

CBSE
Class XII Accountancy
All India Board Paper Set 3– 2018 Solution

SECTION A

1. Answer :

Basis	Dissolution of partnership	Dissolution of firm
Settlements of Assets and Liabilities	Assets and Liabilities are revalued and the gain or loss is distributed to all partners in old ratio.	Assets of the firm are realised and liabilities are settled. Balance amount, if any is distributed among all partners.

2. Answer :

Reserve Capital is a part of “Uncalled Capital”.

3. Answer :

No, the relationship between Ritesh and Hitesh cannot be called as Partnership but would be they regarded as the co-owners. This is because, Partnership requires the partners to conduct the business on a regular basis and share the profits from the same whereas in this case this is a one-time activity.

4. Answer :

$$\text{Share of Chaman} = \frac{1}{6}$$

$$\text{Share acquired from Amit} = \frac{2}{5} \times \frac{1}{6} = \frac{2}{30}$$

Share acquired from Beena = Share of Chaman – Acquired from Amit

$$= \frac{1}{6} - \frac{2}{30} = \frac{3}{30} = \frac{1}{10}$$

5. Answer :

Loans taken are majorly secured by mortgage of the assets known as prime or principal security. Security given in addition to the prime or principal security is termed as Collateral Security. If the borrower is not able to pay the principal amount or interest on loan amount, then the lender has the right to recover the dues from the sale of primary security and in case if the primary security is not sufficient to recover the amount of debt, then the collateral security can be used to recover the due amount.

6. Answer :

Meetu’s Share in Profits: $\frac{1}{3}$ (as the profit sharing ratio is not given, it is assumed to be equal).

Goodwill of the firm = ₹4,20,000

$$\text{Meetu's share of Goodwill} = 4,20,000 \times \frac{1}{3} = ₹1,40,000$$

Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2018 Jan 1	Neetu's Capital A/c Teetu's Capital A/c To Meetu's Capital A/c (Being goodwill adjusted in 1:1)	Dr. Dr.	70,000 70,000	1,40,000

7. Answer :

Balance Sheet (Extract)

Particular	Note No.	Current year ₹	Previous year ₹
I. Equity and Liabilities			
1. Shareholders' Funds			
(a) Share capital	1	70,00,000	50,00,000
Total		70,00,000	50,00,000

NOTES TO ACCOUNT

	Particulars	₹
1	Share Capital	
	Authorised Capital 1,00,000 Equity Shares of ₹100 each	1,00,00,000
	Issued share Capital 70,000 Equity Shares of ₹100 each subscribed fully paid-up capital	70,00,000
	70,000 Equity Shares of ₹100 each; Fully Called up	70,00,000

Values involved are:

- (a) Generation of Employment
- (b) Social-upliftment by showing concerns for the differently-abled children.

8. Answer :

A company is an entity incorporated by a group of persons through the process of law and has a share capital divided into shares, the owners of which are referred to as members or shareholders. Share here refers to a unit into which the share capital of a company is divided. It includes the stock of the company and represents ownership claims on business.

Basis of Difference	Preference Shares	Equity Shares
Voting Rights	Preference shareholders have voting rights only in special circumstances	Equity shareholders have voting rights in all the circumstances.
Rate of Dividend	Fixed rate of dividend is received	Rate of dividend is decided by the board every year and is approved by the shareholders.

