Solved Paper 2019

ACCOUNTANCY

Class-XII

Time : 3 Hours **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 - 1 **Code : 67/1/1**

PART A

(Accounting for Not-for-Profit Organisations, Partnership Firms and Companies)

1. Atul and Neera were partners in a firm sharing profits in the ratio of 3 : 2. They admitted Mitali as a new partner. Goodwill of the firm was valued at ₹ 2,00,000. Mitali brings her share of goodwill premium of ₹ 20,000 in cash, which is entirely credited to Atul's Capital Account. Calculate the new profit sharing ratio. **1**

Ans.

Mitali's share in profit = 1/10

Atul's new share = 3/5-1/10 =5/10 ½

Neera's new share = 2/5

Mitali's share = 1/10

New ratio = 5 : 4 : 1 ½

[CBSE Marking Scheme 2019]

2. What is meant by 'Issued Capital' ? **1**

OR

What is meant by 'Employees Stock Option Plan' ? **1**

Ans. Issued Capital is that part of the authorised capital which is offered to the public for subscription.

OR

Employees Stock Option Plan means option granted by the company to its employees and directors to subscribe to the shares of the company at a price that is lower than the market price.

3. Differentiate between Dissolution of Partnership and Dissolution of a Partnership Firm on the basis of 'Court's Intervention'. **1**

Ans.

Basis	Dissolution of Partnership	Dissolution of a Partnership Firm
Court's intervention	The court does not intervene because partnership is dissolved by mutual agreement.	The firm can be dissolved by court's order.

4. What is meant by 'Gaining Ratio' on retirement of a partner? **1**

OR

P, Q and R were partners in a firm. On 31st March 2018 R retired. The amount payable to R ₹ 2,17,000 was transferred to his loan account. R agreed to receive interest on this amount as per the provisions of Partnership Act, 1932. State the rate at which interest will be paid to R.

Ans. Gaining ratio is the ratio in which the remaining partners acquire the retiring partner's share.

OR

6% p.a.

5. **Chhavi and Neha were partners in a firm sharing profits and losses equally. Chhavi withdrew a fixed amount at the beginning of each quarter. Interest on drawings is charged @ 6% p.a. At the end of the year, interest on Chhavi's drawings amounted to ₹ 900. Pass necessary journal entry for charging interest on drawings.** **1**

Ans. **Journal Entries**

Date	Particulars	L. F.	Debit Amount (₹)	Credit Amount (₹)
	Chavi's Capital A/c Dr.		900	
	To Interest on Drawings A/c			900
	(Being interest on drawings charged)			

*** 6.** **How are specific donations treated while preparing final accounts of a 'Not-for-Profit Organisation'.** **1**

OR

State the basis of accounting of preparing 'Income and Expenditure Account' of a Not-for-Profit Organisation? **1**

7. **The capital of the firm of Anuj and Benu is ₹ 10,00,000 and the market rate of interest is 15%. Annual salary to the partners is ₹ 60,000 each. The profit for the last three years were ₹ 3,00,000, ₹ 3,60,000 and ₹ 4,20,000. Goodwill of the firm is to be valued on the basis of two years' purchase of last three years' average super profits. Calculate the goodwill of the firm.** **3**

Ans.

Actual profits = ₹ 3,60,000 – ₹ 1,20,000 = ₹ 2,40,000

Normal profits = 15% × ₹ 10,00,000 = ₹ 1,50,000

Super profits = Actual profits – Normal profits

= ₹ 2,40,000 – ₹ 1,50,000

= ₹ 90,000

Goodwill = Super profits × Number of year's purchase

= ₹ 90,000 × 2

= ₹ 1,80,000

*** 8.** **How the following items for the year ended 31st March 2018 will be presented in the financial statements of Aisko Club :**

Particulars	Debit Amount (₹)	Credit Amount (₹)
Tournament Fund	**—**	**1,50,000**
Tournament Fund Investments	**1,50,000**	**—**
Income from Tournament Fund Investments	**—**	**18,000**
Tournament Expenses	**12,000**	**—**

Additional Information:

Interest Accrued on Tournament Fund Investments ₹ 6,000. **3**

9. **Garvit Ltd. invited applications for issuing 3,000, 11% Debentures of ₹ 100 each at a discount of 6%. The full amount was payable on application. Applications were received for 3,600 debentures. Applications for 600 debentures were rejected and the application money was refunded. Debentures were allotted to the remaining applicants.**

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

OR

On 1st April 2015, P Ltd. issued 6,000, 12% Debentures of ₹ 100 each at par redeemable at a premium of 7%. The debentures were to be redeemed at the end of third year. Prepare Loss on Issue of 12% Debentures Account. **3**

* *Out of Syllabus*

Ans. **Journal of Garvit Ltd.**

Date	Particulars	L. F.	Debit Amount (₹)	Credit Amount (₹)
	Bank A/c Dr.		3,38,400	
	To Debenture Application and Allotment A/c			3,38,400
	(Being application money received for 3,600 debentures)			
	Debenture Application and Allotment A/c Dr.		3,38,400	
	Discount on Issue of Debentures A/c Dr.		18,000	
	To 11% Debentures A/c			3,00,000
	To Bank A/c			56,400
	(Being application money adjusted)			

OR

Dr. **Loss on Issue of 12% Debentures Account** **Cr.**

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
2015 Apr. 1	To 12% Debentures A/c	42,000	2016 Mar. 31	By Premium on Redemption of Debentures A/c	42,000
		42,000			**42,000**

* The solution of this question has been modified as per the new rules and guidelines issued by CBSE for the latest examination.

*** 10. Unilink Ltd. had outstanding ₹ 12,00,000, 9% debentures on 1st April 2014 redeemable at a premium of 8% in two equal annual instalments starting from 31st March 2018. The company had a balance of ₹ 3,00,000 in Debenture Redemption Reserve on 31st March 2017. Pass the necessary journal entries for redemption of debentures in the books of Unilink Ltd. for the year ended 31st March 2018.** **3**

11. Ankit, Bobby and Kartik were partners in a firm sharing profits in the ratio 4 : 3 : 3 . The firm was dissolved on 31-3-2018. Pass the necessary Journal entries for the following transactions after various assets (other than cash and bank) and third party liabilities had been transferred to Realisation Account:

(i) The firm had stock of ₹ 80,000. Ankit took over 50% of the stock at a discount of 20% while the remaining stock was sold off at a profit of 30% on cost.

(ii) A liability under a suit for damages included in creditors was settled at ₹ 32,000 as against only ₹ 13,000 provided in the books. Total creditors of the firm were ₹ 50,000.

(iii) Bobby's sister's loan of ₹ 20,000 was paid off along with interest of ₹ 2,000.

(iv) Kartik's loan of ₹ 12,000 was settled at ₹ 12,500. **4**

Ans. **Journal Entries**

Date	Particulars	L. F.	Debit Amount (₹)	Credit Amount (₹)
(i)	Ankit's Capital A/c Dr.		32,000	
	Bank/ Cash A/c Dr.		52,000	
	To Realisation A/c			84,000
	(Being stock taken over by Ankit, remaining sold at a profit)			
	OR			
	Ankit's Capital A/c Dr.		32,000	
	To Realisation A/c			32,000
	(Being stock taken over by Ankit)			

* *Out of Syllabus*

	Bank/ Cash A/c Dr. To Realisation A/c (Being stock sold at a profit)		52,000	52,000
(ii)	Realisation A/c Dr. To Bank/Cash A/c (Being payment made to creditors)		69,000	69,000
(iii)	Realisation A/c Dr. To Bank/Cash A/c (Being Bobby's sister's loan paid along with interest)		22,000	22,000
(iv)	Kartik's Loan A/c Dr. Realisation A/c Dr. To Bank/Cash A/c (Being Kartik's loan settled) **OR** Kartik's Loan A/c Dr. To Bank/ Cash A/c (Being Kartik's loan settled)		12,000 500 12,000	 12,500 12,000
	Realisation A/c Dr. To Bank / Cash A/c (Being Kartik's loan settled at a loss)		500	500

12. **Radhika, Bani and Chitra were partners in a firm sharing profits and losses in the ratio of 2 : 3 : 1. With effect from 1st April 2018 they decided to share future profits and losses in the ratio of 3 : 2 : 1. On that date their Balance Sheet showed a debit balance of ₹ 24,000 in Profit & Loss Account and a balance of ₹ 1,44,000 in General Reserve. It was also agreed that:**

(a) The goodwill of the firm be valued at ₹ 1,80,000.

(b) The land (having book value of ₹ 3,00,000) will be valued at ₹ 4,80,000.

Pass the necessary journal entries for the above changes. **4**

Ans. **Journal Entries**

Date	Particulars	L. F.	Debit Amount (₹)	Credit Amount (₹)
	Radhika's Capital A/c Dr. Bani's Capital A/c Dr. Chitra's Capital A/c Dr. To Profit and Loss A/c (Being undistributed loss transferred to partner's capital accounts)		8,000 12,000 4,000	 24,000
	General Reserve Dr. To Radhika's Capital A/c To Bani's Capital A/c To Chitra's Capital A/c (Being general reserve distributed to partner's capital accounts)		1,44,000	 48,000 72,000 24,000
	Radhika's Capital A/c Dr. To Bani's Capital A/c (Being adjustment entry made for goodwill)		30,000	 30,000
	Land A/c Dr. To Revaluation A/c (Being land revalued)		1,80,000	 1,80,000

	Revaluation A/c Dr.		1,80,000	
	To Radhika's Capital A/c			60,000
	To Bani's Capital A/c			90,000
	To Chitra's Capital A/c			30,000
	(Being gain on revaluation transferred to partners capital accounts)			

1 + 1 + 1 + ½ + ½ = 4

[CBSE Marking Scheme 2019]

*** 13. From the following Receipts and Payments Account and additional information, prepare Income and Expenditure Account and Balance Sheet of Sears Club, Noida as on March 31 2018 :**

Receipts and Payments Account of Sears Club for the year ended 31-3-2018

Receipts		Amount (₹)	Payments	Amount (₹)
To Balance b/d		20,000	By Stationery	23,400
To Subscriptions :			By 12% Investments	8,000
2016–17	40,000		By Electricity Expenses	10,600
2017–18	94,000		By Expenses on Lectures	30,000
2018–19	7,200	1,41,200	By Sports Equipment	59,000
To Donation for Building		40,000	By Books	40,000
To Interest on Investments		800	By Balance c/d	50,000
To Government Grant		17,400		
To Sale of Old Furniture				
(Book value ₹ 4,000)		1,600		
		2,21,000		2,21,000

Additional Information:

(i) The club has 200 members each paying an annual subscription of ₹ 1,000. ₹ 60,000 were in arrears for last year and 25 members paid in advance in the last year for the current year.

