CBSE
Class XII Accountancy
All India Board Paper Set1–2014- Solution

SECTION A

1. Answer :

Calculation of Gaining Ratio:

X : Y : Z

Old Ratio= $\frac{1}{2}:\frac{3}{10}:\frac{1}{5}$

$\frac{5:3:2}{10}$

New Ratio = 3:2

Gaining Ratio= New Ratio – Old Ratio

Y's Gain= $\frac{3}{5}-\frac{3}{10}=\frac{3}{10}$

Z's Gain= $\frac{2}{5}-\frac{2}{10}=\frac{2}{10}$

Gaining Ratio= 3:2

2. Answer :

The new partner on admission acquires the two rights:

i. Right to share the future profits of the partnership firm.

ii. Right to share the assets of the partnership firm.

3. Answer :

Basis	Dissolution of Partnership	Dissolution of firm
Intervention by Court	Court does not intervene.	Dissolution of partnership firm can be done with the intervention of the court.

4. Answer :

When there is a change in the existing partnership agreement which causes the termination of the agreement and a new partnership agreement comes into form it is called as 'Reconstitution of a partnership firm'.

5. Answer :

The subscribed shares are less than the minimum subscription required (90%). Thus, D Ltd. cannot proceed with allotment of shares.

6. Answer:

Maximum amount of discount that can be allowed at the time of reissue is the amount received (or paid by) the original shareholder i.e. ₹7. ₹5 is called at the time of final call which includes premium amount also. Thus, it means that ₹7 are received from the shareholder.

7. Answer:

The issue of debentures as an additional security against the loan in addition to the principal security is known as issue of debentures as collateral security.

8. Answer:

Journal Entry

Date	Particulars		L.F.	Debit ₹	Credit ₹
	Cash A/c	Dr.		1,20,000	
	To Somesh's Capital A/c				1,20,000
	(Being Somesh brought his share capital)				
	Somesh's Capital A/c	Dr.		44,000	
	To Hemant's Capital A/c				26,400
	To Naresh's Capital A/c				17,600
	(Being share of goodwill brought in by Somesh, distributed among sacrificing partners in sacrificing ratio 3:2)				

Calculation of Profit sharing Ratio:

Hemant :Naresh

Old Ratio = 3:2

$$\text{Somesh Share} = \frac{1}{5}$$

Let the total share of the firm =1

$$\text{Remaining share of the firm} = 1-\frac{1}{5} = \frac{4}{5}$$

$$\text{Hemant's New Share} = \frac{3}{5}\times\frac{4}{5} = \frac{12}{25}$$

$$\text{Naresh's New Share} = \frac{2}{5}\times\frac{4}{5} = \frac{8}{25}$$

$$\text{New profit Sharing Ratio} = \frac{12}{25}:\frac{8}{25}:\frac{1}{5}$$

$$\frac{12:8:5}{25}$$

Sacrificing Ratio = old Ratio - New Ratio

$$\text{Hemant's Sacrifice} = \frac{3}{5}-\frac{12}{25} = \frac{3}{25}$$

$$\text{Naresh's Sacrifice} = \frac{2}{5}-\frac{8}{25} = \frac{2}{25}$$

Sacrificing Ratio= 3 : 2

Calculation of Somesh's share of Goodwill:

Total Capitalised Value of Firm = Capital brought in by Somesh x Reciprocal of his share

$$\text{Total Capitalised Value of Firm} = 1{,}20{,}000\times\frac{5}{1} = 6{,}00{,}000$$

