CBSE
Class XII Accountancy
All India Board Paper Set 1–2012- Solution

SECTION A

1. **Answer:**
Depreciation on fixed assets is never shown in on the 'payment' side of Receipts and Payments Account, but it is shown as an expense on the expenditure side while preparing 'Income and Expenditure Account'.

2. **Answer:**
If partnership deed provides that interest on capital is to be treated as an appropriation out of profits, then no interest is allowed to the partners. However, if the deed states that interest on capital is to be treated as a charge against profit, then interest has to be provided at the specified rate, even if the firm has incurred losses during that particular year.

3. **Answer:**
Sacrificing ratio is computed at the time of admission of a new partner. Whereas, gaining ratio is computed at the time of retirement/death of a partner.

4. **Answer:**
Admission of a new partner is decided by the firm in the following two situations:
i. When it requires more fund.
ii. To manage the expanded business smoothly.

5. **Answer:**
When a company accepts the amount of shares before the call is due from its shareholder, it is known as calls-in-advance.

6. **Answer:**

Subscription Account

Dr. **Cr.**

Particulars	₹	Particulars	₹
To Outstanding Subscription A/c (Outstanding subscription in the beginning)	32,000	By Advantage Subscription A/c (Advance subscription in the beginning)	25,000
To Income and Expenditure A/c	3,00,000	By Bank A/c (subscription received during the year)	3,00,000
To Advance Subscription A/c (Advance subscription at the end)	36,800	Outstanding Subscription A/c (Outstanding Subscription at the end) (Balancing Figure)	43,800
	3,68,800		**3,68,800**

7. Answer:

Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
	Furniture A/c Dr. To Ravindram's A/c (Being furniture purchased)		3,00,000	3,00,000
	Ravindram A/c Dr. To Bills Payable A/c (Being amount paid by drawing a promissory note)		1,00,000	1,00,000
	Ravindram Ltd. A/c Dr. To Equity share capital A/c To Securities Premium A/c (Being issue of equity share of ₹10 each at a premium of 25%)		2,00,000	1,60,000 40,000

Working Note

calculation of numbers of Equity share to be issued

$$\text{No. of Equity shares} = \frac{\text{Purchase Consideration}}{\text{issue price}}$$

Issue price

= face value + premium

= 10 + 2.5

= 12.5

$$\therefore \text{ No. of Equity shares} = \frac{2,00,000}{12.5} = 16,000 \text{ shares}$$

8. Answer:

Books of Nav Lakshmi Ltd.
Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
	Bank A/c Dr. To Debenture Application A/c (Being debenture application money received for 4,000 debenture)		6,00,000	6,00,000
	Debenture Application A/c Dr. To 12% Debenture A/c To Securities Premium A/c (Being debenture application 3,000 debenture transferred to 12% debenture and securities premium)		4,50,000	3,00,000 1,50,000
	Debenture Application A/c Dr. To Bank A/c (Being debenture application of 1,000 debenture refunded)		1,50,000	1,50,000

9. Answer:

Profit and Loss Adjustment Account

Dr. **Cr.**

Particulars		₹	Particulars		₹
To Interest on capital:			By Profit and Loss A/c (Net profit)		30,000
Lalan A/c	12,000				
Balan A/c	24,00	36,000	By Interest on Drawings:		
			Lalan A/c	225	
			Balan A/c	375	600
			By Loss transferred to Current A/c:		
			Lalan A/c	3,240	
			Balan A/c	2,160	5,400
		36,000			**36,000**

Working Note

WN 1: Calculation of Interest on Capital

Interest on lahan's Capital = 1,00,000 $\times \frac{12}{100} = 12{,}000$

Interest on Balan's Capital = 2,00,000 $\times \frac{12}{100} = 24{,}000$

WN 2 : Calculation of Interest on Drawings

Interest on lahan's Capital = $300 \times \frac{15}{100} \times \frac{6}{12} = 225$

Interest on Balan's Capital = $5{,}000 \times \frac{15}{100} \times \frac{6}{12} = 375$

