Solved Paper 2016

ACCOUNTANCY

Time : 3 Hours **Class-XII** **Max. Marks : 80**

General Instructions :

(i) This question paper contains two parts A and B.

(ii) All parts of a question should be attempted at one place.

Delhi Set I **Code No. 67/1/1**

SECTION - A

(Accounting for Partnership Firms and Companies)

1. What is the maximum number of partners that a partnership firm can have? Name the Act that provides for the maximum number of partners in a partnership firm. **1**

Ans.
- Maximum number of partners : 50
- Companies Act, 2013

2. A, B and C were partners in a firm sharing profits in the ratio of 3 : 2 : 1. They admitted D as a new partner for $1/8^{th}$ share in the profits, which he acquired $1/16^{th}$ from B and $1/16^{th}$ from C.

Calculate the New Profit Sharing Ratio of A, B, C and D. **1**

Ans. A's share = 3/6

B's share = 2/6 – 1/ 16 = 26/96

C's share = 1/6 – 1/16 = 10/96

D's share = 1/8

Thus, the new profit sharing ratio for A, B, C and D will be:

3/6 : 26/96 : 10/96 : 1/8

= 24 : 13 : 5 : 6

3. Distinguish between 'Dissolution of Partnership' and 'Dissolution of Partnership Firm' on the basis of 'Economic Relationship'. **1**

Ans.

Basis	Dissolution of Partnership	Dissolution of Partnership Firm
Economic Relationship	Economic relationship between the partners continues though in a changed form.	Economic relationship between the partners comes to an end.

*** 4. State the provisions of the Companies Act, 2013 for the creation of 'Debenture Redemption Reserve'.** **1**

5. On 1-1-2016, the first call of ₹ 3 per share became due on 1,00,000 equity shares issued by Kamini Ltd. Karan, a holder of 500 shares did not pay the first call money. Arjun, a shareholder, holding 1,000 shares paid the second and final call of ₹ 5 per share along with the first call.
Pass the necessary journal entry for the amount received by opening 'Calls-in-Arrears' and 'Calls-in-Advance' account in the books of the company. **1**

* *Out of Syllabus*

Ans. **Kamini Ltd.**

Journal Entries

Date	Particulars	L. F.	Debit Amount (₹)	Credit Amount (₹)
2016 Jan. 1	Bank A/c Dr. Calls-in-Arrears A/c Dr. To Equity Share First Call A/c To Calls-in-Advance A/c (Being call money received except on 500 shares and received advance on 1,000 shares)		3,03,500 1,500	 3,00,000 5,000

1

6. **Nusrat and Sonu were partners in a firm sharing profits in the ratio of 3 : 2. During the year ended 31-3-2015, Nusrat had withdrawn ₹ 15,000. Interest on her drawings amounted to ₹ 300.**

Pass the necessary journal entry for charging interest on drawings assuming that the capitals of the partners were fixed. **1**

Ans. **Journal Entries**

Date	Particulars	L. F.	Debit Amount (₹)	Credit Amount (₹)
2015 Mar. 31	Nusrat's Current A/c Dr. To Interest on Drawings A/c (Being interest on drawings charged)		300	 300

1

7. **KTR Ltd. issued 365, 9% Debentures of ₹ 1,000 each on 4-3-2016. Pass the necessary journal entries for the issue of debentures in the following situations:**

(a) **When debentures were issued at par redeemable at a premium of 10%.**

(b) **When debentures were issued at 6% discount redeemable at 5% premium.** **3**

Ans. **(a)** **KTR Ltd.**

Journal Entries

Date	Particulars	L. F.	Debit Amount (₹)	Credit Amount (₹)
2016 Mar. 4	Bank A/c Dr. To 9% Debenture Application and Allotment A/c (Being application money received)		3,65,000	 3,65,000
Mar. 4	9% Debenture Application and Allotment A/c Dr. Loss on Issue of Debentures A/c Dr. To 9% Debentures A/c To Premium on Redemption of Debentures A/c (Being transfer of application money to debentures account issued at par, but redeemable at premium of 10%)		3,65,000 36,500	 3,65,000 36,500

(b)

KTR Ltd.

Journal Entries

Date	Particulars	L. F.	Debit Amount (₹)	Credit Amount (₹)
2016				
Mar. 4	Bank A/c Dr.		3,43,100	
	To 9% Debenture Application and Allotment A/c			3,43,100
	(Being application money received)			
Mar. 4	9% Debenture Application and Allotment A/c Dr.		3,43,100	
	Loss on Issue of Debentures A/c Dr.		40,150	
	To 9% Debentures A/c			3,65,000
	To Premium on Redemption of Debentures A/c			18,250
	(Being transfer of application money to debentures account issued at 6% discount but redeemable at premium of 5%)			
	OR			
	9% Debenture Application and Allotment A/c Dr.		3,43,100	
	Discount on Issue of Debentures A/c Dr.		21,900	
	Loss on Issue of Debentures A/c Dr.		18,250	
	To 9% Debentures A/c			3,65,000
	To Premium on Redemption of Debentures A/c			18,250
	(Being transfer of application money to debenture account issued at 6% discount but redeemable at premium of 5%)			

8. State any three circumstances other than (i) Admission of a new partner; (ii) Retirement of a partner and (iii) Death of a partner, when need for valuation of goodwill of a firm may arise. **3**

Ans. In addition to the stated circumstances, the need for the valuation of goodwill in partnership may arise in the following circumstances:

(i) Change in the profit sharing ratio amongst the existing partners.

(ii) Dissolution of a firm involving sale of business as a going concern.

(iii) Amalgamation of partnership firms. **1×3=3**

9. Sandesh Ltd. took over the assets of ₹ 7,00,000 and liabilities of ₹ 2,00,000 from Sanchar Ltd. for a purchase consideration of ₹ 4,59,500. ₹ 8,500 were paid by accepting a draft in favour of Sanchar Ltd. payable after three months and the balance was paid by issue of equity shares of ₹ 10 each at a premium of 10% in favour of Sanchar Ltd.

Pass the necessary journal entries for the above transactions in the books of Sandesh Ltd. **3**

Ans.

Sandesh Ltd.

Journal Entries

Date	Particulars	L. F.	Debit Amount (₹)	Credit Amount (₹)
	Sundry Assets Dr.		7,00,000	
	To Sundry Liabilities A/c			2,00,000
	To Sanchar Ltd.			4,59,500
	To Capital Reserve A/c			40,500
	(Being assets and liabilities acquired)			
	Sanchar Ltd. Dr.		4,59,500	
	To Bills Payable A/c			8,500
	To Equity Share Capital A/c			4,10,000
	To Securities Premium Reserve A/c			41,000
	(Being draft accepted and equity shares issued at a premium of 10%)			

	OR			
	Sanchar Ltd. Dr.		8,500	
	To Bills Payable A/c			8,500
	(Being draft accepted)			
	Sanchar Ltd. Dr.		4,51,000	
	To Equity Share Capital A/c			4,10,000
	To Securities Premium Reserve A/c			41,000
	(Being equity shares issued at a premium of 10%)			

10. To provide employment to the youth and to develop the Naxal affected backward areas of Chattisgarh X Ltd. decided to set-up a power plant. For raising funds, the company decided to issue 7,50,000 equity shares of ₹ 10 each at a premium of 50%. The whole amount was payable on application. Applications for 20,00,000 shares were received. Applications for 50,000 shares were rejected and shares were allotted to the remaining applicants on pro-rata basis.

Pass the necessary journal entries for the above transactions in the books of the company and identify *any two values which X Ltd. wants to propagate. **4**

Ans.

X Ltd.
Journal Entries

Date	Particulars	L. F.	Debit Amount (₹)	Credit Amount (₹)
	Bank A/c Dr.		3,00,00,000	
	To Equity Share Application and Allotment A/c			3,00,00,000
	(Being application and allotment money received for 20,00,000 shares)			
	Equity Share Application and Allotment A/c Dr.		3,00,00,000	
	To Equity Share Capital A/c			75,00,000
	To Bank A/c			1,87,50,000
	To Securities Premium Reserve A/c			37,50,000
	(Being share application and allotment money adjusted)			

11. P and Q were partners in a firm sharing profits in the ratio of 5 : 3. On 1-4-2014, they admitted R as a new partner for 1/8th share in the profits with a guaranteed profit of ₹ 75,000. The new profit sharing ratio between P and Q will remain the same but they agreed to bear any deficiency on account of guarantee to R in the ratio 3 : 2. The profit of the firm for the year ended 31-3-2015 was ₹ 4,00,000.

Prepare Profit and Loss Appropriation Account of P, Q and R for the year ended 31-3-2015. **4**

Ans.

Profit and Loss Appropriation A/c of P, Q and R

Dr. **for the year ended 31st March 2015** **Cr.**

Particulars		Amount (₹)	Particulars	Amount (₹)
To Partners' Capital A/cs :			By Profit and Loss A/c	4,00,000
(transfer of profit)			(Net Profit)	
P	2,18,750			
Less : Deficiency	15,000	2,03,750		
Q	1,31,250			
Less : Deficiency	10,000	1,21,250		
R	50,000			
Add : From P	15,000			
From Q	10,000	75,000		
		4,00,000		**4,00,000**

12. Vikas, Vishal and Vaibhav 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 31-12-2015, Vaibhav died. On that date, his Capital Account showed a credit balance of ₹ 3,80,000 and goodwill of the firm was valued at ₹ 1,20,000. There was a debit balance of ₹ 50,000 in the Profit and Loss Account. Vaibhav's share of profit in the year of his death was to be calculated on the basis of the average profit of last five years. The average profit of last five years was ₹ 75,000.

Pass the necessary journal entries in the books of the firm on Vaibhav's death. **4**

Ans. **Journal of Vikas, Vishal and Vaibhav**

Date	Particulars		L. F.	Debit Amount (₹)	Credit Amount (₹)
2015					
Dec. 31	Vikas's Capital A/c	Dr.		12,000	
	Vishal's Capital A/c	Dr.		12,000	
	To Vaibhav's Capital A/c				24,000
	(Being Vaibhav's share of goodwill adjusted in the Capital A/c of the existing partners in their gaining ratio, i.e., 1 : 1)				
	Vaibhav' Capital A/c	Dr.		10,000	
	To Profit and Loss A/c				10,000
	(Being Vaibhav's share in debit balance of Profit and Loss A/c transferred)				
	OR				
	Vikas's Capital A/c	Dr.		20,000	
	Vishal's Capital A/c	Dr.		20,000	
	Vaibhav's Capital A/c	Dr.		10,000	
	To Profit and Loss A/c				50,000
	(Being Vaibhav's share in debit balance of Profit and Loss A/c transferred)				
	Profit and Loss Suspense A/c	Dr.		11,250	
	To Vaibhav's Capital A/c				11,250
	(Being Vaibhav's share of profit upto the date of death transferred to his Capital A/c)				
	Vaibhav's Capital A/c	Dr.		4,05,250	
	To Vaibhav's Executor's A/c				4,05,250
	(Being amount due to Vaibhav transferred to his Executor's A/c)				

13. L and M were partners in a firm sharing profits in the ratio of 2 : 3. On 28-2-2016, the firm was dissolved. After transferring assets (other than cash) and outsiders' liabilities to Realisation Account you are given the following information:

(a) A creditor for ₹ 1,40,000 accepted building valued at ₹ 1,80,000 and paid to the firm ₹ 40,000.

(b) A second creditor for ₹ 30,000 accepted machinery valued at ₹ 28,000 in full settlement of his claim.

(c) A third creditor amounting to ₹ 70,000 accepted ₹ 30,000 in cash and investments of the book value of ₹ 45,000 in full settlement of his claim.

(d) Loss on dissolution was ₹ 4,000.

Pass the necessary journal entries for the above transactions in the books of the firm assuming that all payments were made by cheque. **6**

Ans. **Journal of L and M**

Date	Particulars		L. F.	Debit Amount (₹)	Credit Amount (₹)
(a)	Bank A/c	Dr.		40,000	
	To Realisation A/c				40,000
	(Being payment received from creditors)				
(b)	(No Entry)				
(c)	Realisation A/c	Dr.		30,000	
	To Bank A/c				30,000
	(Being partial payment made to creditors through cheque)				
(d)	L's Capital A/c	Dr.		1,600	
	M's Capital A/c	Dr.		2,400	
	To Realisation A/c				4,000
	(Being loss on realisation transferred to partners' Capital A/cs)				

14. Ashok, Bhim and Chetan were partners in a firm sharing profits in the ratio of 3 : 2 : 1. Their Balance Sheet as on 31-3-2015 was as follows :

Balance Sheet of Ashok, Bhim and Chetan as on 31-3-2015

Liabilities		Amount (₹)	Assets	Amount (₹)
Creditors		1,00,000	Land	1,00,000
Bills Payable		40,000	Building	1,00,000
General Reserve		60,000	Plant	2,00,000
Capitals :			Stock	80,000
Ashok	2,00,000		Debtors	60,000
Bhim	1,00,000		Bank	10,000
Chetan	50,000	3,50,000		
		5,50,000		**5,50,000**

Ashok, Bhim and Chetan decided to share the future profits equally, w.e.f. April 1, 2015. For this, it was agreed that:

(i) Goodwill of the firm be valued at ₹ 3,00,000.