Net Worth = Capital of Hemant +Capital of Naresh + Capital of Somesh
Net Worth = 1,60,000 + 1,00,000 + 1,20,000 = ₹3,80,000
Goodwill of the Firm = Total Capitalised Value of the Firm – Net Worth
Goodwill of the Finn = 6,00,000 – 3,80,000 =₹2,20,000

$$\text{Somesh's share of Goodwill} = 2{,}20{,}000\times\frac{1}{5} = 44{,}000$$

$$\text{Hemant will get} = 44{,}000\times\frac{3}{5} = 26{,}400$$

$$\text{Naresh will get} = 44{,}000\times\frac{2}{5} = 17{,}600$$

9. Answer :

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
2012				
Sept.30	Debenture Interest A/c $\left(5,00,000\times\frac{10}{100}\times\frac{6}{12}\right)$ Dr.		25,000	
	To Income Tax Payable A/c (25,000 ×10%)			2,500
	To Debenture holders' A/c			22,500
	(Being amount of interest due for 6 month and tax deducted at source)			
Sept. 30	Debenture holders' A/c Dr.		22,500	
	To Bank A/c			22,500
	(Being interest paid to the debenture holders)			
Sept.30	Income Tax Payable A/c Dr.		2,500	
	To Bank A/c			2,500
	(Being payment of tax on interest on denatures)			
2013				
Mar.31	Debenture Interest A/c $\left(5,00,000\times\frac{10}{100}\times\frac{6}{12}\right)$ Dr.		25,000	
	To Income Tax Payable A/c (12,000 ×10%)			2,500
	To Debenture holders' A/c			22,500
	(Being amount of interest due for 6 month and tax deducted at source)			
Mar.31	Debenture holders' A/c Dr.		22,500	
	To Bank A/c			22,500
	(Being interest paid to the debenture holders)			
Mar.31	Income Tax Payable A/c Dr.		2,500	
	To Bank A/c			2,500
	(Being payment of tax on interest on denatures)			
Mar.31	Statement of Profit and Loss A/c Dr.		50,000	
	To interest on debentures A/c			50,000
	(Being interest or debentures transferred to statement of profit and loss)			

10. Answer

Books of Sunrise Ltd.
Journal Entry

Date	Particulars	L.F.	Debit ₹	Credit ₹
	12% Debenture A/c Dr.		50,000	
	To Debenture holder A/c			45,000
	To Discount on issue of debenture A/c			5,000
	(Being 500 12% debenture of ₹100 each issue at a discount of 6% due for redemption)			
	Debenture A/c Dr.		45,000	
	To Equity Share Capital A/c			36,000

	To Securities Premium A/c (Being payment made to debenture holder by issuing 360 equity share of ₹100 each at premium of ₹25%)			9,000

Working Note:

$$\text{Number of Equity share issued} = \frac{\text{Amount Payable to Debentureholder}}{\text{Price of a Share}}$$

$$\text{Number of Equity share issued} = \frac{45,000}{125(100+25)} = 360 \text{ Equity shares}$$

Books of Britannia Ltd.
Journal Entry

Date	Particulars	L.F.	Debit ₹	Credit ₹
	12% Debenture A/c Dr.		3,00,000	
	To Debenture Holder A/c			2,70,000
	To Discount on issue of Debentures A/c			30,000
	(Being 3,000 12% debenture of ₹100 each due for redemption)			
	Debenture Holder A/c Dr.		2,70,000	
	Discount A/c Dr.		30,000	
	To Equity share capital A/c			3,00,000
	(Being payment made to debenture holder by issuing 3,000 equity share of ₹100 each issued at discount of ₹10)			

$$\text{Number of Equity share issued} = \frac{\text{Amount Payable to Debentureholder}}{\text{Price of a Share}}$$

$$\text{Number of Equity share issued} = \frac{2,70,000}{90} = 3,000 \text{ Equity shares}$$

11. Answer :

(a) Value involved in the above scenario:

i. Conservation of the environment

ii. Encouraging Talent

(b)

Profit and Loss Appropriation Account
For the year ended April 01,2012

Dr. **Cr.**

Particulars		₹	Particulars	₹
To Interest on capital A/c:			By Profit and Loss A/c	1,68,900
Singh	6,750			
Gupta	3,150	9,900		
To Profit transferred to:				
Singh's capital A/c	63,600			
Gupta's Capital A/c	63,600			
Shakti's Capital A/c	31,800	1,59,000		
		1,68,900		**1,68,900**

