

Solved Paper 2015

ACCOUNTANCY

Time : 3 Hours

Class-XII

Max. Marks : 80

General Instructions :

Read the following instructions very carefully and strictly follow them:

- (i) This question paper contains *two* parts A and B.
- (ii) All parts of the questions should be attempted at *one* place.

Delhi Set - 1

Code : 67/1/1

PART-A
(Accounting for Partnership Firms and Companies)

1. In the absence of partnership deed the profits of a firm are divided among the partners:

- (a) In the ratio of capital
- (b) Equally
- (c) In the ratio of time devoted for the firm's business
- (d) According to the managerial abilities of the partners

1

Ans. (b) Equally

2. A, B, C and D were partners in a firm sharing profits in the ratio of 4 : 3 : 2 : 1. On 1-1-2015 they admitted E as a new partner for $\frac{1}{10}$ share in the profits. E brought ₹ 10,000 for his share of goodwill premium which was correctly recorded in the books by the accountant. The accountant showed goodwill at ₹ 1,00,000 in the books. Was the accountant correct in doing so ? Give reason in support of your answer.

1

Ans. No, the accountant was not correct.

Reason: Since the new partner brought his share of goodwill in cash it cannot be shown in the books.

3. On the retirement of Hari from the firm of 'Hari, Ram and Sharma' the balance-sheet showed a debit balance of ₹ 12,000 in the profit and loss account. For calculating the amount payable to Hari this balance will be transferred

- (a) to the credit of the capital accounts of Hari, Ram and Sharma equally
- (b) to the debit of the capital accounts of Hari, Ram and Sharma equally
- (c) to the debit of the capital accounts of Ram and Sharma equally
- (d) to the credit of the capital accounts of Ram and Sharma equally

1

Ans. (b) to the debit of the capital accounts of Hari, Ram and Sharma equally.

4. Kumar, Verma and Naresh were partners in a firm sharing profit & loss in the ratio of 3 : 2 : 2. On 23rd January, 2015 Verma died. Verma's share of profit till the date of his death was calculated at ₹ 2,350.

Pass necessary journal entry for the same in the books of the firm.

1

Ans.

Journal Entries

| Date | Particulars | L.F. | Amount Dr. (₹) | Amount Cr. (₹) |
|------|---|------|-------------------|-------------------|
| 2015 | Profit and Loss Suspense A/c To Verma's Capital A/c (Verma's share of profit upto 23rd June 2015) | Dr. | 2,350 | 2,350 |

5. Give the meaning of forfeiture of shares.

1

Ans. Forfeiture of shares means cancellation of shares allotted and treating actually received amount as forfeited.

[for any other suitable meaning]

6. Joy Ltd. issued 1,00,000 equity shares of ₹ 10 each. The amount was payable as follows:

On application – ₹ 3 per share.

On allotment – ₹ 4 per share.

On first and final call – balance

Applications for 95,000 shares were received and shares were allotted to all the applicants. Sonam to whom 500 shares were allotted failed to pay allotment money and Gautam paid his entire amount due including the amount due on first and final call on the 750 shares allotted to him along with allotment. The amount received on allotment was

(a) ₹ 3,80,000

(b) ₹ 3,78,000

(c) ₹ 3,80,250

(d) ₹ 4,00,250

1

Ans. (c) ₹ 3,80,250

[CBSE Marking Scheme, 2015] 1

Detailed Answer:

$$\begin{aligned} \text{Amount received on allotment} &= \text{Amount due on allotment} + \text{Received in advance} - \text{Calls in arrears} \\ &= 3,80,000 + 2,250 - 2,000 \\ &= 3,80,250 \end{aligned}$$

7. State any three purposes other than 'issue of bonus shares' for which securities premium can be utilised. 1

Ans. The amount received as securities premium can be used other than 'issue of bonus shares' for the following purposes: (Any three)

- In writing off the preliminary expenses of the company.
- For writing off the expenses, commission or discount allowed on issue of shares or debentures of the company.
- For providing the premium payable on redemption of redeemable preference shares or debentures of the company.
- For buy back of its own shares.

8. On 1-4-2013, Jay and Vijay entered into partnership for supplying laboratory equipments to government schools situated in remote and backward areas. They contributed capitals of ₹ 80,000 and ₹ 50,000 respectively and agreed to share the profits in the ratio of 3 : 2. The partnership deed provided that interest on capital shall be allowed at 9% per annum. During the year the firm earned a profit of ₹ 7,800. Showing your calculations clearly, prepare 'Profit and Loss Appropriation Account' of Jay and Vijay for the year ended 31-3-2014. 3

Ans.

In the books of Jay and Vijay
Profit and Loss Appropriation A/c
For the year ended 31st March 2014

| Dr. | | Cr. | |
|---|------------|------------------------|------------|
| Particulars | Amount (₹) | Assets | Amount (₹) |
| To Interest on Capital: | | By Profit for the year | 7,800 |
| Jay's Capital A/c $7,800 \times \frac{8}{13} = 4,800$ | | | |
| Vijay's Capital A/c $7,800 \times \frac{5}{13} = 3,000$ | 7,800 | | |
| | 7,800 | | 7,800 |

Working notes:

Calculation of Interest on Capital:

| | |
|----------------------------------|---------------|
| | (₹) |
| (a) Interest on Jay's Capital: | 7,200 |
| (b) Interest on Vijay's Capital: | <u>4,500</u> |
| Total: | <u>11,700</u> |

The available profit is ₹ 7,800 since the profit is less than interest, the available profit will be distributed in the ratio of interest, i.e., 7,200 : 4,500 or 8 : 5.

9. 'Tractors India Ltd.' is registered with an authorised capital of ₹ 10,00,000 divided into 1,00,000 equity shares of ₹ 10 each. The company issued 50,000 equity shares at a premium of ₹ 5 per share. ₹ 2 per share were payable

with application, ₹ 8 per share including premium on allotment and the balance amount on first and final call. The issue was fully subscribed and all the amount due was received except the first and final call money on 500 shares allotted to Balam.

Present the 'Share Capital' in the Balance Sheet of 'Tractors India Ltd.' as per Schedule VI Part I of the Companies Act, 1956. Also prepare Notes to Accounts for the same. 3

Ans.

Balance Sheet of Tractors India Ltd.
As at(As per revised schedule VI)

| Particulars | Note No. | Amount (₹) Current year | Amount (₹) Previous year |
|-------------------------------|----------|----------------------------|-----------------------------|
| Equity and Liabilities | | | |
| I Shareholder's funds: | | | |
| (a) Share Capital | 1 | 4,97,500 | |

Notes to Accounts:

| Particulars | ₹ |
|--|----------------|
| (1) Share Capital | |
| Authorised Capital: | |
| 1,00,000 equity shares of ₹ 10 each | 10,00,000 |
| Issued Capital | |
| 50,000 equity shares of ₹ 10 each | 5,00,000 |
| Subscribed and fully paid | |
| 49,500 shares of ₹ 10 each | ₹ 4,95,000 |
| Subscribed but not fully paid | |
| 500 shares of ₹ 10 each | 5,000 |
| Less: Calls in arrear (500 × ₹ 5) | (2,500) |
| | <u>₹ 2,500</u> |
| | 4,97,500 |

10. 'Sangam Woollens Ltd.', Ludhiana are the manufacturers and exporters of woollen garments. The company decided to distribute free of cost woollen garments to 10 villages of Lahaul and Spiti District of Himachal Pradesh. The company also decided to employ 50 young persons from these villages in its newly established factory. The company issued 40,000 equity shares of ₹ 10 each and 1,000 9% debentures of ₹ 100 each to the vendors for the purchase of machinery of ₹ 5,00,000.

Pass necessary Journal Entries. 3

* Also identify any one value that the company wants to communicate to the society.

Ans.

Books of Sangam Woollens Ltd.
Journal Entries

| Date | Particulars | L.F. | Amount Dr. (₹) | Amount Cr. (₹) |
|------|--|------|-------------------|----------------------|
| (i) | Machinery A/c To Vendors A/c (For purchase of machinery) | Dr. | 5,00,000 | 5,00,000 |
| (ii) | Vendors A/c To Equity Share Capital A/c To 9% Debentures A/c (For issue of equity shares and debentures at par) | Dr. | 5,00,000 | 4,00,000 1,00,000 |
| | OR | | | |
| | Vendors A/c To Equity Share Capital A/c (For issue of equity shares) | Dr. | 4,00,000 | 4,00,000 |
| | Vendors A/c To 9% Debentures A/c (For issue debentures at par) | Dr. | 1,00,000 | 1,00,000 |

11. Dev, Swati and Sanskar were partners in a firm sharing profits in the ratio of 2 : 2 : 1. On 31-3-2014 their Balance Sheet was as follows:

* Out of Syllabus

| Liabilities | Amount (₹) | Assets | Amount (₹) |
|-----------------------|-----------------|----------------------|-----------------|
| Trade Payables | 17,000 | Building | 1,04,000 |
| Bank Loan | 13,000 | Inventory | 16,000 |
| Capitals: | | Trade Receivables | 23,000 |
| Dev 77,000 | | Cash | 40,000 |
| Swati 87,000 | | Profit and Loss A/c. | 57,000 |
| Sanskar <u>46,000</u> | 2,10,000 | | |
| | 2,40,000 | | 2,40,000 |

On 30th June 2014 Dev died. According to partnership agreement Dev was entitled to interest on capital at 12% per annum. His share of profit till the date of his death was to be calculated on the basis of the average profits of last four years. The profits of the last four years were:

| Years | Profit |
|--------------------|----------|
| | ₹ |
| 2010 – 2011 | 2,04,000 |
| 2011 – 2012 | 1,80,000 |
| 2012 – 2013 | 90,000 |
| 2013 – 2014 (Loss) | 57,000 |

On 1-4-2014, Dev withdrew ₹ 15,000 to pay for his medical bills.

Prepare Dev's account to be presented to his executors.

Ans. Dr. 4
Cr.

| Dev's Capital A/c | | | |
|------------------------|---------------|------------------------|---------------|
| Particulars | Amount (₹) | Assets | Amount (₹) |
| To Drawings A/c | 15,000 | By Balance b/d | 77,000 |
| To Profit and Loss A/c | 22,800 | By P/L Suspense A/c | 10,425 |
| To Dev's Executor A/c | 51,935 | By Interest on Capital | 2,310 |
| | 89,735 | | 89,735 |

Working notes:

(i) Calculation of Interest on Capital: $77,000 \times \frac{12}{100} \times \frac{3}{12} = ₹ 2,310$

(ii) Calculation of Share of Profit:

$$\text{Average Profit} = \frac{₹(2,04,000 + 1,80,000 + 90,000 - 57,000)}{4}$$

$$= ₹ 1,04,250$$

(iii) Dev's Share of Profit = $1,04,250 \times \frac{2}{5} \times \frac{3}{12} = ₹ 10,425$

(iv) Share in P/L A/c (Dr Balance of P/L) = $57,000 \times \frac{2}{5} = ₹ 22,800$

12. Kumar, Gupta and Kavita were partners in a firm sharing profits and losses equally. The firm was engaged in the storage and distribution of canned juice and its godowns were located at three different places in the city. Each godown was being managed individually by Kumar, Gupta and Kavita. Because of increase in business activities at the godown managed by Gupta, he had to devote more time. Gupta demanded that his share in the profits of the firm be increased, to which Kumar and Kavita 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 | Profit |
|-----------|----------|
| | ₹ |
| I | 4,00,000 |
| II | 4,80,000 |
| III | 7,33,000 |
| IV (Loss) | 33,000 |

V 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 of Kumar, Gupta and Kavita. 4

Ans. (i) Calculation of Goodwill of the firm

$$\text{Average Profit} = \frac{\text{₹}(4,00,000 + 4,80,000 + 7,33,000 - 33,000 + 2,20,000)}{5}$$

$$= \text{₹} 3,60,000$$

$$\text{Goodwill of the firm} = 2 \times 3,60,000 = \text{₹} 7,20,000$$

| Date | Particulars | L.F. | Amount Dr. (₹) | Amount Cr. (₹) |
|------|---|------|-------------------|-------------------|
| | Gupta's Capital A/c | Dr. | 1,20,000 | |
| | To Kumar's Capital A/c | | | 60,000 |
| | To Kavita's Capital A/c | | | 60,000 |
| | (Adjustment of goodwill among partners on change in profit sharing ratio) | | | |

$$\text{Old ratio} = 1 : 1 : 1$$

$$\text{New Ratio} = 1 : 2 : 1$$

$$\text{Kumar's Sacrifice} = \frac{1}{3} - \frac{1}{4} = \frac{1}{12}$$

$$\text{Gupta's Gain} = \frac{1}{3} - \frac{2}{4} = \frac{2}{12}$$

$$\text{Kavita's Sacrifice} = \frac{1}{3} - \frac{1}{4} = \frac{1}{12}$$

$$\text{Kumar's Sacrifice} = 7,20,000 \times \frac{1}{12} = \text{₹} 60,000$$

$$\text{Gupta's Gain} = 7,20,000 \times \frac{2}{12} = \text{₹} 1,20,000$$

$$\text{Kavita's Sacrifice} = 7,20,000 \times \frac{1}{12} = \text{₹} 60,000$$

13. On 1-4-2010 Sahil and Charu entered into partnership for sharing profits in the ratio of 4 : 3. They admitted Tanu as a new partner on 1-4-2012 for $\frac{1}{5}$ th share which she acquired equally from Sahil and Charu. Sahil, Charu and Tanu earned profits at a higher rate than the normal rate of return for the year ended 31-3-2013. Therefore, they decided to expand their business. To meet the requirements of additional capital they admitted Puneet as a new partner on 1-4-2013 for $\frac{1}{7}$ th share in profits which he acquired from Sahil and Charu in 7 : 3 ratio.

Calculate:

- (i) New profit sharing ratio of Sahil, Charu and Tanu for the year 2012-13.
 (ii) New profit sharing ratio of Sahil, Charu, Tanu and Puneet on Puneet's admission. 4

Ans. (i) Calculation of new profit sharing ratio of Sahil, Charu and Tanu

$$\text{Sahil's old share} = \frac{4}{7}$$

$$\text{Sahil surrender} = \frac{1}{5} \times \frac{1}{2} = \frac{1}{10} \text{ in favour of Tanu}$$

$$\text{Sahil's new share} = \frac{4}{7} - \frac{1}{10} = \frac{33}{70}$$

$$\text{Charu's old share} = \frac{3}{7}$$

$$\text{Charu surrenders} = \frac{1}{5} \times \frac{1}{2} = \frac{1}{10} \text{ in favour of Tanu}$$

$$\text{Charu's new share} = \frac{3}{7} - \frac{1}{10} = \frac{23}{70}$$

$$\text{Tanu's share} = \frac{1}{10} + \frac{1}{10} = \frac{2}{10}$$

$$\begin{aligned} \text{New profit sharing ratio among Sahil, Charu and Tanu} &= \frac{33}{70} : \frac{23}{70} : \frac{2}{10} \text{ or } \frac{14}{70} \\ &= 33 : 23 : 14 \end{aligned}$$

(ii) Calculation of new profit sharing ratio of Sahil, Charu, Tanu and Puneet

$$\text{Sahil's old share} = \frac{33}{70}$$

$$\text{Sahil surrenders in favour of Puneet} = \frac{1}{7} \times \frac{7}{10} = \frac{7}{70}$$

$$\text{So, Sahil's new share} = \frac{33}{70} - \frac{7}{70} = \frac{26}{70}$$

$$\text{Charu's old share} = \frac{23}{70}$$

$$\text{Charu surrenders in favour of Puneet} = \frac{1}{7} \times \frac{3}{10} = \frac{3}{70}$$

$$\text{Charu's new share} = \frac{23}{70} - \frac{3}{70} = \frac{20}{70}$$

$$\text{Tanu's new share} = \frac{14}{70}$$

$$\text{Puneet's new share} = \frac{14}{70} \text{ or } \frac{10}{70}$$

$$\begin{aligned} \text{New profit sharing ratio among partners} &= \frac{26}{70} : \frac{20}{70} : \frac{14}{70} : \frac{10}{70} \\ &= 26 : 20 : 14 : 10 \\ &= 13 : 10 : 7 : 5 \end{aligned}$$

*14. Bharat Ltd. had an authorised capital of ₹ 20,00,000 divided into 2,00,000 equity shares of ₹ 10 each. The company issued 1,00,000 shares and the dividend paid per share was ₹ 2 for the year ended 31-3-2008. The management of the company decided to export its products to the neighbouring countries Nepal, Bhutan, Sri Lanka and Bangladesh. To meet the requirement of additional funds the financial manager of the company put up the following three alternatives before its Board of Directors:

(i) Issue 54,000 equity shares.

(ii) Obtain a loan from Import and Export Bank of India. The loan was available at 12% per annum interest.

(iii) To issue 9% Debentures at a discount of 10%.

After comparing the available alternatives the company decided on 1-4-2008 to issue 6,000 9% debentures of ₹ 100 each at a discount of 10%. These debentures were redeemable in four instalments starting from the end of third year. The amount of debentures to be redeemed at the end of third, fourth, fifth and sixth year was as follows:

| Year | Profit ₹ |
|------|-------------|
| III | 1,00,000 |
| IV | 1,00,000 |
| V | 2,00,000 |
| VI | 2,00,000 |

Prepare 9% debentures account for the years 2008-09 to 2013-14.

