Class 12

Accountancy

Set 3 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.
In PK Limited, P and K are partners sharing profits in the ratio of 3 : 2. ₹ is admitted for 15 th share and he brings in ₹ 1,68,000 as his share of goodwill which is credited to the Capital Accounts of P and K respectively with ₹ 1,26,000 and ₹ 42,000. New profit sharing ratio will be:
(a) 3 : 1 : 5
(b) 3 : 2 : 5
(c) 9 : 7 : 4
(d) 7 : 9 : 4 (1)
Answer:
(c) 9 : 7 : 4
Explanation:
Old Profit Sharing Ratio of P and K = 3 : 2
R’s share = 15
Goodwill brought by R has been credited to the Capital Accounts of P and K respectively with ₹ 1,26,000 and ₹ 42,000.
Sacrificing Ratio of P and K
= 1,26,000 : 42,000 or 3 : 1
P’s contribution in favour of R
= 15 x 34 = 320
K’s contribution in favour of R
= 15 x 14 = 120
P’s new share = 35 – 320 = 920

K’s new share = 25 – 120 = 720
New Profit – sharing Ratio
= 920 : 720 : 15
or 9: 7: 4

Question 2.
Given below are two statements, one labelled as Assertion (A) and the other labelled as Reason (R):
Assertion (A): In the absence of date of drawings, interest on drawings is calculated for the year on the total drawings for an average period of six months.

Reason (R): In the absence of date of drawings, the interest on total drawings for the year is calculated on the total drawings @ 6% p.a. for an average period of six months.

In the context of the above two statements, which of the following is correct?
Codes:
(a) Both (A) and (R) are correct and (R) is the correct explanation for (A).
(b) Both (A) and (R) are correct, but (R) is not the correct explanation for (A).
(c) (A) is correct, but (R) is incorrect.
(d) Both (A) and (R) are incorrect. (1)
Answer:
(c) (A) is correct, but (R) is incorrect.

Explanation: Interest on drawings is to be calculated with reference to the time period for which the money was withdrawn. In the absence of date of drawings, interest on drawings is calculated for the year on the total drawings for an average period of six months at agreed rate of interest.

Question 3.
Chandra Limited took over assets worth ₹ 4,80,000 and liabilities of ₹ 80,000 of Sico Limited for a consideration of ₹ 3,20,000. Out of the purchase consideration ₹ 20,000 were paid by an acceptance of bill in favour of Sico Limited payable after 3 months and the balance by issue of fully paid 8% preference shares of ₹ 100 each at a premium of 50%. How much amount will be credited to Securities Premium Reserve Account?
(a) ₹ 1,50,000
(b) ₹ 50,000
(c) ₹ 1,00,000
(d) ₹ 2,00,000

OR

When debentures are issued at par and redeemable at a premium, the loss on such an issue is debited to:
(a) Profit and Loss Account
(b) Debentures Application and Allotment Account
(c) Loss on Issue of Debentures Account
(d) Debenture Redemption Reserve Account (1)
Answer:
(c) ₹ 1,00,000

Explanation:
Purchase Consideration = ₹ 3,20,000 Bills Payable Accepted = ₹ 20,000 Amount of 8% Preference Shares Issued = ₹ 3,20,000 – ₹ 20,000 = ₹ 3,00,000
Number of 8% Preference Shares Issued
= 3,00,000(100+50)
= 2,000
Amount credited to Securities Premium Reserve Account

= 2,000 x ₹ 50
= ₹ 1,00,000

OR

(c) Loss on Issue of Debentures Account

Explanation: When a debenture is issued at a price below its nominal value, it is said to be issued at a discount. Discount on issue of debentures is a capital Loss and is shown on the asset side of the Balance Sheet under the head "Miscellaneous Expenditure" . Similarly, premium on redemption is also a capital loss and debited to Loss on Issue of Debentures A/c.

Question 4.
If goodwill already appears in the books of old firm (before the admission of new partner), then this should be written off among the old partners in their old profit sharing ratio. What will be the Journal entry?

S. No.	Particulars		Amount	Amount
(a)	Goodwill A/c To Old Partner's Capital A/c	Dr.	–	–
(b)	Old Partner's Capital A/c To Goodwill A/c	Dr.	–	–
(c)	Partner 1 A/c To Goodwill A/c	Dr.	–	–
(d)	None of the above		–	–

OR

MK and KK were partners in a firm, sharing profits and losses in the ratio of 2 : 3. Their fixed capitals were ₹ 10,00,000 and ₹ 5,00,000 respectively. They were entitled to an interest on capital @10% p.a. The firm earned a profit of ₹ 1,20,000 during the year. The amount of interest on capital credited to KK will be:
(a) ₹ 40,000
(b) ₹ 80,000
(c) ₹ 72,000
(d) ₹ 48,000 (1)
Answer:

S, No.	Particulars		Amount	Amount
	Old Partner's Capital A/c To Goodwill A/c	Dr.	–	–

Explanation: If goodwill already appears in the books of old firm (before the admission of new partner), then this should be written off among the old partners in their old profit sharing ratio. The following Journal entry is passed.

S. No.	Particulars	Amount	Amount
(b)	Old Partner's Capital A/c Dr. To Goodwill A/c (Goodwill written off in old ratio among the old partners) MeritBatch.com	-	-

(a) ₹ 140,000

Explanation:
120,000 x 13 = 40,000
Interest on Capital is distributed in Capital Ratio.

Question 5.
If a partner withdraws ₹ 10,000 in the beginning of every month and as per the partnership deed interest on drawings is to be charged @ 10% p.a. Interest on his drawings will be:
(a) ₹ 6,500
(b) ₹ 12,000
(c) ₹ 6,000
(d) ₹ 7,500 (1)
Answer:
(a) ₹ 6,500

Explanation:
10000 x 12 = 120,000
120,000 x 10100 x 6.512 = ₹ 6,500

Question 6.
Horizon Software Ltd. issued 10,000, 7% debentures of ₹ 100 each at a discount of 5%, redeemable at a premium of 10% after 5 years, on 1st October, 2021. Interest for the year ended 31st March, 2022 will be:
(a) ₹ 35,000
(b) ₹ 33,250
(c) ₹ 66,500
(d) ₹ 70,000

OR

When debentures are issued at discount and redeemable at a premium, which account will be debited at the time of issue of debentures?
(a) Loss on issue of debentures account
(b) Debentures account
(c) Profit on issue of debentures account
(d) Loss on redemption of debentures account (1)
Answer:
(a) ₹ 35,000
Explanation: Since debentures are issued on 01,10.2021, the interest will be charged for six months. Interest is charged on the face value of the debentures. Interest on debentures
= (10,000 x 100) x 7100 x 612 = ₹ 35,000

OR

(a) Loss on issue of debentures account

Explanation: All the Losses arising from the issue of debentures are debited to the Loss on issue of debentures account in the year of issue of debentures itself. Here, the discount on issue and premium on redemption are both losses and hence will be debited to Loss of issue of debentures account.

Question 7.
Money received in advance from shareholders before it is actually called-up by the directors is:
(a) debited to calls-in-advance account.
(b) credited to calls-in-advance account.
(c) debited to calls account.
(d) None of the above. (1)
Answer:
(b) credited to cails-in-advance account

Related Theory
Calls-in-Advances is shown under the head Current Liabilities and sub-head Other Current Liabilities.