(ii) Land be revalued at ₹ 1,60,000 and building be depreciated by 6%.

(iii) Creditors of ₹ 12,000 were not likely to be claimed and hence be written off.

Prepare Revaluation Account, Partners' Capital Accounts and Balance Sheet of the reconstituted firm. **6**

Ans. **Dr.** **Revaluation Account** **Cr.**

Particulars		Amount (₹)	Particulars	Amount (₹)
To Building A/c		6,000	By Land A/c	60,000
To Partners' Capital A/c:			By Creditors A/c	12,000
(transfer of profit)				
Ashok	33,000			
Bhim 22,000				
Chetan	11,000	66,000		
		72,000		**72,000**

Dr. **Partners' Capital Accounts** **Cr.**

Particulars	Ashok (₹)	Bhim (₹)	Chetan (₹)	Particulars	Ashok (₹)	Bhim (₹)	Chetan (₹)
To Ashok's Capital A/c	—	—	50,000	By Balance b/d	2,00,000	1,00,000	50,000
To Balance c/d	3,13,000	1,42,000	21,000	By Revaluation A/c	33,000	22,000	11,000
				By General Reserve A/c	30,000	20,000	10,000
				By Chetan's Capital A/c	50,000	—	—
	3,13,000	**1,42,000**	**71,000**		**3,13,000**	**1,42,000**	**71,000**

Balance Sheet
as at 1st April 2015

Liabilities		Amount (₹)	Assets	Amount (₹)
Creditors		88,000	Land	1,60,000
Bills Payable		40,000	Building	94,000
Capitals :			Plant	2,00,000
Ashok	3,13,000		Stock	80,000
Bhim	1,42,000		Debtors	60,000
Chetan	21,000	4,76,000	Bank	10,000
		6,04,000		**6,04,000**

Working Notes :

Ashok's Sacrifice/Gain = 3/6 – 1/3 = 1/6 (Sacrifice)

Bhim's Sacrifice/Gain = 2/6 – 1/3 = Nil

Chetan's Sacrifice/Gain = 1/6 – 1/3 = –1/6 (Gain)

* 15. **On 1-4-2013, JN Ltd. had 10,000, 9% Debentures of ₹ 100 each outstanding.**

(i) On 1-4-2014, the company purchased in the open market 2,000 of its own debentures for ₹ 101 each and cancelled the same immediately.

(ii) On 1-4-2015, the company redeemed at par debentures of ₹ 4,00,000 by draw of a lot.

(iii) On 28-2-2016, the remaining debentures were purchased for immediate cancellation for ₹ 3,97,000.

Pass the necessary journal entries for the above transactions in the books of the company ignoring Debenture Redemption Reserve and interest on debentures. 6

16. **KS Ltd. invited applications for issuing 1,60,000 equity shares of ₹ 10 each at a premium of ₹ 6 per share. The amount was payable as follows:**

On application — ₹ 4 per share (including premium ₹ 1 per share)

On allotment — ₹ 6 per share (including premium ₹ 3 per share)

One first and final call – Balance.

Applications for 3,20,000 shares were received. Applications for 80,000 shares were rejected and application money refunded. Shares were allotted on pro-rata basis to the remaining applicants. Excess money received with applications was adjusted towards sums due on allotment. Jain holding 800 shares failed to pay the allotment money. His shares were forfeited immediately after allotment. Afterwards, the final call was made. Gupta who had applied for 1,200 shares failed to pay the final call. These shares were also forfeited. Out of the forfeited shares, 1,000 shares were re-issued at ₹ 8 per share fully paid up. The re-issued shares included all the forfeited shares of Jain. 8

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

* *Out of Syllabus*

OR

GG Ltd. had issued 50,000 equity shares of ₹ 10 each at a premium of ₹ 2 per share payable with application money. The incomplete journal entries related to the issue are given below. You are required to complete these blanks:

Books of GG Ltd.
Journal Entries

Date	Particulars	L. F.	Debit Amount (₹)	Credit Amount (₹)
2015 Jan. 10	.... Dr.		....	
	To			....
	(Amount received on application for 70,000 shares @ ₹ 5 per share including premium)			
Jan. 16	Equity Share Application A/c Dr.		....	
	To			....
	To			....
	To			....
	To			....
	(Transfer of application money to share capital, securities premium, money refunded for 8,000 shares for rejected applications and balance adjusted towards amount due on allotment as shares were allotted on pro-rata basis)			
Jan. 31	.... Dr.		....	
	To			....
	(Amount due on allotment @ ₹ 4 per share)			
Feb. 20	.... Dr.		....	
	To			....
	(Balance amount received on allotment)			
April 1	.... Dr.		....	
	To			....
	(First and final call money due)			
April 20	.... Dr.		....	
	Calls-in-Arrears A/c Dr.		1,500	
	To			....
	(Money received on first and final call)			
Aug. 27	.... Dr.		....	
	To			....
	To			....
	(Forfeited shares on which call money was not received)			
Oct. 03	.... Dr.		....	
	.... Dr.		....	
	To			....
	(Re-issued the forfeited shares @ ₹ 8 per share fully paid up)			
....	.... Dr.		....	
	To			....
	(..)			

Ans.

KS Ltd.
Journal Entries

Date	Particulars		L. F.	Debit Amount (₹)	Credit Amount (₹)
	Bank A/c	Dr.		12,80,000	
	To Equity Share Application A/c				12,80,000
	(Being application money received on shares)				
	Equity Share Application A/c	Dr.		12,80,000	
	To Equity Share Capital A/c				4,80,000
	To Securities Premium Reserve A/c				1,60,000
	To Bank A/c				3,20,000
	To Equity Share Allotment A/c				3,20,000
	(Being application money transferred to Share Capital A/c)				
	Equity Share Allotment A/c	Dr.		9,60,000	
	To Equity Share Capital A/c				4,80,000
	To Securities Premium Reserve A/c				4,80,000
	(Being share allotment made due)				
	Bank A/c	Dr.		6,36,800	
	To Equity Share Allotment A/c				6,36,800
	(Being allotment money received except on 800 shares)				
	OR				
	Bank A/c	Dr.		6,36,800	
	Calls-in-Arrears A/c	Dr.		3,200	
	To Equity Share Allotment A/c				6,40,000
	(Being allotment money received except on 800 shares)				
	Equity Share Capital A/c	Dr.		4,800	
	Securities Premium Reserve A/c	Dr.		2,400	
	To Share Forfeiture A/c				4,000
	To Equity Share Allotment A/c or Calls in Arrears A/c				3,200
	(Being 800 shares of Jain forfeited after allotment)				
	Equity Share First and Final Call A/c	Dr.		9,55,200	
	To Equity Share Capital A/c				6,36,800
	To Securities Premium Reserve A/c				3,18,400
	(Being first and final call due on 1,59,200 shares)				
	Bank A/c	Dr.		9,50,400	
	To Equity Share First and Final Call A/c				9,50,400
	(Being first and final call money received except on 800 shares)				
	OR				
	Bank A/c	Dr.		9,50,400	
	Calls-in-Arrears A/c	Dr.		4,800	
	To Equity Share First and Final Call A/c				9,55,200
	(Being first and final call money received except on 800 shares)				
	Equity Share Capital A/c	Dr.		8,000	
	Securities Premium Reserve A/c	Dr.		1,600	
	To Share Forfeited A/c				4,800
	To Equity Share First and Final Call A/c or Calls-in-Arrears A/c				4,800
	(Being 800 shares of Gupta forfeited)				

	Bank A/c Dr.		8,000	
	Share Forfeited A/c Dr.		2,000	
	To Equity Share Capital A/c			10,000
	(Being 1,000 shares re-issued for ₹ 8 per share fully paid up)			
	Share Forfeited A/c Dr.		3,200	
	To Capital Reserve A/c			3,200
	(Being gain on re-issue on forfeited shares transferred to Capital Reserve Account)			

OR

GG Ltd.

Journal Entries

Date	Particulars	L. F.	Debit Amount (₹)	Credit Amount (₹)
2015				
Jan. 10	Bank A/c Dr.		3,50,000	
	To Equity Share Application A/c			3,50,000
	(Being received on application 70,000 shares @ ₹ 5 per share including premium)			
Jan. 16	Equity Share Application A/c Dr.		3,50,000	
	To Equity Share Capital A/c			1,50,000
	To Securities Premium Reserve A/c			1,00,000
	To Bank A/c			40,000
	To Equity Share Allotment A/c			60,000
	(Being transfer of application money to share capital, securities premium, money refunded for 8,000 shares for rejected, applications and balance adjusted towards amount due on allotment as shares were allotted on pro-rata basis)			
Jan. 31	Equity Share Allotment A/c Dr.		2,00,000	
	To Equity Share Capital A/c			2,00,000
	(Being due on allotment @ ₹ 4 per share)			
Feb. 20	Bank A/c Dr.		1,40,000	
	To Equity Share Allotment A/c			1,40,000
	(Being money received on allotment)			
Apr. 01	Equity Share First and Final Call A/c Dr.		1,50,000	
	To Equity Share Capital A/c			1,50,000
	(Being first and final call money due)			
Apr. 20	Bank A/c Dr.		1,48,500	
	Calls-in-Arrears A/c Dr.		1,500	
	To Equity Share First and Final Call A/c			1,50,000
	(Being money received on first and final call)			
Aug. 27	Equity Share Capital A/c Dr.		5,000	
	To Share Forfeited A/c			3,500
	To Calls-in-Arrears A/c			1,500
	(Being shares forfeited on which call money was not received)			

Oct. 03	Bank A/c Dr. Share Forfeited A/c Dr. To Equity Share Capital A/c (Being re-issue of forfeited shares @ ₹ 8 per share fully paid up)		4,000 1,000	 5,000
2016 Mar. 31	Share Forfeiture A/c Dr. To Capital Reserve A/c (Being gain on re-issue on forfeited shares transferred to Capital Reserve Account)		2,500	 2,500

17. A, B and C were partners in a firm sharing profits in the ratio of 3 : 2 : 1. On 31-3-2015, their Balance Sheet was as follows :

Balance Sheet of A, B and C as on 31-3-2015

Liabilities		Amount (₹)	Assets	Amount (₹)
Creditors		84,000	Bank	17,000
General Reserve		21,000	Debtors	23,000
Capitals :			Stock	1,10,000
A	60,000		Investments	30,000
B	40,000		Furniture and Fittings	10,000
C	20,000	1,20,000	Machinery	35,000
		2,25,000		**2,25,000**

On the above date, D was admitted as a new partner and it was decided that :

(i) The new profit sharing ratio between A, B, C and D will be 2 : 2 : 1 : 1.

(ii) Goodwill of the firm was valued at ₹ 90,000 and D brought his share of goodwill premium in cash.

(iii) The market value of investments was ₹ 24,000.

(iv) Machinery will be reduced to ₹ 29,000.

(v) A creditor of ₹ 3,000 was not likely to claim the amount and hence, to be written off.

(vi) D will bring proportionate capital so as to give him 1/6th share in the profits of the firm.

Prepare Revaluation Account, Partners' Capital Accounts and the Balance Sheet of the reconstituted firm. 8

OR

X, Y and Z were partners in a firm sharing profits in the ratio of 5 : 3 : 2. On 31-3-2015, their Balance Sheet was as follows :

Balance Sheet of X, Y and Z as on 31st March, 2015

Liabilities		Amount (₹)	Assets		Amount (₹)
Creditors		21,000	Land and Building		62,000
Investment Fluctuation Fund		10,000	Motor Vans		20,000
P & L Account		40,000	Investments		19,000
Capitals :			Machinery		12,000
X	50,000		Stock		15,000
Y	40,000		Debtors	40,000	
Z	20,000	1,10,000	Less : Provision	3,000	37,000
			Cash		16,000
		1,81,000			**1,81,000**

On the above date, Y retired and X and Z agreed to continue the business on the following terms:

(i) Goodwill of the firm was valued at ₹ 51,000.

(ii) There was a claim of ₹ 4,000 for Workmen's compensation.

(iii) Provision for bad debts was to be reduced by ₹ 1,000.

(iv) Y will be paid ₹ 8,200 in cash and the balance will be transferred in his Loan Account which will be paid in four equal yearly instalments together with interest @ 10% p.a.

(v) The new profit sharing ratio between X and Z will be 3 : 2 and their capitals will be in their new profit sharing ratio. The capital adjustments will be done by opening Current Accounts.

