# CBSE
# Class XII Accountancy
# All India Board Paper Set 1– 2016 Solution

## SECTION A

**1. Answer :**

A partnership firm can have minimum two and maximum 50 partners as per the new Companies Act, 2013 and vide Rule 10 of the companies (Miscellaneous) Rules, 2014.

**2. Answer :**

Profit Sharing Ratio of P,Q and R = 3:2:1

S's share = $\frac{1}{8}$(acquired $\frac{1}{16}$ th share each from P and Q)

R's share = $\frac{1}{6}$(retained original share)

P's new share = $\frac{3}{6}-\frac{1}{16}=\frac{21}{48}$

Q's new share = $\frac{2}{6}-\frac{1}{16}=\frac{13}{48}$

New Ratio of P,Q,R and S = $\frac{21}{48}:\frac{13}{48}:\frac{1}{6}:\frac{1}{8}$ or 21:13:8:6

**3. Answer :**

**In the books of Kumar Ltd**
**Journal**

| Date | Particulars | L.F. | Dr. ₹ | Cr. ₹ |
|---|---|---|---|---|
| 2016 Feb.28 | Equity Share First Call A/c Dr.<br>To Equity Share Capital A/c<br>(Being first call money due on 50,000 equity shares @ ₹2 each) | | 1,00,000 | <br>1,00,000 |
| | Bank A/c Dr.<br>Calls – in – Arrears A/c Dr.<br>To Equity Share First Call A/c<br>To Calls – in – Advance A/c<br>(Being amount received on first call except 1000 shares @ ₹2 each and second and final call received in advance @ ₹4 each on 750 shares) | | 1,01,000<br>2,000 | <br><br>1,00,000<br>3,000 |

**4. Answer :**

| Basis | Dissolution of Partnership | Dissolution of Firm |
|---|---|---|
| Economic Relationship | Economic relationship continues and changes between the partners | Economic Relationship ends amongst all the partners |

**5. Answer :**

As per Section 71 (4) of the Companies Act, 2013 and Companies (Share Capital and Debentures) Rules, 2014, every company issuing Debentures is required to create Debenture Redemption Reserve of atleast an amount equal to 25% of the value of debentures issued at the time of redemption of debentures.

**6. Answer :**

**Journal**

| Date | Particulars | L.F. | Dr. ₹ | Cr. ₹ |
|---|---|---|---|---|
| | Tom's Capital A/c Dr.<br>To Interest on Drawings A/c<br>(Being interest on drawings charged to Tom's Capital A/c) | | 2,000 | <br>2,000 |

**7. Answer :**

**Journal**

| Date | Particulars | L.F. | Dr. ₹ | Cr. ₹ |
|---|---|---|---|---|
| (a) | Bank A/c (635 × ₹475) Dr.<br>To Debenture Application A/c<br>(Being debenture application money received) | | 3,01,625 | <br>3,01,625 |
| | Debenture Application A/c Dr.<br>Loss on Issue of Debentures A/c (635 × ₹75) Dr.<br>To 9% Debentures A/c<br>To Premium on Redemption of Debentures A/c (635 × ₹50)<br>(Being debentures issued at par, redeemable at premium) | | 3,01,625<br>47,625 | <br><br>3,17,500<br>31,750 |
| (b) | Bank A/c (635 × ₹560) Dr.<br>To Debenture Application A/c<br>(Being debenture application money received) | | 3,55,600 | <br>3,55,600 |
| | Debenture Application A/c Dr.<br>Loss on Issue of Debenture A/c (635 × ₹30) Dr.<br>To 9% Debentures A/c<br>To Premium on Redemption of Debenture A/c (365 × ₹30)<br>To Securities Premium A/c (635 × ₹60)<br>(Being debenture issued at discount redeemable at a premium) | | 3,55,600<br>19,050 | <br><br>3,17,500<br>19,050<br>38,100 |

**8. Answer :**

Valuation of goodwill is also arises in the following cases:

(i) When the partnership firm is sold to some other concern on going concern basis.

(ii) When two firms amalgamate that is merger or acquisition of two businesses.

(iii) When the existing partners in the firm jointly agree to change the profit sharing ratio between them.