10. Answer:

Journal

Date	Particulars		L.F.	Dr. ₹	Cr. ₹
	A's Capital A/c	Dr.		1,35,000	
	B's Capital A/c	Dr.		1,35,000	
	C's Capital A/c	Dr.		90,000	
	D's Capital A/c	Dr.		90,000	4,50,000
	To Goodwill A/c				
	(Being goodwill written-off)				
	A's Capital A/c	Dr.		1,20,000	
	B's Capital A/c	Dr.		20,000	
	To C's Capital A/c				1,20,000
	To D's Capital A/c				20,000
	(Being new goodwill adjusted)				
	Profit and Loss Appropriation A/c	Dr.		12,00,000	
	To A's Capital A/c				6,00,000
	To B's Capital A/c				4,00,000
	To C's Capital A/c				2,00,000
	(Being profit earned after D's retirement distributed)				

Gaining Ration = New Ratio - Old Ratio

$A = \frac{3}{6} - \frac{3}{10}$

$= \frac{15-9}{30}$

$= \frac{6}{30}$

$B = \frac{2}{6} - \frac{3}{10}$

$= \frac{10-9}{30}$

$= \frac{1}{30}$

$C = \frac{1}{6} - \frac{2}{10}$

$= \frac{5-6}{30}$

$= -\frac{1}{30}$(sacrificing)

New Goodwill = 6,00,000

D's share in New Goodwill = $6,00,000 \times \frac{2}{10}$

$= 1,20,000$

C's share of sacrificing Goodwill = $6,00,000 \times \frac{1}{30}$

$= 20,000$

A's gain in new Goodwill = $6,00,000 \times \frac{6}{30} = 1,20,000$

B's gain in new Goodwill = $6,00,000 \times \frac{1}{30} = 20,000$

Distribution of pofit earned after D's retirement

$A = 12,00,000 \times \frac{3}{6} = 6,00,000$

$B = 12,00,000 \times \frac{2}{6} = 4,00,000$

$C = 12,00,000 \times \frac{1}{6} = 2,00,000$

11. Answer :

Sarvottam Ltd.
Journal

Date	Particulars	L.F.	Dr ₹	Cr ₹
1	Own Debenture A/c Dr. To Bank A/c (Being 850 own debenture purchase at ₹ 96 each)		81,600	81,600
2	12% Debenture A/c Dr. To Own Debenture A/c To Profit and cancellation of own Debenture A/c (Being 850 own debenture cancelled)		85,000	81,000 3,400
3	12% Debenture A/c Dr. To Debenture holders A/c (Being 400 debenture due for redemption)		40,000	40,000
4	Debenture holders A/c Dr. To Bank A/c (Being payment of due for debenture paid to debenture holder)		4,00,000	4,00,000
5	Profit on cancellation of own Debenture A/c Dr. To Capital Reserve A/c (Being profit on cancellation of own debenture transferred to capital reserve)		3,400	3,400

12. Answer:
(i)

Books of Fortune Ltd.
Journal

Date	Particulars	L.F.	Dr ₹	Cr ₹
1	12% Debenture A/c Dr. To Debenture Holder A/c (Being debenture of ₹96,000 due for redemption)		96,000	96,000
2	Debenture Holder A/c Dr. Discount an issue of debenture A/c Dr. To Equity share capital A/c (Being 2,000 10% debenture issued at 5% premium to debenture holder)		96,000 4,000	1,00,000

Working Note :

$$\text{Equity Share Issued} = \text{Amount payable} \times \frac{100}{(100-4)}$$

$$= 96{,}000 \times \frac{100}{96}$$

$$= 1{,}00{,}000$$

(ii)