15. Bora, Singh and Ibrahim were partners in a firm sharing profits in the ratio of 5 : 3 : 1. On 2-3-2015 their firm was dissolved. The assets were realised and the liabilities were paid off. Given below are the Realisation Account, Partners' Capital Accounts and Bank Account of the firm. The accountant of the firm left a few amounts unposted in these accounts. You are required to complete these accounts by posting the correct amounts. 6

| Dr. | | Realization Account | | Cr. | |
|-------------------------------|-----------------|------------------------------------|---------------|-----------------|--|
| Particulars | Amount (₹) | Particulars | Amount (₹) | | |
| To Stock | 10,000 | By Provision for Bad Debts | 5,000 | | |
| To Debtors | 25,000 | By Sundry Creditors | 16,600 | | |
| To Plant and Machinery | 40,000 | By Bills Payable | 3,400 | | |
| To Bank: | | By Mortgage Loan | 15,000 | | |
| Sundry Creditors | 16,000 | By Bank – assets realized: | | | |
| Bills Payable | 3,400 | Stock | 6,700 | | |
| Mortgage Loan | <u>15,000</u> | Debtors | 12,500 | 55,200 | |
| To Bank (Outstanding repairs) | 400 | Plant and Machinery | <u>36,000</u> | | |
| To Bank (Exp.) | 620 | By Bank-unrecorded assets realized | 6,220 | | |
| | | By _____ | — | | |
| | 1,10,420 | | | 1,10,420 | |

| Dr. | | | | Capital Account | | | | Cr. | | | |
|-------------|---------------|---------------|---------------|--------------------|---------------|---------------|---------------|-----|--|--|--|
| Particulars | Bora (₹) | Singh (₹) | Ibrahim (₹) | Particulars | Bora (₹) | Singh (₹) | Ibrahim (₹) | | | | |
| — | — | — | — | By Bal. b/d | 22,000 | 18,000 | 10,000 | | | | |
| — | — | — | — | By General Reserve | 2,500 | 1,500 | 500 | | | | |
| | 24,500 | 19,500 | 10,500 | | 24,500 | 19,500 | 10,500 | | | | |

| Dr. | | Bank Account | | Cr. | |
|----------------------------------|---------------|---|------------|---------------|--|
| Particulars | Amount (₹) | Particulars | Amount (₹) | | |
| To Balance b/d | 19,500 | By Realization (liabilities) | 34,400 | | |
| To Realization (assets realized) | 55,200 | By Realization (unrecorded liabilities) | 400 | | |
| _____ | _____ | By _____ | _____ | | |
| | | By _____ | _____ | | |
| | 80,920 | | | 80,920 | |

Ans.

| Realisation A/c | | | |
|-------------------------------|-----------------|---|-----------------|
| Particulars | Amount (₹) | Particulars | Amount (₹) |
| To Stock | 10,000 | By Provision for Bad Debts | 5,000 |
| To Debtors | 25,000 | By Sundry Creditors | 16,600 |
| To Plant and Machinery | 40,000 | By Bills Payable | 3,400 |
| To Bank: | | By Mortgage Loan | 15,000 |
| Sundry Creditors | 16,000 | By Bank – assets realized: | |
| Bills Payable | 3,400 | Stock | 6,700 |
| Mortgage Loan | <u>15,000</u> | Debtors | 12,500 |
| To Bank (Outstanding repairs) | 400 | Plant and Machinery | <u>36,000</u> |
| To Bank (Exp.) | 620 | By Bank-unrecorded assets realized | 6,220 |
| | | By Loss Transferred to Partners' Capital A/c: | |
| | | Bora | 5,000 |
| | | Singh | 3,000 |
| | | Ibrahim | 1,000 |
| | 1,10,420 | | 9,000 |
| | | | 1,10,420 |

Partner's Capital A/c

| Particulars | Bora (₹) | Singh (₹) | Ibrahim (₹) | Particulars | Bora (₹) | Singh (₹) | Ibrahim (₹) |
|--------------------|---------------|---------------|----------------|------------------------|---------------|---------------|----------------|
| To Revaluation A/c | 5,000 | 3,000 | 1,000 | By Balance b/d | 22,000 | 18,000 | 10,000 |
| To Bank A/c | 19,500 | 16,500 | 9,500 | By General Reserve A/c | 2,500 | 1,500 | 500 |
| | <u>24,500</u> | <u>19,500</u> | <u>10,500</u> | | <u>24,500</u> | <u>19,500</u> | <u>10,500</u> |

Bank A/c

| Particulars | Amount (₹) | Particulars | Amount (₹) |
|---|---------------|--|---------------|
| To Balance b/d | 19,500 | By Realisation (liabilities) | 34,400 |
| To Realisation (assets realised) | 55,200 | By Realisation (unrecorded liabilities) | 400 |
| To Realisation A/c (unrecorded assets) | 6,220 | By Realisation A/c (expenses) | 620 |
| | | By Bora's Capital A/c | 19,500 |
| | | By Singh's Capital A/c | 16,500 |
| | | By Ibrahim's Capital A/c | 9,500 |
| | <u>80,920</u> | | <u>80,920</u> |

16. Alfa Ltd. invited applications for issuing 75,000 equity shares of ₹ 10 each. The amount was payable as follows:
On application and allotment – ₹ 4 per share.

On first call – ₹ 3 per share

On second and final call – balance.

Applications for 1,00,000 shares were received. Shares were allotted to all the applicants on pro-rata basis and excess money received with applications was transferred towards sums due on first call. Vibha who was allotted 750 shares failed to pay the first call. Her shares were immediately forfeited. Afterwards the second call was made. The amount due on second call was also received except on 1000 shares, applied by Monika. Her shares were also forfeited. All the forfeited shares were reissued to Mohit for ₹ 9,000 as fully paid up.

Pass necessary journal entries in the books of Alfa Ltd. for the above transactions.

OR

Jeevan Dhara Ltd. invited applications for issuing 1,20,000 equity shares of ₹ 10 each at a premium of ₹ 2 per share. The amount was payable as follows:

On application – ₹ 2 per share.

On allotment – ₹ 5 per share (including premium)

On first and final call – balance.

Applications for 1,50,000 shares were received. Shares were allotted to all the applicants on pro-rata basis. Excess money received on applications was adjusted towards sums due on allotment. All calls were made. Manu who had applied for 3,000 shares failed to pay the amount due on allotment and first and final call. Madhur who was allotted 2,400 shares failed to pay the first and final call. Shares of both Manu and Madhur were forfeited. The forfeited shares were re-issued at ₹ 9 per share as fully paid up.

Pass necessary journal entries for the above transactions in the books of Jeevan Dhara Ltd.

8

Ans.

Books of Alfa Ltd.

Journal Entries

| Date | Particulars | L.F. | Amount Dr. (₹) | Amount Cr. (₹) |
|------|--|------|-------------------|-------------------|
| (i) | Bank A/c To Equity Share Application and Allotment A/c (For application money received on 1,00,000 shares) | Dr. | 4,00,000 | 4,00,000 |

| | | | | |
|--------|---|-----|----------|----------|
| (ii) | Equity Share Application and Allotment A/c | Dr. | 4,00,000 | |
| | To Equity Share Capital A/c | | | 3,00,000 |
| | To Calls in Advance A/c | | | 1,00,000 |
| | (For equity share allotment made) | | | |
| (iii) | Equity Share First Call A/c | Dr. | 2,25,000 | |
| | To Equity Share Capital A/c | | | 2,25,000 |
| | (For first call money due) | | | |
| (iv) | Bank A/c | Dr. | 1,23,750 | |
| | Calls in Advance A/c | Dr. | 1,00,000 | |
| | To Equity Share First Call a/c | | | 2,23,750 |
| | (For first call money received except on 750 shares) | | | |
| | OR | | | |
| | Bank A/c | Dr. | 1,23,750 | |
| | Calls in Arrears A/c | Dr. | 1,250 | |
| | Calls in Advance A/c | Dr. | 1,00,000 | |
| | To Equity Share First Call A/c | | | 2,25,000 |
| | (For first call money received except on 750 shares and the advance adjusted) | | | |
| (v) | Equity Share Capital A/c | Dr. | 5,250 | |
| | To Share Forfeiture A/c | | | 4,000 |
| | To Equity Share First Call /Calls in Arrears A/c | | | 1,250 |
| | (For 750 shares forfeited) | | | |
| (vi) | Equity Share Second and Final call A/c | Dr. | 2,22,750 | |
| | To Equity Share Capital A/c | | | 2,22,750 |
| | (For second and final call money due on 74250 shares) | | | |
| (vii) | Bank A/c | Dr. | 2,20,500 | |
| | To Equity Share Second and Final Call a/c | | | 2,20,500 |
| | (For second and final call money received except on 750 shares) | | | |
| | OR | | | |
| | Bank A/c | Dr. | 2,20,500 | |
| | Calls in arrears A/c | Dr. | 2,250 | |
| | To Equity Share Second and Final Call A/c | | | 2,22,750 |
| | (For second and final call money received except on 750 shares) | | | |
| (viii) | Equity Share Capital A/c | Dr. | 7,500 | |
| | To Share Forfeiture A/c | | | 5,250 |
| | To Equity Share Second and Final call/Calls in Arrears A/c | | | 2,250 |
| | (For 750 shares forfeited) | | | |
| (ix) | Bank A/c | Dr. | 9,000 | |
| | Share Forfeiture A/c | Dr. | 6,000 | |
| | To Equity Share Capital A/c | | | 15,000 |
| | (For shares reissued for ₹ 9 per share fully paid up) | | | |
| (x) | Share Forfeiture A/c | Dr. | 3,250 | |
| | To Capital Reserve A/c | | | 3,250 |
| | (For forfeiture balance transferred to capital reserve) | | | |

OR
Books of Jeevan Dhara Ltd.
Journal

| Date | Particulars | L.F. | Amount Dr. (₹) | Amount Cr. (₹) |
|-------|---|------|--------------------|----------------------------|
| (i) | Bank A/c Dr. To Equity Share Application A/c (For application money received on 1,50,000 shares) | | 3,00,000 | 3,00,000 |
| (ii) | Equity Share Application A/c Dr. To Equity Share Capital A/c To Equity Share Allotment A/c (For equity share allotment made) | | 3,00,000 | 2,40,000 60,000 |
| (iii) | Equity Share Allotment A/c Dr. To Equity Share Capital A/c To Securities Premium/ Securities Premium Reserve A/c (For allotment money due) | | 6,00,000 | 3,60,000 2,40,000 |
| (iv) | Bank A/c Dr. To Equity share allotment a/c (For allotment money received except on 2,400 shares) | | 5,29,200 | 5,29,200 |
| | OR | | | |
| | Bank A/c Dr. Calls in Arrears A/c Dr. To Equity Share Allotment A/c (For allotment money received except on 2,400 shares and the advance adjusted) | | 5,29,200 10,800 | 5,40,000 |
| (v) | Equity Share First and Final Call A/c Dr. To Equity Share Capital A/c (For first and final call money due on 1,20,000 shares) | | 6,00,000 | 6,00,000 |
| (vi) | Bank A/c Dr. To Equity Share First and Final Call a/c (For first and final call money received except on 4,800 shares) | | 5,76,000 | 5,76,000 |
| | OR | | | |
| | Bank A/c Dr. Calls in Arrears A/c Dr. To Equity Share First and Final Call A/c (For first and final call money received except on 4,800 shares) | | 5,76,000 24,000 | 6,00,000 |
| (vii) | Equity Share Capital A/c Dr. Securities Premium/Securities Premium Reserve A/c Dr. To Share Forfeiture A/c To Equity Share Allotment A/c To Equity Share First and Final Call (For 4,800 shares forfeited) | | 48,000 4,800 | 18,000 10,800 24,000 |
| | OR | | | |
| | Equity Share Capital A/c Dr. Securities Premium/Securities Premium Reserve A/c Dr. To Equity Share Forfeiture A/c To Calls in Arrears A/c (For 4,800 shares forfeited) | | 48,000 4,800 | 18,000 34,800 |

| | | | | |
|--------|--|------------|-----------------|--------|
| (viii) | Bank A/c Share Forfeiture A/c To Equity Share Capital A/c (For shares reissued for ₹ 9 per share fully paid up) | Dr. Dr. | 43,200 4,800 | 48,000 |
| (ix) | Share Forfeiture A/c To Capital Reserve A/c (For forfeiture balance transferred to capital reserve) | Dr. | 13,200 | 13,200 |

17. Charu and Harsha were partners in a firm sharing profits in the ratio of 3 : 2. On 1-4-2014 their Balance Sheet was as follows:

Balance Sheet of Charu and Harsha as on 1-4-2014

| Liabilities | | Amount (₹) | Assets | | Amount (₹) |
|-----------------------------|--------|------------|-------------------|--|------------|
| Creditors | | 17,000 | Cash | | 6,000 |
| General Reserve | | 4,000 | Debtors | | 15,000 |
| Workmen's Compensation | | 9,000 | Investments | | 20,000 |
| Investment Fluctuation Fund | | 11,000 | Plant | | 14,000 |
| Provision for Bad Debts | | 2,000 | Land and Building | | 38,000 |
| Capitals | | | | | |
| Charu | 30,000 | | | | |
| Harsha | 20,000 | 50,000 | | | |
| | | 93,000 | | | 93,000 |

On the above date Vaishali was admitted for $\frac{1}{4}$ th share in the profits of the firm on the following terms :

- Vaishali will bring ₹ 20,000 for her capital and ₹ 4,000 for her share of goodwill premium.
- All debtors were considered good.
- The market value of investments was ₹ 15,000.
- There was a liability of ₹ 6,000 for workmen compensation.
- Capital accounts of Charu and Harsha are to be adjusted on the basis of Vaishali's capital by opening current accounts.

Prepare Revaluation Account and Partners' Capital Accounts.

8

OR

Amit, Balan and Chander were partners in a firm sharing profits in the proportion of $\frac{1}{2}$, $\frac{1}{3}$ and $\frac{1}{6}$ respectively.

Chander retired on 1-4-2014. The Balance Sheet of the firm on the date of Chander's retirement was as follows:

Balance Sheet of Amit, Balan and Chander as on 1-4-2014

| Liabilities | | Amount (₹) | Assets | | Amount (₹) |
|------------------|--------|------------|-----------------|--|------------|
| Sundry Creditors | | 12,000 | Cash | | 4,100 |
| Provident Fund | | 3,000 | Debtors | | 30,000 |
| General Reserve | | 9,000 | Less: Provision | | 1,000 |
| Capitals: | | | Stock | | 25,000 |
| Amit | 40,000 | | Investment | | 10,000 |
| Balan | 36,500 | | Patents | | 5,000 |
| Chander | 20,000 | 96,500 | Machinery | | 48,000 |
| | | 1,21,100 | | | 1,21,100 |

It was agreed that:

- Goodwill will be valued at ₹ 27,000.
- Depreciation of 10% was to be provided on machinery.
- Patents were to be reduced by 20%.
- Liability on account of Provident Fund was estimated at ₹ 2,400.
- Chander took over investments for ₹ 15,800.

(f) Amit and Balan decided to adjust their capitals in proportion of their profit sharing ratio by opening current accounts.

Prepare Revaluation Account and Partners' Capital Accounts on Chander's retirement.

Ans. Dr. Revaluation A/c Cr.

| Particulars | Amount (₹) | Particulars | Amount (₹) |
|--|--------------|--------------------------------|--------------|
| To Profit transferred to Partner's Capital A/c | | By Provision for Bad Debts A/c | 2,000 |
| Charu | 1,200 | | |
| Harsha | <u>800</u> | | |
| | 2,000 | | |
| | <u>2,000</u> | | <u>2,000</u> |

Partner's Capital A/c

| Particulars | Charu (₹) | Harsha (₹) | Vaishali (₹) | Particulars | Charu (₹) | Harsha (₹) | Vaishali (₹) |
|-----------------|---------------|---------------|---------------|--------------------------------|---------------|---------------|---------------|
| To Current A/cs | 5,400 | 3,600 | — | By Balance b/d | 30,000 | 20,000 | — |
| To Balance c/d | 36,000 | 24,000 | 20,000 | By General Reserve A/c | 2,400 | 1,600 | — |
| | | | | By Cash A/c | — | — | 20,000 |
| | | | | By Premium for Goodwill A/c | 2,400 | 1,600 | — |
| | | | | By Revaluation A/c | 1,200 | 800 | — |
| | | | | By Workmen Compensation Fund | 1,800 | 1,200 | — |
| | | | | By Investment Fluctuation Fund | 3,600 | 2,400 | — |
| | <u>41,400</u> | <u>27,600</u> | <u>20,000</u> | | <u>41,400</u> | <u>27,600</u> | <u>20,000</u> |

OR

Dr. Revaluation A/c Cr.

| Particulars | Amount (₹) | Particulars | Amount (₹) |
|--|--------------|-----------------------|--------------|
| To Machinery A/c | 4,800 | By Provident Fund A/c | 600 |
| To Patents A/c | | By Investments | 5,800 |
| To Profit transferred to Partner's Capital A/c | 1,000 | | |
| Amit | 300 | | |
| Balan | 200 | | |
| Chander | <u>100</u> | | |
| | 600 | | |
| | <u>6,400</u> | | <u>6,400</u> |

Partner's Capital A/c

| Particulars | Charu (₹) | Harsha (₹) | Vaishali (₹) | Particulars | Charu (₹) | Harsha (₹) | Vaishali (₹) |
|--------------------------|-----------|------------|--------------|------------------------|-----------|------------|--------------|
| To Chander's Capital A/c | 2,700 | 1,800 | — | By Balance b/d | 40,000 | 36,500 | 20,000 |
| To Investment A/c | — | — | 15,800 | By General Reserve A/c | 4,500 | 3,000 | 1,500 |

| | | | | | | | |
|------------------------|---------------|---------------|---------------|------------------------|---------------|---------------|---------------|
| To Chander's Loan A/c | — | — | 10,300 | By Amit's Capital A/c | — | — | 2,700 |
| To Balan's Current A/C | | 5,900 | | By Balan's Capital A/c | — | — | 1,800 |
| To Balance c/d | 48,000 | 32,000 | | By Revaluation A/c | 300 | 200 | 100 |
| | | | | By Amit's Current A/c | 5,900 | | |
| | <u>50,700</u> | <u>39,700</u> | <u>26,100</u> | | <u>50,700</u> | <u>39,700</u> | <u>26,100</u> |

PART-B
(Financial Statements Analysis)

18. Which of the following transactions will result into 'Flow of Cash' ?

- (a) Deposited ₹ 10,000 into bank.
 (b) Withdrew cash from bank ₹ 14,500.
 (c) Sale of machinery of the book value of ₹ 74,000 at a loss of ₹ 9,000.
 (d) Converted ₹ 2,00,000 9% debentures into equity shares.

