

CBSE Sample Papers 1 for Class 12

Accountancy with Solutions

Time :3 hrs
Max. Marks: 80

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 has Accounting for Partnership Firms and Companies.
- Part-B has Analysis of Financial Statements.
- Questions Nos. 1 to 16 and 27 to 30 carries 1 mark each.
- Questions Nos. 17 to 20, 31 and 32 carries 3 marks each.
- Questions Nos. from 21, 22 and 33 carries 4 marks each
- Questions Nos. 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

(Accounting for Partnership Firms and Companies)

Question 1.

Zen Ltd purchased a machinery from Kisan Ltd for ₹ 2,25,000. Zen Ltd. immediately paid ₹ 45,000 by bank draft and the balance by issue of preference shares of ₹ 100 each at 20% premium for the purchase consideration of machinery. Number of preference shares issued will be..... [1]

- (a) 1,500
- (b) 15,000
- (c) 1,800
- (d) 18,000

Answer:

(a) Number of shares issued = $\frac{2,25,000 - 45,000}{100 + 20} = 1,500$

Question 2.

Ram, Raghav and Raghu are partners in a firm sharing profits in the ratio of 5 : 3 : 2. As per partnership deed, Raghu is to get a minimum amount of 10,000 as profit. Net profit for the year is 40,000. Calculate deficiency (if any) to Raghu. [1]

- (a) 750
- (b) 2,000
- (c) 1,500
- (d) None of these

Answer:

(b) Guaranteed share of Raghu is = ₹ 10,000

(-) Share in given profit $\left(40,000 \times \frac{2}{10}\right)$ = (₹ 8,000)

Deficiency in Raghu's share of profit = ₹ 2,000

Question 3.

Assertion (A) Minimum amount of discount allowed at the time of re-issue of forfeited shares should not exceed the forfeited amount.

Reason (R) The excess amount of forfeited shares account is transferred to capital reserve account. [1]

Alternatives

(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 true, but Reason (R) is false

(d) Assertion (A) is false, but Reason (R) is true

Answer:

(b) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A)

Question 4.

Which of the following statements is correct about debenture trust deed? [1]

(a) It shows the list of debenture holders

(b) It protects the interest of debenture holders

(c) It is created after public subscription

(d) It tells that in case of losses, there will be no interest

Answer:

(b) It protects the interest of debenture holders

Question 5.

'X', 'Y' and 'Z' are partners sharing profits in the ratio of 3: 2: 1. They agree to admit 'G' into the firm. 'X', 'Y' and 'Z' agreed to give 1/3 rd, 1/6 th and 1/9th share of their profit. The share of profit of 'G' will be

(a) 1154

(b) 1354

(c) 110

(d) 1254

Or

What will be the amount of interest, if a partner withdrew ₹ 1,000 at the end of each month from 1st June, 2022 till the end of the accounting year upto 31st March, 2023? Interest on drawings is 12% per annum.

(a) ₹ 550

(b) ₹ 600

(c) ₹ 575

(d) ₹ 700

Answer:

(b) G's share = $36 \times 13 + 26 \times 16 + 16 \times 19$

$= 318 + 236 + 154 = 18 + 6 + 2108 = 1354$

Or

(a) Interest on Drawings = Amount of Drawings x No. of Months x Rate x Period
= 1,000 x 10 x 12 / 100 x 5.5 / 12 = ₹ 550

Question 6.

A, B and C are partners sharing profits equally. A drew regularly ₹ 4,000 in the beginning of every month for the six months ended 30th September, 2020. Calculate interest on A's drawings @ 5% p.a.

- (a) ₹ 200
- (b) ₹ 1,200
- (c) ₹ 350
- (d) ₹ 700

Answer:

(c) Interest on A's Drawings = Total Drawings

x Rate of Interest 100 x Average Period 12

= 4,000 x 6 x 5100 x 3.512 = ₹ 350

Question 7.

In a firm, 10% of net profit after deducting all adjustments, including reserve is transferred to general reserve. Net profit after all adjustments but before transfer to general reserve is ₹ 44,000. Amount to be transferred to reserve is

- (a) ₹ 2,500
- (b) ₹ 4,000
- (c) ₹ 4,400
- (d) ₹ 2,200

Answer:

(b) Amount transferred to reserve

= 44,000 x 10/110 = ₹ 4,000

Question 8.

Assertion (A) Change in profit sharing ratio among existing partners results in reconstitution of partnership firm.

Reason (R) The relationship among partner changes at the time of change in profit sharing ratio.

Alternatives

- (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 true, but Reason (R) is false
- (d) Assertion (A) is false, but Reason (R) is true

Answer:

(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)

Question 9.

Goel Ltd invited applications for issuing 6,000, 12% debentures of 100 each at a premium of 50 per debenture. The full amount was payable on application.

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Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Bank A/c Dr		6,50,000	
	To Z's Capital A/c			6,50,000
	(Being amount of capital brought in by Z)			
	Z's Current A/c Dr		...	
	To X's Capital A/c			...
	To Y's Capital A/c			...
	(Being Z's share of goodwill credited to sacrificing partners in their sacrificing ratio)			

Question 10.

Total capital of the firm will be

- (a) ₹ 6,50,000
- (b) ₹ 7,50,000
- (c) ₹ 26,00,000
- (d) ₹ 18,50,000

Answer:

(c) Total capital of the firm on the basis of Z's capital = ₹ 6,50,000 x 4/1 = ₹ 26,00,000

Question 11.

Z's share of good will will be

- (a) ₹ 7,50,000
- (b) ₹ 1,87,500
- (c) ₹ 1,97,500
- (d) ₹ 1,62,500

Answer:

(b) (i) Total Capital of the Firm on the basis of Z's Capital = ₹ 6,50,000 x 4/1 = ₹ 26,00,000

(ii) Actual Capital of New Firm = 6,50,000 + 5,50,000 + 6,50,000 = ₹ 18,50,000

(iii) Firm's Goodwill [(i) - (ii)] = 26,00,000 - 18,50,000 = ₹ 7,50,000

Z's Share of Goodwill = 7,50,000 x 1/4 = ₹ 1,87,500

Question 12.

Which of the following appears in profit and loss appropriation account?