9. Answer :

$$\text{Jayant's Share (Old)} = \frac{5}{10}$$

$$\text{Jayant's Gain} = \frac{2}{5} \times \frac{2}{10} = \frac{4}{50}$$

$$\begin{aligned} \text{Jayant's New Share} &= \text{Jayant's Old Share} + \text{Jayant's Gain} \\ &= \frac{5}{10} + \frac{4}{50} = \frac{29}{50} \end{aligned}$$

$$\text{Leena's Share (Old)} = \frac{3}{10}$$

$$\text{Leena's Gain} = \frac{3}{5} \times \frac{2}{10} = \frac{6}{50}$$

$$\begin{aligned} \text{Leena's New Share} &= \text{Leena's Old Share} + \text{Leena's Gain} \\ &= \frac{3}{10} + \frac{6}{50} = \frac{21}{50} \end{aligned}$$

Thus, the New Profit Sharing Ratio of Jayant and Leena would be 29 : 21

10. Answer :
**VK Ltd.
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2018 Feb 1	Own Debenture A/c To cash and Bank A/c (Purchased own 500, 9% debentures of ₹100 each at ₹97 each for immediate cancellation)	Dr.	48,500	48,500
Feb 1	9% Debentures A/c To Own Debenture A/c To Gain on cancellation of Own Debenture A/c (Cancelled own debentures)	Dr.	50,000	48,500 1,500
March 31	Gain on cancellation of Own Debenture A/c To Capital Reserve A/c (Gain on cancellation transferred to capital Reserve)	Dr.	1,500	1,500

11. Answer :

Capital of Girdhari = ₹1,00,000

Girdhari's Share of Goodwill = $1,14,000 \times \frac{5}{15} = 38,000$

Girdhari's Share in Revaluation Profit = $6,000 \times \frac{5}{15} = 2,000$

Girdhari's Share in General Reserve = $30,000 \times \frac{5}{15} = 10,000$

Total Amount Payable to Girdhari = ₹1,00,000 + ₹ 38,000 + ₹ 2,000 + ₹ 10,000 = ₹1,50,000

**In books of Banwari & Murari
Girdhari's Loan Account**

Dr.			Cr.		
Date	Particulars	₹	Date	Particulars	₹
2015			2014		
March 31	To Cash and Bank A/c	75,000	April 1	By Girdhari's Capital A/c	1,50,000
March 31	To Balance c/d	90,000	2015		
		1,65,000	March 31	By Interest A/c	15,000
					1,65,000
2016			2015		
March 31	To Cash and Bank A/c	75,000	April 1	By Balance b/d	90,000
March 31	To Balance c/d	24,000	2016		
		99,000	March 31	By Interest A/c	9,000
					99,000
2016			2016		
March 31	To Cash and Bank A/c	26,400	April 1	By Balance b/d	24,000
		26,400	2016		
			March 31	By Interest A/c	2,400
					26,400

Working Notes:

1. Interest for Year 1 = $1,50,000 \times \frac{10}{100} = 15,000$

$$2. \text{ Interest for Year 2} = 90,000 \times \frac{10}{100} = 9,000$$

$$3. \text{ Interest for Year 1} = 24,000 \times \frac{10}{100} = 2,400$$

12. Answer :

Computation of Adjusted Profit:

**Journal
In the books of Z Ltd**

Year	Profit (₹) Adjustments	Adjusted Profit (₹)
2013-14	₹3,50,000 – ₹56,250 for Management Cost	2,93,750
2014-15	₹4,75,000 – ₹56,250 for Management Cost	4,18,750
2015-16	₹6,70,000 – ₹56,250 for Management Cost	6,13,750
2016-17	₹7,45,000 – ₹56,250 for Management Cost	6,88,750
	– ₹15,000 overvaluation of closing Stock (15,000)	6,73,750
	Total Profit	20,00,000

$$\text{Average Profit} = \frac{₹20,00,000}{4} = ₹5,00,000$$

$$\text{Goodwill} = \text{Average Profit} \times \text{No. of years purchase} = ₹5,00,000 \times 2 = ₹10,00,000$$

$$\text{Raghav's Share of Goodwill} = ₹10,00,000 \times \frac{1}{4} = ₹2,50,000$$