Journal

Date	Particulars		L.F.	Dr ₹	Cr ₹
1	12% Debenture A/c	Dr.		4,80,000	
	To Debenture holders A/c				4,80,000
	To Aman Ltd. A/c				
	(Being debenture for redemption)				
2	Debenture holders A/c	Dr.		4,80,000	
	To 13% Debenture A/c				3,84,000
	To Securities Premium A/c				96,000
	(Being 13% debenture issued at 25% premium)				

$$\text{Equity Share Issued} = \text{Amount payable} \times \frac{100}{(100+25)}$$

$$= 4,80,000 \times \frac{100}{125}$$

$$= 3,84,000$$

13. Answer :

Journal

Date	Particulars		L.F.	Debit ₹	Credit ₹
2011 April 1	Realisation A/c	Dr.		5,50,000	
	To Land and Building A/c				3,00,000
	To Stock A/c				1,00,000
	To Debtors A/c				1,50,000
	(Being assets transferred to realisation account)				
	Creditors A/c	Dr.		1,05,000	
	To Realisation A/c				1,05,000
	(Being creditors transferred to realisation account)				
	Bank A/c	Dr.		3,50,000	
	To Realisation A/c				3,50,000
	(Being Land and Building taken over by Sanjay for cash)				
	Bank A/c	Dr.		90,000	
	To Realisation A/c				90,000
	(Being stock sold for ₹90,000)				
	Sanjay's Capital A/c	Dr.		2,000	
	Sameer's Capital A/c	Dr.		3,000	
	To Realisation A/c (WN 1)				5,000

	(Being loss on realization transferred to partners' account)			
	Workmen Compensation Fund A/c Dr. To Sanjay's Capital A/c To Sameer's Capital A/c (Being workmen compensation fund transferred to partners ' capital account)		1,00,000	 40,000 60,000
	Sanjay's Capital A/c Dr. Sameer's Capital A/c Dr. To Bank A/c (WN 2) (Being final payment made to partners)		2,38,000 3,57,000	 5,95,000

WN 1:

Realisation Account

Dr. Cr.

Particulars	₹	Particulars		₹
To Land and Building A/c	3,00,000	By Creditors A/c		1,05,000
To Stock A/c	1,00,000	By Bank A/c (land and building)		3,50,000
To Debtors A/c	1,50,000	By Bank A/c (Stock)		90,000
		By Loss transferred to :		
		Sanjay's Capital A/c	2,000	
		Sameer's Capital A/c	3,000	5,000
	5,50,000			5,50,000

WN 2:

Partner's Capital A/c

Dr. Cr.

Particulars	Sanjay	Sameer	Particulars	Sanjay	Sameer
To Realisation A/c (loss)	2,000	3,0000	By Balance b/d	2,00,000	3,00,000
To Bank A/c (payment –Bal –Fig)	2,38,000	3,57,000	By Workmen Compensation Fund A/c	40,000	60,000
	2,40,000	**3,60,000**		**2,40,000**	**3,60,000**

14. Answer:

Income & Expenditure A/c

Dr. Cr.

Particulars		₹	Particulars	₹
To Salaries A/c		1,800	By Subscription A/c	22,500
To Rent A/c	2,300		By Entrance Fees A/c	2,000
Less: Advance A/c	1,150	1,150	By Donation A/c	750
To Electricity A/c		1,000	By Rent of Hall A/c	1,750
To Tax A/c		2,200	By Interest of Fixed Deposit A/c	1,368
To Painting and stationary A/c		400		
To sundry Expenses A/c		900		
To Expenditure A/c		20,918		
		28,368		**28,368**

15. Answer:

Revaluation Account

Particulars	₹	Particulars		₹
To Provision for outstanding bill A/c	3,000	By Old provision for Bad Debts A/c	1,200	
To Claim for damages A/c	325	Less: New provision	1,175	25
		By Sundry Creditors A/c		2,500
		By Loss transferred to:		
		Atal A/c	500	
		Madan A/c	300	800
	3,325			**3,325**

Partners' Capital Account

Particulars	Atal	Madan	Mehra	Particulars	Atal	Madan	Mehra
To Profit and Loss A/c	12,500	7,500		By Balance b/d	1,50,000	90,000	
To Cash A/c	5,000	3,00		By Cash A/c			40,000
To Revaluation A/c (Loss)	500	300		By Premium for Goodwill A/c	10,000	6,000	
To Cash A/c (WN2)	62,000	37,200		By Workmen Compensation fund A/c	20,000	12,000	
To Balance c/d	1,00,000	60,000	40,000				
	1,80,000	**1,08,000**	**40,000**		**1,80,000**	**1,08,000**	**40,000**

