CLASS 12 ACCOUNTANCY SAMPLE QUESTION PAPER 1

A Highly Simulated Practice Question Paper for CBSE Class XII Examination

Time : 3 hrs
M.M. : 80

This question paper contains two parts A and B.

• Part A is compulsory for all.

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

Attempt only one option of Part B.

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

***Computerised Accounting has not been covered.**

Part A

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

OBJECTIVE TYPE QUESTIONS (1 Mark)

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

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

1. Which amongst the following shares confer voting rights on its holders?

(a) Equity shares (b) Redeemable preference shares
(c) Participatory preference shares (d) None of these

Ans. (a) Equity shares

2. What will be the capital fund if total assets are of Rs. 2,00,000 and bank overdraft is ^ 50,000 and advance subscription is Rs. 40,000?

(a) Rs. 2,90,000 (b) Rs. 1,10,000 (c) Rs. 2,40,000 (d) Rs. 1,90,000

Ans. (b) Rs. 1,10,000

Hint Capital Fund = Total Assets - Total Liabilities

= 2,00,000 - (50,000 + 40,000) = 2,00,000 - 90,000 1,10,000

(It is always calculated from opening/previous year balance sheet)

3. Loss on issue of debentures is written-off out of

(a) securities premium reserve

(b) general reserve and statement of profit and loss account

(c) Both (a) and (b)

(d) discount on issue of debentures account ***Ans.*** (c) Both (a) and (b)

4. Shares for consideration other than cash can be issued at

(a) par (b) premium (c) discount (d) Both (a) and (b)

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

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

5. Write the meaning of partnership deed.

Ans. Partnership comes into existence as a result of agreement among the partners. The agreement may be either oral or written. The document containing the terms and conditions of the agreement in writing among partners is called the ‘partnership deed'.

6. What rate of interest is charged on drawings from the partners in absence of the partnership deed?

Ans. No interest is to be charged on drawings from the partners in case of absence of the deed.

7. Give the formula for calculating normal profit of a firm.

Ans. Normal Profit = Capital Employed/Investment x Rate of Return/100

8. In case of change in profit sharing ratio, how can the gaining partner compensate the sacrificing partner.

Ans. On change in profit sharing ratio, the gaining partner compensates the sacrificing partner by paying him goodwill which is equal to the share gained by him.

Journalise the following (Q. no. 9 to 11)

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

9. Transfer 10% of profits to general reserves, if profit is given Rs. 5,00,000.

Ans. **JOURNAL**

Date	**Particulars**		**LF**	**Amt** (Dr)	**Amt** (Cr)
	Profit and Loss Appropriation A/c	Dr		50,000	
	To General Reserves A/c				50,000
	(Being 10% of profits transferred to general reserves)				

10. Write-off goodwill at the time of retirement. ***Ans.*** **JOURNAL**

Date	**Particulars**		**LF**	**Amt** (Dr)	**Amt** (Cr)
	Goodwill A/c (Appeared goodwill)	Dr			-
	To Old Partner’s Capital/Current A/c (In old ratio) (Being writing-off goodwill at the time of retirement)				

11. A furniture of Rs. 6,000 (book value) is taken by Manoj, who is a partner of Royals. ***Ans.*** **JOURNAL**

Date	**Particulars**		**LF**	**Amt** (Dr)	**Amt** (Cr)
	Manoj’s Capital A/c	Dr		6,000	
	To Furniture A/c				6,000
	(Being furniture taken over by Manoj)				

12. Define Debenture Redemption Investment (DRI).

Ans. Debenture Redemption Investment (DRI) refers to that amount of investment (atleast 15% of the redeemable amount of debentures) which is made by the company in any government securities (from which interest will be received) before the redemption of debentures according to the guidelines of the Companies Act, 2013.

13. Any change in existing agreement of partnership or existing relationship of the partners is known as

Ans. reconstitution of the partnership firm

SHORT ANSWER TYPE I QUESTION (3 Marks)

14. On 1st April, 2018, the book value of machinery was Rs. 2,88,000. On 1st July, 2018, 1

1/4th of the machinery was sold for Rs. 50,000. Depreciation is being charged @10% p.a.

Show the following adjustment in income and expenditure account for the year ended 31st March, 2019.

Or

Calculate the amount of sports material to be debited to income and expenditure account for the year ended 31st March, 2019 on the basis of the following information

Particulars	**1st April, 2018 (Rs.)**	**31st March, 2019 (Rs.)**
Stock of Sports Material	4,500	3,840
Creditors for Sports Material	1,200	1,560

Amount paid for sports material during the year was Rs. 11,400.

***Ans.* Income and Expenditure Account**

Dr for the year ending 31 st March, 2019 Cr

Expenditure	**Amt (Rs.)**	**Income**	**Amt (Rs.)**
To Loss on Sale of Machinery	20,200		
To Depreciation	23,400		

Working Notes	**Amt (Rs.)**
1. Book value of machinery sold on 1st July, 2018 ^2,88,000x^-j	72,000
(-) Depreciation (WN 2)	(1,800)
(-) Sale value	70,200
	(50,000)
Loss on sale of machinery	20,200
2. **Calculation of Depreciation**	1,800
(i) For machinery sold (2,88,000 x 1/4 x 10/100 x 3/12)	
(ii) For remaining machinery (2,88,000 x 3/4 x 10/100 x 1)	21,600
Total Depreciation	23,400

Or **Calculation of Sports Material Purchased During the Year**	**Amt (Rs.)**
Total payment made during the year for sports material	11,400
(-) Creditors at beginning	(1,200)
	10,200
(+) Creditors at end	1,560
Sports material purchased during the year	11,760
Calculation of Sports Material Consumed During the Year	
Opening stock of sports material	4,500
(+) Purchase during the year	11,760
	16,260
(-) Closing stock of sports material	(3,840)
Sports material consumed during the year	12,420

.-.The amount of sports material to be debited to income and expenditure account for the year ended 31st March, 2019 is Rs. 12,420.

SHORT ANSWER TYPE II QUESTIONS (4 Marks)

15. ABC Ltd issued 20,000, 9% debentures of Rs. 100 each at a discount of 4% payable Rs. 30 on application and the balance on allotment. The debentures are redeemable after 5 years. Give necessary journal entries for the issue of debentures.

