CBSE
Class XII Accountancy
All India Board Paper Set 1– 2015 Solution

SECTION A

1. Answer :
The correct answer is option (ii).
Interest on loan of a partner is allowed at the rate of 6% per annum in absence of Partnership Deed.

2. Answer :
The treatment of Profit and Loss A/c (Dr.) is incorrect. The debit balance of Profit and Loss A/c represents the loss to the firm. As a result, at the time of admission of Yogita, it must be divided among the old partners i.e. Geeta, Sunita and Anita in their old profit sharing ratio i.e. 5:3:2. Thus, it should be debited to the capital accounts of Geeta, Sunita and Anita.

3. Answer :
The correct answer is option (iii).
On the death of a partner, the share of the partner in the profits of the firm till the date of his death is transferred to the debit of Profit and Loss Suspense Account.

4. Answer :

Journal

Date	Particulars		L.F.	Dr. ₹	Cr. ₹
	Gulab's Capital A/c	Dr.		8,000	
	Khushbu Capital A/c	Dr.		32,000	
	To Anant's Capital A/c				40,000
	(Being Gulab and Khushbu being the gaining partners compensated Anant for his share of sacrifice)				

Working Notes
WN1 Calculation of Sacrifice Ratio
Old Ratio
New Ratio: 1:1:1
Sacrificing Ratio = Old Ratio – New Ratio

$$\text{Anant's sacrificing ratio} = \frac{5}{10} - \frac{1}{3} = \frac{5}{10}$$

$$\text{Gulab's sacrificing ratio} = \frac{3}{10} - \frac{1}{3} = \left(-\frac{1}{30}\right) \Rightarrow \text{ Gaining}$$

$$\text{Khushbu's sacrificing ratio} = \frac{2}{10} - \frac{1}{3} = \left(-\frac{4}{30}\right) \Rightarrow \text{ Gaining}$$

$$\text{Share of Anant in firm's goodwill} = \frac{5}{30} \times 2,40,000 = 40,000$$

WN2 Adjustment of Goodwill
Gulab and Khushbu, being the gaining partner will pay Anant, a sacrificing partner in the ratio of their gain i.e. 1:4

Gulab will pay = $40,000 \times \frac{1}{5} = 8,000$

Khushbu will pay = $40,000 \times \frac{4}{5} = 32,000$

5. Answer :

Shares cancelled due to non-payment of due calls is called forfeiture of shares.

6. Answer :

The correct answer is option (iii)

Calculation of amount received with first call

First call amount receivables on 45,000 shares	=	2,25,000
Less : Advance payment by Pooja (500 @ ₹5)	=	2,500
Less: Kundan failure to pay first call (300 @ ₹5)	=	1,500
		2,21,000

7. Answer :

The following three alternatives to the Board of Directors are:

a. Reject the excess application of 10,00,000 shares.

b. Allot shares to all the share applicants on pro-rata basis.

c. Reject few applications and allot shares on proportionate basis to the remaining applicants.

8. Answer :

Profit and Loss Appropriation Account

for the year ended March 2014

Dr. **Cr.**

Particular		₹	Particular	₹
To Interest on Capital A/c			By Profit and Loss A/c	2,00,000
Brij	80,000			
Nandan	1,20,000	2,00,000		
		2,00,000		**2,00,000**

Working Notes:

WN1 Calculation of Interest on Capital

On Brij's Capital = $10,00,000 \times \frac{12}{100} = 1,20,000$

On Nandan's Capital = $15,00,000 \times \frac{12}{100} = 1,80,000$

Total Interest = 1,20,000 + 1,80,000 = 3,00,000

WN 2 Calculation of Proportionate Interest on Capital

Proportionate Interest to Brij = $\frac{1,20,000}{3,00,000} \times 2,00,000 = 80,000$

Proportionate Interest to Nandan = $\frac{1,80,000}{3,00,000} \times 2,00,000 = 1,20,000$

9. Answer :

Particulars	Note No	₹
I. Equity and Liabilities		
1. Shareholder's Funds		
a. Share Capital	1	1,00,00,000
b. Reserve and Surplus	2	7,000
Total		**1,00,07,000**
II. Assets		
2. Current Assets		
a. Cash and Equivalents	3	1,00,07,000
Total		**1,00,07,000**

