

ISC BOARD EXAMINATION 2023
ACCOUNTS
(THEORY)
Solved Paper
Class-12th

Maximum Marks: 80

Time allowed: Three hours

(Candidates are allowed additional 15 minutes for only reading the paper.

They must NOT start writing during this time.)

This Question paper contains three sections.

Section A is compulsory for all candidates.

Candidates have to attempt all questions from either section B or section C

There are internal choices provided in each section.

The intended marks for questions or parts of questions are given in the brackets [].

All calculations should be shown clearly.

All working, including rough work, should be done on the same page as, and adjacent to, the rest of the answer.

SECTION - A

Answer *all* questions

Question 1

In subparts (i) to (iv) choose the correct options and in subparts (v) to (x) answer the questions as instructed.

- (i) Nikhil, Akhil and Amber are partners in a firm. At the time of Akhil's retirement, Amber takes over furniture of ₹12,000 at ₹10,000. [1]

Choose the correct journal entry from the following options to record this adjustment.

- (a) Debit Furniture Account ₹10,000; Credit Amber's Capital Account ₹10,000
(b) Debit Furniture Account ₹12,000; Credit Amber's Capital Account ₹10,000; Credit Revaluation Account ₹2,000
(c) Debit Amber's Capital Account ₹10,000; Credit Furniture Account ₹10,000
(d) Debit Amber's Capital Account ₹10,000; Debit Revaluation Account ₹2,000; Credit Furniture Account ₹12,000

- (ii) Select the *correct* Statement from the following options. [1]

- (a) A debenture holder is entitled to receive dividend on his debentures from the company even if the company has incurred losses.
(b) A debenture holder is entitled to receive interest on his debentures from the company only if the company has made profits.
(c) A debenture holder is entitled to receive interest on his debentures from the company only after dividend has been paid by the company to its shareholders.
(d) A debenture holder is entitled to receive interest on his debentures from the company even if the company has incurred losses.

- (iii) On the dissolution of the firm, partner Rex agreed to take over the responsibility of completing the dissolution work at an agreed remuneration of ₹1,000 and to bear all realisation expenses. The actual realisation expenses amounted to ₹1,300 which were paid by the firm on Rex's behalf.

What amount will be debited by the firm to the Realisation Account? [1]

- (a) ₹1,000 (b) ₹2300
(c) ₹1,300 (d) ₹300
- (iv) ABC Ltd. offered 60,000 shares of ₹10 each to the public. The public applied for 1,00,000 shares. The company made pro-rata allotment in the ratio of 3:2 and the remaining applications were rejected and money refunded to the applicants.

On how many shares did the company refund the application money? [1]

- (a) 40,000 shares (b) 10,000 shares
(c) 30,000 shares (d) 20,000 shares
- (v) Give the formula used for calculating goodwill of a partnership firm by the *Weighted Average profit Method*. [1]
- (vi) A firm had given a loan to one of its partners. Give the journal entry to *close* this Loan Account at the time of dissolution of the partnership firm. [1]
- (vii) Mention the heading and sub-heading under which *Vehicles* are shown in the Balance sheet of a company prepared as per Schedule III of the Companies Act, 2013. [1]
- (viii) Sunrise Ltd., a listed NBFC, had outstanding 20,000, 7% Debentures of ₹100 each, due of redemption on 31st March, 2022. [1]
As per the provisions of the Companies Act, 2013, what amount, If any, does the company need to transfer to Debenture Redemption Reserve, before it can redeem the debentures?
- (xi) Pooja and Meher are partners in a firm. They admit Rati into the firm on the following terms: [1]
(a) Unrecorded Debtors of ₹1,000 to be brought into the books.
(b) Provision for doubtful debts to be created @5% on Debtors.
The recorded debtors in the Balance Sheet of Pooja and Meher on the date of Rati's admission were ₹25000.
What will be the net debtors to be shown in the Balance Sheet of the reconstituted firm?
- (x) On 1st April, 2021, Bhim Ltd. issued 2,000, 5% Debentures of ₹100 each as follows: [1]
(a) For cash at a discount of 5% ₹80,000 (Nominal)
(b) To a vendor for ₹60,000 in satisfaction of his claim ₹70,000 (Nominal)
(c) To Bankers for a loan of ₹40,000 as collateral security ₹70,000 (Nominal)
The interest on these debentures was to be paid annually on 31st March every year by the company.
You are required to calculate interest on these debentures payable by the company on 31st March, 2022.

Question 2

[3]

Pia, Sia and Jiya are partners in a firm sharing profits and losses in the ratio of 3:2:1. Pia died on 31st October, 2021. Her capital as on 1st April, 2021, was ₹24,000 and her share of profit for the year 2021-22 till the date of her death, was ascertained as ₹2,000.

Additional information:

- (i) Office Equipment of the firm, the book value of which was ₹10,000 on 1st April, 2021, was revalued on the date of Pia's death at ₹13,600.
(i) The amount of ₹35,000 due to Pia's executor in full settlement of the claim, was transferred to her executor's loan amount.

You are required to prepare Pia's capital account to be rendered to her executor.

OR

Vinay, Tarun and Arjun are partners in a firm sharing profits and losses in the ratio of 4:3:2 respectively. On Tarun's retirement from the firm on 1st April, 2022, his capital account, after all adjustments, stood at ₹1,14,000. The partners decided that:

- (i) Tarun to be paid 50% of the amount due to him immediately and the balance by accepting a Bill of Exchange (without interest) payable at the expiry of 3 months.
(ii) The continuing partners to re-adjust their capitals in their new profit-sharing ratio in the reconstituted firm. Any surplus/deficit in their capital accounts to be adjusted through their current accounts.

Upon re-adjustment of their capitals, Vinay's capital showed a deficit of ₹1,000 while Arjun's capital had a surplus of ₹1,000.