Question 8.
M, N and O are sharing profits and losses in the ratio of 5 : 3 : 2. Who will be debited and who will be credited, when they have decided to share profits equally in future?
(a) N will be Debited and M & O will be Credited
(b) N & O will be Debited and M will be Credited
(c) M & O will be Debited and N will be Credited
(d) N & M will be Debited and O will be Credited

OR

Sai, Pai and Tai are partners sharing profits and losses in the ratio of 1 : 2 : 3. On 1 – 4 – 2020 they decided to share the profits equally. On the date there was a credit balance of ₹ 1,20,000 in their Profit and Loss Account and a balance of ₹ 1,80,000 in General Reserve Account. Instead of closing the General Reserve Account and Profit and Loss Account, it is decided to record an adjustment entry for the same. In the necessary adjustment entry to give effect to the above arrangement:
(a) Dr. Sai by ₹ 50,000; Cr. Tai by ₹ 50,000
(b) Cr. Sai by ₹ 50,000; Dr. Tai by ₹ 50,000
(c) Dr. Sai by ₹ 50,000; Cr. Pai by ₹ 50,000
(d) Cr. Sai by ₹ 50,000; Dr. Pai by ₹ 50,000 (1)
Answer:
(b) N & O will be Debited and M wilt be Credited
Explanation: Adjustment of partners' capital
accounts:
(i) M will be credited because of his sacrifice 530
(ii) N will be debited because of his gain 130
(iii) O will be debited because of his gain 430

OR

Explanation:
(a) Dr. Sal by ₹ 50,000; Cr. Tal by ₹ 50,000

OR

Old Profit Sharing Ratio = 1 : 2 : 3
New Profit Sharing Ratio = 1 : 1 : 1
Sacrificing Ratio = Old Share — New Share
Sai = 16 – 13 = – 16 (Gain)

Pai = 26 – 13 = Nil
Tai = 36 – 13 = 16 (Sacrifice)
Amount to be adjusted
= ₹ (1,20,000 + 1,80,000) x 16
= ₹ 5o,ooo

Read the following hypothetical situation, answer Question no. 9 and 10

Aakash and Vinita are partners in a partnership firm Aakash& Vinita Limited. The assets of the firm stood at ₹ 7,00,000 including cash of ₹ 25,000. The creditors of the firm amounted to ₹ 1,00,000 on that date. The firm earned net profits during the last seven years as follows:

Date	Amount (₹)
2015-16	10,000 (Profit)
2016-17	35,000 (Profit)
2017-18	1,35,000
2018-19	1,50,000 (Profit)
2019-20	20,000 (Loss)
2020-21	1,25,000
2021-22	1,60,000 (Profit)

Normal rate of return in the similar type of business is 10%.

Question 9.
The amount of Normal Profit would be:
(a) ₹ 70,000
(b) ₹ 60,000
(c) ₹ 80,000
(d) ₹ 57,500 (1)
Answer:
(b) ₹ 160,000

Explanation:
Capital Invested = Total Assets – Current Liabilities
= ₹ 7,00,000 – ₹ 11,00,000 = ₹ 6,00,000

$$\text{Normal Profit} = \frac{\text{Capital Invested} \times \text{Normal Rate of Return}}{100}$$

= ₹ 6,00,000 x 10100 = ₹60,000

Question 10.
The value of Goodwill of the firm on the basis of two and a half years' purchases of average super profits would be:
(a) ₹ 37,500
(b) ₹ 12,500
(c) ₹ 25,000
(d) ₹ 50,000 (1)

Answer:
(a) ₹ 37,500

Explanation:
Super Profit = Average Profit – Normal Profit
= ₹ 75,000 – ₹ 60,000 = ₹ 15,000
Goodwill of the Firm = Super Profit x Number of years' of purchase
= ₹ 15,000 x 2.5 = ₹ 37,500

Question 11.
What will be the correct sequence of events?
(I) Adjustment of Capital
(II) Accounting Treatment of Reserves, Accumulated Profits and Losses
(III) Determination of Sacrificing Ratio and Gaining Ratio
(IV) Revaluation of assets and reassessment of liabilities Options:
(a) (I), (II), (III), (IV)
(b) (II), (I), (IV), (III)
(c) (IV), (III), (I), (II)
(d) (III), (II), (IV), (I) (1)
Answer:
(d) (III), (II), (IV), (I)

Explanation: The issues that need to be dealt with at the time of change in profit-sharing ratio are: determination of sacrificing ratio and gaining ratio; accounting treatment of goodwill; accounting treatment of reserves, accumulated profits and losses; revaluation of assets and reassessment of liabilities; and adjustment of capital.

Question 12.
Jawahar Limited issued 40,000 equity shares of ₹ 100 each at par payable as under:
On Application: 20%
On Allotment: 40%
On First & Final Call: Balance Amount
Applications were received for 50,000 shares by the company. Directors of the company allotted the shares on pro-rata basis. How much amount will be received in cash on allotment?
(a) ₹ 14,00,000
(b) ₹ 16,00,000
(c) ₹ 18,00,000
(d) ₹ 20,00,000 (1)
Answer:
(a) ₹ 14,00,000

Explanation:
Allotment Money Due = 40,000 x ₹ 40 = ₹ 16,00,000
Excess Application Money = {(50,000 – 40,000) x ₹ 20} = 10,000 x ₹ 20 = ₹ 2,00,000
Amount Received on Allotment = Allotment Money Due – Excess Application Money
= ₹ 16,00,000 – ₹ 2,00,000 = ₹ 14,00,000

Question 13.
Minimum amount to be collected by a company as application money according to SEBI is of the issue.
(a) 10%
(b) 20%
(c) 30%
(d) 25% (1)

Answer:
(d) 25%

Explanation: According to SEBI, a minimum amount to be collected by a company as application money should be 25% of the face value of shares

Question 14.
Aman and Dhawan were partners sharing profits and losses in the ratio of 5 : 3. On 1st April, 2022 they admitted Bhuwan as a new partner and new ratio was decided as 3:2:1. Goodwill of the firm was valued as ₹ 3,60,000. Bhuwan couldn't bring any amount for goodwill. Amount of goodwill share to be credited toAman and Dhawan Account's will be:
(a) ₹ 37,500 and ₹ 22,500 respectively
(b) ₹ 30,000 and ₹ 30,000 respectively
(c) ₹ 36,000 and ₹ 24,000 respectively
(d) ₹ 45,000 and ₹ 15,000 respectively (1)
Answer:
(d) ₹ 45,000 and ₹ 15,000 respectively
Explanation:
Old Ratio of Aman and Dhawan = 5 : 3
New Ratio of Aman, Dhawan and Bhuwan = 3 : 2 : 1
Amans Sacrifice or Gain = 58 – 36 = 15 – 1224
= 324 (Sacrifice)

Question 15.
If a fixed amount is withdrawn on 1st day of every quarter, for what period the interest on total amount withdrawn will be calculated?
(a) 5.5 months
(b) 6 months
(c) 4.5 months
(d) 7.5 months

OR

Ram and Shyam are partners in a firm sharing profits in the ratio of 3 : 2. As per partnership deed, interest on capital @ 6% p.a. is payable to the partners and the interest @ 9% p.a. is chargeable on drawings. Ram withdrew ₹ 30,000 during the year ended 31st March, 2022. Interest on his drawings will be:
(a) ₹ 2,700
(b) ₹ 1,350
(c) ₹ 2,400
(d) ₹ 1,575 (1)
Answer:
(d) 7.5 Months

Explanation:

$$\text{Average Period} = \frac{\text{Month left after first drawing} + \text{Months left after last drawing}}{2}$$

Month's left after first drawing = 12
Month's I.eft after Last drawing = 3
= 12+32 = 152
= 7.5 months

OR

(b) ₹ 1,350
Explanation:
Interest on Drawings = Drawings x Rate x Average Period
= 30,000 x 9100 x 612
= ₹ 1,350

Assumption: For calculation of interest on drawings, the average period would be taken as 6 months,assuming that equal amount is withdrawn evenly in the middle of every month, throughout the year.