Ans. JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Bank A/c (20,000 x 30) Dr		6,00,000	6,00,000
	To Debenture Application A/c			
	(Being the application money on 20,000 debentures @ Rs. 30 received)			
	Debenture Application A/c Dr		6,00,000	6,00,000
	To 9% Debentures A/c			
	(Being the debenture application money transferred to debentures account)			
	Debenture Allotment A/c (20,000 x 66) Dr		13,20,000	
	Discount on Issue of Debentures A/c (20,000 x 4) Dr		80,000	14,00,000
	To 9% Debentures A/c (20,000 x 70)			
	(Being the allotment money due on 20,000 debentures)			
	Bank A/c Dr		13,20,000	13,20,000
	To Debenture Allotment A/c (Being the amount received on allotment)			

16. X Ltd purchased the assets of Y Ltd for Rs. 1,00,000 payable in fully paid equity shares of Rs. 10 each. What entries will be passed in the books of X Ltd if such issue is

(i) at par (ii) at a premium of 25%

Ans. JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Sundry Assets A/c Dr		1,00,000	1,00,000
	To Y Ltd			
	(Being assets purchased from Y Ltd)			
(i)	Y Ltd Dr		1,00,000	1,00,000
	To Equity Share Capital A/c (Being 10,000 shares issued at par to Y Ltd)			
(ii)	Y Ltd Dr		1,00,000	80,000
	To Equity Share Capital A/c			20,000
	To Securities Premium Reserve A/c (Being 8,000 shares issued at a premium of 25% to Y Ltd)			

Working Notes

1. Number of equity shares issued = 1,00,000/10 = 10,000 Shares
2. Number of equity shares issued = 1,00,000/10 + 2.50 = 8,000 Shares

17. X, Y and Z are partners sharing profits and losses in the ratio of 2 : 2 : 1. Y retires from the firm on 31st March, 2019. On the date of Y's retirement, the following balances appeared in the books

of the firm

Advertisement suspense account	**?25,000**
Contingency reserve	**?15,000**
Workmen's compensation reserve	**?20,000**
Loss in business account	**?15,000**

Pass the necessary journal entries for the adjustment of these items on Y's retirement.

Or

AK and BK are partners sharing profits and losses in the ratio of 5 : 1. They agreed to admit CK as a partner. Profits will be shared egually in future. CK brought in Rs. 60,000 as a premium for his share in profits. Pass necessary journal entries in the books of the firm. ***Ans.*** **JOURNAL**

Date	**Particulars**	**LF**	**Amt** (Dr)	**Amt** (Cr)
2019				
Mar 31	Contingency Reserve A/c Dr		15,000	
	Workmen’s Compensation Reserve A/c Dr		20,000	
	To X’s Capital A/c			14,000
	To Y’s Capital A/c			14,000
	To Z’s Capital A/c			7,000
	(Being the contingency reserve and workmen’s compensation reserve transferred to capital accounts on Y’s retirement)			
Mar 31	X’s Capital A/c Dr		16,000	
	Y’s Capital A/c Dr		16,000	
	Z’s Capital A/c Dr		8,000	
	To Advertisement Suspense A/c			25,000
	To Loss in Business A/c			15,000
	(Being the amount of advertisement suspense account and loss in business account transferred to capital accounts on Y’s retirement)			

Or

JOURNAL

Date	**Particulars**	**LF**	**Amt** (Dr)	**Amt** (Cr)
	Bank A/c Dr		60,000	
	To Premium for Goodwill A/c (Being amount of premium brought in by CK)			60,000
	Premium for Goodwill A/c Dr		60,000	
	BK’s Capital A/c Dr		30,000	
	To AK’s Capital A/c			90,000
	(Being sacrificing partner’s account is credited with his share of sacrifice)			

Working Note

Sacrificing ratio = Old share-New share

AK = 5/6 - 1/3 = 5-2/6 = 3/6 sacrifice BK = 1/6 - 1/3 = 1-2/6 = (1/6) gain

BK will compensate = 60,000 x 3/1 x 1/6 = Rs. 30,000

18. P. Q and R were partners sharing profits and losses in the ratio of 5 : 3 : 2 respectively. On 31st December, 2018, their balance sheet stood as under

Balance Sheet

as at 31st December, 2018

Liabilities		**Amt (Rs.)**	**Assets**	**Amt (Rs.)**
Sundry Creditors		80,000	Cash	40,000
Workmen Compensation Fund		40,000	Sundry Debtors	70,000
General Reserve		60,000	Investment	50,000
Bills Payable		30,000	Stock	80,000
Capital A/cs			Machinery	1,00,000
P	1,00,000		Patents	20,000
Q	60,000		Goodwill	50,000
R	40,000	2,00,000		
		4,10,000		4,10,000

Adjustments

(i) P died on 1st July, 2019.

(ii) Goodwill be valued at 3 years' purchase of the average profit of last 4 years, which were 2015 Rs. 40,000; 2016 Rs. 20,000 (loss); 2017 Rs. 60,000 and 2018 Rs. 84,000.

(iii) For the purpose of calculating P's share in profits, profit during 2019 should be taken to have accrued on the basis of profit of 2018.

(iv) P's drawings upto the date of death were Rs. 10,000.

(v) Interest on drawings at 6% per annum irrespective of period.

Prepare P's capital account.

Ans.

Dr P's Capital Account Cr

Particulars	**Amt (Rs.)**	**Particulars**	**Amt (Rs.)**
To Goodwill A/c	25,000	By Balance b/d	1,00 000
To Drawings A/c	10,000	By General Reserve A/c	30 000
To Interest on Drawings A/c (10,000 x 6%)	600	By Workmen's Compensation Fund A/c	20,000 36 900
		By Q's Capital A/c	
To P's Executor's A/c	1,96,900	By R's Capital A/c	24.600
(Balancing figure)		By Profit and Loss Suspense A/c (84,000 x5/10 x 6/12)	21 000
	2,32,500		2,32,500

Working Note **Calculation for Goodwill**

Average profit **= Total profit of 4 year/**Number of years

= <u>40,000 + (20,000) + 60000 + 84,000/4</u> = <u>1,64000/4</u> = Rs. 41,000

Goodwill = Average profit x Number of years' purchase = 41000 x 3 = Rs. 123000

P's share of goodwill = 123000 x 5/10 = Rs. 61500

to be contributed by Q and R in their sacrificing ratio, i.e. 3:2.

