Class 12

Accountancy

Set 2 with Solutions

Time : 3 Hr **Max. Marks : 80**

General Instructions:

This question paper contains 34 questions. All questions are compulsory.

This question paper is divided into two parts, Part A and B.

Part – A is compulsory for all candidates.

Part – B has two options i.e.

Analysis of Financial Statements and

Computerised Accounting. Students must attempt only one of the given options.

Question 1 to 16 and 27 to 30 carries 1 mark each.

Question 17 to 20, 31 and 32 carries 3 marks each.

Question from 21, 22 and 33 carries 4 marks each.

Question from 23 to 26 and 34 carries 6 marks each. .

There is no overall choice. However, an internal choice has been provided in 7 questions of one mark, 2 questions of three marks, 1 question of four marks and 2 questions of six marks.

PART – A (60 Marks)
(Accounting For Partnership Firms & Companies)

Question 1.
X and Y are partners sharing profits in the ratio 5:3. They admitted Z for 15 th profits, for which he paid ₹ 60,000 against capital and ₹ 30,000 against goodwill. Find the capital balance for each partner taking Z's capital as base capital.
(a) ₹ 1,50,000; ₹ 60,000 and ₹ 60,000
(b) ₹ 1,50,000; ₹ 60,000 and ₹ 90,000
(c) ₹ 1,50,000; ₹ 90,000 and ₹ 60,000
(d) ₹ 1,50,000; ₹ 90,000 and ₹ 90,000 (1)
Answer:
(c) ₹ 1,50,000; ₹ 90,000 and ₹ 60,000

Explanation: New Capitol of the firm
= 60.000 x 51 = ₹ 3,00,000
Calculation of New Profit sharing ratio:
Let the profit = 1:
Remaining profit of X and Y = 1 – 15 = 45
X's new ratio = 58 X 45 = 2040;
Y's new ratio = 38 x 45 = 1240;
Z = 15 or 840
New ratio 20 : 12 : 8 or 5 : 3 : 2
New capital of partners:

X's capitol = ₹ 3,00,000 x 510 = 1,50,000;
Y's capitot = 3,00,000 x 310 = 90,000

Question 2.
A and B are partners sharing profits and losses equally. They admitted C as a partner with an equal share giving him a guarantee of minimum ₹ 50,000 profit p.a. The profit for the year after C's admission was ₹ 1,20,000. What will be the net amount that will be credited to A's Capital A/c?
(a) ₹ 50,000
(b) ₹ 40,000
(c) ₹ 35,000
(d) ₹ 80,000. (1)
Answer:
(c) ₹ 35.000
Explanation:
Share of A in profit = ₹ 40,000
Less Deficiency paid to C = ₹ 5.000.
So net amount received by A = ₹ 35,000.

Question 3.
Assertion (A) : Received amount of securities premium will not debited to securities premium reserve account, on forfeiture of shares.
Reason (R) : Received amount of securities premium will be debited while writing off of certain type of capital loss or expenditure.
(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
(b) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A)
(c) Assertion (A) is false, but Reason (R) is true
(d) Assertion (A) is true, but Reason (R) is false

OR

12,000 shares of ₹ 100 each forfeited due to non payment off 40 per share. First & final call of ₹ 30 per share not yet made. These shares were reissued at ₹ 80 per share for ₹ 70 per share. Which of the following journal entry is correct for the forfeiture of shares?
(a) Share Capital A/c Dr. 12,00,000
To Calls-in Arrears A/c 8,40,000
To Share Forfeiture A/c 3,60,000

(b) Share Capital A/c Dr. 12,00,000
To Calls-in Arrears A/c 3,60,000
To Share Forfeiture A/c 8,40,000

(c) Share Capital A/c Dr. 8,40,000
To Calls-in Arrears A/c 3,60,000
To Share Forfeiture A/c 4,80,000

(d) Share Capital A/c Dr. 8,40,000
To Calls-in Arrears A/c 4,80,000
To Share Forfeiture A/c 3,60,000 (1)
Answer:
(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)

Explanation: Section 52(2) of the Companies Act, 2013 on use of the amount received as premium on securities: As per section 52(2) of the Companies Act, 2013, use of the amounts received as premium on securities is restricted to the following purposes only:

issuing fully paid bonus shares to the members;

writing off preliminary expenses of the company;

writing off the expenses of, or the commission paid or discount allowed on any issue ofsecurities or debentures of the company;

providing for the premium payable on the redemption of any redeemable Preference Shares of any debentures of the company;

in purchasing its own shares i.e., in case of buy back of shares..

OR

(d) Share Capital A/c Dr. 8,40,000
To Calls-in Arrears A/c 4,80,000
To Share Forfeiture A/c 3,60,000

Explanation:
Amount of share capital
= 12,000 shares x ₹ 70 = ₹ 8,40,000
Calls not received or calls in arrears
= 12,000 shares x ₹ 40 = ₹ 4,80,000
Amount received which forfeited due to non-payment = 12,000 shares x ₹ 30 = ₹ 3,60,000

Question 4.
P, Q and R are partners in a firm. Net profit before appropriations is Rs. 7,87,000. Total interest on capital and salary to the partners amounted to Rs.40,000 and Rs. 75,000 respectively. P and Q are entitled to receive a commission @ 6% each on net profit after taking into consideration interest on capital salaries and all commission. Calculate commission payable to P and Q. (1)
(a) Rs. 18,000 each
(b) Rs. 40,320 each
(c) Rs. 38,000 each
(d) Rs. 24,000 each

OR

U V and W are partners sharing profits in the ration of 2 : 3 : 5. They change their profit sharing ratio as equal. They also decide to record the effect of the following revaluations and reassessments without affecting the book values of assets and liabilities by passing a single adjustment entry:

Particulars	Book Value (₹)	Revised Value (₹)
Land and Building	3,00,000	3,50,000
Furniture	1,50,000	1,00,000
Sundry Creditors	60,000	20,000
Outstanding Salaries	10,000	15,000

amount Dr./Cr. in W's capital A/c
(a) Dr. W by Rs. 5833
(b) Cr. W by Rs. 5833
(c) Dr. W by Rs. 35,000
(d) Cr. W by Rs. 35,000 (1)
Answer:
(c) 38000 each

Explanation:
Net profit before appropriations = ₹ 7,87,000
Net Profit After Appropriation (Interest on capital and salary)
= ₹ 7,87,000 – ₹ 40,000 – ₹ 75,000 = ₹ 6,72,000
Commission = ₹ 6,72,000 x 6106 = ₹ 38,000

OR

(b) Cr. W by Rs. 5833
Explanation: Adjusted amount:

Increase in Land and Building	50,000
Increase in Creditors	40,000
Increase in Outstanding salaries	(5,000)
Decrease in Furniture	(50,000)
	35,000

Sacrifice/Gaining Ratio = Old ratio – New ratio
U = 210 – 13 = 430
V = 310 – 13 = 130
W = 510 – 13 = 520
Amount Credited to W's capital account
= 35,000 x 530 = 5833

Question 5.
X, Y and Z are partners in a firm. At the time of the division of profit for the year, there was a dispute between the partners. Profit before interest on partner's capital was ₹ 6,00,000 and Z demanded a minimum profit of ₹ 5,00,000 as his financial position was not good. However, there was no written agreement on this point.
(a) Other partners will pay Z the minimum profit and will share the loss equally.
(b) Other partners will pay Z the minimum profit and will share the loss in the capital ratio
(c) X and Y will take ₹ 50,000 each and Z will take ₹ 5,00,000
(d) ₹ 2,00,000 to each of the partners (1)
Answer:
(d) ₹ 2,00,000 to each of the partners

Explanation: If partnership deed is silent, then profit will be distributed among all partners equally. No partner has the right to take any salary, bonus, commission form the firm.