You are required to pass journal entries to record:

- (i) **The closing of the retiring partner's capital account.**
(ii) **Adjustment of surplus/deficit in the capital accounts of the continuing partners.**

Question 3

[3]

On 1st April, 2022, Lighthouse Ltd. purchased land from Bricks Ltd. The payment was made on the same day by:

- (i) Issuing a bank draft for ₹20,00,000;
(ii) Drawing a promissory Note in favour of Bricks Ltd. for ₹10,00,000;
(iii) Issuing 8,000, 10% Debentures of ₹100 each at par, redeemable at a premium of 10%, after three years.

You are required to pass necessary journal entries in the books of Lighthouse Ltd. on the date of purchase of land.

Question 4

[3]

Jerome Ltd. an unlisted manufacturing company, had 20,000, 6% Debentures of ₹100 each due for redemption at par on 31st March, 2022. On this date the company had the required amount of ₹2,00,000 in its Debenture Redemption Reserve.

The Debenture Redemption Investment which was purchased on 30th April, 2021, was realised at 98% on the date of redemption and the debentures were redeemed on the due date.

You are required to pass journal entries in the books of the company for the year 2021–22. (Ignore Interest on debentures).

OR

On 1st April, 2017, Gabriel Ltd., a listed company, issued 3,000, 8% Debentures of ₹100 each. *One-third* of the Debentures were redeemed at par on 31st March, 2021, and the remaining *two-third* on 31st March, 2022.

The company paid interest on debentures annually on 31st March.

After meeting the requirements of the Companies Act, 2013, regarding Debenture redemption Investment, the debentures were redeemed by the company.

You are required to record necessary journal entries in the books of the company only on 31st March, 2022, including entries for interest on debentures.

Question 5

[3]

Viraj, Harsh and Akhil are partners in a firm sharing profits and losses in the ratio of $\frac{4}{9} : \frac{1}{3} : \frac{2}{9}$. Akhil

dies on 31st March, 2022. Viraj acquires $\frac{4}{9}$ of Akhil's share and the balance is acquired by Harsh.

On the date of Akhil's death, it was decided to value the goodwill of the firm on the basis of *two year's purchase of average super profit*.

The average net profit made by the firm is ₹49,000 per annum.

The remuneration of the partners, considered as management cost, is estimated to be ₹9,000 per annum.

The total value of assets and liabilities of the firm is ₹2,20,000 and ₹80,000 respectively.

The normal rate of return in the industry is 15%.

You are required to calculate:

- The gaining ratio of the continuing partners.
- The value of non-purchased goodwill of the firm.

Question 6

[6]

Sunrise Ltd. was formed on 1st November, 2021, with a capital of ₹20,00,000 divided into Equity shares of ₹20 each. It offered 95% shares to the public which were all subscribed for.

60% amount was payable on application;

30% on allotment;

And the balance on final call.

The applicants paid ₹11,40,000 on application and ₹5,40,000 on allotment.

Final call was not made by the company till the Balance Sheet date.

You are required to prepare:

- An extract of the Balance Sheet showing Share Capital.
- Notes to Accounts.

Question 7

[6]

Mita and Sita, sharing profits in the ratio of 2:1, decided to dissolve their partnership firm on 31st March, 2022, on which date their Balance Sheet was as under:

Balance Sheet of Mita and Sita
As at 31st March, 2022

Liabilities	(₹)	Assets	(₹)
Sundry Creditors	40,000	Land & Building	29,000
Sita's Son's Loan	2,000	Plant & Machinery	20,000
Bank Overdraft	8,000	Stock	3,000
Capital Accounts:		Debtors	26,400
Mita	20,000	Less Provision for	
Sita	10,000	doubtful debts	400
		Bank	2,000
	80,000		80,000

The partnership firm was dissolved on the date of the Balance Sheet subject to the following adjustments:

- Trade creditors accepted plant and machinery at an agreed valuation of 10% less than the book value and the balance in cash in full settlement of their claims.
- Debtors of ₹1,000 proved bad.
- Sita took over the stock at a discount of 20%.
- Realisation expenses of ₹1,100 were paid by the firm.

You are required to prepare the Realisation Account.

Question 8

[6]

Benu and Leena are partners in a firm sharing profits and losses in the ratio of 5:3. They admit Deepa and Erica as two new partners.

The new profit-sharing ratio is decided to be 3:2:2:3.

Both the new partners introduce ₹1,00,000 each as capital.

Deepa pays 40,000 in cash for her share of goodwill but Erica is unable to contribute any amount for her share of goodwill.

At the time of Deepa's and Erica's admission, the firm had an Advertisement Suspense Account of ₹56,000 which is written off.

You are required to pass necessary journal entries to record the above adjustments at the time of admission of Deepa and Erica.

OR

Greg and Rohit are partners in a firm sharing profits and losses in the ratio of 2:3.

Their Balance Sheet as at 31st March, 2022, is given below:

Balance Sheet of Greg and Rohit
As at 31st March, 2022

Liabilities	(₹)	Assets	(₹)
Sundry Creditors	15,000	Goodwill	10,000
Outstanding Salary	5,000	Office Equipment	37,000
General Reserve	8,000	Sundry Debtors	6,400
Capital Accounts:		Less Provision for	6,000
Greg	25,000	doubtful debts	400
Rohit	10,000	Cash	10,000
	63,000		63,000

On 1st April, 2022, they admit Kunal as a new partner on the following terms:

- They new profit-sharing ratio of Greg, Rohit and Kunal to be 5:3:2
- Kunal to bring his share of capital of ₹25,000 and his share of goodwill of ₹5,000 in cash.
- Office Equipment to be valued at ₹42,000.

You are required to prepare Partners' Capital Accounts.