(ii) Stock of stationery on 1-4-2017 was ₹ 3,000 and on 31-3-2018 was ₹ 4,000. 6

14. Girija, Yatin and Zubin were partners sharing profits in the ratio 5 : 3 : 2. Zubin died on 1st August 2015. Amount due to Zubin's executor after all adjustments was ₹ 90,300. The executor was paid ₹ 10,300 in cash immediately and the balance in two equal annual instalments with interest @ 6% p.a. starting from 31st March 2017. Accounts are closed on 31st March each year.

Prepare Zubin's Executor's Account till he is finally paid. 6

Ans. **Dr.** **Zubin's Executor's Account** **Cr.**

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
2015 Aug. 1	To Bank A/c	10,300	2015 Aug. 1	By Zubin's Capital A/c	90,300
2016 Mar. 31	To Balance c/d	83,200	2016 Mar. 31	By Interest Accrued	3,200
		93,500			**93,500**
2017 Mar. 31	To Bank A/c	48,000	2016 Apr. 1	To Balance b/d	83,200
"	To Balance c/d	40,000	2017 Mar. 31	By Interest A/c	4,800
		88,000			**88,000**

* *Out of Syllabus*

2018 Mar. 31	To Bank A/c	42,400	2017 April 1 2018 Mar. 31	To Balance b/d By Interest A/c	40,000 2,400
		42,400			**42,400**

OR

Dr. **Zubin's Executor's Account** **Cr.**

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
2015 Aug. 1 2016 Mar. 31	To Bank A/c To Balance c/d	10,300 83,200	2015 Aug. 1 2016 Mar. 31	By Zubin's Capital A/c By Interest Accrued	90,300 3,200
		93,500			**93,500**
2017 Mar. 31 Mar. 31	To Bank A/c To Balance c/d	48,192 40,000	2016 Apr. 1 2017 Mar. 31	To Balance b/d By Interest A/c	83,200 4,992
		88,192			**88,192**
2018 Mar. 31	To Bank A/c	42,400	2017 April 1 2018 Mar. 31	To Balance b/d By Interest A/c	40,000 2,400
		42,400			**42,400**

15. **Sonu and Rajat started a partnership firm on April 1, 2017. They contributed ₹ 8,00,000 and ₹ 6,00,000, respectively as their capitals and decided to share profits and losses in the ratio of 3 : 2.**

The partnership deed provided that Sonu was to be paid a salary of ₹ 20,000 per month and Rajat a commission of 5% on turnover. It also provided that interest on capital be allowed @ 8% p.a. Sonu withdrew ₹ 20,000 on 1st December 2017 and Rajat withdrew ₹ 5,000 at the end of each month. Interest on drawings was charged @ 6% p.a. The net profit as per Profit and Loss Account for the year ended 31st March 2018 was ₹ 4,89,950. The turnover of the firm for the year ended 31st March 2018 amounted to ₹ 20,00,000. Pass necessary journal entries for the above transactions in the books of Sonu and Rajat. 6

OR

Jay, Vijay and Karan were partners of an architect firm sharing profits in the ratio of 2 : 2 : 1. Their partnership deed provided the following :

(i) A monthly salary of ₹ 15,000 each to Jay and Vijay.

(ii) Karan was guaranteed a profit of ₹ 5,00,000 and Jay guaranteed that he will earn an annual fee of ₹ 2,00,000. Any deficiency arising because of guarantee to Karan will be borne by Jay and Vijay in the ratio of 3 : 2.

During the year ended 31st March 2018 Jay earned fee of ₹ 1,75,000 and the profits of the firm amounted to ₹ 15,00,000.

Showing your workings clearly prepare Profit and Loss Appropriation Account and the Capital Account of Jay, Vijay and Karan for the year ended 31st March 2018. 6

Ans. **Journal Entries**

Date	Particulars	L. F.	Debit Amount (₹)	Credit Amount (₹)
	Profit and Loss A/c Dr.		4,89,950	
	To Profit and Loss Appropriation A/c			4,89,950
	(Being profit transferred from Profit and Loss A/c to Profit and Loss Appropriation A/c)			
	Partner's Salary A/c Dr.		2,40,000	
	To Sonu's Capital A/c			2,40,000
	(Being salary credited to Sonu's Capital A/c)			
	Profit and Loss Appropriation A/c Dr.		2,40,000	
	To Partner's Salary A/c			2,40,000
	(Being salary transferred to Profit and Loss Appropriation A/c)			
	Partner's Commission A/c Dr.		1,00,000	
	To Rajat's Capital A/c			1,00,000
	(Being commission credited to Rajat's Capital)			
	Profit and Loss Appropriation A/c Dr.		1,00,000	
	To Partner's Commission A/c			1,00,000
	(Being salary transferred to Profit and Loss Appropriation A/c)			
	Interest on Capital A/c Dr.		1,12,000	
	To Sonu's Capital A/c			64,000
	To Rajat's Capital A/c			48,000
	(Being interest on capital credited to Partner's Capital A/c)			
	Profit and Loss Appropriation A/c Dr.		1,12,000	
	To Interest on Capital A/c			1,12,000
	(Being interest on capital transferred to Profit and Loss Appropriation A/c)			

Date	Particulars	L. F.	Debit Amount (₹)	Credit Amount (₹)
	Sonu's Capital A/c Dr.		400	
	Rajat's Capital A/c Dr.		1,650	
	To Interest on Drawings A/c			2,050
	(Being interest on drawings charged)			
	Interest on Drawings A/c Dr.		2,050	
	To Profit and Loss Appropriation A/c			2,050
	(Being interest on drawings transferred to Profit and Loss Appropriation A/c)			
	Profit and Loss Appropriation A/c Dr.		40,000	
	To Sonu's Capital A/c			24,000
	To Rajat's Capital A/c			16,000
	(Being profit credited to Partners' Capital accounts)			

Note : If combined entries have been passed for Partner's commission, Partner's salary, Interest on Capital and Interest on Drawings, no mark is to be deducted. **½+½+½+½+½+½+½+1+½+1=6**

[CBSE Marking Scheme 2019]

OR

Dr. Profit and Loss Appropriation A/c Cr.
for the year ended 31st March 2018

Particulars		Amount (₹)	Particulars	Amount (₹)
To Salary:			By Net Profit	15,00,000
Jay's Capital A/c	1,80,000		By Jay's Capital A/c	25,000
Vijay's Capital A/	1,80,000	3,60,000	(2,00,000 – 1,75,000)	
To Profit Transferred to :			Deficiency in guaranteed fees	
Jay's Capital A/c	4,66,000			
Less : Guarantee to Karan	(1,60,200)	3,05,800		
Vijay's Capital A/c	4,66,000			
Less : Guarantee to Karan	(1,06,800)	3,59,200		
Karan's Capital A/c	2,33,000			
Add : Guarantee	2,67,000	5,00,000		
		15,25,000		**15,25,000**

Dr. Partners' Capital Accounts Cr.

Particulars	Jay (₹)	Vijay (₹)	Karan (₹)	Particulars	Jay (₹)	Vijay (₹)	Karan (₹)
To P/L App. A/c	25,000	–	–	By Salary	1,80,000	1,80,000	–
To Balance c/d	4,60,800	5,39,200	5,00,000	By Profit and Loss Appropriation A/c (Profit)	3,05,800	3,59,200	5,00,000
	4,85,800	**5,39,200**	**5,00,000**		**4,85,800**	**5,39,200**	**5,00,000**

In case, the candidate has prepared the Partner's Capital Accounts considering the guarantee in any other way and the closing balances in their Capital Accounts are same as indicated above, full credit be given. **3+3**

[CBSE Marking Scheme 2019]

16. DF Ltd. invited applications for issuing 50,000 shares of ₹ 10 each at a premium of ₹ 2 per share. The amount was payable as follows :

On Application	**:**	**₹ 3 per share (including premium ₹ 1)**
On Allotment	**:**	**₹ 3 per share (including premium ₹ 1)**
On First call	**:**	**₹ 3 per share**
On Second and Final Call	**:**	**Balance amount**

Application for 70,000 shares were received. Allotment was made on the following basis :

Applications for 5,000 shares	**:**	**Full**
Applications for 50,000 shares	**:**	**90%**

Balance of the applications were rejected. ₹ 1,11,000 were received on account of allotment. The amount of allotment due from the shareholders to whom shares were allotted on pro-rata basis was fully received. A few shareholders to whom shares were allotted in full, failed to pay the allotment money. ₹ 1,20,000 were received on first call. Directors decided to forfeit those shares on which allotment and call money was due. Half of the forfeited shares were re-issued @ ₹ 8 per share fully paid up. Final call was not made.

Pass the necessary journal entries for the above transactions in the book of DF Ltd. **8**

OR

EF Ltd. invited applications for issuing 80,000 equity shares of ₹ 50 each at a premium of 20%. The amount was payable as follows :

On Application	**:**	**₹ 20 per share (including premium ₹ 5)**
On Allotment	**:**	**₹ 15 per share (including premium ₹ 5)**
On First Call	**:**	**₹ 15 per share**
On Second and Final Call	**:**	**Balance amount**

Applications for 1,20,000 shares were received. Applications for 20,000 shares were rejected and pro-rata allotment was made to the remaining applicants.

Seema, holding 4,000 shares failed to pay the allotment money. Afterwards the first call was made. Seema paid allotment money along with the first call. Sahaj who had applied for 2,500 shares failed to pay the first call money. Sahaj's shares were forfeited and subsequently reissued to Geeta for ₹ 60 per share, ₹ 50 per share paid up. Final call was not made.