Question 6.
A shareholder allotted to whom 9,000 shares of ₹ 10 per share failed to pay first & final of ₹ 2 per share, ₹ 18,000 to be recorded in the books of company with ………………..
(a) Dr. to Calls-in Arrears A/c
(b) Dr. to Share Forfeiture A/c

(c) Cr. to Calls-in Arrears A/c
(d) Cr. to Share Forfeiture A/c

OR

Convertible debentures are those on which:
(a) Accumulated interest payable is converted into equity shares
(b) Interest is not paid when the company is running in a loss
(c) Interest is payable and if not paid, keeps on accounting
(d) Equity shares may be exchanged at the option of the debenture holders (1)
Answer:
(a) Dr. to CaLls-in Arrears A/c

Explanation: 9000 shares x ₹ 2 per share = ₹ 18,000 is the amount which remains due or not received from shareholders. So, it is debited to Call-in-arrears account.

OR

(d) Equity shares may be exchanged at the option of the debenture holders

Explanation: Convertible debentures are long – term debt instruments issued by a company that can be converted into equity shares of the company on a future date. In other word, Convertible debentures are those on which equity shares may be exchanged at the option of the debenture holder.

Read the following and answer the following Question:
X Ltd issued 2,00,000 shares of ₹ 100 each. Amount to be paid on Application ₹ 30 per share; on allotment ₹ 40 per share and on first & final call ₹ 30 per share. All money was duly subscribed and paid towards the nominal value of shares except on 9,000 shares who failed to pay allotment and calls money.

Question 7.
Which amount of the following balance in Share Forfeiture Account?
(a) ₹ 4,00,000
(b) ₹ 2,70,000
(c) ₹ 1,20,000
(d) ₹ 50,000 (1)
Answer:
(b) ₹ 2,70,000

Explanation: Money received on application forfeited due to non-payment of allotment and call: 9000 shares x ₹ 30 per share = ₹ 2,70,000

Question 8.
Which amount of the following will be shown into the Balance Sheet of the company under the sub-head "Share Capital"?
(a) ₹ 1,96,00,000
(b) ₹ 1,97,20,000
(c) ₹ 2,00,00,000
(d) ₹ 1,93,70,000 (1)
Answer:
(d) 193,70,000

Explanation:
Value of a share = ₹ 100
Full face value received on shares = 2,00,000 – 9,000

= 1,91,000 shares
Total Amount Received
= 1,91,000 shares x ₹ 100
= ₹ 1,91,00,000
Partial amount Received
= 9,000 shares x ₹ 30 per share = ₹ 2,70,000
Amount Transferred to Share capital
= ₹ 1,91,00,000 + ₹ 2,70,000 = ₹ 1,93,70,000

Question 9.
After re-issue of forfeited shares, balance of share forfeiture account is transferred to:
(a) General reserve A/c
(b) Profit and Loss A/c
(c) Security Premium A/c
(d) Capital reserve A/c (1)
Answer:
(d) Capital reserve A/c

Question 10.
What journal entry will be recorded for writing off the goodwill already existing in Balance Sheet at the time of retirement of a partner?
(a) Retiring Partner's Capital A/c Dr.
To Goodwill A/c

(b) All Partner's Capital A/cs
(including retiring) Dr.
(in old ratio)
To Goodwill A/c

(c) Remaining Partner's Capital A/cs Dr.
(in gaining ratio)
To Goodwill A/c

(d) Remaining Partner's Capital A/cs Dr.
(in new ratio)
To Goodwill A/c (1)
Answer:
Partner's Capital A/cs
(including retiring) Dr.
(in old ratio)
To Goodwill A/c

Explanation: Goodwill which is already existed into the books written off through all partner's capital account. For this, Partners capital account debited and Goodwill credited (Decrease in Assets).

Question 11.
Arrange the sequence of preparation of accounts in partnership:
A. Profit & Loss Appropriation Account
B. Trading and Profit and Loss Account
C. Balance Sheet
(a) ABC
(b) BCA

(c) ACB
(d) BAC (1)
Answer:
(d) BAC

Explanation: The correct sequence is Trading and Profit & Loss A/c, Profit & Loss Appropriation Account and Balance Sheet.

Question 12.
A, B and C are partners in a firm sharing profits and losses in the ratio of 2 : 2 : 1. On March 31, 2020, C died. Accounts are closed on 31st Dec every year. The sales for the year 20119 was ₹ 6,00,000 and profits were ₹ 60,000. The Sales for the period from Jan 1, 2020 to March 31. 2020 were ₹ 2,00,000. The share of deceased partner in the current year's profits on the basis of sales is:
(a) ₹ 20,000
(b) ₹ 8,000
(c) ₹ 3,000
(d) ₹ 4,000 (1)
Answer:
(d) ₹ 4,000

Explanation: Total Profit during the period of
Death = ₹2,00,0006,00,000 x 60,000
= ₹ 20,000
Share of Deceased Partner
= ₹ 20,000 x 15
= ₹ 4,000
Remaining profit share of A and R
= 1 – 115 = 45
Total capital of A and R = ₹ 45,000 + ₹ 35000
= ₹ 80,000
New capital of the firm
= ₹ 80,000 x 54
= ₹ 1,00,000
G's Capital = ₹ 1,oo,ooo x 15 = ₹ 20,000

Question 13.
AB Ltd purchased a Machinery from XY Ltd for ₹ 4,50,000. AB Ltd immediately paid ₹ 90,000 by Bank Draft and the balance by issue of preference share of ₹ 100 each at 20% premium for the purchase consideration of Machinery to XY Ltd. Shares issued by AB Ltd?
(a) 3,000 preference shares
(b) 30,000 preference shares
(c) 3,600 preference shares
(d) 36,000 preference shares (1)
Answer:
(a) 3,000 preference shares
Explanation: Balance = ₹ 4,50,000 – ₹ 90,000
= 3,60,000