Question 16.
Which of the following is not deducted from the amount payable to the legal representative of a deceased partner?
(a) Deceased partner's share of loss on revaluation of assets and liabilities
(b) Drawings made by deceased partner till date of death
(c) Deceased partner's share in accumulated losses
(d) Deceased partner's share of profit till date of death (1)
Answer:
(d) Deceased partner's share of profit till date of death

Explanation: The deceased partner's share of profit shall be added to the amount payable to the legal representative of deceased partners.
Dhawan's Sacrifice or Gain = 38 – 26
= 9 – 824 = 124 (Sacrifice)
Sacrificing Ratio = 3 : 1
Value of Goodwill of Firm = ₹ 3,60,000
Bhuwan's share of Goodwill = ₹ 3,60,000 x 16
= ₹ 60,000
Goodwill to be Credited to Aman's Account
= ₹ 60,000 x 34 = ₹ 45,000
Goodwill to be Credited to Dhawan's Account
= ₹ 60,000 x 14 = ₹ 15,000
The share of profit is credited to partner's capital account.

Question 17.
Purohit, Pandit and Sant were partners with fixed capitals of ₹ 3,00,000, ₹ 2,00,000 & ₹ 1,00,000 respectively. They shared profits in the ratio of their fixed capitals. Sant died on 31stMay, 2022, whereas the firm closes its books of accounts on 31st March every year.

According to their partnership deed, Sant's representatives would be entitled to get share in the interim profits of the firm on the basis of sales. Sales and profit for the year 2021 – 22 amounted to ₹ 8,00,000 and ₹ 2,40,000 respectively and sales from 1st April, 2022 to 31st May 2022 amounted to ₹ 1,50,000. The rate of profit to sales remained constant during these two years. You are required to:
(i) Calculate Sant's share in profit.
(ii) Pass journal entry to record Sant's share in profit (3)
Answer:
(i) Sales for the year 20121 – 22 = ₹ 8,00,000
Profit for the year 2021 – 22 = ₹ 2,40,000
Sales from 1st April, 2022 to 31st May 2022
= ₹ 1,50,000
Ratio of Profit to Sales = 2,40,0008,00,000 = 30%
Profit upto Sant's date of death

= ₹ 1,50,000 x 30% = ₹ 45,000
Sant's Share of Profit upto his date of death
= ₹ 45,000 x 16 = ₹ 7,500 6

(ii)

	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
	Profit and Loss Suspense A/c Dr. To Sant's Current A/c (Being Sant's share of profit upto his date of death transferred to his current account)		7,500	7,500

Question 18.
Desai and Bishnoiwere partners in the firm sharing profits and losses in the ratio of 3 : 2. On 01.04.2021, the admitted Jain as a new partner for 18 th share in the profits with a guaranteed profit of ₹ 1,50,000.

The new profit sharing ratio between Desai and Bishnoi will remain the same but they decided to bear any deficiency on account of guarantee to Jain in the ratio of 2 : 3. The profit of the firm for the year ended 31.03.2022 was ₹ 9,00,000. Prepare Profit and Loss Appropriation Account of Desai, Bishnoi and Jain for the year ended 31.03.2022.

OR

Rohit, Mohit and Shobhit were partners sharing profits in the ratio of 3 : 3 : 2. The partnership deed provided for the following:

Salary of ₹ 2,000 per quarter to Rohit and Mohit.

Shobhit was entitled to a commission of ₹ 8,000

Mohit was guaranteed a profit of ₹ 50,000 p.a.

The profit of the firm for the year ended 31st March, 2022 was ₹ 1,50,000 which was distributed among Rohit, Mohit and Shobhit in the ratio of 2 : 2 : 1, without taking into consideration the provisions of partnership deed. Pass necessary rectifying entry for the above adjustments in the books of the firm. Show your working clearly. (3)
Answer:
Dr. Profit and Loss Appropriation Account Cr.

Particulars		Amount (₹)	Particulars	Amount (₹)
To Profit transferred to:			By Profit and Loss A/c	9,00,000
Desai	4,72,500	4,57,500		
Less: Given to Jain	15,000	2,92,500		
Bishnoi	3,15,000			
Less: Given to Jain	22,500	1,50,000		
Jain	1,12,500			
Add: From Desai	15,000			
Add: From Bishnoi	22,500			
		9,00,000		**9,00,000**

Working Notes:

Jain's guaranteed share = ₹ 1,50,000
Jains actual share = ₹ 9,00,000 x 18 = ₹ 1,12,500
Desai's share = ₹ 9,00,000 – ₹ 1,12,500 = ₹ 7,87,500 x 25 = ₹ 4,72,500
Bishnoi's share = ₹ 9,00,000 – ₹ 1,12,500 = ₹ 7,87,500 x 25 = ₹ 3,15,000
Deficiency = ₹ 1,50,000 – ₹ 1,12,500 = ₹ 37,500
This deficiency will be borne by Desai and Bishnoi in the ratio of 2 : 3
Desai will pay = ₹ 37,500 x 25 = ₹ 15,000
Bishnoi will pay = ₹ 37,500 x 35 = ₹ 22,500

OR

Journal

	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
	Rohit's Capital A/c Dr. Mohit'sCapital A/c Dr. To Shobhit's Capital A/c (Being adjustments of salary, commission and guaranteed profit made)		6,400 2,000	 8,400

Adjustment Table

Particulars	Rohit (₹)	Mohit (₹)	Shobhit (₹)	Firm (₹)
Salary (Cr.)	8,000	8,000	–	16,000
Commission (Cr.)	–	–	8,000	8,000
Guaranteed Profits (Cr.)	–	50,000	–	50,000
Profits to be distributed (Cr.)	45,600	–	30,400	76,000
Profits to be recovered (Dr.)	60,000	60,000	30,000	1,50,000
	6,400 (Dr.)	2,000 (Dr.)	8,400 (Cr.)	

Question 19.
Pass the necessary journal entries for the issue of debentures for the following transactions:
(A) Renuka Traders Limited took over Plant and Machinery of ₹ 16,00,000 and liabilities of ₹ 6,00,000 from Unnati Limited for a purchase consideration of ₹ 12,00,000. The payment was made by issue of 12% Debentures of ₹ 100 each at 20% premium.

(B) On 1st April, 2021, Surya Limited issued 1,600,12% Debentures of ₹ 500 each at a premium of 20%, to Chandani Limited for Plant purchased from them costing ₹ 9,60,000.