**In the books of Asha, Aditi & Raghav
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2017 Apr. 1	Cash A/c Dr. To Raghav's Capital A/c To Premium for Goodwill A/c (Being Raghav's Capital and share of goodwill brought in cash)		8,50,000	6,00,000 2,50,000
Apr. 1	Premium for Goodwill A/c Dr. To Asha's Capital A/c To Aditi's Capital A/c (Being Goodwill distributed among sacrificing partners in the ratio 3:2)		2,50,000	1,50,000 1,00,000

13. Answer :

**In the books of Chander & Damini
Revaluation Account**

Dr.		Cr	
Particulars	₹	Particulars	₹
To Furniture	11,000	By Debtors	5,000
To Provision for bad & Doubtful debts	6,250	By Land and Building	62,000
To Claim for Damages	8,000		
To Profit transferred to:			
Chander's Capital	20,875		
Damini's Capital	20,875		
	41,750		
	67,000		67,000

**In the books of Chander, Damini & Elina
Partner's Capital Account**

Dr.				Cr.			
Particulars	Chander	Damini	Elina	Particulars	Chander	Damini	Elina
To Bank A/c	12,500	12,500		By Balance b/d	2,50,000	2,16,000	
To Balance c/d	2,83,375	2,49,375	3,00,000	By Bank A/c			3,00,000
				By Premium for Goodwill A/c	25,000	25,000	
				By Revaluation A/c	20,875	20,875	
	2,95,875	2,61,875	3,00,000		2,95,875	2,61,875	3,00,000

14. Answer :

**In the books of KK Ltd.
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2014 Apr 1	Bank A/c Dr. To Debenture Application & Allotment A/c (Being debenture application money received @ ₹940 on 6,000 debentures)		56,40,000	56,40,000
Apr 1	Debenture Application & Allotment A/c Dr. Loss on Issue of Debentures A/c (3,00,000 + 5,00,000) Dr. To 10% Debenture A/c To Premium on Redemption of Debenture A/c To Bank A/c (1000*940) (Being debentures allotted at a discount of 6% to be redeemable at a 10% premium. Excess refunded.)		56,40,000 8,00,000	50,00,000 5,00,000 9,40,000
2016 Mar 31	Balance in Statement of Profit & Loss A/c Dr. To Debenture Redemption Reserve A/c (Being DRR created at 25%)		12,50,000	12,50,000
Apr 1	Debenture Redemption Investment A/c Dr. To Bank A/c (Being DRI in 9% Fixed deposit @ 15% of Debenture Face Value)		7,50,000	7,50,000
2017 Mar 31	10% Debenture A/c Dr. Premium on Redemption of Debentures A/c Dr. To Debentureholders A/c (Being debenture and premium repayment due)		50,00,000 5,00,000	55,00,000
Mar 31	Bank A/c Dr. Income Tax Paid A/c Dr. To Debenture Redemption Investment A/c To Interest on Debenture Redemption Investment A/c (Being DRI matured and 9% Interest received thereon. Tax Deducted at source being 10% of the interest)		8,10,750 6,750	7,50,000 67,500
Mar 31	Debentureholders A/c Dr. To Bank A/c		55,00,000	55,00,000

	(Being amount paid to Debentureholders)			
Mar 31	Debenture Redemption Reserve A/c To General Reserve A/c (Being DRR transferred to General Reserve)	Dr.	12,50,000	12,50,000

15. Answer :

**In the books of Pranav, Karan & Rahim
Karan's Capital Account**

Dr.			Cr		
Date	Particulars	₹	Date	Particulars	₹
2017			Jun 12	Balance b/d	2,00,000
Jun 12	Karan's Executors A/c	3,28,800	Jun 12	Interest on Capital A/c (WN 1)	4,800
			Jun 12	Pranav's Capital (Goodwill) (WN 2)	16,000
			Jun 12	Rahim's Capital (Goodwill) (WN 2)	8,000
			Jun 12	Profit Loss Suspense A/c (WN3)	40,000
			Jun 12	General Reserve A/c	60,000
		3,28,800			3,28,800

Working Notes:

- Interest on capital** = $2,00,000 \times \frac{12}{100} \times \frac{73}{365} = 4,800$
- Karan's Goodwill** = $60,000 \times \frac{2}{5} = 24,000$
- Profit till the date of death** = $5,00,000 \times \frac{73}{365} \times \frac{2}{5} = 40,000$

16. Answer :

**In the books of Moli, Bhola & Raj
Profit & Loss Account
for the year ended 31st march 2017**

Dr.		Cr.	
Particulars	₹	Particulars	₹
To Interest on Bhola's Loan	6,000	By Net Profit	3,06,000
To Net Profit (P/L Appropriation)	3,00,000		
	3,06,000		3,06,000

**In the books of Moli, Bhola & Raj
Profit & Loss Appropriation Account
for the year ended 31st march 2017**

Dr.			Cr.		
Particulars	₹	Particulars	₹	₹	
To Interest on Capital:		By Net Profit (P/L A/c)		3,00,000	
Moli's Current	25,000	By Interest on Drawing			
Bhola's Current	40,000	Moli's Current	1,800		
Raj's Current	20,000	Bhola's Current	3,300		
Moli's Salary		Raj Current	2,400	7,500	
Bhola's Commission					
Profit transferred to:					
Moli's Current (56,550 - 37,300)	19,250				
Bhola's Current (56,550 - 37,300)	19,250				
Raj's Current (75,400 + 37,300 + 37,300)	1,50,000				
	1,88,500				
	3,07,500			3,07,500	

Partner's Capital Account

Dr.				Cr.			
Particulars	Moli	Bhola	Raj	Particulars	Moli	Bhola	Raj
To Drawings	60,000	40,000	80,000	By P/L Appropriation (IOC)	25,000	40,000	20,000
To P/L Appropriation	1,800	3,300	2,400	By P/L Appropriation (Salary)	4,000		
To Balance c/d		45,950	87,600	By P/L Appropriation (Commission)		30,000	
				By P/L Appropriation (Divisible profit)	19,250	19,250	1,50,000
				By Balance c/d	13,550		
	61,800	89,250	1,70,000		61,800	89,250	1,70,000

**Or
Realisation Account**

Dr.			Cr.		
Particulars	₹	Particulars	₹		
To Plant A/c	2,20,000	By Creditors	75,000		
To Investment A/c	70,000	By Bills Payable	40,000		
To Stock A/c	50,000	By Outstanding Salary	35,000		
To Debtors A/c	60,000	By Bank A/c			
To Bank A/c		Plant	85,000		
Creditors	75,000	Stock	33,000		
Bills Payable	40,000	Debtors	47,000		
Outstanding Salary	35,000	Investment	66,500	2,31,500	
To Bank A/c		By Partners Capital A/c			
Outstanding Bill for Repair	7,500	Srijan	81,030		
Dishonour of Discount Bill	15,000	Raman	81,030		
To Srijan's Capital A/c Commission (2,31,500×0.05)		Manan	40,515	2,02,575	
	11,575				
	5,84,075				5,84,075

Partner's Capital Account

Dr.				Cr.			
Particulars	Srijan	Raman	Manan	Particulars	Srijan	Raman	Manan
To Balance b/d			10,000	By Balance b/d	2,00,000	1,50,000	
To P/L A/c	32,000	32,000	16,000	By Realisation A/c (Commission)	11,575		
To Realisation A/c (Loss)	81,030	81,030	40,515	By Bank A/c			66,515
To Bank A/c	98,545	36,970					
	2,11,575	1,50,000	66,515		2,11,575	1,50,000	66,515

Bank Account

Dr.		Cr.	
Particulars	₹	Particulars	₹
To Balance b/d	10,000	By Realisation A/c	1,50,000
To Realisation A/c (Asset realised)	2,31,500	By Realisation A/c	22,500
To Manan's Capital A/c	66,515	By Srijan's Capital A/c	98,545
		By Raman's Capital A/c	36,970
	3,08,015		3,08,015