**9. Answer:**

**K Ltd.**
**Journal**

| Date | Particulars | L.F. | Dr. ₹ | Cr. ₹ |
|---|---|---|---|---|
| (i) | Sundry Assets A/c Dr.<br>Goodwill A/c<br>To Sundry Liabilities A/c<br>To P Ltd<br>(Being assets and liabilities purchased of P Ltd) | | 15,00,000<br>3,68,500 | <br><br>5,00,000<br>13,68,500 |
| (ii) | P Ltd Dr.<br>To Equity Share Capital A/c<br>To Securities Premium A/c<br>To Bills Payable A/c<br>(Being 10,744 Equity Shares issued of ₹100 each at a premium of ₹25 per share and a promissory note of 25,500) | | 13,68,500 | <br>10,74,400<br>2,68,600<br>25,500 |

Working Notes :

**WN1** : Calculation of Number of Equity Shares

$$\text{Number of Shares Issued} = \frac{\text{Purchase Consideration}}{\text{Issue Price}}$$

$$= \frac{13,43,000}{125} = 10,744 \text{ equity shares}$$

**10. Answer :**

**Journal**

| Date | Particulars | L.F. | Dr. ₹ | Cr. ₹ |
|---|---|---|---|---|
| | Bank A/c Dr.<br>To Equity Share Application & Allotment A/c<br>(Being amount received on 20,00,000 equity shares @ ₹10 each at a premium of ₹3 per share) | | 2,60,00,000 | <br>2,60,00,000 |
| | Equity Share Application & Allotment A/c Dr.<br>To Equity Share Capital A/c<br>To Securities Premium A/c<br>To Bank A/c<br>(Being application money is transferred to share capital and excess amount refunded) | | 2,60,00,000 | <br>85,00,000<br>25,50,000<br>1,49,50,000 |

The following are the two values that X Ltd. Wants to propagate.

1. Employment opportunities in the backward areas.
2. Value of Equality by allotting shares on pro-rata basis to 17,00,000 shareholders.

**11. Answer :**

**Profit and Loss Appropriation Account**
**for the year ended March 31,2015**

**Dr.** **Cr.**

| Particular | | ₹ | Particular | ₹ |
|---|---|---|---|---|
| To Profit transferred to : | | | By Profit and Loss A/c | 9,00,000 |
| Vikas's Capital A/c | 4,50,000 | | | |
| Vivek's Capital A/c | 3,00,000 | | | |
| Vandana's Capital A/c | 1,50,000 | 9,00,000 | | |
| | | **9,00,000** | | **9,00,000** |

**Working Notes:**

$$\text{Vandana's Share in Profit} = 9{,}00{,}000 \times \frac{1}{8} = 1{,}12{,}500$$

Minimum Guaranteed Profit to Vandana = 1,50,000

Deficiency = 37,500 (1,50,000 - 1,12,500)

Deficiency to be borne by Vikas and Vivek in the ratio of 2:3

$$\text{Amount to be borne by Vikas} = 37{,}500 \times \frac{2}{5} = 15{,}000$$

$$\text{Amount to be borne by Vivek} = 37{,}500 \times \frac{3}{5} = 22{,}500$$

Remaining Profit Share = 7,50,000

$$\therefore \text{ Vikas's Profit Share} = 7{,}50{,}000 \times \frac{3}{5} = 4{,}50{,}000$$

$$\text{\& Vivek's Profit Share} = 7{,}50{,}000 \times \frac{2}{5} = 3{,}00{,}000$$

**12. Answer:**

**Journal**

| Date | Particulars | | L.F. | Dr. ₹ | Cr. ₹ |
|---|---|---|---|---|---|
| | Manav's Capital A/c | Dr. | | 95,000 | |
| | Narayan's Capital A/c | Dr. | | 95,000 | |
| | To Nath's Capital A/c | | | | 1,90,000 |
| | (Being goodwill adjustment done in gaining ratio) | | | | |
| | Manav's Capital A/c | Dr. | | 7,500 | |
| | Nath's Capital A/c | Dr. | | 15,000 | |
| | Narayan's Capital A/c | Dr. | | 7,500 | |
| | To Profit and Loss A/c | | | | 30,000 |
| | (Being debit balance in P&L A/c written-off among all partners in old ratio) | | | | |
| | Profit and Loss Suspense A/c | Dr. | | 22,500 | |
| | To Nath's Capital A/c | | | | 22,500 |
| | (Being Nath's share of profit up to date of death dispensed | | | | |

| | | | | |
|---|---|---|---|---|
| | through P&L Suspense A/c) | | | |
| | Nath's Capital A/c Dr.<br>To Nath's Executor A/c<br>(Being amount due to Nath transferred to his executor's A/c) | | 1,92,500 | 1,92,500 |

Working Notes :

**WN 1**: Calculation of Nath's Share of Goodwill

Nath's Share of Goodwill = Firm's Goodwill $\times$ His Profit Share

$$= 3,80,000 \times \frac{2}{4} = 1,90,000$$

1, 90,000 will be borne by gaining partners in gaining ratio.