Question 14.
Vinay and Naman are partners sharing profit in the ratio of 4:1. Their capitals were Rs 90,000 and Rs. 70,000 respectively. They admitted Prateek for 13 share in the profits. Prateek brought ₹ 1,00,000 as his capital. The value of firm's goodwill will be:

(a) 40,000
(b) 60,000
(c) 1,00,000
(d) 2,60,000 (1)
Answer:
(a) 40,000

Explanation: Calculation of Hidden Goodwill Total Capital of all partners = ₹ 90,000 + ₹ 70,000 + ₹ 1,00,000 = ₹ 2,60,000
New capital on the basis of Preteek
= ₹ 1,00,000 x 3/1 = 3,00,000
Value of Good will = ₹ 3,00,000 – ₹ 2,60,000 = ₹ 40,000

Question 15.
Mohit, Rachit and Mayank started a partnership business on 1st April, 2021. Their capital contribution were ₹ 4,00,000, ₹ 3,00,000 and ₹ 2,00,000 respectively. Their Drawings are ₹ 50,000, ₹ 40,000 and ₹ 30,000 respectively. Interest charged on drawings @6% p.a. Interest on drawing for the year ended 31st March 2022:
(a) ₹ 3,000, ₹ 2,400, ₹ 1,800
(b) ₹ 1,500, ₹ 1,500, ₹ 900
(c) ₹ 1,500, ₹ 1,200, ₹ 900
(d) ₹ 1,500, ₹ 2,400, ₹ 900

OR

Harshita is a partner in a firm, during the year ending March 31,2020, Harshita withdrew ₹ 20,000 half yearly. If interest is to be charged on drawing @9% per annum. When money is withdrawn at the beginning of every six months. Calculate the amount of interest to be charged at the end of the year:
(a) ₹ 1,800
(b) ₹ 1,350
(c) ₹ 1,500
(d) ₹ 2,700 (1)
Answer:
(c) ₹ 1,500, ₹ 1,200, ₹ 900
Explanation: Interest on Drawing:
Mohit = ₹ 50,000 x 6100 x 612 = ₹ 1,500
Rachit = ₹ 40,000 x 6100 x 612 = ₹ 1,200
Mayank= ₹ 30,000 x 6100 x 612 = ₹ 900

OR

(d) ₹ 2,700

Explanation:
Total drawing of year = ₹ 20,000 x 2 = ₹ 40,000
Interest on drawing = ₹ 40,000 x 9/100 x 9/12
= ₹ 2,700

Question 16.
After transferring liabilities like creditors and bills payable in the Realisation Account in the absence of any information regarding their payment, such liabilities are treated as:
(a) Never paid

(b) Fully paid
(c) Partly paid
(d) None of these (1)
Answer:
(b) Fully paid

Explanation: External liabilities are the liabilities payable anyhow by the firm. If there is no information related to payment to as such liabilities then it is assumed that these are fully payable.

Question 17.
Asha, Deepa, and Lata are partners in firm sharing profits in the ratio of 3: 2: 1. Deepa retires. After making all adjustments relating to revaluation, goodwill and accumulated profit, etc., the capital accounts of Asha and Lata showed a credit balance of Rs. 1,60,000 and Rs. 80,000 respectively. It was decided to adjust the capitals of Asha and Lata in their new profit sharing ratio. You are required to calculate the new capitals of the partners and record necessary journal entries for bringing in or withdrawal the necessary amounts involved. (3)
Answer:
(a) Calculation of new capitals of the existing partners Balance in Asha's Capital (after all adjustments) = 1,60,000
Balance in Lata's Capital = 80,000
Total Capital of the New Firm = 2,40,000
Based on the new profit sharing ratio of 3:1 Asha's New Capital
= Rs. 2,40,000 x 34 = 1,80,000
Lata's New Capital= Rs. 2,40,000 x 14 = 60,000

Note: The total capital of the new firm is based on the sum of the balance in the capital accounts of the continuing partners.

(b) Calculation of cash to be brought in or withdrawn by the continuing partners:

	Asha (Rs.)	Lata (Rs.)
New Capitals	1,80,000	60,000
Existing Capitals	1,60,000	80,000
(c) Cash to be brought in on (paid off)	20,000	20,000

Books of Asha and Lata
Journal

	Particulars		L.F.	Debit Amount (₹)	Credit Amount (₹)
	Cash A/c To Asha Capital A/c (Cash brought by Asha)	Dr.		20,000	20,000
	Lata's Capital A/c To Cash A/c (Surplus capital withdrawn by Lata)	Dr.		20,000	20,000

Question 18.
Hem and Nem are partners in firm sharing profits in the ratio of 3:2. Their capitals were Rs. 80,000 and Rs. 50,000 respectively. They admitted Sam on Jan. 1, 2017, as a new partner for 15 share in the future profits.

Sam brought Rs. 60,000 as his capital. Calculate the value of goodwill of the firm and record necessary journal entries on Sam's admission.

OR

A, B, and C are partners in a firm sharing profits and losses in the ratio of Their 2: fixed capitals were ₹ 15,00,000, ₹ 30,00,000, and ₹ 60,00,000 respectively. For the year ended 31st March 2018 interest on capital was credited to them @ 12% instead of 10%. Pass the necessary adjustment entry. (3)

Answer:

ExpLanation:

Value of Firm's Goodwill

Sam's capital = Rs. 60,000

Sam's share = Total capital of new firm 5 x ₹ 60,000

= 3,00,000

Hems + Nem's + Sam's = ₹ 80,000 + ₹ 50,000 + ₹ 60,000 = ₹ 1,90,000

Goodwill of the firm

= ₹ 1,10,000 (₹ 3,00,000 – ₹ 1,90,000)

Sam's share = x ₹ 1,10,000 = ₹ 22,000

Books of Hem, Nem, and Sam

Journal

	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
	Bank A/c Dr. To Sam's Capital A/c (Cash brought by Sam for his capital)		60,000	60,000
	Goodwill A/c Dr. To Hem's Capital A/c To Nem's Capital A/c (Credit given for goodwill to Hem and Nem on Sam's admission)		1,10,000	 66,000 44,000

OR

Table Showing Adjustment

Particulars	A	B	C	Total
Interest already credited@12%	1,80,000	3,60,000	7,20,000	12,60,000
Interest that should have been credited@10%	1,50,000	3,00,000	6,00,000	10,50,000
Partners Over credited with	30,000	60,000	1,20,000	2,10,000
By recovering this interest from the partners, the profits of the firm will be increased by ₹ 2,10,000. This profit will be divided in the ratio of 2:3:5.	42,000	63,000	1,05,000	2,10,000

Net Effect	12,000 Cr.	3,000 Cr.	15,000 Dr.