Pass necessary journal entries for the above transactions in the books of EF Ltd. by opening calls-in-arrears account. **8**

Ans. **Journal Entries of DF Ltd.***

Date	Particulars		L. F.	Debit Amount (₹)	Credit Amount (₹)
	Bank A/c	Dr.		2,10,000	
	To Equity Share Application A/c				2,10,000
	(Being application money received for 70,000 shares)				
	Equity Share Application A/c	Dr.		2,10,000	
	To Equity Share Capital A/c				1,00,000
	To Securities Premium Reserve A/c				50,000
	To Equity Share Allotment A/c				15,000
	To Bank A/c				45,000
	(Being application money transferred to share capital, securities premium reserve, share allotment and the balance refunded)				
	Equity Share Allotment A/c	Dr.		1,50,000	
	To Equity Share Capital A/c				1,00,000
	To Securities Premium Reserve A/c				50,000
	(Being allotment money due on 50,000 shares)				
	Bank A/c	Dr.			
	To Equity Share Allotment A/c				
	(Being allotment money received)				
	OR				
	Bank A/c	Dr.			
	Calls in Arrears A/c	Dr.			
	To Equity Share Allotment A/c				
	(Being allotment money received)				
	Equity Share First Call A/c	Dr.		1,50,000	
	To Equity Share Capital A/c				1,50,000
	(Being first call money due on 50,000 shares)				

	Bank A/c Dr.		1,20,000	
	To Equity Share First Call A/c			1,20,000
	(Being first call money received)			
	OR			
	Bank A/c Dr.		1,20,000	
	Calls in Arrears A/c Dr.		30,000	
	To Equity Share First Call A/c			1,50,000
	(Being first call money received)			

8

* Question cannot be fully solved as there is error in question. As per question, money received on allotment is ₹ 1,11,000 whereas 5,000 shareholders have not paid allotment amount. So, received amount should be 1,20,000.

OR

Journal Entries of EF Ltd.

Date	Particulars	L. F.	Debit Amount (₹)	Credit Amount (₹)
	Bank A/c Dr.		24,00,000	
	To Equity Share Application A/c			24,00,000
	(Being application money received for 1,20,000 shares)			
	Equity Share Application A/c Dr.		24,00,000	
	To Equity Share Capital A/c			12,00,000
	To Securities Premium Reserve A/c			4,00,000
	To Equity Share Allotment A/c			4,00,000
	To Bank A/c			4,00,000
	(Being application money transferred to share capital, securities premium reserve, share allotment and the balance refunded)			
	Equity Share Allotment A/c Dr.		12,00,000	
	To Equity Share Capital A/c			8,00,000
	To Securities Premium Reserve A/c			4,00,000
	(Being allotment money due on 80,000 shares)			
	Bank A/c Dr.		7,60,000	
	Calls in Arrears A/c Dr.		40,000	
	To Equity Share Allotment A/c			8,00,000
	(Being allotment money received)			
	Equity Share First Call A/c Dr.		12,00,000	
	To Equity Share Capital A/c			12,00,000
	(Being first call money due on 80,000 shares)			
	Bank A/c Dr.		12,10,000	
	Calls in Arrears A/c (First call) Dr.		30,000	
	To Equity Share First Call A/c			12,00,000
	To Calls in Arrears A/c			40,000
	(Being first call money received)			

	Equity Share Capital A/c Dr. To Share Forfeiture A/c To Calls in Arrears A/c (Being Sahaj's shares forfeited for non payment of first call)		80,000	 50,000 30,000
	Bank A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c (Being Sahaj's shares reissued for ₹ 60 per share)		1,20,000	 1,00,000 20,000
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Being balance in share forfeiture account transferred to capital reserve)		50,000	 50,000

Note : In case a candidate has attempted one or both the alternatives and struck off one or both of them, both the answers may be evaluated and the answer in which the candidate has secured more marks may be retained.

17. Akul, Bakul and Chandan were partners in a firm sharing profits in the ratio of 2 : 2 : 1. On 31st March 2018 their Balance Sheet was as follows:

Balance Sheet of Akul, Bakul and Chandan as on 31-3-2018

Liabilities		Amount (₹)	Assets		Amount (₹)
Sundry Creditors		**45,000**	**Cash at Bank**		**42,000**
Employees' Provident Fund		**13,000**	**Debtors**	**60,000**	
General Reserve		**20,000**	**Less: Provision for doubtful debts**	**2,000**	**58,000**
Capitals:			**Stock**		**80,000**
Akul	**1,60,000**		**Furniture**		**90,000**
Bakul	**1,20,000**		**Plant and Machinery**		**1,80,000**
Chandan	**92,000**	**3,72,000**			
		4,50,000			**4,50,000**

Bakul retired on the above date and it was agreed that:

(i) Plant and Machinery was undervalued by 10%.

(ii) Provision for doubtful debts was to be increased to 15% on debtors.

(iii) Furniture was to be decreased to ₹ 87,000.

(iv) Goodwill of the firm was valued at ₹ 3,00,000 and Bakul's share was to be adjusted through the Capital Accounts of Akul and Chandan.

(v) Capital of the new firm was to be in the new profit sharing ratio of the continuing partners.

Prepare Revaluation account, Partners' Capital accounts and the Balance Sheet of the reconstituted firm. 8

OR

Sanjana and Alok were partners in a firm sharing profits and losses in the ratio 3 : 2. On 31st March 2018 their Balance Sheet was as follows :

Balance Sheet of Sanjana and Alok as on 31-3-2018

Liabilities		Amount (₹)	Assets		Amount (₹)
Creditors		60,000	Cash		1,66,000
Workmen's Compensation Fund		60,000	Debtors	1,46,000	
Capitals:			Less: Provision for doubtful debts	2,000	1,44,000
Sanjana	5,00,000		Stock		1,50,000
Alok	4,00,000	9,00,000	Investments		2,60,000
			Furniture		3,00,000
		10,20,000			10,20,000

On 1st April 2018, they admitted Nidhi as a new partner for 1/4th share in the profits on the following terms:

(a) Goodwill of the firm was valued at ₹ 4,00,000 and Nidhi brought the necessary amount in cash for her share of goodwill premium, half of which was withdrawn by the old partners.

(b) Stock was to be increased by 20% and furniture was to be reduced to 90%.

(c) Investments were to be valued at ₹ 3,00,000. Alok took over investments at this value.

(d) Nidhi brought ₹ 3,00,000 as her capital and the capitals of Sanjana and Alok were adjusted in the new profit sharing ratio.

Prepare Revaluation Account, Partners' Capital Accounts and the Balance Sheet of the reconstituted firm on Nidhi's admission. **8**

Ans.

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

Particulars		Amount (₹)	Particulars	Amount (₹)
To Provision for Doubtful Debts		7,000	By Plant and Machinery	20,000
To Furniture		3,000		
To Profit Transferred to:				
Akul's Capital A/c	4,000			
Bakul's Capital A/c	4,000			
Chandan's Capital A/c	2,000	10,000		
		20,000		**20,000**

In case, the student has calculated 'Provision for Doubtful Debts' correctly, full credit is to be given.

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

Particulars	Akul (₹)	Bakul (₹)	Chandan (₹)	Particulars	Akul (₹)	Bakul (₹)	Chandan (₹)
To Bakul's Capital A/c	80,000	—	40,000	By Balance b/d	1,60,000	1,20,000	92,000
To Bakul's Loan A/c	—	2,52,000	—	By General Reserve	8,000	8,000	4,000
To Balance c/d	92,000		58,000	By Revaluation A/c	4,000	4,000	2,000
				By Akul's Capital A/c	—	80,000	—
				By Chandan's Capital A/c	—	40,000	—
	1,72,000	**2,52,000**	**98,000**		**1,72,000**	**2,52,000**	**98,000**
To Bank A/c	—	—	8,000	By Balance b/d	92,000	—	58,000
To Balance c/d	1,00,000	—	50,000	By Bank A/c	8,000	—	—
	1,00,000	—	58,000		1,00,000	—	58,000

Note: If the candidate has not extended the capital accounts but done the capital adjustment correctly, full credit be given.

Dr. Balance Sheet of reconstituted firm as on 31st March 2018 Cr.

Liabilities		Amount (₹)	Assets		Amount (₹)
Sundry Creditors		45,000	Cash at Bank		42,000
Employees' Provident Fund		13,000	Debtors	60,000	
Bakul's Loan		2,52,000	Less : Provision for doubtful debts	(9,000)	51,000
Capitals			Stock		80,000
Akul	1,00,000		Furniture		87,000
Chandan	50,000	1,50,000	Plant and Machinery		2,00,000
		4,60,000			**4,60,000**

OR

Dr. Revaluation Account Cr.

Particulars		Amount (₹)	Particulars	Amount (₹)
To Furniture		30,000	By Investments	40,000
To Profit Transferred to :			By Stock	30,000
Sanjana's Capital A/c	24,000			
Alok's Capital A/c	16,000	40,000		
		70,000		**70,000**

Dr. Partners' Capital Accounts Cr.

Particulars	Sanjana (₹)	Alok (₹)	Nidhi (₹)	Particulars	Sanjana (₹)	Alok (₹)	Nidhi (₹)
To Cash A/c	30,000	20,000	—	By Balance b/d	5,00,000	4,00,000	—
To Investments A/c	—	3,00,000	—	By Cash A/c	—		3,00,000
To Cash A/c	50,000	—	—	By Premium for			—
To Balance c/d	5,40,000	3,60,000	3,00,000	Goodwill A/c	60,000	40,000	
				By Workmen's			
				Compensation			—
				Reserve A/c	36,000	24,000	—
				By Revaluation A/c	24,000	16,000	
				By Cash A/c		2,00,000	
	6,20,000	**6,80,000**	**3,00,000**		**6,20,000**	**6,80,000**	**3,00,000**

Balance Sheet of the reconstituted firm as on 31st March 2018

Liabilities		Amount (₹)	Assets		Amount (₹)
Creditors		60,000	Cash		6,66,000
Capitals :			Debtors	1,46,000	
Sanjana	5,40,000		Less : Provision for Doubtful debts	2,000	1,44,000
Alok	3,60,000		Stock		1,80,000
Nidhi	3,00,000	12,00,000	Furniture		2,70,000
		12,60,000			**12,60,000**

PART B
(Analysis of Financial Statements)

18. Mevo Ltd., a financial enterprise had advanced a loan of ₹ 3,00,000, invested ₹ 6,00,000 in shares of the other companies and purchased machinery for ₹ 9,00,000. It received dividend of ₹ 70,000 on investment in shares. The company sold an old machine of the book value of ₹ 79,000 at a loss of ₹ 10,000.
Compute Cash flows from Investing Activities. 1

Ans. **Cash Flows from Investing Activities**

Particulars	Amount (₹)	Amount (₹)
Sale of Machinery	69,000	
Purchase of machinery	(9,00,000)	
Net Cash used in Investing Activities		(8,31,000)

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

Ans. Cash Equivalents mean 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. 1

20. Explain briefly any four objectives of 'Analysis of Financial Statements'. 4

OR

State under which major headings and sub-headings will the following items be presented in the Balance Sheet of a company as per Schedule III, Part I of the Companies Act, 2013.