Prepare Revaluation Account, Partners' Capital Accounts and the Balance Sheet of the reconstituted firm. 8

Ans. **Dr.** **Revaluation Account** **Cr.**

Particulars	Amount (₹)	Particulars		Amount (₹)
To Investments A/c	6,000	By Creditors A/c		3,000
To Machinery A/c	6,000	By Partners' Capital A/c (transfer of loss)		
		A	4,500	
		B	3,000	
		C	1,500	9,000
	12,000			**12,000**

Dr. **Partners' Capital Accounts** **Cr.**

Particulars	A (₹)	B (₹)	C (₹)	D (₹)	Particulars	A (₹)	B (₹)	C (₹)	D (₹)
To Revaluation A/c	4,500	3,000	1,500	—	By Balance b/d	60,000	40,000	20,000	—
					By Bank A/c	—	—	—	29,400
To Balance c/d	81,000	44,000	22,000	29,400	By General Reserve A/c	10,500	7,000	3,500	—
					By Premium for Goodwill A/c	15,000	—	—	—
	85,500	**47,000**	**23,500**	**29,400**		**85,500**	**47,000**	**23,500**	**29,400**

3

Balance Sheet of A, B, C and D
as at 31st March 2015

Liabilities		Amount (₹)	Assets	Amount (₹)
Creditors		81,000	Bank	61,400
Partners' Capitals :			Debtors	23,000
A	81,000		Investment	24,000
B	44,000		Machinery	29,000
C	22,000		Furniture and Fittings	10,000
D	29,400	1,76,400	Stock	1,10,000
		2,57,400		**2,57,400**

3

OR

Dr. **Revaluation Account** **Cr.**

Particulars	Amount (₹)	Particulars		Amount (₹)
To Claim for Workmen Compensation A/c	4,000	By Provision for Bad Debts A/c		1,000
		By Partners' Capital A/s : (transfer of loss)		
		X	1,500	
		Y	900	
		Z	600	3,000
	4,000			4,000

2

Dr. Partners' Capital Accounts Cr.

Particulars	X (₹)	Y (₹)	Z (₹)	Particulars	X (₹)	Y (₹)	Z (₹)
To Revaluation A/c	1,500	900	600	By Balance b/d	50,000	40,000	20,000
To Y's Capital A/c	5,100	—	10,200	By Investment Fluctuation Fund A/c	5,000	3,000	2,000
To Cash A/c	—	8,200	—	By Profit and Loss A/c	20,000	12,000	8,000
To Y's Loan A/c	—	61,200	—	By X's Capital A/c	—	5,100	—
To X's Current A/c	15,840	—	—	By Z's Capital A/c	—	10,200	—
To Balance c/d	52,560	—	35,040	By Z's Current A/c	—	—	15,840
	75,000	**70,300**	**45,840**		**75,000**	**70,300**	**45,840**

3

Balance Sheet of X,Y and Z
as at 31st March 2015

Liabilities		Amount (₹)	Assets		Amount (₹)
Partners' Capitals :			Land and Building		62,000
X	52,560		Motor Van		20,000
Y	35,040	87,600	Investment		19,000
X's Current A/c		15,840	Machinery		12,000
Y's Loan		61,200	Stock		15,000
Creditors		21,000	Debtors	40,000	
Claim for Workmen Compensation		4,000	Less : Provision	2,000	38,000
			Cash		7,800
			Z's Current A/c		15,840
		1,89,640			**1,89,640**

3

PART -B
(Analysis of Financial Statements)

18. 'An enterprise may hold securities and loans for dealing or trading purposes in which case they are similar to inventory acquired specifically for resale.' Is the statement correct ? Cash flows from such activities will be classified under which type of activity while preparing Cash Flow Statement ? **1**

Ans. ➢ Yes, the statement is correct.

➢ Operating activity.

19. Give the meaning of 'Cash Equivalents' for the purpose of preparing Cash Flow Statement. **1**

Ans. Cash Equivalents are short-term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

20. (a) One of the objectives of 'Financial Statements Analysis' is to identify the reasons for change in the financial position of the enterprise. State two more objectives of this analysis.

(b) Name any two items that are shown under the head 'Other Current Liabilities' and any two items that are shown under the head 'Other Current Assets' in the Balance Sheet of a company as per Schedule III of the Companies Act, 2013. **2+2=4**

Ans. (a) Objectives of 'Financial Statements Analysis':

(i) Assessing the earning capacity or profitability of the firm as a whole as well as its different departments so as to judge the financial health of the firm.

(ii) Assessing the managerial efficiency by using financial ratios.

(iii) Assessing the short-term and the long-term solvency of the enterprise.

(iv) Assessing their own performance as well as of others through inter-firm comparison.

(v) Assessing developments in future by forecasting and preparing budgets.
(vi) Ascertain the relative importance of different components of the financial position of the firm.
(vii) Understanding complicated matter in a simplified manner. **(Any two)**

(b) Other Current Liabilities:
(i) Unpaid dividend.
(ii) Interest accrued and due on borrowings.
(iii) Interest accrued but not due on borrowings.
(iv) Income received in advance.
(v) Calls-in-advance.
(vi) Interest on calls-in-advance.
(vii) Current maturities of long-term debts.
(viii) Application money received for allotment of securities and due for refund and interest due there on.
(ix) Unpaid matured deposits and interest accrued there-on.
(x) Unpaid matured debentures and interest accrued thereon.
(xi) Other payables (outstanding expenses, provident fund payable, ESI payable, CST payable, GST payable etc.) **(Any two)**

Other Current Assets:
(i) Prepaid expenses
(ii) Accrued incomes
(iii) Advance taxes
(iv) Unamortised expenses/losses (to be written off within 12 months from the date of balance sheet) **(Any two)**

21. (a) What is meant by Solvency of Business ?
(b) From the following details obtained from the financial statements of Jeev Ltd., calculate Interest Coverage Ratio:
Net Profit After Tax ₹ 1,20,000,
12% Long-term Debt ₹ 20,00,000,
Tax Rate 40%. **4**

Ans. (a) Solvency of business refers to the ability of the business to pay its long-term liabilities.

(b) Interest coverage ratio = $\dfrac{\text{Net profit before interest and tax}}{\text{Fixed interest charges}}$

Net profit after tax = ₹ 1,20,000
Tax rate = 40%

Net profit before tax = ₹ 1,20,000 × $\dfrac{100}{60}$ = ₹ 2,00,000

Add : Interest

12% Long-term debt, i.e., $\dfrac{12}{100}$ × ₹ 20,00,000 = ₹ 2,40,000

Profit before interest and tax = ₹ 2,00,000 + ₹ 2,40,000 = ₹ 4,40,000

Interest coverage ratio = $\dfrac{₹\ 4,40,000}{₹\ 2,40,000}$

= 1.833 times

*** 22. Following is the statement of Profit and Loss of Sun India Ltd. for the year ended 31st March 2015:**

Particulars	Note No.	31-3-2015 (₹)	31-3-2014 (₹)
Revenue from Operations		25,00,000	20,00,000
Other Income		1,00,000	5,00,000
Expenses :			
Employee Benefit Expenses		60% of Total Revenue	50% of Total Revenue
Other Expenses		10% of Employee Benefit Expenses	20% of Employee Benefit Expenses
Tax Rate		50%	40%

* *Out of Syllabus*

The motto of Sun India Ltd. is to produce and supply green energy in the rural areas of India. It has also taken up a project of constructing a road that will pass through five villages, so that these villages could be connected to the nearby town. It will use the local resources and employ local people for construction of the road.

You are required to prepare a Comparative Statement of Profit and Loss of Sun India Ltd. from the given statement of Profit and Loss.

***Also identify *any two values that the company wishes to convey to the society.** **4**

23. Following is the Balance Sheet of K.K. Ltd. as at 31-3-2015

K.K. Ltd. Balance Sheet as at 31-3-2015

Particulars	Note No.	31-3-2015 (₹)	31-3-2014 (₹)
I. Equity and Liabilities:			
(1) Shareholders' Funds:			
(a) Share Capital		10,00,000	8,00,000
(b) Reserves and Surplus	1	4,00,000	(1,00,000)
(2) Non-current Liabilities:			
Long-Term Borrowings	2	9,00,000	10,00,000
(3) Current liabilities:			
(a) Short-Term Borrowings	3	3,00,000	1,00,000
(b) Short-Term Provisions	4	1,40,000	1,80,000
Total		**27,40,000**	**19,80,000**
II. Assets:			
(1) Non-Current Assets:			
(a) Fixed Assets:			
(i) Tangible	5	20,06,000	14,40,000
(ii) Intangible	6	40,000	60,000
(b) Non-current Investments		2,00,000	1,50,000
(2) Current Assets:			
(a) Current Investments		1,00,000	1,20,000
(b) Inventories	7	2,14,000	90,000
(c) Cash and Cash Equivalents		1,80,000	1,20,000
Total		**27,40,000**	**19,80,000**

Notes to Accounts :

Note No.	Particulars	31-3-2015 (₹)	31-3-2014 (₹)
1.	**Reserves and Surplus:**		
	Surplus, i.e. Balance in Statement of Profit and Loss	4,00,000	(1,00,000)
		4,00,000	**(1,00,000)**
2.	**Long-Term Borrowings:**		
	12% Debentures	9,00,000	10,00,000
		9,00,000	**10,00,000**
3.	**Short-Term Borrowings:**		
	Bank Overdraft	3,00,000	1,00,000
		3,00,000	**1,00,000**
4.	**Short-Term Provisions:**		
	Provision for tax	1,40,000	1,80,000
		1,40,000	**1,80,000**
5.	**Tangible Assets:**		
	Machinery	24,06,000	16,42,000
	Accumulated Depreciation	(4,00,000)	(2,02,000)
		20,06,000	**14,40,000**

* *Out of Syllabus*

6.	**Intangible Assets:**		
	Goodwill	40,000	60,000
		40,000	**60,000**
7.	**Inventories:**		
	Stock in Trade	2,14,000	90,000
		2,14,000	**90,000**

Additional Information:

(i) 12% Debentures were redeemed on 31-3-2015.

(ii) Tax ₹ 1,40,000 was paid during the year.

Prepare Cash Flow Statement. **6**

Ans.

Cash Flow Statement of K.K. Ltd.
for the year ended 31st March 2015

Particulars	Details (₹)	Amount (₹)
A. Cash Flow from Operating Activities		
Net Profit before Tax and Extraordinary Items (Note 1)	6,00,000	
Add : Non-Cash and Non-Operating Charges		
(a) Goodwill Written off	20,000	
(b) Depreciation on Machinery	1,98,000	
(c) Interest on Debentures	1,20,000	
Operating Profit before Working Capital Changes	9,38,000	
Less : Increase in Current Assets :		
Increase in Stock in Trade	(1,24,000)	
Cash from Operations	8,14,000	
Less : Tax Paid	(1,40,000)	6,74,000
Net Cash Generated from Operating Activities		
B. Cash Flow from Investing Activities		
Purchase of Machinery	(7,64,000)	
Purchase of Non-Current Investments	(50,000)	
Net Cash used in Investing Activities		(8,14,000)
C. Cash Flow from Financing Activities		
Issue of Share Capital	2,00,000	
Redemption of 12% Debentures	(1,00,000)	
Interest on Debentures Paid	(1,20,000)	
Bank Overdraft Raised	2,00,000	
Net Cash Flow from Financing Activities		1,80,000
Net Increase in Cash and Cash Equivalents (A+B+C)		40,000
Add : Opening Balance of Cash and Cash Equivalents		
Current Investments	1,20,000	
Cash and Cash Equivalents	1,20,000	2,40,000
Closing Balance of Cash and Cash Equivalents		
Current Investments	1,00,000	
Cash and Cash Equivalents	1,80,000	2,80,000

Notes :

Calculation of Net Profit Before Tax :

Net Profit as per Statement of Profit and Loss	5,00,000
Add : Provision for Tax Made	1,00,000
Net Profit before Tax and Extraordinary Items	6,00,000

Dr. Provision for Tax Account Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Bank A/c	1,40,000	By Balance b/d	1,80,000
To Balance c/d	1,40,000	By Statement of P & L (Bal. fig.)	1,00,000
	2,80,000		**2,80,000**

Delhi Set II — Code No. 67/1/2

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

PART -A
(Accounting for Partnership Firms and Companies)

7. VKR Ltd. issued 975; 9% Debentures of ₹ 500 each on 4-3-2016. Pass the necessary journal entries for the issue of debentures under the following situations :

(a) When debentures were issued at a premium of 10% redeemable at a premium of 6%.