- (i) Interest on partner's capital.
- (ii) Interest on the partner's loan.
- (iii) Manager's commission on net profit. Codes

- (a) (i), (ii), (iii)
- (b) (ii) and (iii)
- (c) Only (iii)
- (d) Only (i)

Or

Other than minors, categories of individuals cannot be admitted in a partnership firm.

- (a) person of unsound mind
- (b) person disqualified by the law
- (c) Both (a) and (b)
- (d) None of the above

Answer:

- (d) Only (i)

Or

- (c) Both (a) and (b)

Question 13.

X and Y are partners in a firm sharing profits in the ratio of 3 : 2. An extract of their balance sheet is as follows

Liabilities	Amt (₹)	Assets	Amt (₹)
		Investments	20,000

If half of the investments are taken over by X and Y in their profit sharing ratio at book value, what amount of investments will be shown in revised balance sheet? [1]

- (a) 20,000
- (b) 10,000
- (c) 5,000
- (d) 40,000

Or

X and Y are partners sharing profits in the ratio of 10 : 2. Z is admitted and the new profit sharing ratio is now 10: 6 : 4 At the date of admission, general reserve appears in the books at 24,000. Y's share in the reserve will be

- (a) 4,000
- (b) 20,000
- (c) 7,200
- (d) None of these

Answer:

(b) Investments = 20,000 — (50% of 20000)
= 10000

Or

(a) Ys share in reserve = 24.000 x 2/12= 4,000

Question 14.

Amox Ltd is registered with a capital of 10,00,000 equity shares of ₹ 10 each. 6,00,000 equity shares were offered for subscription to public. Applications were received for 6,00,000 shares. All calls were made and amount was duly received except final call of ₹ 2 on 80,000 shares. What will be the amount of share capital shown in the balance sheet? (1)

- (a) ₹ 60,00,000
- (b) ₹ 58,40,000
- (c) ₹ 5,84,000
- (d) ₹ 6,00,000

Answer:

- (b) 10

	Amt (₹)
Total amount due (6,00,000 × 10) =	60,00,000
(-) calls-in-arrears (80,000 × 2) =	(1,60,000)
	<u>58,40,000</u>

Or

If a share of 10 on which 8 has been called and 6 is paid is forfeited, the share capital account should be debited with

- (a) ₹ 8
- (b) ₹ 10
- (c) ₹ 6
- (d) ₹ 2

Answer:

- (a) ₹ 8

Question 15.

State the right order of deductions for presenting a correct view of the profit and loss appropriation account.

- (i) Interest on the partner's loan.
- (ii) Manager's commission on net profit.
- (iii) Interest on partner's capital.

- (a) (i) → (ii) → (iii)
- (b) (ii) → (iii) → (i)
- (c) (iii) → (i) → (ii)
- (d) (i) → (iii) → (ii)

Answer:

- (a) (i) → (ii) → (iii)

Question 16.

Find the closing balance of capital account from the given information.

Opening balance of capital account as at 1st April, 2022 of A and B are ₹ 5,00,000 and ₹ 5,40,000 respectively. A is entitled to take salary for ₹ 1,000 per month and B is to take commission for ₹ 20,000.

- (a) A = ₹ 5,40,000, B = ₹ 5,80,000
- (b) A = ₹ 5,00,000, B = ₹ 5,40,000
- (c) A = ₹ 5,12,000, B = ₹ 5,60,000
- (d) A = ₹ 5,60,000, B = ₹ 5,12,000

Answer:

(c)

**Statement Showing
Closing Balance of Capital**

Particulars	A (₹)	B (₹)
Opening Balance	5,00,000	5,40,000
(+) Salary of A (1,000 × 12)	12,000	—
(+) Commission to B	—	20,000
Closing Balance	5,12,000	5,60,000

Question 17.

A, B and C were partners in a firm. Because of increase in business activities, B had to devote more time.

B demanded that his share in the profits of the firm be increased, to which A and C agreed. The new profit sharing ratio was agreed to be 1: 2: 1. For this purpose, the goodwill of the firm was valued at two years' purchase of the average profits of last five years. The profits of the last five years were as follows:

Year	I	II	III	IV (Loss)	V
Profit	4,00,000	4,80,000	7,33,000	33,000	2,20,000

You are required to

(i) Calculate the goodwill of the firm.

(ii) Pass necessary journal entry for the treatment of goodwill on change in profit sharing ratio. (3)

Or

P, Q and R were partners in a firm sharing profits in the ratio of 2 : 2 : 1. P died on 31st March, 2020. The balance sheet of the firm on that date was as under

**Balance Sheet
as at 31st March, 2020**

Liabilities	Amt (₹)	Assets	Amt (₹)
Creditors	80,000	Cash at Bank	48,000
General Reserve	45,000	Debtors	52,000
Workmen's Compensation Fund	20,000	Furniture	2,40,000
Capital A/cs		Plant	3,50,000
P	2,00,000	Profit and Loss A/c	55,000
Q	3,00,000		
R	1,00,000		
	6,00,000		
	7,45,000		7,45,000

On P's death, a claim of ₹ 12,000 was accepted for workmen's compensation. Pass necessary journal entries for general reserve, profit and loss account and workmen's compensation fund, in the books of the firm

Answer:

(i) Calculation of Goodwill of the Firm

Average profits = $4,00,000 + 4,80,000 + 7,33,000 - 33,000 + 2,20,000 \div 5 = 18,00,000 \div 5$
 = ₹ 3,60,000

Goodwill = Average Profits x Number of Years' Purchase = $3,60,000 \times 2 = ₹ 7,20,000$

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	B's Capital A/c To A's Capital A/c To C's Capital A/c (Being B's share of goodwill recorded on change in profit sharing ratio)	Dr	1,20,000	60,000 60,000

Working Note

Calculation of Sacrifice or Gain of each Partner

Sacrificing/Gaining Share = Old Share – New Share

A = $13 - 14 = 4 - 3 = 1$ Sacrifice ;

B = $13 - 24 = 4 - 6 = -2$ Gain;

C = $13 - 14 = 4 - 3 = 1$ Sacrifice

B will pay for goodwill = $7,20,000 \times \frac{2}{12} = ₹ 1,20,000$

Value Point

In the absence of any information, profits are to be shared equally. Thus old PSR is 1: 1: 1.