(i) Prepaid Insurance
(ii) Investment in Debentures
(iii) Calls-in-Arrears
(iv) Unpaid Dividend
(v) Capital Reserve
(vi) Loose Tools
(vii) Capital Work-in-Progress
(viii) Patents being Developed by the Company. 4

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

(i) Assessing the earning capacity or profitability.
(ii) Assessing the managerial efficiency.
(iii) Assessing the short term and the long-term solvency of the enterprise.
(iv) Inter-firm comparison.
(v) Forecasting and preparing budgets.
(vi) Ascertaining the relative importance of different components of the financial position of the firm.

(If the candidate has not given the headings but has given the correct explanation, full credit may be given)

Detailed Answer:

Refer Q. 20 of Delhi Set-I 2017.

OR

S. No.	Item	Head	Sub-Head
(i)	Prepaid insurance	Current assets	Other current assets
(ii)	Investment in debentures	Non-current assets	Non-current investments
(iii)	Calls-in-arrears	Shareholders' funds	Subscribed capital
(iv)	Unpaid dividend	Current liabilities	Other current liabilities
(v)	Capital reserve	Shareholders' funds	Reserves and surplus
(vi)	Loose tools	Current assets	Inventories
(vii)	Capital work-in-progress	Non-current assets	Fixed assets
(viii)	Patents being developed by the company	Non-current assets	Fixed assets-intangible assets under development

4

21. (a) Calculate Revenue from Operations of BN Ltd. from the following information:

Current assets	**₹ 8,00,000**
Quick ratio is	**1.5:1**
Current ratio is	**2:1**
Inventory turnover ratio is	**6 times**

Goods were sold at a profit of 25% on cost.

(b) The operating ratio of a company is 60%. State whether 'Purchase of goods costing ₹ 20,000' will increase, decrease or not change the operating ratio. **3+1=4**

OR

(a) Calculate 'Total Assets to Debt ratio' from the following information:

	₹
Equity Share Capital	**4,00,000**
Long-Term Borrowings	**1,80,000**
Surplus, i.e. Balance in Statement of Profit and Loss	**1,00,000**
General Reserve	**70,000**
Current Liabilities	**30,000**
Long-term Provisions	**1,20,000**

(b) The Debt Equity ratio of a company is 1 : 2. State whether 'Issue of bonus shares' will increase, decrease or not change the Debt Equity Ratio. **3+1=4**

Ans. (a) Current Ratio = 2 : 1 and Current Assets = ₹ 8,00,000
Current Ratio = Current Assets/ Current Liabilities = 2:1
Therefore, Current Liabilities = ₹ 4,00,000
Quick ratio = Quick Assets/ Current Liabilities = 1.5:1
Therefore, Quick Assets = ₹ 6,00,000
Inventory = Current Assets – Quick Assets
= ₹ 8,00,000 – ₹ 6,00,000
= ₹ 2,00,000
Inventory Turnover Ratio = 6 times
Cost of Revenue from Operations/ Average Inventory = 6 times
Cost of Revenue from Operations/ ₹ 2,00,000 = 6
Cost of Revenue from Operations = ₹ 12,00,000
Gross Profit is 25% on Cost =25% of ₹ 12,00,000
= ₹ 3,00,000
So, Revenue from Operations = ₹ 12,00,000 +₹ 3,00,000
= ₹ 15,00,000 **3**

(b) 'Purchase of goods costing ₹ 20,000 will not change the operating ratio.

OR

(a) Total Assets = Total Liabilities = Equity Share Capital + Long Term Borrowings + Surplus +General Reserve + Current Liabilities + Long term Provisions
= ₹ 4,00,000 + ₹ 1,80,000 + ₹ 1,00,000 + ₹ 70,000 + ₹ 30,000 + ₹ 1,20,000
= ₹ 9,00,000
Debt = Long-Term Borrowings + Long-Term Provisions
= ₹ 1,80,000 + ₹ 1,20,000
= ₹ 3,00,000
Total Assets to Debt Ratio= Total Assets/Debt
=₹ 9,00,000 / ₹ 3,00,000
=3:1

(b) Issue of bonus shares will not change the ratio.

*** 22. From the following information extracted from the statement of Profit and Loss for the years ended 31st March 2017 and 2018, prepare a Comparative Statement of Profit and Loss:**

Particulars	2017–18	2016–17
Revenue from operations	₹ 6,00,000	₹ 5,00,000
Other incomes (% of revenue from operations)	20%	20%
Employee benefit expenses (% of Total Revenue)	40%	30%
Tax rate	50%	50%

4

* *Out of Syllabus*

23. From the following Balance Sheet of Kiero Ltd. and the additional information as on 31-3-2018, prepare a Cash Flow Statement:

Kiero Ltd.
Balance Sheet as at 31-3-2018

Particulars	Note No.	31-3-18 (₹)	31-3-17 (₹)
I Equity and Liabilities			
(1) Shareholders' Funds:			
(a) Share Capital		7,90,000	5,80,000
(b) Reserves and Surplus	1	4,60,000	1,20,000
(2) Non-Current Liabilities:			
Long-Term Borrowings	2	5,00,000	3,00,000
(3) Current Liabilities:			
(a) Short-Term Borrowings	3	1,15,000	42,000
(b) Short-Term Provisions	4	1,18,000	46,000
Total		**19,83,000**	**10,88,000**
II. Assets			
(1) Non-Current Assets:			
Fixed Assets			
(i) Tangible Assets	5	9,80,000	6,35,000
(ii) Intangible Assets	6	2,68,000	1,70,000
(2) Current Assets:			
(a) Current Investments		1,40,000	70,000
(b) Trade Receivables		4,40,000	1,50,000
(c) Cash and Cash Equivalents		1,55,000	63,000
Total		**19,83,000**	**10,88,000**

Notes to Accounts

Note No.	Particulars	31-3-18 (₹)	31-3-17 (₹)
1.	**Reserves and Surplus:**		
	Surplus (Balance in Statement of Profit and Loss)	3,20,000	60,000
	General Reserve	1,40,000	60,000
		4,60,000	**1,20,000**
2.	**Long-Term Borrowings:**		
	12% Debentures	5,00,000	3,00,000
		5,00,000	**3,00,000**
3.	**Short-Term Borrowings:**		
	Bank Overdraft	1,15,000	42,000
		1,15,000	**42,000**
4.	**Short-Term Provisions:**		
	Provision for Tax	1,18,000	46,000
		1,18,000	**46,000**
5.	**Tangible Assets:**		
	Plant and Machinery	11,00,000	7,50,000
	Less : Accumulated Depreciation	(1,20,000)	(1,15,000)
		9,80,000	**6,35,000**
6.	**Intangible Assets:**		
	Goodwill	2,68,000	1,70,000
		2,68,000	**1,70,000**

Additional Information:

12% debentures were issued on 1st September 2017. **6**

Ans. **Cash Flow Statement of Kiero Ltd. for the year ended 31st March 2018**

Particulars	Amount (₹)	Amount (₹)
Cash Flows From Operating Activities		
Net Profit before Tax	4,58,000	
Add : Depreciation on Plant and Machinery	5,000	
Interest on 12% Debentures	50,000	
Operating Profit before Working Capital Changes	5,13,000	
Less : Increase in Trade Receivables	(2,90,000)	
Cash Generated from Operations	2,23,000	
Less : Tax Paid	(46,000)	
Cash Inflows from Operating Activities		1,77,000
Cash Flows from investing Activities		
Purchase of Plant and Machinery	(3,50,000)	
Purchase of Goodwill	(98,000)	
Cash Used in Investing Activities		(4,48,000)
Cash Flows from financing Activities		
Issue of Shares	2,10,000	
Issue of 12% Debentures	2,00,000	
Bank Overdraft Raised	73,000	
Interest Paid on 12% Debentures	(50,000)	
Cash Inflows from Financing Activities		4,33,000
Net Increase in Cash and Cash Equivalents		1,62,000
Add : Opening Balance of Cash and Cash Equivalents		
Current Investments	70,000	
Cash and Cash Equivalents	63,000	1,33,000
Closing Balance of Cash and Cash Equivalents		
Current Investments	1,40,000	
Cash and Cash Equivalents	1,55,000	2,95,000

Working Notes:

Calculation of Net Profit before Tax:

Net Profit	2,60,000
Add : Amount Transferred to Reserve	80,000
Add : Provision for Tax	1,18,000
	4,58,000

6

Delhi Set - 2 Code : 67/1/2

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

PART A
(Accounting for Not-for-Profit Organisations, Partnership Firms and Companies)

6. State any two situations when a partnership firm can be compulsorily dissolved. **1**

Ans. A firm is compulsorily dissolved in the following cases: **(Any two)**

(i) When all the partners or all but one partner become insolvent.
(ii) When the business of the firm becomes illegal.
(iii) When some event has taken place which makes the business of the firm unlawful for the partners to carry on the business.

8. A firm earned average profit of ₹ 3,00,000 during the last few years. The normal rate of return of the industry is 15%. The assets of the business were ₹ 17,00,000 and its liabilities were ₹ 2,00,000. Calculate the goodwill of the firm by capitalisation of average profits. **3**

Ans. Actual Profits = ₹ 3,00,000

Net Tangible Assets = Assets – Liabilities

= ₹ 17,00,000 – ₹ 2,00,000

= ₹ 15,00,000

Capitalised Value of the Firm = (Average Profits x 100)/ Normal Rate of Return

= (₹ 3,00,000 × 100)/15

= ₹ 20,00,000

Goodwill = Capitalised Value of the Firm – Net Tangible Assets

= ₹ 20,00,000 – ₹ 15,00,000 = ₹ 5,00,000

*** 9. Present the following information for the year ended 31st March 2018 in the financial statements of a not-for-profit organisation:**

Particulars	₹
Opening Balance of Match Fund	5,00,000
Sale of Match Tickets	3,75,000
Donations for Match Fund Received During the Year	1,24,000
Match Expenses	10,00,000

3

*** 10. Krishna Ltd. had outstanding 20,000, 9% debentures of ₹ 100 each on 1st April 2014. These debentures were redeemable at a premium of 10% in two equal instalments starting from 31st March 2018. The company had a balance of ₹ 4,00,000 in Debenture Redemption Reserve on 31st March 2017.**

Pass necessary journal entries for redemption of debentures in the books of Krishna Ltd. for the year ended 31st March 2018. **3**

11. Gaurav, Saurabh and Vaibhav were partners in a firm sharing profits and losses in the ratio of 2 : 2 : 1. They decided to dissolve the firm on 31st March 2018. After transferring Sundry assets (other than cash in hand and cash at bank) and third party liabilities to realisation account, the assets were realized and liabilities were paid off as follows:

(i) A machinery with a book value of ₹ 6,00,000 was taken over by Gaurav at 50% and stock worth ₹ 5,000 was taken over by a creditor of ₹ 9,000 in full settlement of his claim.

