Solved Paper 2018

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.

PART– A

(Accounting for Partnership Firms and Companies)

1. Amit and Beena were partners in a firm sharing profits and losses in the ratio of 3 : 1. Chaman was admitted as a new partner for $\frac{1}{6}^{th}$ share in the profits. Chaman acquired $\frac{2}{5}^{th}$ of his share from Amit. How much share did Chaman acquire from Beena ? **1**

Ans. Share of profit a acquired by Chaman from Amit = 1/6 × 2/5 = 2/30

Therefore, share of profit acquired by Chaman from Beena = 1/6 – 2/30 = 3/30 = 1/ 10

OR

Share of profit acquired by Chaman from Beena = 3/5 × 1/6 = 3/30

= 1/10 **1**

[CBSE Marking Scheme 2018]

2. Neetu, Meetu and Teetu were partners in a firm. On 1st January 2018 Meetu retired. On Meetu's retirement, the goodwill of the firm was valued at ₹ 4,20,000.

Pass necessary journal entry for the treatment of goodwill on Meetu's retirement. **1**

Ans. **Books of the firm**

Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2018				
Jan.1	Neetu's Capital A/c Dr.		70,000	
	Teetu's Capital A/c Dr.		70,000	
	To Meetu's Capital A/c			1,40,000
	(Being Meetu's share of goodwill credited in her capital account by debiting Neetu's and Teetu's capital account in the gaining ratio)			

3. Distinguish between 'Dissolution of partnership' and 'Dissolution of partnership firm' on the basis of settlement of assets and liabilities. **1**

Ans.

Basis	Dissolution of Partnership	Dissolution of a Partnership Firm
Settlement of assets and liabilities	Assets and liabilities are revalued and new balance sheet is drawn.	Assets are sold and liabilities are paid off.

4. Ritesh and Hitesh are childhood friends. Ritesh is a consultant whereas Hitesh is an architect. They contributed equal amounts and purchased a building for ₹ 2 crore. After a year, they sold it for ₹ 3 crore and shared the profits equally. Are they doing the business in partnership?

Give reason in support of your answer. 1

Ans. No, they are not doing business in partnership because they are not involved in doing sale and purchase of land/plot on a regular basis/mere co-ownership of a property does not amount to partnership.

5. Is 'Reserve Capital' a part of 'Unsubscribed Capital' or 'Uncalled Capital'? 1

Ans. Reserve capital is a part of Uncalled Capital.

6. Give the meaning of 'Debentures issued as Collateral Security'. 1

Ans. When the company issues debentures to the lenders as an additional/secondary security, in addition to other assets already pledged/some primary security. Such issue of debentures is called debentures issued as a collateral security.

7. Jayant, Kartik and Leena were partners in a firm sharing profits and losses in the ratio of 5 : 2 : 3. Kartik died and Jayant and Leena decided to continue the business. Their gaining ratio was 2 : 3.

Calculate the new profit sharing ratio of Jayant and Leena. 3

Ans.

Jayant's gain $= 2/5 \times 2/10 = 4/50$

Leena's gain $= 3/5 \times 2/10 = 6/50$

Jayant's new share $= 5/10 + 4/50 = 29/50$

Leena's new share $= 3/10 + 6/50 = 21/50$

New profit sharing ratio of Jayant and Leena $= 29 : 21$ or $29/50 : 21/50$

8. What is meant by a 'Share' ? Give any two differences between 'Preference Shares' and 'Equity Shares'. 3

Ans. A share refers to the share into which the total share capital of the company is divided.

OR

A share means a share in the share capital of the company and includes stock.

Differences between 'Preference Shares' and Equity Shares':

(i) Preference shares are shares which carry a preferential right at the time of payment of dividend and at the time of repayment of capital.

(ii) Equity shares are shares which do not carry a preferential right at the time of payment of dividend and at the time of repayment of capital.

OR

Differences between 'Preference Shares' and Equity Shares' (Any two):

	Preference Shares	Equity shares
(i)	Share which enjoys preferential right at the time of payment of dividend/dividend is paid on preference shares before it is paid on equity shares.	Shares which do not enjoy preferential right at the time of payment of dividend/ Dividend is paid on equity shares after it is paid on preference shares.
(ii)	Enjoy preferential right at the time of repayment of capital.	Do not enjoy preferential right at the time of repayment of capital.
(iii)	Rate of dividend may be fixed.	Rate of dividend is proposed every year by the directors and approved by the shareholders.
(iv)	Preference shares may be converted into equity shares if the terms of issue provide for it.	Equity shares are not convertible.
(v)	Preference shareholders have voting rights in special circumstances.	Equity shareholders have voting rights in all circumstances.

(vi)	Preference shareholders do not have the right to participate in the management of the company.	Equity shareholders do not have the right to participate in the management of the company.
(vii)	Arrears on cumulative preference shares are paid before dividend is paid on equity shares.	If dividend is not declared during the year, it is not accumulated to be paid the coming years.