Or

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Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	General Reserve A/c To P's Capital A/c To Q's Capital A/c To R's Capital A/c (Being general reserve distributed among partners)	Dr	45,000	18,000 18,000 9,000
	P's Capital A/c Q's Capital A/c R's Capital A/c To Profit and Loss A/c (Being accumulated loss distributed among partners)	Dr Dr Dr	22,000 22,000 11,000	55,000

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Workmen Compensation Fund A/c To Claim for Workmen Compensation A/c To P's Capital A/c To Q's Capital A/c To R's Capital A/c (Being liability for claim for workmen compensation provided and excess workmen compensation fund distributed among partners)	Dr	20,000	12,000 3,200 3,200 1,600

Question 18.

Rashid and Komal are partners in a firm. Their capitals are: Rashid ₹ 30,000 and Komal ₹ 20,000. During the year ended 31st March, 2020, the firm earned a profit of ₹ 15,000. Assuming that the normal rate of return is 20%, calculate the value of goodwill of the firm of Rashid and Komal.

- (i) By capitalisation method; and
(ii) By super profit method, if the goodwill is valued at 4 years' purchase of super profit.

Answer:

(i) Capitalisation Method

Total Capitalised Value of the Firm = Average Profit \times 100 Normal Rate of

Return = $15,000 \times 100/20 = ₹ 75,000$

Goodwill of the Firm = Total Capitalised Value of Business – Capital Employed
= $75,000 - 50,000$ [i.e., $30,000$ (Rashid) + $20,000$ (Komal)] = ₹ 25,000

(ii) Super Profit Method

Normal Profit = Capital Employed \times Normal Rate of Return / 100 = $50,000 \times 20/100 = ₹ 10,000$

Average Profit = ₹ 15,000

Super Profit = Average Profit – Normal Profit = $15,000 - 10,000 = ₹ 5,000$

Goodwill of the Firm = Super Profit \times Number of Years' Purchase = $5,000 \times 4 = ₹ 20,000$

Question 19.

A and B decided to start a partnership firm. They contributed capitals of ₹ 2,00,000 and ₹ 1,00,000 on 1st April, 2017. A expressed his willingness to admit C as a partner without capital, B agreed to this. On 1st October, 2017, B granted a loan of ₹ 1,20,000 to the firm.

The terms of partnership were as follows

- (i) A, B and C will share profits in the ratio of 2: 2: 1.
(ii) Interest on capital @ 6% per annum. Interest on drawings @ 5%.
(iii) A to get a monthly salary of ₹ 3,000 and B to get salary of ₹ 4,000 per quarter.
(iv) 10% of the profits before charging interest on drawings but after making appropriations are to be transferred to general reserve.

Due to shortage of capital, A contributed 50,000 on 30th September, 2017 and B contributed 20,000 on 1st January, 2018 as additional capital. The profit of the firm for the year ended 31st March, 2018 was 3,37,800. Drawings of A and B were 50,000 and 40,000 respectively. Prepare profit and loss appropriation account for the year ending 31st March, 2018. [3]

Answer:

Profit and Loss Appropriation Account			
for the year ended 31st March, 2018			
Dr			Cr
Particulars	Amt (₹)	Particulars	Amt (₹)
To Interest on Capital A/c		By Net Profit as per Profit and Loss A/c	3,34,200
A	13,500	(3,37,800 – 3,600)	
B	6,300	By Interest on Drawings	
	19,800	A	1,250
To Partners' Salary		B	1,000
A (3,000 \times 12)	36,000		2,250
B (4,000 \times 4)	16,000		
	52,000		

Particulars	Amt (₹)	Particulars	Amt (₹)
To General Reserve A/c	26,240		
To Profit Transferred to Capital A/c			
A	95,364		
B	95,364		
C	47,682		
	2,38,410		
	3,36,450		3,36,450

Working Notes

1. Calculation of Interest on Capital

A On 2,00,000 = $2,00,000 \times 6\% = ₹ 12,000$; On 50,000 = $50,000 \times 6\% = ₹ 3,000$
Total interest on A's capital = $12,000 + 3,000 = ₹ 15,000$

B On 1,00,000 = $1,00,000 \times 6\% = ₹ 6,000$; On 20,000 = $20,000 \times 6\% = ₹ 1,200$
Total interest on B's capital = $6,000 + 1,200 = ₹ 7,200$

2. Calculation of Interest on Drawings

A = $50,000 \times 6\% = ₹ 3,000$;

B = $40,000 \times 6\% = ₹ 2,400$

3. Transfer to reserve = 10 % of $(3,34,200 - 19,800 - 52,000) = ₹ 26,240$

4. Interest on loan = $1,20,000 \times 6\% = ₹ 7,200$

Question 20.

Malakar's Ltd is authorised with a capital of ₹ 50,00,000 divided into 50,000 shares of ₹ 100 each. The company issued 30,000 shares to the public for subscription. The company received application for 25,000 shares. In 1st year, ₹ 80 is called by the company.

Ranjeet and Sandeep are two shareholders holding 2,000 and 4,000 shares respectively. Both the shareholders did not paid first call money of ₹ 20 per share. Sandeep's shares were forfeited by the company after first call and later on 3,000 shares out of forfeited were re-issued at ₹ 60 per share as ₹ 80 called-up.

Show the following

Share capital in the balance sheet of the company as per Schedule III, Part I of the Companies Act, 2013 and prepare notes to accounts for the same.

Or

Complete the missing information

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Date	Particulars	LF	Amt (Dr)	Amt (Cr)
..... Dr	
	(Being application money received on 2,000,10% debentures @ ₹ 50 per debenture)			
..... Dr	
	(Being transfer of application money to debentures account)			
..... Dr	
	(Being allotment money due on 2,000,10% debentures @ ₹ 60 per debenture including ₹ 10 premium)			

Answer:

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Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Bank A/c To Share Application A/c (75,000×3) (Being application money received on 75,000 shares at ₹ 3 per share)	Dr	2,25,000	2,25,000
	Share Application A/c To Share Capital A/c (Being application money transferred to share capital account at the time of allotment)	Dr	2,25,000	2,25,000
	Share Allotment A/c To Share Capital A/c (75,000×2) (Being allotment money due on 75,000 shares at ₹ 2 per share)	Dr	1,50,000	1,50,000
	Bank A/c To Share Allotment A/c (Being receipt of ₹ 2 per share on 75,000 shares)	Dr	1,50,000	1,50,000
	Share First Call A/c To Share Capital A/c (75,000 × 2) (Being first call money due on 75,000 shares @ ₹ 2 per share)	Dr	1,50,000	1,50,000
	Bank A/c To Share First Call A/c (Being first call money received)	Dr	1,50,000	1,50,000
	Share Second and Final Call A/c To Share Capital A/c (75,000 × 3) (Being second and final call money due on 75,000 shares @ ₹ 3 per share)	Dr	2,25,000	2,25,000
	Bank A/c To Share Second and Final Call A/c (Being second and final call money received)	Dr	2,25,000	2,25,000

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Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Bank A/c Dr To Share Application A/c (75,000×3) (Being application money received on 75,000 shares at ₹ 3 per share)		2,25,000	2,25,000
	Share Application A/c Dr To Share Capital A/c (Being application money transferred to share capital account at the time of allotment)		2,25,000	2,25,000
	Share Allotment A/c Dr To Share Capital A/c (75,000×2) (Being allotment money due on 75,000 shares at ₹ 2 per share)		1,50,000	1,50,000
	Bank A/c Dr To Share Allotment A/c (Being receipt of ₹ 2 per share on 75,000 shares)		1,50,000	1,50,000
	Share First Call A/c Dr To Share Capital A/c (75,000 × 2) (Being first call money due on 75,000 shares @ ₹ 2 per share)		1,50,000	1,50,000
	Bank A/c Dr To Share First Call A/c (Being first call money received)		1,50,000	1,50,000
	Share Second and Final Call A/c Dr To Share Capital A/c (75,000 × 3) (Being second and final call money due on 75,000 shares @ ₹ 3 per share)		2,25,000	2,25,000
	Bank A/c Dr To Share Second and Final Call A/c (Being second and final call money received)		2,25,000	2,25,000

Question 22.

X, Y and Z were partners in a firm sharing profits in the ratio of 5 : 3 : 2. Goodwill appeared in their books at a value of ₹ 60,000 and general reserve at ₹ 20,000. Y decided to retire from the firm. On the date of his retirement, good will of the firm was valued at ₹ 2,40,000. The new profit sharing ratio decided among X and Z was 2 : 3. Record necessary journal entries on Y's retirement. [4]

Answer:

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Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	X's Capital A/c	Dr	30,000	
	Y's Capital A/c	Dr	18,000	
	Z's Capital A/c	Dr	12,000	
	To Goodwill A/c			60,000
	(For the existing goodwill written-off in the old ratio 5 : 3 : 2)			
	General Reserve A/c	Dr	20,000	
	To X's Capital A/c			10,000
	To Y's Capital A/c			6,000
	To Z's Capital A/c			4,000
	(For the amount of general reserve distributed among the partners in old ratio 5 : 3 : 2)			
	Z's Capital A/c	Dr	96,000	
	To X's Capital A/c			24,000
	To Y's Capital A/c			72,000
	(For the adjustment made for goodwill on Y's retirement)			

Working Note

Calculation of Gaining Ratio = New Ratio – Old Ratio

X = $2/5 - 5/10 = -1/10$ (sacrifice); Z = $3/5 - 2/10 = 4/10$ (gain)

Question 23.

Pass the necessary journal entries for the issue of debentures in the following cases
 (i) 10,000, 12 % debentures of ₹ 50 each issued at 10 % premium, repayable at 20 % premium.

(ii) 7,500, 10 % debentures of ₹ 100 each issued at 10 % premium, repayable at par.

(iii) 10,000, 12 % debentures of ₹ 50 each issued at par, repayable at 10 % premium.

Answer:

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Date	Particulars	LF	Amt (Dr)	Amt (Cr)
(i)	Bank A/c (10,000 × 55) Dr		5,50,000	
	To Debentures Application and Allotment A/c			5,50,000
	(Being the receipt of application money)			
	Debenture Application and Allotment A/c Dr		5,50,000	
	Loss on Issue of Debentures A/c Dr		1,00,000	
	To 12% Debentures A/c (10,000 × 50)			5,00,000
To Premium on Redemption of Debentures A/c (10,000 × 10)			1,00,000	
To Securities Premium Reserve A/c (10,000 × 5)			50,000	
(Being application money transferred to 12% debentures account)				
(ii)	Bank A/c (7,500 × 110) Dr		8,25,000	
	To Debenture Application and Allotment A/c			8,25,000
	(Being the receipt of application money)			
	Debenture Application and Allotment A/c Dr		8,25,000	
To 10% Debentures A/c (7,500 × 100)			7,50,000	
To Securities Premium Reserve A/c (7,500 × 10)			75,000	
(Being the issue of 10% debentures at 10% premium, repayable at par)				
(iii)	Bank A/c (10,000 × 50) Dr		5,00,000	
	To Debenture Application and Allotment A/c			5,00,000
	(Being application money received)			
	Debenture Application and Allotment A/c Dr		5,00,000	
	Loss on Issue of Debentures A/c Dr		50,000	
	To 12% Debentures A/c (10,000 × 50)			5,00,000
To Premium on Redemption of Debentures A/c (10,000 × 5)			50,000	
(Being issue of 12% debentures of par payable at 10% premium)				

Question 24.

Kanso Ltd issued 10,00,000 shares of ₹ 10 each at a premium of ₹ 4 per share payable as follows

₹ 4 on application

₹ 6 on allotment

₹ 4 on call

Applications were received for 14,00,000 shares and pro-rata allotment was made as follows:

To the applicants of 10,00,000 shares, 8,00,000 shares were issued and for the rest, 2,00,000 shares were issued. All money due were received except the allotment and call money from Viresh who had applied for 15,000 shares (out of the group of 10,00,000 shares). All his shares were forfeited. 7,500 of the forfeited shares were re-issued for ₹ 8 per share fully paid-up. Pass necessary journal entries for the above transactions.