Note No	Particulars	₹
1.	**Share Capital**	
	Authorised Share Capital	
	10,00,000 shares of 100 each	10,00,00,000
	Issued Share Capital	
	1,00,000 Equity Shares of 100 each	1,00,00,000
	Subscribed Called-up and Paid up Share Capital	
	1,00,000 Shares of 100 each	**1,00,00,000**
2.	**Reserve and Surplus**	
	Capital Reserve	**7,000**
3.	**Cash and Cash Equivalents**	
	Cash at Bank	**1,00,07,000**

10. Answer :

Journal
In the books of Good Blankets Ltd

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
	Machinery A/c Dr.		7,00,000	
	To Vendor A/c			7,00,000
	(Being machinery purchased)			
	Vendor A/c Dr.		7,00,000	
	To Equity Share Capital			5,00,000
	To 8% Debentures A/c			2,00,000
	(Being issued 50,000 equity shares of ₹100 each and 2,000 8% of ₹100 each to the vendor)			

The company wants to generate employment opportunities for the people to manage their livelihood.

11. Answer :

Karan's Capital Account

Dr.			Cr.
Particulars	**₹**	**Particulars**	**₹**
To Balance b/d	13,000	By Arun's Capital A/c	90,000
To Executor A/c	2,00,430	By Varun's Capital A/c	67,500
		By Profit and Loss Suspense A/c	26,250
		By Karan's Loan A/c	28,000
		By Interest on Karan's Loan	1,680
	2,13,430		**2,13,430**

Working Notes:

WN 1 Calculation of Interest on Karan's Loan

$$\text{Interest on Loan} = 28{,}000 \times \frac{12}{100} \times \frac{6}{12} = 1{,}680$$

WN 2 Calculation of Karan's share in Profits

$$\text{Average Profit} = \frac{1{,}90{,}000 + 1{,}70{,}000 + 1{,}80{,}000 + 1{,}60{,}000}{4} = 1{,}75{,}000$$

$$\text{Share of Karan's in profits} = 1{,}75{,}000 \times \frac{3}{10} \times \frac{6}{12} = 26{,}250$$

WN 3 Adjustment of Goodwill

Average Profit = 1, 75,000

Goodwill of the firm = Average Profit × Number of year's purchase

= 1, 75,000 × 3 = 5, 25,000

$$\text{Karan's Share of Goodwill} = 5{,}25{,}000 \times \frac{3}{10} = 1{,}57{,}500$$

$$\text{Arun will pay} = 1{,}57{,}500 \times \frac{4}{7} = 90{,}000$$

$$\text{Varun will pay} = 1{,}57{,}500 \times \frac{3}{7} = 67{,}500$$

Note: Gaining ratio is same as their new profit sharing ratio i.e. 4:3.

12. Answer :

Journal

Date	Particulars		L.F.	Dr. ₹	Cr. ₹
	Param's Capital A/c	Dr.		1,55,000	
	Priya's Capital A/c	Dr.		1,55,000	
	To Prem's Capital A/c				3,10,000
	(Being rectification done)				

Particulars	Prem	Param	Priya	Total
Profit to be credited (Cr.)	6,20,000	3,10,000	6,20,000	15,50,000
Profit wrongly credited (Dr.)	3,10,000	4,65,000	7,75,000	15,50,000
Difference	**3,10,000 (Cr.)**	**1,55,000 (Dr.)**	**1,55,000 (Dr.)**	**Nil**

Working Notes:

WN1: Calculation of Profit Share in Capital Ratio (2:3:5)