Since, nothing is specified; it is assumed that continuing partners gain in their old profit sharing ratio of 1:1

Manav's gain = $1,90,000 \times \frac{1}{2} = 95,000$

Narayan's gain = $1,90,000 \times \frac{1}{2} = 95,000$

**WN 2** : Calculation of share of debit balance in P&L A/c

Manav's share = $30,000 \times \frac{1}{4} = 7,500$

Nath's share = $30,000 \times \frac{2}{4} = 15,000$

Narayan's share = $30,000 \times \frac{1}{4} = 7,500$

**WN 3** : Calculation of Share in Profit (earned during the year)

Nath's share = Average Profits $\times$ Number of Months Nath Remained $\times$ His Profit Share

$$= 90,000 \times \frac{6}{12} \times \frac{2}{4} = 22,500$$

**WN 4** : Calculation of Amount transferred to Nath's Executor A/c

Amount due to Nath = Capital + Credit Items - Debit Items

$$= (5,000) + 1,90,000 - 15,000 + 22,500 = 1,92,500$$

**13. Answer :**

**In the books of ……**
**Journal**

| Date | Particulars | L.F. | Dr. ₹ | Cr. ₹ |
|---|---|---|---|---|
| (a) | Bank A/c Dr.<br>To Realisation A/c<br>(Being a creditor of ₹3,60,000 accepted machinery valued at ₹5,00,000 and paid ₹1,40,000 to the firm) | | 1,40,000 | 1,40,000 |
| (b) | No entry | | | |
| (c) | Realisation A/c Dr. | | 45,000 | |

| | | | | |
|---|---|---|---|---|
| | To Bank A/c<br>(Being a third creditor of ₹90,000 accepted ₹45,000 in cash and investments worth ₹43,000 in full settlement of his claim) | | | 45,000 |
| (d) | Lal's Capital A/c Dr.<br>Pal's Capital A/c Dr.<br>To Realisation A/c<br>(Being loss on dissolution transferred to partners capital accounts) | | 4,500<br>10,500 | <br><br>15,000 |

Note: No entry will be made when asset is taken over by the creditor

**14. Answer :**

**Revaluation Account**

Dr. Cr

| **Particulars** | | **₹** | **Particulars** | **₹** |
|---|---|---|---|---|
| To Building A/c | | 3,000 | By Land A/c | 30,000 |
| To Revaluation Profit A/c | | | By Creditors A/c | 6,000 |
| R | 5,500 | | | |
| S | 11,000 | | | |
| T | 16,500 | 33,000 | | |
| | | **36,000** | | **36,000** |

**Partner's Capital Account**

**Dr.** **Cr.**

| **Particulars** | **R** | **S** | **T** | **Particulars** | **R** | **S** | **T** |
|---|---|---|---|---|---|---|---|
| To T's Capital A/c | 25,000 | | | By Balance B/d | 1,00,000 | 50,000 | 25,000 |
| | | | | By R/V Profit A/c | 5,500 | 11,000 | 16,500 |
| To Balance c/d | 85,500 | 71,000 | 81,500 | By General Reserve A/c | 5,000 | 10,000 | 15,000 |
| | | | | By R's Capital A/c | | | 25,000 |
| | **1,10,500** | **71,000** | **81,500** | | **1,10,500** | **71,000** | **81,500** |

**Balance Sheet**

| **Liabilities** | | **₹** | **Assets** | | **₹** |
|---|---|---|---|---|---|
| Capital | | | | | |
| R | 85,500 | | Land | 50,000 | |
| S | 71,000 | | Add :Increase | 30,000 | 80,000 |
| T | 81,500 | 2,38,000 | Building | 50,000 | |
| | | | Less : Deprecation | (3,000) | 47,000 |
| Creditors | 50,000 | | | | |
| Less : Written off | (6,000) | 44,000 | Plant | | 1,00,000 |
| | | | Bank | | 5,000 |
| Bills payable | | 20,000 | Stock | | 40,000 |
| | | | Debtors | | 30,000 |
| | | **3,02,000** | | | **3,02,000** |

**Working Notes**

Old Ratio New Ratio

1:2:3 1:1:1

S/R of R = Old Ratio - New Ratio = $\frac{1}{6}-\frac{1}{3}=\boxed{\frac{1}{6}} \Rightarrow$ Gaining

S/R of S = Old Ratio - New Ratio = $\frac{2}{6}-\frac{1}{3}=\frac{0}{6}$

S/R of T = Old Ratio - New Ratio = $\frac{3}{6}-\frac{1}{3}=\boxed{-\frac{1}{6}} \Rightarrow$ Sacrificing

R will compensate T, since he is gaining
R's Capital A/c Dr 25,000
To T's Capital A/c 25,000

