

for the year ended 31st March, 2019

Particulars		Amt (Rs.)
I. Cash Flow from Operating Activities		
Net Profit before Tax and Extraordinary Activities (WN)		2,14,000
Adjustments for		
(+) Depreciation (3,00,000 - 2,20,000)	80,000	
Interest Paid on Debentures	18,000	98,000
Operating Profit before Working Capital Changes		3,12,000
(-) Increase in Current Assets and Decrease in Current Liabilities		
Sundry Debtors	(80,000)	
Stock	(1,00,000)	
Other Current Assets	(4,000)	
Trade Payables	(20,000)	(2,04,000)

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(-) Income Tax Paid	1,08,000
Net Cash Inflow from Operating Activities	(60,000) 48,000

Particulars	Amt (Rs.)
II. Cash Flow from Investing Activities	
Sale of Fixed Assets	20,000
Net Cash Inflow from Investing Activities	20,000
III. Cash Flow from Financing Activities	
Bank Overdraft (Paid) (2,50,000 - 1,36,000)	(1,14,000)
Issue of Equity Shares	1,00,000
Issue of 12% Preference Shares	1,00,000
Issue of 15% Debentures	10,000
Debenture Interest Paid	(18,000)
Dividend Paid	(1,00,000)
Net Cash used in Financing Activities	(22,000)
Net Increase in Cash and Cash Equivalent (I + II + III) (+)	46,000
Cash and Cash Equivalent at the Beginning	24,000
Cash and Cash Equivalent at the End	70,000

Note 1. It has been assumed that the tax provided during the previous accounting year Rs. 60,000 has been paid during the current accounting year and the tax provided for 2015-16 is Rs. 84,000.

2. The proposed dividend of the previous year Rs. 1,00,000 has been paid in current accounting year and the current year's proposed dividend is added back to the current year's profits to arrive at cash from operating activities.

3. Bank overdraft's treatment is a part of financing activities.

Working Note

Calculation of Net Profit before Tax and Extraordinary Activities

Particulars	Amt (Rs.)
Net Profit (24,000 - 20,000)	4,000
(+) Transfer to General Reserve	10,000
Provision for Taxation	84,000
Proposed Dividend	1,16,000
	2,14,000

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