OR

Akanksha Limited issued 8% Debentures of the face value of ₹ 20,00,000 at a discount of 6% on 1st April, 2016. These debentures are redeemable by annual drawings of ₹ 4,00,000 made on 31st March each year. The directors decided to write off discount based on the debentures outstanding each year. Prepare Discount on Issue of Debentures Account of Akanksha Limited for five years. (3)
Answer:
In the Books of Renuka Traders Limited
Journal

Date	Particulars		L.F.	Amount (₹)	Amount (₹)
	Plant and Machinery A/c	Dr.		16,00,000	
	Goodwill A/c	Dr.		2,00,000	
	To Sundry Liabilities A/c				6,00,000
	To Unnati Traders				12,00,000
	(Being Plant and Machinery and liabilities of Unnati Limited taken over for a purchase consideration of ₹ 12,00,000)				
	Unnati Limited	Dr.		12,00,000	
	To 12% Debentures A/c				10,00,000
	To Securities Premium Reserve A/c				2,00,000
	(Being purchase consideration discharged by issuing 10,000, 12% Debentures of ₹100 each at a premium of 20%)				

Working Note:
Number of Debentures Issued

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

= ₹12,00,000₹(100+20)
= 10,000

(B) In the Books of Sura Limited
Journal

Date	Particulars		L.F.	Amount (₹)	Amount (₹)
2021 April 1	Chandani Limited	Dr.		9,60,000	
	To 12% Debentures A/c				8,00,000
	To Securities Premium Reserve A/c				1,60,000
	(Being purchase consideration discharged by issuing 1,600, 12% Debentures of ₹ 500 at a premium of 20%)				

OR

Total Discount on the Issue of Debentures = ₹ 20,00,000 x 610 = ₹ 1,20,000
Since debentures are redeemable by annual drawings of ₹ 4,00,000, the amount of discount written off from Statement of Profit and Loss is determined as follows:

Year ending	Debentures Outstanding (₹)	Ratio*	Amount of Discount to be written off each year
31st March, 2017	20,00,000	5 or 515	₹ 1,20,000 x 515 = ₹ 40,000
31st March, 2018	16,00,000	4 or 415	₹ 1,20,000 x 415 = ₹ 32,000
31st March, 2019	12,00,000	3 or 315	₹ 1,20,000 x 315 = ₹ 24,000

31st March, 2020	8,00,000	2 or 215	₹ 1,20,000 x 215 = ₹ 16,000
31st March, 2021	4,00,000	1 or 115	₹ 1,20,000 x 115 = ₹8,000
			₹ 1,20,000

Ratio has been obtained by dividing Debentures Outstanding by ₹ 4,00,000.
Dr. Discount on Issue of Debentures Account Cr.

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
2016 Apr. 1	To Debentures A/c	1,20,000	2017 Mar. 31	By Statements of Profit and Loss	40,000
			Mar. 31	By Balance c/d	80,000
		1,20,000			**1,20,000**
2017 Apr. 1	To Balance b/d	80,000	2018 Mar. 31	By Statement of Profit and Loss	32,000
			Mar. 31	By Balance c/d	48,000
		80,000			**80,000**
2018 Apr. 1	To Balance b/d	48,000	2019 Mar. 31	By Statement of Profit and Loss	24,000
			Mar. 31	By Balance c/d	24,000
		48,000			**48,000**
2019 Apr. 1	To Balance b/d	24,000	2020 Mar. 31	By Statement of Profit and Loss	16,000
			Mar. 31	By Balance c/d	8,000
		24,000			**24,000**
2020 Apr. 1	To Balance b/d	8,000	2021 Mar. 31	By Statement of Profit and Loss	8,000
		8,000			**8,000**

Question 20.
Ranju, Sanju and Manju are partners in a firm sharing profits and losses in the ratio of 5 : 3 : 2. From 1st April, 2022 they decided to share future profits and losses in the ratio of 2 : 5 : 3. Their Balance sheet showed a balance of ₹ 75,000 in the Profit and Loss Account and a balance of ₹ 15,000 in Investment Fluctuation Fund. For this purpose, it was agreed that:

Goodwill of the firm was valued at ₹ 3,00, 000.

Investments (having book value of ₹ 50,000) were valued at ₹ 35,000.

Stock having a book value of ₹ 50,000 be depreciated by 10% Pass necessary journal entries for the above in the books of the firm. (3)

Answer:
journal

Date	Particulars		L.F.	Debit (₹)	Credit (₹)
	Profit and Loss A/c	Dr.		75,000	
	To Ranju's Capital A/c				37,500
	To Sanju's Capital A/c				22,500
	To Manju's Capital A/c				15,000
	(Being transfer of profits to partners in old profit sharing ratio)				
	Sanju's Capital A/c	Dr.		60,000	
	Manju's Capital A/c	Dr.		30,000	
	To Ranju's Capital A/c				90,000
	(Being adjustment made for goodwill for change in profit sharing ratio)				
	Investment Fluctuation Fund A/c	Dr.		5,000	
	To Investments A/c				5,000
	(Being fall in book value of Investments adjusted through Investment Fluctuation Fund)				
	Revaluation A/c	Dr.		5,000	
	To Stock A/c				5,000
	(Being decrease in value of stock)				
	Ranju's Capital A/c	Dr.		2,500	
	Sanju's Capital A/c	Dr.		1,500	
	Manju's Capital A/c	Dr.		1,000	
	To Revaluation A/c				5,000
	(Being loss on revaluation transferred to Partners' Capital Accounts in old profit sharing ratio)				

Working Notes:
(i) Calculation of Sacrifice or Gain in share of partners

Particulars	Srikant	Raman	Manju
Old Ratio	3/5	2/5	2/10
New Ratio	6/15	4/15	3/10
Difference	3/15 (Sacrifice)	-2/15 (Sacrifice)	-1/10 (Sacrifice)

(ii) Calculation of Good will
Total Goodwill of firm = ₹ 3,00,000
Ranju's share of sacrifice = 310
Ranju's share of goodwill. = 310 x 3,00,000 = ₹ 90,000 (Cr.)
Sanju s share of gain = 210
Sanju's share of goodwill = 210 x 3,00,000 = ₹ 60,000 (Dr.)
Manjus share of gain = 110
Manju's share of goodwill = 110 x 3,00,000 = ₹ 30,000 (Dr.)

Question 21.
Global Powers Ltd. issued 2,000, 10% Debentures of ₹ 100 each on 1st April, 2021 at a discount of 5% redeemable at a premium of 10%. Pass journal entries relating to the issue of debentures and debenture interest for the period ending 31st March, 2022 assuming that interest is paid half yearly on September 30 and March 31 and tax deducted at source is 10%. (4)
Answer:
In the Books of Global Powers Ltd.
Journal

Date	Particulars	L.F.	Debit (₹)	Credit (₹)
	Bank A/c Dr. To Debentures Application & Allotment A/c (Being application money received)		1,90,000	 1,90,000
	Debenture Application & Allotment A/c Dr. Loss on Issue of Debentures A/c Dr. To 10% Debentures A/c To Premium on Redemption of Debentures A/c (Being application money adjusted)		1,90,000 30,000	 2,00,000 20,000
	Debentures Interest A/c Dr. To TDS To Debentureholders A/c (Being interest due)		10,000	 1,000 9,000
	TDS Dr. Debentureholders A/c Dr. To Bank A/c (Being interest paid and TDS deposited with bank)		1,000 9,000	 10,000
31st March, 2022	Debentures Interest A/c Dr. To TDS To Debentureholders A/c (Being interest due)		10,000	1,000 9,000
	TDS Dr. Debentureholders A/c Dr. To Bank A/c (Being interest paid and TDS deposited with bank)		1,000 9,000	 10,000
	Statement of Profit and Loss Dr. To Debenture Interest A/c (Being debenture interest transferred to Profit and Loss account)		20,000	 20,000

Question 22.
Srikant and Raman are partners in a firm sharing profits and losses in the ratio of 3 : 2. They decided to admit Venkat into partnership with 13 share in profits. Venkat brings in ₹ 30,000 as his capital. He also promises to pay the necessary amount for his share of goodwill. On date of admission, the goodwill of the firm has been valued at ₹ 24,000 and the goodwill account already appears in the books at ₹ 12,000. Venkat brings in the necessary amount for his share of goodwill and agree that the existing goodwill account be written off. Record the necessary journal entries in the books of the firm. (4)
Answer:
Journal

Date	Particulars	L.F.	Debit (₹)	Credit (₹)
	Bank A/c Dr. To Vekat's Capital A/c To Goodwill A/c (Being cash brought in by Venkat towards his capital and share of goodwill)		38,000	 30,000 8,000
	Goodwill A/c Dr. To Srikant's Capital A/c To Raman's Capital A/c (Being goodwill brought in by Venkat shared by old partners in sacrificing ratio)		8,000	 4,800 3,200
	Srikant's Capital A/c Dr. Raman's Capital A/c Dr. To Goodwill A/c (Being existing goodwill written off among old partners in old ratio)		7,200 4,800	 12,000

Working Notes:
(i) Share of goodwill of Venkat = 13 of 24,000 = 13 x 24,000 = ₹ 8,000

(ii) New profit sharing ratio:
Venkat's share = 13
Remaining share = 1 – 13 = 23
Srikants new share = 23 x 35 = 615
Raman s new share = 23 x 25 = 415
Venkats share = 13 or 515
So, new profit sharing ratio = 6 : 4 : 5

(iii) Calculation of Sacrifice or Gain in share of Partners
Table
Assumption: It is assumed that old partners sacrifice their share in favour of Venkat in old ratio of 3 : 2.