Q's sacrifice = 61,500 x - = Rs.36,900; R's sacrifice = 61500 x - = Rs. 24,600 5   5

LONG ANSWER TYPE I QUESTIONS (6 Marks)

19. Following is the receipts and payments account of Green Club for the year ended 31st March, 2019

Receipts and Payments Account

Dr   forthe year ended 31 st March, 2019   Cr

Receipts			**Amt (Rs.)**	**Payments**	**Amt (Rs.)**
To Balance b/d			15,640	By Salary	2,400
To Subscriptions				By Newspaper	1,640
	2017-18	960		By Electricity Bill	800
	2018-19	21,200		By 9% Investments (1st July, 2018)	16,000
	2019-20	400	22,560	By Books	8,480
To Sale of Old Newspapers			1,000	By Rent	5,440
To Government Grants			8,000	By Furniture	8,400
To Sale of Old Furniture			4,560	By Balance c/d	8,960
(Book value Rs. 5,600)					
To Interest on Investments			360		
			52,120		52,120

Additional Information

(i) The club owned furniture Rs. 12,000 and Books Rs. 5,600 on 1st April, 2018.

(ii) Salary and rent were outstanding Rs. 480 and Rs. 960 on 31st March, 2019.

(iii) Subscription outstanding on 31st March, 2018 was Rs. 1,600 and on 31st March, 2019 was Rs. 2,000.

Prepare income and expenditure account and balance sheet for the year ending 31st March, 2019.

***Ans.* Income and Expenditure Account**

Dr   forthe year ending 31 st March, 2019   Cr

Expenditure		**Amt** ft)	**Income**		**Amt (Rs.)**
To Loss on Sale of Furniture		1,040	By Subscription	21,200	
To Salary	2,400		(+) Subscription Outstanding for		
(+) Outstanding for Current Year	480	2,880	Current Year (2,000 - 640)	1,360	22,560
To Newspaper		1,640	By Sale of Old Newspaper		1,000

To Electricity		800	By Government Grant		8,000
To Rent	5,440		By Interest on Investment	360	
(+) Outstanding for Current Year	960	6,400	(+) Accrued Interest	720	1,080
To Surplus, i.e. Excess of Income					
over Expenditure		19,880			
		32,640			32,640

Balance Sheet

as at 31st March, 2019

Liabilities		**Amt (Rs.)**	**Assets**		**Amt (Rs.)**
Salary Outstanding		480	Cash		8,960
Rent Outstanding		960	Subscription Outstanding		
Advance Subscription		400	Previous Year (1,600 - 960)	640	
Capital Fund	34,840		Current Year (2,000 - 640)	1,360	2,000
(+) Surplus	19,880	54,720	9% Investments		16,000
			Accrued Interest on Investment		720
			Books	5,600	
			(+) Purchase	8,480	14,080
Liabilities		**Amt (Rs.)**	**Assets**		**Amt (Rs.)**
			Furniture 12,000 (+) Purchase 8,400		14,800
				20,400	
			(-) Sale (5,600)		
		56,560			56,560

Balance Sheet

as at 31st March, 2018

Liabilities	**Amt (Rs.)**	**Assets**	**Amt (Rs.)**
Capital Fund	34,840	Cash	15,640
		Furniture	12,000
		Books	5,600
		Subscription Outstanding	1,600
	34,840		34,840

Working Note

Accrued interest on investments = 16,000 x 9/100 x 9/12 = 360 = 1080 -360 = Rs. 720

20. The balance sheet of Ajeet, Vijeet and Sujeet on the date of dissolution was as follows

Balance Sheet

as at

Liabilities		Amt (Rs.)	Assets	Amt (Rs.)
Creditors		52,000	Bank	6,500
Employees Provident Fund		26,000	Debtors	41,600
Outstanding Expenses		13,000	Stock	54,600
Capital A/cs			Prepaid Expenses	2,600
Ajeet	1,05,950		Furniture	13,000
Sujeet	76,050	1,82,000	Machinery	1,09,200
			Profit and Loss A/c	19,500
			Vijeet's Capital A/c	26,000
		2,73,000		2,73,000

Sujeet was appointed to realise the assets and pay the liabilities. He was entitled to receive 5% commission on the amounts realised from sale of assets. He was also to bear the expenses of realisation. Assets realised as follows

Machinery - Rs. 91,000; debtors - Rs. 26,000; furniture - Rs. 9,750; stock at 60% of its book value.

Expenses of realisation amounted to Rs. 1,950. An office typewriter realised Rs. 3,250 which was not shown in the books of accounts. There was a contingent liability of Rs. 6,500 for bills discounted for which Rs.2,600 had to be paid.

Prepare realisation account.

Or

Sagar, Mayank and Rohit commenced business on 1st April, 2017 with capitals Rs. 2,00,000, Rs. 1,60,000 and Rs. 1,20,000 respectively. They agreed to share profits and losses in the ratio of 4 : 3 : 3. During the year 2017-18, they made a profit of Rs. 98,000 before allowing interest on capital @10% p.a. The profit for the year 2018-19 was Rs. 1,20,000 after allowing interest on capital. Each of the partners had drawn Rs. 20,000 p.a. The partners with mutual consent agreed to wind up the business operations. Creditors on that date were Rs. 20,200. Assets realised Rs. 4,20,000 and the expenses of realisation were Rs. 5,000. Prepare the balance sheet as on 31st March, 2019 and find out the profit or loss on realisation.

Ans.

Dr Realisation Account Cr

Particulars		Amt (Rs.)	Particulars		Amt (Rs.)
To Debtors		41,600	By Creditors		52,000
To Stock		54,600	By Employees Provident Fund		26,000
To Prepaid Expenses		2,600	By Outstanding Expenses		13,000
To Furniture		13,000	By Bank (Assets Sold)		
To Machinery		1,09,200	Debtors	26,000	
To Bank (Liabilities Paid)			Stock	32,760	
Creditors	52,000		Furniture	9,750	
Employees Provident Fund	26,000		Machinery	91,000	
Outstanding Expenses	13,000		Typewriter	3,250	1,62,760
Contingent Liability for Bills	2,600	93,600	By Loss Transferred to	34,489	

Particulars	Amt (Rs.)	Particulars		Amt (Rs.)
Discounted		Vijeet's Capital A/c		
To Suieet's Capital A/c (1,62,760x5%)	8,138	Sujeet's Capital A/c	34,489	68,978
	3,22,738			3,22,738

Or

Statement Showing the Amount of Capital

as at 31st March, 2019

Particulars	Sagar (Rs.)	Mayank (Rs.)	Rohit (Rs.)
Capital Balance as on 1st April, 2017	2,00,000	1,60,000	1,20,000
(+) Interest on Capital	20,000	16,000	12,000
(+) Profit (98,000 - 48,000)	20,000	15,000	15,000
	2,40,000	1,91,000	1,47,000
(-) Drawings	(20,000)	(20,000)	(20,000)
Capital Balance as on 1st April, 2018	2,20,000	1,71,000	1,27,000
(+) Interest on Capital (10%)	22,000	17,100	12,700
(+) Profit	48,000	36,000	36,000
	2,90,000	2,24,100	1,75,700
(-) Drawings	(20,000)	(20,000)	(20,000)
Capital Balance as on 31st March, 2019	2,70,000	2,04,100	1,55,700

