

CBSE Sample Papers 2 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.

A and B are partners sharing profits and losses in the ratio of 3 : 2. C is admitted for 1/4th and for which 30,000 and 10,000 are credited as a premium for goodwill to A and B respectively. The new profit sharing ratio of A : B : C will be [1]

- (a) 3 : 2 : 1
- (b) 12 : 8 : 5
- (c) 9 : 6 : 5
- (d) 33 : 27 : 20

Answer:

(d) Sacrificing ratio of A and B

$$A=34 \times 14=316; B=14 \times 14=116$$

Partner's New Share = Partner's Old Share + Partner's Sacrificed Share

$$A's \text{ new share} = 35 - 316 = 3380$$

$$B's \text{ new share} = 35 - 316 = 3380$$

$$C's \text{ new share} = 14 \times 2020 = 2080$$

Question 2.

Assertion (A) Batman, a partner in a firm with four partners has advanced a loan of 50,000 to the firm for last six months of the financial year without any agreement. He claims an interest on loan of 3,000 despite the firm being in loss for the year. Reason (R) In the absence of any agreement/provision in the partnership deed, provisions of Indian Partnership Act, 1932 would apply. [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
- Reason (R) In the absence of any agreement/provision in the partnership deed, provisions of Indian Partnership Act, 1932 would apply.

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 3.

If 10,000 shares of 10 each were forfeited for non-payment of final call money of 3 per share and only 7,000 of these shares were re-issued @ 11 per share as fully paid up, then what is the minimum amount that company must collect at the time of re-issue of the remaining 3,000 shares? [1]

- (a) 21,000
- (b) 9,000
- (c) 16,000
- (d) 30,000

Answer:

(b) Profit on forfeiture of 3000 shares = $3000 \times 7 = ₹ 21,000$

Minimum reissue amount on 3,000 shares = $(3000 \times 10) - 21,000 = ₹ 9,000$

Or

On 1st April 2022, Galaxy Ltd. had a balance of 8,00,000 in securities premium account. During the year company issued 20,000 equity shares of 10 each as bonus shares and used the balance amount to write off loss on issue of debenture on account of issue of 2,00,000, 9% debentures of 100 each at a discount of 10% redeemable @ 5% premium.

The amount to be charged to statement of profit and loss for the year for loss on issue of debentures would be

- (a) 30,00,000
- (b) 22,00,000
- (c) 24,00,000
- (d) 20,00,000

Answer:

(c) Remaining securities premium after bonus issue = $800000 - 2,00,000 = ₹ 6,00,000$

Loss on issue of debentures = $(2,00,000 \times 10) + (2,00,000 \times 5) = 20,00,000 + 10,00,000 = ₹ 30,00,000$

T amount charged on the statement of profit and loss = 30,00,000 — 00,000 = ₹ 24,00,000

Question 4.

A, B and C who were sharing profits and losses in the ratio of 4: 3 : 2 decided to share the future profits and losses in the ratio to 2 : 3 : 4 with effect from 1st April, 2023. An extract of their balance sheet as at 31st March, 2023 is[1]

Liabilities	Amt (₹)	Assets	Amt (₹)
Workmen Compensation Reserve	65,000		

At the time of reconstitution, a certain amount of claim on workmen compensation was determined for which B's share of loss amounted to 5,000. The claim for workmen compensation would be

- (a) 15,000
- (b) 70,000
- (c) 50,000
- (d) 80,000

Answer:

(d) Revaluation loss = 5,000 × 93 = ₹ 15,000

Outstanding workmen claim transferred to revaluation account = ₹ 15,000

Total workmen claim = 65,000 + 15,000 = ₹ 80,000

Or

A, B and C are in partnership business. A used ₹ 2,00,000 belonging to the firm without the information to other partners and made a profit of ₹ 35,000 by using this amount. Which decision should be taken by the firm to rectify this situation?

- (a) A need to return only ₹ 2,00,000 to the firm
- (b) A is required to return ₹ 35,000 to the firm
- (c) A is required to pay back ₹ 35,000 only equally to B and C
- (d) A need to return ₹ 2,35,000 to the firm

Answer:

(d) A need to return ₹ 2,35,000 to the firm

Question 5.

Interest on partner's loan is credited to [1]

- (a) partner's fixed capital account
- (b) partner's current account
- (c) partner's loan account
- (d) partner's drawings account

Answer:

(c) partner's loan account

Question 6.

Alexa Ltd. purchased building from Siri Ltd for ₹ 8,00,000. The consideration was paid by issue of 6 % debentures of ₹ 100 each at a discount of 20%. The 6% debentures account is credited with [1]

- (a) 10,40,000
- (b) ₹ 10,00,000
- (c) ₹ 9,60,000
- (d) ₹ 6,40,000

Answer:

(b) 6 % debentures amount = $10,000 \times 100 = ₹ 10,00,000$; Number of debentures = $\frac{8,00,000}{80} = 10,000$ debentures

Or

Which of the following statements is incorrect about debentures?

(a) Interest on debentures is an appropriation of profits

(b) Debenture holders are the creditors of a company

(c) Debentures can be issued to vendors at discount

(d) Interest is not paid on debentures issued as collateral security

Answer:

(a) Interest on debentures is an appropriation of profits

Question 7.

Assertion (A) A company is registered with an authorised capital of 5,00,000 equity shares of ₹ 10 each of which 2,00,000 equity shares were issued and subscribed. All the money had been called up except ₹ 2 per share which was declared as 'reserve capital'. The share capital reflected in balance sheet as 'subscribed and fully paid up' will be zero. Reason (R) Reserve capital can be called up only at the time of winding up of the company. [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 false, but Reason (R) is true

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

Answer:

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

Question 8.

G, S and T were partners sharing profits in the ratio 3: 2: 1. G retired and his dues towards the firm including capital balance, accumulated profits and losses share, revaluation gain amounted to ₹ 5,80,000. G was being paid ₹ 7,00,000 in full settlement. For giving that additional amount of ₹ 1,20,000, S was debited for ₹ 40,000. Determine good will of the firm. [1]

(a) ₹ 1,20,000

(b) ₹ 80,000

(c) ₹ 2,40,000

(d) ₹ 3,60,000

Answer:

(c) Gaining ratio of T = $\frac{1}{3}$

Amount of G's goodwill paid by T = ₹ 80,000; Goodwill of the firm = 80,000 x 31 = ₹ 2,40,000

Or

Annu, Banu and Chanu are partners, Chanu has been given a guarantee of minimum profit of ₹ 8,000 by the firm. Firm suffered a loss of ₹ 5,000 during the year.

Capital account of Banu will be by

- (a) credited, ₹ 6,500
- (b) debited, ₹ 6,500
- (c) credited, ₹ 1,500
- (d) debited, ₹ 1,500

Particulars	Amt (₹)	Particulars	A
To Interest on Capital		By Profit and loss	
Richa	...	(After manager's commission)	
Anmol	...		
To Anmol's Salary A/c	12,500		
To Profit transferred to			
Richa's Capital A/c	... (i) ...		
Anmol's Capital A/c	...		
	—		

Direction Read the following hypothetical situation and answer the Q.