(b) When debentures were issued at a par redeemable at 9% premium. 3

Ans. (a)

VKR Ltd.
Journal

Date	Particulars	L. F.	Debit Amount (₹)	Credit Amount (₹)
2016 Mar. 4	Bank A/c Dr.		5,36,250	
	To 9% Debenture Application and Allotment A/c			5,36,250
	(Being application money received)			
	9% Debenture Application and Allotment A/c Dr.		5,36,250	
	Loss on Issue of Debentures A/c Dr.		29,250	
	To 9% Debentures A/c			4,87,500
	To Securities Premium Reserve A/c			48,750
	To Premium on Redemption of Debentures A/c			29,250
	(Being transfer of application money to Debentures Account issued at premium of 10% and redeemable at premium of 6%)			

(b)

VKR Ltd.
Journal

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2016 Mar. 4	Bank A/c Dr.		4,87,500	
	To 9% Debenture Application & Allotment A/c			4,87,500
	(Being application money received)			
	9% Debenture Application and Allotment A/c Dr.		4,87,500	
	Loss on Issue of Debentures A/c Dr.		43,875	
	To 9% Debentures A/c			4,87,500
	To Premium on Redemption of Debentures A/c			43,875
	(Being transfer of application money to Debentures Account issued at premium of 10% and redeemable at premium of 6%)			

9. Samachar India Ltd. took over the assets of ₹ 14,00,000 and liabilities of ₹ 4,00,000 from News Ltd. for a purchase consideration of ₹ 9,19,000. Samachar India Ltd. issued a promissory note of ₹ 17,000 payable after 60 days in favour of News Ltd. and the balance amount was paid by issue of equity shares of ₹ 100 each at a premium of ₹ 25 per share.

Pass the necessary journal entries for the above transactions in the books of Samachar India Ltd. **3**

Ans.

Samachar India Ltd.

Journal Entries

Date	Particulars	L. F.	Debit Amount (₹)	Credit Amount (₹)
	Sundry Assets Dr.		14,00,000	
	To Sundry Liabilities A/c			4,00,000
	To News Ltd.			9,19,000
	To Capital Reserve A/c			81,000
	(Being Assets and Liabilities acquired)			
	News Ltd. Dr.		9,19,000	
	To Bills Payable A/c			17,000
	To Equity Share Capital A/c			7,21,600
	To Securities Premium Reserve A/c			1,80,400
	(Being promissory note issued and equity shares issued at a premium)			
	OR			
	News Ltd. Dr.		17,000	
	To Bills Payable A/c			17000
	(Being promissory note issued)			
	News Ltd. Dr.		9,02,000	
	To Equity Share Capital A/c			7,21,600
	To Securities Premium Reserve A/c			1,80,400
	(Being equity shares issued at a premium)			

13. C and D were partners in a firm sharing profits in the ratio of 3 : 2. On 28-2-2016, the firm was dissolved. After transferring assets (other than cash) and outsiders' liabilities to Realisation Account you are given the following information:

(a) A creditor for ₹ 2,00,000 accepted building of ₹ 2,80,000 at ₹ 2,20,000 and paid the firm ₹ 20,000.

(b) A second creditor for ₹ 75,000 accepted furniture at ₹ 60,000 in full settlement of his claim.

(c) A third creditor amounting to ₹ 80,000 accepted ₹ 20,000 in cash and investments of the book value of ₹ 65,000 in full settlement of his claim.

(d) Loss on dissolution was ₹ 7,500.

Pass the necessary journal entries for the above transactions in the books of the firm assuming that all payments were made by cheque. **6**

Ans.

Journal Entry of C and D

Date	Particulars	L. F.	Debit Amount (₹)	Credit Amount (₹)
(a)	Bank A/c Dr.		20,000	
	To Realisation A/c			20,000
	(Being payment received from creditors)			
(b)	(No Entry)			
(c)	Realisation A/c Dr.		20,000	
	To Bank A/c /Cash A/c			20,000
	(Being partial payment made to creditors through cheque)			

(d)	C's Capital A/c Dr. D's Capital A/c Dr. To Realisation A/c (Being Loss on Realisation transferred to Partners' Capital A/cs)		4,500 3,000	7,500

*** 15. On 1-4-2013, KL Ltd. had 5,000, 10% Debentures of ₹ 100 each outstanding.**

(i) On 1-4-2014, the company purchased in the open market 2,000 of its own debentures for ₹ 105 each and cancelled the same immediately.

(ii) On 1-4-2015, the company redeemed at par debentures of ₹ 1,00,000 by draw of a lot.

(iii) On 28-2-2016, the remaining debentures were purchased for immediate cancellation for ₹ 1,97,000.

Pass the necessary journal entries for the above transactions in the books of the company ignoring Debenture Redemption, Reserve and interest on debentures. **6**

PART -B
(Analysis of Financial Statements)

20. (a) One of the objectives of 'Financial Statements Analysis' is to judge the ability of the firm to repay its debt and assessing the short-term as well as the long-term liquidity position of the firm. State two more objectives of this analysis. **4**

Ans. (a) Objectives of 'Financial Statements Analysis **(Any two)**

(i) Assessing the earning capacity or profitability of the firm as a whole as well as its different departments so as to judge the financial health of the firm.

(ii) Assessing the managerial efficiency by using financial ratios.

(iii) Identifying the reasons for change in the financial position of the enterprise.

(iv) Assessing their own performance as well as of others through inter firm comparison.

(v) Assessing developments in future by forecasting and preparing budgets.

(vi) Ascertain the relative importance of different components of the financial position of the firm.

(vii) Understanding complicated matter in a simplified manner.

21. (a) What is meant by 'Liquidity of Business' ?

(b) From the following information, calculate Operating Ratio :

Revenue from Operations ₹ 6,80,000; Rate of Gross Profit on Cost 25%; Selling Expenses ₹ 1,44,000; Administrative Expenses ₹ 73,000. **4**

Ans. (a) Liquidity of business refers to the firm's ability to meet its current obligations/short-term liabilities.

(b)
$$\text{Operating Ratio} = \frac{\text{Cost of Revenue from Operations} + \text{Operating Expenses}}{\text{Revenue from Operations}} \times 100$$

$$\begin{aligned}\text{Operating Expenses} &= \text{Selling Expenses} + \text{Administrative Expenses}\\ &= ₹\ 1{,}44{,}000 + ₹\ 73{,}000\\ &= ₹\ 2{,}17{,}000\end{aligned}$$

$$\text{Cost of Revenue from Operations} = ₹\ 6{,}80{,}000 \times \frac{100}{125}$$

$$= ₹\ 5{,}44{,}000$$

$$\text{Operating Ratio} = \frac{₹\ 5{,}44{,}000 + ₹\ 2{,}17{,}000}{₹\ 6{,}80{,}000} \times 100 = 111.91\%$$

Delhi Set III Code No. 67/1/3

Note : Except these, all other questions are from Set-I and II.

PART -A
(Accounting for Partnership Firms and Companies)

13. E and F were partners in a firm sharing profits in the ratio of 7 : 3. On 28-2-2016, the firm was dissolved. After transferring assets (other than cash) and outsiders' liabilities to Realisation Account you are given the following information:

* *Out of Syllabus*

(a) A creditor for ₹ 3,00,000 accepted building valued at ₹ 3,75,000 and paid the firm ₹ 75,000.

(b) A second creditor for ₹ 93,000 accepted stock valued at ₹ 90,000 in full settlement of his claim.

(c) A third creditor amounting to ₹ 60,000 accepted ₹ 37,000 in cash and investments of the book value of ₹ 40,000 in full settlement of his claim.

(d) Loss on dissolution was ₹ 7,000.

Pass the necessary journal entries for the above transactions in the books of the firm assuming that all payments were made by cheque. **6**

Ans. **Journal Entry of E and F**

Date	Particulars	L. F.	Debit Amount (₹)	Credit Amount (₹)
(a)	Bank A/c Dr. To Realisation A/c (Being payment received from creditors)		75,000	75,000
(b)	(No Entry)			
(c)	Realisation A/c Dr. To Bank A/c /Cash A/c (Being partial payment made to creditors through cheque)		37,000	37,000
(d)	E's Capital A/c Dr. F's Capital A/c Dr. To Realisation A/c (Being loss on realisation transferred to Partners' Capital A/cs)		4,900 2,100	7,000

14. A, B and C were partners in a firm sharing profits in the ratio of 3 : 2 : 1. Their Balance Sheet as on 31-3-2015 was as follows :

Balance Sheet of A, B and C as on 31-3-2015

Liabilities		Amount (₹)	Assets	Amount (₹)
Creditors		50,000	Land	50,000
Bills Payable		20,000	Building	50,000
Capitals :			Plant	1,00,000
A	1,00,000		Stock	40,000
B	50,000		Debtors	30,000
C	25,000	1,75,000	Bank	5,000
General Reserve		30,000		
		2,75,000		**2,75,000**

From 1st April 2015, A, B and C decided to share profits equally. For this, it was agreed that :

(i) Goodwill of the firm will be valued at ₹ 1,50,000.

(ii) Land will be revalued at ₹ 80,000 and building be depreciated by 6%.

(iii) Creditors of ₹ 6,000 were not likely to be claimed and hence, should be written off.

Prepare Revaluation Account, Partners' Capital Accounts and Balance Sheet of the reconstituted firm. **6**

Ans. Dr. **Revaluation Account** **Cr.**

Particulars		Amount (₹)	Particulars	Amount (₹)
To Building A/c		3,000	By Land A/c	30,000
To Partners' Capital A/cs :			By Creditors A/c	6,000
(transfer of profit)				
A	16,500			
B	11,000			
C	5,500	33,000		
		36,000		**36,000**

Dr. **Partners' Capital Accounts** **Cr.**

Particulars	A (₹)	B (₹)	C (₹)	Particulars	A (₹)	B (₹)	C (₹)
To A's Capital A/c	—	—	25,000	By Balance b/d	1,00,000	50,000	25,000
To Balance c/d	1,56,500	71,000	10,500	By Revaluation A/c	16,500	11,000	5,500
				By General Reserve A/c	15,000	10,000	5,000
				By C's Capital A/c	25,000	—	—
	1,56,500	**71,000**	**35,500**		**1,56,500**	**71,000**	**35,500**

Balance Sheet of A, B and C
as at 1st April 2015

Liabilities		Amount (₹)	Assets	Amount (₹)
Creditors		44,000	Land	80,000
Bills Payable		20,000	Building	47,000
Capitals :			Plant	1,00,000
A	1,56,500		Stock	40,000
B	71,000		Debtors	30,000
C	10,500	2,38,000	Bank	5,000
		3,02,000		**3,02,000**

Working Notes:

A's Sacrifice/ Gain = $\frac{3}{6} - \frac{1}{3} = \frac{1}{6}$ (Sacrifice)

B's Sacrifice/ Gain = $\frac{2}{6} - \frac{1}{3}$ = Nil

C's Sacrifice/ Gain = $\frac{1}{6} - \frac{1}{2} = -\frac{1}{6}$ (Gain)

* 15. **On 1-4-2013, NK Ltd. had 20,000, 11% Debentures of ₹ 100 each outstanding.**

(i) On 1-4-2014, the company purchased in the open market 4,000 of its own debentures at ₹ 102 each and cancelled the same immediately.

(ii) On 1-4-2015, the company redeemed at par debentures of ₹ 8,00,000 by draw of a lot.

(iii) On 28-2-2016, the remaining debentures were purchased for immediate cancellation for ₹ 7,89,900.

Pass the necessary journal entries for the above transactions in the books of the company ignoring Debenture Redemption Reserve and interest on debentures. 6

PART -B
(Analysis of Financial Statements)

20. (a) **One of the objectives of 'Financial Statements Analysis' is to ascertain the relative importance of the different components of the financial position of the firm. State two more objectives of this analysis.** 2

Ans. (a) **Objectives of 'Financial Statements Analysis' (Any two):**

(i) Assessing the earning capacity or profitability of the firm as a whole as well as its different departments so as to judge the financial health of the firm.

(ii) Assessing the managerial efficiency by using financial ratios.

(iii) Assessing the short-term and the long-term solvency of the enterprise.

(iv) Assessing their own performance as well as of others through inter-firm comparison.

(v) Assessing developments in future by forecasting and preparing budgets.

(vi) Identifying the reasons for change in the financial position of the enterprise.

(vii) Understanding complicated matter in a simplified manner. **(Any two)**

* *Out of Syllabus*

21. **(a)** **What is meant by 'Profitability' of Business ?**

(b) **From the following information, calculate Operating Profit Ratio:**

Opening Stock ₹ 10,000; Purchases ₹ 1,20,000; Revenue from Operations ₹ 4,00,000; Purchases Returns ₹ 5,000; Returns from Revenue from Operations ₹ 15,000; Selling Expenses ₹ 70,000; Administrative Expenses ₹ 40,000; Closing Stock ₹ 60,000. **2+2=4**

Ans. **(a)** Profitability of business refers to the earning capacity of the business.