Question 23.
Bharti Ltd. 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
On Allotment – ₹ 9 per Share (including premium)

Allotment was made to applicants as under:

To applicants of 80,000 shares – 60,000 shares

To applicants of 60,000 shares – 20,000 shares

Excess money paid by the applicants was utilised towards sum due on allotment. Rajiv, belonging to category (i), had applied for 1,200 shares failed to pay his dues and his shares were forfeited. Pass necessary journal entries for the above transactions in the books of Bharti Ltd.

OR

Sunrise Company Ltd. offered for public subscription 10,000 shares of ₹ 10 each at ₹ 11 per share. Money was payable as follows:
₹ 3 on application

₹ 4 on allotment (including premium)
₹ 4 on first and final call

Applications were received for 12,000 shares and the directors made pro-rata allotment. Mr. Ahmed, an applicant for 120 shares could not pay the allotment and call money and Mr. Basu, a holder of 240 shares, failed to pay the calL All these shares were forfeited. The forfeited shares were re-issued at ₹ 10 per share fully paid up. Record journal entries for the above transactions In the books of Sunrise Company Ltd. (6)
Answer:
journal

Date	Particulars	L.F.	Debit (₹)	Credit (₹)
	Bank A/c Dr.		7,00,000	
	To Share Application A/c			7,00,000
	(Being application money received on 1,40,000 shares @ Rs. 5 per share)			
	Share Application A/c Dr.		7,00,000	
	To Equity Share Capital A/c			4,00,000
	To Bank A/c			20,000
	To Share Allotment A/c			2,80,000
	(Being application money adjusted)			
	Share Allotment A/c Dr.		7,20,000	
	To Equity Share Capital A/c			4,00,000
	To Securities Premium Reserve			3,20,000
	(Being allotment money due)			
	Bank A/c Dr.		4,33,400	
	To Share Allotment A/c			4,33,400
	(Being allotment money received)			
	Equity Share Capital A/c Dr.		9,000	
	Securities Premium Reserve Dr.		3,600	
	To Share Allotment A/c			6,600
	To Share Forfeiture A/c			6,000
	(Being 900 shares forfeited)			

Working Notes:
Total Applications Received = 80,000 + 60,000 = 1,40,000 Shares
Share Allotment Table
Table
(i) Pro rata allotment of category (i) shares = 80,000 : 60,000 = 4 : 3
Therefore, shares allotted to Rajiv against 1,200 shares = 1200 x 34 = 900 shares
Amount paid by Rajiv on application = 1,200 x 5 = ₹ 6,000
Amount adjusted on application = 900 x 5 = ₹ 4,500
Excess amount received on application = 6,000 – 4,500 = ₹ 1,500
Amount due on allotment = 900 x 9 = ₹ 8,100
Amount unpaid by Rajiv on allotment = 8,100 – 1,500 = ₹ 6,600

(ii) Amount received on application = 1,40,000 x 5 = ₹ 7,00,000

(iii) Amount received on allotment:
Amount due on allotment = 80,000 x 9 = ₹ 7,20,000
Excess amount adjusted from application = 1,00,000 + 1,80,000 = ₹ 2,80,000 (share allotment table)
Calls in arrears on 900 shares of Rajiv = ₹ 6,600
Total amount received on allotment = 7,20,000 – 2,80,000 – 6,600 = ₹ 4,33,400

OR

In the books of Sunrise Company Ltd.
Journal

Date	Particulars		L.F.	Debit Amount (₹)	Credit Amount (₹)
	Bank A/c To Share Application A/c (Being application money received)	Dr.		36,000	36,000
	Share Application A/c To Share Capital A/c To Share Allotment A/c (Being application money adjusted)	Dr.		30,000	30,000 6,000
	Share Allotment A/c To Share Allotment A/c To Securities Premium Reserve (Being allotment money due)	Dr.		40,000	30,000 10,000
	Bank A/c To Share Allotment A/c (Being allotment money received)	Dr.		33,660	33,660
	Share First and Final Call To Share Capital A/c (Being first and final call due)	Dr.		40,000	40,000
	Bank A/c To Share First and Final Call (Being call money received on 9,700 shares)	Dr.		38,800	38,800
	Share Capital A/c Securities Premium Reserve To Share Allotment A/c To Share First and Final Call A/c To Share Forfeiture A/c (Being forfeiture of 300 shares)	Dr. Dr.		3,000 100	340 1,200 1,560
	Bank A/c To Share Capital A/c (Being 300 forfeited shares re-issued)	Dr.		3,000	3,000
	Share Forfeiture A/c To Capital Reserve (Being profit on forfeiture and re-issue transferred to Capital Reserve)	Dr.		1,560	1,560

Working Notes:
(i) Amount received on application = 12,000 x 3 = ₹ 36,000
Amount due on application = 10,000 x 3 = ₹ 30,000
Amount adjusted on allotment = 36,000 – 30,000 = ₹ 6,000

(ii) Amount received on allotment:
Amount due on allotment = 10,000 x 4 = ₹ 40,000
Amount adjusted from application = ₹ 6,000
Shares allotted to Mr. Ahmed :
Ratio of Pro rata allotment of shares = 10,000 : 12,000 = 5 : 6
Shares allotted to Mr. Ahmed = 120 x 56 = 100 shares
Amount paid by Mr. Ahmed on application = 120 x 3 = ₹ 360
Amount due on application = 100 x 3 = ₹ 300
Amount adjusted on allotment = 360 – 300 = ₹ 60
Amount due on allotment = 100 x 4 = ₹ 400
Amount not paid by Mr. Ahmed on allotment = 400 – 60 = ₹ 340
Therefore, total amount received on allotment = 40,000 – 6,000 – 340 = ₹ 33,660

(iii) Amount received on first and final call = 9,700 x 4 = ₹ 38,800

(iv) Amount of Share forfeiture :
Amount received from Mr. Ahmed = ₹ 360
Amount received from Mr. Basu = 200 x 6 = ₹ 1,200
Total amount received on shares forfeited = 360 + 1,200 = ₹ 1,560
Assumption: The amount of premium received from Mr. Basu towards premium, on allotment, shall not be considered in share forfeiture.

Question 24.
Rajendra, Surendra and Bijendra were partners in a firm sharing profits and losses in the ratio of 2:2 : 1. On 31st March, 2020 their balance sheet was as follows:
Balance Sheet of Rajendra, Surendra and Bijendra
as on 31st March, 2020

Liabilities		Amount (₹)	Assets	Amount (₹)
Capitals:			Capital: Bijendra	10,000
Rajendra	2,00,000		Plant	2,20,000
Surendra	1,50,000	3,50,000	Investments	70,000
Sundry Creditors		75,000	Stock	50,000
Bills Payable		40,000	Debtors	60,000
Outstanding Salary		35,000	Bank	10,000
			Profit and Loss Account	80,000
		5,00,000		5,00,000

On this date, they decided to dissolve the firm.