(ii) Land and building (book value ₹ 3,00,000) was sold for ₹ 4,00,000 through a broker who charged 2% commission.

(iii) The remaining creditors were paid ₹ 76,000 in full settlement of their claim and the remaining assets were taken over by Vaibhav for ₹ 17,000.

(iv) Bank loan of ₹ 3,00,000 was paid along with interest of ₹ 21,000.

Pass necessary journal entries for the above transactions in the books of the firm. **4**

Ans.

Journal Entries

Date	Particulars	Debit Amount (₹)	Credit Amount (₹)
(i)	(a) Gaurav's Capital A/c Dr. To Realisation A/c (Being machinery taken over by Gaurav)	3,00,000	 3,00,000
	(b) No entry		
(ii)	Cash/Bank A/c Dr. To Realisation A/c (Being land and building sold)	3,92,000	 3,92,000
(iii)	Realisation A/c Dr. To Cash/Bank A/c (Being payment made to creditors)	76,000	 76,000
	Vaibhav's Capital A/c Dr. To Realisation A/c (Being assets taken over by Vaibhav)	17,000	 17,000

* *Out of Syllabus*

(iv)	Realisation A/c Dr. To Bank A/c (Being bank loan paid along with interest)	3,21,000	 3,21,000

12. P, Q and R were partners in a firm sharing profits in the ratio of 1 : 1 : 2. On 31st March 2018, their balance sheet showed a credit balance of ₹ 9,000 in the profit and loss account and a Workmen Compensation Fund of ₹ 64,000. From 1st April, 2018 they decided to share profits in the ratio of 2 : 2 : 1.

For this purpose it was agreed that:

(a) Goodwill of the firm was valued at ₹ 4,00,000.

(b) A claim on account of workmen compensation of ₹ 30,000 was admitted.

Pass necessary journal entries on reconstitution of the firm. **4**

Ans. **Journal Entries**

Date	Particulars	Dr. (₹)	Cr. (₹)
	Profit and Loss A/c Dr. To P's Capital A/c To Q's Capital A/c To R's Capital A/c (Being Profit and Loss Account credited to Partners' Capital Accounts)	9,000	 2,250 2,250 4,500
	Workmen Compensation Fund A/c Dr. To Workmen Compensation Claim A/c To P's Capital A/c To Q's Capital A/c To R's Capital A/c (Being Workmen's Compensation Reserve adjusted for claim and the balance distributed among the partners)	64,000	 30,000 8,500 8,500 17,000
	P's Capital A/c Dr. Q's Capital A/c Dr. To R's Capital A/c (Being adjustment made for goodwill)	60,000 60,000	 1,20,000

[CBSE Marking Scheme, 2019]

PART B

(Analysis of Financial Statements)

18. What is meant by 'Cash Flows'? **1**

Ans. Cash Flows imply movement of cash in and out due to some non cash items.

19. K Ltd., a manufacturing company obtained a loan of ₹ 6,00,000, advanced a loan of ₹ 1,00,000 and purchased machinery for ₹ 5,00,000. Calculate the amount of Cash Flow from Financing and Investing activities. **1**

Ans. **Cash Flows from Financing Activities**

Particulars	Details (₹)	Amount (₹)
Loan Raised	6,00,000	
Net Cash Inflows from Financing Activities		6,00,000

Cash Flows from Investing Activities

Particulars	Details (₹)	Amount (₹)
Loan Advanced	(1,00,000)	
Machinery Purchased	(5,00,000)	
Net Cash used in Investing Activities		(6,00,000)

*** 20. Prepare a Comparative Statement of Profit and Loss from the following information extracted from the Statement of Profit and Loss for the year ended 31st March, 2017 and 2018.**

Particulars	2017–18	2016–17
Revenue from Operations	(₹) 12,00,000	(₹) 10,00,000
Other Income (% of Revenue from Operations)	25%	25%
Employee Benefit Expenses (% of Total Revenue)	40%	30%
Tax Rate	40%	40%

4

Delhi Set - 3 Code : 67/1/3

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

PART A
(Accounting for Not-for-Profit Organisations, Partnership Firms and Companies)

6. State any two contingencies that may result into dissolution of a partnership firm. **1**

Ans. Contingencies that may result into dissolution of a partnership firm : (Any two)

(i) If the firm is constituted for a fixed term, on the expiry of that term.

(ii) If constituted to carry out one or more ventures, on the completion of the venture.

(iii) On the death of a partner.

(iv) On the adjudication of a partner as an insolvent.

8. L, M and N were partners in a firm sharing profits and losses in the ratio of 5 : 3 : 2. On 1st April, 2018 they admitted S as a new partner in the firm for l/5th share in the profits. On S's admission the goodwill of the firm was valued at 3 years' purchase of last five years average profits. The profits during the last five years were:

Year ended 31st March	Profit (₹)
2014	4,00,000
2015	3,00,000
2016	2,00,000
2017	50,000
2018	(50,000)

Calculate the value of the goodwill of the firm. Pass necessary journal entry for the treatment of goodwill on S's admission. **3**

Ans. Average Profits = ₹ 1,80,000

Goodwill = Average Profits × Number of Years Purchase

= ₹ 1,80,000 × 3

= ₹ 5,40,000

S's Share of Goodwill = ₹ 5,40,000/5 = ₹ 1,08,000

Journal Entries

Date	Particulars	Dr. (₹)	Cr. (₹)
	S's Capital A/c Dr.	1,08,000	
	To L's Capital A/c		54,000
	To M's Capital A/c		32,400
	To N's Capital A/c		21,600
	(Being adjustment entry made for goodwill)		

*** 9. From the following information calculate the amount of 'Sports Material' to be debited to Income and Expenditure Account of Young Football Club for the year ended 31st March 2018:**

	₹
Opening Stock of Sports Material	**21,000**
Closing Stock of Sports Material	**24,000**
Opening Creditors of Sports Material	**23,500**
Closing Creditors of Sports Material	**27,000**
During the year the creditors for sports material were paid	**1,10,000**

3

* *Out of Syllabus*

*** 10. On 1st April 2013 Anushka Ltd. issued ₹ 70,00,000, 9% debentures of ₹ 100 each at par, redeemable at a premium of 5% on 31st March 2018. The company created the necessary minimum amount of debenture redemption reserve and purchased debenture redemption reserve investments. The debentures were redeemed on 31st March 2018.**

Pass necessary journal entries for the redemption of debentures in the books of the company. **3**

11. Ravi, Shankar and Madhur were partners in a firm sharing profits in the ratio of 7 : 2 : 1. On 31st March 2018, the firm was dissolved. After transferring sundry assets (other than cash in hand and cash at bank) and third party liabilities in the realisation account the following transactions took place:

(i) Debtors amounting to ₹ 1,40,000 were handed over to a debt collection agency which charged 5% commission. The remaining debtors were ₹ 47,000, out of which debtors of ₹ 17,000 could not be recovered because the same became insolvent.

(ii) Creditors amounting to ₹ 5,000 were paid ₹ 3,500 in full settlement of their claim and balance creditors were handed over stock of ₹ 90,000 in full settlement of their claim of ₹ 95,000.

(iii) A bills receivable ₹ 2,000 discounted with the bank was dishonoured by its acceptor and the same had to be met by the firm.

(iv) Profit on realisation amounted to ₹ 6,000.

Pass necessary journal entries for the above transactions in the books of Ravi, Shankar and Madhur. **4**

Ans. **Journal Entries**

Date	Particulars	L. F.	Debit Amount (₹)	Credit Amount (₹)
(i)	Bank / Cash A/c Dr.		1,63,000	
	To Realisation A/c			1,63,000
	(Being amount received from debtors)			
(ii)	Realisation A/c Dr.		3,500	
	To Cash/Bank A/c			3,500
	(Being payment made to creditors)			
(iii)	Realisation A/c Dr.		2,000	
	To Cash/Bank A/c			2,000
	(Being discounted bill dishonoured)			
(iv)	Realisation A/c Dr.		6,000	
	To Ravi's Capital A/c			4,200
	To Shankar's Capital A/c			1,200
	To Madhur's Capital A/c			600
	(Being profit on realisation transferred to partners capital accounts)			

12. Aman, Bobby and Chandani were partners in a firm sharing profits and losses in the ratio of 5 : 4 : 1. From 1st April 2018 they decided to share profits equally. The revaluation of assets and re-assessment of liabilities resulted in a loss of ₹ 5,000. The goodwill of the firm on its reconstitution was valued at ₹ 1,20,000. The firm had a balance of ₹ 20,000 in General Reserve.

Showing your workings clearly pass necessary journal entries on the reconstitution of the firm. **4**

Ans. **Journal Entries**

Date	Particulars	Dr. (₹)	Cr. (₹)
	Aman's Capital A/c Dr.	2,500	
	Bobby's Capital A/c Dr.	2,000	
	Chandani's Capital A/c Dr.	500	
	To Revaluation A/c		5,000
	(Being loss on revaluation debited to Partner's Capital Accounts)		

* *Out of Syllabus*

	Chandani's Capital A/c Dr. To Aman's Capital A/c To Bobby's Capital A/c (Being adjustment entry made for goodwill)	28,000	 20,000 8,000
	General Reserve A/c Dr. To Aman's Capital A/c To Bobby's Capital A/c To Chandani's Capital A/c (Being general reserve distributed among the partners)	20,000	 10,000 8,000 2,000

[CBSE Marking Scheme 2019] 1 + 2 + 1 = 4

PART B
(Analysis of Financial Statements)

18. How will 'commission received' be treated while preparing cash flow statement ? 1

Ans. It will be treated as cash flows from operating activities.

19. How is 'dividend paid' treated by a financial enterprise for the purpose of preparing cash flow statement ? 1

Ans. Dividend paid is treated as a financing activity.