(b) Operating Profit Ratio = $\dfrac{\text{Opening Profit}}{\text{Net Revenue from Operations}} \times 100$

Net Revenue from Operations = ₹ 4,00,000- ₹ 15,000 = ₹ 3,85,000

Cost of Revenue from Operations = Opening Stock + Purchases – Purchases Returns – Closing Stock
= ₹ (10,000 +1,20,000 – 5,000 – 60,000)
= ₹ 65,000

Gross Profit = Net Revenue from Operations – Cost of Revenue from Operations
= ₹ 3,85,000 – ₹ 65,000
= ₹ 3,20,000

Operating Expenses = Selling Expenses + Administrative Expenses
= ₹ 70,000 + ₹ 40,000
= ₹ 1,10,000

Operating Profit = Gross Profit – Operating Expenses
= ₹ 3,20,000 – ₹ 1,10,000
= ₹ 2,10,000

Operating Profit Ratio = $\dfrac{₹\,2,10,000}{₹\,3,85,000} \times 100$
= 54.55%

Outside Delhi Set I — Code No. 67/1

PART -A
(Accounting for Partnership Firms and Companies)

1. **A group of 40 people wants to form a partnership firm. They want your advice regarding the maximum number of persons that can be there in a partnership firm and the name of the Act under whose provisions it is given.** **1**

Ans.
- Maximum number of partners: 50
- Companies Act, 2013

2. **P, Q and R were partners in a firm sharing profits in the ratio of 3 : 2 : 1. They admitted S as a new partner for $\frac{1}{8}$th share in the profits which he acquired $\frac{1}{16}$th from P and $\frac{1}{16}$th from Q.**

Calculate new profit sharing ratio of P, Q, R and S. **1**

Ans. P's share = $\dfrac{3}{6} - \dfrac{1}{16} = \dfrac{21}{48}$

Q's share = $\dfrac{2}{6} - \dfrac{1}{16} = \dfrac{13}{48}$

R's share = $\dfrac{1}{6} \times \dfrac{8}{8} = \dfrac{8}{48}$

S's share = $\dfrac{1}{8} \times \dfrac{6}{6} = \dfrac{6}{48}$

Thus, the new profit sharing ratio for P, Q, R and S will be 21 : 13 : 8 : 6.

3. **On 28.2.2016, the first call of ₹ 2 per share became due on 50,000 equity shares allotted by Kumar Ltd. Komal, a holder of 1,000 shares did not pay the first call money. Kovil, a holder of 750 shares paid the second and final call of ₹ 4 per share along with the first call.**

Pass the necessary journal entry for the amount received by opening Calls-in-Arrears and Calls-in-Advance account in the books of the company. **1**

Ans. **Kumar Ltd.**

Journal Entries

Date	Particulars	L. F.	Debit Amount (₹)	Credit Amount (₹)
2016				
Feb. 28	Bank A/c Dr.		1,01,000	
	Calls-in-Arrears A/c Dr.		2,000	
	To Equity Share First Call A/c			1,00,000
	To Calls-in-Advance A/c			3,000
	(Being call money received except on 1,000 shares and received advance on 750 shares)			

4. Distinguish between 'Dissolution of Partnership' and 'Dissolution of Partnership Firm' on the basis of 'Economic Relationship'. **1**

Ans.

Basis	Dissolution of Partnership	Dissolution of Partnership Firm
Economic relationship	Economic relationship between the partners continues though in a changed form.	Economic relationship between the partners comes to an end.

*** 5. State the provisions of Companies Act, 2013 for the creation of 'Debenture Redemption Reserve'.** **1**

6. Tom and Harry were partners in a firm sharing profits in the ratio of 5 : 3. During the year ended 31.03.2015, Tom had withdrawn ₹ 40,000. Interest on his drawings amounted to ₹ 2,000.

Pass the necessary journal entry for charging interest on drawings assuming that the capitals of the partners were fluctuating. **1**

Ans. **Journal Entries**

Date	Particulars	L. F.	Debit Amount (₹)	Credit Amount (₹)
2015				
Mar. 31	Tom's Capital A/c Dr.		2,000	
	To Interest on Drawings A/c			2,000
	(Being interest on drawings charged)			

7. On 2.3.2016, L and B Ltd. issued 635, 9% Debentures of ₹ 500 each. Pass the necessary journal entries for the issue of debentures, in the following situations :

(a) When debentures were issued at 5% discount, redeemable at 10% premium.

(b) When debentures were issued at 12% premium, redeemable at 6% premium. **3**

Ans. (a) **L & B Ltd.**

Journal Entries

Date	Particulars	L. F.	Debit Amount (₹)	Credit Amount (₹)
2016				
Mar. 2	Bank A/c Dr.		3,01,625	
	To 9% Debenture Application and Allotment A/c			3,01,625
	(Being application money received)			

* *Out of Syllabus*

Mar. 2	9% Debenture Application and Allotment A/c Dr.		3,01,625	
	Loss on Issue of Debentures A/c Dr.		47,625	
	To 9% Debentures A/c			3,17,500
	To Premium on Redemption of Debentures A/c			31,750
	(Being transfer of application money to Debentures Account issued at a discount of 5%, but redeemable at premium of 10%)			
	OR			
	9% Debenture Application and Allotment A/c Dr.		3,01,625	
	Discount on Issue of Debentures A/c Dr.		15,875	
	Loss on Issue of Debentures A/c Dr.		31,750	
	To 9% Debentures A/c			3,17,500
	To Premium on Redemption of Debentures A/c			31,750
	(Being transfer of application money to Debentures Account issued at a discount of 5%, but redeemable at premium of 10%)			

(b) **L & B Ltd.**

Journal Entries

Date	Particulars	L. F.	Debit Amount (₹)	Credit Amount (₹)
2016				
Mar. 2	Bank A/c Dr.			
	To 9% Debenture Application and		3,55,600	
	Allotment A/c			3,55,600
	(Being application money received)			
Mar. 2	9% Debenture Application and Allotment A/c Dr.		3,55,600	
	Loss on Issue of Debentures A/c Dr.		19,050	
	To 9% Debentures A/c			3,17,500
	To Securities Premium Reserve A/c			38,100
	To Premium on Redemption of Debentures A/c			19,050
	(Being transfer of application money to Debentures Account issued at 12% premium but redeemable at premium of 6%)			

8. State any three circumstances other than (i) Death of a partner, (ii) Admission of a partner and (iii) Retirement of a partner when need for valuation of goodwill of a firm may arise. **3**

Ans. In addition to the stated circumstances, the need for the valuation of goodwill in partnership arises in the following circumstances :

(i) Change in the profit sharing ratio amongst the existing partners.

(ii) Dissolution of a firm involving sale of business as a going concern.

(iii) Amalgamation of partnership firms.

9. K Ltd. took over the assets of ₹ 15,00,000 and liabilities of ₹ 5,00,000 of P Ltd. for a purchase consideration of ₹ 13,68,500. ₹ 25,500 were paid by issuing a promissory note in favour of P Ltd. payable after two months and the balance was paid by issue of equity shares of ₹ 100 each at a premium of 25%.

Pass the necessary journal entries for the above transactions in the books of K Ltd. **3**

Ans. **K Ltd.**

Journal Entries

Date	Particulars	L. F.	Debit Amount (₹)	Credit Amount (₹)
(i)	Sundry Assets A/c Dr.		15,00,000	
	Goodwill A/c (Bal. Fig.) Dr.		3,68,500	
	To Sundry Liabilities A/c			5,00,000
	To P Ltd.			13,68,500
	(Being assets and liabilities acquired)			
(ii)	P Ltd. Dr.		13,68,500	
	To Bills Payable A/c			25,500
	To Equity Share Capital A/c			10,74,400
	To Securities Premium Reserve A/c			2,68,600
	(Being draft accepted and equity shares issued at a premium of 25%)			
	OR			
	P Ltd. Dr.		25,500	
	To Bills Payable A/c			25,500
	(Being draft accepted)			
	P Ltd. Dr.		13,43,000	
	To Equity Share Capital A/c			10,74,400
	To Securities Premium Reserve A/c			2,68,600
	(Being equity shares issued at a premium of 25%)			

10. To provide employment to the youth and to develop Baramula district of Jammu and Kashmir, Jyoti Power Ltd. decided to setup a power plant. For raising funds, the company decided to issue 8,50,000 equity shares of ₹ 10 each at a premium of ₹ 3 per share. The whole amount was payable on application. Applications for 20,00,000 shares were received. Applications for 3,00,000 shares were rejected and shares were allotted to the remaining applicants on pro-rata basis.

Pass the necessary journal entries for the above transactions in the books of the company and identify *any two values which the company wants to propagate. **3**

Ans. **Jyoti Power Ltd.**

Journal Entries

Date	Particulars	L. F.	Debit Amount (₹)	Credit Amount (₹)
	Bank A/c Dr.		2,60,00,000	
	To Equity Share Application and Allotment A/c			2,60,00,000
	(Being application and allotment money received for 20,00,000 shares)			
	Equity Share Application and Allotment A/c Dr.		2,60,00,000	
	To Equity Share Capital A/c			85,00,000
	To Securities Premium Reserve A/c			25,50,000
	To Bank A/c			1,49,50,000
	(Being share application and allotment money adjusted)			

11. Vikas and Vivek were partners in a firm sharing profits in the ratio of 3 : 2. On 1.4.2014, they admitted Vandana as a new partner for $\frac{1}{8}^{th}$ share in the profits with a guaranteed profit of ₹ 1,50,000. The new profit sharing ratio between Vivek and Vikas will remain the same but they decided to bear any deficiency on account

of guarantee to Vandana in the ratio of 2 : 3. The profit of the firm for the year ended 31.3.2015 was ₹ 9,00,000. Prepare Profit and Loss Appropriation Account of Vikas, Vivek and Vandana for the year ended 31.3.2015. 4

Ans. **Profit and Loss Appropriation A/c of Vikas, Vivek and Vandana**

Dr. **for the year ended 31st March 2015** **Cr.**

Particulars		Amount (₹)	Particulars	Amount (₹)
To Partners' Capital A/cs :			By Profit and Loss A/c	
(transfer of profit)			(net profit)	9,00,000
Vikas	4,72,500			
Less : Deficiency	22,500	4,50,000		
Vivek	3,15,000			
Less : Deficiency	15,000	3,00,000		
Vandana	1,12,500			
Add : From Vikas	22,500			
From Vivek	15,000	1,50,000		
		9,00,000		**9,00,000**

12. Manav, Nath and Narayan were partners in a firm sharing profits in the ratio of 1 : 2 : 1. The firm closes its books on 31st March every year. On 30th September 2015 Nath died. On that date, his Capital Account showed a debit balance of ₹ 5,000. There was a debit balance of ₹ 30,000 in the Profit and Loss Account. The goodwill of the firm was valued at ₹ 3,80,000. Nath's share of profit in the year of his death was to be calculated on the basis of average profit of last 5 years, which was ₹ 90,000.

Pass the necessary journal entries in the books of the firm on Nath's death. 4

Ans. **Books of the Firm**

Journal Entries

Date	Particulars		L. F.	Debit Amount (₹)	Credit Amount (₹)
2015					
Sep. 30	Manav's Capital A/c	Dr.		95,000	
	Narayan's Capital A/c	Dr.		95,000	
	To Nath's Capital A/c				1,90,000
	(Being Nath's share of goodwill adjusted in the Capital A/cs of the existing partners in their Gaining Ratio, i.e. 1 : 1)				
	Nath's Capital A/c	Dr.		15,000	
	To Profit and Loss A/c				15,000
	(Being Nath's share in debit balance of Profit and Loss A/c transferred)				
	OR				
	Manav's Capital A/c	Dr.		7,500	
	Nath's Capital A/c	Dr.		15,000	
	Narayan' Capital A/c	Dr.		7,500	
	To Profit and Loss A/c				30,000
	(Being Nath's share in debit balance of Profit and Loss A/c transferred)				

	Profit and Loss Suspense A/c Dr. To Nath's Capital A/c (Being Nath's share of profit upto the date of death transferred)		22,500	22,500
	Nath's Capital A/c Dr. To Nath's Executor's A/c (Being amount due to Nath transferred to his Executor's A/c)		1,92,500	1,92,500

13. Lal and Pal were partners in a firm sharing profits in the ratio of 3 : 7. On 1.4.2015, their firm was dissolved. After transferring assets (other than cash) and outsider's liabilities to Realisation Account, you are given the following information:

(a) A creditor of ₹ 3,60,000 accepted machinery valued at ₹ 5,00,000 and paid to the firm ₹ 1,40,000.

(b) A second creditor for ₹ 50,000 accepted stock at ₹ 45,000 in full settlement of his claim.

(c) A third creditor amounting to ₹ 90,000 accepted ₹ 45,000 in cash and investments worth ₹ 43,000 in full settlement of his claim.

(d) Loss on dissolution was ₹ 15,000.