No. 9 and 10 on the basis of the given information. Richa and Anmol are partners sharing profits in the ratio of 3: 2 with capitals of ₹ 2,50,000 and ₹ 1,50,000 respectively. Interest on capital is agreed @ 6% p.a. Anmol is to be allowed an annual salary of ₹ 12,500. During the year ended 31st March, 2023, the profits of the year prior to calculation of interest on capital but after charging Anmol's salary amounted to ₹ 62,000. A provision of 5% of this profit is to be made in respect of manager's commission. Following is their profit and loss appropriation account

Answer:

(b) Total loss = 8,000 + 5,000 = 13,000

The loss will be bear by Annu and Banu equally

Banu's capital A/c will be debited by 13,000 x 12 = ₹ 6,500

Question 9.

The amount to be reflected in blank (i) will be [1]

- (a) ₹ 37,200
- (b) ₹ 44,700
- (c) ₹ 22,800
- (d) ₹ 20,940

Answer:

Dr		Profit and Loss Appropriation Account		Cr
Particulars	Amt (₹)	Particulars	Amt (₹)	
To Interest on Capital		By Profit and Loss (After manager's commission)		71,400
Richa	15,000			
Anmol	9,000			
	24,000	(62,000 + 12,500 – 3,100)		
To Anmol's Salary A/c				
To Profit transferred to				
Richa's Capital A/c	20,940			
Anmol's Capital A/c	13,960			
	34,900			
	—			—

Question 10.

The amount to be reflected in blank (ii) will be [1]

- (a) ₹ 62,000
- (b) ₹ 74,500
- (c) ₹ 71,400
- (d) ₹ 70,775

Answer:

- (c) ₹ 71,400

Question 11.

In the absence of an agreement, partners are entitled to [1]

- (i) profit share in capital ratio.
- (ii) commission for making additional sale.
- (iii) interest on loan and advances by them to the firm.
- (iv) salary for working extra hours.
- (v) interest on capital.

Codes

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

Answer:

- (c) Only (iii)

Question 12.

Rancho Ltd. took over assets worth ' 20,00,000 from PK Ltd. by paying 30% through bank draft and balance by issue of shares of 100 each at a premium of 10%. The entry to be passed by Rancho Ltd. for settlement will be [1]

(a) PK Ltd.	Dr	20,00,000	
To Share Capital A/c			12,72,700
To Securities Premium A/c			1,27,270
To Bank A/c			6,00,000
To Statement of Profit and Loss			30
(Being settlement of amount due to vendors)			
(b) PK Ltd.	Dr	20,00,000	
To Share Capital A/c			12,72,700
To Securities Premium A/c			1,27,270
To Bank A/c			6,00,030
(Being settlement of amount due to vendors)			
(c) PK Ltd.	Dr	20,00,000	
To Share Capital A/c			12,72,700
To Securities Premium A/c			1,27,300
To Bank A/c			6,00,000
(Being settlement of amount due to vendors)			
(d) PK Ltd.	Dr	20,00,000	
To Share Capital A/c			12,73,000
To Securities Premium A/c			1,27,300
To Bank A/c			5,99,700
(Being settlement of amount due to vendors)			

Answer:

(b) Issue price of shares = ₹ 110

Number of shares issued = $(20,00,000 - 6,00,000) / 110 = 12,727.27$ shares

Since the company cannot issue shares in fractions, 0.27 shares will be paid through the bank.

$0.27 \times 110 = ₹ 30$ (approx.)

Payment through bank = $6,00,000 + 30 = ₹ 6,00,030$

Question 13.

A company forfeited 3,000 shares of ₹ 10 each, on which only ₹ 5 per share (including ₹ 1 premium) has been paid. Out of these few shares were re-issued at a discount of ₹ 1 per share and ₹ 6,000 were transferred to capital reserve. How many shares were re-issued? [1]

- (a) 3,000 shares
- (b) 1,000 shares
- (c) 2,000 shares
- (d) 1,500 shares

Answer:

- (c) 2,000 shares

Question 14.

X and Y are partners in a firm with capital of ₹ 18,000 and ₹ 20,000. Z brings ₹

10,000 for his share of goodwill and he is required to bring proportionate capital for 1/3rd share in profits. The capital contribution of Z will be..... [1]

- (a) ₹ 24,000
- (b) ₹ 19,000
- (c) ₹ 12,667
- (d) ₹ 14,000

Answer:

(a) Total capital of old partners (after adjustment of goodwill) = 23,000 + 25,000 = ₹ 48,000

New Firm's Capital = Total Adjusted Capital x Reverse of Remaining Share

Let the profits be ₹ 1. Remaining share = $1 - \frac{1}{3} = \frac{2}{3}$

New firm's capital = 48,000 x $\frac{2}{3}$ = ₹ 72,000

Z's capital = 72,000 x $\frac{1}{3}$ = ₹ 24,000

Question 15.

A and B are partners. B draws a fixed amount at the end of every quarter. Interest on drawings is charged @ 15% p.a. At the end of the year interest on B's drawings amounted to ₹ 9,000. Drawings of B were [1]

- (a) ₹ 24,000 per quarter
- (b) ₹ 40,000 per quarter
- (c) ₹ 30,000 per quarter
- (d) ₹ 80,000 per quarter

Answer:

(b) Interest on Drawings = Drawings x Rate x Average Period $\frac{12}{2}$

9,000 = Drawings x $15\% \times 4.5$

Drawings = ₹ 1,60,000

Or

Shyam, Gopal and Arjun are partners carrying on garment business. Shyam withdrew ₹ 10,000 in the beginning of each quarter. Gopal, withdrew garments amounting to ₹ 15,000 to distribute it to flood victims, and Arjun withdrew ₹ 20,000 from his capital account. The partnership deed provides for interest on drawings @ 10% p.a. The interest on drawing charged from Shyam, Gopal and Arjun at the end of the year will be

- (a) Shyam ₹ 4,800; Gopal ₹ 1,000; Arjun ₹ 2,000
- (b) Shyam ₹ 4,800; Gopal ₹ 1,000; Arjun ₹ 2,000
- (c) Shyam ₹ 2,500; Gopal ₹ 750; Arjun-Nil
- (d) Shyam ₹ 4,800; Gopal-Nil; Arjun-Nil

Answer:

(c) Interest on Shyam's capital = 40,000 x $10\% \times 7.5$ = ₹ 2,500

Interest on Gopal's capital = 15,000 x $10\% \times 6$ = ₹ 750

Interest on drawings is charged on drawings out of profit only, so it will not be charged on Arjun's drawings since he has withdrawn from his capital.

Question 16.