Or

Ram Ltd invited applications for 8,00,000 equity shares of ₹ 10 each at a premium of ₹ 40 per share. The amount was payable as follows

On application ₹ 35 per share (including ₹ 30 premium)

On allotment - ₹ 8 per share (including ₹ 4 premium)

On first and final call – Balance

Applications for 7,70,000 shares were received. Shares were allotted to all the applicants. Sumit to whom 70,000 shares were allotted failed to pay the allotment money. His shares were forfeited immediately after allotment. Afterwards, the first and final call was made. Sohail, the holder of 5,000 shares failed to pay the first and final call. His shares were also forfeited. Out of the forfeited shares 10,000 shares were re-issued at 50 per share fully paid-up. The re-issued shares included all the shares of Sohail. Pass necessary journal entries for the above transactions in the books of Ram Ltd.

Answer:

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JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Bank A/c Dr To Share Application A/c (Being application money received)		56,00,000	56,00,000
	Share Application A/c Dr To Share Capital A/c To Share Allotment A/c (Being application money adjusted)		56,00,000	40,00,000 16,00,000
	Share Allotment A/c Dr To Share Capital A/c To Securities Premium Reserve A/c (Being allotment due)		60,00,000	20,00,000 40,00,000
	Bank A/c Dr To Share Allotment A/c (WN 3) (Being allotment money received)		43,40,000	43,40,000
	Share First and Final Call A/c Dr To Share Capital A/c (Being first and final call due)		40,00,000	40,00,000
	Bank A/c Dr To Share First and Final Call A/c (Being first and final call received)		39,52,000	39,52,000
	Share Capital A/c Dr Securities Premium Reserve A/c Dr To Share Allotment A/c To Share First and Final Call A/c To Share Forfeiture A/c (Being share forfeited)		1,20,000 48,000	60,000 48,000 60,000
	Bank A/c Dr Share Forfeiture A/c Dr To Share Capital A/c (Being re-issue of shares)		60,000 15,000	75,000
	Share Forfeiture A/c Dr To Capital Reserve A/c (Being proportionate amount of share forfeiture account transferred to capital reserve account)		22,500	22,500

Working Notes

1. Excess amount received from Viresh on application Viresh has applied for 15,000 shares.

He must have been allotted $\left(\frac{8,00,000}{10,00,000} \times 15,000\right) = 12,000$ shares

Excess application money received from Viresh = 15,000 shares – 12,000 shares
= 3,000 shares \times 4 = ₹ 12,000

2. Amount due from Viresh on allotment	Amt (₹)
12,000 shares \times 6	72,000
(–) Excess received from Viresh on application	(12,000)
Amount not received from Viresh on allotment	<u>60,000</u>
3. Total amount due on allotment (10,00,000 \times 6)	60,00,000
(–) Excess received on applications	<u>(16,00,000)</u>
	44,00,000
(–) Amount not received from Viresh	<u>(60,000)</u>
Allotment money received	<u><u>43,40,000</u></u>
4. Profit on forfeiture of 12,000 shares	60,000
Hence, profit on forfeiture of 7,500 shares $\left(60,000 \times \frac{7,500}{12,000}\right)$	37,500
(–) Loss on re-issue	<u>(15,000)</u>
Transfer to capital reserve	<u><u>22,500</u></u>

Or
Journal

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Bank A/c (7,70,000 × 35) Dr To Equity Share Application A/c (Being share application money received on 7,70,000 equity shares @ ₹ 35 per share including premium)		2,69,50,000	2,69,50,000
	Equity Share Application A/c Dr To Equity Share Capital A/c (7,70,000 × 5) To Securities Premium Reserve A/c (7,70,000 × 30) (Being share application money transferred)		2,69,50,000	38,50,000 2,31,00,000
	Equity Share Allotment A/c Dr To Equity Share Capital A/c (7,70,000 × 4) To Securities Premium Reserve A/c (7,70,000 × 4) (Being allotment money due on 7,70,000 equity shares @ ₹ 8 per share including premium of ₹ 4 each)		61,60,000	30,80,000 30,80,000
	Bank A/c Dr To Equity Share Allotment A/c (7,00,000 × 8) (Being share allotment money received on 7,00,000 equity shares @ ₹ 8 per share including premium)		56,00,000	56,00,000
	Equity Share Capital A/c (70,000 × 9) Dr Securities Premium Reserve A/c (70,000 × 4) Dr To Forfeited Shares A/c (70,000 × 5) To Equity Share Allotment A/c (70,000 × 8) (Being 70,000 shares forfeited for the non-payment of allotment of ₹ 8 per share including premium)		6,30,000 2,80,000	3,50,000 5,60,000
	Equity Share First and Final Call A/c (7,00,000 × 7) Dr To Equity Share Capital A/c (7,00,000 × 1) To Securities Premium Reserve A/c (7,00,000 × 6) (Being share first and final call due on 7,00,000 equity shares @ ₹ 7 per share including premium of ₹ 6 each)		49,00,000	7,00,000 42,00,000

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Bank A/c (6,95,000 × 7) To Equity Share First and Final Call A/c (Being share first and final call money received on 6,95,000 equity shares @ ₹ 7 per share including premium)	Dr	48,65,000	48,65,000
	Equity Share Capital A/c (5,000 × 10) Securities Premium Reserve A/c (5,000 × 6) To Forfeited Shares A/c (5,000 × 9) To Equity Share First and Final Call A/c (5,000 × 7) (Being 5,000 shares forfeited for the non-payment of first and final call of ₹ 7 per share including premium)	Dr Dr	50,000 30,000	45,000 35,000
	Bank A/c (10,000 × 50) To Equity Share Capital A/c (10,000 × 10) To Securities Premium Reserve A/c (10,000 × 40) (Being re-issue of 10,000 forfeited shares @ ₹ 50 per share as fully paid-up)	Dr	5,00,000	1,00,000 4,00,000
	Forfeited Shares A/c To Capital Reserve A/c (Being balance of forfeited shares account transferred to capital reserve)	Dr	70,000	70,000

Working Note

	Amt (₹)
Amount of Sumit's 5,000 forfeited shares (3,50,000 × 5,000/70,000)	= 25,000
(+) Amount of Sohail's 5,000 forfeited shares	= 45,000
Amount to be transferred to capital reserve	<u>70,000</u>

Question 25.

A and B are partners sharing profits and losses in the ratio of 1:1. Following is their balance sheet

Balance Sheet

as at ...