9. NK Ltd., a truck manufacturing company, is registered with an authorised capital of ₹ 1,00,00,000 divided into equity shares of ₹ 100 each. The subscribed and paid up capital of the company is ₹ 50,00,000. The company decided to open technical schools in the Jhalawar district of Rajasthan to train the specially abled children of the area. It is planning to provide them employment in its various production units and industries in the neighbourhood area.

To meet the capital expenditure requirements of the project, the company offered 20,000 shares to the public for subscription. The shares were fully subscribed and paid.

Present the share capital in the Balance Sheet of the company as per the provisions of Schedule III of the Companies Act, 2013.

***Also identify any two values that the company wants to communicate.** **3**

Ans. **Balance Sheet of NK Ltd.**

as at ....(As per revised Schedule III)

Particulars	Note No.	Amount ₹ Current year
Equity and Liabilities		
1. Shareholders' Funds:		
(a) Share Capital	1	70,00,000

Notes to Accounts:

Particulars	₹
1. Share Capital	
Authorised Capital:	1,00,00,000
1,00,000 Equity Shares of ₹ 100 each	
Issued Capital:	70,00,000
70,000 Equity Shares of ₹ 100 each	
Subscribed Capital	
Subscribed and Fully Paid	
70,000 Equity Shares of ₹ 100 each	70,00,000

***10. Complete the following journal entries left blank in the books of VK Ltd.:**

VK Ltd.

Journal Entries

Date	Particulars	L. F.	Debit Amount (₹)	Credit Amount (₹)
2018 February 01	.... Dr. .... (Purchased own 500, 9% debentures of ₹ 100 each at ₹ 97 each for immediate cancellation)		....	....

* *Out of Syllabus*

February 01	.... Dr. .... (Cancelled own debentures)	....	 ....
....	.... Dr. .... (..................)	....	 ....

11. Banwari, Girdhari and Murari are partners in a firm sharing profits and losses in the ratio of 4 : 5 : 6. On 31st March 2014, Girdhari retired. On that date, the capitals of Banwari, Girdhari and Murari before the necessary adjustments stood at ₹ 2,00,000, ₹ 1,00,000 and ₹ 50,000, respectively. On Girdhari's retirement, goodwill of the firm was valued at ₹ 1,14,000. Revaluation of assets and re-assessment of liabilities resulted in a profit of ₹ 6,000. General Reserve stood in the books of the firm at ₹ 30,000.

The amount payable to Girdhari was transferred to his loan account. Banwari and Murari agreed to pay Girdhari two yearly instalments of ₹ 75,000 each including interest @ 10% p.a. on the outstanding balance during the first two years and the balance including interest in the third year. The firm closes its books on 31st March every year.

Prepare Girdhari's loan account till it is finally paid showing the working notes clearly. **4**

Ans. **Dr.** **Girdhari's Loan Account** **Cr.**

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)	
2015 Mar. 31	To Bank A/c	75,000	2014 Apr. 1	By Girdihari's Capital A/c	1,50,000	
Mar. 31	To Balance c/d	90,000	2015 Mar. 31	By Interest A/c	15,000	
		1,65,000			1,65,000	**1**
2016 Mar. 31	To Bank A/c	75,000	2015 Apr. 1	By Balance b/d	90,000	
Mar. 31	To Balance c/d	24,000	2016 Mar. 31	By Interest A/c	9,000	
		99,000			99,000	**1**
2017 Mar. 31	To Bank A/c	26,400	2016 Apr. 1	By Balance b/d	24,000	
			2017 Mar. 31	By Interest A/c	2,400	
		26,400			26,400	**1**

Working Notes:

Calculation of Amount Payable to Girdhari:	₹
Girdhari's Capital	1,00,000
Share of Goodwill	38,000
Share of Revaluation Profit	2,000
Share of General Reserve	10,000
	1,50,000

[CBSE Marking Scheme 2018]

12. Asha and Aditi are partners in a firm sharing profits and losses in the ratio of 3 : 2. They admit Raghav as a partner for $\frac{1}{4}^{th}$ share in the profits of the firm. Raghav brings ₹ 6,00,000 as his capital and his share of goodwill in cash. Goodwill of the firm is to be valued at two years' purchase of average profits of the last four years.

The profits of the firm during the last four years are given below :

Year	Profit (₹)
2013–14	3,50,000
2014–15	4,75,000
2015–16	6,70,000
2016–17	7,45,000

The following additional information is given:

(i) To cover management cost an annual charge of ₹ 56,250 should be made for the purpose of valuation of goodwill.

(ii) The closing stock for the year ended 31.3.2017 was overvalued by ₹ 15,000.