On the day of dissolution of the firm 'Roop Brothers' had partner's capital amounting to ₹ 1,50,000, external liabilities ₹ 35,000, cash balance ₹ 8,000 and profit and loss (debit) ₹ 7,000. If realisation expense and loss on realisation amounted to ₹ 5,000 and ₹ 25,000 respectively, the amount realised by sale of assets is..... [1]

- (a) ₹ 1,64,000
- (c) ₹ 1,57,000
- (b) ₹ 1,45,000

(d) ₹ 1,50,000

Answer:

(d) Book Value of the Assets (except cash) = Capital + Liabilities – Profit and Loss Account – Cash

= 1,50,000 + 35,000 – 7,000-8,000 = ₹ 1,70,000

Amount realised by sale of assets = 1,70,000+5,000 – 25,000 = ₹ 1,50,000

Question 17.

Anshul, Babita and Chander were partners in a firm running a successful business of car accessories. They had agreed to share profits and losses in the ratio of 1/2: 1/3: 1/6 respectively. After running business successfully and without any disputes for 10 years, Babita decided to retire due to old age and the Anshul and Chander decided to share future profits and losses in the ratio of 3: 2. [3]

The accountant passed the following journal entry for Babita share of goodwill and missed some information. Fill in the missing figures in the following Journal entry and calculate the gaining ratio.

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Anshul's Capital A/c	Dr	...	
	Chander's Capital A/c	Dr	21,000	
	To Babita's Capital A/c			...
	(Being Chander's share of goodwill debited to the account of continuing partners in their gaining ratio)			

Answer:

Gaining Ratio = New Ratio – Old Ratio

Anshul's gaining ratio = $35 - 36 = 330$;

Chander's gaining ratio = $25 - 16 = 730$;

Gaining ratio = 3: 7

Chander's Share of Goodwill = Babita's Share in Goodwill \times Chander's Gaining Share

21,000 = Babita's share in goodwill \times 710

Babita's share in goodwill = $21,000 \times 107 = ₹ 30,000$;

Anshul's share = $30,000 \times 310 = ₹ 9,000$

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Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Anshul's Capital A/c	Dr	9,000	
	Chander's Capital A/c	Dr	21,000	
	To Babita's Capital A/c			30,000
	(Being Chander's share of goodwill debited to the accounts of continuing partners in their gaining ratio)			

Question 18.

R Q and R were partners with fixed capital of 40,000, 32,000 and 24,000. After distributing the profit of 48,000 for the year ended 31st March, 2022 in their agreed

ratio of 3: 1 : 1, it was observed that [3]

- (i) Interest on capital was provided at 10% p.a. instead of 8% p.a.
- (ii) Salary of 12,000 was credited to P instead of Q.

You are required to pass a single journal entry in the beginning of the next year to rectify the above omissions.

Answer:

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Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	P's Capital A/c	Dr	11,648	
	R's Capital A/c	Dr	96	
	To Q's Capital A/c			11,744
	(Being entry passed for adjustment of interest on capital and salary)			

Working Note

Adjustment Table

Partners	Interest on Capital Paid (2%)	Salary Paid (wrong credit)	Payable	Salary Payable	Excess/Deficiency
P	800	12,000	1,152	—	11,648 (Excess)
Q	640	—	384	12,000	11,744 (Deficiency)
R	480	—	384	—	96 (Excess)

Or

Cheese and Slice are equal partners. Their capitals as on 1st April, 2022 were ₹ 50,000 and ₹ 1,00,000 respectively. After the accounts for the financial year ending 31st March, 2023 have been prepared, it is observed that interest on capital @ 6 % per annum and salary to Cheese @ ₹ 5,000 per annum, ds provided in the partnership deed has not been credited to the partners' capital accounts before distribution of profits. You are required to give necessary rectifying entries using profit and loss adjustment account.

Answer:

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Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Profit and Loss Adjustment A/c	Dr	9,000	
	To Cheese Capital A/c			3,000
	To Slice Capital A/c			6,000
	(Being interest on capital omitted earlier now provided)			
	Profit and Loss Adjustment A/c	Dr	5,000	
	To Cheese Capital A/c			5,000
	(Being salary omitted earlier now provided)			
	Cheese Capital A/c	Dr	7,000	
	Slice Capital A/c	Dr	7,000	
	To Profit and Loss Adjustment A/c			14,000
	(Being loss on adjustment transferred to partners)			

Question 19.

Pioneer Fitness Ltd. took over the running business of Healthy World Ltd. having assets of ₹ 10,00,000 and liabilities of ₹ 1,70,000 by..... [3]

- (i) Issuing 8,000, 8% Debentures of ₹ 100 each at 5 % premium redeemable after 6 years @ ₹ 110, and
(ii) Cheque for ₹ 50,000.

Pass the journal entries in the books of Pioneer Fitness Ltd.

Or

Lilly Ltd. forfeited 100 shares of ₹ 10 each issued at 10 % premium (₹ 8 called up) on which a shareholder did not pay ₹ 3 of allotment (including premium) and first call of ₹ 2. Out of these 60 shares were reissued to Ram as fully paid for ₹ 8 per share and 20 shares to Suraj as fully paid up @ ₹ 12 per share at different intervals of time. Prepare share forfeiture account.

Answer:

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Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Assets A/c Dr		10,00,000	
	Goodwill A/c Dr		60,000	
	To Liabilities A/c			1,70,000
	To Healthy World Ltd.			8,90,000
	(Being assets and liabilities taken over)			
	Healthy World Ltd. Dr		8,90,000	
	Loss on issue of Debentures A/c Dr		80,000	
	To 8% Debentures A/c			8,00,000
	To Securities Premium A/c			40,000
	To Premium on Redemption A/c			80,000
	To Bank A/c			50,000
	(Being purchase consideration discharged by issue of debentures and in cash)			

Dr		Share Forfeiture Account		Cr
Particulars	Amt (₹)	Particulars	Amt (₹)	
To Share Capital A/c	120	By Share Capital A/c	400	
To Capital Reserve A/c	120			
To Capital Reserve A/c	80			
To Balance c/d	40			
	400			
			400	

Question 20.

Calculate good will of a firm on the basis of three years purchases of the weighted average profits of the last four years. The profits of the last four years were [4]

Years(ending 31st March)	2020	2021	2022	2023
Amt (₹)	28,000	27,000	46,900	53,810

- (i) On 1st April, 2020 a major plant repair was undertaken for ₹ 10,000 which was charged to revenue. The said sum is to be capitalised for goodwill calculation subject to adjustment of depreciation of 10% on reducing balance method.

(ii) For the 'purpose of calculating good will be corn any decided that the years ending 31st March, 2020 and 31st March, 22 I be weighted as 1 each (being Cod affected) and for year ending 31st March. 2022 and 31st March, 202 weights be taken as 2 and 3 respectively.