*** 20. Prepare a Comparative Statement of Profit and Loss from the information extracted from the statement of Profit and Loss for the year ended 31st March 2017 and 2018 :**

Particulars	2017-18	2016-17
Revenue from Operations	**₹ 15,00,000**	**₹ 10,00,000**
Other income (% of Revenue from Operations)	**60%**	**50%**
Employee Benefit Expenses (% of Total Revenue)	**40%**	**30%**
Tax Rate	**40%**	**40%**

4

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

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

PART A
(Accounting for Not-for-Profit Organisations, Partnership Firms and Companies)

1. Pass the necessary journal entry for treatment of Partner's Loan appearing on the asset side of the Balance Sheet in case of dissolution of a partnership firm. 1

Ans. Partner's Capital A/c Dr.
To Partner's Loan A/c
(Being Partner's Loan transferred to Partner's Capital Account)

7. Average profits of a firm during the last few years are ₹ 80,000 and the normal rate of return in a similar business is 10%. If the goodwill of the firm is ₹ 1,00,000 at 4 years' purchase of super profit, find the capital employed by the firm. 3

Ans. Goodwill at 4 years' purchase of super profits = ₹ 1,00,000

$$\text{Super Profits} = ₹\frac{1,00,000}{4} = ₹ 25,000$$

Average Profits – Normal Profits = Super Profits

Normal Profits = Average Profits – Super profits

Normal Profits = ₹ 80,000 – ₹ 25,000 = ₹ 55,000

$$\text{Capital Employed} = \frac{100}{\text{NRR}} \times \text{Normal Profits}$$

$$= ₹ 55,000 \times \frac{100}{10} = ₹ 5,50,000$$

* *Out of Syllabus*

9. Willow Ltd. was registered with an authorised capital of ₹ 10,00,000 divided into 1,00,000 equity shares of ₹ 10 each. The company offered 80,000 shares for subscription to the public, out of which 75,000 shares were subscribed. All amounts were received except the final call of ₹ 2 per share on 3,000 shares. Fill in the missing figures in the Balance Sheet of Willow Ltd. as per the provisions of Schedule III, Part I of the Companies Act, 2013.

Balance Sheet as at 31st March 2018 (An extract)

Particulars	Note No.	₹
Equity and Liabilities		
1. Shareholders' Funds		
(a) Share Capital	**1**	________
		________

Notes to Accounts

Note No.	Particulars		₹
1	**Share Capital**		
	Authorised Capital		
	....		....
	Issued Capital		
	....		....
	Subscribed Capital		
	Subscribed and Fully Paid		
	________ shares of ₹ 10 each		....
	Subscribed but not Fully Paid		
	________ shares of ₹ 10 each	....	
	Less	....	....
			....

3

Ans. **Willow Ltd.**

Balance Sheet as at 31st March, 2018 (an extract)

Particulars	Note No.	Amount (₹) Current Year
Equity and Liabilities		
1. Shareholders' Funds		
(a) Share Capital	1	7,44,000

Note to Accounts:

Note No.	Particulars		Amount (₹)
1	Share Capital		
	Authorised Capital		
	1,00,000 Equity Shares of ₹ 10 each		10,00,000
	Issued Capital		
	80,000 Equity Shares of ₹ 10 each		8,00,000
	Subscribed Capital		
	a. Subscribed and Fully Paid		
	72,000 Equity Shares of ₹ 10 Each		7,20,000
	b. Subscribed but not Fully Paid		
	3,000 Equity Shares of ₹ 10 each	30,000	
	Less : Calls in Arrears	(6,000)	24,000
			7,44,000

*** 10. Janta Kalayan Club has 1,250 members each paying an annual subscription of ₹ 150. During the year ended 31st March 2018 the club did not receive subscription from 45 members and received subscriptions in advance from 46 members for the year ending 31st March 2019. On 31st March 2017 the outstanding subscriptions were ₹ 15,000 and subscriptions received in advance were ₹ 3,000.**
Calculate the amount of subscription that will be debited to the 'Receipts and Payments Account' for the year ended 31st March 2018. **3**

* *Out of Syllabus*

11. Hari, Kunal and Uma are partners in a firm sharing profits and losses in the ratio of 5 : 3 : 2. From 1st April 2018 they decided to share future profits and losses in the ratio of 2 : 5 : 3. Their Balance Sheet showed a balance of ₹ 75,000 in the Profit and Loss Account and a balance of ₹ 15,000 in Investment Fluctuation Fund. For this purpose, it was agreed that:

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

(ii) That investments (having a book value of ₹ 50,000) were valued at ₹ 35,000.

(iii) That stock having a book value of ₹ 50,000 be depreciated by 10%.
Pass the necessary journal entries for the above in the books of the firm. **4**

Ans. **Books of Hari, Kunal and Uma**
Journal Entries

Date	Particulars		Debit Amount (₹)	Credit Amount (₹)
2018	Profit and Loss A/c	Dr.	75,000	
April 1	To Hari's Capital A/c			37,500
	To Kunal's Capital A/c			22,500
	To Uma's Capital A/c			15,000
	(Being balance in Profit and Loss A/c distributed)			
	Investment Fluctuation Fund A/c	Dr.	15,000	
	To Investment A/c			15,000
	(Being value of investments decreased)			
	Revaluation A/c	Dr.	5,000	
	To Stock A/c			5,000
	(Being stock depreciated)			
	Hari's Capital A/c	Dr.	2,500	
	Kunal's Capital A/c	Dr.	1,500	
	Uma's Capital A/c	Dr.	1,000	
	To Revaluation A/c			5,000
	(Being loss on revaluation transferred)			
	Kunal's Capital A/c	Dr.	60,000	
	Uma's Capital A/c	Dr.	30,000	
	To Hari's Capital A/c			90,000
	(Being treatment of goodwill on change in profit sharing ratio)			

12. Meera, Sarthak and Rohit were partners sharing profits in the ratio of 2 : 2 : 1. On 31st March 2018, their Balance Sheet was as follows:

Balance Sheet of Meera, Sarthak and Rohit as at 31th March 2018

Liabilities	Amount (₹)	Assets	Amount (₹)
Creditors	3,00,000	Fixed Assets	7,00,000
Contingency Reserve	1,00,000	Stock	2,00,000
Capital :		Debtors	1,50,000
Meera	4,00,000	Cash at Bank	3,50,000
Sarthak	3,50,000		
Rohit	2,50,000		
	14,00,000		14,00,000

Sarthak died on 15th June 2018. According to the partnership deed, his executors were entitled to:
(i) Balance in his Capital Account.
(ii) His share of goodwill will be calculated on the basis of thrice the average of the past 4 years' profits.

(iii) His share in profits upto the date of death on the basis of average profits of the last two years. The time period for which he survived in the year of death will be calculated in months.

(iv) Interest on capital @ 12% p.a. up to the date of his death.

The firm's profits for the last four years were :

2014 – 15 ₹ 1,20,000, 2015 – 16 ₹ 2,00,000, 2016 – 17 ₹ 2,60,000 and 2017 – 18 ₹ 2,20,000.

Sarthak's executors were paid the amount due immediately. Prepare Sarthak's Capital Account to be presented to his executors. **4**

Ans. Dr. **Sarthak's Capital Account** **Cr.**

Particulars	Amount (₹)	Particulars	Credit (₹)
To Sarthak's Executor A/c	6,58,750	By Balance b/d	3,50,000
(Bal. figure)		By Meera's Capital A/c	1,60,000
		By Rohit's Capital A/c	80,000
		By P & L Suspense A/c	20,000
		By Interest on Capital A/c	8,750
		By Contingency Reserve A/c	40,000
	6,58,750		**6,58,750**

Working :

(i) Goodwill

Average Profit for 4 Years

$$\frac{₹1,20,000 + ₹2,00,000 + ₹2,60,000 + ₹2,20,000}{4} = \frac{₹8,00,000}{4} = ₹\ 2,00,000$$

$$\text{Goodwill} = ₹\ 2,00,000 \times 3 = ₹\ 6,00,000$$

$$\text{Sarthak's Share of Goodwill} = ₹\ 6,00,000 \times \frac{2}{5} = ₹\ 2,40,000$$

(ii) Sarthak's Share of Profit

$$\frac{₹4,80,000}{2} = ₹\ 2,40,000 \times \frac{2.5}{12} \times \frac{2}{5} = ₹\ 20,000$$

PART B
(Analysis of Financial Statements)

18. Under which type of activity will you classify 'Cash advances and loans made to third party' while preparing Cash Flow Statement? **1**

Ans. Investing Activity

19. State the primary objective of preparing '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 various heads, i.e., operating, investing and financing activities.

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

PART A
(Accounting for Not-for-Profit Organisations, Partnership Firms and Companies)

1. What is meant by 'Private Placement of Shares'? **1**

OR

What is meant by 'Reserve Capital'? **1**

Ans. Private placement of shares means issue and allotment of shares to a select group of persons privately.

OR

Reserve Capital is a portion of uncalled capital that is reserved by the company to be called in the event of winding up of the company.

2. **Kiya and Leela are partners sharing profits in the ratio of 3 : 2. Kiran was admitted as a new partner with $\frac{1}{5}^{th}$ share in the profits and brought in ₹ 24,000 as her share of goodwill premium that was credited to the capital accounts of Kiya and Leela respectively with ₹ 18,000 and ₹ 6,000. Calculate the new profit sharing ratio of Kiya, Leela and Kiran.**

Ans. Sacrificing ratio of Kiya and Leela = 3:1

Kiran's Share = 1/5

Kiya's Sacrifice = 1/5 × 3/4 = 3/20

Leela's Sacrifice = 1/5 × 1/4 = 1/20

New Share = Old Share – Sacrifice Share

Kiya's New Share = 3/5 – 3/20 = 9/20

Leela's New Share = 2/5 – 1/20 = 7/20

Kiran's Share = 1/5 × 4/4 = 4/20

New Ratio = 9 : 7 : 4

3. **Dinkar, Navita and Vani were partners sharing profits and losses in the ratio of 3 : 2 : 1. Navita died on 30th June 2017. Her share of profit for the intervening period was based on the sales during that period, which were ₹ 6,00,000. The rate of profit during the past four years had been 10% on sales. The firm closes its books on 31st March every year. Calculate Navita's share of profit.** **1**

Ans. Profits of the firm till Navita's death = 10% of ₹ 6,00,000 = ₹ 60,000

Navita's Share = 2/6 × ₹ 60,000 = ₹ 20,000

* 4. **State the main aim of a not-for-profit organisation.** **1**

OR

How is 'Life membership fee' treated while preparing the financial statements of a not-for-profit organisation? **1**

5. **A new partner acquires two main rights in the partnership firm which he joins. State one of these rights.** **1**

OR

How does 'nature of business' affect the value of goodwill of a firm? **1**

Ans. Two main right acquired by a newly admitted partner **(Any one):**

(i) Right to share the assets of the partnership firm;

(ii) Right to share the profits of the partnership firm.