Balance Sheet

Liabilities		₹	Assets		₹
Capital:			Land and building		1,50,000
Atal	1,00,000		machinery		40,000
Madan	60,000		patents		5,000
Mehra	40,000	2,00,000	Debtors	47,000	
			Less: Provision for Doubtful	1,175	
Bank overdraft		47,000	Debts		45,825
sundry Creditors (20,000-2,500)		17,500	Stock		27,000
Claim for damages A/c		325			
Provision for outstanding bill		3,000			
		2,67,825			**2,67,825**

Working Note:

Calculation of New Ratio

(a) New Ratio = 5:3:2

Old Ratio (Atal and Madan) = 5:3

Sacrificing Ratio = Old Ratio – New Ratio

$$\text{Atal Sacrificing} = \frac{5}{8} - \frac{5}{10} = \frac{10}{80}$$

$$\text{Madan's Sacrificing} = \frac{3}{8} - \frac{3}{10} = \frac{6}{80}$$

$\therefore$ Scarificing Ratio = 10:6 or 5:3

(b) Calculation of New Capitals of partners

Total Capital of the firm on the basis of Mehra's capital

$= 40,000 \times 5 = 2,00,000$

$$\text{Atal's New Capital} = 2,00,000 \times \frac{5}{10} = 1,00,000$$

$$\text{Madan's New Capital} = 2,00,000 \times \frac{3}{10} = 60,000$$

Capital to be brought/ paid in by the partners

Capital	Atal	madan
Old Capital (Credit- Debit)	1,62,000	97,200
New Capital	1,00,000	60,000
	62,000 (surplus)	37,200 (surplus)

Cash Account

Particulars	₹	Particulars	₹
To Balance b/d	4,200	By Atal's Capital A/c (62,000+5,000)	67,000
To Mehta's Capital A/c	40,000	By Madan's Capital A/c(37,200+3,000)	40,200
To Premium for Goodwill	16,000		
To Balance c/d (Bank overdraft)	47,000		
	1,07,200		**1,07,200**

OR

Revaluation Account

Particulars		₹	Particulars	₹
To Machinery A/c		35,000	By Land and Building A/c	1,20,000
To Stock A/c		5,000		
To Provision for Doubtful Debts A/c		3,000		
To Profit transferred to Capital A/c				
Khanna	23,100			
Seth	15,400			
Mehats	38,500	77,000		
		1,20,000		**1,20,000**

Partners' Capital Account

Particulars	Khanna	Seth	Mehta	Particulars	Khanna	Seth	Mehta
To Profit and Loss A/c	18,000	12,000	30,000	By Balance b/d	3,00,000	2,00,000	5,00,000
To Goodwill A/c	90,000	60,000	1,50,000	By General Reserve A/c	30,000	20,000	50,000
To Profit and Loss surplus A/c		2,400		By Revaluation A/c	23,100	15,400	38,500
To Seth's Executors A/c		1,61,000					
To Balance c/d	2,45,100		4,08,500				
	3,53,100	**2,35,400**	**5,88,500**		**3,53,100**	**2,35,400**	**5,88,500**
To Balance c/d (adj.)	2,45,100		4,08,500	By Balance b/d	2,45,100		4,08,500
	2,45,100		**4,08,500**		**2,45,100**		**4,08,500**

Balance Sheet

Liabilities		₹	Assets		₹
Capital:			Land and Building		6,20,000
Khanna	2,45,100		Machinery		1,35,000
Mehta	4,08,500	6,53,600	Stock		25,000
Seth's Executor's Loan		2,11,000	Debtors	1,20,000	
Creditors		75,000	Less: Provision for Bad Debts	3,000	1,17,000
Profit and Loss Suspense		2,400	Cash		45,000
		9,42,000			**9,42,000**

E's Executors' Account

Particulars	₹	Particulars	₹
To Balance c/d	2,11,000	By Seth's Capital A/c	1,61,000
		By Seth's Loan A/c	50,000
	2,11,000		**2,11,000**