1

Ans. (c) Sale of machinery of the book value of ₹ 74,000 at a loss of ₹ 9,000

19. While preparing the 'Cash Flow Statement' the accountant of Gulfam Ltd., a financing company showed 'Dividend received on Investments' as 'Investing Activity'. Was he correct in doing so ? Give reason.

1

Ans. No, he was not correct.

Reason: As Gulfam Ltd. is a financing company so dividend received was an operating activity for it.

20. Under which major headings the following items will be presented in the Balance Sheet of a company as per Schedule VI Part I of the Companies Act, 1956 ?

- (i) Loans provided repayable on demand
 (ii) Goodwill
 (iii) Copyrights
 (iv) Loose tools
 (v) Cheques
 (vi) General reserve
 (vii) Stock of finished goods and
 (viii) 9% Debentures repayable after three years

4

| Ans. | S.No. | Items | Major Heads |
|------|-------|---|-------------------------|
| | 1. | Loans provided repayable on demand | Current liabilities |
| | 2. | Goodwill | Non current assets |
| | 3. | Copyrights | Non current assets |
| | 4. | Loose tools | Current assets |
| | 5. | Cheques | Current assets |
| | 6. | General reserve | Shareholders' funds |
| | 7. | Stock of finished goods | Current assets |
| | 8. | 9% Debentures repayable after three years | Non current liabilities |

21. From the following information related to Naveen Ltd. calculate (a) Return on Investment and (b) Total Assets to Debt Ratio.

Information: Fixed Assets ₹ 75,00,000; Current Assets ₹ 40,00,000; Current Liabilities ₹ 27,00,000; 12% Debentures ₹ 80,00,000 and Net Profit before Interest, Tax and Dividend ₹ 14,50,000.

4

Ans. (a) Return on Investment

$$= \frac{\text{Net Profit before Interest, Tax and Dividend}}{\text{Capital Employed}} \times 100$$

Net Profit before Interest, Tax and Dividend = ₹ 14,50,000

Capital Employed = Fixed Assets + Current Assets – Current Liabilities
= ₹ 75,00,000 + ₹ 40,00,000 – ₹ 27,00,000 = ₹ 88,00,000

$$\text{Return on Investment} = \frac{₹ 14,50,000}{₹ 88,00,000} \times 100 = 16.47\%$$

(b) Total Assets to Debt Ratio = $\frac{\text{Total Assets}}{\text{Long Term Debt}}$

Total Assets = Fixed Assets + Current Assets
= 75,00,000 + 40,00,000
= ₹ 1,15,00,000
Long Term Debt = 12% Debentures = ₹ 80,00,000

$$\text{Total Assets to Debt Ratio} = \frac{1,15,00,000}{80,00,000} = 1.44 : 1$$

22. The motto of Yash Ltd., an advertising company is 'Service With Dignity'. Its management and work force is hard-working, honest and motivated. The net profit of the company doubled during the year ended 31-3-2014. Encouraged by its performance company decided to give one month extra salary to all its employees. Following is the Comparative Statement of Profit and Loss of the company for the years ended 31st March 2013 and 2014. 4

Yash Ltd.

Comparative Statements of Profit and Loss.

| Particulars | Note No. | 2012-13 (₹) | 2013-14 (₹) | Absolute Change (₹) | % Change |
|---------------------------------|----------|----------------|----------------|------------------------|----------|
| Revenue from operations | | 10,00,000 | 15,00,000 | 5,00,000 | 50 |
| Less employees benefit expenses | | 6,00,000 | 7,00,000 | 1,00,000 | 16.67 |
| Profit before tax | | 4,00,000 | 8,00,000 | 4,00,000 | 100 |
| Tax rate 25% | | 1,00,000 | 2,00,000 | 1,00,000 | 100 |
| Profit after tax | | 3,00,000 | 6,00,000 | 3,00,000 | 100 |

(a) Calculate Net Profit Ratio for the years ending 31st March, 2013 and 2014.

* (b) Identify any two values which Yash Ltd. is trying to propagate

Ans. (a) Net profit ratio = $\frac{\text{Net profit after tax}}{\text{Revenue from operations}} \times 100$

$$\text{As on 31-03-2013} = \frac{3,00,000}{10,00,000} \times 100 = 30\%$$

$$\text{As on 31-03-2014} = \frac{6,00,000}{15,00,000} \times 100 = 40\%$$

23. Following is the Balance Sheet of Thermal Power Ltd. as at 31-3-2014:

Thermal Power Ltd.

Balance Sheet as at 31-3-2014

| | Particulars | Note No. | 31st March 2019 (₹) | 31st March 2018 (₹) |
|----|--------------------------------|----------|------------------------|------------------------|
| I. | Equity and Liabilities: | | | |
| | 1. Shareholders' Fund: | | | |
| | (a) Share Capital | | 12,00,000 | 11,00,000 |
| | (b) Reserve and Surplus | 1 | 3,00,000 | 2,00,000 |

| | | | | |
|------------|------------------------------------|---|------------------|------------------|
| | 2. Non Current Liabilities: | | | |
| | Long Term-Borrowings | | 2,40,000 | 1,70,000 |
| | 3. Current Liabilities: | | | |
| | (a) Trade Payables | | 1,79,000 | 2,04,000 |
| | (b) Short Term Provisions | | 50,000 | 77,000 |
| | Total | | 19,69,000 | 17,51,000 |
| II. | Assets: | | | |
| | 1. Non-Current Assets: | | | |
| | (a) Fixed Assets | | | |
| | (i) Tangible Assets | 2 | 10,70,000 | 8,50,000 |
| | (ii) Intangible | 3 | 40,000 | 1,12,000 |
| | 2. Current Assets: | | | |
| | (a) Current Investments | | 2,40,000 | 1,50,000 |
| | (b) Inventories | | 1,29,000 | 1,21,000 |
| | (c) Trade Receivables | | 1,70,000 | 1,43,000 |
| | (d) Cash and Cash Equivalents | | 3,20,000 | 3,75,000 |
| | Total | | 19,69,000 | 17,51,000 |

Notes to Accounts:

| S.No. | Particulars | 2013-14 (₹) | 2012-13 (₹) |
|-------|---|----------------|----------------|
| 1. | Reserves and Surplus | | |
| | Surplus (balance in statement of profit and loss) | 3,00,000 | 2,00,000 |
| 2. | Tangible Assets | | |
| | Machinery | 12,70,000 | 10,00,000 |
| | Less: Accumulated Depreciation | (2,00,000) | (1,50,000) |
| 3. | Intangible Assets | 20,00,000 | 12,00,000 |
| | Goodwill | 40,000 | 1,12,000 |

Additional information:

During the year a piece of machinery, costing ₹ 24,000 on which accumulated depreciation was ₹ 16,000, was sold for ₹ 6,000.

Prepare Cash Flow Statement.

6

Ans.

**Cash flow statement of Thermal Power Ltd.
For the year ended 31st March 2014 as per AS-3 (Revised)**

| Particulars | Details (₹) | Amount (₹) |
|---|-------------|------------|
| Cash Flows from Operating Activities: | | |
| Net profit before tax and extraordinary items | 1,00,000 | |
| Add: Non cash and non-operating charges | | |
| Goodwill written off | 72,000 | |
| Depreciation on machinery | 66,000 | |
| Loss on sale of machinery | 2,000 | |
| Operating profit before working capital changes | 2,40,000 | |
| Less: Increase in Current Assets | | |
| Increase in trade receivables | (27,000) | |
| Increase in inventories | (8,000) | |
| Less: Decrease in Current Liabilities | | |
| Decrease in trade payables | (25,000) | |
| Decrease in short term provisions (I) | (27,000) | |

| | | |
|---|------------|------------|
| Cash generated from Operating Activities | 1,53,000 | 1,53,000 |
| Cash flows from Investing Activities: | | |
| Purchase of machinery | (2,94,000) | |
| Sale of machinery | 6,000 | |
| Cash used in investing activities | (2,88,000) | (2,88,000) |
| Cash flows from Financing Activities: | | |
| Issue of share capital | 1,00,000 | |
| Money raised from borrowings | 70,000 | |
| Cash from financing activities | 1,70,000 | 1,70,000 |
| Net increase in cash and cash equivalents | | 35,000 |
| Add: Opening balance of cash and cash equivalents: | | 35,000 |
| Current Investments (II) | 1,50,000 | |
| Cash and cash equivalents | 3,75,000 | 5,25,000 |
| Closing Balance of cash and cash equivalents: | | |
| Current Investments (II) | 2,40,000 | |
| Cash and cash equivalents | 3,20,000 | 5,60,000 |

Working Notes:**Machinery A/c.**

| Particulars | Amount (₹) | Particulars | Amount (₹) |
|---------------------------|------------|------------------------------|------------|
| To Balance b/d | 10,00,000 | By Bank A/c | 6,000 |
| To Bank A/c (Bal. Figure) | 2,94,000 | By Accumulated Depreciation | 16,000 |
| | | By Loss on Sale of Machinery | 2,000 |
| | | By Balance c/d | 12,70,000 |
| | 12,94,000 | | 12,94,000 |

Accumulated Depreciation A/c

| Particulars | Amount (₹) | Particulars | Amount (₹) |
|------------------|------------|--------------------------------|------------|
| To Machinery A/c | 16,000 | By Balance b/d | 1,50,000 |
| To Balance c/d | 2,00,000 | By Depreciation a/c (Bal fig.) | 66,000 |
| | 2,16,000 | | 2,16,000 |

Notes:**(I) If short term provision is not treated as current liabilities by an examine:**

Decrease in short term provisions will not be shown.

- If short term provision is treated as provision for doubtful debts.
 - Operating profit before working capital changes will be ₹ 2,13,000.
 - There is no change in the cash flow from the three activities and full credit is to be given for this treatment also.
- If short term provision is treated as provision for tax:
 - Net profit before tax and extraordinary items will be ₹ 1,50,000.
 - Operating profit before working capital changes will be ₹ 2,90,000.
 - Cash generated from operations before tax will be ₹ 2,30,000
 - Tax paid off ₹ 77,000 will be deducted for calculating cash from operating activities.
 - There is no change in the cash flow from the three activities and full credit is to be given for this treatment also.
- If short term provision is treated as proposed dividend:
 - Net profit before tax and extraordinary items will be ₹ 1,50,000.
 - Cash from operating activities will be ₹ 2,30,000

- Cash used in investing activity will remain same, i.e., ₹ 2,88,000.
- Cash from financing activity will be ₹ 93,000.

(II) If current investment is treated as current asset by an examinee:

Increase in current investment ₹ 90,000 will be deducted from operating profit before working capital changes. Opening and closing balance of cash and cash equivalents will be ₹ 3,75,000 and ₹ 3,20,000, respectively.

1. If short term provision is treated as current liability:
 - Operating profit before working capital changes will be ₹ 2,40,000.
 - Cash from operating activities will be ₹ 63,000.
 - Cash used in investing activity will remain same, i.e., ₹ 2,88,000 and cash from financing activity will also remain same, i.e., ₹ 1,70,000.
 - Net decrease in cash and cash equivalents will be ₹ 55,000.
2. When short term provision is treated as proposed dividend:
 - Net profit before tax and extraordinary items will be ₹ 1,50,000.
 - Operating profit before working capital changes will be ₹ 2,90,000.
 - Cash from operating activities will be ₹ 1,40,000
 - Cash used in investing activity will remain same, i.e., ₹ 2,88,000 Cash from financing activity will be ₹ 93,000.
 - Net decrease in cash and cash equivalents will be ₹ 55,000.
3. When short term provision is treated as provision for tax:
 - Net profit before tax and extraordinary items will be ₹ 1,50,000.
 - Operating profit before working capital changes will be ₹ 2,90,000.
 - Cash generated from operations ₹ 1,40,000 tax paid off ₹ 77,000 will be deducted for calculating cash from operating activities.
 - Cash from operating activities will be ₹ 63,000.
 - Cash used in investing activity will remain same, i.e., ₹ 2,88,000.
 - Cash from financing activity will be ₹ 1,70,000.
 - Net decrease in cash and cash equivalents will be ₹ 55,000.
4. If short term provision is treated as provision for doubtful debts:
 - Net profit before tax and extraordinary items will be ₹ 1,00,000.
 - Operating profit before working capital changes will be ₹ 2,13,000.
 - Cash from operating activities will be ₹ 63,000.
 - Cash used in investing activity will remain same, i.e., ₹ 2,88,000.
 - Cash from financing activity will be ₹ 1,70,000.
 - Net decrease in cash and cash equivalents will be ₹ 55,000.

Delhi Set - 2**Code : 67/1/2**

Except these, all other questions are from Outside Delhi Set - I .

PART-A
(Accounting for Partnership Firms and Companies)

7. State any three purposes other than 'buy back of shares' for which securities premium can be utilised. 3
- Ans.** The amount received as securities premium can be used other than 'buy back of shares' for the following purposes:
(Any three)
- In writing off the preliminary expenses of the company.
 - For writing off the expenses, commission or discount allowed on issue of shares or debentures of the company.
 - For providing the premium payable on redemption of redeemable preference shares or debentures of the company.
 - For issuing bonus shares.
9. 'Scooters India Ltd.' is registered with an authorised capital of ₹ 50,00,000, divided into 5,00,000 shares of ₹ 10 each. The company issued 1,00,000 shares for subscriptions to the public at par. The amount was payable as follows:
- On application and allotment – ₹ 3 per share.
On first call – ₹ 2 per share.
On second and final call – ₹ 5 per share.

The issue was fully subscribed. All calls were made and were duly received except the second and final call on 1,000 shares held by Rohan. His shares were forfeited and afterwards re-issued at ₹ 8 per share as fully paid up. Present 'Share Capital' in the Balance Sheet of the company as per Schedule VI Part I of the Companies Act, 1956. Also prepare Notes to accounts for the same. 3

Ans. **Balance Sheet of Scooters India Ltd.**
As at (As per revised schedule VI)

| Particulars | Note No. | Amount (₹) Current year | Amount (₹) Previous year |
|-------------------------------|----------|----------------------------|-----------------------------|
| Equity and Liabilities | | | |
| I Shareholder's funds: | | | |
| (a) Share Capital | 1 | 10,00,000 | |

Notes to Accounts :

| Particulars | ₹ |
|-------------------------------------|-----------|
| (1) Share Capital | |
| Authorised Capital: | |
| 5,00,000 equity shares of ₹ 10 each | 50,00,000 |
| Issued Capital | |
| 1,00,000 equity shares of ₹ 10 each | 10,00,000 |
| Subscribed and fully paid | |
| 1,00,000 shares of ₹ 10 each | 10,00,000 |

11. Vikas, Gagan and Momita 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 September 2014 Momita died. According to the provisions of partnership deed the legal representatives of a deceased partner are entitled for the following in the event of his/her death:

- Capital as per the last Balance Sheet.
- Interest on capital at 6% p.a. till the date of her death.
- Her share of profit to the date of death calculated on the basis of average profits of last four years.
- Her share of goodwill to be determined on the basis of three years purchase of the average profits of last four years. The profits of last four years were:

| Year | Profit ₹ |
|-----------|-------------|
| 2010-2011 | 30,000 |
| 2011-2012 | 50,000 |
| 2012-2013 | 40,000 |
| 2013-2014 | 60,000 |

The balance in Momita's capital account on 31-3-2014 was ₹ 60,000 and she had withdrawn ₹ 10,000 till the date of her death. Interest on her drawings were ₹ 300.

Prepare Momita's Capital Account to be presented to her executors. 4

Ans. Dr. **Momita's Capital A/c** Cr.

| Particulars | Amount (₹) | Particulars | Amount (₹) |
|-----------------------------|---------------|------------------------|---------------|
| To Drawings A/c | 10,000 | By Balance b/d | 60,000 |
| To Interest on Drawings A/c | 300 | By P/L Suspense A/c | 4,500 |
| To Momita's Executor A/c | 83,000 | By Interest on Capital | 1,800 |
| | | By Vikas Capital A/c | 13,500 |
| | | By Gagan's Capital A/c | 13,500 |
| | 93,300 | | 93,300 |

Working notes:

- Calculation of Interest on Capital: $60,000 \times \frac{6}{100} \times \frac{6}{12} = ₹ 1,800$

(ii) Calculation of Momita's Share of Profit:

$$= 45,000 \times \frac{1}{5} \times \frac{6}{12} = ₹ 4,500$$

(iii) Share in Goodwill = $45,000 \times 3 \times \frac{1}{5} = ₹ 27,000$

16. 'Amrit Dhara Ltd.' invited applications for issuing 80,000 equity shares of ₹ 10 each. The amount was payable as follows:

On application and allotment – ₹ 2 per share.

On first call – ₹ 4 per share.

On second and final call – the balance.

Applications for 1,00,000 shares were received. Shares were allotted on pro-rata basis to all the applicants. Excess money received with applications was adjusted towards sums due on first call. Manohar who had applied for 2,000 shares failed to pay the first call and his shares were immediately forfeited. Afterwards second and final call was made. Mahan who was allotted 2,400 shares failed to pay the second and final call. His shares were also forfeited. All the forfeited shares were re-issued at ₹ 9 per share as fully paid up.

Pass necessary Journal Entries in the books of the company for the above transactions. 8

OR

'Sulabh Ltd.' invited applications for issuing 1,50,000 equity shares of ₹ 10 each at a premium of ₹ 3 per share. The amount was payable as follows:

On application – ₹ 2 per share.