17. Answer :
**In the books of A Ltd.
Journal**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
(i)	Bank A/c Dr. To Equity Share Application A/c (Being application money received on 1,60,000 shares)		4,80,000	4,80,000
(ii)	Equity Share Application A/c Dr. To Equity Share Capital A/c To Equity Share Allotment A/c To Calls in Advance A/c (Being application money received transferred to Share Capital, to be adjusted on allotment and calls)		4,80,000	3,00,000 1,50,000 30,000
(iii)	Equity Share Allotment A/c (3×1,00,000) Dr. To Equity Share Capital A/c (2×1,00,000) To Securities Premium Reserve A/c (1×1,00,000) (Being allotment made due on 1,00,000 shares)		3,00,000	2,00,000 1,00,000
(iv)	Bank A/c Dr. Calls in Arrears A/c (WN1) Dr. To Equity Share Allotment A/c (3×50,000) (Being allotment money received except 1,200 shares of Rishabh)		1,47,300 2,700	1,50,000
(v)	Equity Share First Call A/c (3×1,00,000) Dr. To Equity Share Capital A/c (3×1,00,000) (Being share first call money due on 1,00,000 shares)		3,00,000	3,00,000
(vi)	Bank A/c Dr. Calls in Advance A/c Dr. Calls in Arrears A/c (WN) Dr. To Equity Share First Call A/c (Being first call money received)		2,64,600 30,000 5,400	3,00,000
(vii)	Equity Share Second and Final Call A/c (2×1,00,000) Dr. To Equity Share Capital A/c (Being share second and final call money due on 1,00,000 shares)		2,00,000	2,00,000
(viii)	Bank A/c Dr. Calls in Arrears A/c(2×2,000) Dr. To Equity Share Second and Final Call A/c (Being share second and final Call money received)		1,96,000 4,000	2,00,000
(ix)	Share Capital A/c (2,000×10) Dr. Securities Premium Reserve A/c (1×1,200) Dr. To Calls in Arrears A/c (2,700 + 5,400 + 4,000) To Share Forfeiture A/c (Being 2000 shares of Rishabh and Sudha forfeited due to non-payment of allotment and call money)		20,000 1,200	12,100 9,100
(x)	Bank A/c (7×2,000) Dr. Share Forfeiture A/c Dr. To Share Capital A/c (10×2000)		14,000 6,000	12,000

	(Being 2000 forfeited shares of Rishabh and Sudha reissued as fully paid-up)			
(xi)	Share Forfeiture A/c (9,100 – 6,000) To Capital Reserve A/c (Being amount forfeited transferred to Capital Reserve)	Dr.	3,100	3,100

Working Note:

Note No.	Particulars	Amount (₹)
1	Amount not paid by Rishabh (Calls in Arrears)	
	Allotment Due on Rishabh's Shares (3×1,200)	3,600
	Less: Excess on Application 3×(1500-1200)	900
		2,700
	#No. of Shares allotted to Rishabh = $1,500 \times 40,000 / 50,000 = 1,200$	
2	Amount not paid in respect of First Call (Calls in Arrears)	
	First call Due (3×2000)-i.e. on 800 and 1,200 shares	6,000
	Less: Excess on Application on Sudha's Shares 3×(1800- 800)-2,400 i.e. adjusted on allotment	600
		5,400

Pro Rata Table

Shares Applied for (₹3)		Shares Allotted (₹3)		Allotment (₹3)	First Call (₹3)	Second & Final Call (₹2)	Refund
Units	₹	Units	₹	₹	₹	₹	₹
90,000	2,70,000	40,000	1,20,000	1,20,000	30,000	-	Nil
50,000	1,50,000	40,000	1,20,000	30,000	-	-	Nil
20,000	60,000	20,000	60,000	-	-	-	Nil
1,60,000	4,80,000	1,00,000	3,00,000	1,50,000	30,000		