Working note :

Share of Seth's Loss on The Basis of Last year

$= 60,000 \times \frac{2}{10} \times \frac{73}{365}$

$= 2,400$

Capital after adjustment

Khanna = 2,45,000

Mehat = 4,08,500

Combined Capital of Khanna and Mehta = 6,53,600

Propotnate Capital of Khanna and Mehta

Khanna $= 6,53,600 \times \frac{7}{8} = 2,45,100$

Mehta $= 6,53,600 \times \frac{5}{8} = 4,08,500$

Share of Profit till the date on the basis part three year Profit

$= 80,000 \frac{2}{10} \times \frac{146}{365}$

$= 6,400$

16. Answer:

Books of R.K Ltd
Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
	Bank A/c Dr. To Share Application A/c (Being share application received for 65,000 shares)		9,75,000	 9,75,000
	Share Application A/c Dr. To Equity Share Capital A/c To Equity Securities Premium A/c (Being share Application of 65,000 shares transferred to equity share capital and securities premium)		9,75,000	 1,95,000 7,80,000
	Equity Share Allotment A/c Dr. To Equity Share Capital A/c To Securities Premium A/c (Being allotment due)		6,50,000	 5,20,000 1,30,000
	Bank A/c Dr. Calls-in-Arrears A/c Dr. To Equity Share Allotment A/c		6,30,000 20,000	 6,50,000

	(Being amount received on share allotment)			
	Equity Share Capital A/c Dr. Securities Premium A/c Dr. To Equity Share Forfeiture A/c To Calls-in-Arrears A/c (Being 2,000 shares forfeited for the non-payment of allotment)		10,000 16,000	 6,000 20,000
	Share First and final Call A/c Dr. To Equity Share Capital A/c To Securities Premium A/c (Being share first and final call due on 3,000 shares)		12,60,000	 3,15,000 9,45,000
	Bank A/c Dr. Calls-in-Arrears A/c Dr. To Equity Share First & Final Call A/c (Being share first and Final Call received on all shares except 3,000 shares)		12,00,000 60,000	 12,60,000
	Equity Share Capital A/c Dr. Securities Premium A/c Dr. To Equity Share Forfeiture A/c To Calls-in-Arrears A/c (Being 3,000 Shares forfeited for the non-payment of First and Final Call)		30,000 45,000	 15,000 60,000
	Bank A/c Dr. To Equity Share Capital A/c To Securities Premium A/c (Being 4,000 shares forfeited share were issued)		2,00,000	 40,000 1,60,000
	Equity Share Forfeiture A/c Dr. To Capital Reserve A/c (Being share forfeiture of 1,000 shares transferred to Capital Reserve)		16,000	 16,000

Ram

Share forfeiture credit 3 per share
Share forfeiture debit NIL per share
Share forfeiture credit after time 3 per share

Capital Reserve on reissue of Ram share
= share forfeiture credit after re-issue × No. of shares re-issued
= 3 × 2,000
= ₹ 6,000

Sohan

Share forfeiture credit 5 per share
Share forfeiture Debit NIL per share
Share forfeiture credit after 5 per share re-issue

Capital Reserve on re-issue of Sohan's 1,000 shares
= Share forfeiture after issue × No. of shares re-issued
= 5 × 2,000
= ₹ 10,000