Rajendra was appointed to realise the assets and discharge the liabilities. Rajendra was to receive 5% commission on sale of assets (except cash) and was to bear all expenses of realisation.

Assets were realised as follows: Plant ₹ 85,000; Stock ₹ 33,000; Debtors ₹ 47,000

Investments were realised at 95% of book value.

A contingent liability in respect of bill receivable, discounted with the bank had also materialised and had to be discharged for ₹ 15,000.

Expenses of realisation amounting to ₹ 3,000 were paid by Rajendra. Prepare Realisation Account, Partner's Capital Account and Bank Account.

OR

(A) The Balance Sheet of Mohit, Neeraj and Sohan who are partners in a firm sharing profits according to their capitals , as on 31st March, 2019 was as under:
Balance Sheet as
at 31st March, 2019

Liabilities	Amount (₹)	Assets	Amount (₹)
Creditors	21,000	Building	1,00,000
Mohit's Capital	80,000	Machinery	50,000
Neeraj's Capital	40,000	Stock	18,000
Sohan's Capital	40,000	Debtors 20,000	
General Reserve	20,000	Less Prov. for Doubtful Debts 1,000	19,000
		Cash at Bank	14,000
	2,01,000		2,01,000

On that date, Neeraj decided to retire from the firm and was paid for his share in the firm subject to the following:

Buildings to be appeciated by 20%.

Provision for Bad Debts to be increased to 15% on Debtors.

Machinery to be depreciated by 20%.

Goodwill of the firm is valued at ₹ 72,000 and the retiring partner's share is adjusted through the capital accounts of remaining partners.

The capital of new firm to be fixed at ₹ 1,20,000.

Prepare Revaluation account,
(B) A, B and C are partners sharing profits in the ratio of 3 : 2 : 1. B retired and the new profit sharing ratio between A and C was 2 : 1. On B's retirement, the goodwill of the firm was valued at ₹ 60,000. Pass necessary journal entry for the treatment of goodwill on B's retirement. (6)
Answer:
Dr. ReaUsation Account Cr.

Particulars		Amount (₹)	Particulars		Amount (₹)
To Sundry Assets:			By Sundry Liabilities:		
Plant	2,20,000		Creditors	75,000	
Investment	70,000		Bills Payable	40,000	
Stock	50,000		Outstanding Salary	35,000	1,50,000
Debtors	60,000	4,00,000	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 bills	7,500		Investments	66,500	2,31,500
Contingent liability	15,000		By Loss transferred to Partner's		
Outstanding Salary	35,000	1,72,500	Capital A/cs:		
To Rajendra's Capital A/c			Rajendra	81,030	
Commission		11,575	Surendra	81,030	
MeritBatch.com			Bijendra	40,515	2,02,575
		5,84,075			5,84,075

Dr. Partner's CapitaL Accounts Cr.

Paritculars	Rajendra	Surendra	Bijendra	Particulars	Rajendra	Surendra	Bijendra
To Balance b/d	-	-	10,000	By Balance b/d	2,00,000	1,50,000	-
To Profit and Loss A/c	32,000	32,000	16,000	By Realisation A/c	11,575	-	-
				By Bank A/c			
To Realisation A/c	81,030	81,030	40,515		-	-	66,515
To Bank A/c	98,545	36,970	-				
MeritBatch.com	2,11,575	1,15,000	66,515		2,11,575	1,15,000	66,515

Dr. Bank Account Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	10,000	By Realisation A/c	1,72,500
To Realisation A/c	2,31,500	By Rajendra's Capital A/c	98,545
To Bijendra's Capital A/c	66,515	By Surendra's Capital c/d	36,970
MeritBatch.com	3,08,015		3,08,015

Working Notes:
Rajendra's commission = 5% of assets realised
Assets realised = ₹ 2,31,500
Rajendra's commission = 5100 x 2,31,500 = ₹ 11,575

Assumption: Since, Rajendra was to receive commission of 5% and bear all realisation expenses, the realisation expenses of ₹ 3000 will not be shown anywhere.

OR
(A) Dr. RevaLuation Account Cr.

Particulars		Amount (₹)	Particulars	Amount (₹)
To Provision for Bad Debts		2,000	By Building	20,000
To Machinery		10,000		
To Profit transferred to Capital A/cs:				
Mohit	4,000			
Neeraj	2,000			
Sohan	2,000	8,000		
MeritBatch.com				
		20,000		20,000

(B) journal

Particulars		L.F.	Debit Amount (₹)	Credit Amount (₹)
A's Capital A/c MeritBatch.com	Dr.		10,000	
C's Capital A/c	Dr.		10,000	
To B's Capital A/c				20,000
(Being B's share of goodwill adjusted on retirement)				

Working Notes:
(i) Calculation of gaining ratio = New ratio – Old ratio
Asshare = 23 – 36 = 4–36 = 16
B's share = 13 – 16 = 2–16 = 16
Gaining ratio = 1 : 1

(ii) Calculation of goodwilL Goodwill of firm = ₹ 60,000
B's share of goodwili.= 60,000 x 26 = ₹ 20,000
A's share in goodwitt= 20,000 x 12 = ₹ 10,000
C's share in goodwit[= 20,000 x 12 = ₹ 10,000

Question 25.
On 31st March, 2022, the Balance Sheet of Pooja, Qureshi and Ross, who were partners in Pukaro Limited was as under:
Balance Sheet as on 31st March, 2022
as on 31st March, 2022

Liabilities		Amount (₹)	Assets	Amount (₹)
Sundry Creditors		**2,50,000**	**Building**	**2,60,000**
Reserve Fund		**2,00,000**	**Investments**	**1,10,000**
Capital A/cs:			**Debtors**	**1,50,000**
Pooja	**1,50,000**		**Qureshi's Loan**	**1,00,000**
Qureshi	**1,00,000**		**Stock**	**1,20,000**
Ross	**1,00,000**	**3,50,000**	**Cash**	**60,000**
MeritBatch.com		**8,00,000**		**8,00,000**

Qureshi died on 1st July, 2022. The profit sharing ratio of the partners was 2 :1:1. On the death of a partner, the partnership deed provided for the following:

(i) His share in the profits of the firm till the date of his death will be calculated on the basis of average profits of last three completed years.

(ii) Goodwill of the firm will be calculated on the basis of total profit of last two years.

(iii) Interest on loan given by the firm to a partner will be charged at the rate of 6% p.a. or ₹ 4,000, whichever is more.

(iv) Profits for the last three years 2019 – 20, 2020-21 and 2021-22 were ₹ 45,000, ₹ 8,000 and ₹ 33,000 respectively.

You are required to prepare Qureshi's Capital Account to be rendered to his executors. Also show the working notes clearly. (6)
Answer:
Dr. Qureshi's CapitaL Account Cr.