Answer:

Calculation of Weighted Profits			
Years (ending 31st March)	Adjusted Profit (₹)	Weights	Product (₹)
2020	28,000	1	28,000
2021	36,000	1	36,000
2022	46,000	2	92,000
2023	53,000	3	1,59,000
Total		7	3,15,000

Adjusted Profits	2020 (₹)	2021 (₹)	2022 (₹)	2023 (₹)
Given Profits	28,000	27,000	46,900	53,810
(+) Capital Expenditure Charged to Revenue		10,000		
(-) Unprovided Depreciation		(1,000)	(900)	(810)
Adjusted Profits	28,000	36,000	46,000	53,000

$$\text{Weighted average profit} = \frac{3,15,000}{7} = ₹ 45,000$$

$$\text{Goodwill} = 45,000 \times 3 = ₹ 1,35,000$$

Working Notes

1. Depreciation of 2021 = 10% of ₹ 10,000 = $10,000 \times \frac{10}{100} = ₹ 1,000$
2. Depreciation of 2022 = 10% of ₹ 9,000 = $9,000 \times \frac{10}{100} = ₹ 900$
3. Depreciation of 2023 = 10% of ₹ 8,100 = $8,100 \times \frac{10}{100} = ₹ 810$

Question 21.

Atishyokti Ltd. company was registered with an authorised capital of ₹ 20,00,000 divided into 2,00,000 equity shares of ₹ 10 each, payable ₹ 3 on application. ₹ 6 on allotment (including ₹ 1 premium) and balance on call. The company offered 80,000 shares for public subscription. [4]

All the money has been duly called and received except allotment and call money on 5,000 shares held by Manish and call money on 4,000 shares held by Alok. Manish's shares were forfeited and out of these 3,000 shares were re-issued ₹ 9 per share as Fully paid up. Show share capital in the books of the company. Also prepare notes to accounts.

Answer:

Balance Sheet (Extract)
as at

Particulars	Note No.	Amt (₹)
I. EQUITY AND LIABILITIES		
1. Shareholder's Funds		
Share Capital	1	7,78,000

Notes to Accounts

Particulars	Amt (₹)
1. Share Capital	
Authorised Capital	
2,00,000 Equity Shares of ₹ 10 each	20,00,000
Issued Capital	
80,000 Equity Shares of ₹ 10 each	8,00,000
Subscribed Capital	
Subscribed and Fully Paid-up	
74,000 Equity Shares of ₹ 10 each	7,40,000
Subscribed but not Fully Paid-up	
4,000 Equity Shares of ₹ 10 each	40,000
(-) Calls-in-arrears (4,000 × 2)	(8,000)
(+) 2,000 Equity Shares of ₹ 3 each	6,000
	7,78,000

Question 22.

Sun and Kiran are partners sharing profits and losses equally. They decided to dissolve their firm. Assets and liabilities have been transferred to realisation account. Pass necessary journal entries for the following [4]

(i) All partners are agreed that the process of realization at the time dissolution will be accomplished by Sun for which he will be paid ₹ 10,000 along with the amount of expense which amounted to 2% of total value realised from the assets on dissolution. Some assets were sold for cash at a cumulative value of ₹ 12,00,000 and the remaining were taken over by creditors at a valuation of ₹ 3,00,000 E

(ii) Deferred advertisement expenditure account appeared in the books at ₹ 28,000

(iii) Out of the stock of ₹ 1,20,000; Kiran (a partner) took over 1/3 of the stock at a discount of 25 % and 50 % of remaining stock was taken over by a creditor of ₹ 30,000 in full settlement of his claim. Balance amount of stock realised at ₹ 25,000.

(iv) An outstanding bill for repairs and renewal of ₹ 3,000 was settled through an unrecorded asset which was valued at ₹ 10,000. Balance being settled in cash.

Answer:

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
(i)	Realisation A/c Dr To Sun's Capital A/c (Being remuneration and expenses payable to Sun)		40,000	40,000
(ii)	Sun's Capital A/c Dr Kiran's Capital A/c Dr To Deferred Advertisement Suspense A/c (Being advertisement suspense account has been debited in partner's capital account in their profit sharing ratio)		14,000 14,000	28,000
(iii) (a)	Kiran's Capital A/c Dr To Realisation A/c (Being 1/3 of stock has been taken over by Kiran at 25% discount)		30,000	30,000
(b)	No Entry			
(c)	Bank A/c Dr To Realisation A/c (Being stock realised)		25,000	25,000

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
(iv)	Cash/Bank A/c Dr To Realisation A/c (Being amount realised from unrecorded assets after payment of outstanding bill)		7,000	7,000

Working Notes

$$1. \text{ Realisation expenses} = (12,00,000 + 3,00,000) \times \frac{2}{100} = ₹ 30,000$$

$$2. \text{ Stock taken by Kiran} = \left(120,000 \times \frac{1}{3}\right) = 40,000 - \left(40,000 \times \frac{25}{100}\right) = ₹ 30,000$$

Question 23.

The Directors of Rockstar Ltd. invited applications for 2,00,000 shares of ₹ 10 each, issued at 20% premium. Share was payable as ₹ 5 on application, ₹ 4 (including premium) on allotment and balance on call. Public had applied for 3,20,000 shares out of which applications for 20,000 shares were rejected and remaining were allotted on pro-rata basis. Simba, an applicant of 15,000 shares failed to pay allotment and call money. His shares were forfeited and out of these 6,000 shares were reissued at a discount of ₹ 2 per share. Journalise. [6]

Or

Shaktimaan Ltd. invited applications for issuing 1,00,000 shares of ₹ 10 each at a premium of ₹ 2 per share. The amount was payable as ₹ 4 on application (including premium), ₹ 5 on allotment and balance on call. Applications were received shares for 1,80,000 of which applications for 30,000 shares were rejected and remaining applicants were allotted on pro-rata basis. Manthan, holding 5,000 shares failed to

pay call money and his shares were forfeited. Out of these 2,000 shares were re-issued at a premium of ₹ 3 per share. Prepare cash book and pass necessary entries.

Answer:

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Bank A/c Dr To Share Application A/c (Being application money received)		16,00,000	16,00,000
	Share Application A/c Dr To Share Capital A/c To Share Allotment A/c To Bank A/c (Being application money utilised)		16,00,000	10,00,000 5,00,000 1,00,000
	Share Allotment A/c Dr To Share Capital A/c To Securities Premium A/c (Being allotment due with premium)		8,00,000	4,00,000 4,00,000
	Bank A/c Dr Calls-in-arrears A/c Dr To Share Allotment A/c (Being allotment received except of Simba)		2,85,000 15,000	3,00,000
	Share First and Final Call A/c Dr To Share Capital A/c (Being call money due)		6,00,000	6,00,000
	Bank A/c Dr Calls-in-arrears A/c Dr To Share First and Final Call A/c (Being call money received expect of Simba)		5,70,000 30,000	6,00,000
	Share Capital A/c Dr Securities Premium A/c Dr To Share Forfeited A/c To Calls-in-arrears A/c (Being Simba's shares forfeited)		1,00,000 15,000	70,000 45,000
	Bank A/c Dr Share Forfeited A/c Dr To Share Capital A/c (Being forfeited shares reissued)		48,000 12,000	60,000
	Share Forfeited A/c Dr To Capital Reserve A/c (Being gain on reissue transferred to capital reserve)		30,000	30,000