Working Capital:

Calculation of Interest on Capital:

Interest on Singh's Capital:

On 1,00,000 for whole year:

$$1,00,000 \times \frac{6}{100} = 6,000$$

On 25,000 for 6 month (from Sept.30 to Mar. 31)

$$25,000 \times \frac{6}{100} \times \frac{6}{12} = 750$$

Total Interest on Singh's Capital = 6,000+ 750 = 6,750

Interest on Gupta's Capital:

On 50,000 for whole year:

$$50,000 \times \frac{6}{100} = 3,000$$

On 10,000 for 3 month (from Jan.01 to Mar. 31)

$$10,000 \times \frac{6}{100} \times \frac{3}{12} = 150$$

Total Interest on Singh's Capital = 3,000+ 150 = 3,150

12. Answer:

Sonika's Capital Account

Dr. **Cr.**

Particulars	₹	Particulars	₹
To Executor's A/c	4,74,500	By Balance b/d	1,50,000
		By Monika's Capital A/c	1,60,000
		By Mansha's Capital A/c	80,000
		By Profit and Loss Suspense A/c	20,000
		By Reserve Fund A/c	60,000
		By Interest on Capital A/c	4,500
	4,74,500		**4,74,500**

Calculation of Gaining Ratio of Monika and Mansha:

Monika : Sonika : Mansha

Old Ratio = 2 : 2 : 1

New Ratio of Monika and Mansha = 2 : 1

Gaining Ratio= New Ratio - old Ratio

$$\text{Monika's Gain} = \frac{2}{3} - \frac{2}{5} = \frac{4}{15}$$

$$\text{Mansha's Gain} = \frac{1}{3} - \frac{1}{5} = \frac{2}{15}$$

Gaining Ratio= 4:2 or 2:1

WN1: Calculation of Sonika's Share of Goodwill

Goodwill of the firm = Average Profit $\times$ Number of year's purchese

Goodwill of the firm = 2,00,000 $\times 3 = 6,00,000$

share of Goodwill of Sonika's = $6,00,000 \times \frac{2}{5} = 2,40,000$

Monika Will give = $2,40,000 \times \frac{2}{3} = 1,60,000$

Mansha will give = $2,40,000 \times \frac{1}{3} = 80,000$

WN 2 : Calculation of Profit share of Sonika :

Profit for the year =2,00,000

Sonika'share of Profit = $2,00,000 \times \frac{3}{2} \times \frac{2}{5} = 20,000$

WN3 : Calculation Of Interest on Sonika's capital :

Sonika's Capital =1,50,000

Interest on Capital = $1,50,000 \times \frac{3}{12} \times \frac{12}{100} = 4,500$

WN4 : Sonika's share of Reserve fund :

Share of Reserve Fund = $1,50,000 \times \frac{2}{5} = 60,000$

13. Answer :

Balance Sheet
as at April 01,2012

Particulars	Note No.	₹
I. Equity and Liabilities		
1. Shareholders' fund		
a. Share capital		6,77,000
b. Reserve and Surplus		6,000
2. Non-Current Liabilities		
3. Current Liabilities		
Total		**6,83,000**
II. Assets		
1. Non-Current Assets		
2. Current Assets		
Cash and Cash Equivalents		6,83,000
Total		**6,83,000**

Note to Account

Note No.	Particular		₹
1	**Share capital**		
	1,00,000 share of ₹10 each		10,00,000
	Issued capital		
	90,000 equity share of ₹10 each		9,00,000
	Subscribed Called up and paid up Capital		
	84,500 equity share of ₹8 each	6,67,000	
	Less: Calls-in- arrears (on 1,000 equity share @ ₹2 per Share)	2,000	
	Add: Share forfeiture(on 500 equity share)	3,000	**6,77,000**