Pass necessary journal entries on Raghav's admission showing the working notes clearly. **4**

Ans. **Journal Entries**

Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)
	Bank A/c Dr.		8,50,000	
	To Raghav's Capital A/c			6,00,000
	To Premium for Goodwill A/c			2,50,000
	(Being capital and premium brought in by Raghav)			
	Premium for Goodwill A/c Dr.		2,50,000	
	To Asha's Capital A/c			1,50,000
	To Aditi's Capital A/c			1,00,000
	(Being premium for goodwill credited to the capital accounts of Asha and Aditi in the sacrificing ratio)			

Working Notes:

Calculation of goodwill :

Profits

2013–14 = ₹ 3,50,000 – ₹ 56,250 = ₹ 2,93,750

2014–15 = ₹ 4,75,000 – ₹ 56,250 = ₹ 4,18,750

2015–16 = ₹ 6,70,000 – ₹ 56,250 = ₹ 6,13,750

2016–17 = ₹ 7,45,000 – ₹ 56,250 – ₹ 15,000 = ₹ 6,73,750

$$\text{Goodwill of the firm} = \frac{₹\ 2,93,750 + ₹\ 4,18,750 + ₹\ 6,13,750 + ₹\ 6,73,750}{4} \times 2 = ₹\ 10,00,000$$

Raghav's Share of Goodwill = ¼ × ₹ 10,00,000 = ₹ 2,50,000

OR

Calculation of Goodwill:

Total Profit of four years = ₹ 3,50,000 + ₹ 4,75,000 + ₹ 6,70,000 + ₹ 7,30,000

= ₹ 22,25,000

Average Profits = ₹ 5,56,250 – ₹ 56,250

= ₹ 5,00,000

Goodwill of the Firm = ₹ 5,00,000 × 2 = ₹ 10,00,000

Raghav's Share of Goodwill = ¼ × ₹ 10,00,000 = ₹ 2,50,000

13. Pranav, Karan and Rahim were partners in a firm sharing profits and losses in the ratio of 2 : 2 : 1. On 31st March 2017 their Balance Sheet was as follows:

Balance Sheet of Pranav, Karan and Rahim as on 31.3.2017

Liabilities		Amount (₹)	Assets	Amount (₹)
Creditors		3,00,000	Fixed Assets	4,50,000
General Reserve		1,50,000	Stock	1,50,000
Capitals:			Debtors	2,00,000
Pranav	2,00,000		Bank	1,50,000
Karan	2,00,000			
Rahim	1,00,000	5,00,000		
		9,50,000		**9,50,000**

Karan died on 12.6.2017. According to the partnership deed, the legal representatives of the deceased partner were entitled to the following:

(i) Balance in his Capital Account.

(ii) Interest on Capital @ 12% p.a.

(iii) Share of goodwill. Goodwill of the firm on Karan's death was valued at ₹ 60,000.

(iv) Share in the profits of the firm till the date of his death, calculated on the basis of last year's profit. The profit of the firm for the year ended 31.3.2017 was ₹ 5,00,000.

Prepare Karan's Capital Account to be presented to his representatives. 6

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

Particulars	Amount (₹)	Particulars	Amount (₹)
To Karan's Executors' A/c (Balancing figure)	3,28,800	By Balance b/d	2,00,000
		By Interest on Capital A/c	4,800
		By P & L Suspense A/c	40,000
		By Pravav's Capital A/c	16,000
		By Rahim's Capital A/c	8,000
		By General Reserve A/c	60,000
	3,28,800		**3,28,800**

Working Notes:

Interest on Capital = 12/100 × 73/365 × ₹ 2,00,000 = ₹ 4,800

Share of Profits = 2/5 × ₹ 5,00,000 × 73/365 = ₹ 40,000

Share of Goodwill = 2/5 × ₹ 60,000 = ₹ 24,000

Share of General Reserve = 2/5 × ₹ 1,50,000 = ₹ 60,000

14. Chander and Damini were partners in a firm sharing profits and losses equally. On 31st March 2017 their Balance Sheet was as follows:

Balance Sheet of Chander and Damini as on 31.3.2017

Liabilities		Amount (₹)	Assets	Amount (₹)
Sundry Creditors		**1,04,000**	**Cash at Bank**	**30,000**
Capitals:			**Bills Receivable**	**45,000**
Chander	**2,50,000**		**Debtors**	**75,000**
Damini	**2,16,000**	**4,66,000**	**Furniture**	**1,10,000**
			Land and Building	**3,10,000**
		5,70,000		**5,70,000**

On 1.4.2017, they admitted Elina as a new partner for $\frac{1}{3}^{rd}$ share in the profits on the following conditions:

(i) Elina will bring ₹ 3,00,000 as her capital and ₹ 50,000 as her share of goodwill premium, half of which will be withdrawn by Chander and Damini.