Total Profit of last 4 years = 15,50,000 (2,00,000 + 3,50,000 + 4,75,000 + 5,25,000)

$$\text{Prem's Share} = 15{,}50{,}000 \times \frac{2}{10} = 3{,}10{,}000$$

$$\text{Para's Share} = 15{,}50{,}000 \times \frac{3}{10} = 4{,}65{,}000$$

$$\text{Priya's Share} = 15{,}50{,}000 \times \frac{5}{10} = 7{,}75{,}000$$

<u>**WN2** Calculation of Profit Share in New Ratio (2:1:2)</u>

$$\text{Prem's Share} = 15{,}50{,}000 \times \frac{2}{5} = 6{,}20{,}000$$

$$\text{Param's Share} = 15{,}50{,}000 \times \frac{1}{5} = 3{,}10{,}000$$

$$\text{Priya's Share} = 15{,}50{,}000 \times \frac{2}{5} = 6{,}20{,}000$$

13. Answer :

(i) <u>Calculation of Sacrificing Ratio of Uday and Kaushal on Govind's admission</u>

Old Ratio of Uday and Kaushal = 1:1
New Ratio of Uday and Kaushal and Govind = 3:2:5
Sacrificing Ratio = Old Ratio – New Ratio

$$\text{Uday Sacrifice} = \frac{1}{2} - \frac{3}{10} = \frac{2}{10}$$

$$\text{Kaushal Sacrifice} = \frac{1}{2} - \frac{2}{10} = \frac{3}{10}$$

Sacrificing Ratio = 2:3

(ii) <u>Calculation of New Profit Sharing Ratio of Uday, Kaushal, Govind and Hari on Hari's admission</u>

Old Ratio of Uday, Kaushal and Govind = 3:2:5
Hari was admitted for $1/10^{th}$ share, which was acquired by him equally from Uday, Kaushal and Govind.

Sacrificing Share

$$\text{Uday} = \frac{1}{3} \times \frac{1}{10} = \frac{1}{10}$$

$$\text{Kaushal} = \frac{1}{3} \times \frac{1}{10} = \frac{1}{30}$$

$$\text{Govind} = \frac{1}{3} \times \frac{1}{10} = \frac{1}{30}$$

New Profit Share = Old Share - Sacrificing Share

Uday = $\frac{3}{10} - \frac{1}{10} = \frac{8}{30}$

Kaushal = $\frac{2}{10} - \frac{1}{10} = \frac{5}{30}$

Govind = $\frac{5}{10} - \frac{1}{30} = \frac{14}{30}$

Hari = $\frac{1}{10}$ or $\frac{3}{30}$

Therefore, New Profit Sharing Ratio of Uday, Kaushal, Govind and Hari = 8:5:14:3

(iii) Calculation of New Profit Sharing Ratio of Uday, Kaushal and Hari on Govind's death
Old Ratio of Uday, kaushal, Govind and Hari = 8:5:14:3

Govind died and his share $\left(\frac{14}{30}\right)$ is acquired by Uday and Hari equally

Share Acquired

Uday = $\frac{1}{2} \times \frac{14}{30} = \frac{14}{60}$

Hari = $\frac{1}{2} \times \frac{14}{30} = \frac{14}{60}$

New Profit Share = Old Share + Share Acquired

Uday = $\frac{8}{30} + \frac{14}{60} = \frac{30}{60}$

Hari = $\frac{3}{30} + \frac{14}{60} = \frac{20}{60}$

Kaushal = $\frac{5}{30}$ or $\frac{10}{60}$

Therefore, New Profit Sharing Ratio of Uday,kaushal and Hari =30:10:20 or 3:1:2

14. Answer :

9% Debentures A/c

Dr. Cr.

Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
2008-09	To Balance c/d		1,00,00,000	2008-09	By Debenture Application A/c		95,00,000
					By Loss on Issue of Debentures A/c		5,00,000
			1,00,00,000				**1,00,00,000**
2009-10	To Balance c/d		1,00,00,000	2009-10	By Balance b/d		1,00,00,000
			1,00,00,000				**1,00,00,000**
2010-11	To Debenture holder's A/c		10,00,000	2010-11	By Balance b/d		1,00,00,000
	To Balance c/d		90,00,000				
			1,00,00,000				**1,00,00,000**
2011-12	To Debenture holder's A/c		20,00,000	2011-12	By Balance b/d		90,00,000
	To Balance c/d		70,00,000				

			90,00,000				**90,00,000**
2012-13	To Debenture holder's A/c To Balance c/d		30,00,000 40,00,000	2012-13	By Balance b/d		70,00,000
			70,00,000				**70,00,000**
2013-14	To Debenture holder's A/c		40,00,000	2013-14	By Balance b/d		40,00,000
			40,00,000				**40,00,000**