On allotment – ₹ 6 per share (including premium)

On first and final call – the balance

Applications for 2,00,000 shares were received and shares were allotted on pro-rata basis to all the applicants. Excess money received with applications was adjusted towards sums due on allotment. Suman who had applied for 2,000 shares failed to pay the allotment and call money. Raman failed to pay first and final call on his 500 shares. Shares of both Suman and Raman were forfeited after the final call was made. The forfeited shares were re-issued for ₹ 12 per share as fully paid up.

Pass necessary Journal Entries for the above transactions in the books of the company. 8

Ans.

Books of Alfa Ltd.

Journal Entries

| Date | Particulars | L.F. | Amount Dr. (₹) | Amount Cr. (₹) |
|-----------|--|------|-----------------------------|--------------------|
| (i) | Bank A/c Dr. To Equity Share Application and Allotment A/c (For application money received on 1,00,000 shares) | | 2,00,000 | 2,00,000 |
| (ii) | Equity Share Application and Allotment A/c Dr. To Equity Share Capital A/c To Calls in Advance A/c (For equity share allotment made) | | 2,00,000 | 1,60,000 40,000 |
| (iii) | Equity Share First Call A/c Dr. To Equity Share Capital A/c (For first call money due) | | 3,20,000 | 3,20,000 |
| (iv) | Bank A/c Dr. Calls in Advance A/c Dr. To Equity Share First Call a/c (For first call money received except on 1600 shares) | | 2,74,400 40,000 | 3,14,400 |
| OR | | | | |
| | Bank A/c Dr. Calls in Arrears A/c Dr. Calls in Advance A/c Dr. To Equity Share First Call A/c (For first call money received except on 1600 shares and the advance adjusted) | | 2,74,400 5,600 40,000 | 3,20,000 |

| | | | | |
|-----------|--|------------|-------------------|-----------------|
| (v) | Equity Share Capital A/c To Share Forfeiture A/c To Equity Share First Call /Calls in Arrears A/c (For 1600 shares forfeited) | Dr. | 9,600 | 4,000 5,600 |
| (vi) | Equity Share Second and Final Call A/c To Equity Share Capital A/c (For second and final call money due on 78400 shares) | Dr. | 3,13,600 | 3,13,600 |
| (vii) | Bank A/c To Equity Share Second and Final Call a/c (For second and final call money received except on 2,400 shares) | Dr. | 3,04,000 | 3,04,000 |
| OR | | | | |
| | Bank A/c Calls in Arrears A/c To Equity Share Second and Final call A/c (For second and final call money received except on 2,400 shares) | Dr. Dr. | 3,04,000 9,600 | 3,13,600 |
| (viii) | Equity Share Capital A/c To Share Forfeiture A/c To Equity Share Second and Final Call /Calls in Arrears A/c (For 2400 shares forfeited) | Dr. | 24,000 | 14,400 9,600 |
| (ix) | Bank A/c Share Forfeiture A/c To Equity Share Capital A/c (For shares reissued for ₹ 9 per share fully paid up) | Dr. Dr. | 36,000 4,000 | 40,000 |
| (x) | Share forfeiture A/c To Capital Reserve A/c (For forfeiture balance transferred to capital reserve) | Dr. | 14,400 | 14,400 |

OR
Books of Alfa Ltd.
Journal Entries

| Date | Particulars | L.F. | Amount Dr. (₹) | Amount Cr. (₹) |
|-----------|---|------------|-------------------|----------------------|
| (i) | Bank A/c To Equity Share Application A/c (For application money received on 2,00,000 shares) | Dr. | 4,00,000 | 4,00,000 |
| (ii) | Equity Share Application A/c To Equity Share Capital A/c To Equity Share Allotment A/c (For equity share allotment made) | Dr. | 4,00,000 | 3,00,000 1,00,000 |
| (iii) | Equity Share allotment A/c To Equity Share Capital A/c To Securities Premium/ Securities Premium Reserve A/c (For allotment money due) | Dr. | 9,00,000 | 4,50,000 4,50,000 |
| (iv) | Bank A/c To Equity Share Allotment a/c (For allotment money received except on 1500 shares) | Dr. | 7,92,000 | 7,92,000 |
| OR | | | | |
| | Bank A/c Calls in Arrears A/c To Equity Share Allotment A/c (For allotment money received except on 1,500 shares and the advance adjusted) | Dr. Dr. | 7,92,000 8,000 | 8,00,000 |

| | | | | |
|--------|--|------------|--------------------|--------------------------|
| (v) | Equity Share First and Final Call A/c To Equity Share Capital A/c (For first and final call money due on 1,50,000 shares) | Dr. | 7,50,000 | 7,50,000 |
| (vi) | Bank A/c To Equity Share First and Final Call a/c (For first and final call money received except on 2,000 shares) | Dr. | 7,40,000 | 7,40,000 |
| | OR | | | |
| | Bank A/c Calls in Arrears A/c To Equity Share First and Final Call A/c (For first and final call money received except on 2,000 shares) | Dr. Dr. | 7,40,000 10,000 | 7,50,000 |
| (vii) | Equity Share Capital A/c Securities Premium/Securities Premium Reserve A/c To Share Forfeiture A/c To Equity Share Allotment A/c To Equity Share First and Final Call (For 2000 shares forfeited) | Dr. Dr. | 20,000 4,500 | 6,500 8,000 10,000 |
| | OR | | | |
| | Equity Share Capital A/c Securities Premium/Securities Premium Reserve A/c To Share Forfeiture A/c To Calls in Arrears A/c (For 2,000 shares forfeited) | Dr. Dr. | 20,000 4,500 | 6,500 18,000 |
| (viii) | Bank A/c Dr. To Equity Share Capital A/c To Securities Premium/Securities Premium Reserve A/c (For shares reissued for ₹12 per share fully paid up) | | 24,000 | 20,000 4,000 |
| (ix) | Share Forfeiture A/c To Capital Reserve A/c (For forfeiture balance transferred to capital reserve) | Dr. | 6,500 | 6,500 |

PART-B
(Financial Statements Analysis)

18. Which of the following transactions will not result into flow of cash:

- Issue of equity shares of ₹ 1,00,000.
- Purchase of machinery of ₹ 1,75,000.
- Redemption of 9% debentures ₹ 3,50,000.
- Cash deposited into bank ₹ 15,000.

Ans. (d) Cash deposited into bank ₹ 15,000.

1

19. While preparing the Cash Flow Statement of Alka Ltd. 'dividend paid' was shown as an operating activity by the accountant of the company. Was he correct in doing so? Give reason.

Ans. No, he was not correct.

Reason: As it is a financing activity because these are not the principal revenue producing activities.

1

20. Under which major heads the following items will be placed in the Balance Sheet of a company as per Schedule VI, Part I of the Companies Act, 1956?

- Securities premium reserve
- Balances with banks
- Term loans from bank
- Goods-in-transit

- (v) Loans repayable on demand
 (vi) Computer software
 (vii) Unpaid dividends and
 (viii) Vehicles

4

| Ans. | S.No. | Items | Major Heads |
|------|-------|------------------------------------|-------------------------|
| | 1. | Securities premium reserve | Shareholders' funds |
| | 2. | Balances with banks | Current assets |
| | 3. | Term loans from bank | Non current liabilities |
| | 4. | Goods-in-transit | Current assets |
| | 5. | Loans provided repayable on demand | Current liabilities |
| | 6. | Computer software | Non current assets |
| | 7. | Unpaid dividends | Current liabilities |
| | 8. | Vehicles | Non current assets |

Delhi Set - 3

Code : 67/1/3

Except these, all other questions are from Outside Delhi Set - I & Set - II.

PART-A
(Accounting for Partnership Firms and Companies)

7. Securities premium can also be utilised for three other purposes besides (i) 'Issuing fully paid bonus shares' and (ii) 'Buy back of shares'. State those purposes.

Ans. The amount received as securities premium can be used other than 'issue of bonus shares' and 'buy back of shares' for the following purposes :

- In writing off the preliminary expenses of the company.
- For writing off the expenses, commission or discount allowed on issue of shares or debentures of the company.
- For providing the premium payable on redemption of redeemable preference shares or debentures of the company.

3

9. Sun Pharma Ltd. is registered with an authorised capital of ₹ 1,00,00,000 divided into 1,00,000 equity shares of ₹ 100 each. The company issued 50,000 shares at a premium of ₹ 40 per shares. A shareholder holding 500 shares did not pay the final call of ₹ 20 per share. His shares were forfeited.

Present the 'Share Capital' in the Balance Sheet of the Company as per Schedule VI Part I of the Companies Act, 1956. Also prepare notes to accounts.

Ans.

Balance Sheet of Sun Pharma Ltd.
 As at(As per revised schedule VI)

| Particulars | Note No. | Amount (₹) Current year | Amount (₹) Previous year |
|-------------------------------|----------|----------------------------|-----------------------------|
| Equity and Liabilities | | | |
| I Shareholder's funds : | | | |
| (a) Share Capital | 1 | 49,90,500 | |

Notes to Accounts:

| Particulars | ₹ |
|--------------------------------------|---------------|
| (1) Share Capital | |
| Authorised Capital: | |
| 1,00,000 equity shares of ₹ 100 each | 1,00,00,000 |
| Issued Capital | |
| 50,000 equity shares of ₹ 100 each | 50,00,000 |
| Subscribed and fully paid | |
| 49,500 shares of ₹ 100 each | 49,50,000 |
| Add: Share forfeiture Account | <u>40,000</u> |
| | 49,90,000 |

3

11. Sunny, Honey and Rupesh were partners in a firm. On 31-3-2014 their Balance Sheet was as follows :

| Liabilities | | Amount (₹) | Assets | Amount (₹) |
|-----------------|---------------|-----------------|---------------------|-----------------|
| Creditors | | 10,000 | Plant and Machinery | 40,000 |
| General Reserve | | 30,000 | Furniture | 15,000 |
| Capitals: | | | Investments | 23,000 |
| Sunny | 30,000 | | Debtors | 20,000 |
| Honey | 30,000 | | Stock | 25,000 |
| Rupesh | <u>20,000</u> | 80,000 | | |
| | | <u>1,20,000</u> | | <u>1,20,000</u> |

Honey died on 31-12-2014. The partnership deed provides that the representatives of the deceased partner shall be entitled to:

- Balance in the capital account of the deceased partner.
- Interest on capital @ 6% p.a. up to the date of his death.
- His share in the undistributed profits or losses as per the balance sheet.
- His share in the profits of the firm till the date of his death, calculated on the basis of rate of net profit on sales of the previous year. The rate of net profit on sale of previous year was 20%. Sales of the firm during the year till 31-12-2014 was ₹ 6,00,000.

Prepare Honey's Capital Account to be presented to his executors.

4

Ans. Dr.

Honey's Capital A/c

Cr.

| Particulars | Amount (₹) | Assets | Amount (₹) |
|-------------------------|---------------|------------------------|---------------|
| To Honey's Executor A/c | 81,350 | By Balance b/d | 30,000 |
| | | By P/L Suspense A/c | 40,000 |
| | | By Interest on Capital | 1,350 |
| | | By General Reserve A/c | 10,000 |
| | <u>81,350</u> | | <u>81,350</u> |

Working notes:

(i) Calculation of Interest on Capital: $30,000 \times \frac{6}{100} \times \frac{9}{12} = ₹ 1,350$

(ii) Calculation of Honey's Share of Profit :

$$= 6,00,000 \times \frac{20}{100} \times \frac{1}{3} = ₹ 40,000$$

(iii) Share in General Reserve = $30,000 \times \frac{1}{3} = ₹ 10,000$

16. 'Wellness Ltd.' invited applications for issuing 40,000 equity shares of ₹ 10 each at a discount of 10%. The amount was payable as follows:

On application and allotment – ₹ 4 per share.

On first call – ₹ 3 per share.

On second and final call – The balance.

Applications for 39,000 shares were received and allotment was made to all the applicants.

The payment was received as per the following details:

On 30,000 shares – Full amount.

On 6,000 shares – ₹ 7 per share.

On 3,000 shares – ₹ 4 per share.

The Directors forfeited those shares on which less than ₹ 7 per share were received.

The forfeited shares were re-issued at ₹ 8 per share as fully paid up.

Pass necessary Journal Entries in the books of the company for the above transactions.

8

OR

'Subham Ltd.' invited applications for issuing 12,000 equity shares of ₹ 10 each at a premium of ₹ 3 per share. The amount was payable as follows:

On application and allotment – ₹ 6 per share. (Including Premium)

On first call – ₹ 4 per share.

On second and final call – The balance.

Applications for 18,000 shares were received and pro-rata allotment was made to all the applicants.

Excess money received with applications was adjusted towards sums due on first call.

All calls were made and were duly received except the first call and second and final call on 120 shares allotted to Vibhu. His shares were forfeited. The forfeited shares were reissued at the maximum permissible discount as per the provisions of the Companies Act, 1956.

Pass necessary Journal Entries for the above transactions in the books of the company.

8

Ans.

Books of Wellness Ltd.

Journal Entries

| Date | Particulars | L.F. | Amount Dr. (₹) | Amount Cr. (₹) |
|-----------|---|------------|--------------------|-------------------|
| (i) | Bank A/c To Equity Share Application and Allotment A/c (For application money received on 39,000 shares) | Dr. | 1,56,000 | 1,56,000 |
| (ii) | Equity Share Application and Allotment A/c Discount on Issue of Shares A/c To Equity Share Capital A/c (For equity share allotment made) | Dr. Dr. | 1,56,000 39,000 | 1,95,000 |
| (iii) | Equity Share First Call A/c To Equity Share Capital A/c (For first call money due) | Dr. | 1,17,000 | 1,17,000 |
| (iv) | Bank A/c To Equity Share First Call a/c (For first call money received except on 3000 shares) | Dr. | 1,08,000 | 1,08,000 |
| OR | | | | |
| | Bank A/c Calls in Arrears A/c To Equity Share First Call A/c (For first call money received except on 3,000 shares and the advance adjusted) | Dr. Dr. | 1,08,000 9,000 | 1,17,000 |
| (v) | Equity Share Second and Final Call A/c To Equity Share Capital A/c (Being second and final call money due on 39,000 shares) | Dr. | 78,000 | 78,000 |
| (vi) | Bank A/c To Equity Share Second and Final Call a/c (For second and final call money received except on 9000 shares) | Dr. | 60,000 | 60,000 |
| OR | | | | |
| | Bank A/c Calls in Arrears A/c To Equity Share Second and Final Call A/c (For second and final call money received except on 9,000 shares) | Dr. Dr. | 60,000 18,000 | 78,000 |

| | | | | |
|--------|---|------------------------------|--------|--------|
| (vii) | Equity Share Capital A/c | Dr. | 30,000 | |
| | To Share Forfeiture A/c | | | 12,000 |
| | To Equity Share First Call A/c | | | 9,000 |
| | To Equity Share Second and Final Call A/c | | | 6,000 |
| | To discount on Issue of Shares A/c | | | 3,000 |
| | (For 3000 shares forfeited) | | | |
| | OR | | | |
| (vii) | Equity Share Capital A/c | Dr. | 30,000 | |
| | To Share Forfeiture A/c | | | 12,000 |
| | To Calls in Arrears A/c | | | 15,000 |
| | To Discount on Issue of Shares A/c | | | 3,000 |
| | | (For 3,000 shares forfeited) | | |
| (viii) | Bank A/c | Dr. | 24,000 | |
| | Discount on Issue of Shares A/c | Dr. | 3,000 | |
| | Share Forfeiture A/c | Dr. | 3,000 | |
| | To Equity Share Capital A/c | | | 30,000 |
| | (For shares reissued for ₹ 8 per share fully paid up) | | | |
| (ix) | Share Forfeiture A/c | Dr. | 9,000 | |
| | To Capital Reserve A/c | | | 9,000 |
| | (For forfeiture balance transferred to capital reserve) | | | |

OR
Books of Shubham Ltd.
Journal Entries

| Date | Particulars | L.F. | Amount Dr. (₹) | Amount Cr. (₹) |
|-------|--|------|-------------------|-------------------|
| (i) | Bank A/c | Dr. | 1,08,000 | |
| | To Equity Share Application and Allotment A/c | | | 1,08,000 |
| | (For application money received on 18,000 shares) | | | |
| (ii) | Equity Share Application and Allotment A/c | Dr. | 1,08,000 | |
| | To Equity Share Capital A/c | | | 36,000 |
| | To Calls in Advance A/c | | | 36,000 |
| | To Securities Premium/Securities Premium Reserve A/c | | | 36,000 |
| | (For equity share allotment made) | | | |
| (iii) | Equity Share First Call A/c | Dr. | 48,000 | |
| | To Equity Share Capital A/c | | | 48,000 |
| | (For first call money due on 12,000 shares) | | | |
| (iv) | Bank A/c | Dr. | 11,880 | |
| | Calls in Advance A/c | Dr. | 36,000 | |
| | To Equity Share First Call a/c | | | 47,880 |
| | (For first call money received except on 120 shares) | | | |
| | OR | | | |
| (iv) | Bank A/c | Dr. | 11,880 | |
| | Calls in Arrears A/c | Dr. | 120 | |
| | Calls in Advance A/c | Dr. | 36,000 | |
| | To Equity Share First Call A/c | | | 48,000 |
| | (For first call money received except on 120 shares) | | | |
| (v) | Equity Share Second and Final call A/c | Dr. | 36,000 | |
| | To Equity Share Capital A/c | | | 36,000 |
| | (For second and final call money due on 12,000 shares) | | | |

| | | | | |
|--------|--|------------|---------------|-------------------|
| (vi) | Bank A/c To Equity Share Second and Final Call A/c (For second and final call money received except on 120 shares) | Dr. | 35,640 | 35,640 |
| | OR | | | |
| | Bank A/c Calls in Arrears A/c To Equity Share Second and Final Call A/c (For second and final call money received except on 120 shares) | Dr. Dr. | 35,640 360 | 36,000 |
| (vii) | Equity Share Capital A/c To Share Forfeiture A/c To Equity Share First Call A/c To Equity Share Second and Final Call A/c (For 120 shares forfeited) | Dr. | 1,200 | 720 120 360 |
| | OR | | | |
| | Equity Share Capital A/c To Share Forfeiture A/c To Calls in Arrears A/c (For 120 shares forfeited) | Dr. | 1,200 | 720 480 |
| (viii) | Bank A/c Share Forfeiture A/c To Share Capital A/c (For shares reissued for ₹ 4 per share fully paid up) | Dr. Dr. | 480 720 | 1,200 |

PART-B
(Financial Statements Analysis)

18. Which of the following is not included in cash and cash equivalents ?

- Balances with banks
- Bank deposits with 100 days of maturity
- Cheques and drafts on hand and
- Cash on hand

Ans. (b) Bank deposits with 100 days of maturity. 1

19. While preparing Cash Flow Statement of Sharda Ltd. 'Depreciation provided on fixed assets' was added to net profit to calculate cash flow from operating activities. Was the accountant correct in doing so ? Give reason.