Adjustment Entry:
Journal Entry

	Particulars	L.F.	Debit (₹)	Credit (₹)
	C's Current A/c Dr. To A's Current A/c To B's Current A/c (Interest excessive charged, now rectified)		15,000	 12,000 3,000

Question 19.
The Balance Sheet of A and B who share profits and losses in the ratio of 3:2, as of 31st March 2020 is as follows:

Liabilities	Amount (₹)	Assets	Amount (₹)
Sundry Creditors	78,000	Cash in Bank	6,000
Bills Payable	21,000	Cash in hand	3,000
Reserves	21,000	Sundry Debtors	10,000
Profit & Loss a/c	12,000	Stock	60,000
A's Capital	28,000	Fixed Assets	80,000
B's Capital	19,200	Goodwill	15,000
		Deferred Advertisement Expenditure	6,000
	1,80,000		1,80,000

They take C as a partner for 15th share in the profits of the firm. C brings a cheque for 36,000 as his capital but no amount for goodwill. Give necessary journal entries for recording C's capital and hidden goodwill. (3)
Answer:
Journal

	Particulars	L.F.	Debit (₹)	Credit (₹)
1.4.2020	A's Capital A/c Dr. B's Capital A/c Dr. To Goodwill A/c (Being existing goodwill written off in the old profit sharing ratio of old partners 3:2)		9,000 6,000	 15,000
	Bank A/c Dr. To C's Capital A/c (Being Capital brought in by C by cheque)		36,000	 36,000
	C's Capital A/c Dr. To A's Capital A/c To B's Capital A/c (Being credit given to A and B for C's share of goodwill in their sacrificing ratio 3:2)		16,800	 10,080 6,720

Note : Calculation of hidden goodwill
C's Capital for 15 share = 36,000
Therefore, the total capital of the new firm on the basis of C's capital should be 36,000 x 51

= 1,80,000
Less: Actual Capital of A, B, and C
A's Capital + B's Capital + C's Capital + Reserves + P&L a/c – Goodwill – Deferred Advertisement Expenditure = 96,000
Value of hidden goodwill 84,000
C's share in the hidden goodwill
84,000 x 15 = 16,800

Question 20.
The Directors of Poly Plastic Limited resolved that 200 shares of ₹ 100 each be forfeited for non-payment of the second and final call of ₹ 30 per share. Out of these, ISO shares were re-issued at ₹ 60 per share to Mohit. Show the necessary Journal entries for forfeiture and reissue of shares.

OR

Abhay Ltd. issued 200, 15% debentures of ₹ 100 each on April 01,2022 at discount of 10% redeemable at premium of 10% out of profits Give journal entries at the time of issue of debentures, writing off loss on issue of debentures and redemption of debentures are to be redeemed in lump sum at the end of 4th year. (3)
Answer:
Journal Entry

	Particulars	L.F.	Debit (₹)	Credit (₹)
	Share Capital A/c Dr.		20,000	
	To Share Forfeiture A/c			14,000
	To Share Second and Final Call A/c			6,000
	(Being 200 share forfeited for non-payment of final call at ₹30 per share)			
	Bank A/c Dr.		6,000	
	Shares Forfeiture A/c Dr.		6,000	
	To Share Capital A/c			15,000
	(Being reissue of 150 shares of ₹100 each, issued as fully paid for ₹60 each)			
	Share Forfeiture A/c Dr.		4,500	
	To Capital Reserve A/c			4,500
	(Being profit on reissue of 150 forfeited shares transferred to capital reserve)			

OR

Journal Entry

	Particulars	L.F.	Debit (₹)	Credit (₹)
	Bank A/c Dr. To Debenture Application and Allotment A/c (Being application money received on debentures)		18,000	 18,000
	Debenture Application and Allotment A/cDr. Loss on Issue of Debenture A/c Dr. To 15% Debentures A/c To Premium on Redemption of Debentures A/c (Being issue of Debentures at 10% discount an redeemable at 10% premium)		18,000 4,000	 20,000 2,000
	Statement of Profit and Loss Dr. To Loss on Issue of Debentures A/c (Being loss on issue of Debentures written off)		4,000	 4,000

Question 21.
Following differences have arisen among P, Q and R. State who is correct in each case:
(a) P used ₹ 20,000 belonging to the firm and made a profit of ₹ 5,000. Q and R want the amount to be given to the firm?
(b) Q used ₹ 5,000 belonging to the firm and suffered a loss of ₹ 1000. He wants the firm to bear the loss?
(c) P and Q want to purchase goods from A Ltd., R does not agree?
(d) Q and R want to admit C as partner, P does not agree? (4)
Answer:
(a) P is bound to pay Rs 20,000 together with profit of Rs 5,000 to the firm because this amount belongs to the firm.

Explanation: As per Principal and Agent relationship, P is principal as well as agent to the firm and to Q and R. As per this rule, any profit earned by an agent (P) by using the firm's property is attributable to the firm.

(b) Q is liable to pay Rs 5,000 to the firm. As per the Partnership Act, 1932, every partner of a partnership firm is liable to the firm for any loss caused by his/her willful negligence.

Explanation: Here Q is solely responsible for the loss of Rs 1,000 because he used the property of the firm and also represented himself as a principal rather than an agent to the other partners and to the firm.

(c) P and Q may buy goods from A Ltd.

Explanation: As per Partnership Act, 1932, a partner has a right to buy and sell goods without consulting the other partners unless a Public Notice has been given by the partnership firm to restrict the partners to buy and sell.

(d) C will not be admitted because one of the partners P has not agreed to admit C.

Explanation: As per Partnership Act, a new partner cannot be admitted into a firm unless all the existing partners agree on the same decision. In other words, a new partner can be admitted in a partnership firm with the consent of all the existing partners.

Question 22.
Nishant co. Ltd. has authorized share capital of ₹ 1,00,00,000 divided into 1,00,000 Equity Shares of ₹ 100

each. It has an existing issued and paid-up capital of ₹ 25,00,000. It furtherissued to the public 25,000 Equity Shares at a premium of 20% for subscription payable asunder:

On Application:	₹ 30
On Allotment:	₹ 60 and
On-Call:	Balan'ce Amount.

The issue was fully subscribed and allotment was made to all the applicants.Show share capital of the company in the Balance Sheet of the Company and pass journalentries. (4)

Answer:

Balance Sheet of Nishant Co. Ltd.