Or

Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
	Bank A/c To Equity Share Application A/c (Being equity Share Application money received)	Dr.	1,44,800	1,44,800
	Equity Share Application A/c To Equity Share Capital A/c To Equity Share Allotment A/c To Calls in Advance A/c To Bank A/c (Being pro-rata Allotment made, excess adjusted towards allotment, calls and refunded)	Dr.	1,44,800	1,00,000 20,800 3,000 21,000
	Equity Share Allotment A/c To Equity Share Capital A/c (Being allotment made due)	Dr.	1,00,000	1,00,000
	Bank A/c Calls in Arrears A/c To Equity Share Allotment A/c (Being allotment money received except from Ghosh)	Dr. Dr.	71,200 8,000	79,200

Equity Share Capital A/c To Calls in Arrears A/c To Share Forfeiture A/c (Being share forfeiture)	Dr.		20,000	8,000 12,000
Bank A/c To Equity Share Capital A/c (Being shares reissued to Sultan)	Dr.		20,000	20,000
Share Forfeiture A/c To Capital Reserve A/c (Being amount forfeited transferred to Capital Reserve)	Dr.		12,000	12,000
Equity Share First Call A/c To Equity Share Capital A/c (Being share first call money made due)	Dr.		1,50,000	1,50,000
Bank A/c Calls in Advance A/c To Equity Share First Call A/c (Being first call money received)	Dr. Dr.		1,48,500 1,500	1,50,000
Equity Share Second and Final Call A/c To Equity Share Capital A/c (Being share second and final call money made due)	Dr.		1,50,000	1,50,000
Bank A/c Calls in Advance A/c To Equity Share Second and Final Call A/c (Being share second and final Call money received)	Dr. Dr.		1,48,500 1,500	1,50,000

Computation Table

Categories	Shares Applied	Shares Allotted	Money received on Application @ ₹2 each	Money transferred to Share Capital @ ₹2 each	Surplus	Allotment due @ ₹2 each	Call in Advance @ ₹6 each	Refund
I	10,000	NIL	20,000	NIL	20,000	NIL	NIL	20,000
II	59,400	49,500	1,18,800	99,000	19,800	19,800	NIL	NIL
III	600	500	6,000	1,000	5,000	1,000	3,000	1,000
	70,000	50,000	1,44,800	1,00,000	44,800	20,800	3,000	21,000

Calculation of Amount Due towards Ghosh:

Shares Applied: 6,000

Shares Allotted: 5,000

Application due towards Ghosh: ₹10,000

Application money received from Ghosh: ₹12,000

Excess application money received (to be adjusted against allotment): ₹2,000

Allotment money not received (Arrears): ₹8000 (10,000 – 2,000)

SECTION B
18. Answer:

The objective of preparing Cash Flow Statement is to determine the sources (receipts) and the application (payments) of cash and cash equivalents under different activities i.e., operating/investing/financing activity.

19. Answer :

For a finance company, Interest Paid & Received is treated as Cash Flow from Operating Activities. Interest received is cash inflow whereas interest paid is cash outflow.

20. Answer :
Computation of Inventory Turnover Ratio
2016 -17

COGS = Revenue from Operations – Gross Profit

$$= 75,00,000 - \left(75,00,000 \times \frac{25}{125} \right) = 75,00,000 - 15,00,000 = ₹60,00,000$$

$$\text{Average Inventory} = \frac{\text{Opening Inventory} + \text{Closing Inventory}}{2}$$

$$= \frac{7,00,000 + 17,00,000}{2} = ₹12,00,000$$

$$\text{Inventory Turnover Ratio} = \frac{\text{Cost of Goods Sold (COGS)}}{\text{Average Inventory}} = \frac{60,00,000}{12,00,000} = 5 \text{ times}$$