Balance Sheet

as at 31st March, 2019

Liabilities	Amt (Rs.)	Assets	Amt (Rs.)
Capital A/cs		Sundry Assets	6,50,000
Sagar 2,70,000		(Balancing figure)	
Mayank 2,04,100 Rohit 1,55,700	6,29,800		
Creditors	20,200		
	6,50,000		6,50,000

Dr Realisation Account Cr

Particulars	Amt (Rs.)	Particulars		Amt (Rs.)
To Sundry Assets	6,50,000	By Sundry Liabilities		20,200
To Cash A/c (Creditors)	20,200	By Cash (Assets realised)		4,20,000
To Cash A/c (Expenses)	5,000	By Loss Transferred to Capital A/c		
		Sagar	94,000	
		Mayank	70,500	
		Rohit	70,500	2,35,000
	6,75,200			6,75,200

LONG ANSWER TYPE II QUESTIONS (8 Marks)

21. On 1st April, 2019, Ranjana Ltd made an issue of 3,00,000 equity shares of Rs. 10 each at a premium of Rs. 4 per share, payable as follows Rs. 6 on application (including Rs. 1 premium)

Rs. 2 on allotment (including Rs. 1 premium)

Rs. 3 on first call (including Rs. 1 premium)

Rs.3 on second and final call (including Rs. 1 premium)

Applications were received for 4,50,000 shares, of which applications for 90,000 shares were rejected and their money was refunded. Rest of the applicants were issued shares on pro-rata basis and their excess money was adjusted towards allotment. Jatin, to whom 6,000 shares were allotted, failed to pay the allotment money and his shares were forfeited after allotment. Ruchi, who applied for 10,800 shares failed to pay the two calls and on her such failure, her shares were forfeited.

12,000 forfeited shares were re-issued as fully paid on receipt of Rs. 9 per share, the whole of Ruchi's shares being included.

Prepare the cash book and pass the necessary journal entries.

Or

Krishna Ltd issued 40,000 equity shares of Rs. 10 each at a premium of Rs. 2.50 per share. The amount was payable as follows

On application Rs. 2 per share, on allotment Rs. 4.50 per share (including premium) and on call Rs. 6 per share.

Owing to heavy subscription the allotment was made on pro-rata basis as follows

(i) Applicants for 20,000 shares were allotted 10,000 shares.

(ii) Applicants for 56,000 shares were allotted 14,000 shares.

(iii) Applicants for 48,000 shares were allotted 16,000 shares.

It was decided that the excess amount received on applications would be utilised on allotment and the surplus would be refunded.

Riya, to whom 1,000 shares were allotted and who belongs to category (i), failed to pay allotment money. Her shares were forfeited after the call. Pass the necessary journal entries in the books of Krishna Ltd for the above transactions.

Ans.

Dr Cash Book (Bank column) Cr

Particulars	**Amt** (Rs.)	**Particulars**	**Amt (Rs.)**
To Equity Share Application A/c (4,50,000 shares x Rs. 6)	27,00,000	By Equity Share Application A/c (90,000 shares x Rs. 6)	5,40,000
To Equity Share Allotment A/c (WN 1)	2,35,200	By Balance c/d	42,13,200
To Equity Share First Call A/c (WN 2) (2,85,000 shares xRs.3)	8,55,000		
To Equity Share Second and Final Call A/c (WN 2) (2,85,000 shares x Rs. 3)	8,55,000		
To Equity Share Capital A/c (12,000 shares x Rs. 9)	1,08,000		
	47,53,200		47,53,200

JOURNAL

Date	**Particulars**	**LF**	**Amt** (Dr)	**Amt** (Cr)
	Equity Share Application A/c Dr		21,60,000	15,00,000

Date	Particulars	L.F.	Dr	Cr
	To Equity Share Capital A/c (3,00,000 x 5)			
	To Securities Premium Reserve A/c (3,00,000 x 1)			3,00,000
	To Equity Share Allotment A/c (60,000 x 6) (Being the application money adjusted)			3,60,000
	Equity Share Allotment A/c (3,00,000 x 2) Dr		6,00,000	
	To Equity Share Capital A/c (3,00,000 x 1)			3,00,000
	To Securities Premium Reserve A/c (3,00,000 x 1) (Being the allotment money due on 3,00,000 shares)			3,00,000
	Equity Share Capital A/c (6,000 x 6) Dr		36,000	
	Securities Premium Reserve A/c (WN 5) Dr		4,800	
	To Equity Share Allotment A/c [(WN 1) (ii)]			4,800
	To Forfeited Shares A/c			36,000
	(Being 6,000 shares of Ram forfeited for non-payment of allotment money)			
	Equity Share First Call A/c (2,94,000 x 3) Dr		8,82,000	
	To Equity Share Capital A/c (2,94000x2)			5,88,000
	To Securities Premium Reserve A/c (2,94,000x1) (Being the first call due on 2,94,000 shares)			2,94,000
	Equity Share Second and Final Call A/c (2,94000x 3) Dr		8,82,000	
	To Equity Share Capital A/c (2,94,000 x 2)			5,88,000
	To Securities Premium Reserve A/c (2,94,000 x 1) (Being the second and final call due on 2,94,000 shares)			2,94,000
	Equity Share Capital A/c (9,000 x 10) Dr		90,000	
	Securities Premium Reserve A/c (9,000 x 2) Dr		18,000	
	To Equity Share First Call A/c (9,000 x 3)			27,000
	To Equity Share Second and Final Call A/c (9,000 x 3)			27,000
	To Forfeited Shares A/c			54,000
	(Being 9,000 shares of Ruchi forfeited for non-payment of calls)			
	Forfeited Equity Shares A/c (12,000 x 1) Dr		12,000	
	To Equity Share Capital A/c			12,000
	(Being the discount on re-issue adjusted against the credit balance of forfeited shares account)			
	Forfeited Equity Shares A/c Dr		60,000	
	To Capital Reserve A/c (WN 3)			60,000
	(Being the profit on re-issue transferred to capital reserve)			

Working Notes

1 (i) **Excess Amount Received from Jatin on Application**

6,000 shares were allotted to Jatin. Therefore, he must have applied for 1,00,000 x 6,000] = 7200 shares

Excess application money received from Jatin (7,200 - 6,000) = 1200 shares x Rs. 6 = Rs. 7,200