2	**Reserve and Surplus** Capital Reserve	**6,000**
3	**Cash and Cash Equivalents** Cash at Bank	**6,83,000**

14. Answer :

(a)

Journal Entries

Date	Particulars		L.F.	Debit ₹	Credit ₹
	Furniture A/c	Dr.		2,50,000	
	To M/s Furniture A/c				2,50,000
	(Being furniture is purchased from M/s Furniture mart for ₹2,50,000)				
	M/s Furniture Mart A/c	Dr.		2,50,000	
	To Equity share capital A/c				2,00,000
	To Securities Premium A/c				50,000
	(Being issue of 20,000 share at ₹10 each at a premium of 25%)				

Working Note:

Calculation of Number of shares to be issued (at Premium of 25%)

$$\text{No.of shares} = \frac{\text{Purchase Price}}{\text{Issue Price}} = \frac{2,50,000}{12.5(10+2.5)} = 20,000 \text{ share}$$

(b)

Journal Entries

Date	Particulars		L.F.	Debit ₹	Credit ₹
	Plant A/c	Dr.		3,50,000	
	Land and Building A/c	Dr.		6,00,000	
	Stock A/c	Dr.		4,50,000	
	Goodwill A/c (Balancing Figure)	Dr.		2,00,000	
	To Sundry Creditors A/c				1,00,000
	To Aman Ltd. A/c				15,00,000
	(Being purchase of business from Aman ltd.)				
	Aman Ltd. A/c	Dr.		15,00,000	
	To Equity share capital A/c				12,00,000
	To Bank A/c				3,00,000
	(Being issue of 1,20,000 share of ₹10 each and remaining payment is made through bank draft)				

15. Answer :

Journal Entries

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Tripti's Capital A/c Dr.		2,114	
	To Seema's Capital A/c			1,565
	To Tanuja's Capital A/c			549
	(Being interest on drawings has been changed, now adjusted)			

Adjusting Table:

Particular	Seema	Tanuja	Tripti	Total
Interest on Drawings	650	780	3,000	4,430
Profit of ₹ 770 shared in Ratio 5:3:2(Cr.	2,215	1,329	886	4,430
Difference	**1,565 (Cr.)**	**549 (Cr.)**	**2,114 (Dr.)**	**Nil**

Working Notes:
Calculation of Interest Drawings:

$$\text{Interest on Seema's Drawings} = 20{,}000 \times \frac{6}{100} \times \frac{6.5}{12} = 650$$

$$\text{Interest on Tanjua's Drawings} = 24{,}000 \times \frac{6}{100} \times \frac{6.5}{12} = 780$$

$$\text{Interest on Tripti's Drawings} = 2{,}00{,}000 \times \frac{6}{100} \times \frac{3}{12} = 3{,}000$$

Values involved in the above scenario are as follows:

i. Duty for Nation
ii. Upliftment of Victims

16. Answer :

Realisation Account

Dr. **Cr.**

Particulars		₹	Particulars		₹
To Sundry Asset A/c			By Sundry Liabilities A/c		
Debtors	3,40,000		Creditors		1,50,000
Stock	1,50,000				
Furniture	4,60,000		Bank A/c:		
Machinery	8,20,000	17,70,000	Debtors	3,23,000	
			Stock	65,000	
To Bank A/c		1,50,000	Machinery	74,000	4,62,000
Hanif's Current A/c					
(Realisation Expenses)		8,000	Hanif's Current A/c (stock)		67,500
			Jubed's Current A/c		
			(Furniture)		1,35,000
			Loss transferred to:		
			Hanif's Current A/c	7,42,333	
			Jubed's Current A/c	3,71,167	11,13,500
		19,28,000			**19,28,000**

17.