Total capital Reserve
= 6,000 + 10,000
= ₹ 16,000

OR

Books of Ashish Ltd
Journal

Date	Particulars		L.F.	Dr. ₹	Cr. ₹
	Bank A/c To Share Application A/c (Being application money received for 1,50,000 Shares at ₹ 2 per share)	Dr.		3,00,000	 3,00,000
	Share Application A/c To Share Capital A/c To Share Allotment A/c To Bank A/c (Being share application money adjusted)	Dr.		3,00,000	 1,50,000 1,00,000 50,000
	Equity Share Allotment A/c Discount on Share A/c To Share Capital A/c (Being allotment due)	Dr. Dr.		2,25,000 75,000	 3,00,000
	Bank A/c To Share Allotment A/c (Being allotment money received i.e. 2,25,000 – 1,00,000 – 1,250)	Dr.		1,23,750	 1,23,750
	Share First and Final Call A/c To Share Capital A/c (Being amount due on Share First and Final Call)	Dr.		3,00,000	 3,00,000
	Bank A/c To Equity Share First & Final Call A/c (Being amount due on Share First and Final Call)	Dr.		2,93,000	 2,93,000
	Share Capital A/c (1,750 × 10) To Discount on Shares A/c To Share forfeiture A/c To Share Allotment A/c To Share First and Final Call A/c (Being Share forfeited)	Dr.		17,500	 1,750 7,500 1,250 7,000
	Bank A/c (1,000 × 17) To Equity Share Capital A/c To Securities Capital A/c (Being forfeited share were reissued for `9 as fully paid up)	Dr.		17,000	 10,000 7,000
	Equity Share Forfeiture A/c To Capital Reserve A/c (Being share forfeiture of 1,000 shares transferred to Capital Reserve)	Dr.		3,750	 3,750

Working Notes:

(1)

Total application money received (1,50,000 × 2)	=	3,00,000
Amount actually utilized in application (75,000 × 2)	=	1,50,000
		1,50,000
(-) Money returned (25,000 × 2)	=	(50,000)
Utilized in allotment		1,00,000

(2)

Total shares applied by Suman = 1,250 shares

$\therefore$ No.of shares allotted to suman = $\frac{75,000}{12,500} \times 125$ = 750 shares

Amount received on application from Suman (1,250 × 2)	=	2,500
(-) Actually utilized (750 × 2)	=	(1,500)
Excess money on application		1,000

Allotment due on 750 shares (750 × 3)	=	2,250
Less : Excess money on application	=	(1,000)
Amount unpaid on allotment		1,250

Calculation of Amount of Capital Reserve	
Amount forfeited on 750 shares of Suman	2,500
Amount forfeited on 1,000 shares of 5,000 Dev	
$\therefore$ Amount forfeited on 250 shares of Dev $\left(\frac{5,000}{1,000} \times 250\right)$	1,250
	3,750
Less : Amount forfeited on re-issue	Nil
Amount to be transferred to Capital Reserve	3,750

SECTION- B

17. Answer :

Top Management analysis the financial statement to:

i. Evaluate the solvency position of the company;
ii. Analyse the efficiency with which the financial resources are allocated and utilised.

18. Answer :

The main objectives for preparing Cash Flow Statement are as follows:

i. It helps to determine the gross inflows and outflows of cash and cash equivalents from various activities like operating, investing and financing activities.
ii. Secondly, Cash Flow Statement helps in investigating various reasons responsible for change in the cash balances during an accounting year.

19. Answer :

It is an Investing Activity because purchasing and selling of shares and other financial instrument is not a main business of the enterprise.

20. Answer :

Current Ratio = 3: 1
Quick Ratio = 2: 1
Stock = ₹40, 000

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

$$\therefore 3 = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Or, Current Assets = 3 current liabilities ....(1)

$$\text{Quick Ratio} = \frac{\text{Quick Assets}(\text{Current Assets } — \text{Stock})}{\text{Current Liabilities}}$$

$$2 = \frac{\text{Current assets - 40,000}}{\text{Current Liabilities}}$$

Or, 2 Current Liabilities = Current Assets - 40,000
From equation (1)
2 Current Liabilities = 3 Current Liabilities — 40,000
Or, Current Liabilities = ₹40,000
Current Assets = 3 current liabilities
Current Assets = 3 × 40,000 = ₹1,20,000

21. Answer :

$$\text{(a) Debt Equity Ratio} = \frac{\text{Debt}}{\text{Equity}}$$

Debt = 12% Debentures = ₹4,00,000

Equity = Equity Share Capital + General Reserve + Profit and Loss - Prepaid Expenses
= 10, 00,000 + 1,00,000 + 3,00,000 - 1,00,000
= ₹13,00,000

$$\text{Debt Equity Ratio} = \frac{4,00,000}{13,00,000} = 0.31:1$$

$$\text{(b) Working Capital Turnover Ratio} = \frac{\text{Net Sales}}{\text{Working Capital}}$$