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
1^{st} July,22	To Qureshi's Loan A/c (WN 5)	1,04,000	1^{st} April, 22	By Balance b/d	1,00,000
				By Pooja's Capital A/c (WN 2)	13,500
31^{st} March, 23	To Qureshi's Executors' A/c	68,875	1^{st} July	By Ross's Capital A/c (WN 2)	6,750
			1^{st} July	By Profit & Loss Suspense A/c (WN 3)	2,625
			1^{st} July	By Reserve Fund A/c (WN 4)	50,000
		1,72,875			**1,72,875**

Working Notes:
(1) Calculation of Profit Sharing Ratio:
Old Profit Sharing Ratio of Pooja, Qureshi and Ross = 2 : 1 : 1
New Profit Sharing Ratio of Pooja and Ross = 2 : 1 and
Gaining Ratio of Pooja and Ross = 2 : 1

(2) Calculation of Qureshi's Share of Good will:
Goodwill of Firm = ₹ 48,000 + ₹ 33,000 = ₹ 81,000
Qureshi's Share of Goodwill = ₹ 81,000 x 14 = ₹ 20,250
This share of Goodwill will be contributed by Pooja and Ross in their gaining ratio, i.e., 2 :1,
Pooja will contribute = ₹ 20,250 x 23 = ₹ 13,500
Ross will contribute = ₹ 20,250 x 13 = ₹ 6,750

(3) Calculation of Qureshi's Share of Profit till the date of his death:
Average Profit of last three years = ₹ 45,000 + 48,000 + ₹ 33,000 = ₹ 42,000
Qureshi's Share of Profit till the date of his death = Previous year's Profit x Qureshi's Share x Months till date of death
= ₹ 42,000 x 14 x 312 = ₹ 2,625

(4) Calculation of Qureshi's Share in Reserve Fund:
Qureshi's Share in Reserve Fund = ₹ 2,00,000 x 14 = ₹ 50,000

(5) Calculation of Amount due on account of Loan given to Qureshi:
Loan given to Qureshi by firm = ₹ 1,00,000
Amount of Interest till 1st July, 2022 = ₹ 1,00,000 x 6100 x 312 = ₹ 1,500
Total Amount due to firm on 1st July = Loan given to Qureshi by firm + Amount of Interest

= ₹ 1,00,000 + ₹ 4,000 [As ₹4,000 > Amount of Interest]
= ₹ 1,04,000

Question 26.
Tetra Packers Limited, a packers and movers company has an equity share capital of ₹ 60,00,000. The company needed funds for diversification. The finance manager of the company had the following two options:

Option 1: Issue ₹ 30,00,000, 10% Debentures of ₹ 100 each to the public at 5% discount, redeemable at a premium of 10% after six years.

Option 2: Borrow ₹ 30,00,000 @ 15% p.a. from the bank payable in four equal quarterly instalments starting from the end of the fourth year.

After all the discussions, on 1st April, 2021, the board of directors of the company opted for Option 1, to increase the return to the shareholders. The Balance Sheet of the company on 1st April, 2021 shows a balance of ₹ 3,50,000 in Securities Premium Reserve which the company decided to use for writing off the loss on issue of debentures. You are required to answer the following questions:
(A) Calculate the number of debentures issued to the public.
(B) Pass journal entry for receipt of application money of debentures.
(C) Pass journal entry to be passed at the time of allotment of debentures.
(D) Pass journal entry to write off loss on issue of debentures.
(E) Prepare Loss on Issue of Debentures Account. (6)
Answer:
(A)
Number of Debentures Issued = ₹30,00,000₹(100–4) = 31,250

(B) In the Books of Tetra Packers Limited
Journal

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
2021				
April 1	Bank A/c Dr.		30,00,000	
	To Debenture Application & Allotment A/c			30,00,000
	(Being application money received for 31,250, 10% Debentures of ₹ 100 each issued at a discount of 4%)			

In the Books of Tetro Packers Limited
Journal

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
2021				
April 1	Debenture Application & Allotment A/c Dr.		30,00,000	
	Loss on Issue of Debentures A/c Dr.		4,37,500	
	To 10% Debentures A/c			31,25,000
	To Premium on Redemption of Debentures A/c			3,12,500
	(Being allotment of 31,250, 10% Debentures of ₹ 100 each issued at a discount of 4%, redeemable at a premium of 10%)			

In the Books of Tetra Packers Limited
Journal

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
2022 March 31	Securities Premium Reserve A/c Dr.		3,50,000	
	Statement of Profit and Loss Dr.		87,500	
	To Loss on Issue of Debentures A/c			4,37,500
	(Being loss on issue of debentures written off at the end of the year)			

Dr. Loss on Issue of Debentures Account Cr.

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
2021 April 1	To 10% Debentures A/c	1,25,000	2022 March 31	By Securities Premium Reserve A/c	3,50,000
April 1	To Premium on Redemption of Debentures A/c	1,00,000		Statement of Profit and Loss	87,500
		4,37,500			**4,37,500**

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

Question 27.
Which of the following is not a tool of Financial Statement Analysis?
(a) Ratio analysis
(b) Cash flow statement
(c) Common size financial statements
(d) Window dressing

OR

Which of the following statement is true, as per Schedule III of the Companies Act, 2013?
(I) Loose Tools are shown under sub¬heading Inventories.
(II) Calls-in-Arrears are shown under sub-heading Reserves and Surplus.
Choose the correct option:
(a) Only I
(b) Only II
(c) Both I & II
(d) None of the above (1)
Answer:
(d) Window dressing

Explanation: Financial statement analysis is the systematic numerical representation of the relationship of one financial fact with the other to measure the profitability, operational jg efficiency, solvency and the growth potential of the business.

Window dressing means manipulation of accounts to conceal vital facts and present the financial statements in such a way so as to show a better position than what it actually is. The tools of financial statement analysis are comparative statements, common size statements, trend analysis, ratio analysis and cash flow statement.

OR

(a) Only I

Explanation: According to Schedule III, Part-I of Companies Act, 2013, Loose tools are shown under the head 'Current Assets' and sub-head 'Inventories'. Calls-in-Arrears are shown under the head 'Shareholders' Funds' and sub-head 'Subscribed Capital' by way of deduction from subscribed but not fully paid-up capital.

Question 28.
To know the return on investment, by capital employed we mean:
(a) Net Fixed Assets
(b) Current Asset – Current Liabilities
(c) Gross Block
(d) Fixed Assets + Current Assets – Current Liabilities (1)
Answer:
(c) Current Assets ₹ 12,60,000;
Current Liabilities ₹ 3,60,000

Explanation:

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

$$\frac{3.5}{1} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Current Assets = 3.5 x Current Liabilities
Working Capital = Current Assets – Current Liabilities
₹ 9,00,000 = 3.5 x Current Liabilities – Current Liabilities
₹ 9,00,000 = 2.5 x Current Liabilities
Current Liabilities = 9,00,0002.5
= ₹ 3,60,000
So, Current Assets
= 3.5 x ₹ 3,60,000 = ₹ 12,60,000

Question 29.
Balance Sheet (Extract)

Equity and Liabilities	Note No.	31.03.2019 (₹)	31.03.2020 (₹)
Non Current Liabilities 12% Debentures		1,12,500	1,12,500

Additional Information:
(i) Interest on debentures is paid on half yearly basis on 30th September and 31st March every year.
(ii) ₹ 25,000, 12% Debentures were issued 32. on 31.03.2020.
How much amount will be shown in Financing activity in cash flow statement?
(a) Outflow ₹ 14,500
(b) Inflow ₹ 25,000

(c) Outflow ₹ 10,500
(d) Inflow ₹ 14,500

OR

Which of the following transactions will not result in flow of cash?
(a) Issue of equity shares of ₹ 1,00,000
(b) Purchase of Machinery ₹ 1,75,000
(c) Redemption of 9% debentures ₹ 3,50,000
(d) Cash deposited into Bank ₹ 50,000 (1)
Answer:
(b) Inflow ₹ 14,500
Explanation:
Issue of new debentures = 1,12,500 – 87,500
= ₹ 25,000 12
Interest on debentures = 87,500 x 12100
= ₹ 10,500
Cash inflow from investing activity
= 25,000 – 10,500 = ₹ 14,500

OR

(d) Cash deposited into Bank ₹ 50,000

Explanation: Cash deposited in Bank is Cash and Cash Equivalents and is merely transfer from cash to bank. No cash flow takes place.