Journal Entries

Date	Particulars		L.F.	Debit ₹	Credit ₹
	Bank A/c	Dr.		27,00,000	
	To Share Application and Allotment A/c				27,00,000
	(Being share application and allotment received on 3,00,000 of ₹9 each including premium of ₹5 each)				
	Share Application and Allotment A/c	Dr.		27,00,000	
	To Share Capital A/c				3,00,000
	To Securities Premium A/c				3,75,000
	To Bank A/c				18,00,000
	To Share First and Final Call A/c				2,25,000
	(Being share application of 75,000 shares transferred to share capital , share application and allotment on 2,00,000 share refunded and rest is adjusted on share first and final call)				
	Share First and Final Call A/c	Dr.		4,50,000	
	To Share Capital A/c				4,50,000
	(Being share first and final Call due on 75,000 shares of ₹6 each)				
	Bank A/c	Dr.		2,21,625	
	To Share First and Final Call A/c				2,21,625
	(Being share first and final call received)				
	Share Capital A/c	Dr.		11,250	
	To Share Forfeiture A/c				7,875
	To Share First and Final Call A/c				3,375
	(Being 1,125 share were forfeited for non-payment of share first and final of ₹6 each)				
	Bank A/c	Dr.		6,750	
	Share Forfeited A/c	Dr.		4,500	
	To Share Capital A/c				11,250
	(Being 1,125 forfeited share were re-issued at a discount of ₹4 per share)				
	Share Forfeiture A/c	Dr.		3,375	
	To Capital Reserve A/c				3,375
	(Being share forfeiture transferred to capital reserve)				

Computation Table

Category	Share Applied	Share Allotted	Money received on Application and Allotment @ ₹9 each including premium of ₹5 each	Money transfers to share capital@ ₹ 4 each	Money transfer to securities premium @ ₹5 each	Excess Application and Allotment money	Share first and final call due @₹6 each	Amount receivable on share first and final call after adjustment	Money Refunded
I	2,00,000	Nil	18,00,000						18,00,000
II	1,00,000	75,000	9,00,000	3,00,000	3,75,000	2,25,000	4,50,000	2,21,625	
	3,00,000	75,000	27,00,000	3,00,000	3,75,000	2,25,000	4,50,000	2,21,625	18,00,000

Working Note:

Those who applied for 1,00,000 shares, allotted = 75,000 Shares

$$\text{Those who applied for 1,500 shares, allotted} = 75{,}000 \times \frac{1{,}500}{1{,}00{,}000} = 1{,}125 \text{ share}$$

Share Application and Allotment received on 1,500 glares of ₹9 each
(including premium of ₹5 each) = ₹13,500
Shares Allotted (1,125 × 9) = ₹10,125
Excess Application and Allotment money received = ₹3,375
Share First and Final Call due on 1,125 shares of ₹6 each = ₹6,750
Excess Application and Allotment money received = ₹3,375
Share First and Final Call not received = ₹3,375 (6250 – 3,375)
Therefore, Share First and final Call received = ₹2,21,625 (4,50,000 – 2,25,000 – 3,375)

OR

Journal Entries

Date	Particulars		L.F.	Debit ₹	Credit ₹
	Bank A/c	Dr.		12,00,000	
	To Share Application and Allotment A/c				12,00,000
	(Being share application and allotment received on 2,00,000 of ₹6 each including discount of ₹1 each)				
	Share Application and Allotment A/c	Dr.		12,00,000	
	Discount on Issue A/c	Dr.		80,000	
	To Share Capital A/c				5,60,000
	To Bank A/c				2,40,000
	To Share First and Final Call A/c				4,80,000
	(Being share application of 80,000 share transferred to share capital, share application and allotment on 40,000 shares refunded and rest is adjusted on share first and final call)				
	Share First and Final Call A/c	Dr.		2,40,000	
	To Share Capital A/c				2,40,000

	(Being share first and final call due on 80,000 shares of ₹3 each)			