(ii) **Debtors to the extent of ₹ 5,000 were unrecorded.**

(iii) **Furniture will be reduced by 10% and 5% provision for bad and doubtful debts will be created on bills receivables and debtors.**

(iv) **Value of land and building will be appreciated by 20%.**

(v) **There being a claim against the firm for damages, a liability to the extent of ₹ 8,000 will be created for the same.**

Prepare Revaluation Account and Partners' Capital Accounts. 6

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

Particulars	Amount (₹)	Particulars	Amount (₹)
To Furniture A/c	11,000	By Debtors A/c	5,000
To Provision for Doubtful Debts on Debtors A/c	4,000	By Land and Building A/c	62,000
To Provision for Doubtful Debts on B/R A/c	2,250		
To Claim for Damages A/c	8,000		
To Profit transferred to Partners' Capital A/cs : Chander 20,875; Damini 20,875	41,750		
	67,000		**67,000**

3

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

Particulars	Chander	Damini	Elina	Particulars	Chander	Damini	Elina
To Bank A/c	12,500	12,500	-	By Balance, b/d	2,50,000	2,16,000	
To Balance c/d	2,83,375	2,49,375	3,00,000	By Bank A/c			3,00,000
				By Premium for Goodwill A/c	25,000	25,000	
				By Revaluation A/c	20,875	20,875	
	2,95,875	**2,61,875**	**3,00,000**		**2,95,875**	**2,61,875**	**3,00,000**

3

15. On 1st April, 2014 KK Ltd. invited applications for issuing 5,000 10% debentures of ₹ 1,000 each at a discount of 6%. These debentures were repayable at the end of 3rd year at a premium of 10%. Applications for 6,000 debentures were received and the debentures were allotted on pro-rata basis to all the applicants. Excess money received with applications was refunded.

The Directors decided to transfer the minimum amount to Debenture Redemption Reserve on 31.3.2016. On 1.4.2016, the company invested the necessary amount in 9% bank fixed deposit as per the provisions of the Companies Act, 2013. Tax was deducted at source by bank on interest @ 10% p.a.

* **Pass the necessary journal entries for issue and redemption of debentures. Ignore entries relating to writing off loss on issue of debentures and interest paid on debentures.** 6

Ans. **Journal Entries**

Date	Particulars	L. F.	Debit Amount (₹)	Credit Amount (₹)
2014 Apr. 1	Bank A/c Dr. To Debenture Application and Allotment A/c (Being application money received on 6,000 debentures)		56,40,000	56,40,000

* *Out of Syllabus*

	Debenture Application and Allotment A/c Dr. Discount on Issue of Debentures A/c Dr. Loss on Issue of Debentures A/c Dr. To 10% Debentures A/c To Premium on Redemption of Debentures A/c To Bank A/c (Being transfer of application money to debentures account issued at discount of 6%, redeemable at premium of 10%, balance refunded)		56,40,000 3,00,000 5,00,000	 50,00,000 5,00,000 9,40,000
	Or Debenture Application and Allotment A/c Dr. Loss on Issue of Debentures A/c Dr. To 10% Debentures A/c To Premium on Redemption of Debentures A/c To Bank A/c (Being transfer of application money to debentures account issued at discount of 6%, redeemable at premium of 10%, balance refunded)		56,40,000 8,00,000	 50,00,000 5,00,000 9,40,000

16. Srijan, Raman and Manan were partners in a firm sharing profits and losses in the ratio of 2 : 2 : 1. On 31st March, 2017, their Balance Sheet was as follows :

Balance Sheet of Srijan, Raman and Manan as on 31.3.2017

Liabilities		Amount (₹)	Assets	Amount (₹)
Capitals:			**Capital: Manan**	**10,000**
Srijan	**2,00,000**		**Plant**	**2,20,000**
Raman	**1,50,000**	**3,50,000**	**Investments**	**70,000**
Creditors		**75,000**	**Stock**	**50,000**
Bills Payable		**40,000**	**Debtors**	**60,000**
Outstanding Salary		**35,000**	**Bank**	**10,000**
			Profit and Loss Account	**80,000**
		5,00,000		**5,00,000**

On the above date they decided to dissolve the firm.

(i) Srijan was appointed to realise the assets and discharge the liabilities. Srijan was to receive 5% commission on sale of assets (except cash) and was to bear all expenses of realisation.

(ii) Assets were realised as follows:

	(₹)
Plant	**85,000**
Stock	**33,000**
Debtors	**47,000**

(iii) Investments were realised at 95% of the book value.

(iv) The firm had to pay ₹ 7,500 for an outstanding repair bill not provided for earlier.

(v) A contingent liability in respect of bills receivable, discounted with the bank had also materialised and had to be discharged for ₹ 15,000.

(vi) Expenses of realisation amounting to ₹ 3,000 were paid by Srijan.

Prepare Realisation Account, Partners' Capital Accounts and Bank Account. **8**

OR

Moli, Bhola and Raj were partners in a firm sharing profits and losses in the ratio of 3 : 3 : 4. Their partnership deed provided for the following :

(i) Interest on capital @ 5% p.a.

(ii) Interest on drawings @ 12% p.a.

(iii) Interest on partners' loan @ 6% p.a.

(iv) Moli was allowed an annual salary of ₹ 4,000; Bhola was allowed a commission of 10% of net profit as shown by Profit and Loss Account and Raj was guaranteed a profit of ₹ 1,50,000 after making all the adjustments as provided in the partnership agreement.