Money Due from Jatin on Allotment	Amt (Rs.)
6,000 shares x Rs. 2	12,000
(-) Excess application money adjusted on allotment	(7,200)
[Rs. 6,000 as a part of share capital (6,000 x Rs. 1) and balance Rs. 1,200 as a part of securities premium]	
Money due from Jatin	4800

Money Received on Allotment	Amt (Rs.)
Total amount due on allotment (3,00000 x Rs.2)	6,00,000
(-) Excess application money adjusted (60000 x Rs.6)	(3,60,000)
	2,40,000
(-) Money not paid by Jatin (ii)	(4,800)
Net amount received on allotment	2,35,200

2. Ruchi applied for 10,800 shares. Therefore, he must have been allotted = (3,00,000/3,60,000 x 10,800) = 9000 shares

She has not paid first and second call money. As such,

(i) First call money will be received on (2,94,000 - 9,000 shares of Ruchi) = 285000 shares

(ii) Second call money will be received on (2,94,000 - 9,000 shares of Ruchi) = 285,000 shares

3 Amount Transferred to Capital Reserve

12,000 shares have been re-issued which include 9,000 shares of Ruchi and the balance 3,000 of Jatin	**Amt (Rs.)**
(i) Amount forfeited in respect of Ruchi shares	54,000
(ii) Amount forfeited in respect of Jatin shares (36,000 x 3,000/6,000)	18,000
	72,000
(-) Loss on re-issue of 12,000 shares @ Rs. 1 each	(12,000)
Profit on re-issue to be transferred to capital reserve	60,000

4. **Balance in Forfeited Shares Account**

Profit on 5,000 shares of Jatin Rs. 36,000.

Therefore, the balance of forfeited shares account on 3,000 unmissed shares (36,000/6,000 x 3,000) is Rs. 18,000.

Note It should be noted that forfeited amount of shares not yet re-issued will be shown in the balance sheet as part of capital.

5 Adjustment of Securities Premium Reserve on Forfeiture of Jatin's Share Securities premium reserve related to allotment of 6,000 shares to Jatin = 6,000 x Rs. 1 = Rs. 6,000, out of this Rs. 1,200 is already received as surplus application money. Balance of Rs. 4,800 has not been received by the company.

Therefore, at the time of forfeiture, securities premium reserve account will be debited by Rs. 4,800 to cancel it because securities premium account was credited at the time of allotment. This should also be considered at the time of forfeiture of Ruchi shares.

Or

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Bank A/c (1,24,000 x 2) Dr		2,48,000	
	To Equity Share Application A/c			2,48,000
	(Being the application money recieved @ Rs. 2 per share on 1,24,000 shares)			
	Equity Share Application A/c Dr		2,48,000	
	To Equity Share Capital A/c (40,000 x 2)			80,000
	To Equity Share Allotment A/c			1,47,000
	To Bank A/c			21,000
	(Being the application money adjusted)			
	Equity Share Allotment A/c (40,000 x 4.5) Dr		1,80,000	
	To Equity Share Capital A/c (40,000 x 2)			80,000
	To Securities Premium Reserve A/c (40,000 x 2.5) (Being the allotment money due)			1,00,000
	Bank A/c (WN 3) Dr		30,500	
	To Equity Share Allotment A/c			30,500
	(Being the allotment money received except on 1,000 shares)			
Date	**Particulars**	**LF**	**Amt** (Dr)	**Amt** (Cr)
	Equity Share First and Final Call A/c Dr		2,40,000	
	To Equity Share Capital A/c (40,000 x'6)			2,40,000
	(Being the first and final call money due)			
	Bank A/c (39,000 x 6) Dr		2,34,000	
	To Equity Share First and Final Call A/c (Being the first and final call money received except on 1,000 shares)			2,34,000
	Equity Share Capital A/c (1,000 x 10) Dr		10,000	
	Securities Premium Reserve A/c (1,000 x 2.5) Dr		2,500	
	To Forfeited Shares A/c			4,000
	To Equity Shares Allotment A/c (WN 2)			2,500
	To Equity Share First and Final Call A/c (1,000 x 6) (Being 1,000 shares forfeited)			6,000

Working Notes

Shares Applied	Shares Allotted	Application Money Received Rs. 2 per Share	Application Money Transferred to Share Capital A/c	Excess Application Money	Share Allotment Due	Excess Application Money Adjusted	Allotment Money to be Received	Excess Money to be Refunded
(i) 20,000	10,000	40,000 (20,000 x 2)	20,000 (10,000x2)	20,000	45,000 (10,000x4.5)	20,000	25,000	—

(ii) 56,000	14,000	1,12,000 (56,000 x 2)	28,000 (14,000x2)	84,000	63,000 (14,000 x4.5)	63,000		21,000
(iii) 48,000	16,000	96,000 (48,000x2)	32,000 (16,000x2)	64,000	72,000 (16,000 x 4.5)	64,000	8,000	—
1,24,000	40,000	2,48,000	80,000	1,68,000	1,80,000	1,47,000	33,000	21,000

Note After adjustment of excess application money on allotment, there is still balance, in case of category (ii), Rs. 21,000 (i.e. 84,000 - 63,000). This balance will be refunded to the shareholders.

2 Money Due from Riya on Allotment

Category (i) applicants for 20,000 shares were allotted 10,000 shares. Riya was allotted 1,000 shares. She applied for {x 1,0001 = 2,000 shares

VI 0,000)

Therefore, application money paid by Riya (2,000 x 2) = Rs. 4,000	**Amt (Rs.)**
Application money received on application	4,000
(-) Amount due on application (1000 x Rs. 2)	(2,000)
Excess application money to be adjusted on allotment	2,000
Money due on allotment (1,000 x 4.5)	4,500
(-) Excess application money adjusted on allotment	(2,000)
Allotment money not paid by Riya	2,500

3. **Money Received on Allotment**

Total amount due on allotment	1,80,000
(-) Excess application money adjusted	(1,47,000)
Allotment money to be received	33,000
(-) Money not paid by Riya	(2,500)
Allotment money received	30,500

22. Rachit and Madhur were partners in a firm sharing profits and losses in the ratio of 4 : 3. The following is the balance sheet of the firm as on 31st December, 2019.

Balance Sheet

as at 31st December, 2019

Liabilities		**Amt (Rs.)**	**Assets**		**Amt (Rs.)**
Sundry Creditors		20,000	Cash		14,800
Bills Payable		3,000	Debtors	20,500	
Bank Overdraft		17,000	(-) Provision for Doubtful Debts	(300)	20,200
Capital A/cs			Stock		20,000
Rachit	70,000		Plant		40,000
Madhur	60,000	1,30,000	Building		75,000
		1,70,000			1,70,000

They agreed to admit Rishant as a partner with effect from 1st January, 2020 for l/4th share in

profits on the following terms

(i) Rishant will bring in capital to the extent of l/4th of the total capital of the new firm after all adjustments have been made.