Pass the necessary journal entries for the above transactions in the books of firm assuming that all payments were made by cheque. **6**

Ans. **Journal of Lal and Pal**

Date	Particulars	L. F.	Debit Amount (₹)	Credit Amount (₹)
2015 Apr. 1	Bank A/c Dr. To Realisation A/c (Being payment received from creditors)		1,40,000	1,40,000
	(No Entry)			
	Realisation A/c Dr. To Bank A/c (Being partial payment made to creditors through cheque)		45,000	45,000
	Lal's Capital A/c Dr. Pal's Capital A/c Dr. To Realisation A/c (Being loss on realisation transferred to Partners' Capital A/cs)		4,500 10,500	15,000

14. R, S and T were partners in a firm sharing profits in the ratio of 1 : 2 : 3. Their Balance Sheet as on 31.3.2015 was as follows :

Balance Sheet of R, S and T
as on 31.3.2015

Liabilities		Amount (₹)	Assets	Amount (₹)
Creditors		50,000	Land	50,000
Bills Payable		20,000	Building	50,000
General Reserve		30,000	Plant	1,00,000
Capitals :			Stock	40,000
R	1,00,000		Debtors	30,000
S	50,000		Bank	5,000
T	25,000	1,75,000		
		2,75,000		**2,75,000**

R, S and T decided to share the profits equally with effect from 1.4.2015. For this, it was agreed that:
(a) Goodwill of the firm be valued at ₹ 1,50,000.
(b) Land be revalued at ₹ 80,000 and building be depreciated by 6%.
(c) Creditors of ₹ 6,000 were not likely to be claimed and hence, be written off.
Prepare Revaluation Account, Partners' Capital Accounts and the Balance Sheet of the reconstituted firm. 6

Ans. **Dr.** **Revaluation Account** **Cr.**

Particulars		Amount (₹)	Particulars	Amount (₹)
To Building A/c		3,000	By Land A/c	30,000
To Partners' Capital A/cs :			By Creditors A/c	6,000
(transfer of profit)				
R	5,500			
S	11,000			
T	16,500	33,000		
		36,000		**36,000**

Dr. **Partners' Capital Accounts** **Cr.**

Particulars	R (₹)	S (₹)	T (₹)	Particulars	R (₹)	S (₹)	T (₹)
To T's Capital A/c	25,000	—	—	By Balance b/d	1,00,000	50,000	25,000
To Balance c/d	85,500	71,000	81,500	By Revaluation A/c	5,500	11,000	16,500
				By General Reserve A/c	5,000	10,000	15,000
				By R's Capital A/c	—	—	25,000
	1,10,500	**71,000**	**81,500**		**1,10,500**	**71,000**	**81,500**

Balance Sheet of R, S and T
as at 1st April 2015

Liabilities		Amount (₹)	Assets	Amount (₹)
Creditors		44,000	Land	80,000
Bills Payable		20,000	Building	47,000
Capitals :			Plant	1,00,000
R	85,500		Stock	40,000
S	71,000		Debtors	30,000
T	81,500	2,38,000	Bank	5,000
		3,02,000		**3,02,000**

Working Notes:

$$\text{R's Sacrifice/ Gain} = \frac{1}{6} - \frac{1}{3} = -\frac{1}{6} \text{ (Gain)}$$

$$\text{S's Sacrifice/ Gain} = \frac{2}{6} - \frac{1}{3} = \text{Nil}$$

$$\text{T's Sacrifice/ Gain} = \frac{3}{6} - \frac{1}{3} = \frac{1}{6} \text{ (Sacrifice)}$$

*** 15. On 1.4.2013, JJJ Ltd. had ₹ 1,00,00,000, 10% Debentures of ₹ 100 each outstanding.**

(i) On 1.4.2014, the company purchased in the open market 30,000 of its own debentures for ₹ 99 each and cancelled the same immediately.

(ii) On 28.2.2015, the company redeemed at par debentures of ₹ 50,00,000 by draw of a lot.

(iii) On 31.1.2016, the remaining debentures were purchased for immediate cancellation for ₹ 19,99,000.

Ignoring interest on debentures and Debenture Redemption Reserve, pass the necessary journal entries for the above transactions in the books of the company. 6

* *Out of Syllabus*

16. SK Ltd. invited applications for issuing 3,20,000 equity shares of ₹ 10 each at a premium of ₹ 5 per share. The amount was payable as follows :

On Application— ₹ 3 per share (including premium ₹ 1 per share)

On Allotment— ₹ 5 per share (including premium ₹ 2 per share)

On First and Final Call — Balance

Applications for 4,00,000 shares were received. Applications for 40,000 shares were rejected and application money refunded. Shares were allotted on pro-rata basis to the remaining applicants. Excess money received with applications was adjusted towards sums due on allotment. Jeevan holding 800 shares failed to pay the allotment money and his shares were immediately forfeited. Afterwards final call was made, Ganesh who had applied for 2,700 shares failed to pay the final call. His shares were also forfeited. Out of the forfeited shares 1,500 shares were re-issued at ₹ 8 per share fully paid up. The re-issued shares included all the forfeited shares of Jeevan.

Pass the necessary journal entries for the above transactions in the books of the company. **8**

OR

BBG Ltd. had issued 1,00,000 equity shares of ₹ 10 each at a premium of ₹ 3 per share payable with application money. While passing the journal entries related to the issue, some blanks are left. You are required to complete these blanks.

Books of BBG Ltd.
Journal

Date	Particulars	L. F.	Debit Amount (₹)	Credit Amount (₹)
2015				
Jan. 5	.... Dr.		....	
	To			....
	(Amount received on application for 1,40,000 shares @ ₹ 6 per share including premium)			
Jan. 17	Equity Share Application A/c Dr.		....	
	To			....
	To			....
	To			....
	To			....
	(Application money transferred to Share Capital Account, Securities Premium Account, refunded for 20,000 shares for rejected applications and balance adjusted towards amount due on allotment as shares were allotted on pro-rata basis)			
Jan. 17	.... Dr.		....	
	To			....
	(Allotment money due @ ₹ 4 per share)			
Feb. 20	.... Dr.		....	
	To			....
	(Balance allotment amount received)			
April 01	.... Dr.		....	
	To			....
	(First and final call money due)			
April 20	.... Dr.		....	
	Calls-in-Arrears A/c Dr.		3,000	
	To			....
	(First and final call money received)			

May 20	.... Dr. To .... To .... (Forfeited the shares on which First and Final call was not received)		....	....
June 15	.... Dr. .... Dr. To .... (Forfeited shares re-issued)		 3,000	....
....	.... Dr. To .... (..)		....	....

8

Ans.

SK Ltd.
Journal Entries

Date	Particulars	L. F.	Debit Amount (₹)	Credit Amount (₹)
(i)	Bank A/c Dr.		12,00,000	
	To Equity Share Application A/c			12,00,000
	(Being application money received on shares)			
(ii)	Equity Share Application A/c Dr.		12,00,000	
	To Equity Share Capital A/c			6,40,000
	To Securities Premium Reserve A/c			3,20,000
	To Equity Share Allotment A/c			1,20,000
	To Bank A/c			1,20,000
	(Being application money transferred to Equity Share Capital A/c)			
(iii)	Equity Share Allotment A/c Dr.		16,00,000	
	To Equity Share Capital A/c			9,60,000
	To Securities Premium Reserve A/c			6,40,000
	(Being share allotment made due)			
(iv)	Bank A/c Dr.		14,76,300	
	To Equity Share Allotment A/c			14,76,300
	(Being allotment money received except on 800 shares)			
	OR			
	Bank A/c Dr.		14,76,300	
	Calls-in-Arrears A/c Dr.		3,700	
	To Equity Share Allotment A/c			14,80,000
	(Being allotment money received except on 800 shares)			
(v)	Equity Share Capital A/c Dr.		4,000	
	Securities Premium Reserve A/c Dr.		1,600	
	To Share Forfeiture A/c			1,900
	To Equity Share Allotment A/c/Calls-in-Arrears A/c			3,700
	(Being 800 shares of Jeevan forfeited after allotment)			

(vi)	Equity Share First and Final Call A/c Dr.		22,34,400	
	To Equity Share Capital A/c			15,96,000
	To Securities Premium Reserve A/c			6,38,400
	(Being first and final call due on 3,19,200 shares)			
(vii)	Bank A/c Dr.		22,17,600	
	To Equity Share First and Final Call A/c			22,17,600
	(Being first and final call money received except on 2,400 shares)			
	OR			
	Bank A/c Dr.		22,17,600	
	Calls-in-Arrears A/c Dr.		16,800	
	To Equity Share First and Final Call A/c			22,34,400
	(Being first and final call money received except on 2,400 shares)			
(viii)	Equity Share Capital A/c Dr.		24,000	
	Securities Premium Reserve A/c Dr.		4,800	
	To Share Forfeited A/c			12,000
	To Equity Share first and final call A/c Calls- in-Arrears A/c			16,800
	(Being 2,400 shares of Ganesh forfeited)			
(ix)	Bank A/c Dr.		12,000	
	Share Forfeited A/c Dr.		3,000	
	To Equity Share Capital A/c			15,000
	(Being 1,500 shares reissued for ₹ 8 per share fully paid up)			
(x)	Share Forfeited A/c Dr.		2,400	
	To Capital Reserve A/c			2,400
	(Being gain on reissue on forfeited shares transferred to Capital Reserve Account)			

OR

Books of BBG Ltd.

Journal

Date	Particulars	L. F.	Debit Amount (₹)	Credit Amount (₹)
2015 Jan. 05	Bank A/c Dr.		8,40,000	
	To Equity Share Application A/c			8,40,000
	(Being received on application 1,40,000 shares @ ₹ 6 per share including premium)			
Jan. 17	Equity Share Application A/c Dr.		8,40,000	
	To Equity Share Capital A/c			3,00,000
	To Securities Premium Reserve A/c			3,00,000
	To Bank A/c			1,20,000
	To Equity Share Allotment A/c			1,20,000
	(Application money transfer to share capital, securities premium, money refunded for 20,000 shares for rejected, applications and balance adjusted towards amount due on allotment as shares were allotted on pro-rata basis)			

Jan. 17	Equity Share Allotment A/c Dr.		4,00,000	
	To Equity Share Capital A/c			4,00,000
	(Being due on allotment @ ₹ 4 per share)			
Feb. 20	Bank A/c Dr.		2,80,000	
	To Equity Share Allotment A/c			2,80,000
	(Being money received on allotment)			
Apr. 01	Equity Share First and Final Call A/c Dr.		3,00,000	
	To Equity Share Capital A/c			3,00,000
	(First and final call money due)			
Apr. 20	Bank A/c Dr.		2,97,000	
	Calls-in-Arrears A/c Dr.		3,000	
	To Equity Share First and Final Call A/c			3,00,000
	(Money received on first and final call)			
May 20	Equity Share Capital A/c Dr.		10,000	
	To Share Forfeited A/c			7,000
	To Calls-in-Arrears A/c			3,000
	(Forfeited the shares on which call money was not received)			
June 15	Bank A/c Dr.		7,000	
	Share Forfeited A/c Dr.		3,000	
	To Equity Share Capital A/c			10,000
	(Re-issued the forfeited shares @ ₹ 8 per share fully paid up)			
2016				
Mar. 31	Share Forfeited A/c Dr.		4,000	
	To Capital Reserve A/c			4,000
	(Being gain on re-issue on forfeited shares transferred to Capital Reserve Account)			

17. L, M and N were partners in a firm sharing profits in the ratio of 3 : 2 : 1. Their Balance Sheet on 31.3.2015 was as follows :

Balance Sheet of L, M and N
as on 31.3.2015

Liabilities		Amount (₹)	Assets	Amount (₹)
Creditors		1,68,000	Bank	34,000
General Reserve		42,000	Debtors	46,000
Capitals :			Stock	2,20,000
L	1,20,000		Investments	60,000
M	80,000		Furniture	20,000
N	40,000	2,40,000	Machinery	70,000
		4,50,000		**4,50,000**

On the above date, O was admitted as a new partner and it was decided that :

(i) The new profit sharing ratio between L, M, N and O will be 2 : 2 : 1 : 1.

(ii) Goodwill of the firm was valued at ₹ 1,80,000 and O brought his share of Goodwill premium in cash.

(iii) The market value of investments was ₹ 36,000.

(iv) Machinery will be reduced to ₹ 58,000.

(v) A creditor of ₹ 6,000 was not likely to claim the amount and hence, was to be written off.

(vi) O will bring proportionate capital so as to give him $\frac{1}{6}$ th share in the profits of the firm.

Prepare Revaluation Account, Partners' Capital Accounts and the Balance Sheet of the new firm. 8

OR

J, H and K were partners in a firm sharing profits in the ratio of 5 : 3 : 2. On 31.3.2015, their Balance Sheet was as follows :

Balance Sheet of J, H and K
as on 31.3.2015

Liabilities		Amount (₹)	Assets		Amount (₹)
Creditors		42,000	Land and Building		1,24,000
Investment Fluctuation Fund		20,000	Motor Vans		40,000
P & L Account		80,000	Investments		38,000
Capitals :			Machinery		24,000
J	1,00,000		Stock		30,000
H	80,000		Debtors	80,000	
K	40,000	2,20,000	Less : Provision	6,000	74,000
			Cash		32,000
		3,62,000			**3,62,000**

On the above date, H retired and J and K agreed to continue the business on the following terms:

(i) Goodwill of the firm was valued at ₹ 1,02,000.