Ans. Yes, he was correct.

Reason: As it is a non cash item. 1

20. Under which heads the following items will be placed in the Balance Sheet of a company as per Schedule VI Part I of the Companies Act, 1956 ?

- Cash in hand
- Mining rights
- Short term deposits
- Debenture redemption reserve
- Income received in advance
- Balance of the statement of profit and loss
- Office equipments and
- Work-in-progress.

4

| Ans. | S.No. | Items | Major Heads |
|------|-------|---------------------|--------------------|
| | 1. | Cash in hand | Current assets |
| | 2. | Mining rights | Non current assets |
| | 3. | Short term deposits | Current assets |

| | | |
|----|---|---------------------|
| 4. | Debenture redemption reserve | Shareholders' funds |
| 5. | Income received in advance | Current liabilities |
| 6. | Balance of the statement of profit and loss | Shareholders' funds |
| 7. | Office equipments | Non current assets |
| 8. | Work in progress | Current assets |

Outside Delhi Set - 1

Code : 67/1

PART-A
(Accounting for Partnership Firms and Companies)

1. In the absence of Partnership Deed, interest on loan of a partner is allowed:

- (i) at 8% per annum.
(ii) at 6% per annum.
(iii) no interest is allowed.
(iv) at 12% per annum.

1

Ans. (ii) @ 6 % per annum.

2. Geeta, Sunita and Anita were partners in a firm sharing profits in the ratio of 5 : 3 : 2. On 1.1.2015 they admitted Yogita as a new partner for 1/10th share in the profits. On Yogita's admission, the Profit and Loss Account of the firm was showing a debit balance of ₹ 20,000 which was credited by the accountant of the firm to the capital accounts of Geeta, Sunita and Anita in their profit sharing ratio. Did the accountant give correct treatment ? Give reason in support of your answer.

1

Ans. No, the accountant didn't give correct treatment as capital account of the partners is to be debited.

3. On the death of a partner, his share in the profits of the firm till the date of his death is transferred to the:

- (i) Debit of Profit and Loss Account.
(ii) Credit of Profit and Loss Account.
(iii) Debit of Profit and Loss Suspense Account.
(iv) Credit of Profit and Loss Suspense Account.

1

Ans. (iii) Debit of Profit and Loss Suspense Account.

4. Anant, Gulab and Khushbu were partners in a firm sharing profits in the ratio of 5 : 3 : 2. From 1.4.2014, they decided to share the profits equally. For this purpose the goodwill of the firm was valued at ₹ 2,40,000. Pass necessary journal entry for the treatment of goodwill on change in the profit sharing ratio of Anant, Gulab and Khushbu.

Ans.

Journal Entries

| Date | Particulars | L.F. | Amount Dr. (₹) | Amount Cr. (₹) |
|---------|--|------|-------------------|-------------------|
| 2014 | Gulab's Capital A/c | Dr. | 8,000 | |
| April 1 | Khushbu's Capital A/c | Dr. | 32,000 | |
| | To Anant's Capital A/c | | | 40,000 |
| | (Being treatment of goodwill in change in profit sharing ratio recorded i.e., 1:4) | | | |

5. Give the meaning of forfeiture of shares.

1

Ans. Forfeiture of shares means cancellation of shares allotted and treating actually received amount as forfeited. [or any other suitable meaning]

6. Nirman Ltd. issued 50,000 equity shares of ₹ 10 each. The amount was payable as follows:

- On application — ₹ 3 per share
On allotment — ₹ 2 per share
On first and final call — The balance

Applications for 45,000 shares were received and shares were allotted to all the applicants. Pooja, to whom 500 shares were allotted, paid her entire share money at the time of allotment, whereas Kundan did not pay the first and final call on his 300 shares. The amount received at the time of making first and final call was:

- (i) ₹ 2,25,000
- (ii) ₹ 2,20,000
- (iii) ₹ 2,21,000
- (iv) ₹ 2,19,500

1

Ans. (iii) ₹ 2,21,000

Explanation: Amount actually received on first and final call = amount due on first and final call – calls in arrears – amount already received of first and final call along with

$$= 2,25,000 - 1,500 - 2,500$$

$$= 2,25,000 - 4,000$$

$$= ₹ 2,21,000$$

7. Guru Ltd. invited applications for issuing 5,00,000 equity shares of ₹ 10 each at a premium of < 5 per share. Because of favourable market conditions the issue was over-subscribed and applications for 15,00,000 shares were received.

Suggest the alternatives available to the Board of Directors for the allotment of shares.

3

Ans. Alternatives available to the Board of directors are:

- Excess applications may be rejected and shares may be allotted to the remaining applicants as full.
- Shares may be allotted to all the applicants on pro rata basis.
- Some of the applications may be rejected and shares may be allotted to the remaining applicants on pro rata basis.

8. On 1.4.2013, Brij and Nandan entered into partnership to construct toilets in government girls schools in the remote areas of Uttarakhand. They contributed capitals of ₹ 10,00,000 and ₹ 15,00,000 respectively. Their profit sharing ratio was 2 : 3 and interest allowed on capital as provided in the Partnership deed was 12% per annum. During the year ended 31.3.2014, the firm earned a profit of ₹ 2,00,000.

Prepare Profit and Loss Appropriation Account of Brij and Nandan for the year ended 31.3.2014.

3

Ans.

In the books of Brij and Nandan
Profit and Loss Appropriation A/c
For the year ended 31st March 2014

| Dr. | | Cr. | |
|------------------------|-----------------|------------------------|-----------------|
| Particulars | Amount (₹) | Particulars | Amount (₹) |
| To Interest on Capital | | By Profit and Loss A/c | 2,00,000 |
| Brij's Capital A/c | 80,000 | | |
| Nandan's Capital A/c | <u>1,20,000</u> | | |
| | 2,00,000 | | |
| | <u>2,00,000</u> | | <u>2,00,000</u> |

Interest on capital of Brij = ₹ 1,20,000

Inter on capital of Nandan = ₹ 1,80,000

$$\text{Proportionate profit} = \frac{1,20,000}{3,00,000} \times 2,00,000 = ₹ 80,000$$

$$= \frac{1,80,000}{3,00,000} \times 2,00,000 = ₹ 1,20,000$$

9. 'Suvidha Ltd.' is registered with an authorised capital of ₹ 10,00,00,000 divided into 10,00,000 equity shares of ₹ 100 each. The company issued 1,00,000 shares for public subscription. A shareholder holding 100 shares, failed to pay the final call of ₹ 20 per share. His shares were forfeited. The forfeited shares were re-issued at ₹ 90 per share as fully paid up.

Present the 'Share Capital' in the Balance Sheet of the company as per Schedule VI Part I of the Companies Act, 1956. Also prepare 'Notes to Accounts'.

Ans.

Balance Sheet of Suvidha Ltd.
As at(As per revised schedule VI)

| | Particulars | Note No. | (Amount) ₹ (Current Years) | (Amount) ₹ (Per Year) |
|----|-------------------------------|----------|----------------------------|-----------------------|
| 1. | Equity and Liabilities | | | |
| | (1) Share Holders' Funds: | | | |
| | (i) Share Capital | 1 | <u>1,00,00,000</u> | |

Notes to Account:

| | | | |
|-----|---|---|---|
| (1) | Share Capital Authorized Capital: 10,00,000 equity shares @ ₹ 100 each Issued Capital 1,00,000 equity shares @ ₹ 100 each Subscribed but not fully paid up 1,00,000 shares of ₹ 100 called up | <u>10,00,00,000</u> <u>1,00,00,000</u> <u>1,00,00,000</u> | 3 |
|-----|---|---|---|

10. 'Good Blankets Ltd.' is the manufacturers of woollen blankets. Blankets of the company are exported to many countries. The company decided to distribute blankets free of cost to five villages of Kashmir Valley destroyed by the recent floods. It also decided to employ 100 young persons from these villages in their newly established factory at Solan in Himachal Pradesh. To meet the requirements of funds for starting its new factory, the company issued 50,000 equity shares of ₹ 10 each and 2,000 8% debentures of ₹ 100 each to the vendors of machinery purchased for ₹ 7,00,000.

Pass necessary journal entries for the above transactions in the books of the company.

3

- * Also identify any one value which the company wants to communicate to the society.

Ans.

In the Books of Rajan Ltd.

Journal Entries

| S.No. | Particulars | L.F. | Amount Dr. (₹) | Amount Cr. (₹) |
|-------|--|------|-------------------|----------------------|
| (i) | Machinery A/c Dr. To Vendors A/c (Being purchase of machinery from vendors) | | 7,00,000 | 7,00,000 |
| (ii) | Vendors A/c Dr. To Equity Share Capital A/c To 8% Debentures A/c (Being issue of equity shares and debentures at par to vendors) | | 7,00,000 | 5,00,000 2,00,000 |
| | OR | | | |
| | Vendors A/c Dr. To Equity Share Capital A/c (Being issue of equity shares) | | 5,00,000 | 5,00,000 |
| | Vendors A/c Dr. To 9% Debentures A/c (Being issue debentures at par) | | 2,00,000 | 2,00,000 |

11. Arun, Varun and Karan were partners in a firm sharing profits in the ratio of 4 : 3 : 3. On 31.3.2014, their Balance Sheet was as follows:

| Liabilities | Amount (₹) | Assets | Amount (₹) |
|---------------|------------|-----------------|------------|
| Creditors | 17,000 | Cash | 8,000 |
| Bills Payable | 12,000 | Debtors | 13,000 |
| Karan's Loan | 28,000 | Less: Provision | 9,000 |
| Capitals: | | Stock | 27,000 |
| Amit | 70,000 | Investment | 1,25,000 |
| Chander | 68,000 | Machinery | 13,000 |
| | 1,38,000 | | |
| | 1,95,000 | | 1,95,000 |

On 30.9.2014, Karan died. The Partnership Deed provided for the following to the executors of the deceased partner:

- (a) His share in the goodwill of the firm calculated on the basis of three years' purchase of the average profits of the last four years. The profits of the last four years were ₹ 1,90,000; ₹ 1,70,000; ₹ 1,80,000 and ₹ 1,60,000, respectively.

* Out of Syllabus

- (b) His share in the profits of the firm till the date of his death calculated on the basis of the average profits of the last four years.
 (c) Interest @ 8% p.a. on the credit balance, if any, in his Capital Account.
 (d) Interest on his loan @ 12% p.a.
 Prepare Karan's Capital Account to be presented to his executors, assuming that his loan and interest on loan were transferred to his Capital Account.

Ans. Dr. Karan's Capital A/c Cr. 4

| Particulars | Amount (₹) | Particulars | Amount (₹) |
|-------------------------|-----------------|------------------------|-----------------|
| To Balance b/d | 13,000 | By Arun's Capital A/c | 90,000 |
| To Karan's Executor A/c | 2,00,430 | By Varun's Capital A/c | 67,500 |
| | | By P/L Suspense A/c | 26,250 |
| | | By Karan's Loan A/c | 28,000 |
| | | By Interest on Loan | 1,680 |
| | 2,13,430 | | 2,13,430 |

Calculation:

(i) Calculation of Interest on Loan:

$$28,000 \times \frac{12}{100} \times \frac{6}{12} = ₹ 1,680$$

(ii) Calculation of Share of Profit = $1,75,000 \times \frac{3}{10} \times \frac{6}{12}$
 = ₹ 26,250

(iii) Share in Goodwill = $3 \times \frac{7,00,000}{4} \times \frac{3}{10}$
 = ₹ 1,57,500

Arun's Share = ₹ 90,000

Varun's Share = ₹ 67,500

12. Prem, Param and Priya were partners in a firm. Their fixed capitals were Prem ₹ 2,00,000; Param ₹ 3,00,000 and Priya ₹ 5,00,000. They were sharing profits in the ratio of their capitals. The firm was engaged in the sale of ready-to-eat food packets at three different locations in the city, each being managed by Prem, Param and Priya. The outlet managed by Prem was doing more business than the outlets managed by Param and Priya. Prem requested Param and Priya for a higher share in the profits of the firm which Param and Priya accepted. It was decided that the new profit sharing ratio will be 2 : 1 : 2 and its effect will be introduced retrospectively for the last four years. The profits of the last four years were ₹ 2,00,000; ₹ 3,50,000; ₹ 4,75,000 and ₹ 5,25,000, respectively. Showing your calculations clearly, pass a necessary adjustment entry to give effect to the new agreement between Prem, Param and Priya.

Ans. Journal Entries 4

| Date | Particulars | L.F. | Dr. (₹) | Cr. (₹) |
|------|---|------|----------|----------|
| | Param's Current a/c | Dr. | 1,55,000 | |
| | Priya's Current A/c | Dr. | 1,55,000 | |
| | To Prem's Current A/c | | | 3,10,000 |
| | (Change in profit sharing ratio incorporated retrospectively) | | | |

Working notes:

Table showing adjustments

| Particulars | Prem (₹) | Param (₹) | Priya (₹) | Total (₹) |
|-----------------------------------|----------------|----------------|----------------|-----------|
| Profits already distributed (Dr.) | 3,10,000 | 4,65,000 | 7,75,000 | 15,50,000 |
| Profits to be distributed (Cr.) | 6,20,000 | 3,10,000 | 6,20,000 | 15,50,000 |
| Net Effect | 3,10,000 (Cr.) | 1,55,000 (Dr.) | 1,55,000 (Cr.) | |

Note: Working Notes in any four to be given full credit.

13. On 1.1.2008, Uday and Kaushal entered into partnership with fixed capitals of ₹ 7,00,000 and ₹ 3,00,000, respectively. They were doing good business and were interested in its expansion but could not do the same because of lack of capital. Therefore, to have more capital, they admitted Govind as a new partner on 1.1.2010. Govind brought ₹ 10,00,000 as capital and the new profit sharing ratio decided was 3 : 2 : 5. On 1.1.2012, another new partner Hari was admitted with a capital of ₹ 8,00,000 for $\frac{1}{10}$ th share in the profits, which he acquired equally from Uday, Kaushal and Govind. On 1.4.2014 Govind died and his share was taken over by Uday and Hari equally.

Calculate:

- (i) The sacrificing ratio of Uday and Kaushal on Govind's admission.
- (ii) New profit sharing ratio of Uday, Kaushal, Govind and Hari on Hari's admission.
- (iii) New profit sharing ratio of Uday, Kaushal and Hari on Govind's death.

6

Ans. 1. Calculation of Sacrificing ratio:

$$\text{Sacrificing ratio of Uday} = \frac{5}{10} - \frac{3}{10} = \frac{2}{10}$$

$$\text{Sacrificing ratio of Kaushal} = \frac{5}{10} - \frac{2}{10} = \frac{3}{10}$$

$$\text{Sacrificing Ratio} = 2:3$$

New profit sharing ratio of Uday Kaushal Govind and Hari:

$$\text{Uday's new share} = \frac{3}{10} - \frac{1}{30} = \frac{9}{30} - \frac{1}{30} = \frac{8}{30}$$

$$\text{Kaushal's new share} = \frac{2}{10} - \frac{1}{30} = \frac{6}{30} - \frac{1}{30} = \frac{5}{30}$$

$$\text{Govind's new share} = \frac{5}{10} - \frac{1}{30} = \frac{15}{30} - \frac{1}{30} = \frac{14}{30}$$

$$\text{Hari's new share} = \frac{1}{30} + \frac{1}{30} + \frac{1}{30} = \frac{3}{30}$$

$$\text{New ratio} = 8:5:14:3$$

$$\text{New profit sharing ratio on Govind's death} = \text{Uday} \frac{8}{30} + \frac{7}{30} = \frac{15}{30}$$

$$\text{Kaushal new share} = \frac{5}{30}$$

$$\text{Hari new profit sharing ratio} = \frac{3}{30} + \frac{7}{30} = \frac{10}{30}$$

$$\text{New ratio} = 15 : 5 : 10 \text{ or } 3 : 1 : 2$$

New profit sharing ratio of Uday, Kaushal, Govind and Hari on Hari's admission is 8 : 5 : 14 : 3

New profit sharing ratio of Uday, Kaushal and Hari on Govind's death is 3 : 1 : 2.

- * 14. 'Ananya Ltd.' had an authorised capital of ₹ 10,00,00,000 divided into 10,00,000 equity shares of ₹ 100 each. The company had already issued 2,00,000 shares. The dividend paid per share for the year ended 31.3.2007 was ₹ 30. The management decided to export its products to African countries. To meet the requirements of additional funds, the finance manager put up the following three alternate proposals before the Board of Directors:

- (i) Issue 47,500 equity shares at a premium of ₹ 100 per share.
- (ii) Obtain a long-term loan from bank which was available at 12% per annum.
- (iii) Issue 9% debentures at a discount of 5%.