Their fixed capitals were Moli: ₹ 5,00,000; Bhola: ₹ 8,00,000 and Raj: ₹ 4,00,000. On 1st April 2016 Bhola extended a loan of ₹ 1,00,000 to the firm. The net profit of the firm for the year ended 31st March 2017 before interest on Bhola's loan was ₹ 3,06,000.

Prepare Profit and Loss Appropriation Account of Moli, Bhola and Raj for the year ended 31st March 2017 and their Current Accounts assuming that Bhola withdrew ₹ 5,000 at the end of each month, Moli withdrew ₹ 10,000 at the end of each quarter and Raj withdrew ₹ 40,000 at the end of each half year. **8**

Ans. Dr. **Realisation Account** **Cr.**

Particulars		Amount (₹)	Particulars		Amount (₹)
To Sundry Assets:			By Sundry Liabilities:		
Plant	2,20,000		Creditors	75,000	
Investment	70,000		Bills Payable	40,000	
Stock	50,000		Outstanding Salary	35,000	1,50,000
Debtors	60,000	4,00,000			
To Bank A/c:			By Bank A/c:		
Creditors	75,000		Plant	85,000	
Bills Payable	40,000		Stock	33,000	
Outstanding Expenses			Debtors	47,000	
Repair of Bills	7,500		Investment	66,500	2,31,500
Contingent Liability	15,000				
Outstanding Salary	35,000	1,72,500			
To Srijan's Capital A/c:			By Loss Transferred to Partners'		
Commission		11,575	Capital A/c:		
			Srijan	81,030	
			Raman	81,030	
			Manan	40,515	2,02,575
		5,84,075			**5,84,075**

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

Particulars	Srijan (₹)	Raman (₹)	Manan (₹)	Particulars	Srijan (₹)	Raman (₹)	Manan (₹)
To Balance b/d			10,000	By Balance b/d	2,00,000	1,50,000	
To Profit and Loss A/c	32,000	32,000	16,000	By Realisation A/c	11,575		
To Realisation A/c	81,030	81,030	40,515	By Bank A/c			66,515
To Bank A/c	98,545	36,970					
	2,11,575	**1,50,000**	**66,515**		**2,11,575**	**1,50,000**	**66,515**

Dr. **Bank A/c** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	10,000	By Realisation A/c	1,72,500
To Realisation A/c	2,31,500	By Srijan's Capital A/c	98,545
To Manan's Capital A/c	66,515	By Raman's Capital A/c	36,970
	3,08,015		**3,08,015**

3 + 2½ + 2½ = 8

OR

Dr. Profit and Loss Appropriation A/c for the year ended 31st March 2017 Cr.

Particulars		Amount (₹)	Particulars		Amount (₹)
To Interest on Capital:			By Profit and Loss A/c		3,00,000
Moli's Current A/c	25,000		(3,06,000 – 6,000)		
Bhola's Current A/c	40,000		By Interest on Drawings:		
Raj's Current A/c	20,000	85,000	Moli's Current A/c	1,800	
To Salary:			Bhola's Current A/c	3,300	
Moli's Current A/c		4,000	Raj's Current A/c	2,400	7,500
To Commission:					
Bhola's Current A/c		30,000			
To Profits Transferred to:					
Moli's Current A/c	56,550				
Less : Guarantee	(37,300)	19,250			
Bhola's Current A/c	56,550				
Less : Guarantee	(37,300)	19,250			
Raj's Current A/c	75,400				
Add: from Moli	37,300				
Add: from Bhola	37,300	1,50,000			
		3,07,500			**3,07,500**

5

Dr. Partners' Current Accounts Cr.

Particulars	Moli (₹)	Bhola (₹)	Raj (₹)	Particulars	Moli (₹)	Bhola (₹)	Raj (₹)
To Drawings A/c	40,000	60,000	80,000	By Interest on Capital A/c	25,000	40,000	20,000
To Interest on Drawings A/c	1,800	3,300	2,400	By Salary A/c	4,000		
To Balance c/d	6,450	25,950	87,600	By Commission A/c		30,000	
				By P&L Appropriation A/c—share of profit	19,250	19,250	1,50,000
	48,250	**89,250**	**1,70,000**		**48,250**	**89,250**	**1,70,000**

3

[CBSE Marking Scheme, 2018]

17. X Ltd. invited applications for issuing 50,000 equity shares of ₹ 10 each. The amount was payable as follows:

On Application – ₹ 2 per share,

On Allotment – ₹ 2 per share,

On First Call – ₹ 3 per share,

On Second and Final Call – Balance Amount

Applications for 70,000 shares were received. Applications for 10,000 shares were rejected and the application money was refunded.

Shares were allotted to the remaining applicants on a pro-rata basis and excess money received with applications was transferred towards sums due on allotment and calls, if any.