Liabilities	Amt (₹)	Assets	Amt (₹)
Creditors	1,00,000	Cash	50,000
General Reserve	60,000	Debtors	60,000
Workmen Compensation Fund	40,000	Building	2,00,000
Employees Provident Fund	50,000	Machine	1,00,000
Bills Payable	50,000	Stock	80,000
Capital A/cs		Patents	20,000
A	2,00,000	Investment	50,000
B	1,00,000	Goodwill	20,000
	<u>3,00,000</u>	Profit and Loss	20,000
	<u>6,00,000</u>		<u>6,00,000</u>

Additional Information

(i) C comes for 1/6 th share and brings capital of ₹ 1,00,000 and proportionate share in goodwill.

- (ii) Goodwill of the firm is valued at ₹ 1,20,000.
 (iii) Half the premium is withdrawn by old partners.
 (iv) ₹ 20,000 unrecorded typewriter brought into books.
 (v) Make ₹ 5,000 provision for unforeseen liabilities.
 (vi) Bills payable paid-off.
 (vii) Building was found undervalued by ₹ 40,000
 Prepare revaluation account, partners' capital accounts, cash account and balance sheet of the new firm.

Answer:

Dr		Revaluation Account		Cr	
Particulars	Amt (₹)	Particulars	Amt (₹)		
To Provision for Unforeseen Liability A/c	5,000	By Unrecorded Typewriter A/c	20,000		
To Revaluation (Profit) Transferred to		By Building A/c	40,000		
A's Capital A/c	27,500				
B's Capital A/c	27,500				
	55,000				
	60,000				60,000

Dr		Partners' Capital Account						Cr	
Particulars	A (₹)	B (₹)	C (₹)	Particulars	A (₹)	B (₹)	C (₹)		
To Profit and Loss A/c	10,000	10,000	—	By Balance b/d	2,00,000	1,00,000	—		
To Goodwill A/c	10,000	10,000	—	By Cash A/c	—	—	1,00,000		
To Cash A/c	5,000	5,000	—	By General Reserve A/c	30,000	30,000	—		
To Balance c/d	2,62,500	1,62,500	1,00,000	By Workmen Compensation Fund A/c	20,000	20,000	—		
				By Revaluation A/c (Profit)	27,500	27,500	—		
				By Premium for Goodwill A/c	10,000	10,000	—		
	2,87,500	1,87,500	1,00,000		2,87,500	1,87,500	1,00,000		

Balance Sheet

as at ...

Liabilities	Amt (₹)	Assets	Amt (₹)
Provision for Unforeseen Liability	5,000	Typewriter (Unrecorded)	20,000
Creditors	1,00,000	Building (2,00,000 + 40,000)	2,40,000
Employee Provident Fund	50,000	Debtors	60,000
Capital A/cs		Machine	1,00,000
A	2,62,500	Stock	80,000
B	1,62,500	Patents	20,000
C	1,00,000	Investment	50,000
	5,25,000	Cash	1,10,000
	6,80,000		6,80,000

Cash Account			
Dr	Amt (₹)	Cr	Amt (₹)
To Balance b/d	50,000	By Bills Payable A/c	50,000
To C's Capital A/c	1,00,000	By A's Capital A/c	5,000
To Premium for Goodwill A/c	20,000	By B's Capital A/c	5,000
		By Balance c/d	1,10,000
	1,70,000		1,70,000

Calculation of New Profit Sharing Ratio

$$C's \text{ share} = \frac{1}{6}; \text{ Remaining share} = 1 - \frac{1}{6} = \frac{5}{6}$$

$$A's \text{ new share} = \frac{5}{6} \times \frac{1}{2} = \frac{5}{12}; \quad B's \text{ new share} = \frac{5}{6} \times \frac{1}{2} = \frac{5}{12}$$

$$C's \text{ new share} = \frac{1}{6} \times \frac{2}{2} = \frac{2}{12}; \quad \text{New profit sharing ratio} = 5 : 5 : 2$$

Total goodwill = ₹ 1,20,000

$$C's \text{ share in goodwill} = 1,20,000 \times \frac{1}{6} = ₹ 20,000$$

to be distributed between A and B in their sacrificing ratio, i.e. 1 : 1.

Or Dr				Revaluation Account		Cr	
Particulars		Amt (₹)		Particulars		Amt (₹)	
To Investment A/c		5,000		By Building A/c		10,000	
To Profit Transferred to				By Unrecorded Typewriter A/c		5,000	
Randhir's Capital A/c		4,000					
Rishi's Capital A/c		4,000					
Rajeev's Capital A/c		2,000					
		10,000					
		15,000				15,000	

Dr				Partners' Capital Account				Cr			
Particulars		Randhir (₹)	Rishi (₹)	Rajeev (₹)	Particulars		Randhir (₹)	Rishi (₹)	Rajeev (₹)		
To Deferred Revenue Expenses A/c		4,000	4,000	2,000	By Balance b/d		60,000	40,000	40,000		
To Rajeev's Capital A/c		6,000	2,000	—	By General Reserve A/c		8,000	8,000	4,000		
To Unrecorded Typewriter A/c		5,000	—	—	By Workmen Compensation Fund A/c		4,000	4,000	2,000		
To Investment A/c		—	—	15,000	By Revaluation A/c (Profit)		4,000	4,000	2,000		
To Cash A/c		—	—	10,000	By Randhir's Capital A/c		—	—	6,000		
To Rajeev's Loan A/c		—	—	29,000	By Rishi's Capital A/c		—	—	2,000		
To Balance c/d		61,000	50,000	—							
		76,000	56,000	56,000			76,000	56,000	56,000		

Balance Sheet
as at 31st December, 2021

Liabilities		Amt (₹)		Assets		Amt (₹)	
Creditors		60,000		Cash		20,000	
Rajeev's Loan A/c		29,000		Debtors		50,000	
Capital A/cs				Building (1,00,000 + 10,000)		1,10,000	
Randhir		61,000		Bank		20,000	
Rishi		50,000					
		1,11,000					
		2,00,000				2,00,000	

Working Notes

Goodwill of firm = ₹ 40,000 ; Rajeev's share of goodwill = $40,000 \times \frac{1}{5} = ₹ 8,000$

Gaining ratio = New share - Old share ; Randhir = $\frac{11}{20} - \frac{2}{5} = \frac{11-8}{20} = \frac{3}{20}$

Rishi = $\frac{9}{20} - \frac{2}{5} = \frac{9-8}{20} = \frac{1}{20}$; Gaining ratio = 3 : 1

Dr				Cash Account		Cr	
Particulars		Amt (₹)		Particulars		Amt (₹)	
To Balance b/d		30,000		By Rajeev's Capital A/c		10,000	
				By Balance c/d		20,000	
		30,000				30,000	

Question 26.