After evaluating these alternatives the company decided to issue 1,00,000, 9% debentures on 1.4.2008. The face value of each debenture was ₹ 100. These debentures were redeemable in four instalments starting from the end of third year, which was as follows:

| Year | Amount ₹ |
|------|-------------|
| III | 10,00,000 |
| IV | 20,00,000 |
| V | 30,00,000 |
| VI | 40,00,000 |

Prepare 9% debenture account from 1.4.2008 till all the debentures were redeemed.

15. Mala, Neela and Kala were partners sharing profits in the ratio of 3 : 2 : 1. On 1.3.2015 their firm was dissolved. The assets were realised and liabilities were paid off. The accountant prepared Realisation Account, Partners' Capital Accounts and Cash Account, but forgot to post few amounts in these accounts.

You are required to complete these below given accounts by posting correct amounts.

Dr. Cr. Realisation Account

| Particulars | Amount (₹) | Particulars | Amount (₹) |
|---------------------------------|---------------|--|---------------|
| To Sundry Assets: | | By Provision for Bad Debts | 1,000 |
| Machinery | 10,000 | By Sundry Creditors | 15,000 |
| Stock | 21,000 | By Sheela's Loan | 13,000 |
| Debtors | 20,000 | By Repairs and Renewals Reserve | 1,200 |
| Prepaid Insurance | 4,00 | By Bank – Assets sold: | |
| Investment | <u>3,000</u> | Machinery | 8,000 |
| To Mala's Capital A/c | | Stock | 14,500 |
| – Sheela's Loan | 13,000 | Debtors | <u>16,000</u> |
| To Cash – Creditors paid | 15,000 | | 38,000 |
| To Cash – Dishonoured bill paid | 5,000 | By Mala's Capital – Investments | 2,000 |
| To Cash – Expenses | 800 | By Loss transferred to partner's capital A/c | |
| | | Mala | 9,000 |
| | | Neela | 6,000 |
| | | Kala | <u>3,000</u> |
| | | | 18,000 |
| | 88,200 | | 88,200 |

Dr. Cr. Capital Accounts

| Particulars | Mala (₹) | Neela (₹) | Kala (₹) | Particulars | Mala (₹) | Neela (₹) | Kala (₹) |
|-------------|-------------|--------------|-------------|-------------|-------------|--------------|-------------|
| | | | | | | | |
| | | | | | | | |
| To Cash | 12,000 | 9,000 | | By Cash | | | 1,000 |
| | 23,000 | 15,000 | 3,000 | | 23,000 | 15,000 | 3,000 |

Dr. Cr. Cash Account

| Particulars | Amount (₹) | Particulars | Amount (₹) |
|-----------------------|----------------|------------------------|----------------|
| To Balance b/d | 2,800 | By Realisation A/c | |
| To Realisation A/c | | — Creditors paid | 15,000 |
| — Sale of assets | 38,000 | By Dishonoured bill | 5,000 |
| To Kala's Capital A/c | 1,000 | By Realisation A/c | 800 |
| | | Expenses | |
| | | By Mala's Capital A/c | 12,000 |
| | | By Neela's Capital A/c | 9,000 |
| | 41,8000 | | 41,8000 |

| Ans. Dr. | | Realization Account | | Cr. | |
|--------------------------------|---------------|---------------------------------|---------------|-----|---------------|
| Particulars | Amount (₹) | Particulars | Amount (₹) | | |
| To Sundry Assets: | | By Provision for Bad Debts | 1,000 | | |
| Machinery | 10,000 | By Sundry Creditors | 15,600 | | |
| Stock | 21,000 | By Sheela's Loan | 13,000 | | |
| Debtors | 10,000 | By Repairs and Renewals Reserve | 1,200 | | |
| Prepaid Insurance | 21,000 | By Bank – Assets sold: | | | |
| Investment | <u>3,000</u> | Machinery | 8,000 | | |
| To Mala's Capital A/c | | Stock | 14,500 | | |
| – Sheela's Loan | 13,000 | Debtors | <u>16,000</u> | | 38,000 |
| To Cash – Creditors paid | 15,000 | By Mala's Capital – Investments | | | 2,000 |
| To Cash – Dishonored bill paid | 5,000 | By Loss Transferred to | | | — |
| To Cash – Expenses | 800 | Partners' Capital A/c: | | | |
| | | Mala | 8,000 | | |
| | | Neela | 14,000 | | |
| | | Kala | <u>16,000</u> | | 18,000 |
| | 88,200 | | | | 88,200 |

| Dr. | | | | Capital Accounts | | | | Cr. | | | |
|--------------------|---------------|---------------|--------------|--------------------|---------------|---------------|--------------|-----|--|--|--|
| Particulars | Mala (₹) | Neela (₹) | Kala (₹) | Particulars | Mala (₹) | Neela (₹) | Kala (₹) | | | | |
| To Realisation A/c | 9,000 | 6,000 | 3,000 | By Balance b/d | 10,000 | 15,000 | 2,000 | | | | |
| To Realisation A/c | 2,000 | — | — | By Realisation A/c | 13,000 | — | — | | | | |
| To Cash | 12,000 | 9,000 | | By Cash | — | — | 1,000 | | | | |
| | 23,000 | 15,000 | 3,000 | | 23,000 | 15,000 | 3,000 | | | | |

| Dr. | | Cash Account | | Cr. | |
|-----------------------|----------------|-------------------------------|------------|-----|----------------|
| Particulars | Amount (₹) | Particulars | Amount (₹) | | |
| To Balance b/d | 2,800 | By Realisation A/c | | | |
| To Realisation A/c | | – Creditors paid | 15,000 | | |
| – Sale of Assets | 38,000 | By Dishonoured bill | | | 5,000 |
| To Kala's Capital A/c | 1,000 | By Realisation A/c (Expenses) | | | 800 |
| | | By Mala's Capital A/c | | | 12,000 |
| | | By Neela's Capital A/c | | | 9,000 |
| | 41,8000 | | | | 41,8000 |

16. 'BMY Ltd.' invited applications for issuing 1,00,000 equity shares of ₹ 10 each at a premium of ₹ 10 per share. The amount was payable as follows:

On application – ₹ 10 per share (including ₹ 5 premium)

On allotment – The balance

The issue was fully subscribed. A shareholder holding 300 shares paid the full share money with application. Another shareholder holding 200 shares failed to pay the allotment money. His shares were forfeited. Later on these shares were re-issued for ₹ 4,000 as fully paid up.

Pass necessary journal entries for the above transactions in the books of BMY Ltd.

OR

'Blue Star Ltd.' was registered with an authorised capital of ₹ 2,00,000 divided into 20,000 shares of ₹ 10 each. 6,000 of these shares were issued to the vendor for building purchased. 8,000 shares were issued to the public and ₹ 5 per share were called up as follows:

On application – ₹ 2 per share

On allotment – ₹ 1 per share

On first call – Balance of the called up amount

The amounts received on these shares were as follows:

On 6,000 shares – Full amount called

On 1,250 shares – ₹ 3 per share

On 750 shares – ₹ 2 per share

The directors forfeited 750 shares on which ₹ 2 per share were received. Pass necessary journal entries for the above transactions in the books of Blue Star Ltd. 8

Ans.

Books of BMY Ltd.

Journal Entries

| Date | Particulars | L.F. | Amount Dr. (₹) | Amount Cr. (₹) |
|-----------|--|----------------|-------------------|-------------------------------|
| (i) | Bank A/c To Equity Share Application A/c (Being application money received with premium from 10,000 applicants) | Dr. | 10,03,000 | 10,03,000 |
| (ii) | Equity Share Application A/c To Equity Share Capital A/c To Equity share Allotment A/c To Securities Premium A/c (Being application money transferred to share capital) | Dr. | 10,03,000 | 5,00,000 3,000 5,00,000 |
| (iii) | Equity Share Allotment A/c To Equity Share Capital A/c To Securities Premium A/c (Being allotment money due with premium) | Dr. | 10,00,000 | 5,00,000 5,00,000 |
| (iv) | Bank A/c To Equity Share Allotment A/c (Being allotment money received) | Dr. | 9,95,000 | 9,95,000 |
| OR | | | | |
| | Bank A/c Calls in Arrears A/c To Equity Share Allotment A/c (Being allotment money received except on 200 shares and the advance adjusted) | Dr. Dr. | 9,95,000 2,000 | 9,97,000 |
| (v) | Equity Share capital A/c Securities Premium/ Securities Premium Reserve A/c To Share Forfeited A/c To Equity Share Allotment A/c/ Calls in Arrears A/c (Being 200 shares forfeited) | Dr. Dr. | 2,000 1,000 | 1,000 2,000 |
| (vi) | Bank A/c To Equity Share Capital A/c To Securities Premium/Securities Premium Reserve A/c (Being 200 shares reissued for ₹ 20 per share fully paid up) | Dr. | 4,000 | 2,000 2,000 |

| | | | | |
|-------|---|-----|-------|-------|
| (vii) | Share Forfeiture A/c To Capital Reserve A/c (Being forfeiture balance transferred to capital reserve) | Dr. | 1,000 | 1,000 |
|-------|---|-----|-------|-------|

OR

Books of Blue Star Ltd.

Journal Entries

| Date | Particulars | L.F. | Amount Dr. (₹) | Amount Cr. (₹) |
|--------|---|------------|-------------------|-----------------------|
| (i) | Bank A/c To Vendor A/c (Being building purchased from vendor) | Dr. | 60,000 | 60,000 |
| (ii) | Vendor A/c To Equity Share Capital A/c (Being shares issued to vendors) | Dr. | 60,000 | 60,000 |
| (iii) | Bank A/c To Equity Share Application A/c (Being application money received from 8,000 applicants) | Dr. | 60,000 | 16,000 |
| (iv) | Equity Share Application A/c To Equity Share Capital A/c (Being application money transferred to share capital) | Dr. | 16,000 | 16,000 |
| (v) | Equity Share Allotment A/c To Equity Share Capital a/c (Being allotment money due@ Re.1 per share) | Dr. | 8,000 | 8,000 |
| (vi) | Bank A/c To Equity Share Allotment A/c (Being allotment money received) | Dr. | 7,250 | 7,250 |
| | OR | | | |
| | Bank A/c Calls in Arrear A/c To Equity Share Allotment A/c (Being allotment money received with the exception of 750 shares) | Dr. Dr. | 7,250 750 | 8,000 |
| (vii) | Equity Share First Call A/c To Equity Share Capital a/c (Being First call money due) | Dr. | 16,000 | 16,000 |
| (viii) | Bank A/c To Equity Share First call A/c (Being First call money received) | Dr. | 12,000 | 12,000 |
| | OR | | | |
| | Bank A/c Calls in Arrear A/c To Equity Share First and Final Call A/c (being first and final call money received except on 2,000 shares) | Dr. Dr. | 12,000 4,000 | 16,000 |
| (ix) | Equity Share Capital A/c To share Forfeited A/c To Equity Share Allotment A/c To Share First Call A/c (Being 750 shares were forfeited) | Dr. | 3,750 | 1,500 750 1,500 |

| | | OR | | |
|--------------------------------|--|----|-----|-------|
| Bank A/c | | | Dr. | 3,750 |
| To Equity Share Forfeiture A/c | | | | 1,500 |
| To calls in arrears A/c | | | | 2,250 |
| (Being 750 shares forfeited) | | | | |

17. Om, Ram and Shanti were partners in a firm sharing profits in the ratio of 3 : 2 : 1. On 1st April 2014 their Balance Sheet was as follows:

| Liabilities | | Amount (₹) | Assets | | Amount (₹) |
|-----------------|-----------------|------------------|---------------------|--|------------------|
| Capitals: | | | Land and Building | | 3,64,000 |
| Om | 3,58,000 | | Plant and Machinery | | 2,95,000 |
| Ram | 3,00,000 | | Furniture | | 2,33,000 |
| Shanti | <u>2,62,000</u> | 9,20,000 | Bills Receivables | | 38,000 |
| General Reserve | | 48,000 | Sundry Debtors | | 90,000 |
| Creditors | | 1,60,000 | Stock | | 1,11,000 |
| Bills Payable | | 90,000 | Bank | | 87,000 |
| | | <u>12,18,000</u> | | | <u>12,18,000</u> |

On the above date Hanuman was admitted on the following terms:

- He will bring ₹ 1,00,000 for his capital and will get 1/10th share in the profits.
- He will bring necessary cash for his share of goodwill premium. The goodwill of the firm was valued at ₹ 3,00,000.
- A liability of ₹ 18,000 will be created against bills receivables discounted.
- The value of stock and furniture will be reduced by 20%.
- The value of land and building will be increased by 10%.
- Capital accounts of the partners will be adjusted on the basis of Hanuman's capital in their profit sharing ratio by opening current accounts.

Prepare Revaluation Account and Partners' Capital Accounts.

OR

Xavier, Yusuf and Zaman were partners in a firm sharing profits in the ratio of 4 : 3 : 2. On 1.4.2014 their Balance Sheet was as follows:

| Liabilities | | Amount (₹) | Assets | | Amount (₹) |
|-------------------|---------------|-----------------|-----------------------------------|--------------|-----------------|
| Sundry Creditors | | 41,000 | Cash at Bank | | 33,000 |
| Capital Accounts: | | | Sundry Debtors | | |
| Xavier | 1,20,000 | | Less : Provision for Bad Debts | 30,450 | <u>29,400</u> |
| Yusuf | 90,000 | | Stock | <u>1,050</u> | 48,000 |
| Zaman | <u>60,000</u> | 2,70,000 | Plant and Machinery | | 51,000 |
| | | | Land and Building | | 1,50,000 |
| | | <u>3,11,400</u> | | | <u>3,11,000</u> |

Yusuf had been suffering from ill health and thus gave notice of retirement from the firm. An agreement was, therefore, entered into as on 1.4.2014, the terms of which were as follows:

- That land and building be appreciated by 10%.
- The provision for bad debts is no longer necessary.
- That stock be appreciated by 20%.
- That goodwill of the firm be fixed at ₹ 54,000. Yusuf's share of the same be adjusted into Xavier's and Zaman's Capital Accounts, who are going to share future profits in the ratio of 2 : 1.
- The entire capital of the newly constituted firm be readjusted by bringing in or paying necessary cash so that the future capitals of Xavier and Zaman will be in their profit sharing ratio.

Prepare Revaluation Account and Partners' Capital Accounts.

| Ans. Dr. | | Revaluation A/c | | Cr. | |
|--------------------------------------|---------------|-------------------------|------------|-----|---------------|
| Particulars | Amount (₹) | Particulars | Amount (₹) | | |
| To Liabilities for B/R Discounted | 18,000 | By Land and Building | | | 36,400 |
| To Stock | 22,200 | By Loss Transferred to: | | | |
| To Furniture | 46,600 | Om | 25,200 | | |
| | | Ram | 16,800 | | |
| | | Shanti | 8,400 | | 50,400 |
| | <u>86,800</u> | | | | <u>86,800</u> |

| Dr. | | Partner's Capital Account | | | | | | Cr. | |
|--------------------|-----------------|---------------------------|-----------------|------------------------|-----------------|-----------------|-----------------|-----|--|
| Particulars | Om (₹) | Ram (₹) | Shanti (₹) | Particulars | Om (₹) | Ram (₹) | Shanti (₹) | | |
| To Revaluation A/c | 25,200 | 23,000 | 8,400 | By Balance b/d | 3,58,000 | 3,00,000 | 2,62,000 | | |
| To Current A/cs | | 9,200 | 1,16,600 | By General Reserve A/c | 24,000 | 16,000 | 8,000 | | |
| To Balance c/d | 4,50,000 | 3,00,000 | 1,50,000 | By Premium A/c | 15,000 | 10,000 | 5,000 | | |
| | | | | By Current A/c | 78,200 | | | | |
| | <u>4,75,200</u> | <u>3,36,000</u> | <u>2,75,000</u> | | <u>4,75,200</u> | <u>3,36,000</u> | <u>2,75,000</u> | | |

| Dr. | | Hanuman's Capital A/c | | Cr. | |
|----------------|-----------------|-----------------------|------------|-----|-----------------|
| Particulars | Amount (₹) | Particulars | Amount (₹) | | |
| To Balance c/d | 1,00,000 | By Bank A/c | | | 1,00,000 |
| | <u>1,00,000</u> | | | | <u>1,00,000</u> |

Working Notes:

$$\text{Hanuman's capital} = 1,00,000$$

$$\text{Hanuman's share} = \frac{1}{10}$$

$$\text{Capital of the firm} = 1,00,000 \times 10 = 10,00,000$$

$$\text{Less: Hanuman's capital} = \frac{1,00,000}{9,00,000}$$

$$\text{Om's capital} = 9,00,000 \times \frac{3}{6} = 4,50,000$$

$$\text{Ram's capital} = 9,00,000 \times \frac{2}{6} = 3,00,000$$

$$\text{Shanti's capital} = 9,00,000 \times \frac{1}{6} = 1,50,000$$

$$\text{Hanuman's capital} = 1,00,000$$

OR

| Dr. | | Revaluation A/c | | Cr. | |
|-------------------------|---------------|--------------------------------|------------|-----|---------------|
| Particulars | Amount (₹) | Particulars | Amount (₹) | | |
| To Loss Transferred to: | | By Land and Building A/c | | | 15,000 |
| Xavier | 11,400 | By Provision for Bad debts A/c | | | 1,050 |
| Yusuf | 8,550 | By Stock A/c | | | 9,600 |
| Zaman | <u>5,700</u> | | | | |
| | 25,650 | | | | |
| | <u>25,650</u> | | | | <u>25,650</u> |

| Dr. | | | | Partner's Capital Account | | | | Cr. | | | |
|------------------------|-----------------|-----------------|---------------|---------------------------|-----------------|-----------------|---------------|-----|--|--|--|
| Particulars | Xavier (₹) | Yusuf (₹) | Zaman (₹) | Particulars | Xavier (₹) | Yusuf (₹) | Zaman (₹) | | | | |
| To Yusuf's Capital A/c | 12,200 | — | 6,000 | By Balance b/d | 1,20,000 | 90,000 | 60,000 | | | | |
| To Yusuf's Loan A/c | — | 1,16,550 | — | By Revaluation A/c | 11,400 | 8,550 | 5,700 | | | | |
| To Balance c/d | 1,19,400 | — | 59,700 | By Xavier's Capital A/c | — | 12,000 | — | | | | |
| | | | | By Zaman's Capital A/c | — | 6,000 | — | | | | |
| | <u>1,31,400</u> | <u>1,16,550</u> | <u>65,700</u> | | <u>1,31,400</u> | <u>1,16,550</u> | <u>65,700</u> | | | | |
| To Balance c/d | 1,19,400 | — | 59,700 | By Balance c/d | 1,19,400 | — | 59,700 | | | | |

Working Notes:

1. Gaining ratio = New share – old share

$$\text{Xavier} = \frac{2}{3} - \frac{4}{9} = \frac{2}{9}$$

$$\text{Zaman} = \frac{1}{3} - \frac{2}{9} = \frac{1}{9}$$

Gaining ratio = 2 : 1

$$\text{Yusuf's share of Goodwill} = 54,000 \times \frac{3}{9} = 18,000$$

$$\text{Xavier's Capital a/c} = 18,000 \times \frac{2}{3} = 12,000$$

$$\text{Zaman's Capital A/c} = 18,000 \times \frac{1}{3} = 6,000$$

2.