Gopal, who applied for 600 shares, paid his entire share money with application. Ghosh, who had applied for 6,000 shares, failed to pay the allotment money and his shares were immediately forfeited. These forfeited shares were re-issued to Sultan for ₹ 20,000; ₹ 4 per share paid up. The first call money and the second and final call money was called and duly received.

Pass necessary journal entries for the above transactions in the books of X Ltd. Open Calls-in-Advance Account and Calls-in-Arrears Account wherever necessary. **8**

OR

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

On Application – ₹ 3 per share

On Allotment – ₹ 3 per share (including premium)

On First Call – ₹ 3 per share

On Second and Final Call – Balance Amount

Applications for 1,60,000 shares were received. Allotment was made on the following basis:

Category	No. of Shares Applied	No. of Shares Allotted
I	90,000	40,000
II	50,000	40,000
III	20,000	full shares

Excess money paid on application is to be adjusted against the amount due on allotment and calls.

Rishabh, a shareholder, who applied for 1,500 shares and belonged to category II, did not pay allotment, first and second and final call money. Another shareholder, Sudha, who applied for 1,800 shares and belonged to category I, did not pay the first and second and final call money.

All the shares of Rishabh and Sudha were forfeited and were subsequently re-issued at ₹ 7 per share fully paid.

Pass the necessary journal entries in the books of A Ltd. Open Calls-in-Arrears Account and Calls-in-Advance Account wherever required. **8**

Ans. **X Ltd.**

Journal Entries

Date	Particulars	L. F.	Debit Amount (₹)	Credit Amount (₹)
	Bank A/c Dr.		1,44,800	
	To Equity Share Application A/c			1,44,800
	(Being application money received on 70,000 shares @ ₹ 2 per share, one applicant paying the full amount on 600 shares)			
	Equity Share Application A/c Dr.		1,44,800	
	To Equity Share Capital A/c			1,00,000
	To Equity Share Allotment A/c			20,800
	To Bank A/c			21,000
	To Calls-in-Advance A/c			3,000
	(Being application money transferred to share capital, share allotment, calls in-advance and the balance refunded)			
	Equity Share Allotment A/c Dr.		1,00,000	
	To Equity Share Capital A/c			1,00,000
	(Being share allotment money due on 50,000 shares @ ₹ 2 per share)			
	Bank A/c Dr.		71,200	
	Calls-in-Arrears A/c Dr.		8,000	
	To Equity Share Allotment A/c			79,200
	(Being allotment money received except on 5,000 shares)			
	Equity Share Capital A/c Dr.		20,000	
	To Share Forfeiture A/c			12,000
	To Calls-in-Arrears A/c			8,000
	(Being 5,000 shares forfeited for non-payment of allotment money)			
	Bank A/c Dr.		20,000	
	To Equity Share Capital A/c			20,000
	(Being 5,000 shares forfeited reissued for 20,000, ₹ 4 per share paid up)			

	Share Forfeiture A/c Dr. To Capital Reserve A/c (Being gain on reissue of forfeited shares transferred to capital reserve)		12,000	12,000
	Equity Share First Call A/c Dr. To Equity Share Capital A/c (Being first call money due on 50,000 shares @ ₹ 3 per share)		1,50,000	1,50,000
	Bank A/c Dr. Calls-in-Advance A/c To Equity Share First Call A/c (Being first call money received, advance received earlier adjusted)		1,48,500 1,500	1,50,000
	Equity Share Second and Final Call A/c Dr. To Equity Share Capital A/c (Being second and final call due on 50,000 shares @ ₹ 3 per share)		1,50,000	1,50,000
	Bank A/c Dr. Call in-Advance A/c Dr. To Equity Share Second and Final Call A/c (Being second and final call received and advance received earlier adjusted)		1,48,500 1,500	1,50,000

OR

A Ltd.

Journal Entries

Date	Particulars	L. F.	Debit Amount (₹)	Credit Amount (₹)
(i)	Bank A/c Dr. To Equity Share Application A/c (Being application money received on 1,60,000 shares @ ₹ 3 per shares)		4,80,000	4,80,000
(ii)	Equity Share Application A/c Dr. To Equity Share Capital A/c To Equity Share Allotment A/c To Calls-in-Advance A/c (Being application money transferred to share capital, share allotment, calls in-Advance)		4,80,000	3,00,000 1,50,000 30,000
(iii)	Equity Share Allotment A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c (Being share allotment money due on 1,00,000 share @ ₹ 3 per share including premium)		3,00,000	2,00,000 1,00,000
(iv)	Bank A/c Dr. Calls-in-Arrears A/c Dr. To Equity Share Allotment A/c (Being allotment money received on allotment except on 1,200 shares)		1,47,300 2,700	1,50,000
(v)	Equity Share First Call A/c Dr. To Equity Share Capital A/c (Being First call money due on 1,00,000 shares @ ₹ 3 per share)		3,00,000	3,00,000
(vi)	Bank A/c Dr. Calls-in-Arrears A/c Dr. Calls-in-Advance A/c Dr. To Equity Share first call A/c (Being money received on first call except on 2,000 shares and advance received earlier adjusted)		2,64,600 5,400 30,000	3,00,000
(vii)	Equity Share Second and Final Call A/c Dr. To Equity Share Capital A/c (Being share second and final call money due on 1,00,000 shares a ₹ 2 per share)		2,00,000	2,00,000