(ii) Building is to be appreciated byRs. 14,000 and plant to be depreciated by Rs. 7,000.

(iii) The provision on debtors is to be raised to Rs. 1,000.

(iv) The goodwill of the firm has been valued at Rs. 21,000.

Prepare revaluation account, partners' capital account and balance sheet of the firm immediately after Rishant's admission.

Or

A, B and C are partners with profit sharing ratio 5:3:2. Their balance sheet is as follows

Balance Sheet

as at...

Liabilities		**Amt (Rs.)**	**Assets**	**Amt (Rs.)**
Creditors		80,000	Bank	40,000
Bills Payable		60,000	Debtors	60,000
General Reserve		30,000	Furniture	40,000
Reserve for Contingency		20,000	Investment	30,000
Workmen Compensation Fund		40,000	Building	1,00,000
Provident Fund		40,000	Prepaid Insurance	10,000
Capital A/cs			Goodwill	20,000
A	40,000		Patents	30,000
B	30,000		Profit and Loss	40,000
C	30,000	1,00,000		
		3,70,000		3,70,000

Adjustments

(i) C takes retirement, new ratio of A and B is 3:2.

(ii) Rs. 10,000 given to C in cash and balance transferred to C's loan account.

(iii) Capital of new firm fixed at Rs. 2,00,000 and difference adjusted in cash.

(iv) Prepaid insurance is no more required.

(v) Rs. 10,000 unrecorded typewriter has to be shown in the balance sheet.

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

(vii) Make 5% provision for discount on creditors.

(viii) Outstanding repair bills dueRs. 10,000.

(ix) Provident fund decreased by 10,000.

(x) Accrued commission Rs. 5,000.

(xi) Building increased by 20%.

(xii) Goodwill of the firm valued at Rs. 40,000.

Prepare necessary ledgers.

Ans. Dr Revaluation Account Cr

Particulars		Amt (Rs.)	Particulars	Amt (Rs.)
To Plant A/c		7,000	By Building A/c	14,000
To Provision for Bad Debts A/c		700		
To Profit Transferred to				
Rachit’s Capital A/c	3,600			
Madhur’s Capital A/c	2,700	6,300		
		14,000		14,000

Dr Partners' Capital Account Cr

Particulars	Rachit (Rs.)	Madhur (Rs.)	Rishant (Rs.)	Particulars	Rachit (Rs.)	Madhur (Rs.)	Rishant (Rs.)
To Balance c/d	76,600	64,950	47,183	By Balance b/d	70,000	60,000	—
				By Revaluation A/c (Profit)	3,600	2,700	
				By Rishant’s Current A/c	3,000	2,250	—
				By Cash A/c	—	—	47,183
	76,600	64,950	47,183		76,600	64,950	47,183

Balance Sheet

as at 1st January, 2020

Liabilities		Amt (Rs.)	Assets		Amt (Rs.)
Sundry Creditors		20,000	Cash (14,800 + 47,183)		61,983
Bills Payable		3,000	Debtors	20,500	
Bank Overdraft		17,000	(-) Provision for Doubtful Debts	(1,000)	19,500
Capital A/cs			Stock		20,000
Rachit	76,600		Plant	40,000	
Madhur	64,950		(-) Depreciation	(7,000)	33,000
Rishant	47,183	1,88,733	Building	75,000	
			(+) Appreciation	14,000	89,000
			Rishant's Current A/c		5,250
		2,28,733			2,28,733

Working Notes

1. Total share = 1; Rishant's share = 1/4 ; Remaining share of Rachit and Madhur = 1 - 1/4 = 3/4

Total capital of Rachit and Madhur for 3/4th share = 76,600 + 64,950 = Rs. 1,41,550

Total capital of the firm = 1,41,550 x 4/3 = Rs. 1,88,733

Rishant’s capital for 1/4th share =1,88,733 x 1/4 = Rs. 47,183

2. Rishant's share of goodwill = 21,000 x 1/4 = Rs.5,250

To be distributed among old partners in their sacrificing ratio, i.e. 4: 3.

Rachit's gain = 5,250 x 4/7 =Rs.3,000; Madhur's gain = 5,250 x 3/7=Rs.2,250

Or

Dr Revaluation Account Cr

Particulars		**Amt (Rs.)**	**Particulars**	**Amt (Rs.)**
To Prepaid Insurance A/c		10,000	By Typewriter A/c (Unrecorded)	10,000
To Investment A/c		10,000	By Provision for Creditors A/c	4,000
To Outstanding Repair Bill A/c		10,000	By Provident Fund A/c	10,000
To Profit Transferred to			By Accrued Commission A/c	5,000
A’s Capital A/c	9,500		By Building A/c	20,000
B's Capital A/c	5,700			
C’s Capital A/c	3,800	19,000		
		49,000		49,000

Dr **Partners' Capital Account** Cr

Particulars	**A (Rs.)**	**B (Rs.)**	**C(Rs.)**	**Particulars**	**A (Rs.)**	**B (Rs.)**	**C(Rs.)**
To Investment A/c	20,000	—	—	By Balance b/d	40,000	30,000	30,000
To Goodwill A/c	10,000	6,000	4,000	By General Reserve A/c	15,000	9,000	6,000
To Profit and Loss A/c	20,000	12,000	8,000	By Reserve for			
To C’s Capital A/c	4,000	4,000	—	Contingency A/c	10,000	6,000	4,000
To Cash A/c	—	—	10,000	By Workmen Compen-			
To C’s Loan A/c	—	—	37,800	sation Fund A/c	20,000	12,000	8,000
To Balance c/d	1,20,000	80,000	—	By A’s Capital A/c	—	—	4,000
				By B's Capital A/c	—	—	4,000
				By Revaluation A/c	9,500	5,700	3,800
				(Profit)	79,500	39,300	
				By Bank A/c			
	1,74,000	1,02,000	59,800		1,74,000	1,02,000	59,800

Dr **Bank Account** Cr

Particulars	**Amt (Rs.)**	**Particulars**	**Amt (Rs.)**
To Balance b/d	40,000	By C's Capital A/c	10,000
To A's Capital A/c	79,500	By Balance c/d	1,48,800
To B’s Capital A/c	39,300		
	1,58,800		1,58,800

Balance Sheet

as at...