**15. Answer :**

**In the books of JJJ Ltd**
**Journal**

| Date | Particulars | L.F. | Dr. ₹ | Cr. ₹ |
|---|---|---|---|---|
| (i) 2014 Apr 01 | Own Debentures A/c Dr.<br>To Bank A/c<br>(Being purchase of 30,000 own debentures @ ₹99 each) | | 29,70,000 | 29,70,000 |
| | 10% Debentures A/c Dr.<br>To Own Debentures A/c<br>To Gain (Profit) on cancellation<br>(Being cancellation of own debentures) | | 30,00,000 | 29,70,000<br>30,000 |
| | Gain (Profit) on Cancellation A/c Dr.<br>To Capital Reserve A/c<br>(Being transfer of gain (Profit) on redemption of debentures to capital reserve) | | 30,000 | 30,000 |
| (ii) 2015 Feb.28 | 10% Debentures A/c Dr.<br>To Debenture holders A/c<br>(Being 10% Debenture due for redemption) | | 50,00,000 | 50,00,000 |
| | Debenture holders A/c Dr.<br>To Bank A/c<br>(Being amount paid to debenture holders) | | 50,00,000 | 50,00,000 |
| (iii) 2016 Jan.31 | Own Debentures A/c Dr.<br>To Bank A/c<br>(Being purchase of 20,000 own debentures) | | 19,99,000 | 19,99,000 |
| | 10% Debentures A/c Dr.<br>To Own Debentures A/c<br>To Gain (Profit) on Cancellation<br>(Being own debentures purchased and cancelled) | | 20,00,000 | 19,99,000<br>1,000 |

| | | | | |
|---|---|---|---|---|
| | Gain (Profit) on Cancellation A/c Dr.<br>To Capital Reserve A/c<br>(Being transfer of Gain (Profit) on redemption of debentures to Capital Reserve) | | 1,000 | <br>1,000 |

**16. Answer :**

**Books of SK Ltd**
**Journal**

| Date | Particulars | L.F. | Dr. ₹ | Cr. ₹ |
|---|---|---|---|---|
| | Bank A/c Dr.<br>To Equity Share Application A/c<br>(Being amount received on application for 4,00,000) | | 12,00,000 | <br>12,00,000 |
| | Equity Share Application A/c Dr.<br>To Equity Share Capital A/c<br>To Securities Premium A/c<br>To Equity Share Allotment A/c<br>To Bank A/c<br>(Being amount of application transferred to Share Capital and excess money is adjusted towards allotment) | | 12,00,000 | <br>6,40,000<br>3,20,000<br>1,20,000<br>1,20,000 |
| | Equity Share Allotment A/c Dr.<br>To Equity Share Capital A/c<br>To Securities Premium A/c<br>(Being amount due on allotment) | | 16,00,000 | <br>9,60,000<br>6,40,000 |
| | Bank A/c (₹16,00,000 – ₹1,20,000 – ₹3,700) Dr.<br>To Equity Share Allotment A/c<br>(Being amount received on share allotment) | | 14,76,300 | <br>14,76,300 |
| | Share Capital A/c Dr.<br>Securities Premium A/c Dr.<br>To Share Forfeiture A/c<br>To Share Allotment A/c<br>(Being 800 shares of Jain are forfeited due to non – payment of allotment money) | | 4,000<br>1,600 | <br><br>1,900<br>3,700 |
| | Equity Share First and Final A/c Dr.<br>To Equity Share Capital A/c<br>To Securities Premium A/c<br>(Being amount due on first and final call on 3,19,200shares) | | 22,34,400 | <br>15,96,000<br>6,38,400 |
| | Bank A/c (₹22,34,400 – ₹16,800) Dr.<br>To Equity Share First and Final Call A/c<br>(Being amount received on first and final call) | | 22,17,600 | <br>22,17,600 |
| | Equity Share Capital A/c Dr.<br>Securities Premium A/c Dr.<br>To Equity Share Forfeiture A/c<br>To Equity Share First and Final Call A/c<br>(Being shares of Gupta were forfeited) | | 24,000<br>4,800 | <br><br>12,000<br>16,800 |
| | Bank A/c Dr.<br>Share Forfeiture A/c Dr.<br>To Equity Share Capital A/c<br>(Being forfeited shares were re-issued at ₹8 per share fully paid up) | | 12,000<br>3,000 | <br><br>15,000 |

| | | | | |
|---|---|---|---|---|
| | Equity Share Forfeiture A/c Dr.<br>To Capital Reserve A/c<br>(Being excess amount on forfeiture is transferred to capital reserve) | | 2,400 | 2,400 |