A, B and C were partners in a firm sharing profits in the ratio of 2 : 2: 1. On 28th February, 2019, their firm was dissolved. On this date, firm's balance sheet is as follows:

Balance Sheet as at 28th February, 2019			
Liabilities	Amt (₹)	Assets	Amt (₹)
Creditors	1,60,000	Sundry Assets	2,60,000
Capital A/cs		C's Capital A/c	46,000
A	1,50,000	Cash at Bank	14,000
B	10,000		
	3,20,000		3,20,000

C took over the assets at ₹ 1,30,000. Realisation expenses ₹ 10,000 were paid by A. Creditors of ₹ 1,60,000 were paid by A at ₹ 1,50,000. You are required to prepare realisation account, partner's capital account and cash account.

Answer:

Dr Realisation Account Cr			
Particulars	Amt (₹)	Particulars	Amt (₹)
To Sundry Assets A/c	2,60,000	By Creditors	1,60,000
To A's Capital A/c (Creditors)	1,50,000	By C's Capital A/c (Sundry assets)	1,30,000
To B's Capital A/c (Realisation expenses)	10,000	By Loss Transferred to	
		A's Capital A/c	52,000
		B's Capital A/c	52,000
		C's Capital A/c	26,000
	4,20,000		1,30,000
			4,20,000

Dr Partners' Capital Account Cr							
Particulars	A (₹)	B (₹)	C (₹)	Particulars	A (₹)	B (₹)	C (₹)
To Balance b/d	—	—	46,000	By Balance b/d	1,50,000	10,000	—
To Realisation A/c (Loss)	52,000	52,000	26,000	By Realisation A/c	1,50,000	10,000	—
To Realisation A/c (Assets)	—	—	1,30,000	By Cash A/c (Cash brought in)	—	32,000	2,02,000
To Cash A/c (Final payment)	2,48,000	—	—				
	3,00,000	52,000	2,02,000		3,00,000	52,000	2,02,000

Dr Cash Account Cr			
Particulars	Amt (₹)	Particulars	Amt (₹)
To Balance b/d	14,000	By A's Capital A/c (Final payment)	2,48,000
To B's Capital A/c (Cash brought in)	32,000		
To C's Capital A/c (Cash brought in)	2,02,000		
	2,48,000		2,48,000

Part B (Financial Statement Analysis)

Question 27.

Statement I Credit purchases of goods will increase the operating ratio. Statement II

Payment to creditors will increase the operating ratio. Alternatives

- (a) Both the statements are true
- (b) Both the statements are false
- (c) Statement I is true and Statement II is false
- (d) Statement II is true and Statement I is false

Or

Which one of the following is not an item of securities premium reserve?

- (a) Revaluation reserve
- (b) Securities premium reserve
- (c) Share options outstanding account
- (d) None of these

Answer:

- (c) Statement I is true and Statement II is false.

Or

- (d) None of these

Question 28.

Which of the following will decrease the inventory turnover ratio?

- (a) Increase in the value of closing stock
- (b) Purchase return
- (c) Goods distributed as free samples
- (d) Goods withdrawn for personal use

Answer:

(a) Purchase return, goods distributed as free samples and goods withdrawn for personal use will increase the inventory turnover ratio.

Question 29.

Rakshak Ltd made an operating profit of ₹ 1,85,500 after charging depreciation of ₹ 31,200. During that year, trade payables increased by ₹ 26,600 and inventory increased by ₹ 40,300. There was no change to trade receivables. Assuming that no other factors affected it, what would be the cash generated from operations?

- (a) ₹ 2,03,000
- (b) ₹ 2,30,400
- (c) ₹ 2,25,800
- (d) ₹ 2,43,300

Or

Following is the extract from the balance sheet of Satpal Ltd.

Particulars	31st March, 2020 (₹)	31st March, 2019 (₹)
Surplus i.e. Balance in Statement of Profit and Loss	9,00,000	6,00,000

Additional Information

Proposed dividend for the year 2019 ₹ 3,00,000 and 2020 ₹ 3,50,000

Calculate net profit before tax and extraordinary items.

- (a) ₹ 3,50,000
- (b) ₹ 2,50,000

(c) ₹ 6,00,000

(d) ₹ 6,50,000

Answer:

(a) Cash Generated from Operations	Amt (₹)
Operating Profit	1,85,500
(+) Depreciation	31,200
	<u>2,16,700</u>
(-) Increase in Inventory	(40,300)
(+) Increase in Trade Payables	26,600
	<u>2,03,000</u>

Or (c)	Amt (₹)
Net Profit before tax (9,00,000 – 6,00,000)	3,00,000
(+) Proposed dividend for previous year	3,00,000
	<u>6,00,000</u>

Question 30.

ABC Ltd is a financial company which provides loan and invest into shares. At the year end, company received ₹ 50,000 interest on loan. Where will be the amount of interest presented? [1]

- (a) Activity arising from interest will be shown in investing activity
- (b) Activity arising from interest will be shown in financing activity
- (c) Activity arising from interest will be shown in operating activity
- (d) None of the above

Answer:

(c) The ABC Ltd is engaged in the business of providing loans and also investing in shares. Any income arising from these activities should be shown under operating activity.

Question 31.

Draw notes to accounts for change in inventories of Vansh Ltd for the year ended 31st March, 2022 from the following information and determine the amount that will be shown in the statement of profit and loss against change in inventories of finished goods, work-in-progress and stock-in-trade. [3]

Answer:

Notes to Accounts

Particulars	Year ended 31st March, 2022 (₹)
Change in Inventories of Finished Goods, Work-in-progress and Stock-in-trade	
(i) Finished Goods	
Opening Inventory	2,50,000
(-) Closing Inventory	(2,00,000)
Sub-total	50,000
(ii) Work-in-progress	
Opening Inventory	4,50,000
(-) Closing Inventory	(5,00,000)
Sub-total	(50,000)
(iii) Stock-in-trade	
Opening Inventory	7,50,000
(-) Closing Inventory	(7,00,000)
Sub-total	50,000
Total (i + ii + iii)	50,000

₹ 50,000 will be shown in the statement of profit and loss against change in inventories of finished goods, work-in-progress and stock-in-trade.