2015 -16

Cost of Goods Sold (COGS) = Revenue from Operations – Gross Profit

$$= 50,00,000 - \left(50,00,000 \times \frac{25}{125} \right)$$

$$= 50,00,000 - 10,00,000 = ₹40,00,000$$

$$\text{Average Inventory} = \frac{\text{Opening Inventory} + \text{Closing Inventory}}{2}$$

$$= \frac{5,00,000 + 7,00,000}{2} = ₹6,00,000$$

$$\text{Inventory Turnover Ratio} = \frac{\text{Cost of Goods Sold (COGS)}}{\text{Average Inventory}} = \frac{40,00,000}{6,00,000} = 6.67 \text{ times}$$

21. Answer :

The values being communicated are:

1. Sustainable use of Energy & Environment Protection
2. Rural Development & Employment Generation

Item	Major Heads	Sub Head
Loose tools	Current Assets	Inventories
Cheques in hand	Current Assets	Cash & Cash Equivalents
Term Loan from Bank	Non- Current Liabilities	Long-Term Borrowing
Computer Software	Non- Current Assets	Fixed Assets-Intangible Assets

22. Answer :
Common Size Balance sheet of KJ Ltd.

Particular	Note No.	Absolute Amount		% of Balance sheet Total	
		31-3-2016 ₹	31-3-2017 ₹	31-3-2016 ₹	31-3-2017 ₹
I. Equity and Liabilities					
1. Shareholders' Funds		4,00,000	8,00,000	50.00	50.00
2. Non-current Liabilities		2,00,000	5,00,000	25.00	31.25
3. Current Liabilities		2,00,000	3,00,000	25.00	18.75
Total		8,00,000	16,00,000	100.00	100.00
II. Assets					
1. Non- Current Assets		5,00,000	10,00,000	62.50	62.50
2. Current Assets		3,00,000	6,00,000	37.50	37.50
Total		8,00,000	16,00,000	100.00	100.00

23. Answer:

	Particulars	₹	₹
A	Cash Flow from Operating Activities		
	Profit as per statement of Profit and Loss on 31 st March 2017	1,00,000	
	Less: Profit as per statement of Profit and Loss on 31 st March 2016 (Loss)	(25,000)	
		1,25,000	
	Add: Proposed Dividend	75,000	
	Provision for Tax	1,25,000	3,25,000
	Net Profit Before Taxation and Extra-ordinary items		
	Items to be Added:		
	Depreciation Expenses (1,37,500 – 75,000)	62,500	
	Interest on Debentures (1,50,000 × 10%)	15,000	77,500
	Operating Profit Before Working Capital Changes		4,02,500
	Less : Decreases in Current Liabilities and Increases in Current Assets		
	Increases in Trade Receivables (2,75,000 – 2,25,000)	50,000	
	Increases in Short term Loans & Advance (2,00,000 – 1,00,000)	1,00,000	1,50,000
	Cash Generated from Operations		2,52,500
	Less : Tax Paid during the year		75,000
	Net Cash Flows from Operating Activities		1,77,500
B	Cash Flow from Investing Activities		
	Purchase of Machinery (7,37,500 – 5,25,000)	(2,12,500)	2,12,500
	Cash Used in Investing Activities		(2,12,500)
C	Cash Flow from Financing Activities		
	Proceeds from Issue of 10% Debentures (2,50,000 – 1,50,000)	1,00,000	
	Increase in Bank Overdraft (1,50,000 – 1,00,000)	50,000	
	Dividend Paid i.e. Opening Proposed Dividend	(50,000)	
	Interest on Debentures (1,50,000 × 10%)	(15,000)	
	Net Cash Flow from Financing Activities		85,000
D	Net Increase or Decrease in Cash and Cash Equivalents (A+B +C)		50,000
	Add : Cash and Cash Equivalents in the beginning of the period		75,000
	Cash and Cash Equivalents at the end of the period		1,25,000