**Working Note:**

**Computation Table**

| Categories | Applied Shares | Shares Allotted | Money Received on Application @ ₹3 each | Money transferred to Share Capital @ ₹ 2 each | Money transferred to Securities Premium @ ₹1 each | Excess Application money | Amount Adjusted on Allotment | Money refunded |
|---|---|---|---|---|---|---|---|---|
| I | 40,000 | | 1,20,000 | | | 1,20,000 | | 1,20,000 |
| II | 3,60,000 | 3,20,000 | 10,80,000 | 6,40,000 | 3,20,000 | 1,20,000 | 1,20,000 | |
| | **4,00,000** | **3,20,000** | **12,00,000** | **6,40,000** | **3,20,000** | **2,40,000** | **1,20,000** | **1,20,000** |

**Calculation of amount unpaid on Allotment**

$$\text{Share Applied by Jeevan} = \frac{3,60,000}{3,20,000} \times 800 = 900 \text{ shares}$$

| | | |
|---|---|---|
| Excess money received from Jeevan | = | 300 (100 × 3) |
| Amount due on Allotment | = | 2,400 (800 × 3) |
| Less : Excess Application Money | = | ₹300 |
| Amount unpaid on Allotment | = | 2,100 |
| Amount unpaid on Securities Premium | = | 1,600 (800 × 2) |
| Total amount unpaid on allotment | = | ₹3,700 |

**Calculation of amount received from Jeevan (Share Forfeiture (Cr)**

| | | |
|---|---|---|
| Amount received on application | = | 1,600 (800 × 2) ⇒ excluding premium |
| Add :Excess Application money | = | 300 |
| Share Forfeiture (Cr.) | = | 1,900 |

**Unpaid amount on First and Final Call**

$$\text{Share Allotted to Ganesh} = \frac{3,20,000}{3,60,000} \times 2,700 = 2,400 \text{ shares}$$

Unpaid amount on First and Final Call = 16,800 (2,400 × 7)

**Calculation of amount received from Ganesh (Share Forfeiture Cr.)**

| | | |
|---|---|---|
| Amount received on application | = | ₹4,800 (2,400 ×2) ⇒ excluding premium |
| Amount received on allotment | = | ₹7,200 (2,400 × 3) ⇒ excluding premium |
| Total amount received | = | ₹12,000 |

**Calculation of Capital Reserve**

(i) 800 shares of Jain are reissued

| | | |
|---|---|---|
| Share forfeiture (Cr.) | = | 900 |
| Less :Share forfeiture (Dr.) | = | 1,600 (800 × 2) |
| Capital Reserve | = | 300 |

(ii) 700 Shares of Ganesh are reissued

| | | |
|---|---|---|
| Share Forfeiture (Cr.) for 700 shares | = | $3{,}500 \left( \frac{12{,}000}{2{,}400} \times 700 \right)$ |
| Less : Share Forfeiture (Dr.) | = | 1400 (700 × 2) |
| Capital Reserve | = | 2,100 |
| Total Amount of Capital Reserve | = | 2,400 (2,100 + 300) |

**OR**

**Books of BBG Ltd**
**Journal**

| Date | Particulars | | L.F. | Dr. ₹ | Cr. ₹ |
|---|---|---|---|---|---|
| 2015<br>Jan. 05 | Bank A/c (1,40,000 × 6)<br>To Equity Share Application A/c<br>(Being amount received on application for 1,40,000 shares @ ₹6 per share including premium) | Dr. | | 8,40,000 | <br>8,40,000 |
| Jan. 15 | Equity Share Application A/c<br>To Equity Share Capital A/c (1,00,000 × ₹3)<br>To Securities Premium A/c (1,00,000 × ₹3)<br>To Equity Share Allotment A/c (20,000 × ₹6)<br>To Bank a/c (20,000 ×₹ 6)<br>(Being transfer of application money to share capital securities premium, money refunded for 20,000 shares for rejected application and balance adjusted towards amount due on allotment as shares were allotted on Pro-rata basis) | Dr. | | 8,40,000 | <br>3,00,000<br>3,00,000<br>1,20,000<br>1,20,000 |
| Jan. 17 | Equity Share Allotment A/c (1,00,000 × ₹4)<br>To Equity Share Capital A/c<br>(Being amount due on allotment @ ₹4 per share) | Dr. | | 4,00,000 | <br>4,00,000 |
| Feb. 20 | Bank A/c (₹4,00,000 – ₹1,20,000)<br>To Equity Share Allotment A/c<br>(Being balance amount received on allotment) | | | 2,80,000 | <br>2,80,000 |
| April 01 | Equity Share First & Final Call (1,00,000 × ₹3)<br>To Equity Share Capital A/c<br>(Being First and Final Call money due) | Dr. | | 3,00,000 | <br>3,00,000 |
| April 20 | Bank A/c<br>Calls – in – arrears A/c<br>To Equity Share First and Final Call A/c<br>(Being money received on First and Final Call) | Dr.<br>Dr. | | 2,97,000<br>3,000 | <br><br>3,00,000 |
| May 20 | Equity Share Capital A/c<br>To Equity Share Forfeiture A/c (1,000 × ₹7)<br>To Equity Share First & Final Call A/c (1,000 × ₹3)<br>(Being shares forfeited on which call money was not received) | Dr. | | 10,000 | <br>7,000<br>3,000 |
| June 15 | Bank A/c (1,000 × ₹7)<br>Equity Share Forfeiture A/c<br>To Equity Share Capital A/c<br>(Being share forfeited reissued) | Dr.<br>Dr. | | 7,000<br>3,000 | <br><br>10,000 |
| June 15 | Equity Share Forfeiture A/c<br>To Capital Reserve A/c<br>(Being amount transferred to Capital Reserve) | Dr. | | 4,000 | <br>4,000 |