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Bank A/c Dr To Share Application A/c (Being application money received)		16,00,000	16,00,000
	Share Application A/c Dr To Share Capital A/c To Share Allotment A/c To Bank A/c (Being application money utilised)		16,00,000	10,00,000 5,00,000 1,00,000
	Share Allotment A/c Dr To Share Capital A/c To Securities Premium A/c (Being allotment due with premium)		8,00,000	4,00,000 4,00,000
	Bank A/c Dr Calls-in-arrears A/c Dr To Share Allotment A/c (Being allotment received except of Simba)		2,85,000 15,000	3,00,000
	Share First and Final Call A/c Dr To Share Capital A/c (Being call money due)		6,00,000	6,00,000
	Bank A/c Dr Calls-in-arrears A/c Dr To Share First and Final Call A/c (Being call money received expect of Simba)		5,70,000 30,000	6,00,000
	Share Capital A/c Dr Securities Premium A/c Dr To Share Forfeited A/c To Calls-in-arrears A/c (Being Simba's shares forfeited)		1,00,000 15,000	70,000 45,000
	Bank A/c Dr Share Forfeited A/c Dr To Share Capital A/c (Being forfeited shares reissued)		48,000 12,000	60,000
	Share Forfeited A/c Dr To Capital Reserve A/c (Being gain on reissue transferred to capital reserve)		30,000	30,000

Working Notes

1. Simba's allotted shares

Applied : Allotted

3 : 2

15,000 : X

Allotted shares = 10,000

2. Excess on application paid by Simba

Applied shares X application per share = $15,000 \times 5 = 75,000$

Allotted shares X application per share = $10,000 \times 5 = \underline{50,000}$

Excess on application = 25,000

3. Allotment not paid by Simba

Allotted shares X allotment per share = $10,000 \times 4 = 40,000$

Excess on application (WN2) = (25,000)

Allotment not paid = 15,000

Capital reserve = $\left(\frac{70,000 \times 6,000}{10,000} \right) - 12,000 = ₹ 30,000$

Or

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Share Application A/c Dr		6,00,000	
	To Share Capital A/c			2,00,000
	To Securities Premium A/c			2,00,000
	To Share Allotment A/c			2,00,000
	(Being application money utilised)			
	Share Allotment A/c Dr		5,00,000	
	To Share Capital A/c			5,00,000
	(Being allotment due with premium)			
	Share First and Final Call A/c Dr		3,00,000	
	To Share Capital A/c			3,00,000
	(Being call money due)			
	Calls-in-arrears A/c Dr		15,000	
	To Share First and Final Call A/c			15,000
	(Being call money received except of Simba)			
	Share Capital A/c Dr		50,000	
	To Share Forfeited A/c			35,000
	To Calls-in-arrears A/c			15,000
	(Being Simba's shares forfeited)			
	Share Forfeited A/c Dr		14,000	
	To Capital Reserve A/c			14,000
	(Being gain on reissue transferred to capital reserve)			

Dr

Cash Book (with Bank Column Only)

Cr

Date	Particulars	LF	Amt (₹)	Date	Particulars	LF	Amt (₹)
	To Share Application A/c		7,20,000		By Share Application A/c		1,20,000
	To Share Allotment A/c		3,00,000		By Balance c/d		12,11,000
	To Share First and Final Call A/c		2,85,000				
	To Share Capital A/c		20,000				
	To Securities Premium A/c		6,000				
			13,31,000				13,31,000

Working Notes

Capital reserve = $(35,000 \times 2,000 - 5,000) - 0 = ₹ 14,000$

Question 24.

Rajinder and Vijay were partners in a firm sharing profits in the ratio 3 : 2. On 31st March, 2023 their balance sheet was as follows [6]

Liabilities		Amt (₹)	Assets		Amt (₹)
Capital A/c's			Fixed Assets (Tangible)		3,60,000
Rajinder	3,00,000		Goodwill		50,000
Vijay	1,50,000	4,50,000	Investments		40,000
Current A/c's			Stock		74,000
Rajinder	50,000		Debtors	1,00,000	
Vijay	10,000	60,000	(-) Provision for Doubtful Debts	(4,000)	96,000
Creditors		75,000	Bank		25,000
General Reserve		60,000			
		6,45,000			6,45,000

With an aim to expand business it is decided to admit Ranvijay as a partner on 1st April, 2023 on the following terms

- Provision for doubtful debts is to be increased to 6% of debtors.
- An outstanding bill for repairs ₹ 50,000 to be accounted in the books.
- An unaccounted interest accrued of ₹ 7500 be provided for.
- Investment were sold at book value.
- Half of stock was taken by Rajinder at ₹ 42,000 and remaining stock was also to be revalued at the same rate.
- New profit sharing ratio of partners will be 5: 3: 2.
- Ranvijay will bring ₹ 1,00,000 as capital and his share of goodwill which was valued at twice the average profit of the last three years ended 31st March, 2023, 2022 and 2021 were ₹ 1,50,000, ₹ 1,30,000 and ₹ 1,70,000 respectively. Pass necessary journal entries.

Or

L, M and N were partners in a firm sharing profit and losses in the ratio of 2: 2: 3. On 31st March, 2023, their balance sheet was as follows:

Liabilities		Amt (₹)	Assets		Amt (₹)
Creditors		80,000	Land and Building		5,00,000
Bank Overdraft		22,000	Machinery		2,50,000
Long-term Debts		2,00,000	Furniture		3,50,000
Capital A/c's			Investments		1,00,000
L	6,25,000		Stock		4,00,000
M	4,00,000		Debtors		2,00,000
N	5,25,000	15,50,000	Bank		20,000
Employees Provident Fund		38,000	Deferred Advertisement Expenditure		70,000
		18,90,000			18,90,000

On 31st March, 2023, M retired from the firm and remaining partners decided to carry on business. It was decided to revalue assets and liabilities as under

- Land and building be appreciated by ₹ 2,40,000 and machinery be depreciated 10%.
- 50 % of investments were taken by the retiring partner at book value.
- Provision for doubtful debts was to be made at 5 % on debtors.
- Stock will be valued at market price which is ₹ 1,00,000 less than the book value.
- Goodwill of the firm be valued at ₹ 5,60,000. L and N decided to share future

profits and losses in the ratio of 2:3.

(vi) The total capital of the new firm will be ₹ 32,00,000 which will be in proportion of profit sharing ratio of L and N.

(vii) Gain on revaluation account amounted to ₹ 1,05,000.

Prepare partner's capital accounts and balance sheet of firm after M's retirement.