Question 9

[10]

The *fixed* capital accounts of Shiv, Azeem and Angad, sharing profits and losses in the ratio of 2:2:1, stood at ₹4,00,000, ₹6,00,000 and ₹2,00,000 respectively.

The accounts for the year ended 31st March, 2022, were drawn up and closed and the *Current Account* balances of the partners were determined to be:

Shiv ₹35,000, Azeem ₹40,000 and Angad ₹25,000.

Subsequently the following errors were discovered on 1st April, 2022:

- Interest on capital @ 10% per annum had been allowed to the partners, although there was *no* provision for it in the partnership deed.
- Salary of ₹16,000 per annum to Shiv and ₹20,000 per annum to Azeem was *not* allowed to them, *despite* a provision for salary in the partnership deed.
- Commission of ₹24,000 was *not* allowed to Angad, *despite* a provision for commission in the partnership deed.

You are required to prepare the *adjusted* Current Accounts of the partners on 1st April, 2022, to rectify the lapse in accounting.

OR

Ruma and Neha started business on 1st April, 2021, with *fixed* capitals of ₹4,00,000 and ₹3,50,000 respectively.

On 1st October, 2021, they decided that their total capital (*fixed*) should be ₹8,00,000, in their profit-sharing ratio of 3:2.

Accordingly, they introduced extra capital or withdrew excess capital.

Their partnership deed provide for the following:

- (a) Interest on capital to be allowed @ 10% per annum.
- (b) A monthly salary of ₹1,000 each to be allowed to both Ruma and Neha.
- (c) Interest on drawings to be charged @ 18% per annum.

Ruma had withdrawn ₹12,000, during the year. As per the deed, the interest on her drawings amounting to ₹1,080 to be charged from her.

During the year ending 31st March, 2022, the firm earned a net profit of ₹2,04,000 *before* charging manager's commission of ₹20,400 and interest on bank loan of ₹4,000.

You are required to:

- (i) Give the journal entry to *close* Ruma's Drawings Account.
- (ii) Prepare Profit and Loss Appropriation Account for the year ending 31st March, 2022.

Question 10

[3]

NH Ltd. with an authorized capital of ₹10,00,000 divided into 1,00,000 Equity shares of ₹10 each, issued 50,000 shares to the public at a premium of ₹2 per share, payable as follows:

- ₹5 on Application (including premium)
- ₹3 on Allotment
- ₹4 on First & Final Call.

The subscription was at par and the share money was received in full with the exception of the allotment money on 4,000 shares held by shareholder Ravi and the call money on 6,000 shares (including Ravi's shares)

The above 6,000 shares were forfeited by the company and 5,000 of these (including the shares which had been allotted to Ravi) were reissued at ₹8 per share as fully paid up.

You are required to pass journal entries to record the above transactions in the books of the company.

OR

MV Ltd. was registered with a capital of ₹2,00,000 divided into 10,000 Equity shares of ₹20 each, payable as follows:

- On Application ₹5 per share
- On Allotment ₹7 per share
- On First & Final Call ₹8 per share

The company offered 5,000 shares to the public for subscription. It received applications for 6,700 shares.

From amongst the applicants:

- (i) Vimal, who had applied for 1,500 shares, paid ₹7,500 on application, but was allotted only 800 shares.
- (ii) Abhay, who had applied for 2,000 shares, paid the full amount of ₹40,000 with his application, but was allotted only 1,000 shares.
- (iii) Nitin, who had applied for and allotted 500 shares, did not pay the allotment and call money when due.
- (iv) The remaining applicants paid as and when due.

The surplus money paid by both Vimal and Abhay was used towards allotment and call and any surplus beyond the call was refunded.

The company forfeited Nitin's shares after the final call.

You are required to pass journal entries to record the above transactions in the books of the company.

SECTION - BAnswer *all* questions**Question 11**

In subparts (i) and (ii) choose the correct options and in subparts (iii) to (v) answer the questions as instructed.

- (i) A company had Current Assets of ₹3,00,000 and Current Liabilities of ₹1,50,000, having a Current Ratio of 2:1. [1]
What will be the company's revised Current Ratio after it collects ₹20,000 cash from its debtors of ₹25,000, the remaining debtors being bad?
(a) 2.56:1 (b) 2.03:1
(c) 2.13:1 (d) 1.97:1
- (ii) During the year 2021-22, SM Ltd. issued 10,000, 10% Debentures of ₹100 each at a discount of 10% to be redeemed after three years. The company had a balance of ₹60,000 in its Securities Premium Reserve. [1]
What amount will be added under Operating Activities as Discount on issue of Debentures written off in the Cash Flow Statement of SM Ltd. for the year 2021-22?
(a) ₹10,00,000 (b) ₹60,000
(c) ₹1,00,000 (d) ₹40,000
- (iii) State with reason whether *Provision for Doubtful Debts* is subtracted from Trade Receivables while computing Current Ratio. [1]
- (iv) While preparing its Cash Flow Statement, will a company consider an increase in its Bank Overdraft as an Operating Activity or as a Financing Activity? [1]
- (v) What is meant by *inter-firm analysis*? [1]

Question 12

From the following data of Horizon Ltd., you are required to prepare a Comparative Statement of Profit and Loss. [3]

Particulars	31.03.2022	31.03.2021
Revenue from Operations (% of Other Income)	100%	100%
Other Income	₹1,00,000	₹50,000
Cost of Materials consumed	₹50,000	₹20,000
Depreciation and Amortisation Expense	₹10,000	₹5,000

Question 13

From the following information of Hoopla Ltd., You are required to prepare a Cash Flow Statement (as per AS 3) for the year 2021-22. [6]