(ii) There was a claim of ₹ 8,000 for Workmen's Compensation.

(iii) Provision for bad debts was to be reduced by ₹ 2,000.

(iv) H will be paid ₹ 14,000 in cash and the balance will be transferred in his Loan Account which will be paid in four equal yearly installments together with interest @ 10% p.a.

(v) The new profit sharing ratio between J and K will be 3 : 2 and their capitals will be in their new profit sharing ratio. The capital adjustments will be done by opening Current Accounts.

Prepare Revaluation Account, Partners' Capital Accounts and Balance Sheet of the new firm. 8

Ans. **Dr.** **Revaluation A/c** **Cr.**

Particulars	Amount (₹)	Particulars		Amount (₹)
To Investments A/c	24,000	By Creditors A/c		6,000
To Machinery A/c	12,000	By Partners' Capital A/cs :		
		(transfer of loss)		
		L	15,000	
		M	10,000	
		N	5,000	30,000
	36,000			**36,000**

Dr. **Partners' Capital Accounts** **Cr.**

Particulars	L (₹)	M (₹)	N (₹)	O (₹)	Particulars	L (₹)	M (₹)	N (₹)	O (₹)
To Revaluation A/c	15,000	10,000	5,000	—	By Balance b/d	1,20,000	80,000	40,000	—
To Balance c/d	1,56,000	84,000	42,000	56,400	By General Reserve A/c	21,000	14,000	7,000	—
					By Premium for Goodwill A/c				
					By Bank A/c	30,000	—	—	—
						—	—	—	56,400
	1,71,000	**94,000**	**47,000**	**56,400**		**1,71,000**	**94,000**	**47,000**	**56,400**

Balance Sheet of L, M, N and O
as at 31st March 2015

Liabilities		Amount (₹)	Assets	Amount (₹)
Creditors		1,62,000	Bank	1,20,400
Partner Capitals :			Debtors	46,000
L	1,56,000		Investment	36,000
M	84,000		Machinery	58,000
N	42,000		Furniture and Fittings	20,000
O	56,400	3,38,400	Stock	2,20,000
		5,00,400		**5,00,400**

OR

Dr. **Revaluation Account** **Cr.**

Particulars	Amount (₹)	Particulars		Amount (₹)
To Claim for Workmen Compensation A/c	8,000	By Provision for Bad debts A/c		2,000
		By Partners' Capital A/cs : (transfer of loss)		
		J	3,000	
		H	1,800	
		K	1,200	6,000
	8,000			**8,000**

Dr. **Partners' Capital Accounts** **Cr.**

Particulars	J (₹)	H (₹)	K (₹)	Particulars	J (₹)	H (₹)	K (₹)
To Revaluation A/c	3,000	1,800	1,200	By Balance b/d	1,00,000	80,000	40,000
To H's Capital A/c	10,200	—	20,400	By Investment Fluctuation Fund A/c	10,000	6,000	4,000
To Cash A/c	—	14,000	—	By Profit and Loss A/c	40,000	24,000	16,000
To H's Loan A/c	—	1,24,800	—	By J's Capital A/c	—	10,200	—
To J's Current A/c	31,680	—	—	By K's Capital A/c	—	20,400	—
To Balance c/d	1,05,120	—	70,080	By K's Current A/c	—	—	31,680
	1,50,000	**1,40,600**	**91,680**		**1,50,000**	**1,40,600**	**91,680**

Balance Sheet of J, K and H
as at 31st March 2015

Liabilities	Amount (₹)	Assets	Amount (₹)
Creditors	42,000	Land and Building	1,24,000
Claim for Workmen Compensation	8,000	Motor Van	40,000
H's Loan	1,24,800	Investment	38,000
J's Current A/c	31,680	Machinery	24,000

Partner's Capitals :			Stock		30,000
J	1,05,120		Debtors	80,000	
K	70,080	1,75,200	*Less* : Provision	4,000	76,000
			Cash		18,000
			K's Current A/c		31,680
		3,81,680			**3,81,680**

PART -B
(Analysis of Financial Statements)

18. Give the meaning of ' Cash Flow Statement'. **1**

Ans. A Cash Flow Statement shows inflows and outflows of cash and cash equivalents due to Operating, Investing and Financing Activities of a company during a specified period. **1**

19. 'An enterprise may hold securities and loans for dealing or trading purpose in which case they are similar to inventory acquired specifically for resale. Is the statement correct ? Cash Flows from such activities will be classified under which type of activity while preparing Cash Flow Statement ? **1**

Ans.
- Yes, the statement is correct.
- Operating activity. **1**

20. (a) One of the objectives of 'Financial Statement Analysis is to judge the ability of firm to repay its debt and assessing the short-term as well as the long-term liquidity position of the firm.' State two more objectives of this analysis.

(b) List any two items that are presented under the head 'Other Current Liabilities' and any two items that are presented under the head 'Other Current Assets' as per schedule III of the Companies Act, 2013. **4**

Ans. (a) Objectives of 'Financial Statements Analysis' (Any two):

(i) Assessing the earning capacity or profitability of the firm as a whole as well as its different departments so as to judge the financial health of the firm.

(ii) Assessing the managerial efficiency by using financial ratios.

(iii) Assessing their own performance as well as of others through inter-firm comparison.

(iv) Assessing developments in future by forecasting and preparing budgets.

(v) Ascertain the relative importance of different components of the financial position of the firm.

(vi) Understanding complicated matter in a simplified manner.

(b) Other Current Liabilities (Any two):

(i) Current maturities of long-term debts.

(ii) Interest accrued but not due on borrowings.

(iii) Interest accrued and due on borrowings.

(iv) Income received in advance.

(v) Unpaid dividend.

(vi) Application money received for allotment of securities and due for refund and interest due thereon.

(vii) Unpaid matured deposits and interest accrued thereon.

(viii) Unpaid matured debentures and interest accrued thereon.

(ix) Calls-in-Advance

(x) Other payables (outstanding expenses, calls-in-advance, provident fund payable, ESI payable, CST payable, VAT payable, etc.)

Other Current Assets (Any two):

(i) Unamortised expenses/losses (to be written off within 12 months from the date of Balance Sheet)

(ii) Prepaid expenses

(iii) Dividend receivable

(iv) Advance taxes

21. (a) What is meant by 'Activity Ratios'?

(b) From the following information, calculate Inventory Turnover Ratio: Revenue from Operations ₹ 16,00,000; Average Inventory ₹ 2,20,000; Gross Loss Ratio 5%. **4**

Ans. (a) Activity ratios refer to the ratios that are calculated for measuring the efficiency of operations of business based on effective utilisation of resources.

(b) Calculation of Inventory Turnover Ratio:

$$\text{Inventory Turnover Ratio} = \frac{\text{Cost of Revenue from Operations}}{\text{Average Inventory}}$$

Cost of Revenue from Operations = Revenue from Operations + Gross Loss
= ₹ 16,00,000 + ₹ 80,000
= ₹ 16,80,000

Average Inventory = ₹ 2,20,000

$$\text{Inventory Turnover Ratio} = \frac{₹\ 16,80,000}{₹\ 2,20,000}$$

= 7.64 times

*** 22. Following is the Statement of Profit and Loss of Moon India Ltd. for the year ended 31st March, 2015:**

Particulars	Note No.	31-3-2015 (₹)	31-3-2014 (₹)
Revenue from Operations		50,00,000	40,00,000
Other Incomes		2,00,000	10,00,000
Employee Benefit Expenses		60% of Total Revenue	50% of Total Revenue
Other Expenses		10% of Employee Benefit Expenses	20% of Employee Benefit Expenses
Tax Rate		50%	40%

The motto of Moon India Ltd. is to produce and distribute green energy in the backward areas of India. It has also taken up a project of giving vocational training to the girls belonging to the backward areas of Rajasthan. You are required to prepare a Comparative Statement of Profit and Loss of Moon India Ltd. from the given Statement of Profit and Loss and *also identify any two values that the company wishes to convey to the society. **4**

23. Following was the Balance Sheet of M.M. Ltd. at on 31.3.2015:

M.M. Ltd.

Balance Sheet as at 31.3.2015

Particulars	Note No.	31-3-2015 (₹)	31-3-2014 (₹)
I. Equity and Liabilities:			
1. Shareholders' Funds:			
(a) Share Capital		5,00,000	4,00,000
(b) Reserves and Surplus	1	2,00,000	(50,000)
2. Non-Current Liabilities:			
Long-Term Borrowings	2	4,50,000	5,00,000
3. Current Liabilities:			
(a) Short-Term Borrowings	3	1,50,000	50,000
(b) Short-Term Provisions	4	70,000	90,000
Total		**13,70,000**	**9,90,000**
II. Assets:			
1. Non-Current Assets:			
(a) Fixed Assets:			
(i) Tangible Assets	5	10,03,000	7,20,000
(ii) Intangible Assets	6	20,000	30,000
(b) Non-Current Investments		1,00,000	75,000
2. Current Assets:			
(a) Current Investments	7	50,000	60,000
(b) Inventories		1,07,000	45,000
(c) Cash and Cash Equivalents		90,000	60,000
Total		**13,70,000**	**9,90,000**

* *Out of Syllabus*

Notes to Accounts:

Note No.	Particulars	31-3-2015 (₹)	31-3-2014 (₹)
1.	**Reserves and Surplus:** Surplus, i.e. Balance in Statement of Profit and Loss	2,00,000	(50,000)
		2,00,000	**(50,000)**
2.	**Long-Term Borrowings:** 12% Debentures	4,50,000	5,00,000
		4,50,000	**5,00,000**
3.	**Short-Term Borrowings:** Bank Overdraft	1,50,000	50,000
		1,50,000	**50,000**
4.	**Short-term Provisions:** Provision for tax	70,000	90,000
		70,000	**90,000**
5.	**Tangible Assets:** Machinery Accumulated Depreciation	12,03,000 (2,00,000)	8,21,000 (1,01,000)
		10,03,000	**7,20,000**
6.	**Intangible Assets:** Goodwill	20,000	30,000
		20,000	**30,000**
7.	**Inventories:** Stock-in-Trade	1,07,000	45,000
		1,07,000	**45,000**

Additional Information :
(i) 12% Debentures were redeemed on 31-3-2015.
(ii) Tax ₹ 70,000 was paid during the year.
Prepare Cash Flow Statement. 6

Ans. **Cash Flow Statement of M.M. Ltd.**
for the year ended 31st March 2015

Particulars	Detail (₹)	Amount (₹)
A. Cash Flow from Operating Activities:		
Net Profit before Tax and Extraordinary Items (Note 1)	3,00,000	
Add : Non Cash and Non-operating Charges:		
(a) Goodwill Written Off	10,000	
(b) Depreciation on Machinery	99,000	
(c) Interest on Debentures	60,000	
Operating Profit Before Working Capital Changes	4,69,000	
Less : Increase in Current Assets:		
Increase in Stock in Trade	(62,000)	
Cash from Operations	4,07,000	
Less : Tax Paid	(70,000)	
Net Cash generated from Operating Activities		3,37,000

B. Cash Flow from Investing Activities:		
Purchase of Machinery	(3,82,000)	
Purchase of Non Current Investments	(25,000)	
Net Cash used in Investing Activities		(4,07,000)
C. Cash Flow from Financing Activities:		
Issue of Share Capital	1,00,000	
Redemption of 12% Debentures	(50,000)	
Interest on Debentures Paid	(60,000)	
Bank Overdraft Raised	1,00,000	
Net Cash Flow from Financing Activities		90,000
Net Increase in Cash and Cash Equivalents (A+B+C)		20,000
Add *:* Opening Balance of Cash and Cash Equivalents		
Current Investments	60,000	
Cash and Cash Equivalents	60,000	1,20,000
Closing Balance of Cash and Cash Equivalents		
Current Investments	50,000	
Cash and Cash Equivalents	90,000	1,40,000

Notes:

Calculation of Net Profit before Tax :

Net Profit as per Statement of Profit and Loss	2,50,000
Add : Provision for Tax Made	50,000
Net Profit before Tax and Extraordinary Items	3,00,000

Dr. **Provision for Tax Account** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Bank A/c (Paid)	70,000	By Balance b/d	90,000
To Balance c/d	70,000	By Statement of P & L A/c (Bal. fig.)	50,000
	1,40,000		**1,40,000**

Outside Delhi Set II — Code No. 67/2

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

PART -A
(Accounting for Partnership Firms and Companies)

13. Prem and Suresh were partners in a firm sharing profits in the ratio of 7 : 8. On 1.4.2015, their firm was dissolved. After transferring assets (other than cash) and outsider's liabilities to Realisation Account, you are given the following information:

(i) Raman, a creditor of ₹ 4,00,000 accepted land valued at ₹ 7,00,000 and paid ₹ 3,00,000 to the firm.