Answer:

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Revaluation A/c Dr		52,000	
	To Provision for Doubtful Debts A/c			2,000
	To Outstanding Bill for Repairs A/c			50,000
	(Being increase in provision for doubtful debts and outstanding bill accounted)			
	Accrued Interest A/c Dr		7,500	
	Stock A/c Dr		8,000	
	To Revaluation A/c			15,500
	(Being increase in stock and accrued interest accounted)			
	Rajinder's Current A/c Dr		21,900	
	Vijay's Current A/c Dr		14,600	
	To Revaluation A/c			36,500
	(Being loss on revaluation transferred to partner's current account)			
	Bank A/c Dr		40,000	
	To Investment A/c			40,000
	(Being investment sold at book value)			
	Rajinder's Current A/c Dr		42,000	
	To Stock A/c			42,000
	(Being stock taken over by Rajinder)			
	General Reserve A/c Dr		60,000	
	To Rajinder's Current A/c			36,000
	To Vijay's Current A/c			24,000
	(Being general reserve distributed)			
	Rajinder's Current A/c Dr		30,000	
	Vijay's Current A/c Dr		20,000	
	To Goodwill A/c			50,000
	(Being goodwill written-off)			
	Bank A/c Dr		1,60,000	
	To Ranvijay's Capital A/c			1,00,000
	To Premium for Goodwill A/c			60,000
	(Being new partner brings capital and share of goodwill)			
	Premium for Goodwill A/c Dr		60,000	
	To Rajinder's Current A/c			30,000
	To Vijay's Current A/c			30,000
	(Being premium distributed in sacrificing ratio)			

Working Notes

1. Revaluation loss = 52,000 - 15,500 = ₹ 36,500

2. Ranvijay's Share of Goodwill

Firm's goodwill = $2 \times (1,50,000 + 1,30,000 + 1,70,000) \div 3 = ₹ 3,00,000$

Ranvijay's share of goodwill = $3,00,000 \times \frac{1}{3} = ₹ 1,00,000$

Or Dr				Partners' Capital Account				Cr
Particulars	L (₹)	M (₹)	N (₹)	Particulars	L (₹)	M (₹)	N (₹)	
To Deferred Revenue Expenses A/c	20,000	20,000	30,000	By Balance b/d	6,25,000	4,00,000	5,25,000	
To Investment A/c	—	50,000	—	By Revaluation A/c	30,000	30,000	45,000	
To M's Capital A/c	64,000	—	96,000	By L's capital A/c	—	64,000	—	
To M's Loan A/c	—	5,20,000	—	By N's Capital A/c	—	96,000	—	
To Balance c/d	12,80,000	—	19,20,000	By Bank A/c	7,09,000	—	14,76,000	
	<u>13,64,000</u>	<u>5,90,000</u>	<u>20,46,000</u>		<u>13,64,000</u>	<u>5,90,000</u>	<u>20,46,000</u>	

Balance Sheet
as at 31st March, 2023

Liabilities	Amt (₹)	Assets	Amt (₹)
Creditors	80,000	Land and Building	7,40,000
Bank Overdraft	22,000	Machinery	2,25,000
Long-term Debts	2,00,000	Furniture	3,50,000
Capital A/c's		Investments	50,000
L	12,80,000	Stock	3,00,000
N	19,20,000	Debtors	2,00,000
Employees Provident Fund	38,000	(-) Provision for Doubtful Debts	(10,000)
M's Loan A/c	5,20,000	Bank	22,05,000
	<u>40,60,000</u>		<u>40,60,000</u>

Working Notes

Adjustment of Capital

Total capital of the new firm = ₹ 32,00,000; L's new capital = $32,00,000 \times \frac{2}{5} = ₹ 12,80,000$

N's new capital = $32,00,000 \times \frac{3}{5} = ₹ 19,20,000$

Question 25.

Sandeep, Maheep and Amandeep were partners in a firm sharing profits in the ratio of 2: 2: 1. The firm closes its books on 31st March, every year. On 30th June, 2020 Maheep died. The partnership deed provided that on the death of a partner his executors will be entitled to the following [6]

(i) Balance in his capital account which amounted to ₹ 1,15,000 and interest on capital till date of death which amounted to ₹ 5,000

(ii) His share in the profits of the firm till the date of his death amounted to ₹ 20,000.

(iii) His share in the goodwill of the firm. The goodwill of the firm on Maheep's death was valued at ₹ 1,50,000.

(iv) Loan to Maheep amounted ₹ 20,000.

It was agreed that the amount will be paid to his executor in three equal yearly installments with interest @ 10% p.a.

The first installment was to be paid on 30th June, 2021.

Calculate the amount to be transferred to Maheep's executors account and prepare the executor's account till it is finally settled. [6]

Answer:

Maheep dues to be transferred to executors = 1,15,000 + 5,000 + 20,000 + 60,000 = ₹ 2,00,000

20,000 = ₹ 1,80,000

Dr				Maheep's Executors Account				Cr			
Date	Particulars	LF	Amt (₹)	Date	Particulars	LF	Amt (₹)				
				2020							
				Jun 30	By Maheep's Capital A/c		1,80,000				
2021				2021							
Mar 31	To Balance c/d		1,93,500	Mar 31	By Interest (9 months)		13,500				
			1,93,500				1,93,500				
Jun 30	To Bank (I Installment)		78,000	Apr 1	By Balance b/d		1,93,500				
				Jun 30	By Interest (3 months)		4,500				
2022				2022							
Mar 31	To Balance c/d		1,29,000	Mar 31	By Interest (9 months)		9,000				
			2,07,000				2,07,000				
Jun 30	To Bank (II Installment)		72,000	Apr 1	By Balance b/d		1,29,000				
				Jun 30	By Interest (3 months)		3,000				
2023				2023							
Mar 31	To Balance c/d		64,500	Mar 31	By Interest (9 months)		4,500				
			1,36,500				1,36,500				
Jun 30	To Bank (III Installment)		66,000	Apr 1	By Balance b/d		64,500				
			66,000	Jun 30	By Interest (3 months)		1,500				
							66,000				

Question 26.

On 1st July, 2022, Panther Ltd. issued 20,000% debentures of ₹ 100 each at 8 % premium and redeemable at a premium of 15 % in four equal installments starting from the end of the third year. [6]

The balance in securities premium on the date of issue of debentures was ₹ 80,000 Interest on debentures was to be paid on 31st March, every year.

Pass journal entries for the financial year 2022-23. Also prepare loss on issue of debentures account.