(viii)	Bank A/c Dr. Calls-in-Arrears A/c Dr. To Equity Share Second and Final Call A/c (Being share second and final call money received except on 2,000 shares)		1,96,000 4,000	 2,00,000
(ix)	Equity Share Capital A/c Dr. Securities Premium Reserve A/c Dr. To Share Forfeiture A/c To Calls-in-Arrears A/c (Being 1,200 shares forfeited for non-payment of allotment and call money)		12,000 1,200	 4,500 8,700
(x)	Equity Share Capital A/c Dr. To Share Forfeiture A/c To Calls-in-Arrears A/c (Being 800 shares forfeited for non-payment of call money) **OR** **Combined forfeiture entry [(for ix) and (x)]** Equity Share Capital A/c Dr. Securities Premium Reserve A/c Dr. To Share Forfeiture A/c To Calls-in-Arrears A/c (Being 2,000 shares forfeited for non-payment of allotment and call money)		8,000 20,000 1,200	 4,600 3,400 9,100 12,100
(xi)	Bank A/c Dr. Share Forfeiture A/c Dr. To Equity Share Capital A/c (Being 2,000 forfeited shares reissued @ ₹ 7 per share		14,000 6,000	 20,000
(xii)	Shares Forfeiture A/c Dr. To Capital Reserve A/c (Being gain on reissue of forfeited shares transferred to capital reserve account)		3,100	 3,100

PART–B
(Analysis of Financial Statements)

18. State the primary objective of preparing a Cash Flow Statement. **1**

Ans. The primary objective of cash flow statement is to provide useful information about cash flows (inflows and outflows) of an enterprise during a particular period under operating, investing and financing activities.

19. 'Interest received and paid' is considered as which type of activity by a finance company while preparing a Cash Flow Statement. **1**

Ans. Interest received - **Operating activity.**
Interest paid - **Operating activity.**

* **20. Prepare a common size Balance Sheet of KJ Ltd. from the following information :**

Particulars	Total	31-3-2017 (₹)	31-3-2016 (₹)
I. Equity and Liabilities:			
(1) Shareholders' Funds		8,00,000	4,00,000
(2) Non-Current Liabilities		5,00,000	2,00,000
(3) Current Liabilities		3,00,000	2,00,000
	Total	**16,00,000**	**8,00,000**
II. Assets:			
(1) Non-Current Assets		10,00,000	5,00,000
(2) Current Assets		6,00,000	3,00,000
	Total	**16,00,000**	**8,00,000**

* *Out of Syllabus*

21. From the following information obtained from the books of Kundan Ltd., calculate the inventory turnover ratio for the years 2015-16 and 2016-17:

	2015–16 (₹)	2016–17 (₹)
Inventory on 31st March	7,00,000	17,00,000
Revenue from operations	50,00,000	75,00,000

(Gross profit is 25% on cost of revenue from operations)

In the year 2015-16, inventory increased by ₹ 2,00,000. 4

Ans.

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

2015–16:

$$\text{Cost of Revenue from Operations} = ₹50,00,000 - ₹10,00,000 = ₹40,00,000$$

$$\text{Average Inventory} = \frac{\text{Opening Inventory} + \text{Closing Inventory}}{2}$$

$$= \frac{₹\ 5,00,000 + ₹\ 7,00,000}{2}$$

$$= ₹\ 6,00,000$$

$$\text{Inventory Turnover Ratio} = ₹\ 40,00,000/ ₹\ 6,00,000 = 6.67 \text{ times}$$

2016–17:

$$\text{Cost of Revenue from Operations} = ₹\ 75,00,000 - ₹\ 15,00,000 = ₹\ 60,00,000$$

$$\text{Average Inventory} = \frac{\text{Opening Inventory} + \text{Closing Inventory}}{2}$$

$$= \frac{₹\ 7,00,000 + ₹\ 17,00,000}{2}$$

$$= ₹\ 12,00,000$$

$$\text{Inventory Turnover Ratio} = ₹\ 60,00,000/ ₹\ 12,00,000 = 5 \text{ times}$$

22. JW Ltd. was a company manufacturing geysers. As a part of its long-term goal for expansion, the company decided to identify the opportunity in rural areas. Initial plan was rolled out for Bhiwani village in Haryana. Since the village did not have regular supply of electricity, the company decided to manufacture solar geysers. The core team consisting of the Regional Manager, Accountant and the Marketing Manager was taken from the Head Office and the remaining employees were selected from the village and neighbourhood areas.

At the time of preparation of financial statements, the accountant of the company fell sick and the company deputed a junior accountant temporarily from the village for two months.