Liabilities		Amt (Rs.)	Assets	Amt (Rs.)
Creditors (80,000 - 4,000)		76,000	Bank	1,48,800
Outstanding Repair Bill		10,000	Typewriter (Unrecorded)	10,000
Provident Fund (40,000 - 10,000)		30,000	Accrued Commission	5,000
Bills Payable		60,000	Building (1,00,000 + 20,000)	1,20,000
C's Loan		37,800	Debtors	60,000
Capital A/cs			Furniture	40,000
A	1,20,000		Patents	30,000
B	80,000	2,00,000		
		4,13,800		4,13,800

Working Notes

1**. Calculation of Gaining Ratio**

Gaining ratio = New share - Old share

A = 3/5 - 5/10 = 6-5/10 = 1/10; B = 2/5 - 3/10 = 4-3/10 = 1/10

Gaining ratio =1:1

2. **C's Share in Goodwill**

Goodwill = 40,000 x 2/10 = Rs. 8,000

Rs. 8,000 given by continuing partners in gaining ratio, i.e. 1:1.

3. **Adjustment of Capital**

Capital Rs. 2,00,000 of firm will be distributed between A and B in their new profit sharing ratio, i.e. 3:2.

A's capital = 2,00,000 x 3/5 = Rs. 1,20,000;

B's capital = 2,00,000 x 2/5 =Rs. 80,000 5

Part B

(Financial Statement Analysis)

OBJECTIVE TYPE QUESTIONS (1 Mark)

State true or false (Q. no. 23 to 24)

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

23. The assets which can be realised in cash or from which further benefit can be derived, are known as fictitious assets.

Ans. False. Fictitious assets are those assets which cannot be realised in cash or no further benefit can be derived from these assets.

24. If current ratio is 3 : 1 and current liabilities are Rs. 6,00,000 of a company, then quick ratio is also 3:1. State whether it is true or false.

Ans. False. Quick ratio always depends on quick assets and current liabilities but not on current ratio.

25. Which of the following is not an item of sub-head other current liabilities in balance sheet?

(a) Creditors (b) Outstanding expenses (c) Advance income (d) Both (b) and (c)

Ans. (a) Creditors

26. Match the following.

Column 1	Column II
A. Provision for Tax	(i) Current Assets, Inventories
B. Bills Receivable	(ii) Current Assets, Trade Receivables
C. Stock-in-trade	(iii) Current Liabilities, Short-term Provisions

Ans. A. —> (iii), B. (ii), C. —»(i)

27. Ratio analysis and cashflow are used for in accounting.

Ans. analysis of financial statements

28. Define the term 'cashflow'.

Ans. Cashflow means cash inflow (received) and cash outflow (payments) from different activities of a company.

29. Mention the net amount of source or use of cash when a fixed asset (having book value Rs. 1,20,000) is sold at a loss of Rs. 40,000 in term of cash flow.

Ans. Source of cash = 120,000 - 40,000 = *X* 80,000

(Cash inflow through investing activities by selling of fixed assets)

SHORT ANSWER TYPE I QUESTION (3 Marks)

30. Explain any three items of reserves that are shown under the heading 'reserves and surplus' in the balance sheet of a company as per Schedule III of the Companies Act, 2013.

Or

Prepare common size statement of profit and loss from the following statement of profit and loss

Statement of Profit and Loss

for the year ending 31st March, 2019

	Particulars	Note No.	31st March, 2019 Amt (Rs.)
I.	**Income**		
	Revenue from Operations		10,00,000
	Other Income		2,00,000
	Total Revenue		12,00,000
II.	**Expenses**		
	Purchases of Stock-in-trade		5,00,000
	Change in Inventories of Stock-in-trade		2,50,000
	Other Expenses		1,50,000
	Total		9,00,000
III.	Net Profit before Tax (1 - II)		3,00,000

Ans. The there items shown under the heading 'reserves and surplus' are

(i) **Capital Reserve** Capital reserve is the main sub-heading of reserve and surplus which is created from capital profits/gains of the business and retained for writing-off the losses of the company.

(ii) **Securities Premium Reserve** Securities Premium Reserve (SPR) is that reserve which is created/ collected by issuing shares more than its face value by a company.

(iii) **General Reserve** It refers to those reserves which is created out of profit amount of the business every year. It is retained for completing the future objects/growth of the business or used to meet future obligations. It is also a main sub-heading of reserves and surplus.

Or

Common Size Statement of Profit and Loss

for the year ending 31st March, 2019

	Particulars	Note No.	Absolute Amount 31st March, 2019 (Rs.)	Percentage of Revenue from Operations 31st March, 2019 (Rs.)
I.	Revenue from Operations		10,00,000	100
II.	Other Income		2,00,000	20
III.	Total Income		12,00,000	120
IV.	Expenses			
	(a) Purchases of Stock-in-trade		5,00,000	50
	(b) Changes in Inventories of Stock-in-trade		2,50,000	25
	(c) Other Expenses		1,50,000	15
	Total Expenses		9,00,000	90
V.	Profit before Tax (III - IV)		3,00,000	30

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, 2019 was Rs. 25,000, tax rate is 50%.

Or **From the following data, calculate Gross Profit Ratio, Current Ratio, Quick Ratio and Debt to Equity Ratio?**

Revenue from Operations Rs. 30,000, Cost of Revenue from Operations (Cost of Goods Sold) Rs. 20,000; Net Profit Rs. 3,000; Current Assets Rs. 6,000; Inventory Rs. 1,000; Current Liabilities Rs. 2,000; Share Capital Rs. 5,000 and Debentures Rs. 2,500.

Ans. 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 Capita Turnover Ratio= Revenue from Operations (Net sales)/Working Capital* = 25,000/2,500 = 10 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) Returnon Investment= Profit before Interest, Tax and Preference Dividend */Capital Employed ** x 100

= 15,900/45,000 x100

= 35.33%

*Profit before Tax = Profit after Tax/100-Tax Rate x 100 = 7,500x100/100-50 = 7,50,000/50 = 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 Account + 9% Debentures = 25,000 + 2,500 + 7,500 + 10,000 = Rs. 45,000 *Or*

(i) Gross Profit Ratio =Gross Profit/Revenue from Operations x 100

Gross Profit = Revenue from Operations

- Cost of Revenue from Operations (Cost of Goods Sold)

= Rs. 30,000-Rs. 20,000=Rs. 10,000

Gross Profit Ratio = Rs.10,000/Rs. 30,000 x 100 = 33.33%

(n) Current Ratio = Current Assets/Current Liabilities = Rs. 6,000/Rs. 2,000 = 3:1