15. Answer:

Realisation Account

Dr. **Cr.**

Particular	₹	Particular		₹
To Machinery A/c	10,000	By Sundry Creditors A/c		15,000
To Stock A/c	21,000	By Sheela's Loan A/c		13,000
To Debtors A/c	20,000	By Repairs and Renewals Reserve A/c		1,200
To Prepaid Insurance A/c	400	By Provision for Bad debts A/c		1,000
To Investment A/c	3,000	By Cash A/c (assets sold)		
To Mala's Capital A/c (Sheela' Loan)	13,000	Machinery	8,000	
		Stock	14,000	
To Cash A/c (Dishonored Bill)	5,000	Debtors	16,000	38,000
To Cash A/c (Creditors)	15,000	By Mala's Capital A/c (Investment)		2,000
To Cash A/c (Expenses)	800	By Loss transferred to :		
		Mala's Capital A/c	9,000	
		Neela's Capital A/c	6,000	
		Kala's Capital A/c	3,000	18,000
	88,200			**88,200**

Partner's Capital Account

Dr. **Cr.**

Particulars	Mala	Neela	Kala	Particulars	Mala	Neela	Kala
To Realisation A/c (Investments)	2,000			By Balance b/d	10,000	15,000	2,000
To Realisation A/c	9,000	6,000	3,000	By Realisation A/c (Loss)	13,000		
To Cash A/c	12,000	9,000		By Cash A/c			1,000
	23,000	**15,000**	**3,000**		**23,000**	**15,000**	**3,000**

Cash Account

Dr. **Cr.**

Particulars	₹	Particulars	₹
To Balance b/d	2,800	By Realisation A/c (Dishonored Bill)	5,000
To Realisation A/c (Assets sold)	38,000	By Realisation A/c (Sundry Creditors)	15,000
To Kala's Capital A/c	1,000	By Realisation A/c (Expenses)	800
		By Mala's Capital A/c	12,000

		By Neela's Capital A/c	9,000
	41,800		**41,800**

16. Answer :

In the books of BMY Ltd
Journal Entry

Date	Particulars		L.F.	Dr. ₹	Cr. ₹
	Bank A/c	Dr.		10,03,000	
	To Equity Share Application and Allotment A/c				10,03,000
	(Being amount received on application for 1,00,000 shares along with allotment money on 300 shares)				
	Equity Share Application and Allotment A/c	Dr.		10,03,000	
	To Equity Share Capital A/c				5,00,000
	To Securities Premium A/c				5,00,000
	To Calls-in-Advance A/c				3,000
	(Being amount of application transferred to Share Capital and securities premium)				
	Equity Share Allotment A/c	Dr.		10,00,000	
	To Equity Share Capital A/c				5,00,000
	To Securities Premium A/c				5,00,000
	(Being amount due on allotment)				
	Bank A/c (10,00,000 – 3,000 – 2,000)	Dr.		9,95,000	
	Calls – in – Advances A/c	Dr.		3,000	
	To Equity Share Allotment A/c				9,98,000
	(Being amount received on share allotment)				
	Equity Share Capital A/c	Dr.		2,000	
	Securities Premium A/c	Dr.		1,000	
	To Equity Share Forfeiture A/c				1,000
	To Equity Share Allotment A/c				2,000
	(Being 200 shares forfeited)				
	Bank A/c	Dr.		4,000	
	To Equity Share Capital A/c				2,000
	To Securities Premium A/c				2,000
	(Being forfeited shares were reissued for Rs.4,000)				
	Equity Share Forfeiture A/c	Dr.		1,000	
	To Capital Reserve A/c				1,000
	(Being excess amount on forfeiture is transferred to capital reserve)				

Working Notes:

WN1: Calculation of Amount received on Application

Application amount received on 1,00,000 shares	=	10,00,000
Shareholders of 300 shares paid in advance (300 × 10)	=	3,000
Total amount	=	10,03,000