OR

Effect of Nature of Business on Goodwill:

A firm that produces high value added products or products with stable demand is able to earn more profits, therefore, firm's goodwill will be more.

6. **A, B and C were partners in a firm sharing profits and losses in the ratio of 2 : 2 : 1. On 31st March 2018 their firm was dissolved. On that date provision for bad debts showed a balance of ₹ 4,500.**

Pass necessary journal entry for the treatment of provision for bad debts on the firm's dissolution. **1**

Ans.

Books of ABC Ltd.

Journal Entries

Particulars	L. F.	Dr. Amount (₹)	Cr. Amount (₹)
Provision for Bad Debts A/c Dr. To Realisation A/c (Being provision for bad debts transferred to Realisation A/c)		4,500	 4,500

7. **'UZ Ltd.' purchased Plant and Machinery from Elk Machine Ltd. for ₹ 6,90,000. Elk Ltd. was paid by accepting a draft of ₹ 90,000 payable after three months and the balance by issue of 6% debentures of ₹ 100 each at a discount of 20%.**

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

* *Out of Syllabus*

OR

'ZK Ltd.' issued ₹ 4,00,000, 9% Debentures of ₹ 100 each at a discount of 5% redeemable at a premium of 10%. Pass necessary journal entries for the above transactions in the books of 'ZK Ltd'. **3**

Ans. **Books of UZ Ltd.**

Journal Entries

Date	Particulars	L. F.	Debit Amount (₹)	Credit Amount (₹)
	Plant and Machinery A/c Dr.		6,90,000	
	To Elk Machine Ltd.			6,90,000
	(Being machinery purchased)			
	Elk Machine Ltd. Dr.		90,000	
	To Bills Payable A/c			90,000
	(Being bills accepted)			
	ElK Machine Ltd. Dr.		6,00,000	
	Discount on Debentures A/c Dr.		1,50,000	
	To 6% Debentures A/c			7,50,000
	(Being 6% debentures issued at 20% discount)			
	OR			
	for (ii) and (iii)			
	ElK Machine Ltd. Dr.		6,90,000	
	Discount on Debentures A/c Dr.		1,50,000	
	To Bills Payable A/c			90,000
	To 6% Debentures A/c			7,50,000
	(Being bills accepted and 6% debentures issued at 20% discount)			

(No. of debentures issued = 6,00,000/80 = 7500) **1+½+1½=3**

OR

Books of ZK Ltd.

Journal Entries

Date	Particulars	L. F.	Debit Amount (₹)	Credit Amount (₹)
(i)	Bank A/c Dr.		3,80,000	
	To Debentures Application and Allotment A/c			3,80,000
	(Being debentures application money received)			
(ii)	Debentures Application and Allotment A/c Dr.		3,80,000	
	Discount on Issue of Debentures A/c Dr.		20,000	
	Loss in Issue of Debentures A/c Dr.		40,000	
	To 9% Debentures A/c			4,00,000
	To Premium on Redemption of Debenture A/c			40,000
	(Being debenture issued at discount redeemable at premium)			
	Alternative for entry (ii)			
	Debentures Application and Allotment A/c Dr.		3,80,000	
	Loss on Issue of Debentures A/c Dr.		60,000	
	To 9% Debentures A/c			4,00,000
	To Premium on Redemption of Debentures A/c			40,000
	(Being debentures issued at discount redeemable at premium)			

8. The firm of P, Q and R earned ₹ 4,00,000 average profits during the last three years. The capital employed in the business was ₹ 6,00,000. Normal rate of return of the industry is 8%.

Calculate the goodwill of the firm by capitalising the super profits. 3

Ans.

Average Profit = ₹ 4,00,000

Capital Employed = ₹ 6,00,000

Normal Profit = 8% of capital employed

$$= ₹\ 6,00,000 \times \frac{8}{100} = ₹\ 48,000$$

Super Profit = Average Profit – Normal Profit

= ₹ 4,00,000 – ₹ 48,000 = ₹ 3,52,000

$$\text{Goodwill on the basis of Capitalisation of Super Profit} = \frac{\text{Super Profit} \times 100}{\text{Rate of Normal Profit}}$$

$$= \frac{3,52,000 \times 100}{8} = ₹\ 44,00,000$$

9. 'WX Ltd.' was registered with an authorised capital of 2,00,000 equity shares of ₹ 10 each. The company offered 1,50,000 shares to the public for subscription. 1,45,000 shares were subscribed. All calls were made and were duly received except the final call of ₹ 3 on 5,000 shares.

Present the Share Capital of the Company as per the provisions of Schedule III, Part I of the Companies Act, 2013. 3

Ans.

Balance Sheet of WX Ltd.

as per Schedule III Part I Companies Act, 2013

Particulars	Note No.	Current Year (₹)	Previous Year (₹)
Equity and Liabilities			
1. Shareholders' Funds			
(a) Share Capital	1	14,35,000	

Notes to Accounts:

Note No.	Particulars		Current Year (₹)
1.	**Share Capital**		
	Authorised Share Capital		
	2,00,000 Equity Shares of @ ₹ 10 Each		20,00,000
	Issued Share Capital		
	1,50,000 Equity Shares @ ₹ 10 Each		15,00,000
	Subscribed Capital		
	(a) Subscribed and Fully Paid		
	1,40,000 Equity Shares of ₹ 10 Each		14,00,000
	(b) Subscribed but not Fully Paid		
	5,000 Equity Shares @ ₹ 10 Each	50,000	
	Less : Calls in Arrears @ ₹ 3 per Share	(15,000)	35,000
			14,35,000

*** 10. From the following information, calculate the amount of medicines to be debited to 'Income and Expenditure Account' of a Charitable Hospital for the year ended 31st March 2018. Also present the relevant information in the Balance sheet of the hospital as at 31st March 2018.**

Particulars	31st March 2017 (₹)	31st March 2018 (₹)
Stock of medicines	**8,00,000**	**15,00,000**
Creditors for medicines	**6,00,000**	**8,00,000**

Cash paid to the creditors of medicines during the year was ₹ 25,00,000. 3

* *Out of Syllabus*

11. L, M and N were partners in a firm sharing profits in the ratio of 2 : 3 : 5. From 1st April 2018 they decided to share the profits in the ratio of 1 : 2 : 2. On this date, the Balance Sheet showed a credit balance of ₹ 1,17,000 in General Reserve and a debit balance of ₹ 35,000 in Profit and Loss Account. The goodwill of the firm was valued at ₹ 5,00,000. The revaluation of assets and reassessment of liabilities resulted into a gain of ₹ 30,000. Pass necessary journal entries for the above transactions on the reconstitution of the firm. **4**

Ans. **Books of L, M and N**

Journal Entries

Date	Particulars	L. F.	Dr. Amount (₹)	Cr. Amount (₹)
	General Reserve A/c Dr.		1,17,000	
	To L's Capital A/c			23,400
	To M's Capital A/c			35,100
	To N's Capital A/c			58,500
	(Being general reserve transferred to Partners' Capital A/c)			
	L's Capital A/c Dr.		7,000	
	M's Capital A/c Dr.		10,500	
	N's Capital A/c Dr.		17,500	
	To Profit and Loss A/c			35,000
	(Being debit balance of Profit and Loss A/c transferred to all Partners' Capital A/c)			
	M's Capital A/c Dr.		50,000	
	To N's Capital A/c			50,000
	(Being adjustment of goodwill)			
	Revaluation A/c Dr.		30,000	
	To L's Capital A/c			6,000
	To M's Capital A/c			9,000
	To N's Capital A/c			15,000
	(Being gain on revaluation transferred to Partners' Capital A/c)			

M's Gain = $\frac{1}{10}$; N's Sacrifice = $\frac{1}{10}$ **[CBSE Marking Scheme 2019] 4**

12. Manika, Rekha and Mohit were partners sharing profits in the ratio of 5 : 4 : 1. On 31st March 2018 their Balance Sheet was as follows:

Balance Sheet of Manika, Rekha and Mohit

as at 31st March 2018

Liabilities		Amount (₹)	Assets	Amount (₹)
Creditors		5,00,000	Fixed Assets	9,00,000
General Reserve		2,00,000	Stock	3,00,000
Capital:			Debtors	3,00,000
Manika	6,00,000		Cash at Bank	4,50,000
Rekha	4,50,000			
Mohit	2,00,000	12,50,000		
		19,50,000		19,50,000

Rekha died on 1st July 2018. According to the partnership deed, her executors were entitled to :

(i) Balance in her Capital Account.

(ii) Her share of goodwill, which is calculated on the basis of average profits of last four years.

(iii) Her share of profit upto the date of death calculated on the basis of average profits of last two years. The time period for which she survived in the year of death will be calculated in months.

(iv) Interest on capital @ 10% p.a. up to the date of death.

The firm's profits for the last four years were :

2014–15 ₹ 2,20,000, 2015–16 ₹ 3,00,000, 2016–17 ₹ 3,60,000 and 2017–18 ₹ 3,20,000.

Rekha's executors were paid the amount due immediately.