Xavier's capital = 1,19,400

Zaman's capital = 59,700

Total capital = 1,19,400 + 59,700 = 1,19,100

$$\text{Xavier's share} = 1,19,100 \times \frac{2}{3} = 1,19,400$$

$$\text{Zaman's share} = 1,19,100 \times \frac{1}{3} = 59,700$$

Note: No marks for working notes.

PART B
(Financial Statements Analysis)

18. Which of the following transactions will result into flow of cash ?

(i) Cash withdrawn from bank ₹ 20,000.

(ii) Issued ₹ 20,000, 9% debentures for the vendors of machinery.

(iii) Received ₹ 19,000 from debtors.

(iv) Deposited cheques of ₹ 10,000 into bank.

1

Ans. (iii) Received ₹ 19,000 from debtors.

19. The accountant of Manav Ltd. while preparing Cash Flow Statement added depreciation provided on fixed assets to net profit for calculating cash flow from operating activities. Was he correct in doing so ? Give reason.

1

Ans. Yes, he was correct because depreciation is a non cash expense/item.

20. Under which major headings and sub-headings will the following items be shown in the Balance Sheet of a company as per Schedule VI Part I of the Companies Act, 1956 :

(i) Net loss as shown by Statement of Profit and Loss.

(ii) Capital redemption reserve.

(iii) Bonds.

(iv) Loans repayable on demand.

(v) Unpaid dividend.

- (vi) Buildings.
 (vii) Trademarks.
 (viii) Raw materials.

1

Ans.

| S.No. | Items | Headings | Sub headings |
|-------|---|-------------------------|--------------------------------------|
| 1 | Net loss as shown by statement of Profit and Loss | Shareholder's funds | Reserve and surplus as negative item |
| 2 | Capital redemption reserve | Shareholder's funds | Reserve and surplus |
| 3 | Bonds | Non current liabilities | Long term borrowings |
| 4 | Loans payable on demand | Current liabilities | Short term borrowings |
| 5 | Unpaid dividend | Current liabilities | Other current liabilities |
| 6 | Buildings | Non current assets | Fixed assets-tangible |
| 7 | Trademarks | Non current assets | Fixed assets-intangible |
| 8 | Raw material | Current assets | Inventory |

21. The Current Ratio of a company is 2.1 : 1.2. State with reasons which of the following transactions will increase, decrease or not change the ratio:
- (i) Redeemed 9% debentures of ₹ 1,00,000 at a premium of 10%.
 (ii) Received from debtors ₹ 17,000.
 (iii) Issued ₹ 2,00,000 equity shares to the vendors of machinery.
 (iv) Accepted bills of exchange drawn by the creditors ₹ 7,000.

4

Ans.

| | | Reason |
|-------|--------------------|---|
| (i) | Increase /decrease | If redemption of debentures takes place in the current year where outstanding debentures considered as current liability in such case ratio will increase . Alternatively, redemption of debenture will decrease cash but current liabilities will remain the same. |
| (ii) | No change | It will increase cash and decrease debtors with the same amount. No change in current assets and current liabilities. |
| (iii) | No change | Both current assets and current liabilities are not affected, |
| (iv) | No change | No change in current assets and current liabilities. Because increase in one current liability results in decrease in another current liability with the same amount. |

22. The motto of 'Pharma Ltd.', a company engaged in the manufacturing of low-cost generic medicines, is 'Healthy India'. Its management and employees are hard working, honest and motivated. The net profit of the company doubled during the year ended 31.3.2014. Encouraged by its performance, the company decided to pay bonus to all employees at double the rate than last year.

Following is the Comparative Statement of Profit and Loss of the company for the years ended 31.3.2013 and 31.3.2014.

Pharma Ltd.
Comparative Statement of Profit and Loss

| Particulars | Note No. | 2012-13 (₹) | 2013-14 (₹) | Absolute Change (₹) | % Change |
|----------------------------------|----------|----------------|----------------|------------------------|----------|
| Revenue from operations | | 20,00,000 | 30,00,000 | 10,00,000 | 50 |
| Less: Employees benefit expenses | | 12,00,000 | 14,00,000 | 2,00,000 | 16.67 |
| Profit before tax | | 8,00,000 | 16,00,000 | 8,00,000 | 100 |
| Tax rate 25% | | 2,00,000 | 4,00,000 | 2,00,000 | 100 |
| Profit after tax | | 6,00,000 | 12,00,000 | 6,00,000 | 100 |

(i) Calculate Net Profit Ratio for the years ending 31th March 2013 and 2014.

* (ii) Identify any two values which 'Pharma Ltd.' is trying to propagate.

4

Ans. (a)
$$\begin{aligned} \text{Net Profit Ratio} &= \text{Net Profit} / \text{Revenue from operations} \times 100 \\ \text{As on 31-03-2013} &= \text{Net Profit} / \text{Revenue from operations} \times 100 \\ &= \frac{6,00,000}{20,00,000} \times 100 \\ &= 30\% \\ \text{As on 31-03-2014} &= \text{Net Profit} / \text{Revenue from operations} \times 100 \\ &= \frac{12,00,000}{30,00,000} \times 100 \\ &= 40\% \end{aligned}$$

1 mark for formula and half a mark for calculation of profit of each year.

23. Following is the Balance Sheet of Solar Power Ltd. as at 31.3.2014:

Solar Power Ltd.
Balance Sheet

| | Particulars | Note No. | 31st March 2019 (₹) | 31st March 2018 (₹) |
|-------------------------------|------------------------------------|----------|---------------------|---------------------|
| I. | Equity and Liabilities: | | | |
| | 1. Shareholders' Fund: | | | |
| | (a) Share Capital | | 24,00,000 | 22,00,000 |
| | (b) Reserve and Surplus | 1 | 6,00,000 | 4,00,000 |
| | 2. Non Current Liabilities: | | | |
| | Long Term-Borrowings | | 4,80,000 | 3,40,000 |
| | 3. Current Liabilities: | | | |
| | (a) Trade Payables | | 3,58,000 | 4,08,000 |
| | (b) Short Term Provisions | | 1,00,000 | 1,54,000 |
| | Total | | 39,38,000 | 35,02,000 |
| II. | Assets: | | | |
| | 1. Non-Current Assets: | | | |
| | (a) Fixed Assets | | | |
| | (i) Tangible Assets | 2 | 21,40,000 | 17,00,000 |
| | (ii) Intangible | 3 | 80,000 | 2,24,000 |
| | 2. Current Assets: | | | |
| | (a) Current Investments | | 4,80,000 | 3,00,000 |
| | (b) Inventories | | 2,58,000 | 2,42,000 |
| (c) Trade Receivables | | 3,40,000 | 2,86,000 | |
| (d) Cash and Cash equivalents | | 6,40,000 | 7,50,000 | |
| | Total | | 39,38,000 | 35,02,000 |

Notes to Accounts

| S.No. | Particulars | As on 31.3.2014 (₹) | As on 31.3.2013 (₹) |
|-------|--|-------------------------|-------------------------|
| 1. | Reserves and Surplus Surplus (balance in statement of Profit and Loss) | 6,00,000 | 4,00,000 |
| 2. | Tangible Assets Machinery Less: Accumulated Depreciation | 25,40,000 (4,00,000) | 20,00,000 (3,00,000) |
| 3. | Intangible Assets Goodwill | 80,000 | 2,24,000 |

* Out of Syllabus

Additional Information:

During the year a piece of machinery costing ₹ 48,000 on which accumulated depreciation was ₹ 32,000 was sold for ₹ 12,000.

Prepare Cash Flow Statement.

6

Ans.

In the Books of Liva Ltd.
Cash flow Statement
for the year ended 31st March. 2013

| Particulars | Details (₹) | Amount (₹) |
|---|-------------|------------|
| A. Cash Flows from Operating Activities: | | |
| Net Profit before tax and extraordinary items | 2,00,000 | |
| Add: Non Cash and Non-Operating Charges | | |
| Goodwill written off | 1,44,000 | |
| Depreciation on machinery | 1,32,000 | |
| Loss on sale of machinery | 4,000 | |
| Operating profit before working capital changes | 4,80,000 | |
| Less: Increase in Current Assets | | |
| Increase in trade receivables | (54,000) | |
| Increase in inventories | (16,000) | |
| Less: Decrease in Current Liabilities | | |
| Decrease in trade payables | (50,000) | |
| Decrease in short term provisions | (54,000) | |
| Cash generated from Operating Activities | (1,74,000) | 3,06,000 |
| B. Cash Flows from Investing Activities: | | |
| Purchase of machinery | (5,88,000) | |
| Sale of machinery | 12,000 | (5,76,000) |
| Cash used in investing activities | | |
| C. Cash Flows from Financing Activities: | | |
| Issue of share capital | 2,00,000 | |
| Money raised from borrowings | 1,40,000 | 3,40,000 |
| Cash from financing activities | | |
| | | 70,000 |
| Net increase in Cash and Cash Equivalents (A+B+C) | | |
| Add: Opening Balance of Cash and Cash Equivalents: | | |
| Current Investments | 3,00,000 | |
| Cash and Cash Equivalents | 7,50,000 | 10,50,000 |
| Closing Balance of Cash and Cash Equivalents: | | |
| Current Investments | 4,80,000 | |
| Cash and Cash Equivalents | 6,40,000 | 11,20,000 |

Working Notes:

| Dr. | | Machinery A/c. | Cr. | |
|----------------|------------------|------------------------------|------------------|--|
| Particulars | Amount (₹) | Particulars | Amount (₹) | |
| To Balance b/d | 2,00,000 | By Bank a/c | 12,000 | |
| To Bank | 5,88,000 | By Accumulated Depreciation | 32,000 | |
| | | By Loss on Sale of Machinery | 4,000 | |
| | | By Balance c/d | 25,40,000 | |
| | 25,88,000 | | 25,88,000 | |

| Dr. | | Accumulated Depreciation A/c | | Cr. | |
|-----------------------|-----------------|------------------------------|-----------------|-------------|------------|
| Particulars | Amount (₹) | Particulars | Amount (₹) | Particulars | Amount (₹) |
| To Machinery Disposal | 32,000 | By Balance b/d | 3,00,000 | | |
| To Balance c/d | 4,00,000 | By Depreciation A/c | 1,32,000 | | |
| | 4,32,000 | | 4,32,000 | | |

Notes:

- If short term provision is treated as provision for tax or provision for doubtful debts, full credit is to be given.
- If short term provision is treated as proposed dividend then cash flow from operating activity will be ₹ 4,60,000 and financing activity will be ₹ 1,86,000.
- If the examinee has presented the working notes with asset disposal account full credit to be given.
- If the examinee has treated current investments as current assets then the cash flow from operating activities will be ₹ 1,26,000 and increase or decrease in cash and cash equivalents will be ₹ 1,10,000

Outside Delhi Set - 2**Code : 67/2**

Note : Except these, all other questions are from Set 1.

PART A
(Accounting for Partnership Firms and Companies)

7. State any three purposes other than 'issue of bonus shares' for which securities premium can be utilised. 3
- Ans.** Securities premium can be utilised for the following purposes: (Any three)
- In purchasing its own shares.
 - Writing off preliminary expenses of the company
 - Writing off the expenses of, Or the commission paid or discount allowed on any issue of securities or debentures of the company.
 - Providing for the premium payable on the redemption of any redeemable Preference shares or of any Debenture of the company.
9. 'India Auto Ltd.' is registered with an authorised capital of ₹ 7,00,00,000 divided into 7,00,000 shares of ₹ 100 each. The company issued 50,000 shares to the vendor for building purchased and 2,00,000 shares were issued to the public. The amount was payable as follows:
 On application and allotment – ₹ 20 per share
 On first call – ₹ 50 per share
 On second and final call – The balance
 All calls were made and were duly received except on 100 shares held by Rajani, who failed to pay the second and final call. Her shares were forfeited.
 Present the 'Share Capital' in the Balance Sheet of the company as per Schedule VI Part I of the Companies Act, 1956. Also prepare 'Notes to Accounts'. 3

Ans. **Balance Sheet of India Auto Ltd.**
As at(As per revised schedule VI)

| Particulars | Note No. | Amount (₹) Current year | Amount (₹) Previous year |
|-------------------------------|----------|----------------------------|-----------------------------|
| Equity and Liabilities | | | |
| I Shareholder's Funds: | | | |
| (a) Share Capital | 1 | 2,49,97,000 | |

Notes to Accounts:

| Particulars | ₹ |
|---|--------------------|
| (1) Share Capital | |
| Authorised Capital: | |
| 7,00,000 equity shares of ₹ 100 each | 7,00,00,000 |
| Issued Capital | |
| 50,000 equity shares of ₹ 100 each (issued to vendor) | 50,00,000 |
| 2,00,000 equity shares of ₹ 100 each | <u>2,00,00,000</u> |
| Subscribed and fully paid | |
| 50,000 equity shares of ₹ 100 each (issued to vendor) | 50,00,000 |
| 1,99,900 equity shares of ₹ 100 each | 1,99,90,000 |
| Add: Share Forfeited A/c | <u>7,000</u> |
| | 2,49,97,000 |

Note: 50,000 equity shares of ₹ 100 each issued to vendors

11. The following is the Balance Sheet of A, B and C as on 31st March 2014.

| Liabilities | | Amount (₹) | Assets | | Amount (₹) |
|-------------------|--------------|---------------|----------------|---------------|------------|
| Sundry Creditors | | 4,500 | Cash in Hand | 300 | |
| Reserve Fund | | 4,800 | Cash at Bank | 7,500 | |
| Capital Accounts: | | | Stock | 9,000 | |
| A | 15,000 | | Debtors | 9,000 | |
| B | 7,500 | | Furniture | 9,000 | |
| C | <u>7,500</u> | 30,000 | Tools | 12,000 | |
| | | 39,300 | | 39,300 | |

'C' died on 30th June 2014. Under the terms of Partnership Deed, the executors of the deceased partner were entitled to:

- Amount standing to the credit of partner's capital account.
- Interest on capital @ 6% per annum.
- Share of goodwill on the basis of twice the average of past three years profits.
- Share of profit from the closing of last financial year to the date of death on the basis of last year's profit. The profits of the last three years were as follows:

| Year | Profit |
|-------------|--------|
| | ₹ |
| 2011 – 2012 | 9,000 |
| 2012 – 2013 | 10,500 |
| 2013 – 2014 | 12,000 |

The firm closes its books on 31st March every year. The partners shared profits in the ratio of their capitals. Prepare C's Capital Account to be presented to his executors. 4

Ans. Dr. C's Capital A/c Cr.

| Particulars | Amount (₹) | Particulars | Amount (₹) |
|----------------------|---------------|------------------------|---------------|
| To C's Executors A/c | 14,813 | By Balance b/d | 7,500 |
| | | By Reserve Fund | 1,200 |
| | | By Interest on capital | 113 |
| | | By A's Capital A/c | 3,500 |
| | | By B's Capital A/c | 1,750 |
| | | By P & L Suspense | 750 |
| | 14,813 | | 14,813 |

Working notes:

(i) Calculation of Interest on Capital: $7,500 \times \frac{6}{100} \times \frac{3}{12} = ₹ 113$

(ii) Calculation of Share of Profit: $12,000 \times \frac{3}{12} \times \frac{1}{4} = ₹ 750$

(iii) Share in Goodwill: $\frac{31,500}{3} = 10,500 \times 2 = 21,000 \times \frac{1}{4} = ₹ 5,250$

Note: No marks for working notes

16. 'X Ltd.' invited applications for issuing 10,000 equity shares of ₹ 100 each at a premium of ₹ 100 per share. The amount was payable as follows:

On application and allotment – ₹ 100 per share (including ₹ 50 premium)

On first and final call – The balance

The issue was fully subscribed. A shareholder holding 500 shares paid the full share money with application. Another shareholder holding 200 shares failed to pay the first and final call money. His shares were forfeited. The forfeited shares were re-issued for ₹ 19,000 as fully paid up.

Pass necessary journal entries for the above transactions in the books of the company.