Answer:

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
2022				
Jul 1	Bank A/c Dr To Debenture Application and Allotment A/c (Being application money received)		21,60,000	21,60,000
Jul 1	Debenture Application and Allotment A/c Dr Loss on Issue of Debentures A/c Dr To 9% Debentures A/c To Securities Premium A/c To Premium on Redemption of Debentures A/c (Being debentures issued)		21,60,000 3,00,000	20,00,000 1,60,000 3,00,000
2023				
Mar 31	Debenture Interest A/c Dr To Debenturesholders A/c (Being interest due to debentures)		1,35,000	1,35,000
Mar 31	Debenturesholders A/c Dr To Bank A/c (Being interest paid to debenturesholders)		1,35,000	1,35,000
Mar 31	Statement of Profit and Loss Dr To Debentures Interest A/c (Being interest on debentures charged from statement of profit and loss)		1,35,000	1,35,000
Mar 31	Securities Premium A/c Dr Statement of Profit and Loss A/c Dr To Loss on Issue of Debentures A/c (Being loss on issue of debentures written-off)		2,40,000 60,000	3,00,000

Dr		Loss on Issue of Debentures Account				Cr
Date	Particulars	Amt (₹)	Date	Particulars	Amt (₹)	
2022			2023			
July 1	To Premium on Redemption of Debentures A/c	3,00,000	Mar 31	By Securities Premium A/c	2,40,000	
		3,00,000		By Statement of Profit and Loss	60,000	
		<u>3,00,000</u>			<u>3,00,000</u>	

Part B (Analysis of Financial Statements)

Question 27.

'Freedom to choose of method of depreciation' refers to which limitation of financial statement analysis. [1]

- (a) Historical analysis
- (b) Qualitative aspect ignored
- (c) Not free from bias
- (d) Ignore price level changes

Answer:

(c) Not free from bias

Or

..... is included in current assets while preparing balance sheet as per

revised Schedule III but excluded from current assets while calculating current ratio.

- (a) Debtors
- (b) Cash and cash equivalent
- (c) Loose tools and stores and spares
- (d) Prepaid expense

Answer:

- (c) Loose tools are stores and spares

Question 28.

Debt-equity ratio of Dhamaka Ltd is 3: 1. Which of the following will result in decrease in this ratio? [1]

- (a) Issue of debentures for cash of ₹ 2,00,000
- (b) Issue of debentures of ₹ 3,00,000 to vendors from whom machinery was purchased
- (c) Goods purchased on credit of ₹ 1,00,000
- (d) Issue of equity shares of ₹ 2,00,000

Answer:

- (d) Issue of equity shares will increase the equity of the company and debt remains unchanged.

Question 29.

Statement I Sale of marketable securities will result in no flow of cash. [1]

Statement II Debentures issued as collateral security will result in inflow of cash.

Alternatives

- (a) Both statements are correct
- (b) Both statements are incorrect
- (c) Statement I is correct and Statement II is incorrect
- (d) Statement I is incorrect and Statement I is correct

Answer:

- (c) Debentures issued as collateral security will result in no flow.

Or

What will be the effect of issue of bonus shares on cash flow statement?

- (a) No effect
- (b) Inflow in financing activity
- (c) Inflow in operating activity
- (d) Inflow in investing activity

Answer:

- (a) No effect

Question 30.

Aditya Sunrise Ltd. provides you the following information [1]

Particulars	31st March, 2023 (₹)	31st March, 2022 (₹)
10% Bank Loan	Nil	1,00,000

Additional Information

- (i) Equity share capital raised during the year ₹ 3,00,000.
- (ii) 10% bank loan was repaid on 1 st April, 2022.
- (iii) Dividend received during the year was ₹ 20,000.
- (iv) Dividend proposed for the year 2021-22 was ₹ 50,000 but only ₹ 20,000 was approved by the shareholders.

Find out the cash flow from financing activities.

- (a) 1,50,000
- (b) 2,00,000
- (c) 1,70,000
- (d) 1,80,000

Answer:

Cash Flow from Financing Activity

Particulars	Amt (₹)
Repayment of 10% Bank Loan	(1,00,000)
Issue of Share Capital	3,00,000
Proposed Dividend Paid	(20,000)
Cash Flow from Financing Activity	1,80,000

Question 31.

Classify the following items under major heads and sub-heads (If any) in the balance sheet of a company as per Schedule III of the Companies Act, 2013. [3]

- (i) Loose tools
- (ii) Loan repayable on demand
- (iii) Provision for retirement benefits
- (iv) Prepaid insurance
- (v) Capital advances
- (vi) Shares in listed companies

Answer:

S.No.	Items	Heading	Sub-heading
(i)	Loose Tools	Current Assets	Inventories
(ii)	Loan Repayable on Demand	Current Liabilities	Short-term Borrowings
(iii)	Provision for Retirement Benefits	Non-current Liabilities	Long-term Borrowings
(iv)	Prepaid Insurance	Current Assets	Other Current Assets
(v)	Capital Advances	Non-current Assets	Long-term Loans and Advances
(vi)	Shares in Listed Companies	Non-current Assets	Non-current Investments

Question 32.

(i) A company had a liquid ratio of 1.5 and current ratio of 2 and inventory turnover ratio 6 times. It had total current assets of 8,00,000. Find out annual sales if goods are sold at 25% profit on cost. [3]

(ii) Calculate debt to capital employed ratio from the following information

Shareholder funds — 15,00,000 8%

Debenture — 7,50,000

Current liabilities — 2,50,000

Non-current assets — 17,50,000

Current assets — 7,50,000

Answer:

$$(i) \text{ Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$
$$2 = \frac{8,00,000}{\text{Current Liabilities}}$$

So, current liabilities = ₹ 4,00,000

$$\text{Liquid Ratio} = \frac{\text{Liquid Assets}}{\text{Current Liabilities}}$$
$$1.5 = \frac{\text{Liquid Assets}}{4,00,000}$$

∴ Liquid assets = ₹ 6,00,000

Inventory = Current Assets – Liquid Assets

Inventory = 8,00,000 – 6,00,000 = ₹ 2,00,000

$$\text{Inventory Turnover Ratio} = \frac{\text{Cost Revenue from Operations}}{\text{Average Inventory}}$$
$$6 = \frac{\text{Cost of Revenue from Operations}}{2,00,000}$$

∴ Cost of Revenue from Operations = ₹ 12,00,000 ; Gross Profit = 25% of cost i.e ₹ 3,00,000

Revenue from Operations = Cost of Revenue from Operations + Gross Profit

$$= 12,00,000 + 3,00,000 = ₹ 15,00,000$$

$$(ii) \text{ Debt to Capital Employed Ratio} = \frac{\text{Debt}}{\text{Capital Employed}} = \frac{7,50,000}{(7,50,000 + 15,00,000)} = \frac{7,50,000}{22,50,000}$$

$$\text{Debt to capital employed ratio} = \frac{1}{3} = 0.33 : 1$$

Question 33.