Computation Table

Category	Share Applied	Share Allotted	Money received on Application and Allotment @ ₹6 each including discount of ₹1 each	Money transfers to share capital@ ₹7 each	Money transfer to securities premium@ ₹1 each	Excess Application and Allotment money	Share first and final call due @₹3 each	Money Refunded
I	40,000	Nil	2,40,000					2,40,000
II	1,60,000	80,000	9,60,000	5,60,000	80,000	4,80,000	2,40,000	
	2,00,000	80,000	12,00,000	5,60,000	80,000	4,80,000	2,40,000	

Important Note: This question can't be solved further because the shareholder has already paid excess amount than required on first and final call as he has applied for 1,600 shares and 800 shares are allotted to him

Working Note:
Those who applied for 1,60,000 shares, allotted = 80,000 Shares

$$\text{Those who applied for 1,600 shares, allotted} = 80{,}000 \times \frac{1{,}600}{1{,}60{,}000} = 800 \text{ share}$$

Share Application and Allotment received on 1,600 shares of ₹ 6 each (including discount of Re 1 each) = ₹ 9,600
Shares Allotted (800 x6) =₹4,800
Excess Application and Allotment money received =₹4,800
Share First and Final Call due on 800 shares of its 3 each = ₹2,400
Excess Application and Allotment money received = ₹4,800
Now, he has already paid amount of Its 4,800 in excess at the time of application and allotment which is more than the amount due from him at the time of share final call. Thus, forfeiture is not possible in this case.
Thus, this question has incomplete or wrong information.

18. Answer:

Revaluation Account

Particulars		₹	Particulars	₹
To Machinery A/c		45,000	By Land and Building A/c	70,000
To Profit transferred to:				
Shikhar's Capital A/c	17,500			
Rohit's Capital A/c	7,500	25,000		
		70,000		**70,000**

Partners' Capital Account

Particulars	Shikhar	Rohit	Kavi	Particulars	Shikhar	Rohit	Kavi
To Balance c/d	9,40,000	4,10,000	4,30,000	By Balance b/d	8,00,000	3,50,000	
				By General Res. A/c	70,000	30,000	
				By Workman Compensation Fund A/c	35,000	15,000	
				By Cash A/c			4,30,000
				By Premium for	17,500	7,500	

				Goodwill A/c By Revaluation A/c (profit)	17,500	7,500	
	9,40,000	**4,10,000**	**4,30,000**		**9,40,000**	**4,10,000**	**4,30,000**
To Cash A/c	37,000	23,000		By Balance b/d	9,40,000	4,10,000	4,30,000
To Balance c/d	9,03,000	3,87,000	4,30,000				
	9,40,000	**4,10,000**	**4,30,000**		**9,40,000**	**4,10,000**	**4,30,000**

Balance Sheet
As on April 01,2013 after Kavi's admission

Liabilities		₹	Assets		₹
Liabilities for Workmen's Compensation		50,000	Land and Building		4,20,000
Creditors		1,50,000	Machinery	4,50,000	
Capital:			Less: Depreciation @10%	45,000	4,05,000
Shikhar	9,03,000		Debtors	2,20,000	
Rohit	3,87,000		Less: Provision	20,000	2,00,000
Kavi	4,30,000	17,20,000	Stock		3,50,000
			Cash		5,45,000
		19,20,000			**19,20,000**

Working Note:

Calculation of Profit of shareing Ratio

Shikhar : Rohit

Old Ratio = 3 : 2

Kavi's Share $=\frac{1}{4}$

Let the total share of the firm =1

Remaining share of the firm $=1-\frac{1}{4}=\frac{3}{4}$

Shikhar's New Share $=\frac{7}{10}\times\frac{3}{4}=\frac{21}{40}$

Rohit's New Share $=\frac{3}{10}\times\frac{3}{4}=\frac{9}{40}$

New Profit Shareing ratio $=\frac{21}{40}:\frac{9}{40}:\frac{1}{4}$

$\frac{21:9:10}{40}$

Sacrificing Ratio = Old Ratio - New Ratio

Shikhar's Sacrifice $=\frac{7}{10}-\frac{21}{40}=\frac{7}{40}$

Rohit's Sacrifice $=\frac{3}{10}-\frac{9}{40}=\frac{3}{40}$

Sacrificing Ratio = 7: 3

WN1 : Distribution of Goodwill brought in by Kavi :