OR

'Y Ltd.' invited applications for issuing 15,000 equity shares of ₹ 10 each on which ₹ 6 per share were called up, which were payable as follows:

On application – ₹ 2 per share

On allotment – ₹ 1 per share

On first call – ₹ 3 per share

The issue was fully subscribed and the amount was received as follows :

On 10,000 shares – ₹ 6 per share

On 3,000 shares – ₹ 3 per share

On 2,000 shares – ₹ 2 per share

The directors forfeited those shares on which less than ₹ 6 per share were received. The forfeited shares were re-issued at ₹ 9 per share, as ₹ 6 per share paid up.

Pass necessary journal entries for the above transactions in the books of the company.

8

Ans.

In the Books of X Ltd.

Journal Entries

| Date | Particulars | L.F. | Amount Dr. (₹) | Amount Cr. (₹) |
|-----------|---|-------------------|------------------------------|--------------------------------|
| (i) | Bank A/c To Equity Share Application and Allotment A/c (Being application and allotment money received with premium) | Dr. | 10,50,000 | 10,50,000 |
| (ii) | Equity Share App and Allotment A/c To Equity Share Capital A/c To Calls in advance A/c To Securities Premium/ Securities Premium Reserve A/c (Being application and allotment money transferred to share capital) | Dr. | 10,50,000 | 5,00,000 50,000 5,00,000 |
| (iii) | Equity Share First and Final Call A/c To Equity Share Capital a/c To Securities Premium/ Securities Premium Reserve A/c (Being first call money due with premium) | Dr. | 10,00,000 | 5,00,000 5,00,000 |
| (iv) | Bank A/c Calls in Advance A/c Calls in Arrear A/c To Equity Share First and Final Call A/c | Dr. Dr. Dr. | 9,30,000 50,000 20,000 | 10,00,000 |
| OR | | | | |
| (iv) | Bank A/c Calls in Advance A/c To Equity Share First and Final Call A/c (Being first call money received with exception of 200 shares) | Dr. Dr. | 9,30,000 50,000 | 9,80,000 |
| (v) | Equity Share Capital A/c Securities Premium A/c To Share Forfeiture A/c To Equity Share First and Final Call A/c/ Calls in Arrear A/c (Being 200 shares forfeited) | Dr. Dr. | 20,000 10,000 | 10,000 20,000 |
| (vi) | Bank A/c Share Forfeited A/c To Equity Share Capital A/c (Being shares reissued) | Dr. Dr. | 19,000 1,000 | 20,000 |
| (vii) | Share Forfeited A/c To Capital Reserve A/c (Being balance of share forfeited transferred to capital reserve A/c) | Dr. | 9,000 | 9,000 |

OR
In the books of Y Ltd.
Journal Entries

| Date | Particulars | L.F. | Amount Dr. (₹) | Amount Cr. (₹) |
|--------|--|-----------------------|--------------------------------|---|
| (i) | Bank A/c To Equity Share Application A/c (Being application money received) | Dr. | 30,000 | 30,000 |
| (ii) | Equity Share Application A/c To Equity Share Capital A/c (Being application money transferred to share capital) | Dr. | 30,000 | 30,000 |
| (iii) | Equity Share Allotment A/c To Equity share Capital a/c (Being allotment money due) | Dr. | 15,000 | 15,000 |
| (iv) | Bank A/c To Equity Share Allotment A/c OR Bank A/c Calls in Arrears A/c To Equity Share Allotment A/c (Being allotment money received) | Dr. Dr. Dr. | 13,000 13,000 2,000 | 13,000 15,000 |
| (v) | Equity Share First Call A/c To Equity Share Capital a/c (Being first call money due) | Dr. | 45,000 | 45,000 |
| (vi) | Bank A/c To Equity Share First call A/c OR Bank A/c Calls in Arrears A/c To Equity Share First Call A/c (Being First call money received) | Dr. Dr. Dr. | 30,000 30,000 15,000 | 30,000 45,000 |
| (vii) | Equity Share Capital A/c To Share Forfeited A/c To Equity Share Allotment A/c To Equity Share First Call A/c OR Equity Share Capital A/c To Share Forfeited A/c To Calls in Arrear A/c (Being shares forfeited) | Dr. | 30,000 | 13,000 2,000 15,000 13,000 17,000 |
| (viii) | Bank A/c To Equity Share Capital A/c To Securities Premium A/c/ Securities Premium Reserve A/c (Being 5000 shares reissued at 9 per share, 6 paid up) | Dr. | 45,000 | 30,000 15,000 |
| (ix) | Share Forfeited A/c To Capital Reserve A/c (Being balance of share forfeited transferred to capital reserve A/c) | Dr. | 13,000 | 13,000 |

PART B
(Financial Statements Analysis)

18. Amongst the following, 'Payment of bonus to the employees' by an insurance company is which type of activity?
 (i) Operating activity.
 (ii) Investing activity.
 (iii) Financing activity.
 (iv) Both operating and financing activity. 1
- Ans. (i) Operating activity
19. While preparing Cash Flow Statement, the accountant of 'Rachana Ltd.', a financing company, included 'Interest received on loan' in financing activities. Was he correct in doing so? Give reason. 1
- Ans. No, he was not correct.
Reason: Interest received on loan will be operating activity for a financing company.
20. Under which major headings and sub-headings will the following items be shown in the Balance Sheet of a company as per Schedule VI Part I of the Companies Act, 1956:
 (i) Cheques in hand.
 (ii) Stock of work-in-progress.
 (iii) Copyrights.
 (iv) Loose tools.
 (v) Provision for bad debts.
 (vi) Negative balance shown by the statement of Profit and Loss.
 (vii) Bonds.
 (viii) Unpaid dividend. 4

| S.No. | Items | Headings | Sub headings |
|-------|---|-------------------------|--------------------------------------|
| 1. | Cheque in hand | Current assets | Cash and cash equivalents |
| 2. | Stock of work in progress | Current assets | Inventory |
| 3. | Copyright | Non current assets | Fixed assets-intangible |
| 4. | Loosetools | Current assets | Inventory |
| 5. | Provision for bad debts | Current liabilities | Short term provisions |
| 6. | Negative balance as shown by statement of Profit and Loss | Shareholder's funds | Reserve and surplus as negative item |
| 7. | Bonds | Non current liabilities | Long term borrowings |
| 8. | Unpaid dividend | Current liabilities | Other current liabilities |

Outside Delhi Set - 3**Code : 67/3**

Note : Except these, all other questions are from Set 1 and Set 2.

PART A
(Accounting for Partnership Firms and Companies)

7. For issuing shares at discount a company has to fulfil many conditions. State any three such conditions. 3
- Ans. Shares can be issued at discount subject to the following conditions:
 (a) The shares must belong to a class already issued.
 (b) The issue must be authorised by a resolution passed by the company in general meeting and sanctioned by the central government
 (c) The resolution specifies the maximum rate of discount at which shares are to be issued.
 (d) One year must have passed since the date at which the company was entitled to commence business.
 (e) The issue of such shares must take place within two months of the date on which the issue was sanctioned by the central government or within such extended time as the central government may allow.

9. 'David Ltd.' issued ₹ 40,00,000 equity shares of ₹ 10 each out of its registered capital of ₹ 10,00,00,000. The amount payable on these shares was as follows:

- On application – ₹ 1 per share
- On allotment – ₹ 2 per share
- On first call – ₹ 3 per share
- On second and final call – ₹ 4 per share

All calls were made and were duly received, except the second and final call on 1,000 shares held by Vipul. These shares were forfeited.

Present the 'Share Capital' in the Balance Sheet of the company as per Schedule VI Part I of the Companies Act, 1956. Also prepare 'Notes to Accounts'.

3

Ans.

Balance Sheet of David Ltd.

As at(As per revised schedule VI)

| Particulars | Note No. | Amount (₹) Current year | Amount (₹) Previous year |
|-------------------------------|----------|----------------------------|-----------------------------|
| Equity and Liabilities | | | |
| I Shareholder's Funds: | | | |
| (a) Share Capital | 1 | <u>39,96,000</u> | |

Notes to Accounts :

| Particulars | ₹ |
|--|---------------------|
| (1) Share Capital | |
| Authorized Capital: | |
| 1,00,00,000 equity shares of ₹ 10 each | <u>10,00,00,000</u> |
| Issued Capital | |
| 4,00,000 equity shares of ₹ 10 each | <u>40,00,000</u> |
| Subscribed and fully paid | |
| 3,99,000 equity shares of ₹ 10 each | 39,90,000 |
| Add: Share forfeiture | <u>6,000</u> |
| | <u>39,96,000</u> |

11. On 14.2014 the Balance Sheet of Anant, Sampat and Gunvant was as follows:

| Liabilities | Amount (₹) | Assets | Amount (₹) |
|-------------------|---------------|------------------|---------------|
| Sundry Creditors | 9,000 | Bank | 15,600 |
| General Reserve | 9,600 | Bills Receivable | 18,000 |
| Capital Accounts: | | Stock | 18,000 |
| Anant | 30,000 | Tools | 3,000 |
| Sampat | 15,000 | Furniture | 24,000 |
| Ganpat | <u>15,000</u> | | |
| | 60,000 | | |
| | <u>78,600</u> | | <u>78,600</u> |

Gunvant died on 30.9.2014. Under the terms of Partnership Deed the executors of the deceased partner were entitled to:

- (a) Amount standing to the credit of partner's capital account.
- (b) Interest on capital @ 12% per annum.
- (c) Share of goodwill on the basis of twice the average of past three years profits.
- (d) Share of profit from the closing of last financial year to the date of death on the basis of last year's profit.

The profits of the last three years were as follows:

| Year | Profit ₹ |
|-------------|-------------|
| 2011 – 2012 | 18,000 |
| 2012 – 2013 | 21,000 |
| 2013 – 2014 | 24,000 |

The firm closes its books on 31st March every year. Partners share profits in the ratio of their capitals.

Prepare Gunvant's Capital Account to be presented to his executors.

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| Ans. Dr. | | Gunvant's Capital A/c | | Cr. |
|------------------------|------------|----------------------------|------------|-----|
| Particulars | Amount (₹) | Particulars | Amount (₹) | |
| To Gunvant's Executors | 31,800 | By Balance b/d | 15,000 | |
| | | By Interest on Capital A/c | 900 | |
| | | By Anant's Cap | 7,000 | |
| | | By Sampath's Cap A/c | 3,500 | |
| | | By P and L Suspense | 3,000 | |
| | | By General Reserve | 2,400 | |
| | 31,800 | | 31,800 | |

Working notes:

(i) Calculation of Interest on Capital: $15,000 \times \frac{12}{100} \times \frac{6}{12} = ₹ 900$

(ii) Calculation of Share of Profit: $24,000 \times \frac{6}{12} \times \frac{1}{4} = ₹ 3,000$

(iii) Share in Goodwill: $\frac{63,000}{3} = 21,000 \times 2 = 42,000 \times \frac{1}{4} = ₹ 10,500$

Anant's share = ₹ 7,000

Sampat's share = ₹ 3,500

16. 'Luxury Cars Ltd.' invited applications for issuing 10,000 equity shares of ₹ 50 each at a premium of ₹ 100 per share. The amount was payable as follows:

On application – ₹ 75 per share (including ₹ 50 premium)

On allotment – The balance

The issue was fully subscribed. A shareholder holding 400 shares paid his entire share money at the time of application. Another shareholder holding 300 shares did not pay the allotment money. His shares were forfeited.

The forfeited shares were later on re-issued for ₹ 90 per share as fully paid up.

Pass necessary journal entries for the above transactions in the books of the company.

OR

'Software Ltd.' invited applications for issuing 70,000 equity shares of ₹ 10 each on which ₹ 7 per share were called up, which were payable as follows:

On application – ₹ 2 per share

On allotment – ₹ 3 per share

On first call – The balance

The amount was received as follows:

On 40,000 shares – ₹ 7 per share

On 20,000 shares – ₹ 5 per share

On 10,000 shares – ₹ 2 per share

The Directors forfeited 30,000 shares on which less than ₹ 7 per share were received. Later on the forfeited shares were re-issued at ₹ 5 per share, as ₹ 7 per share paid up.

Pass necessary journal entries for the above transactions in the books of the company.

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Ans. In the books of Luxury Cars Ltd.

Journal Entries

| Date | Particulars | L.F. | Amount Dr. (₹) | Amount Cr. (₹) |
|------|--|------|-------------------|-------------------|
| (i) | Bank A/c To Equity Share Application A/c (Being application money received with premium) | Dr. | 7,80,000 | 7,80,000 |

| | | | | |
|-------|---|-----------------------|------------------------------------|--------------------------------|
| (ii) | Equity Share Application A/c To Equity Share Capital A/c To Share Allotment A/c/ Calls in Advance A/c To Securities Premium/ Securities Premium Reserve A/c (Being application money transferred to share capital) | Dr. | 7,80,000 | 2,50,000 30,000 5,00,000 |
| (iii) | Equity Share Allotment A/c To Equity Share Capital A/c To Securities Premium/ Securities Premium Reserve A/c (Being allotment money due with premium) | Dr. | 7,50,000 | 2,50,000 5,00,000 |
| (iv) | Bank A/c To Equity Share Allotment A/c OR Bank A/c Calls in Arrears A/c To Equity Share Allotment A/c (Being allotment money received) | Dr. Dr. Dr. | 6,97,500 6,97,500 22,500 | 6,97,500 7,20,000 |
| (v) | Equity Share capital A/c Securities Premium A/c To Share Forfeited A/c To Equity Share Allotment A/c/ Calls in Arrears A/c (Being shares forfeited) | Dr. Dr. | 15,000 15,000 | 7,500 22,500 |
| (vi) | Bank A/c To Equity Share Capital A/c To securities Premium/ Securities Premium Reserve A/c (being shares reissued) | Dr. | 27,000 | 15,000 12,000 |
| (vii) | Share Forfeited A/c To Capital Reserve A/c (Being balance of share forfeited transferred to capital reserve A/c) | Dr. | 7,500 | 7,500 |

OR
In the books of Software Ltd.
Journal Entries

| Date | Particulars | L.F. | Amount Dr. (₹) | Amount Cr. (₹) |
|-------|---|-----------------------|------------------------------------|--------------------------|
| (i) | Bank A/c To Equity Share Application A/c (Being application money received) | Dr. | 1,40,000 | 1,40,000 |
| (ii) | Equity Share Application A/c To Equity Share Capital A/c (Being application money transferred to share capital) | Dr. | 1,40,000 | 1,40,000 |
| (iii) | Equity Share Allotment A/c To Equity Share Capital A/c (Being allotment money due) | Dr. | 2,10,000 | 2,10,000 |
| (iv) | Bank A/c To Equity Share Allotment A/c OR Bank A/c Calls in Arrears A/c To Equity Share Allotment A/c (Being allotment money received) | Dr. Dr. Dr. | 1,80,000 1,80,000 30,000 | 1,80,000 2,10,000 |

| | | | | |
|--------|---|------------|--------------------|------------------------------|
| (v) | Equity Share First Call A/c To Equity Share Capital a/c (Being first call money due) | Dr. | 1,40,000 | 1,40,000 |
| (vi) | Bank A/c To Equity Share First Call A/c | Dr. | 80,000 | 80,000 |
| | OR | | | |
| | Bank A/c Calls in Arrears A/c To Equity Share First Call A/c (Being First call money received) | Dr. Dr. | 80,000 60,000 | 1,40,000 |
| (vii) | Equity Share Capital A/c To Share Forfeited A/c To Equity Share Allotment A/c To Equity Share First Call A/c | Dr. | 2,10,000 | 1,20,000 30,000 60,000 |
| | OR | | | |
| | Equity Share Capital A/c To Share Forfeited A/c To Calls in Arrear A/c (Being shares forfeited) | Dr. | 2,10,000 | 1,20,000 90,000 |
| (viii) | Bank A/c Share Forfeiture A/c To Equity Share Capital A/c (Being 30,000 shares reissued at 5 per share as 7 paid up) | Dr. Dr. | 1,50,000 60,000 | 2,10,000 |
| (ix) | Share Forfeited A/c To Capital Reserve A/c (Being balance of share forfeited transferred to capital reserve A/c) | Dr. | 60,000 | 60,000 |

PART B
(Financial Statements Analysis)

18. While preparing Cash Flow Statement, the accountant of a financing company showed 'Dividend Received ₹ 50,000 on investments' as an investing activity. Was he correct in doing so? Give reason. 1
- Ans.** No, the accountant was not correct.
Reason: Dividend received on investments will be operating activity for a financing company.
19. Which of the following transactions will result into flow of cash ?
- Deposited ₹ 40,000 into bank.
 - Withdrew cash from bank ₹ 54,000.
 - Sold marketable securities of ₹ 25,000 at par.
 - Sold machinery of book value of ₹ 50,000 at a gain of ₹ 10,000. 1
- Ans.** (iv) Sold machinery of book value of ₹ 50,000 at a gain of ₹ 10,000.
20. Under which major headings and sub-headings will the following items be shown in the Balance Sheet of a company as per Schedule VI Part I of the Companies Act, 1956:
- Balance of the statement of Profit and Loss.
 - Loan of ₹ 1,00,000 payable after three years.
 - Short-term deposits payable on demand.
 - Loose tools.
 - Trademark.
 - Land.
 - Cash at bank.
 - Trade payables. 4

| Ans. | S.No. | Items | Headings | Sub headings |
|-------------|--------------|---|-------------------------|---------------------------|
| | 1. | Balance of statement of Profit and Loss | Shareholders' funds | Reserve and surplus |
| | 2. | Loan payable after 3 years | Non current liabilities | Long term borrowings |
| | 3. | Short term deposits payable on demand | Current liabilities | short term borrowings |
| | 4. | Loose tools | Current assets | Inventory |
| | 5. | Trademarks | Non current assets | Fixed assets-intangible |
| | 6. | Land | Non current assets | Fixed assets-tangible |
| | 7. | Cash at bank | Current assets | Cash and cash equivalents |
| | 8. | Trade payables | Current liabilities | Trade payables |