**17. Answer :**

**Revaluation Account**

Dr. Cr

| Particulars | ₹ | Particulars | | ₹ |
|---|---|---|---|---|
| To Investment A/c | 24,000 | By Creditors A/c | | 6,000 |
| To Machinery A/c | 12,000 | By Loss on Revaluation | | |
| | | L's Capital A/c | 15,000 | |
| | | M's Capital A/c | 10,000 | |
| | | N's Capital A/c | 5,000 | 30,000 |
| | **36,000** | | | **36,000** |

**Partner's Capital Account**

**Dr.** **Cr.**

| Particulars | L | M | N | O | Particulars | L | M | N | O |
|---|---|---|---|---|---|---|---|---|---|
| To Revaluation A/c | 15,000 | 10,000 | 5,000 | | By Balance c/d | 1,20,000 | 80,000 | 40,000 | |
| To Balance c/d | 1,56,000 | 84,000 | 42,000 | 56,400 | By Gen. Reserve A/c | 21,000 | 14,000 | 7,000 | |
| | | | | | By Prem For G/w | 30,000 | | | |
| | | | | | By Cash A/c | | | | 56,400 |
| | **1,71,000** | **94,000** | **47,000** | **56,400** | | **1,71,000** | **94,000** | **47,000** | **56,400** |

**Balance Sheet**
**as on March 31,2015**

| Liabilities | | ₹ | Assets | ₹ |
|---|---|---|---|---|
| Creditors | | 1,62,000 | Bank (34,000 + 56,400 + 30,000) | 1,20,400 |
| Capitals : | | | Debtors | 46,000 |
| L | 1,56,000 | | Stock | 2,20,000 |
| M | 84,000 | | Investments | 36,000 |
| N | 42,000 | | Furniture | 20,000 |
| O | 56,400 | 3,38,400 | Machinery | 58,000 |
| | | **5,00400** | | **5,00,400** |

**Working Notes:**

**WN1** : Calculation of Sacrificing Ratio

Sacrificing Ratio = Old Ratio - New Ratio

$$L's = \frac{3}{6} - \frac{2}{6} = \frac{1}{6}$$

$$M's = \frac{2}{6} - \frac{2}{6} = Nil$$

$$N's = \frac{1}{6} - \frac{1}{6} = Nil$$

**WN 2**: Adjustment of Goodwill

$$O's \text{ Share of Goodwill} = 1,80,000 \times \frac{1}{6} = 30,000$$

30,000 will be credited to L's Capital A/c, as he is the only sacrificing partner

**WN3**: Calculation of O's Proportionate Capital
Adjusted Old Capital of L = 1, 20,000 + 21,000 + 30,000 – 15,000 = ₹1, 56,000

Adjusted Old Capital of M = 80,000 + 14,000 – 10,000 = ₹84,000
Adjusted Old Capital of N = 40,000 + 7,000 – 5,000 = ₹42,000
Total Adjusted Capital = 1, 56,000 + 84,000 + 42,000 = ₹2, 82,000
O's Proportionate Capital = Total Adjusted Capital × O's Profit Share
× Reciprocal of Combined New Share of Old Partners

$$= 2{,}82{,}000 \times \frac{1}{6} \times \frac{6}{5} = 56{,}400$$

**OR**

**Revaluation Account**

Dr. Cr.

| Particulars | ₹ | Particulars | | ₹ |
|---|---|---|---|---|
| To Claim for Workman Compensation A/c | 8,000 | By Provision for Doubtful Debts A/c | | 2,000 |
| | | By Loss on Revaluation | | |
| | | J's Capital A/c | 3,000 | |
| | | H's Capital A/c | 1,800 | |
| | | K's Capital A/c | 1,200 | 6,000 |
| | **8,000** | | | **8,000** |