The Balance Sheet prepared by the junior accountant showed the following items against the major heads and sub-heads mentioned which were not as per Schedule III of the Companies Act, 2013:

Items	Major Head/Sub-Head
Loose Tools	Trade Receivables
Cheques in Hand	Current Investments
Term Loan from Bank	Other Long-Term Liabilities
Computer Software	Tangible Fixed Assets

***Identify any two values that the company wants to communicate to the society.**

Also present the above items under the correct major heads and sub-heads as per Schedule III of the Companies Act, 2013. 4

Ans.

Item	Heads	Sub-heads
Loose Tools	Current Assets	Inventories
Cheques in Hand	Current Assets	Cash and Cash Equivalents
Term Loan from Bank	Non-Current Liabilities	Long-Term Borrowings
Computer Software	Non-Current Assets	Fixed Assets – Intangible Assets

1×4 = 4

* *Out of Syllabus*

23. From the following Balance Sheet of JY Ltd. as at 31st March 2017, prepare a Cash Flow Statement:

Balance Sheet of JY Ltd. as at 31.3.2017

Particulars	Note No.	31-3-2017 (₹)	31-3-2016 (₹)
I. Equity and Liabilities:			
(1) Shareholders' Funds:			
(a) Share Capital		5,00,000	5,00,000
(b) Reserves and Surplus	1	1,75,000	25,000
(2) Non-Current Liabilities:			
Long-Term Borrowings	2	2,50,000	1,50,000
(3) Current Liabilities:			
(a) Short-Term Borrowings	3	1,50,000	1,00,000
(b) Short-Term Provisions	4	1,25,000	75,000
	Total	**12,00,000**	**8,50,000**
II. Assets:			
(1) Non-Current Assets:			
(a) **Fixed Assets:**			
(i) Tangible	5	6,00,000	4,50,000
(2) Current Assets:			
(a) Trade Receivables		2,75,000	2,25,000
(b) Cash and Cash Equivalents		1,25,000	75,000
(c) Short-term Loans and Advances		2,00,000	1,00,000
	Total	**12,00,000**	**8,50,000**

Notes to Accounts:

Note No.	Particulars	31-3-2017 (₹)	31-3-2016 (₹)
1.	**Reserves and Surplus:**		
	(Surplus, i.e. Balance in the Statement of Profit and Loss)	1,75,000	(50,000)
		1,75,000	**(50,000)**
2.	**Long-Term Borrowings:**		
	10% Debentures	2,50,000	1,50,000
		2,50,000	**1,50,000**
3.	**Short-Term Borrowings:**		
	Bank Overdraft	1,50,000	1,00,000
		1,50,000	**1,00,000**
4.	**Short-term Provisions:**		
	Provision for Tax	1,25,000	75,000
		2,00,000	**1,25,000**
5.	**Tangible Assets:**		
	Machinery	7,37,500	5,25,000
	Accumulated Depreciation	(1,37,500)	(75,000)
		6,00,000	**4,50,000**
6.	**Contingent Liabilities:**		
	Proposed Divided	75,000	50,000

Additional Information:

₹ 1,00,000, 10% debentures were issued on 31.3.2017. 6

23.

JY Ltd.

Cash Flow Statement

For the year ended 31st March 2017

Particulars	Details (₹)	Amount (₹)
A. Cash Flow from Operating Activities:		
Net Profit before Tax and Extraordinary Items (WN)	3,25,000	

Add: Non Cash and Non-Operating Charges:		
Depreciation on Machinery	62,500	
Interest on Debentures	15,000	
Operating Profit before Working Capital Changes	4,02,500	
Less: Increase in Current Assets:		
Increase in Trade Receivables	(50,000)	
Cash Flows from Operations	3,52,500	
Less: Tax Paid	(75,000)	
Net Cash Generated from Operating Activities		**2,77,500**
B. Cash Flow from Investing Activities :		
Purchase of Machinery	(2,12,500)	
Loans and Advances Given	(1,00,000)	
Net Cash used in Investing Activities		**(3,12,500)**
C. Cash Flow from Financing Activities :		
Issue of Debentures	1,00,000	
Interest Paid on Debentures	(15,000)	
Dividend Paid	(50,000)	
Bank Overdraft Raised	50,000	
Net Cash Flows from Financing Activities		**85,000**
Net Increase in Cash and Cash Equivalents (A+B+C)		50,000
Add: Opening Balance of Cash and Cash Equivalents		75,000
Closing Balance of Cash and Cash Equivalents		1,25,000

Working Notes:

Calculation of Net Profit before Tax:	₹
Net Profit for the Year	1,50,000
Add: Proposed Dividend	50,000
Add: Provision for Tax	1,25,000
	3,25,000

Full credit is to be given if an examinee has taken 'short-term loans and advances' as increase in current assets under operating activities.

In that case,

Cash from Operations = ₹ 2,52,000

Cash Generated from Operating Activities = ₹ 1,77,500

Cash used in Investing Activities = ₹ 2,12,500

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