(m) Quick Ratio = Quick Assets/Current Liabilities = Rs. 6000-Rs. 1,000 (Inventory)/2,000 = 2.5.1

(iv) Debt to quity Ratio = Debt/Equity (Shareholders Funds) = Debentures/Share Capital + Profit (Net)

= Rs. 2,500/Rs. 5,000 + Rs. 3,000 = Rs. 2,500/Rs. 8000 = 0.31. 1

LONG ANSWER TYPE I QUESTION (6 Marks)

32. From the following summarized balance sheets of PQR Ltd as on 31st March, 2018 and 2019, you are required to prepare the cash flow statement

Balance Sheet

as at 31st March, 2019 and 2018

Particulars	**Note No.**	**31st March, 2019 Amt (Rs.)**	**31st March, 2018 Amt (Rs.)**
1. EQUITY AND LIABILITIES 1. Shareholders' Funds			
Share Capital		35,00,000	30,00,000
Reserves and Surplus	1	23,00,000	15,00,000
2. **Non-current Liabilities**			
Long-term Borrowings: 15% Debentures		10,00,000	15,00,000
3. **Current Liabilities**			
Trade Payables		12,50,000	8,00,000
Short-term Provisions	2	5,50,000	5,00,000
Other Current Liabilities	3	60,000	50,000
Total		86,60,000	73,50,000
II. **ASSETS**			
1**. Non-current Assets**			
Fixed Assets	4	47,50,000	40,00,000
Long-term Investments (At cost)		9,00,000	9,00,000
2. **Current Assets**			
Inventories		13,50,000	10,00,000
Trade Receivables		12,25,000	11,25,000

Cash and Cash Equivalents		4.35,000	3,25,000
Total		86,60,000	73,50,000

Notes to Accounts

Particulars	**31st March, 2019 Amt (Rs.)**	**31st March, 2018 Amt (Rs.)**
1. Reserves and Surplus	22,50,000	15,00,000
Balance in Statement of Profit and Loss Capital Reserve (Profit on sale of investments)	50,000	
	23,00,000	15,00,000
2. **Short-term Provisions**	1.70,000	1.50,000
Proposed Dividend Provision for Tax	3.80,000	3.50,000
3. **Other Current Liabilities**	5,50,000	5,00,000
Outstanding Expenses	60,000	50,000
4. **Fixed Assets**	60,000	50,000
Fixed Assets (at cost)	60,00,000	50,00,000
(-) Accumulated Depreciation	(12,50,000)	(10,00,000)
	47,50,000	40,00,000

Additional Information

(i) During the year ended 31st March, 2019, fixed assets with a net book value of Rs. 50,000 (accumulated depreciation Rs. 1,50,000) were sold forRs. 40,000.

(ii) During the year ended 31st March, 2019, investments costing Rs. 4,00,000 were sold.

(iii) Debentures were redeemed at a premium of 10%.

(iv) Tax of Rs. 3,75,000 was paid.

(v) Debenture interest paid during the year ended 31st March, 2019 was Rs. 1,50,000.

***Ans.* Cash Flow Statement**

for the year ended 31st March, 2019

Particulars			**Amt** (Rs.)
1,	**Cash Flow from Operating Activities**		
	Net Profit before Tax and Extraordinary Items		13,75,000
	(+) Non-cash and Non-operating Expenses		
	Depreciation	4,00,000	
	Interest on Debentures	1,50,000	
	Loss on Sale of Fixed Assets	10,000	5,60,000
	Operating Profit before Working Capital Changes		19,35,000
	(+) *Increase in Current Liabilities or Decrease in Current Assets*		
	Trade Payables	4,50,000	
	Outstanding Expenses	10,000	4,60,000
	(-) *Increase in Current Assets or Decrease in Current Liabilities*		
	Inventories	(3,50,000)	

	Trade Receivables	(1,00,000)	(4,50,000)
	Cash Generated from Operations		19,45,000
	(-) Income Tax Paid		(3,75,000)
	Cash Flow from Operating Activities		15,70,000
II.	**Cash Flow from Investing Activities**		
	Proceeds from Sale of Assets (Machinery)	40,000	
	Proceeds from Sale of Investment	4,00,000	
	Purchase of Machinery	(12,00,000)	
	Purchase of Investment	(3,50,000)	
	Cash Used in Investing Activities		(11,10,000)
III.	**Cash Flow from Financing Activities**		
	Proceeds from Issue of Shares	5,00,000	
	Repayment of Debentures (5,00,000 + 50,000)	(5,50,000)	
	Interest Paid on Debentures	(1,50,000)	
	Proposed Dividend Paid	(1,50,000)	
	Cash Used in Financing Activities		(3,50,000)
IV.	**Net Increase in Cash and Cash Equivalents** (1 + II + III)		1,10,000
	(+) Cash and Cash Equivalents in the Beginning of the Year		3,25,000
V.	**Cash and Cash Equivalents at the End of Year**		4,35,000

Working Notes

I. Dr **Plant and Machinery Account** Cr

Particulars	**Amt** (7)	**Particulars**	**Amt (Rs.)**
To Balance b/d	50,00,000	By Bank A/c	40,000
To Bank A/c (Balancing figure)	12,00,000	By Accumulated Depreciation A/c	1,50,000
(Purchase of Machinery)		By Loss on Sale (Statement of profit and loss)	10,000
		By Balance c/d	60,00,000
	62,00,000		62,00,000

2. Dr **Accumulated Depreciation Account** Cr

Particulars	**Amt (Rs.)**	**Particulars**	**Amt (7)**
To Plant and Machinery A/c (Transfer)	1,50,000	By Balance b/d	10,00,000
To Balance c/d	12,50,000	By Depreciation A/c (Balancing figure) (Statement of profit and loss)	4,00,000
	14,00,000		14,00,000

3 Dr **Provision for Tax Account** Cr

Particulars	**Amt (Rs.)**	**Particulars**	**Amt (Rs.)**
To Bank A/c (Tax paid)	3.75,000	By Balance b/d	3.50,000
To Balance c/d	3.80,000	By Statement of Profit and Loss (Provision for tax) (Balancing	4.05,000

	7,55,000	figure)	7,55,000

	Amt (Rs.)
4. Surplus, i.e. Balance in Statement of Profit and Loss (Closing)	23,00,000
(-) Surplus, i.e. Balance in Statement of Profit and Loss (Opening)	0 5,00,000)
	8,00,000
(+) Proposed Dividend for the Current Year	1,70,000
Provision for Tax (WN 3)	4,05,000
Net Profit before Tax and Extraordinary Items	13,75,000