(ii) Gopal, a second creditor for ₹ 1,05,000 accepted ₹ 90,000 in cash and investments of ₹ 14,000 in full settlement of his account.

(iii) Hari, a third creditor amounting to ₹ 75,000 accepted stock of the book value of ₹ 60,000 for ₹ 45,000 and the balance was paid to him by cheque.

(iv) Loss on dissolution was ₹ 45,000.

Pass the necessary journal entries for the above transactions in the books of the firm. **6**

Ans. **M/s Prem and Suresh**

Journal

Date	Particulars		L. F.	Debit Amount (₹)	Credit Amount (₹)
2015 Apr. 1	Cash/Bank A/c	Dr.		3,00,000	
	To Realisation A/c				3,00,000
	(Being payment received from creditors)				
	Realisation A/c	Dr.		90,000	
	To Cash/Bank A/c				90,000
	(Being partial payment made to creditors)				
	Realisation A/c	Dr.		30,000	
	To Cash/Bank A/c				30,000
	(Being partial payment made to creditors)				
	Prem's Capital A/c	Dr.		21,000	
	Suresh's Capital A/c	Dr.		24,000	
	To Realisation A/c				45,000
	(Being Loss on Realisation transferred to Partners' Capital A/cs)				

14. Nardeep, Hardeep and Gagandeep were partners in a firm sharing profits in 2 : 1 : 3 ratio. Their Balance Sheet as on 31.3.2015 was as follows :

Balance Sheet of Nardeep, Hardeep and Gagandeep

as on 31.3.2015

Liabilities		Amount (₹)	Assets	Amount(₹)
Creditors		1,00,000	Land	1,00,000
Bills Payable		40,000	Building	1,00,000
General Reserve		60,000	Plant	2,00,000
Capitals:			Stock	80,000
Nardeep	2,00,000		Debtors	60,000
Hardeep	1,00,000		Bank	10,000
Gagandeep	50,000	3,50,000		
		5,50,000		**5,50,000**

From 1.4.2015, Nardeep, Hardeep and Gagandeep decided to share the future profits equally. For this purpose, it was decided that :

(a) Goodwill of the firm be valued at ₹ 3,00,000.

(b) Land be revalued at ₹ 1,60,000 and building be depreciated by 6%.

(c) Creditors of ₹ 12,000 were not likely to be claimed and hence, be written off.

Prepare Revaluation Account, Partners' Capital Accounts and the Balance Sheet of the reconstituted firm. **6**

Ans. **Dr.** **Revaluation Account** **Cr.**

Particulars		Amount (₹)	Particulars	Amount (₹)
To Building A/c		6,000	By Land A/c	60,000
To Partner's Capital A/cs:			By Creditors A/c	12,000
(transfer of profit)				
Nardeep	22,000			
Hardeep	11,000			
Gagandeep	33,000	66,000		
		72,000		**72,000**

Dr. **Partners' Capital Accounts** **Cr.**

Particulars	Nardeep (₹)	Hardeep (₹)	Gagandeep (₹)	Particulars	Nardeep (₹)	Hardeep (₹)	Gagandeep (₹)
To Gagandeep's Capital A/c	—	50,000	—	By Balance b/d	2,00,000	1,00,000	50,000
To Balance c/d	2,42,000	71,000	1,63,000	By Revaluation A/c	22,000	11,000	33,000
				By General Reserve A/c	20,000	10,000	30,000
				By Hardeep's Capital A/c	—	—	50,000
	2,42,000	**1,21,000**	**1,63,000**		**2,42,000**	**1,21,000**	**1,63,000**

Balance Sheet of Nardeep, Hardeep and Gagandeep
as at 1st April, 2015

Liabilities		Amount (₹)	Assets	Amount (₹)
Creditors		88,000	Land	1,60,000
Bills Payable		40,000	Building	94,000
Capitals :			Plant	2,00,000
Nardeep	2,42,000		Stock	80,000
Hardeep	71,000		Debtors	60,000
Gagandeep	1,63,000	4,76,000	Bank	10,000
		6,04,000		**6,04,000**

Working Notes :

$$\text{Nardeep's Sacrifice/Gain} = \frac{2}{6} - \frac{1}{3} = \text{Nil}$$

$$\text{Hardeep's Sacrifice/Gain} = \frac{1}{6} - \frac{1}{3} = -\frac{1}{6} \text{ (Gain)}$$

$$\text{Gagandeep's Sacrifice/Gain} = \frac{3}{6} - \frac{1}{3} = \frac{1}{6} \text{ (Sacrifice)}$$

*** 15. On 1.4.2013, JMR Ltd. had 20,000, 9% Debentures of ₹ 100 each outstanding.**

(i) On 1.4.2014, the company purchased in the open market 6,000 of its own debentures for ₹ 98 each and cancelled the same immediately.

(ii) On 28.2.2015, the company redeemed at par debentures of ₹ 10,00,000 by draw of a lot.

(iii) On 1.3.2016, the remaining debentures were purchased for immediate cancellation for ₹ 3,99,000.

Ignoring interest on debentures and Debenture Redemption Reserve, pass the necessary journal entries for the above transactions in the books of JMR Ltd. **6**

* *Out of Syllabus*

PART -B
(Analysis of Financial Statements)

18. State any two objectives of preparing 'Cash Flow Statement'. **1**

Ans. (1) To provide information regarding sources and uses of cash from Operating, Investing and Financing Activities separately.

(2) To highlight change in cash position.

20. (a) 'One of the objectives of 'Analysis of Financial Statements' is to ascertain the relative importance of the different components of the financial position of the firm'. State two other objectives of this analysis.

(b) List any four items of 'Reserves' that are shown under the heading 'Reserves and Surplus' in the Balance Sheet of a company as per Schedule III of the Companies Act 2013. **4**

Ans. (a) Objectives of 'Financial Statements Analysis' (Any two) :

(i) Assessing the earning capacity or profitability of the firm as a whole as well as its different departments so as to judge the financial health of the firm.

(ii) Assessing the managerial efficiency by using financial ratios.

(iii) Assessing their own performance as well as of others through inter-firm comparison.

(iv) Assessing developments in future by forecasting and preparing budgets.

(v) Judging the ability of the firm to repay its debt and assessing the short-term as well as long - term liquidity position of the firm.

(vi) Understanding complicated matter in a simplified manner.

(b) Reserves and Surplus (Any four) :

(i) Capital Reserves

(ii) Capital Redemption Reserve

(iii) Securities Premium Reserve

(iv) Debenture Redemption Reserve

(v) Revaluation Reserve

(vi) Other Reserves (restricted to General Reserve only)

21. (a) What is meant by 'Profitability Ratios' ? **2**

Ans. (a) Profitability ratios are calculated to analyse the earning capacity of the business.

(Any relevant meaning, full credit to be given)

Outside Delhi Set III — Code No. 67/3

Note : Except these, all other questions are from Set I and II.

PART -A
(Accounting for Partnership Firms and Companies)

13. G and H were partners in a firm sharing profits in the ratio of 9 : 7. On 1.4.2015, their firm was dissolved. After transferring assets (other than cash) and outsider's liabilities to Realisation Account, you are given the following information :

(i) Mohan, a creditor of ₹ 2,30,000 accepted debtors of ₹ 2,00,000 at a discount of 10% and the balance was paid to him by cheque.

(ii) Sohan, a second creditor for ₹ 7,00,000 accepted land of the book value of ₹ 10,00,000 at ₹ 15,00,000 and paid the balance to the firm by cheque.

(iii) Ram, a third creditor for ₹ 80,000 took over stock of book value of ₹ 40,000 at ₹ 30,000 and investments of ₹ 48,000 in full settlements of his claim..

(iv) Loss on dissolution was ₹ 48,000.

Pass the necessary journal entries for the above transactions in the books of G and H. **6**

Ans. **M/s G and H**

Journal Entries

Date	Particulars	L. F.	Debit Amount (₹)	Credit Amount (₹)
2015				
Apr. 1	Realisation A/c Dr. To Bank A/c (Being partial payment made to creditors)		50,000	50,000
	Bank A/c Dr. To Realisation A/c (Being payment made to creditors)		8,00,000	8,00,000
	No Entry		—	—
	G's Capital A/c Dr. H's Capital A/c Dr. To Realisation A/c (Being loss on realisation transferred to Partners' Capital A/cs)		27,000 21,000	48,000

14. X, Y and Z were partners in a firm sharing profits in the ratio of 1 : 2 : 3. On 31.3.2015, their Balance Sheet was as follows:

Balance Sheet of X, Y and Z
as on 31.3.2015

Liabilities		Amount (₹)	Assets	Amount (₹)
Creditors		25,000	Land	25,000
Bills Payable		10,000	Building	25,000
General Reserve		15,000	Plant	50,000
Capitals :			Stock	20,000
X	50,000		Debtors	15,000
Y	25,000		Bank	2,500
Z	12,500	87,500		
		1,37,500		**1,37,500**

X, Y and Z decided to share the profits equally with effect from 1.4.2015. For this purpose it was agreed that:

(a) Goodwill of the firm be valued at ₹ 75,000.

(b) Land be revalued at ₹ 40,000 and building be depreciated by 6%.

(c) Creditors of ₹ 3,000 were not likely to be claimed and hence, be written off.

Prepare Revaluation Account, Partners' Capital Accounts and the Balance Sheet of the reconstituted firm. **6**

Ans. Dr. **Revaluation Account** **Cr.**

Particulars		Amount (₹)	Particulars	Amount (₹)
To Building A/c		1,500	By Land A/c	15,000
To Partners' Capital A/cs :			By Creditors A/c	3,000
(transfer of profit)				
X	2,750			
Y	5,500			
Z	8,250	16,500		
		18,000		**18,000**

Dr. **Partners' Capital Accounts** **Cr.**

Particulars	X (₹)	Y (₹)	Z (₹)	Particulars	X (₹)	Y (₹)	Z (₹)
To Z's Capital A/c	12,500	—	—	By Balance b/d	50,000	25,000	12,500
To Balance c/d	42,750	35,500	40,750	By Revaluation A/c	2,750	5,500	8,250
				By General Reserve A/c	2,500	5,000	7,500
				By X's Capital A/c	—	—	12,500
	55,250	**35,500**	**40,750**		**55,250**	**35,500**	**40,750**

Balance Sheet of X, Y and Z
as at 1st April 2015

Liabilities		Amount (₹)	Assets	Amount (₹)
Creditors		22,000	Land	40,000
Bills Payable		10,000	Building	23,500
Capitals :			Plant	50,000
X	42,750		Stock	20,000
Y	35,500		Debtors	15,000
Z	40,750	1,19,000	Bank	2,500
		1,51,000		**1,51,000**

Working Notes:

$$\text{X's Sacrifice/Gain} = \frac{1}{6} - \frac{1}{3}$$

$$= -\frac{1}{6} \text{ (Gain)}$$

$$\text{Y's Sacrifice/Gain} = \frac{2}{6} - \frac{1}{3}$$

$$= \text{Nil}$$

$$\text{Z's Sacrifice/Gain} = \frac{3}{6} - \frac{1}{3}$$

$$= \frac{1}{6} \text{ (Sacrifice)}$$

*** 15. On 1.4.2013, Roshni Ltd. had ₹ 50,00,000, 9% Debentures of ₹ 100 each outstanding.**

(i) On 1.4.2014, the company purchased in the open market 20,000 of its own debentures for ₹ 98.50 each and cancelled the same immediately.

(ii) On 1.10.2014, the company redeemed at par debentures of ₹ 16,00,000 by draw of a lot.

(iii) On 31.3.2015, the remaining debentures were purchased for immediate cancellation for ₹ 9,98,000.

Ignoring Interest on Debentures and Debenture Redemption Reserve, pass the necessary journal entries for the above transactions in the books of Roshni Ltd. 6

* *Out of Syllabus*

PART-B
(Analysis of Financial Statements)

18. Does movement between items that constitute Cash or Cash Equivalents result into Cash Flow ? Give reason in support of your answer. **1**

Ans.
- No
- Movements between items that constitute Cash or Cash Equivalents does not result into Cash Flow because these are the components of the Cash and Cash Equivalents only.

19. Why is separate disclosure of cash flows from investing activities important ? State. **1**

Ans. Separate disclosure of cash flows from investing activities is important because they represent the extent to which expenditures have been made for resources or purchase of assets.

20. (a) Give the meaning of 'Long-term Provisions'.

(b) List any four items other than 'Stock-in-Trade' that are presented under the sub-head 'Inventories' as per Schedule III of the Companies Act, 2013. **4**

Ans. (a) Provisions for which the related claims are expected to be settled beyond 12 months or operating cycle are classified as long-term provisions.

(b) Inventories (Any four):

(1) Raw materials

(2) Work in progress

(3) Finished goods

(4) Stores and Spares

(5) Loose tools

❑❑❑