**Partner's Capital Account**

**Dr.** **Cr.**

| Particulars | J | H | K | Particulars | J | H | K |
|---|---|---|---|---|---|---|---|
| To Revaluation A/c | 3,000 | 1,800 | 1,200 | By Balance b/d | 1,00,000 | 80,000 | 40,000 |
| To H's Capital A/c | 10,200 | | 20,400 | By IFF A/c | 10,000 | 6,000 | 4,000 |
| To Cash A/c | | 14,000 | | By P&L A/c | 40,000 | 24,000 | 16,000 |
| To H's Loan A/c | | 1,24,800 | | By J's Capital | | 10,200 | |
| To Balance c/d | 1,36,800 | | 38,400 | By K's Capital | | 20,400 | |
| | **1,50,000** | **1,40,600** | **60,000** | | **1,50,000** | **1,40,600** | **60,000** |
| To Current A/c | 31,680 | | | By Balance b/d | 1,36,800 | | 38,400 |
| To Balance c/d | 1,05,120 | | 70,080 | By Current A/c | | | 31,680 |
| | **1,36,800** | | **70,080** | | **1,36,800** | | **70,080** |

**Balance Sheet**
**as on March 31,2015**

| Liabilities | | ₹ | Assets | | ₹ |
|---|---|---|---|---|---|
| Creditors | | 42,000 | Land and Building | | 1,24,000 |
| | | | Motor Vans | | 40,000 |
| Capitals | | | Investment | | 38,000 |
| J | 1,05,120 | | Machinery | | 24,000 |
| K | 70,080 | 1,75,200 | Stock | | 30,000 |
| | | | Debtors | 80,000 | |
| J's Current A/c | | 31,680 | Less : Provision | 4,000 | 76,000 |
| Claim for Workmen Comp. | | 8,000 | Cash (32,000 – 14,000) | | 18,000 |
| H's Loan A/c | | 1,24,800 | K's Current A/c | | 31,680 |
| | | **3,81,680** | | | **3,81,680** |

**Working Notes :**

**WN 1**: Calculation of Gaining Ratio

Gaining Ratio = New Ratio - Old Ratio

$$J's = \frac{3}{5} - \frac{5}{10} = \frac{1}{10}$$

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

Gaining Ratio = 1:2

**WN 2** : Adjustment of Goodwill

$$H's\ Share\ of\ Goodwill = 1{,}02{,}000 \times \frac{3}{10} = 30{,}600$$

30,600 will be debited to gaining partners (J and K) in the ratio of 1:2

$$J's\ share = 30{,}600 \times \frac{1}{3} = 10{,}200$$

$$K's\ share = 30{,}600 \times \frac{2}{3} = 20{,}400$$

**WN 3** Adjustment of Capital

Adjusted Capital of J = 1, 00,000 + 10,000 + 40,000 – 3,000 – 10,200 = ₹1, 36,800

Adjusted Capital of K = 40,000 + 4,000 + 16,000 – 1,200 – 20,400 = ₹38,400

Total Adjusted Capital = 1, 36,800 + 38,400 = ₹1, 75,200

$$J's\ New\ Capital = 1{,}75{,}200 \times \frac{3}{5} = 1{,}05{,}120$$

$$K'\ New\ Capital = 1{,}75{,}200 \times \frac{2}{5} = 70{,}080$$

K's New Capital > K's Adjusted Capital (K owes 31,680 to the firm)

J's New Capital < J's Adjusted Capital (Firm owes 31,680 to J)

**WN 4** Amount transferred to H's Loan A/c

Amount to be transferred = (Credit side – Debit side) – Cash paid

= (1,40,600 – 1,800) – 14,000 = ₹1,24,800

**SECTION B**

**18. Answer :**

The statement that records the inflows and outflows of cash and cash equivalents during a particular period from the business operating activities, investing activities and financing activities is called 'Cash Flow Statement'.

**19. Answer :**

Such a cash flow will be classified under 'Operating Activity'.

**20. Answer :**

a. The following are the two main objectives other than the one stated in the question.
   1. To determine profitability with respect to sales and investments.
   2. To make forecast and prepare budgets.

b.

| Other Current Liabilities | Other Current Assets |
|---|---|
| Income received in advance | Prepaid expenses |
| Unpaid Dividends | Taxes paid in advance |

**21. Answer :**

a. Activity Ratios measures the effectiveness with which a firm uses its available resources. Higher the activity ratio means better the use of capital or resources of the business. Some of the important Activity Ratios are Inventory Turnover Ratio, Debtors Turnover Ratio, Working Capital Turnover Ratio, Current Assets Turnover Ratios etc.

b.