Particulars	L.F.	Current Year	Previous Year
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds :	1	42,50,000	
(a) Share Capital	2	5,00,000	
(b) Reserve and Surplus			
		47,50,000	
II. ASSETS MeritBatch.com	3		
2. Current Assets		**47,50,000**	
(a) Cash and Cash Equivalents			

Notes to Account:

Particulars	Previous Year
1. Share Capital:	
Authorized Capital:	
1,00,000 equity shares of ₹100 each	1,00,00,000
Issued Capital:	
50,000 equity share of ₹100 each	50,00,000
Subscribed and fully paid	
25,000 equity share of ₹100 each	25,00,000
2. Reserve and Surplus	
Security Premium Reserve MeritBatch.com	1,00,000
3. Cash and Cash Equivalents	
Cash at Bank (14,000 × 160)	47,50,000

Journal

	Particulars	L.F.	Debit (₹)	Credit (₹)
	Bank A/c MeritBatch.com Dr.		7,50,000	
	To Equity Share Application A/c			7,50,000
	(Application money received)			
	Equity Share Application A/ Dr.		7,50,000	
	To Equity Share Capital A/c			7,50,000
	(Application money transferred to share capital)			
	Equity Share Allotment A/c Dr.		1,50,000	
	To Equity Share Capital A/c			10,50,000
	To Security Premium Reserve A/c			5,00,000
	(Money due on the allotment with premium)			
	Bank A/c Dr.		7,50,000	
	To Equity Share allotment A/c			7,50,000
	(Money received on allotment)			
	Equity Share First Call A/c Dr.		7,50,000	
	To Equity Share Capital A/c			7,50,000
	(Money due on the first call)			
	Bank A/c Dr.		7,50,000	
	To Equity Share Ist Call A/c			7,50,000
	(First call money received)			

Question 23.
A and B are partners in firm sharing profits and losses in the ratio of 7:3. Their Balance Sheet as of 31st March 2018 is.

Liabilities	Amount (₹)	Assets	Amount (₹)
Sundry Creditors	40,000	Cash in Hand	36,000
Bank Overdraft	20,000	Sundry Debtors	46,000
Reserve	10,000	Less: Provision for Doubtful Debts 2,000	44,000
Capital A/cs:		Stock-in-Trade	50,000
A 50,000			
B 40,000 MeritBatch.com	90,000	Furniture	30,00
	1,60,000		1,60,000

On 1st April 2018, C joins the firm as the third 1 partner for 14 th share of the future profits on the following terms and conditions:

Goodwill is valued at ₹ 40,000 and C is to bring in the necessary amount in cash as a premium for goodwill.

20% of the reserve is retained as a Contingency Reserve.

Stock-in-Trade is to be reduced by 40% and Furniture is to be reduced to 40%.

A is to pay off the Bank Overdraft.

C is to introduce ₹ 30,000 as his share of capital to which amount other partners' capitals shall have to be adjusted.

Prepare the Balance Sheet of the new firm after C has become a partner. Show the workings clearly. (6)
Answer:
Balance Sheet
as of 1st April 2018

Liabilities	Amount (₹)	Assets	Amount (₹)
Sundry Creditors	40,000	Cash in Hand (WN2)	76,000
Contingency Reserve	2,000	Sundry Debtors	46,000
Capital A/cs:		Less: Provision for Doubtful Debts 2,000	44,000
A 63,000		Stock-in-Trade	30,000
B 27,000		Furniture	12,000
C 30,000	1,20,000	MeritBatch.com	
	1,62,000		**1,62,000**

Working Notes
Dr. Partners Capital Account Cr.

Particulars	A	B	C	Particulars	A	B	C
To Revaluation A/c (Loss)	26,600	11,400		By Balance b/d (WN 4)	50,000	40,000	
To Cash A/c (Surplus) (Balancing Figure)		7,000		By Premium for Goodwill A/c	7,000	3,000	
To Balance c/d (WN 2)	63,000	27,000	30,000	By Reserve A/c	20,000		
				By Bank Overdraft A/c			30,000
MeritBatch.com				By Cash A/c (Deficit) (Balancing Figure)	7,000		
	89,600	**45,400**	**30,000**		**89,600**	**45,400**	**30,000**

2. Calculation of New Profit-sharing Ratio and Proportionate Capital
C joins the firm for 14 th share of profits. Therefore, 34 th (i.e.. 1 – 14) will be shared by A and B in the ratio of 7:3.
As new share = 34 x 710 = 2140; Bs new share = 34 x 310 = 940 C's share = 14 or 1040. New Profit-sharing Ratio = 21 : 9: 10. Total Capital of the new firm on the basis of C's Capital = 30,000 x 41 = 1,20,000.
A's Capital in New Firm = 1,20,000 x 2140 = 63,000; B's Capital in New Firm = 1,20,000 x 940 = 27,000.

3. The partners decide to retain 20% of Reserve as Contingency Reserve. Therefore, the balance, i.e.. 8,000 is distributed between the old partners in their old profit-sharing ratio.

Dr. Revaluation Account . Cr.

Particulars	Amount (₹)	Particulars		Amount (₹)
To Stock A/c (50,000 × 40/100)	20,000	By Loss transferred to:		
To Furniture A/c (30,000 × 60/100)	18,000	A's Capital A/c		
		(38,000 × 7/10)	26,600	
MeritBatch.com		B's Capital A/c		
		(38,000 × 3/10)	11,400	38,000
	1,62,000			1,62,000

Question 24,
Arti Ltd. was registered with a capital of ₹ 20,00,000 divided into shares of ₹ 10 each. The company invited applications for issuing 80,000 shares of ₹ 10 each at a premium of ₹ 4 per share. The amount was payable as follows: On Application ₹ 5 per share and On Allotment (including Premium) ₹ 9 per share. Applications were made on the following basis:

To application for 80,000 shares – 60,000 shares

To application for 60,000 shares – 20,000 shares

Money overpaid on application was utilized towards sum due on allotment. Rajiv, who had applied for 1,200 shares, failed to pay his dues and his shares were forfeited. The company maintains Calls-in-Arrears Account. Pass necessary journal entries in the books of Arti Ltd. to record the above transactions. Also present the balance sheet of the company showing the above transactions

OR

Nav Lakshmi Ltd. forfeited 500 shares ₹ 10 each for non-payment of first call of ₹ 3 per share. The final call of ₹ 2 per share is yet to be made. All the forfeited shares were reissued. Pass the necessary Journal entries in the following cases:
Case 1: If the shares are reissued for ₹ 5 per share.
Case 2: If the shares are reissued for ₹ 9 per share, ₹ 8 called up.
Case 3: If the shares are reissued for ₹ 8 per share, fully paid up. (6)
Answer:
Books of Arti Ltd.
Journal Entry

	Particulars	L.F.	Debit (₹)	Credit (₹)
	Bank A/c Dr. To Share Application A/c (Being application money received on 1,40,000 shares @₹5 per share)		7,00,000	 7,00,000
	Share Application A/c Dr. To Share Capital A/c To Share Allotment A/c To Bank A/c (Being application money transferred to share capital and excess application money adjusted to share allotment and returned the balance)		7,00,000	 4,00,000 2,80,000 20,000
	Share Allotment A/c Dr. To Share Capital A/c To Securities Premium Reserve A/c (Being allotment money due on 80,000 share @₹9 per share including premium ₹4 per share)		7,00,000	 4,00,000 3,00,000
	Bank A/c Dr. Calls-in-Arrears A/c Dr. To Share Allotment A/c (Being allotment money received except on 900 shares)		7,20,000	 4,20,000 3,20,000
	Share Capital A/c Dr. Securities Premium Reserve A/c Dr. To Calls-in-Arrears A/c To Share Forfeited A/c (Being 900 shares of Rajiv forfeited on non-payment of allotment money)		4,33,400 6,600	 4,40,000

Working Notes:

Adjustment of excess application money towards allotment money:

Allotment money not paid by Rijiv Clearly, Rajiv belongs to category

(i) – pro – rata basis = 80,000 : 60,000 = 4 : 3.
Number of shares applied for = 1,200. Therefore, number of share allotted = 1,200 x 34 = 900
Excess application money = (1,200 – 900) x ₹ 5 = ₹ 1,500
Unpaid aLLotment money = (900 x ₹ 9) – ₹ 1500 = ₹ 6,600
Balance Sheet of Arti Ltd.