From the information extracted from the statement of profit and loss of Zee Ltd for the year ended 31st March, 2022 and 31st March, 2023, prepare a common size statement of profit and loss. [4]

Particulars	Note No.	2022-23 (₹)	2021-22 (₹)
Revenue from Operations		8,00,000	10,00,000
Gross Profit		60%	70%
Other Expenses		2,20,000	2,60,000
Tax Rate		50%	50%

Or

From the following information, prepare comparative statement of profit and loss

Particulars	Note No.	2022-23 (₹)	2021-22 (₹)
Revenue from Operations		10,00,000	8,00,000
Other Income		2,20,000	1,50,000
Cost of Materials Consumed		4,00,000	3,00,000
Change in Inventories of Finished Goods and Work-in-progress		2,00,000	1,00,000
Other Expenses (% of cost of revenue from operations)		15%	10%
Tax Rate		30%	30%

Answer:

Common Size Statement of Profit and Loss

Particulars	2022-23 (₹)	2021-22 (₹)	% on Revenue from Operations (2021-22)	% on Revenue from Operations (2022-23)
Revenue from Operations	8,00,000	10,00,000	100	100
(-) Expenses				
Cost of Revenue (WN)	3,20,000	3,00,000	40	30
Other Expenses	2,20,000	2,60,000	27.5	26
Total Expenses	5,40,000	5,60,000	67.5	56
Profit before Tax	2,60,000	4,40,000	32.5	44
(-) Tax @ 50%	(1,30,000)	(2,20,000)	(16.25)	(22)
Profits after Tax	1,30,000	2,20,000	16.25	22

Working Note

Cost of Revenue = 2022-23 = 8,00,000 × 40% = ₹ 3,20,000; 2021-22 = 10,00,000 × 30% = ₹ 3,00,000

Or

Comparative Statement of Profit and Loss

Particulars	2021-22 (₹)	2022-23 (₹)	Absolute Change (in ₹)	Proportionate Change (in %)
Revenue from Operations	8,00,000	10,00,000	2,00,000	25
(+) Other Income	1,50,000	2,20,000	70,000	46.67
Total Revenue	9,50,000	12,20,000	2,70,000	28.42
(-) Cost of Materials Consumed	3,00,000	4,00,000	1,00,000	33.33
Change in Inventories of Finished Goods and Work-in-progress	1,00,000	2,00,000	1,00,000	100
Other Expenses	80,000	1,50,000	70,000	87.5
Total Expenses	4,80,000	7,50,000	2,70,000	56.25
Profits before Tax	4,70,000	4,70,000	—	—
(-) Tax @ 30%	(1,41,000)	(1,41,000)	—	—
Profits after Tax	3,29,000	3,29,000	—	—

Question 34.

Prepare a cash flow statement from the following balance sheets of Arya Ltd. [6]

Particulars	Note No.	31st March, 2023 (₹)	31st March, 2022 (₹)
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(i) Share Capital	1	10,00,000	8,00,000
(ii) Reserves and Surplus	2	6,40,000	5,40,000
2. Non-current Liabilities			
Long-term Borrowings		1,50,000	1,00,000
3. Current Liabilities			
(i) Trade Payables	3	30,000	12,000
(ii) Short-term Provisions		30,000	28,000
Total		18,50,000	14,80,000
II. ASSETS			
1. Non-current Assets			
(i) Property, Plant and Equipment and Intangible Assets: Property, Plant and Equipment	4	7,75,000	4,90,000
(ii) Non-current Investments		90,000	50,000
2. Current Assets			
(i) Inventory		6,20,000	4,13,000
(ii) Trade Receivables		3,20,000	4,94,000
(iii) Cash and Cash Equivalents		45,000	33,000
Total		18,50,000	14,80,000

Notes to Accounts:

Particulars	31st March, 2023 (₹)	31st March, 2022 (₹)
1. Reserves and Surplus		
General Reserve	5,00,000	4,30,000
Capital Reserve	60,000	50,000
Surplus i.e. Balance in Statement of Profit and Loss	80,000	60,000
	6,40,000	5,40,000
2. Long-term Borrowings		
10% Debentures	1,50,000	1,00,000
3. Short-term Provisions		
Provision for Tax	30,000	28,000
4. Tangible Assets		
Plant and Machinery	7,75,000	4,90,000

Additional Information:

(i) Tax provided during the year is ₹ 17,000.

(ii) Depreciation charged on plant and machinery during the year amounted to ₹ 1,20,000.

(iii) Non-current investments costing ₹ 30,000 were sold for ₹ 40,000 during the year. Gain on sale

of investments was credited to capital reserve.

(iv) Additional debentures were issued on 31st March, 2023.

Answer:

Cash Flow Statement
for the year ended 31st March, 2023

Particulars	Amt (₹)
A. Cash from Operating Activities	
Profits before Tax and Extraordinary Activities	1,07,000
(+) Non-cash and Non-operating Expenses	
Depreciation on Plant and Machinery	1,20,000
Interest on Debentures	10,000
Cash from Operating Activities before Working Capital Changes	2,37,000
Increase in Trade Payables	18,000
Decrease in Trade Receivable	1,74,000
Increase in Inventory	(2,07,000)
Cash from Operations	2,22,000
(-) Tax Paid	(15,000)
Cash from Operating Activities	2,07,000
B. Cash from Investing Activities	
Sale of Investments	40,000
Purchase of Investments	(70,000)
Purchase of Plant and Machinery	(4,05,000)
Cash from Investing Activities	(4,35,000)
C. Cash from Financing Activities	
Issue of Shares	2,00,000
Issue of Debentures	50,000
Interest on Debentures	(10,000)
Cash from Financing Activities	2,40,000
D. Net Cash Flow During the Year (A+B+C)	12,000
(+) Opening Cash and Cash Equivalents	33,000
Closing Cash and Cash Equivalents	45,000

Working Notes

1. Dr	Plant and Machinery Account	Cr																				
	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 40%; text-align: center;">Particulars</th> <th style="width: 10%; text-align: center;">Amt (₹)</th> <th style="width: 40%; text-align: center;">Particulars</th> <th style="width: 10%; text-align: center;">Amt (₹)</th> </tr> </thead> <tbody> <tr> <td>To Balance b/d</td> <td style="text-align: right;">4,90,000</td> <td>By Depreciation A/c</td> <td style="text-align: right;">1,20,000</td> </tr> <tr> <td>To Bank A/c (Purchase)</td> <td style="text-align: right;">4,05,000</td> <td>By Balance c/d</td> <td style="text-align: right;">7,75,000</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">8,95,000</td> <td></td> <td style="text-align: right; border-top: 1px solid black;">8,95,000</td> </tr> </tbody> </table>	Particulars	Amt (₹)	Particulars	Amt (₹)	To Balance b/d	4,90,000	By Depreciation A/c	1,20,000	To Bank A/c (Purchase)	4,05,000	By Balance c/d	7,75,000		8,95,000		8,95,000					
Particulars	Amt (₹)	Particulars	Amt (₹)																			
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2. Dr	Investment Account	Cr																				
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Particulars	Amt (₹)	Particulars	Amt (₹)																			
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	1,30,000		1,30,000																			
3. Dr	Provision for Tax Account	Cr																				
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	45,000		45,000																			
4. Net Profit after Tax and Extraordinary Items	= 20,000																					
(+) Transfer to General Reserve	= 70,000																					
(+) Provision for Tax	= 17,000																					
	= ₹ 1,07,000																					