OR

In the Books of Blue Star Ltd
Journal

Date	Particulars		L.F.	Dr. ₹	Cr. ₹
	Machinery A/c	Dr.		60,000	
	To Vendor A/c				60,000
	(Being machinery purchased)				
	Vendor A/c	Dr.		60,000	
	To Equity Share Capital A/c				60,000
	(Being issued 6,000 shares to the vendor of machinery)				
	Bank A/c	Dr.		16,000	
	To Equity Share Application A/c				16,000
	(Being application money received on 8,000 shares)				
	Equity Share Application A/c	Dr.		16,000	
	To Equity Share Capital A/c				16,000
	(Being amount of application transferred to Share Capital)				
	Equity Share Allotment A/c	Dr.		8,000	
	To Equity Share Capital A/c				8,000
	(Being amount due on share allotment)				
	Bank A/c (8,000 – 750)	Dr.		7,250	
	To Equity Share Allotment A/c				7,250
	(Being amount received on share allotment)				
	Equity Share First Call A/c	Dr.		16,000	
	To Equity Share Capital A/c				16,000
	(Being amount due on share first call)				
	Bank A/c (16,000 – 2,500 – 1,500)	Dr.		12,000	
	To Equity Share First Call A/c				12,000
	(Being amount received on share first call)				
	Equity Share Capital A/c	Dr.		3,750	
	To Equity Share forfeiture A/c				1,500
	To Equity Share Allotment A/c				750
	To Equity Share first call A/c				1,500
	(Being 750 shares forfeited)				

17. Answer:

Revaluation Account

Dr. Cr

Particulars	₹	Particulars		₹
To Stock A/c	22,200	By Land and Building A/c		36,400
To Furniture A/c	46,600	By Loss transferred to A/c:		
To B/R Discounted A/c	18,000	Om	25,200	
		Ram	16,800	
		Shanti	8,400	50,400
	86,800			**86,800**

Partner's Capital Account

Dr. **Cr.**

Particulars	Om	Ram	Shanti	Hanuman	Particulars	Om	Ram	Shanti	Hanuman
To Revaluation A/c (Loss)	25,200	16,800	8,400		By Balance b/d	3,58,000	3,00,000	2,62,000	
To Ram's Current A/c		9,200			By General Reserve A/c	24,000	16,000	8,000	
To Shanti's Current A/c			1,16,600		By Cash A/c				1,00,000
To Balance c/d	4,50,000	3,00,000	1,50,000	1,00,000	By Premium for Goodwill A/c	15,000	10,000	5,000	
					By Om's Current A/c	78,200			
	4,75,200	3,26,000	2,75,000	1,00,000		4,75,000	3,26,000	2,75,000	1,00,000

Working Notes:

WN1: Calculation of New Profit Sharing Ratio

Old Ratio = 3:2:1

Let the total profit of the firm = 1

Remaining profit share of the firm = $1-\frac{1}{10}$

So,

Om's New Share = $\frac{3}{6}\times\frac{9}{10}=\frac{27}{60}$

Ram's New Share = $\frac{2}{6}\times\frac{9}{10}=\frac{18}{60}$

Shanti's New Share = $\frac{1}{6}\times\frac{9}{10}=\frac{9}{10}$

Hanuman's Share = $\frac{6}{6}\times\frac{1}{10}=\frac{6}{60}$

WN2: Calculation of Sacrificing Ratio

Old Ratio = 3:2:1

New Ratio = 9:6:3:2

Sacrificing Ratio = Old Ratio – New Ratio

$$\text{Om}=\frac{3}{6}-\frac{9}{20}=\frac{30-27}{60}=\frac{3}{60}$$

$$\text{Ram}=\frac{2}{6}-\frac{6}{20}=\frac{20-18}{60}=\frac{2}{60}$$

$$\text{Shanti} = \frac{1}{6}-\frac{3}{20}=\frac{10-9}{60}=\frac{1}{60}$$

WN3: Hanuman's share of Goodwill

$$3{,}00{,}000\times\frac{1}{10}=30{,}000$$

This will be credited to Om, Ram and Shanti in sacrificing ratio

WN4: Distribution of Goodwill

$$\text{Om will get} = 30{,}000\times\frac{3}{6}=15{,}000$$

$$\text{Ram will get} = 30{,}000\ \times\frac{2}{6}=10{,}000$$

$$\text{Shanti will get} = 30{,}000\ \times\frac{1}{6}=5{,}000$$

WN5 Adjustment of Capital

Total Capital of the firm = Hanuman's Capital × Reciprocal of her share

$$= 1{,}00{,}000\times\frac{10}{1}=10{,}00{,}000$$

New Profit Sharing Ratio = 9:6:3:2

$$\text{Omi's New Capital} = 10{,}00{,}000\times\frac{9}{20}=4{,}50{,}000$$

$$\text{Ram's New Capital} = 10{,}00{,}000\ \times\frac{6}{20}=3{,}00{,}000$$

$$\text{Shanti's New Capital} = 10{,}00{,}000\ \times\frac{3}{2}=1{,}50{,}000$$

$$\text{Hanuman's New Capital} = 10{,}00{,}000\ \times\frac{2}{20}=1{,}00{,}000$$

OR

Revaluation Account

Dr. Cr

Particulars	₹	Particulars	₹
To Profit transferred to :		By Land and Building A/c	15,000

Xavier's Capital A/c	11,400		By Sundry Debtors A/c	1,050
Yusuf's Capital A/c	8,550		By Stock A/c	9,600
Zaman's Capital A/c	5,700	25,650		
		25,650		**25,650**

Partner's Capital Account

Dr. **Cr.**

Particulars	Xavier	Yusuf	Zaman	Particulars	Xavier	Yusuf	Zaman
To Yusuf's Capital A/c	12,000	-	6,000	By Balance b/d	1,20,000	90,000	60,000
				By Revaluation Profit A/c	11,400	8,550	5,700
To Yusuf's Loan A/c		1,16,550		By Xavier's Capital A/c		12,000	
				By Zaman's Capital A/c		6,000	
To Balance c/d	1,19,400		59,700				
	1,31,400	1,16,500	65,700		1,31,400	1,16,500	65,700

Working Notes:

WN1: Adjustment of Goodwill

$$\text{Yusuf's share of Goodwill} = 54{,}000 \times \frac{3}{9} = 18{,}000$$

$$\text{Xavier will pay} = 18{,}000 \times \frac{2}{3} = 12{,}000$$

$$\text{Zaman will pay} = 18{,}000 \times \frac{1}{3} = 6{,}000$$

WN2 Adjustment of Capital

Adjusted Old Capital of Xavier = 1, 19,400

Adjusted Old Capital of Yusuf = 1, 16,500 $\Rightarrow$ will be transferred to Loan A/c

Adjusted Old Capital of Zaman = 59,700

Total adjusted capital = 1, 19,400 + 59,700 = 1,79,100

New Profit Sharing Ratio = 2:1

$$\text{Xavier's New Capital} = 1{,}79{,}100 \times \frac{2}{3} = 1{,}19{,}400$$

$$\text{Zaman's New Capital} = 1{,}79{,}100 \times \frac{1}{3} = 59{,}700$$

Note: Since, here no information is given regarding the share acquired by Xavier and Zaman, therefore, their gaining ratio is same as their new profit sharing ratio i.e. 4:2 or 2:1

SECTION B

18. Answer:

The correct answer is option (ii).

The transaction that resulted into flow of cash is the amount received in cash from debtors of ₹19,000.

Deposit of cheque into bank and withdrawal of cash from bank are cash management activities and do not involve any cash flow. Issue of debentures is regarded as issue of debentures for consideration other than cash and does not involve any cash flow.

19. Answer :

Yes, the accountant of Manav Ltd. was correct. While preparing a Cash Flow Statement, only those items are considered that result in any cash flow. Since, depreciation is a non-cash expense; therefore it has to be added back to the net profit.