$$\text{Shikhar will get} = 25{,}000 \times \frac{7}{10} = 17{,}500$$

$$\text{Rohit will get} = 25{,}000 \times \frac{3}{10} = 7{,}500$$

WN2 : Distribution of Workmen's Compensation Fund

$$\text{Shikhar will get} = 50{,}000 \times \frac{7}{10} = 35{,}000$$

$$\text{Rohit will get} = 50{,}000 \times \frac{3}{10} = 15{,}000$$

WN3 : Distribution of General Reserve :

$$\text{Shikhar will get} = 1{,}00{,}000 \times \frac{7}{10} = 70{,}000$$

$$\text{Rohit will get} = 1{,}00{,}000 \times \frac{3}{10} = 30{,}000$$

WN4 : Adjustment of Capital

Total Capital of the firm = Capital brought in by Kavi × Reciprocal of her share

Capital Brought in by Kavi = 4,30,000

$$\text{Total Capital of the Firm} = 4{,}30{,}000 \times \frac{4}{1} = 17{,}20{,}000$$

$$\text{Shikahr's New Capital} = 17{,}20{,}000 \times \frac{21}{40} = 9{,}03{,}000$$

$$\text{Rohit's New Capital} = 17{,}20{,}000 \times \frac{9}{40} = 3{,}87{,}000$$

OR

Revaluation Account

Particulars		₹	Particulars	₹
To Building A/c		1,00,000	By Land A/c	3,20,000
To Furniture A/c		30,000		
To Revaluation Profit				
L's Capital A/c	95,000			
M's Capital A/c	47,500			
N's Capital A/c	47,500	1,90,000		
		3,20,000		**3,20,000**

Partners' Capital Account

Particulars	L	M	N	Particulars	L	M	N
To N's Capital A/c	1,00,000	50,000		Balance b/d	6,00,000	4,80,000	4,80,000
To M Current A/c		1,20,000		By General Reserve A/c	2,20,000	1,10,000	1,10,000
To M Current A/c		1,20,000		By Revaluation Profit A/c	95,000	47,500	47,500
To N's Loan A/c			8,37,500	By Workmen Compensation fund	1,00,000	50,000	50,000
				By L's Capital A/c			1,00,000
To Balance c/d	10,35,000	5,17,500		By M's Capital A/c			50,000
				By L's Current A/c	1,20,00		
	11,35,000	**6,40,000**	**8,37,500**		**11,35,000**	**6,40,000**	**8,37,500**

Balance Sheet
As on April 01,2012 after N's retirement

Liabilities	₹	Assets		₹
L's Capital	10,35,000	Land		11,20,000
M's Capital	5,17,500	Building		5,00,000
Workmen Compensation Liability	1,60,000	Furniture		2,10,000
Creditors	2,40,000	Stock		4,40,000
N's Loan	8,37,500	Cash		1,40,000
L's Current	1,20,000	Debtors	4,00,000	
		Less :Provision	20,000	3,80,000
		M's Current		1,20,000
	29,10,000			**29,10,000**

Working Notes:

Total Capital of L =10,15,000 – 1,00,000 = ₹9,15,000

Total Capital of M = 6,87,500 – 50,000 = ₹6,37,500

Total Capital of new firm = 9,15,000 + 6,37,500 = ₹15,52,500

The new Capital has to be in the new profit sharing ratio = 2:1

$$\text{Therefore, L's new capital} = 15{,}52{,}500 \times \frac{2}{3} = 10{,}35{,}000$$

$$\text{Mr's new Capital} = 15{,}52{,}000 \times \frac{1}{3} = 5{,}17{,}500$$

SECTION- B

19. Answer :

A cash flow statement is prepared to ascertain the gross inflows and outflows of cash and cash equivalents from various business activities.