- | Particulars | (₹) |
|---|-----------|
| (i) Profit for the year 2021-22, before considering dividend and tax but after taking into account the following items: | 15,80,000 |
| (a) Depreciation on Property, Plant & Equipment | 5,50,000 |
| (b) Interest Payable on Bank Loan | 3,80,000 |
| (c) Profit on sale of investments, the book value of which was ₹2,20,000 | 1,00,000 |
| (ii) During the year 2021-22: | |
| (a) The company | |
| ● Paid Tax (which was provided in 2020-21) | 4,40,000 |
| ● Issued 66,000 equity shares of ₹10 each | 6,60,000 |
| ● Repaid Bank Loan | 15,00,000 |
| ● Paid interest on Bank Loan | 3,00,000 |
| ● Paid Dividend | 5,00,000 |
| (b) Trade payables decreased by | 10,000 |
| (c) Cash at bank increased from ₹60,000 on 1 st April, 2021 to ₹7,00,000 on 31 st March, 2022 | |

OR

From the following Balance Sheets of Rainbow Ltd., you are required to prepare a Cash Flow Statement (as per AS 3) for the year 2021-22.

Balance Sheets of Rainbow Ltd.
As at 31st March, 2022 and 31st March, 2021

Particulars	Note No.	31.3.2022 (₹)	31.3.2021 (₹)
I EQUITY AND LIABILITIES			
1. Shareholders' Funds	1.	4,00,000	4,00,000
(a) Share Capital (Equity)		1,60,000	1,20,000
(b) Reserves and Surplus			
2. Non-Current Liabilities		3,50,000	2,60,000
Long-term Borrowings (5% Debentures)			
3. Current Liabilities		30,000	25,000
Short term provision (Provision for Tax)			
TOTAL		9,40,000	8,05,000
II ASSETS			
1. Non-Current Assets			
Property, Plant & Equipment & Intangible Assets		6,00,000	7,80,000
(i) Property, Plant & Equipment			
(Plant & Machinery)			
2. Current Assets		3,40,000	25,000
Cash & Bank Balance (Cash at Bank)			
TOTAL		9,40,000	8,05,000

Notes to Accounts:

Particulars	31.3.2022 (₹)	31.2.2021 (₹)
1. Reserves and Surplus		
General Reserve	30,000	20,000
Balance is Statement of Profit and Loss	1,30,000	1,00,000

Addition information:

During the year 2021-22, the company:

- (i) Sold a machine for ₹90,000 at a loss of ₹10,000.
- (ii) Issued the 5% Debentures on 31st March, 2022, at a discount of 10%. The discount was written off from General Reserve.

Question 14

[6]

Answer any three of the following questions:

- (i) Calculate Debt to Total Assets Ratio of Moonlight Ltd. (up-to two decimal places) from the following information:

Particulars	(₹)
Property, Plant & Equipment and Intangible Assets	20,00,000
Shares of XYZ Bank Ltd.	1,00,000
Long term Loans and Advances	1,00,000
Current Assets	10,00,000
Current Liabilities	4,00,000
Total Debt	12,00,000

- (ii) Calculate Trade Payables Turnover Ratio (up-to two decimal places) from the following information:

Particulars	(₹)
Trade Payables at the beginning of the year	70,000
Trade Payables at the end of the year	80,000
Payment to Trade Payables	3,20,000
Returns to Credit Suppliers	30,000

- (iii) Calculate Quick Ratio (up-to two decimal places) from the following information:

Particulars	(₹)
Total Current Assets	90,000
Working Capital	60,000
Prepaid Expenses	30,000

- (iv) In the year 2021-22, Kartik Ltd.
- Carried an average stock of ₹40,000.
 - Its Inventory Turnover Ratio was 8 times.
 - It sold goods at a profit of 25% on the cost of revenue from operations.

Calculate the profit made by Kartik Ltd. in the year 2021-22.



Answer 2

(a)

Pia's Capital A/c

Particulars	Amount (₹)	Particulars	Amount (₹)
To Executors Loan A/c	35,000	By bal b/d	24,000
		By P&L suspense A/c	2,000
		By Revaluation A/c (Profit)	1,800
		By Pia's Capital A/c,	4,800
		By Jiya's Capital A/c	2,400
	35,000		35,000

Working Note:

(a) Calculation of Revaluation Profit = ₹13,600 – ₹10,000 = ₹3,600

$$\text{Share of Pia} = \frac{3,600 \times 3}{6} = ₹1,800$$

(b) The excess amount paid of ₹7,200 will be considered good will.

OR

(b) (i)

Journal

Date	Particulars	L.F.	Amount Dr.	Amount Cr.
1 April 2022	Tarun's Capital A/c Dr.		1,14,000	
	To Bank A/c			57,000
	To Bills Payable A/c			57,000
	(Amount due to Tarun on retirement paid in part and balance through Bill of Exchange.)			

(ii) (a) Vinay's current A/c Dr. 1,000

To Vinay's capital A/c 1,000

(Being deficit of Vinay's capital adjusted through his current A/c)

(b) Arjun's capital A/c Dr. 1,000

To Arjun's current A/c 1,000

(Being Surplus of Arjun's capital adjusted through his current A/c)

Answer 3**Journal Entries****In the Books of Lighthouse Ltd.**

Date	Particulars	L.F.	Amount Dr.	Amount Cr.
1 st April, 2022	Land A/c Dr.		38,00,000	
	To Bank A/c			20,00,000
	To Promissory Note A/c			10,00,000
	To 10% Debentures A/c			8,00,000
	(Land purchased for ₹38,00,000)			
	Loss on issue of Debentures A/c Dr.		80,000	
	To Premium on Redemption of deb. A/c			80,000
	(Being debenture to be redeemed at premium)			
	Statement of P&L A/c Dr.		80,000	
	To Loss on Deb. A/c			80,000
	(Being Issue of deb. A/c)			

Answer 4

(a)

Journal Entries
Books of Chrome Ltd.