Question 32.

- (i) How the earning capacity of a business is assessed by financial statement analysis?
- (ii) How does subjectivity become a limitation of financial statement analysis?

Answer:

- (i) The earning capacity of a business is assessed by financial statement analysis through profitability ratios.
- (ii) Subjectivity becomes a limitation of financial statement analysis because an analyst has to exercise his own judgement and bias in the process of drawing conclusions.

Question 33.

From the following information, calculate any two of the following ratios

- (i) Debt-to-equity ratio
- (ii) Working capital turnover ratio
- (iii) Return on investment

Additional Information

Equity share capital ₹ 25,000, general reserve ₹ 2,500, balance of statement of profit and loss after interest and tax ₹ 7,500, 9% debentures ₹ 10,000, creditors ₹ 7,500, land and building ₹ 32,500, equipments ₹ 7,500, debtors ₹ 7,250, cash ₹ 2,750, revenue from operations, i.e. sales for the year ended 31st March, 2020 was ₹ 50,000, tax rate is 50 %.

Or

Assuming that debt to equity ratio is 2: 1. State giving reasons, whether this ratio will increase or decrease or will have no change in each one of the following cases

- (i) Sale of fixed asset (book value ₹ 40,000) at a loss of ₹ 5,000.
- (ii) Issue of new shares for cash.
- (iii) Redemption of debentures for cash.
- (iv) Declaration of final dividend.

Answer:

Any two ratios

(i) Debt to Equity Ratio = Debt * Equity or Shareholders' Funds = 10,000 / 35,000 = 0.286: 1
 Debts = 9 % Debentures = ₹ 10,000
 Shareholders' Funds = Equity Share Capital + General Reserve + Balance of Statement of Profit and Loss
 = 25,000+2,500+7,500 = ₹ 35,000

(ii) Working Capital Turnover Ratio = Revenue from Operations (Net sales) / Working Capital = 50,000 / 2,500 = 20 times
 Working Capital = Current Assets – Current Liabilities = 10,000 - 7,500 = ₹ 2,500
 Current Assets = Cash + Debtors = 2,750 + 7,250 = ₹ 10,000
 Current Liabilities = Creditors = ₹ 7,500

(iii) Return on Investment = $\frac{\text{Profit before Interest, Tax and Preference Dividend}^*}{\text{Capital Employed}^{**}} \times 100 = \frac{15,900}{45,000} \times 100 = 35.33\%$

$$*\text{Profit before Tax} = \frac{\text{Profit after Tax}}{100 - \text{Tax Rate}} \times 100 = \frac{7,500 \times 100}{100 - 50} = \frac{7,500 \times 100}{50} = ₹ 15,000$$

Profit before Interest and Tax = 15,000 + 900 (Interest on Debentures) = ₹ 15,900

**Capital Employed = Equity Share Capital + General Reserve + Balance of Statement of Profit and Loss
 = 25,000 + 2,500 + 7,500 + 10,000 = ₹ 45,000 + 9% Debentures.

Question 34.

From the balance sheet and information given below, prepare cash flow statement



Balance Sheet
as at 31st March, 2022

Particulars	31st March, 2022 (₹)	31st March, 2021 (₹)
I. EQUITY AND LIABILITIES		
Creditors	35,200	32,000
A's Loan	—	20,000
Loan from Bank	40,000	32,000
Capital	1,22,400	1,00,000
Total	1,97,600	1,84,000
II. ASSETS		
Cash	5,600	8,000
Debtors	40,000	24,000
Stock	20,000	28,000
Land	40,000	32,000
Machinery	44,000	64,000
Building	48,000	28,000
Total	1,97,600	1,84,000

During the year, machine costing ₹ 8,000 (Accumulated Depreciation ₹ 2,400) was sold for ₹ 4,000. The provisions for depreciation against machinery as on 31st March, 2021 and 31st March, 2022 were ₹ 20,000\$ and ₹ 32,000 respectively. Net profit for the year amounting to ₹ 36,000.

Answer:

Cash Flow Statement
for the year ended 31st March, 2022

Particulars	Amt (₹)
I. Cash Flow from Operating Activities	
Net Profit before Tax and Extraordinary Items	36,000
(+) Non-cash and Non-operating Expenses	
Depreciation on Machinery	14,400
Loss on Sale of Machinery	1,600
Operating Profit before Working Capital Changes	<u>52,000</u>

Particulars		Amt (₹)
(+)- Increase in Current Liabilities and Decrease in Current Assets		
Creditors	3,200	
Stock	8,000	11,200
(-)- Decrease in Current Liabilities and Increase in Current Assets		
Debtors		(16,000)
Cash Flow from Operating Activities		47,200
II. Cash Flow from Investing Activities		
Proceeds from Sale of Machinery	4,000	
Purchase of Land	(8,000)	
Purchase of Building	(20,000)	(24,000)
Cash used in Investing Activities		
III. Cash Flow from Financing Activities		
Payment of A's Loan	(20,000)	
Loan from Bank	8,000	
Drawings	(13,600)	(25,600)
Cash used in Financing Activities		
IV. Net increase in Cash and Cash Equivalents (I + II + III)		(2,400)
(+)- Cash and Cash Equivalent in the beginning of the year		8,000
V. Cash and Cash Equivalent at the end of the year		5,600

Working Notes

1. Dr **Machinery Account** Cr

Particulars	Amt (₹)	Particulars	Amt (₹)
To Balance b/d (64,000 + 20,000)	84,000	By Bank (Sale)	4,000
		By Provision for Depreciation	2,400
		By Profit and Loss (Loss on sale)	1,600
		By Balance c/d (44,000 + 32,000)	76,000
	84,000		84,000

2. Dr **Provision for Depreciation Account** Cr

Particulars	Amt (₹)	Particulars	Amt (₹)
To Machinery A/c	2,400	By Balance b/d	20,000
To Balance c/d	32,000	By Depreciation A/c	14,400
	34,400		34,400

3. **Calculation of Drawings**

	Amt (₹)
Capital at the beginning	1,00,000
(+) Net Profit	36,000
	1,36,000
(-) Capital at the end	(1,22,400)
Drawings	<u>13,600</u>