$$\text{Inventory Turnover Ratio} = \frac{\text{Cost of Revenue from Operations}}{\text{Average Inventory}}$$

$$\text{Gross Loss Ratio} = \frac{\text{Gross Loss}}{\text{Revenue from Operations}}$$

$$5\% = \frac{\text{Gross Loss}}{16{,}00{,}000} \Rightarrow \text{Gross Loss} = 5\% \text{ of } 16{,}00{,}000 = 80{,}000$$

$\therefore$ Cost of Revenue from Operations = Revenue from Operations + Gross Loss

= 16,00,000 + 80,000 = 16,80,000

$$\text{Inventory Turnover Ratio} = \frac{16{,}80{,}000}{2{,}20{,}000} = 7.64 \text{ Times}$$

**22. Answer :**

**Comparative Statement of Profit and Loss**
***for the year ended March 31,2014 and 2015***

| **Particulars** | **Note No** | **31st March 2014 ₹** | **31st March 2014 ₹** | **Absolute Change ₹** | **Percentage Change ₹** |
|---|---|---|---|---|---|
| 1. Revenue from operations | | 40,00,000 | 50,00,000 | 10,00,000 | 25.00 |
| 2. Other Income | | 10,00,000 | 2,00,000 | (8,00,000) | (80.00) |
| 3.**Total Revenue** (1+2) | | **50,00,000** | **52,00,000** | **2,00,000** | **4.00** |
| 4. **Expenses** | | | | | |
| Employee Benefit Expenses | | 25,00,000 | 31,20,000 | 6,20,000 | 24.80 |
| Other Expenses | | 5,00,000 | 3,12,000 | (1,88,000) | (37.60) |
| **Total Expenses** | | **30,00,000** | **34,32,000** | **4,32,000** | **14.40** |
| 5.**Profit before Tax (3-4)** | | 20,00,000 | 17,68,000 | (2,32,000) | (11.60) |
| Less: Income Tax | | 8,00,000 | 8,84,000 | 84,000 | 10.50 |
| 6. **Profit after Tax** | | **12,00,000** | **8,84,000** | **(3,16,000)** | **(26.30)** |

The values conveyed by Company are

(i) Rural Development

(ii) Employment opportunities to plenty.

**23. Answer :**

**Cash Flow Statement**
for the year ended 31st March 2015

| | **Particulars** | **₹** | **₹** |
|---|---|---|---|
| I | **Cash Flow from Operating Activities**<br>A. Net Profit before Tax and Extraordinary items*<br>Adjustments for Non-Cash and Non – Operating Items<br><br>B. Add **: Items to be added** | | **2,50,000** |

| | | | |
|---|---|---|---|
| | Depreciation | 99,000 | |
| | Intangible Assets Written off | 10,000 | |
| | Interest on Debentures (12% of 5,00,000) | 60,000 | |
| | Provision for Tax | 50,000 | 2,19,000 |
| | C. Less : **Items to be Deducted** | | -------- |
| | D. **Operating Profit before Working Capital Adjustments (A+B-C)** | | **4,69,000** |
| | E. Add : **Decrease in Current Assets and Increase in Current Liabilities** | | ------- |
| | F: Less : **Increase in Current Assets and Decrease in Current Liabilities** | | |
| | Inventories | | (62,000) |
| | **Cash Generated from Operations (D+E-F)** | | **4,07,000** |
| | Less : Income Tax Paid (Net of Refund) | | (70,000) |
| | **Net Cash Flows from (or used in) Operating Activities** | | **3,37,000** |
| II. | **Cash Flow from Investing Activities** | | |
| | Purchase of Fixed Assets (12,03,000 – 8,21,000) | (3,82,000) | |
| | Purchase of Non – Current Investments | (25,000) | |
| | **Net Cash Flows (or used in) Investing Activities** | | (4,07,000) |
| III | **Cash Flow from Financing Activities** | | |
| | Proceeds from Issue of Share Capital | 1,00,000 | |
| | Redemption of Debentures | (50,000) | |
| | Interest Paid on Debentures | (60,000) | |
| | Increase in Bank Overdraft | 1,00,000 | |
| | **Net Cash Flow from Financing Activities** | | 90,000 |
| IV | Net Increase or Decrease in Cash and Cash Equivalents (I+ II+III) | | **20,000** |
| | Add : Cash and Cash Equivalents in the beginning of the period (includes Current Investments of 60,000) | | 1,20,000 |
| | **Cash and Cash Equivalents at the end of the period** (Includes Current Investments of 50,000) | | **1,40,000** |

**Provision For Tax Account**

**Dr.** **Cr.**

| Particulars | ₹ | Particulars | ₹ |
|---|---|---|---|
| To Bank A/c | 70,000 | By Balance b/d | 90,000 |
| To Balance c/d | 70,000 | By Statement of Profit and Loss A/c | 50,000 |
| | **1,40,000** | | **1,40,000** |