Question 30.
Dividend received by other than financial enterprise is shown in cash flow statement under:
(a) Operating activity
(b) Finance activity
(c) Investing activity
(d) None of the above (1)
Answer:
(c) Investing activity

Explanation: Dividend received by non-financial enterprise is received on investment by the company.

Question 31.
Under which head the following items will appear in case of financial company.

Interest Received

Dividend Received

Profit and sale of securities

Loss an sale of plot

Wages paid

Depreciation on building (3)

Answer:
Items

Interest Received

Dividend Received

Profit and sale of securities

Loss an sale of plot

Wages paid

Depreciation on building

Headings

Revenue from operations

Revenue from operations

Revenue from operations

Other Income

Employee Benefit Expenses

Depreciation and Administration Expenses

Question 32.
Mudra Ltd. is in the process of preparing its Balance Sheet as per Schedule III, Part I of the Companies Act, 2013 and provides its true and fair view of the financial position.
(i) Under which head and sub-head will the company show 'Stores and Spares' in its Balance Sheet
(ii) What is the accounting treatment of 'Stores and Spares' when the Company will calculate its Inventory Turnover Ratio?
(iii) The management of Mudra Ltd. want to analyse its Financial Statements. State any two objectives of such analysis. (3)
Answer:
(i) Head: Current Assets Sub head; Inventories

(ii) While calculating Inventory Turnover Ratio it is not included in Inventories

(iii) The objectives of financial statements are:

Assessing the ability of the enterprise to meet its short term and long term commitments,

Assessing the earning capacity of the enterprise

Question 33.
Find the value of current assets and current liabilities, if Current Ratio is 2.5:1, Liquid ratio is 1.2 :1 and the value of inventory of the firm is ₹ 78,000.

OR

The Debt-Equity ratio of Ratan Ltd., is 3 : 1. Giving reasons, state whether the ratio will increase, decrease or not change because of the following transactions:

Issued Equity Shares of ₹ 1,00,000

Discounting a Billof Exchange of ₹ 50,000 at a discount of 10%.

Redemption of 9% Debentures of ₹ 70,000 (4)

Answer:
Given, Current Ratio = 2.5 : 1
Liquid Ratio = 1.2 : 1

Let Current liabilities = x
Thus, Current Assets = 2.5 x
Liquid Assets = 1.2 x
Inventory = Current Assets – Liquid Assets
₹ 78,000 = 2.5 x – 1.2 x
1.3 x = ₹ 78,000
X = ₹ 60,000
Current Liabilities = ₹ 60,000
Current Assets = 2.5 x
= 2.5 x ₹ 60,000
= ₹ 1,50,000

OR

(i) Issued Equity Shares of ₹ 1,00,000 In this case Shareholders' fund will increase, but long-term debts remain unchanged. Thus, Debt-Equity ratio will reduce.

(ii) Discounting a Bill of Exchange of ₹ 50,000 at a discount of 10% There will be no effect no effect on Shareholders' fund and long-term debt due to discounting of Bill of Exchange. Thus, there will be no change on Debt- Equity ratio.

(iii) Redemption of 9% Debentures of ₹ 70,000 Redemption of debentures will recent in decrease of long-term debts but Shareholders' fund will remain the same. Thus, Debt-Equity Ratio will reduce.

Question 34.
The Balance Sheet of Jayant Ltd. as on 31.03.2018 and 31.03.2019 were as under:
Balance Sheet
as at 31.03.2018 and 31.03.2019

Particulars	Note No.	31.03.2018 (₹)	31.03.2019 (₹)
I. Equity and Liabilities			
1. Shareholder's Fund			
(a) Share Capital		2,25,000	2,25,000
(b) Reserve and Surplus	1	1,78,000	1,89,000
2. Non-current Liabilities			
Mortgage loan		-	1,35,000
3. Current Liabilities			
(a) Trade Payables		84,000	67,000
(b) Short-term Provisions	2	37,500	5,000
Total		5,24,500	6,21,500
II. Assets :			
1. Non-current Assets			
(a) Fixed Assets		2,00,000	1,60,000
(b) Non-Current Investments		25,000	30,000
2. Current Assets			
(a) Inventories		1,20,000	1,05,000
(b) Trade Receivables		1,05,000	2,27,500
(c) Cash and Cash Equivalents		74,500	98,500
Total		5,24,500	6,21,500

Notes to Accounts:

Note No.	Particulars	31.03.2018 (₹)	31.03.2019 (₹)
1	**Reserves and Surplus**		
	General Reserve	1,50,000	1,55,000
	Statement of Profit and Loss	28,000	34,000
2	**Short-term Provisions**		
	Provision for Taxation	37,500	5,000

Additional information:

Investments costing ₹ 4,000 were sold during 2018-19 for ₹ 4,250

Provision for taxation made during the year was ₹ 4,500

During the year, part of fixed assets costing ₹ 5,000 was sold for ₹ 6,000 and profit was included in statement of profit and loss

Dividend paid during the year amounted to ₹ 20,000 Prepare Cash Flow Statement.(6)

Answer:
Cash Ftow Statement
for the year ended 31st March, 2019

Particulars	Amount (₹)	Amount (₹)
A. Cash Flow from Operating Activities:		
Net Profit before Taxation and extraordinary items (WN1)	35,500	
Add: Depreciation	35,000	
Less: Profit on sale of investments	(250)	
Profit on sale of fixed assets	(1,000)	
Operating Profit before Working Capital changes	69,250	
Add: Decrease in current assets and increase in current liabilities		
Inventories	15,000	
Less: Increase in current assets and decrease in current liabilities		
Trade Payables	(17,000)	
Trade Receivable	(1,22,500)	
Net Cash from Operating Activities before Tax	(55,250)	
Less: Tax Paid	(37,000)	
Net Cash used in Operating Activities (A)		(92,250)
B. Cash Flow for Investing Activities		
Purchase of investments	(9,000)	
Sale of fixed assets	6,000	
Sale of investments	4,250	
Net Cash from in Investing Activities (B)		1,250
C. Cash Flow from Financing Activities		
Mortgage loan	1,35,000	
Dividend Paid	(20,000)	
Net Cash Inflow from Financing Activities (C)		1,15,000
Net Increase in Cash and Cash Equivalents (A + B + C)		24,000
Add: Opening Balance of Cash and Cash Equivalents		74,500
Closing Balance of Cash and Cash Equivalents		98,500

Working Notes:
(i) Calculation of Profit Before Tax:
Closing Balance as per Profit and Loss A/c (31.03.2019) ₹ 34,000
Less: Opening balance of Profit and Loss A/c ₹ (28,000)
Add: Provision for Tax (Current Year) ₹ 4,500
Add: Dividend Paid ₹ 20,000
Add: Transfer to Reserve ₹ 5,000
Net Profit before Tax ₹ 35,500

(ii) Dr. Fixed Account Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	2,00,000	By Bank A/c	6,000
To Statement of Profit and Loss (profit on sale)	1,000	By Depreciation A/c (balancing figure)	35,000,
		By Balance c/d	1,60,000
	2,01,000		2,01,000

(iii) Dr. Investment Account Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	25,000	By Bank A/c	4,250
To Statement of Profit and Loss	250	By Balance c/d	30,000
(profit on sale)	9,000		
To Bank A/c (Balancing figure)			
	34,250		34,250

(iv) Dr. Provision for Taxation Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Bank A/c (Balancing figure)	37,000	By Balance b/d	37,500
To Balance c/d	5,000	By Statement of Profit and Loss	4,500
	42,000		42,000