Particulars	L.F.	Current Year (₹)	Previous Year (₹)
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds :			
(a) Share Capital	1	7,97,000	
(b) Reserve and Surplus	2	3,16,400	

Notes Accounts:

Particulars	Current Year (₹)	Previous Year (₹)
(1) Shareholders' Capital :		
Authorized capital		
2,00,000 equity shares of ₹10 each		20,00,00
Issued capital		
80,000 equity shares of ₹10 each issued to public		8,00,000
Subscribed Capital		
Subscribed and fully paid capital		
79,100 equity shares of ₹10 each	7,91,000	
Add: Shares forfeited A/c	6,0000	7,97,000
(2) Reserve and Surplus		
Securities Premium Reserve (3,20,000 – 3,600)		3,16,000

OR

journal

Date	Particulars	L.F.	Debit (₹)	Credit (₹)
	Entry for forfeiture of 500 shares in all cases			
	Share Capital A/c (500 × ₹8) Dr.		4,000	
	To Forfeited Shares A/c (500 × ₹5)			2,500
	To Shares First Call A/c (500 × ₹3)			1,500
	(Being 500 shares forfeited for non-payment of first call)			
Case 1	Bank A/c (500 × ₹5) MeritBatch.com Dr.		2,500	
	Forfeited Shares A/c (500 × ₹3) Dr.		1,500	
	To Share Capital A/c			4,000
	(Being 500 shares reissued for ₹5 per share)			
	Forfeited Shares A/c Dr.		1,000	
	To Capital Reserve A/c			1,000
	(Being Gain on reissue transferred to Capital reserve)			
Case 2	Bank A/c (500 × ₹9) Dr.		4,500	
	To Share Capital A/c (500 × ₹8)			4,000
	To Security Premium A/c (500 × ₹1)			500
	(Being 500 forfeited shares reissued for ₹9 per share, ₹8 called up)			
	Forfeited Shares A/c Dr.		2,500	
	To Capital Reserve A/c			2,500
	(Being Gain on reissue transferred to Capital reserve)			
Case 3	Bank A/c (500 × ₹8) Dr.		4,000	
	Forfeited Shares A/c (500 × ₹2) Dr.		1,000	
	To Share Capital A/c			5,000
	(Being 500 shares reissued for ₹8 per share, as fully paid)			
	Forfeited Shares A/c Dr.		1,500	
	To Capital Reserve A/c			1,500
	(Being Gain on reissue transferred to Capital reserve)			

Question 25.
A, B and C were partners in a firm sharing profits and losses in the ratio of 3: 2:1. C died on 30th June 2020. Balance Sheet of the firm as of 31st March 2017 is as follows:
BALANCE SHEET
as of 31st March 2020

Liabilities		Amount (₹)	Assets	Amount (₹)
A's Capital	1,20,000		Plant and Machinery	1,20,000
B's Capital	80,000		Furniture	75,000
C's Capital	40,000	2,40,000	Investments	20,000
A's Current A/c	8,000		Stock-in-Trade	32,000
B's Current A/c	2,500	10,500	Sundry Debtors	25,000
General Reserve		30,000	Bills Receivable	11,000
Sundry Creditors		20,000	Cash at Bank	18,500
Bills Payable		17,000	Cash in Hand	11,000
			C's Current A/c	5,000
		3,17,500		3,17,500

Following decisions were taken by the surviving partners:
(i) Goodwill of the firm is valued at ₹30,000.

(ii) A Provision for Doubtful Debts is to be raised @ 5% on Debtors.

(iii) While Plant and Machinery are to be depreciated by 10%, Furniture and Stock-in Trade are to be appreciated by 5% and 10% respectively.

(iv) Advertising Expenses ₹ 2,100 are to be carried forward to the next accounting year and, therefore, it is to be adjusted through the Revaluation Account.

(v) A and B are to share profits and losses equally in the future.

(vi) Profit for the year ended 31st March 2020 was ₹ 4,08,000 and C's share in profit is to be determined on the basis of profit for the year ended 31st March 2020.

(vii) The Fixed Capital Method is to be converted into the Fluctuating Capital Method by transferring Current Account balances to the respective Partners' Capital Accounts.

Prepare Revaluation Account, Capital Accounts of the three Partners, showing the necessary adjustments at C's death; and prepare C's Executors' Account to show that C's Executors were paid in two half-yearly equal installments plus the interest of 10% p.a. on the unpaid balance; the first installment was paid on 31st December, 2020. (6)
Answer:
Dr. Revaluation Account Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Provision for Doubtful Debts A/c	12,000	By Furniture A/c	3,750
To Plant and Machinery A/c		By Stock-in-Trade A/c	3,200
		By Advertising Expenses A/c	2,100
		By Loss on Revaluation transferred to:	
		A's Capital A/c 2,100	
		B's Capital A/c 1,400	
		C's Capital A/c 700	4,200
	13,250		13,250

Dr. Partners Capital. Account Cr.

Particulars	A	B	C	Particulars	A	B	C
To Partner's Current A/c			5,000	By Balance b/d	1,20,000	80,000	40,000
To C's Capital A/c (WN 1)		5,000			8,000	2,500	
To Revaluation A/c	2,100	1,400	700		15,000	10,000	5,000
To C's Capital A/c (WN 2)		17,000					5,000
To C's Executors' A/c							17,000
To Balance c/d	1,40,900	69,100					
	1,43,000	**92,500**	**67,000**		**1,43,000**	**92,500**	**67,000**

Dr. C's Executors' Account Cr.

Date	Particulars	Amount	Date	Particulars	Amount
2017 Dec. 31	To Bank A/c (30,650 + 3,065)	33,715	2017 June 30	By C's Capital A/c	61,300
2018 Mar. 31	To Balance c/d	31,416	Dec. 31	By Interest A/c (@ 10% for 6 months) (61,300 × 10/100 × 6/12)	3,065
			2018 Mar. 31	By Interest A/c*	766
		65,131			**65,131**
2018 June 30	To Bank A/c	32,182	2018 April 1	By Balance b/d	31,416
			June 30	By Interest A/c (30,650 × 10/100 × 3/12)	766
		32,182			**32,182**

Question 26.
On 1st October, 2021, A Ltd. purchased assets of ₹ 4,30,000 and took over liability of ₹ 90,000 of Garg Ltd. at an agreed value of ₹ 3,80,000. It issued to the vendor, 10% Debentures off100 each at 5% discount, redeemable at par after 5 years, in full satisfaction of the purchase price.