Date	Particulars	L.F.	Amount Dr. (₹)	Amount Cr. (₹)
31 st March 2022	Bank A/c Loss on DRI A/c To DRI A/c (Being DRI Sold 98%)	Dr. Dr.	2,94,000 6,000	3,00,000
31 st March 2022	6% Debentures A/c To Debentureholder's A/c (Being debentures to be redeemed)	Dr.	20,00,000	20,00,000
31 st March 2022	Debentureholder's A/c To Bank A/c (Being Payment made to debenture holders)	Dr.	20,00,000	20,00,000
31 st March 2022	Statement of P&L A/c To Loss on DRI A/c A/c (Being Loss on sale of DRI transferred)	Dr.	6,000	6,000

OR

(b)

Journal Entries
In the books of Gabriel Ltd.

Date	Particulars	L.F.	Amount Dr.	Amount Cr.
31 st March 2022	Interest on Deb. A/c To Debentureholder's A/c (Interest due to deb. holders)	Dr.	16,000	16,000
31 st March 2022	Debenture holders A/c To Bank A/c (Interest paid to debenture holders)	Dr.	16,000	16,000
31 st March 2022	Bank A/c To DRI A/c (Being Payment made to debenture holders)	Dr.	30,000	30,000
31 st March 2022	8% Debentures A/c To Debenture holders A/c (Amount due to debenture holders on redemption of deb.)	Dr.	2,00,000	2,00,000
31 st March 2022	Debenture holders A/c To Bank A/c (Debentures redeemed/paid to debenture holders)	Dr.	2,00,000	2,00,000
31 st March 2022	Statement of profit and loss A/c To Interest on Deb. A/c (Being interest on debentures transferred)	Dr.	16,000	16,000

Working Note:(i) Interest on debentures on 31st March 2022 ⇒

One third of total debentures already redeemed, i.e.,

$$3,00,000 \times \frac{1}{3} = 1,00,000$$

Remaining debentures = 3,00,000 – 1,00,000 = 2,00,000

$$\text{Interest @ 8\%} = \frac{2,00,000 \times 8}{100} = ₹16,000$$

(ii) Debenture Redemption Investment \Rightarrow

$$\text{Value of DRI encashed} = \left[\frac{2}{3} \text{ of } 3,00,000 \right] \times \frac{15}{100} = ₹30,000$$

Answer 5

(I) Gaining Ratio = NR – OR (New Ratio – Old Ratio)

Viraj acquired $\frac{4}{9}$ of Akhil's share:

$$= \frac{4}{9} \times \frac{2}{9} = \frac{8}{81}$$

$$\text{NPR} = \frac{4}{9} + \frac{8}{81} = \frac{44}{81}$$

Harsh acquired the remaining ratio of Akhil.

$$= \frac{2}{9} - \frac{8}{81} = \frac{18-8}{81} = \frac{10}{81}$$

$$\text{NPR} = \frac{1}{3} + \frac{10}{81} = \frac{37}{81}$$

$$\text{Gaining Ratio of Viraj} = \frac{44}{81} - \frac{4}{9} = \frac{44-36}{81} = \frac{8}{81}$$

$$\text{Gaining Ratio of Harsh} = \frac{37}{81} - \frac{1}{3} = \frac{37-27}{81} = \frac{10}{81}$$

Gaining Ratio = 8:10

(II) Value of Non-Purchased goodwill \Rightarrow

(i) Capital Employed = All Assets – Outside Liability
 $= 2,20,000 - 80,000$
 $= ₹1,40,000$

(ii) Normal Profit = $\frac{\text{Capital employed} \times \text{NRR}}{100}$
 $= \frac{1,40,000 \times 15}{100}$
 $= ₹21,000$

(iii) Average Profit = Net Profit – Remuneration
 $= 48,000 - 9,000$
 $= ₹40,000$

(iv) Super Profit = Average Profit – Normal Profit
 $= 40,000 - 21,000$
 $= ₹19,000$

(v) Goodwill = Super profit \times No. of Years's Purchase
 $= 19,000 \times 2$
 $= ₹38,000$

Answer 6

Journal Entries
In the books of Sunrise Ltd.

Date	Particulars	L.F.	Amount Dr.	Amount Cr.
1 st Nov. 2021	Bank A/c To Eq. share App. A/c (6% App. money rece.)	Dr.	11,40,000	11,40,000
1 st Nov. 2021	Eq. share A/c To Eq. Share capital A/c (App. money transferred to Share cap.)	Dr.	11,40,000	11,40,000

1 st Nov. 2021	Equity Share Allot. A/c To Equity Share Cap. A/c (Amount due on allotment i.e., 30% of 19,00,000)	Dr.	5,70,000	5,70,000
1 st Nov. 2021	Bank A/c Calls-in-Arrear A/c To Equity Share Allot. A/c (Allot. money reed. except 30,000)	Dr. Dr.	5,40,000 30,000	5,70,000

Balance Sheet of Sunrise Ltd
(as at 31 March, 2022)

Date	Particulars	Note No.	₹
	Equity & Liabilities		
	(i) Share holder's funds		
	Share Capital		16,80,000

Note to Accounts:

1. Share Capital

Authorised Capital

1,00,000 equity Share of ₹20 each 20,00,000

Issued Capital

95,000 equity Share of ₹20 each 19,00,000

Subscribed Capital

Subscribed but not fully paid up

95,000 equity share of of ₹20 each; ₹18 called up

(₹95,000 × 18) ₹17,10,000

less: Calls-in-Arrears ₹3,000 ₹16,80,000

Amount to be received on allotment = ₹30% of 19,00,000 = ₹5,70,000

Receive on allotment = ₹5,40,000

∴ Calls-In-Arrear = ₹5,70,000 – ₹5,40,000
= ₹30,000

Answer 7**Realisation A/c**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Land & Build.	29,000	By Creditors	40,000
To Plant & Machinery	20,000	By Sita's sons Loan	2,000
To Stock	3,000	By Provision for Bad debts	400
To Debtors	26,400	By Bank A/c:	
To Cash (Creditors)	22,000	Debtors	25,400
To Cash (Realisation expense)	1,100	By Sita's Capital (Stock)	2,400
To Cash (Sita's Son's Loan)	2,000	By Mita Capital	22,200
		By Sita's Capital	11,100
	1,03,500		1,03,500