Net sales = ₹30,00,000
Working Capital = Current Assets - Current Liabilities

Current Assets
= Debtors + Cash
= 2,90,000 + 1,10,000
= 4,00,000

Current Liabilities = Creditors = 3,00,000

Working Capital
= 4,00,000 - 3,00,000
= ₹1,00,000

$$\text{Working Capital Turnover Ratio} = \frac{30,00,000}{1,00,000} = 30 \text{ times}$$

$$\text{(c) Return on Investment} = \frac{\text{Profit before Interest and Tax}}{\text{Capital Employed}} \times 100$$

Profit before interest and tax
= Profit after tax + tax + Interest
= 3,00,000 + 3,00,000 + 48,000
= ₹6,48,000

Capital Employed
= Debt + Equity
= 4,00,000 + 13,00,000
= ₹17,00,000

$$\text{Return on Investment} = \frac{6,48,000}{17,00,000} \times 100 = 38.12\%$$

Working Note:
Calculation of Tax
Let tax be 50% of Profit before Tax.
Let Profit before tax be x.
Profit before tax = Profit after the tax + tax

$$x = 3,00,000 + \frac{50x}{100}$$

$$\frac{x - 50}{100} x = 3,00,000$$

$$x = 6,00,000$$

Profit before Interest and Tax
= Profit before tax + Interest
= 6,00,000 + 48,000
= ₹6,48,000

22. Answer :

Common Size Income Statement of Jayant Ltd.
As on March 31, 2011

Particular	**₹**	**%**
Sales	25,38,000	100
Less: Cash of Goods Sold	(14,00,000)	(55.16)
Gross Profit	11,38,000	44.84
Less: Operating Expenses	(5,00,000)	(19.70)
Operating Profit	6,38,000	25.14
Add: Other Income	38,000	1.50
Profit Before Tax	6,76,000	26.64
Less: Tax	(3,38,000)	(13.32)
Profit After Tax	3,38,000	13.32

23. Answer :

Cash Flow Statement of B. C. R Ltd.
As on March 31, 2011

	Particular	₹	₹
A	**Cash Flow from Operating Activities**		
	Profit as per Profit and Loss Account	1,50,000	
	Proposed Dividend	70,000	
	Profit for Taxation	50,000	
	Profit Before Taxation	2,70,000	
	Items to be added:		
	Depreciation on Equipments	18,000	
	Patents written of	5,000	
	Loss on sale of equipment	12,000	
	Profit before working capital charges	3,05,000	
	Less: Increase in Debtors	(67,000)	
	Less: Increase in Stock	(75,000)	
	Less: Increase in creditors	(3,000)	
	Cash from operation before Tax paid	1,60,000	
	Less: Tax paid	(30,000)	
	Cash from operating Activities	1,30,000	1,30,000
B	**Cash Flow from Investing Activities**		
	Proceeds from sale of Equipment	70,000	
	Purchases of Equipment	(1,00,000)	
	Purchases of Investment	(1,00,000)	
	Cash used in Investing Activities	(1,30,000)	(1,30,000)
C	**Cash Flow from Financing Activities**		
	Proceed from issue of share	2,00,000	
	Repayment of Bank Loan	(50,000)	
	Dividend paid	(50,000)	
	Cash From Financing Activities	1,00,000	1,00,000
	Net Increase in Cash and Cash Equivalents		1,00,000
	Add: Cash and Cash Equivalents at the beginning		2,00,000
	Closing Balance of Cash and Cash Equivalents		**3,00,000**

Equipments Account

Dr. **Cr.**

Particulars	₹	Particulars	₹
To Balance b/d	5,00,000	By Depreciation A/c	18,000
To Bank A/c (Purchase)	1,00,000	By Profit and Loss A/c	12,000
		By Bank A/c (Balancing figure)	70,000
		By Balance c/d	5,00,000
	6,00,000		**6,00,000**