On the same date, the company issued 5,000, 11% Debentures of ₹ 100 each as a collateral security to a bank who had advanced a loan of ₹ 4,50,000 to it for a period of 3 years and also issued 5,000, 12% Debentures of f 100 each at par, redeemable after 3 years at 5% premium.

Additional Information: The interest on debenture is paid half yearly on 30th September and 31st March each year. The company had ₹ 1,20,000 in its Securities Premium Account at the end of the year. Pass Journal entries in the books of A Ltd. for the year ended 31st March, 2022. (6)
Answer:

Journal of A Ltd.

Date	Particulars		L.F.	Debit (₹)	Credit (₹)
2021					
Oct. 1	Sundry Assets A/c	Dr.		4,30,000	
	Goodwill A/c (Balancing Figure)	Dr.		40,000	
	To Sundry Liabilities A/c				60,000
	To Garg Ltd.				3,80,000
	(Being Assets and liabilities of Garg Ltd. taken over for a consideration of ₹3,80,000)				
Oct. 1	Garg Ltd.	Dr.		3,80,000	
	Discount on Issue of Debentures A/c	Dr.		20,000	
	To 10% Debentures A/c				4,00,000
	(Being 4,000, 10% Debentures of ₹100 each issued at a discount of 10% to Garg Ltd.)				
Oct. 1	Bank A/c	Dr.		4,50,000	
	To Bank Loan A/c				4,50,000
	(Being loan taken from bank)				
Oct. 1	Debentures Suspense A/c	Dr.		5,00,000	
	To 11% Debentures A/c				5,00,000
	(Being 5,000, 11% Debentures of ₹100 each issued as collateral security)				
Oct. 1	Bank A/c	Dr.		5,00,000	
	To Debentures Application and Allotment A/c				5,00,000
	(Being Application money received for 5,000 debentures)				
Oct. 1	Debentures Application and Allotment A/c	Dr.		5,00,000	
	Loss on issue of Debentures A/c	Dr.		25,000	
	To 11% Debentures A/c				5,00,000
	To Premium on Redemption of Debentures A/c				25,000
	(Being 5,000, 12% Debentures issued at par and redeemable at 5% premium)				
2022 Mar. 31	Debenture Interest A/c	Dr.		50,000	
	To Debentureholders' A/c				50,000
	(Being Interest due on Debentures for the half year ended 31st March, 2022)				
Mar. 31	Debentureholders' A/c	Dr.		50,000	
	To Bank A/c				50,000
	(Being interest paid to Debentureholders')				
Mar. 31	Statement of Profit & Loss A/c	Dr.		50,000	
	To Debentures' Interest A/c				50,000
	(Being transfer of Debentures' interest to Statement of Profit and Loss)				
	Securities Premium A/c	Dr.		40,000	
	To Discount on issue of Debentures A/c				20,000
	To Loss on issue of Debentures A/c				20,000
	(Discount and loss on issue of Debentures written off)				

PART – B
(Analysis of Financial Statements) Option – I

Question 27.
Which of the following is not the limitation of financial statement analysis?
(a) Ignores price level changes
(b) Window dressing
(c) Qualitative aspect ignored
(d) Inter firm comparisons

OR

Change in inventories means:
(a) Difference between Opening Inventories and Closing Inventories
(b) Difference between Closing Inventories and OpeningInventories
(c) Difference between Opening Inventories and Closing Inventories, if Opening Inventories are higher
(d) Difference between Closing Inventories and Opening Inventories, if Closing Inventories are higher (1)
Answer:
(d) Inter firm comparisons

Explanation: Inter firm comparison means comparison between two companies. This is an advantage of financial statement analysis.

OR

(a) Difference between Opening Inventories and Closing Inventories

Explanation: Change in inventories = Opening Inventories – Closing Inventories.

Question 28.
Current Liabilities of a company are f3,50,000. Its ratio is 3:1 and acid test ratio is 1.75:1. The value of Current Assets will be:
(a) ₹ 9,00,000
(b) ₹ 10,50,000
(c) ₹ 8,00,000
(d) ₹ 10,00,000 (1)
Answer:
(b) ₹ 10,50,000
Explanation:

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

$$3 \text{ (Given)} = \frac{\text{Current Assets}}{3{,}50{,}000}$$

Current assets = ₹ 3,50,000 x 3 = ₹ 10,50,000

Question 29.
Exe Ltd. has a balance in Provision for Tax Account of ₹ 50,000 and ₹ 75,000 as of 31st March, 2019 and 2020 respectively. It made a provision for tax during the year of ₹ 65,000. The amount of tax paid during the year was:
(a) ₹ 50,000
(b) ₹ 60,000
(c) ₹ 40,000
(d) ₹ 75,000

OR

GSC Ltd. purchased machinery of ₹ 10,00,000 issuing a cheque of ₹ 2,50,000 and 10% Debentures of ₹ 7,50,000. In the Cash Flow Statement, the transaction will be shown as
(a) Outflow under Investing Activity ₹ 10,00,000, inflow under Financing Activity as Receipt for Debentures ₹ 7,50,000.
(b) Outflow under Investing Activity ₹ 2,50,000
(c) Inflow of ₹ 7,50,000 as Financing Activity
(d) None of the above (1)
Answer:
(c) ₹ 40,000
Explanation:
Tax Paid During the year
= ₹ 50,000 + ₹ 65,000 – ₹ 75,000 = ₹ 40,000

OR

(b) Outflow under Investing Activity ₹ 2,50,000 Explanation: Purchase or sale of machinery is an investing activity. In this case, because of purchase of machinery, flow of cash is outward.

Question 30.
While Preparing Cash Flow Statement, non cash items and non-Operating items are not required to be adjusted under ……………
(a) Indirect Method
(b) Residual Method
(c) Direct Method
(d) None of these (1)
Answer:
(b) Residual Method

Explanation: The direct method is one of two accounting treatments used to generate a cash flow statement. The statement of cash flows direct method uses actual cash inflows and outflows from the company's operations, instead of modifying the operating section from accrual accounting to a cash basis.

Question 31.
Following are the items given below of balance sheet, under what headings they will shown.
(a) Share Issue Expenses (to be written off in next 12 months)
(b) Share Issue Expenses (to be written off in after 12 months)
(c) Premium on Redemption of Debentures
(d) Debit balance of Statement of Profit and Loss
(e) Loan from bank
(f) Loan Repayable on demand (3)
Answer:

Items	Headings	Sub-Headings
Share Issue Expenses (to be written off in next 12 months)	Current assets	Other Current assets
Share Issue Expenses (to be written off in after 12 months)	Non Current assets	Other Non Current assets

Premium on Redemption of Debentures	Non Current liabilities	Other Long term Liabilties
Debit balance of Statement of Profit and Loss	Shareholder's Funds	Reserve and Surplus
Loan from bank	Non Current liabilities	Long term Borrowing
Loan Repayable on demand	Current liabilities	Short term Borrowing

Question 32.
Why Quick ratio is considered to be more dependable than Current Ratio? Specify. (3)
Answer:
It is to be known that an ideal quick ratio is 1:1. If it is more, it is considered to be better. The idea is that for every rupee of current liabilities, there should atleast be one rupee of liquid assets.