Notes:

(i) Creditors = 40,000

(-) Took over P & M @

discount of 10% = 18,000

Paid in cash 22,000

Answer 8

(a)

Journal Entries

Date	Particulars	L.F.	Amount Dr.	Amount Cr.
	Bank A/c Dr.		2,40,000	
	To Deepa's Capital A/c			1,00,000
	To Erica's Capital A/c			1,00,000
	To Premium for Goodwill A/c			40,000
	(Amount brought in by Deepa's Erica for his share of G/w and Capital)			
	Premium for Goodwill A/c Dr.		40,000	
	To Benu's Capital A/c			26,000
	To Leena's Capital A/c			14,000
	(Share of Deepa in G/w credited to X and Y in their sacrificing ratio)			
	Deepa's Capital A/c Dr.		60,000	
	To Benu's Capital A/c			39,000
	To Leena's Capital A/c			21,000
	(Being Deepa's Share of Goodwil adjusted)			
	Benu's Capital A/c Dr.		35,000	
	Leena's Capital A/c Dr.		21,000	
	To Advertisement Suspense A/c			56,000
	(Advertisement Suspense A/c written off through Old 'Partners' capital A/c in their old ratio)			

Notes:

Sacrificing Ratio = Old Ratio – New Ratio

$$\text{Benu's Share} = \frac{5}{8} - \frac{3}{10} = \frac{50 - 24}{80} = \frac{26}{80}$$

$$\text{Leena's Share} = \frac{3}{8} - \frac{2}{10} = \frac{30 - 16}{80} = \frac{14}{80}$$

13 : 7

26 : 14

∴ Sacrificing Ratio = 13 : 7

OR

(b)

Partner's Capital A/c

Particulars	Greg	Rohit	Kunal	Particulars	Greg	Rohit	Kunal
To Ravi's Capital A/c	2,500			By bal. b/d	25,000	10,000	
To bal. c/d	27,700	25,300	30,000	By Bank A/c			30,000
				By Prem. For G/w		5,000	
				By General Res.	3,200	4,800	
				By Revaluation	2,000	3,000	
				By Greg's capital A/c		2,500	
	30,200	25,300	30,000		30,200	25,300	30,000

Notes:

(i) Sacrificing Ratio = Old Ratio – New Ratio

$$\text{Greg's Share} = \frac{2}{5} - \frac{5}{10} = \frac{4 - 5}{10} = \frac{-1}{10} \text{ (Gain)}$$

$$\text{Rohit's Share} = \frac{3}{5} - \frac{3}{10} = \frac{6 - 3}{10} = \frac{3}{10} \text{ (Sacrifice)}$$

Working Note:

Int. on capital:

	Ruma	Neha
From 1 April 21 to 30 Sep. 21	20,000	17,500
@10% pa.	$\left(\frac{400000 \times 10 \times 6}{100 \times 12}\right)$	$\left(\frac{350000 \times 10 \times 6}{100 \times 12}\right)$
From 1 Oct. to 31 March	24,000	16,000
@10% pa.	$\left(\frac{480000 \times 10 \times 6}{100 \times 12}\right)$	$\left(\frac{320000 \times 10 \times 6}{100 \times 12}\right)$
Total IOC	= 44,000	33,500

Partner's Capital A/c

Particulars	Ruma	Neha	Particulars	Ruma	Neha
To Cash A/c		30,000	By bal. b/d	4,00,000	3,50,000
To bal. c/d	4,80,000	3,20,000	By Cash A/c	80,000	
	4,80,000	3,50,000		4,80,000	3,50,000

Journal Entry

31 Mar. 2022	Ruma's Drawing A/c	Dr.	12,000	
	To Bank A/c			12,000
31 Mar. 2022	Ruma's Current A/c	Dr.	12,000	
	To Reema's Drawing A/c			12,000

Answer 10**Journal Entries
In the books of NH Ltd.**

Date	Particulars	L.F.	Amount Dr.	Amount Cr.
	Bank A/c	Dr.	2,50,000	
	To Equity share App. A/c			2,50,000
	(Being App. money received)			
	Equity share App. A/c	Dr.	2,50,000	
	To Equity share capital A/c			1,50,000
	To Securities Premium Reserve A/c			1,00,000
	(Being App. money due)			
	Equity share Allotment A/c	Dr.	1,50,000	
	To Equity share Capital A/c			1,50,000
	(Being Allotment money due)			
	Bank A/c	Dr.	1,38,000	
	Calls-in-Arrear A/c	Dr.	12,000	
	To Equity share Allotment A/c			1,50,000
	(Being allotment money received)			
	Equity share first and final call A/c	Dr.	2,00,000	
	To Equity share Capital A/c			2,00,000
	(Being call money due)			
	Bank A/c	Dr.	1,76,000	
	Calls-in-Arrear A/c	Dr.	24,000	
	To Share first and final call A/c			2,00,000
	(Being call money received)			
	Equity Share Capital A/c	Dr.	60,000	
	To Call-in-Arrears A/c			36,000
	To Share forfeiture A/c			24,000
	(Being 6,000 share forfeited)			

Bank A/c	Dr.	40,000	
Share forfeiture A/c	Dr.	10,000	
To Equity Share Capital A/c			50,000
(Being 5,000 Shares reissued)			
Share forfeiture A/c	Dr.	8,000	
To Capital Reserve A/c			8,000
(Being Proportionate amount transferred to capital Reserve)			

Working Note:

Credit balance of Share forfeiture for Ravi's Share = $4,000 \times 3$	= 12,000
Discount allowed on reissue = $4,000 \times 2 =$	<u>(8,000)</u>
Amount to be transferred to Capital Reserve =	<u>4,000</u>
Credit balance of Share forfeiture on remaining 1,000 Shares = $1,000 \times 6$	= 6,000
Discount allowed on reissue = $1,000 \times 2$	= <u>(2,000)</u>
Amount to be transferred to Capital Reserve =	<u>4,000</u>
Total amount to be transferred = $4,000 + 4,000 = ₹8,000$	

OR

Journal Entries

In the books of MV Ltd.