20. Answer :

The separate disclosure of cash flow from investing activities is important as it helps to show the inflows and outflows of long-term investments and fixed assets.

21. Answer :

Analysis of Financial Statements helps to know profitability of the business with respect to sales and investments.

22. Answer :

Items	SUB-Heads
i. Capital Reserves	Reserves and Surplus
ii. Bonds	Non-current Investment
iii. Loans repayable on demand	Short-Term Borrowings
iv. Vehicles	Fixed Assets
v. Goodwill	Fixed Assets
vi. Loose Tools	Inventories

23. Answer :

Comparative Income Statement

For the years ended 31st March 2012 & 2013

Particulars	**2012-13 ₹**	**2011-12 ₹**	**Absolute Change ₹**	**Percentage Change %**
i. Revenue from operations	8,00,000	6,00,000	2,00,000	33.33
ii. Other Income	1,00,000	50,000	50,000	100
iii. Total Revenue (I+II)	9,00,000	6,50,000	2,50,000	38.46
iv. Expense	5,00,000	4,00,000	1,00,000	25
Profit before Income Tax(III-IV)	4,00,000	2,50,000	1,50,000	60
Less: Income Tax	1,60,000	1,00,000	60,000	60
Profit after Income Tax	**2,40,000**	**1,50,000**	**90,000**	**60**

24. Answer :

(a)

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

1. Rent of ₹3,000 paid in advance will affect the current assets in two ways:

- Cash will reduce by ₹3,000.
- Pre-paid expenses will increase by ₹3,000.

Quick Assets do not include pre-paid expenses. So, quick assets will reduce by ₹3,000 and subsequently, Quick ratio will also decrease.

2. A debtor of ₹9,700 paid his due amount will affect the quick assets in two ways:

Increase in Cash by ₹9,700

Decrease in Debtors by ₹9,700

This simultaneous increase and decrease will not affect the value of quick assets and thus there will be no change in the ratio.

(b)

$$\text{Proprietary Ratio} = \frac{\text{Shareholder's Fund}}{\text{Total Assets}}$$

Total Assets = Total Liabilities + Shareholder's Funds

Total Assets = Current Assets + Non-Current Assets

= 90,000 + 3,60,000 = 4,50,000

Total Liabilities = Long-Term Borrowings + Long-Term Provisions – Current Li abilities

= 2,00,000 + 1,00,000 + 50,000 = 3,50,000

Therefore, Shareholder's funds = Total Assets – Total Liabilities

= 4,50,000 – 3,50,000 = 1,00,000

$$\text{Therefore, Proprietary Ratio} = \frac{1,00,000}{4,50,000} = 0.22:1$$

25.

Cash Flow Statement
For the year ended March 31,2013

	Particulars	₹	₹
A	**Cash Flow from Operating Activities**		
	Profit as per statement of Profit and Loss	15,000	
	Profit Before Taxation	15,000	
	Operating Profit before Working Capital adjustment		15,000
	Add: Decrease in Current Assets		
	Trade Receivable	13,500	
	Inventories	1,500	15,000
	Less: Decrease in Current Liabilities		
	Trade Payable		(66,000)
	Net Cash Flow From Operating Activities		**(36,000)**
B	**Cash Flow Investing Activities**		
	Purchase Of Fixed Assets	(47,500)	
	Purchases Of Investment	(3,000)	
	Net Cash Flow from Investing Activities		**(50,500)**
C	**Cash Flow Financing Activities**		
	Proceeds from Issue Of Share Capital	50,000	
	Net Cash Flow from Financing Activities		**50,000**
D	Net Increases Or Decreases in Cash and Cash Equivalents		(36,500)
	Add: Cash and Cash Equivalents in the beginning of the period		1,17,500
	Cash and Cash Equivalents at the end of the period		**81,000**