This ratio is better test of short term financial position of the company than the current ratio, as it considers only those assets which can be easily and readily converted into cash. Inventory is not included in liquid assets as it may take a lot of time before it is converted into cash.

Quick ratio thus is a more rigorous test of liquidity than the current ratio and, when used together with current ratio, it gives a better picture of the short-term financial position of the firm.

Question 33.
Calculate the amount of opening and Closing Trade Receivables from the following: Trade Receivables Turnover Ratio : 6 Times Cost of Revenue from Operations ₹ 6,00,000. Gross Profit ratio : 20% on cost Cash Revenue from operations being 25% of total Revenue from Operations. Opening Trade Receivables were 1/4th Closing Trade Receivables.

OR

Calculate working capital turnover ratio from the following information:

Current Assets	1,75,000
Current Liabilities	50,000
Cost of Revenue from Operations	10,00,000
Gross Profit	20% of Revenue from Operations

Answer:
Gross Profit = ₹ 6,00,000 x 20100 = ₹ 1,20,000
Total Revenue from Operations = Cost of Revenue from Operations + Gross Profit
= ₹ 6,00,000 + 1,20,000 = ₹ 7, 20,000
Trade Receivables Turnover Ratio

$$= \frac{\text{Credit Revenue from Operations}}{\text{Average Trade Receivables}}$$

Average Trade Receivables = ₹5,40,000100

= ₹ 90,000
Total of Opening and Closing Trade Receivables = ₹ 90,000 x 2 = ₹ 1,80,000
Since Opening Trade Receivables are l/4th of Closing Trade Receivables, ratio between Opening Trade Receivables and Closing Trade Receivables will be 1:4
Opening Trade Receivables = ₹ 1,80,000 x 15
= ₹ 36,000
Closing Trade Receivables
= ₹ 1,80,000 x 45
= ₹ 1,44,000

OR

Working Capital Turnover Ratio

$$= \frac{\text{Net Revenue from Operations}}{\text{Working Capital}}$$

Net Revenue from Operations = Cost of Revenue from Operations + Gross Profit
Revenue from Operations include a profit of 20% on Revenue from Operations therefore goods R80 must have been sold for ₹ 100. As such, If cost of Revenue from Operations is ₹ 80, Revenue from Operations ₹ 100. If cost of Revenue from Operations is ₹ 10,00,000, Revenue from Operations are 10080 x 10,00,000
= ₹ 12,50,000
Working Capital = Current Assets – Current Liabilities
= ₹ 1,75,000 – ₹ 50,000 = ₹ 1,25,000
Working Capital Turnover Ratio
= ₹12,50,000₹1,25,000
= 10 Times

Question 34.
From the following Balance Sheet of Mohan Ltd. Prepare cash flow Statement:
Balance Sheet
as at 31.03.2020 and 31.03.2021

Particulars	Note No.	31.03.2021	31.03.2020
I. Equity and Liabilities			
1. Shareholder's Fund			
(a) Share Capital		3,00,000	2,00,000
(b) Reserve and Surplus		2,00,000	1,60,000
2. Non-Current Liabilities			
Long-Term Borrowing	1	80,000	1,00,000
3. Current Liabilities			
(a) Trade Payables		1,20,000	
(b) Short Term Provisions	2	70,000	60,000
Total		7,70,000	6,60,000
II. Assets			
1. Non-current Assets			
(a) Fixed Assets	3	5,00,000	3,20,000
2. Current Assets			
(a) Inventories		1,50,000	1,30,000
(b) Trade Receivables		4,90,000	1,20,000
(c) Cash and Cash Equivalents		5,30,000	90,000
Total		7,70,000	6,60,000

Notes to Accounts:

Note No.	Particulars	31.03.2021	31.03.2020
1	**Long term borrowing**		
	Bank Loan	80,000	1,00,000
2	**Short term Provisions**		
	Proposed dividend	70,000	60,000
3	**Fixed Assets**	6,00,000	4,00,000
	Less: Accumulated Depreciation	(1,00,000)	(80,000)
	Total	5,00,000	3,20,000
4	**Trade Receivables**		
	Debtors	60,000	1,00,000
	Bills Receivables	30,000	20,000
	Total	90,000	1,20,000
5	Cash and Cash Equivalent		
	Bank	30,000	90,000

Additional Information:
Machine costing Rs. 80,000 on which accumulated depreciation was Rs. 50,000 was sold for Rs. 20,000. (6)

Answer:

Cash Flow Statement of Mohan Ltd.
for the year ended 31st March, 2021 as per AS-3

Particulars	Amount (₹)	Amount (₹)
1. Cash Flow from Operating Activities:		
Profit as per the Balance Sheet (2,00,000 – 1,60,000)	40,000	
Proposed Dividend	70,000	1,10,000
Net Profit before Taxation and Extraordinary items		
Adjustments:		
Depreciation	70,000	
Loss on sale of machine	10,000	80,000
Operating Profit before Working Capital changes		1,90,000
Add: Decrease in current assets		
Debtors	40,000	40,000
		2,30,000
Less: Increase in Current Assets		
Inventories	(20,000)	
Bills Receivables	(10,000)	
Less: Decrease in Current liabilities		
Trade Payables	(20,000)	(50,000)
Net Cash from Operations		1,80,000
Cash Flow from Investing Activities		
Proceeds from Sale of Fixed Assets		20,000
Purchase of Fixed Assets		(2,80,000)
Net Cash outflow from Investing activity		(2,60,000)
Cash Flow from Financing Activities		
Issue of shares		1,00,000
Bank Loan Paid		(20,000)
Dividend Paid		(60,000)
Net Cash from Financing Activities		20,000
Net Decrease in Cash and Cash Equivalents (A+B+C)		(60,000)
Add: Cash and Cash Equivalents in the beginning		90,000
Cash and Cash equivalents at the end		30,000

Dr. Fixed Account A/c Cr.

Dr. **Fixed Account A/c** Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	4,00,000	By Bank A/c	20,000
To Bank A/c (Balancing figure)	2,80,000	By Profit and Loss A/c	10,000
		Accumulated Depreciation	50,000
		By Balance c/d	6,00,000
	6,80,000		6,80,000

Dr. Investment Account Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Fixed Assets	50,000	By Balance b/d	80,000
To Balance c/d	1,00,000	By Profit and Loss A/c (Balance figure)	70,000
	1,50,000		1,50,000