Date	Particulars	L.F.	Amount Dr.	Amount Cr.
	Bank A/c	Dr.	63,500	
	To Equity share App. A/c			63,500
	(Being Application money received for 6,700 Shares and advance received)			
	Equity share App. A/c	Dr.	63,500	
	To Equity share capital A/c			25,000
	To Share Allotment A/c			10,500
	To Calls-in-advance A/c			8,000
	To Bank A/c			20,000
	(Being App. money due)			
	Equity share Allotment A/c	Dr.	35,000	
	To Equity share Capital A/c			35,000
	(Being Allotment money due)			
	Bank A/c	Dr.	21,000	
	Calls-in-Arrears A/c	Dr.	3,500	
	To Share Allotment A/c			24,500
	(Being allotment money received)			
	Equity share first and final call A/c	Dr.	32,000	
	Calls-in-Advance A/c	Dr.	8,000	
	To Equity share Capital A/c			40,000
	(Being call money due)			
	Bank A/c	Dr.	28,000	
	Calls-in-Arrears A/c	Dr.	4,000	
	To Share first and final call A/c			32,000
	(Being Amount received)			
	Share Capital A/c	Dr.	10,000	
	To Call-in-Arrears A/c			7,500
	To Share forfeiture A/c			2,500
	(Being Share forfeited)			

Working Note:

- (i) Vimal Applied for 1,500 Shares and was allotted 300 Shares So, excess amount received from him
 $= 7,500 - 4,000 = ₹3,500$

Amount to be received from him on allot and call = $15 \times 800 = ₹12,000$

So, excess amount can be utilized

- (ii) Abhay applied for 2,000 Shares and was allotted 1,000 Shares

Total amount to be paid by him = $1,000 \times 20 = ₹20,000$

He paid ₹40,000

So amount to be refunded = $40,000 - 20,000 = ₹20,000$

- (iii) Amount received on Application =

$$\begin{aligned} &4,700 \text{ Shares @ } ₹5 = ₹23,500 \\ (+) &2,000 \text{ Shares @ } ₹20 = ₹40,000 \\ &\underline{\hspace{1.5cm}} \\ &\hspace{1.5cm} ₹63,500 \end{aligned}$$

SECTION - B**Answer 11**

- (i) **Option (d) is correct.**

Explanation: Current Assets = $3,00,000 + 20,000 - 25,000$
 $= 2,95,000$

Current Liabilities = 150,000

$$\text{Current Ratio} = \frac{2,95,000}{1,50,000} = 1.97:1$$

- (ii) **Option (d) is correct.**

Explanation: ₹40,000 added under operating act because it is not an operating expenses. Discount or Loss on issue of debentures written off from Securities Premium Reserve and Profit and Loss A/c. Therefore, ₹40,000 written off from P&L A/c and ₹6,000 from Securities Premium Reserve:

Cal: 10,000 Deb. \times ₹100 = ₹10,00,000

$$\text{Dis @ } 10\% = \frac{₹10,00,000 \times 10}{100} = ₹1,00,000$$

- (iii) Yes, Provision for Doubtful Debts is subtracted from Trade Receivables because it is not convertible in cash and it will not give proper. Current Ratio as compared to their peer and indicates that mgt may not be using their assets efficiently.
- (iv) Increase in Bank Overdraft is a financing activity because it is a current liability.
- (v) **Inter Firm Analysis:** A comparison of two or more enterprises or firm is known as inter firm comparison to determine their competitive position of that two or more times.

Answer 12

Comparative Statement P&L
for the years ended 31 March, 2021 and 2022

Particulars	Note No.	31 st March, 2021 ₹ (A)	31 st March, 2022 ₹ (B)	Absolute Change (Inv/Dec.) ₹ (C = B - A)	Absolute Change (Inv/Dec.) ₹ (D = $\frac{C}{A} \times 100$)
(i) Revenue from operations		50,000	1,00,000	50,000	100
(ii) Other Income		50,000	1,00,000	50,000	100
(iii) Total Revenue (i + ii)		1,00,000	2,00,000	1,00,000	100
(iv) Expense:					
(a) Cost of material con.		20,000	50,000	30,000	150
(b) Dep. & Amort. Exp.		5,000	10,000	5,000	100
Total expense		25,000	60,000	35,000	140
(v) Profit (iii - iv)		75,000	1,40,000	65,000	86.67

Answer 13

(a)