20. Answer :

Items		Head	Sub Head (if any)
(i)	Net loss as shown by Statement as Profit and Loss	Shareholder's Funds	Shown by way of deduction under Reserve and Surplus
(ii)	Capital redemption reserve	Shareholder's Funds	Reserve and Surplus
(iii)	Bonds	Non-Current Liabilities	Long-term Borrowings
(iv)	Loans repayable on demand	Current Liabilities	Short – term Borrowings
(v)	Unpaid dividend	Current Liabilities	Other Current Liabilities
(vi)	Buildings	Non- Current Assets	Fixed Assets (Tangible)
(vii)	Trademarks	Non-Current Assets	Intangible Fixed Assets
(viii)	Raw materials	Current Assets	Inventories

21. Answer :

S.No	Items	Effect	Explanation
(i)	Redeemed 9% debentures of ₹1,00,000 at a premium of 10%	Decrease	Current liabilities remain unchanged but current assets are decreased because of outflow of cash.
(ii)	Received from debtors ₹17,000.	No Change	Both debtors and cash/bank are current assets, so increase and decrease in current assets by same amount leaves current ratio unaffected
(iii)	Issued ₹2,00,000 equity shares to the vendors of machinery.	No Change	Since non-current assets and non-current liabilities are increased by the same amount and have no affect on current assets and current liabilities. Therefore, current ratio remains the same i.e. 2.1 :1.2.
(iv)	Accepted bills of exchange drawn by the creditors Its 7,000.	No Change	Here, only one current liability is converting into another current liability (i.e. creditors into bills payable). Thus, current ratio remains unaffected.

22. **Answer :**

For 2013

$$\text{Net Profit Ratio} = \frac{\text{Net Profit after Tax}}{\text{Revenue from Operations}} \times 100$$

$$= \frac{6,00,000}{20,00,000} \times 100$$

$$= 30\%$$

For 2014

$$\text{Net Profit Ratio} = \frac{\text{Net Profit after Tax}}{\text{Revenue from Operations}} \times 100$$

$$= \frac{12,00,000}{30,00,000} \times 100$$

$$= 40\%$$

The following are the values that are propagated by pharma Ltd.

(i) Staff welfare (since it depicts concerns for its staff members)

(ii) Boosting the morale of employees

23. Answer:

Cash Flow Statement
for the year ended March 31, 2014

	Particulars	₹	₹
A	**Cash Flow from Operating Activities**		
	Profit as per Statement of Profit and Loss	2,00,000	
	Profit Before Taxation		2,00,000
	Items to be added		
	Amortisation of Goodwill	1,44,000	
	Depreciation	1,32,000	
	Loss on Sale of Fixed Assets	4,000	2,80,000
	Operating Profit before Working Capital Adjustments		4,80,000
	Less : Increase in Current Assets		
	Inventories	(16,000)	
	Trade Receivables	(54,000)	
	Less : Decrease in Current Liablities		
	Trade Payables	(50,000)	
	Short – Term Provisions	(54,000)	(1,74,000)
	Net Cash Generated from Operating Activities		**3,06,000**
B	**Cash Flow from Investing Activities**		
	Sale of Machinery	12,000	
	Purchase of Machinery	(5,88,000)	
	Net Cash Used in Investing Activities		**(5,76,000)**
C	**Cash Flow from Financing Activities**		
	Proceeds from Issue of Share Capital	2,00,000	
	Proceeds from Long Term Borrowings	1,40,000	
	Net Cash Flow from Financing Activities		**3,40,000**
D	**Net Increase or Decrease in Cash and Cash Equivalents**		70,000
	Add : Cash and Cash Equivalents in the beginning of the period		10,50,000
	Cash and Cash Equivalents at the end of the period		**11,20,000**

Machinery Account

Dr. Cr.

Particulars	₹	Particulars	₹

To Balance b/d To Bank A/c (Purchase – Bal.Fig.)	20,00,000 5,88,000	By Bank A/c (Sale) By Depreciation on Part of Machinery A/c By Profit and Loss A/c (Loss on Sale) By Balance c/d	12,000 32,000 4,000 25,40,000
	25,88,000		**25,88,000**

Accumulated Depreciation Account

Dr. Cr.

Particulars	₹	Particulars	₹
To Machinery A/c To Balance c/d	32,000 4,00,000	By Balance b/d By Profit and Loss A/c (Dep. charged during the year – Bal. Fig)	3,00,000 1,32,000
	4,32,000		**4,32,000**