Hoopla Ltd.
Cash Flow Statement
For the year ended 31st March, 2022

Particulars	₹	₹
A. Cash Flow from Operating Act. Net Profit before Tata and Expense Items Adjust for Non cash and Non-operating Items:		16,80,000
Add: Depreciation	5,50,000	
Interest payable on loan	3,80,000	9,30,000
		25,10,000
Less: Gain on Investments	(1,00,000)	(1,00,000)
Operating Profit before WC changes		24,10,000
Less: Decreased in Trade Payables	(10,000)	(10,000)
Cash Generated from Operations		24,00,000
Less: Income Pay paid	(4,40,000)	(4,40,000)
Cash flow from Operating Act.		19,60,000
B. Cash Flow from Investing Act. Sales of investments	3,20,000	3,20,000
Cash used in Investing Act.		3,20,000
C. Cash Flow from Financing Act. Proceeds from Issue of Shares	6,60,000	
Payment of Bank Loan	(15,00,000)	
Payment of Interest on Loan	(3,00,000)	
Payment of Dividend	(5,00,000)	(16,40,000)
		16,40,000
D. Net Increase in Cash and CE (A + B + C)		6,40,000
Add. Opening Cash and Cash Equivalents		60,000
E. Closing Cash and Cash Equivalents		7,00,000

(b)

Rainbow Ltd.
Cash Flow Statement
For the year ended 31st march, 2022

Particulars	₹	₹
A. Cash Flow from OA. Net Profit before Tap and Eo		70,000
Add: Non Cash and Non Operating Items: Depreciation	80,000	
Interest on Deb. @5%	13,000	
Loss on Issue of Deb.	9,000	
Loss on Sale of Machine	10,000	1,12,000
Operating Profit before WC changes		1,82,000
Add. Increase In CL		
Less. Increase In CA		
Cash Generated Tax		1,82,000
Less: Tax paid	(25,000)	(25,000)
Cash Flow from OA.		1,57,000
B. Cash Flow from Investing Act. Proceeds from sales of March:	90,000	90,000
Cash used in Investing Act.		90,000

C.	Cash Flow from Financing Act.		
	Proceeds from Issue of Debentures	81,000	
	Payment of Int. on Deb.	(13,000)	68,000
	Cash used in Financing Act.		68,000
D.	Cash Increases (A + B + C)		3,15,000
E.	Cash and Cash Equivalents in beginning		25,000
F.	Cash and Cash Equivalents at the end of the period (E + F)		3,40,000

Working Note:**1. Calculation of Net Profit:**

Closing Balance of Surplus, i.e., Balance of statement in P&L	1,30,000	
Less: Opening Balance of statement	<u>(1,00,000)</u>	
	30,000	
Add: Provision for tax	30,000	
General Reserve	<u>10,000</u>	<u>40,000</u>
		<u>70,000</u>

2. Calculation of Depreciation:**Machinery A/c**

Particulars	Amount	Particulars	Amount
To bal. b/d	7,80,000	By Sales A/c	90,000
		By Loss on Sales	10,000
		By Depreciation	80,000
		By bal. c/d	6,00,000
	<u>7,80,000</u>		<u>7,80,000</u>

$$3. \text{ Int. on Debentures} = 2,60,000 \times 5\% = 13,000$$

4. Loss/Discount on Issue of Debentures

$$= 3,50,000 - 2,60,000 = 90,000 \text{ (Deb. Issued)}$$

(Clo. Deb.) (Ope. Deb.)

$$\text{Discount @ 10\%} = \frac{90000 \times 10}{100} = 9,000$$

Note: Discount will be written off next year i.e., 2022-2023.

$$5. \text{ Issue of Debentures} = 90,000 - 9,000 = 81,000$$

(Issue - Dis. = Amt.)

Answer 14**(i) Calculation of Debt to Total Assets:**

$$\begin{aligned} \text{Debt to Total Assets} &= \frac{\text{Debt}}{\text{Total Assets}} \\ &= \frac{800000}{3000000} = 0.26 \end{aligned}$$

$$\text{Total Assets} = 20,00,000 + 10,00,000 = 3,00,000$$

$$\begin{aligned} \text{Debt} &= \text{Total Debt} - \text{Current Liabilities} \\ &= 12,00,000 - 4,00,000 \\ &= 8,00,000 \end{aligned}$$

(ii) Trade Payables Turnover Ratio:

$$\text{Trade Payables Turnover Ratio} = \frac{\text{Net Credit Pur.}}{\text{Avg. Trade Payables}}$$

$$\begin{aligned} \text{Average Trade Payables} &= \frac{\text{Op.} + \text{Closing}}{2} \\ &= \frac{70000 + 80000}{2} = ₹75,000 \end{aligned}$$

$$\begin{aligned}\text{Net Credit Purchase} &= \text{Total Credit Purchase} - \text{returns} \\ &= 3,60,000 - 30,000 = ₹3,30,000\end{aligned}$$

$$\text{Trade Payables Turnover ratio} = \frac{3,30,000}{75,000} = 4.4 \text{ times}$$

Trade Payables A/c

Particulars	Amount	Particulars	Amount
To Cash A/c (Payment)	3,20,000	By Balance b/d	70,000
To Return Outward	30,000	By Purchase (Bal. figure)	3,60,000
To balance c/d	80,000		
	4,30,000		4,30,000

$$(iii) \quad \text{Quick Ratio} = \frac{\text{Quick Assets}}{\text{Current Liabilities}}$$

Working:

$$\text{Working Capital} = \text{CA} - \text{CL}$$

$$60,000 = 90,000 - \text{CL}$$

$$\text{CL} = 90,000 - 60,000 = 30,000$$

$$\text{Quick Assets} = \text{Current Assets} - \text{Inventories} - \text{Prepaid Expenses}$$

$$\text{Q.A.} = 90,000 - 30,000 = 60,000$$

$$\therefore \frac{60000}{30000} = 2 : 1$$

$$(iv) \quad \text{Inventory Turnover Ratio} = \frac{\text{Cost of Goods Sold}}{\text{Aveg. Inventory}}$$

$$8 = \frac{\text{COGS}}{40000}$$

$$8 \times 40,000 = \text{COGS}$$

$$3,32,000 = \text{COGS}$$

$$\text{Profit} = \text{COGS} \times \text{Profit\%}$$

$$= \frac{320000 \times 25}{100} = ₹80,000$$