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

Ans. Dr. **Rekha's Capital Account** **Cr.**

Particulars	Amount (₹)	Particulars	Credit (₹)
To Rekha's Executor's A/c	6,95,250	By Balance b/d	4,50,000
		By Monika's Capital A/c	1,00,000
		By Mohit's Capital A/c	20,000
		By Profit and Loss Suspense A/c	34,000
		By Interest on Capital A/c	11,250
		By General Reserve A/c	80,000
	6,95,250		**6,95,250**

Working Notes :

1. Calculation of Rekha's share of Goodwill:

$$\text{Average Profit} = \frac{2{,}20{,}000 + 3{,}00{,}000 + 3{,}60{,}000 + 3{,}20{,}000}{4} = ₹\ 3{,}00{,}000$$

$$\text{Rekha's Share of Goodwill} = ₹\ 3{,}00{,}000 \times \frac{4}{10} = ₹\ 1{,}20{,}000$$

Gaining Ratio = 5 : 1

2. Calculation of Profit share of Rekha

$$\text{Average Profit of last two years} = \frac{₹\ 360000 + ₹\ 320000}{2} = \frac{₹\ 6{,}80{,}000}{2} = ₹\ 3{,}40{,}000$$

$$\text{Rekha's Share of Profit} = ₹\ 3{,}40{,}000 \times \frac{3}{12} \times \frac{4}{10} = ₹\ 34{,}000$$

13. Naveen, Qadir and Rajesh were partners doing an electronic goods business in Uttarakhand. After the accounts of partnership were drawn up and closed, it was discovered that interest on capital has been allowed to partners @ 6% p.a. for the years ending 31st March 2017 and 2018, although there is no provision for interest on capital in the partnership deed. On the other hand, Naveen and Qadir were entitled to a salary of ₹ 3,500 and ₹ 4,000 per quarter, respectively, which has not been taken into consideration. Their fixed capitals were ₹ 4,00,000, ₹ 3,60,000 and ₹ 2,40,000, respectively. During the last two years they had shared the profits and losses as follows:

Year Ended	Ratio
31st March 2017	**3 : 2 : 1**
31st March 2018	**5 : 3 : 2**

Pass necessary adjusting entry for the above adjustments in the books of the firm on 1st April 2018. Show your workings clearly. **6**

OR

On 31st March 2018 the balance in the Capital Accounts of Abhir; Bobby and Vineet, after making adjustments for profits and drawings were ₹ 8,00,000, ₹ 6,00,000 and ₹ 4,00,000, respectively.

Subsequently, it was discovered that interest on capital and interest on drawings had been omitted. The partners were entitled to interest on capital @ 10% p.a. and were to be charged interest on drawings @ 6% p.a. The drawings during the year were : Abhir - ₹ 20,000 drawn at the end of each month, Bobby - ₹ 50,000 drawn at the beginning of every half year and Vineet - ₹ 1,00,000 withdrawn on 31st October 2017. The net profit for the year ended 31st March 2018 was ₹ 1,50,000. The profit sharing ratio was 2 : 2 : 1.

Pass necessary adjusting entry for the above adjustments in the books of the firm. Also, show your workings clearly. **6**

13. **Books of Naveen Qadir and Rajesh**

Journal Entries

Date	Particulars		L. F.	Amount Dr. (₹)	Amount Cr. (₹)
2018 April 1	Rajesh's Current A/c	Dr.		17,800	
	To Naveen's Current A/c				10,000
	To Qadir's Current A/c				7,800
	(Being interest on capital wrongly allowed and partner's salary omitted, now rectified)				

2

Working :

Past Adjustment Table

Particulars	Naveen	Qadir	Rajesh	Total
A. Cancellation of Interest on Capital :				
2016–17	24,000 (Dr.)	21,600 (Dr.)	14,400 (Dr.)	60,000 (Cr.)
2017–18	24,000 (Dr.)	21,600 (Dr.)	14,400 (Dr.)	60,000 (Cr.)
TOTAL (Interest on Capital)	48,000 (Dr.)	43,200 (Dr.)	28,800 (Dr.)	1,20,000 (Cr.)
B. Omission of Salary:				
2016–17	14,000 (Cr.)	16,000 (Cr.)	---------	30,000 (Dr.)
2017–18	14,000 (Cr.)	16,000 (Cr.)	---------	30,000 (Dr.)
TOTAL (Salary)	28,000 (Cr.)	32,000 (Cr.)	---------	60,000 (Dr.)
C. Profits to be credited : **A-B**				
2016–17 (3:2:1)	15,000 (Cr.)	10,000 (Cr.)	5,000 (Cr.)	30,000 (Dr.)
2017–18 (3:2:1)	15,000 (Cr.)	9,000 (Cr.)	6,000 (Cr.)	30,000 (Dr.)
TOTAL (Profits Credited)	30,000 (Cr.)	19,000 (Cr.)	11,000 (Cr.)	60,000 (Dr.)
Net Effect [A+B+C]	10,000 (Cr.)	7,800 (Cr.)	17,800 (Dr.)	00

[CBSE Marking Scheme 2019] 4

Note: In case a student has presented correct working in any other form, full credit may be given.

OR

Date	Particulars		L. F.	Dr. (₹)	Cr. (₹)
2018 April 1	Bobby's Capital A/c	Dr.		14,402	
	To Abhir's Capital A/c				10,112
	To Vineet's Capital A/c				4,290
	(Being interest on capital and interest on drawings omitted, now rectified)				

Working:

(A) Past Adjustment Table

Particulars	**Abhir**	**Bobby**	**Vineet**	**Total**
Cancellation of profits	60,000 (Dr.)	60,000 (Dr.)	30,000 (Dr.)	1,50,000
Omission of IOD	6,600 (Dr.)	4,500 (Dr.)	2,500 (Dr.)	13,600
Omission of IOC :	76,712 (Cr.)	50,098 (Cr.)	36,790 (Cr.)	1,63,600
Net Effect	**10,112 (Cr.)**	**14,402 (Dr.)**	**4,290 (Cr..)**	**00**

(B) Calculation of Opening Capital :

Particulars	Abhir ₹	Bobby ₹	Vineet ₹
Capital on 31-3-2018	8,00,000	6,00,000	4,00,000
ADD : Drawings	2,40,000	1,00,000	1,00,000
LESS : Share of profit	(60,000)	(60,000)	(30,000)
Capital on 1-4-2017	**9,80,000**	**6,40,000**	**4,70,000**

(C) Interest on Capital @ 10% 98,000 + 64,000 + 47,000 = ₹ 2,09,000

Profits available = ₹ 1,50,000 + 13,600 = ₹ 1,63,600

Therefore, Interest on Capital is given as ₹ 1,63,600 divided in the ratio of 98:64:47

[CBSE Marking Scheme 2019] 1+2+3=6

*** 14. From the following information of Gems Club, prepare Income and Expenditure Account for the year ended 31st March 2018:**

Receipts and Payments Account of Gems Club
for the year ending 31st March 2018

Receipts	Amount (₹)	Payments	Amount (₹)
To Balance b/d	50,000	By Furniture	1,30,000
To Interest on Investments	2,400	By Salaries	64,500
To Donations	17,000	By Miscellaneous Expenses	52,000
To Subscriptions	3,00,000	By Telephone Charges	12,000
To Rent Received	70,000	By Fax Machine	6,000
To Sale of Old Newspapers	600	By 6% Investments (on 01.08.2017)	1,00,000
		By Printing and Stationery	19,000
		By Balance c/d	56,500
	4,40,000		4,40,000

Additional Information:

Subscriptions received included ₹ 15,000 for 2018–19. The amount of subscriptions outstanding on 31st March 2018 were ₹ 20,000. Salaries unpaid on 31st March 2018 were ₹ 8,000 and rent receivable was ₹ 2,000. Opening stock of printing and stationery was ₹ 12,000, whereas closing stock was ₹ 15,000.

6

15. Ashish and Kanav were partners in a firm sharing profits and losses in the ratio of 3 : 2. On 31st March, 2018 their Balance Sheet was as follows:

Balance Sheet of Ashish and Kanav
as at 31st March 2018

Liabilities		Amount (₹)	Assets	Amount (₹)
Trade Creditors		42,000	Bank	35,000
Employees' Provident Fund		60,000	Stock	24,000
Mrs. Ashish's Loan		9,000	Debtors	19,000
Kanav's Loan		35,000	Furniture	40,000
Workmen's Compensation Fund		20,000	Plant	2,10,000
Investment Fluctuation Reserve		4,000	Investments	32,000
Capital:			Profit and Loss Account	10,000
Ashish	1,20,000			
Kanav	80,000	2,00,000		
		3,70,000		3,70,000

* *Out of Syllabus*

On the above date they decided to dissolve the firm.

(i) Ashish agreed to take over furniture at ₹ 38,000 and pay off Mrs. Ashish's loan.

(ii) Debtors realised ₹ 18,500 and plant realised 10% more.

(iii) Kanav took over 40% of the stock at 20% less than the book value. Remaining stock was sold at a gain of 10%.

(iv) Trade creditors took over investments in full settlement.

(v) Kanav agreed to take over the responsibility of completing dissolution at an agreed remuneration of ₹ 12,000 and to bear realisation expenses. Actual expenses of realisation amounted to ₹ 8,000.

Prepare Revaluation Account. 6

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

Particulars		Amount (₹)	Particulars		Amount (₹)
To Sundry Assets:			By Sundry Liabilities :		
Stock	24,000		Trade Creditors	42,000	
Debtors	19,000		Employees Provident Fund	60,000	
Furniture	40,000		Mrs. Ashish's Loan	9,000	1,11,000
Plant	2,10,000		By Investment Fluctuation		
Investment	32,000	3,25,000	Reserve		4,000
To Ashish's Capital A/c			By Ashish's Capital A/c (Furniture)		38,000
(Mrs. Ashish's Loan)		9,000	By Bank A/c – Assets		
To Kanav's Capital A/c		12,000	Debtors	18,500	
(Remuneration)			Plant	2,31,000	
To Bank A/c (EPF)		60,000	Stock	15,840	2,65,340
To Partners' Capital A/c (Gain)			By Kanav's Capital A/c (Stock)		7,680
Ashish	12,012				
Kanav	8,008	20,020			
		4,26,020			**4,26,020**

16. Denspar Ltd. invited applications for issuing 2,00,000 equity shares of ₹ 10 each at a premium of ₹ 20 per share. The amount was payable as follows:

On Application – ₹ 2 per share

On Allotment – ₹ 13 per share (including ₹ 10 premium)

On First Call – ₹ 7 per share (including ₹ 5 premium)

On Final Call – ₹ 8 per share (including ₹ 5 premium)

Applications for 1,80,000 shares were received. Shares were allotted to all the applicants. Yogesh, a shareholder holding 5,000 shares paid his entire share money along with the allotment money. Vishesh, a holder of 7,000 shares, failed to pay the allotment money. Afterwards the first call was made. Vishesh paid the allotment money along with the first call money. Samyesh, holding 2,000 shares did not pay the final call. Samyesh's shares were forfeited immediately after the final call. Out of the forfeited shares, 1,500 shares were reissued at ₹ 8 per share fully paid up.

Pass the necessary journal entries for the above transactions in the books of Denspar Ltd. 8

OR

'KLN Ltd.' invited applications for issuing 1,00,000 shares of ₹ 10 each at a premium of ₹ 2 per share. The amount was payable as follows:

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

On Allotment – ₹ 4 per share (including premium ₹ 1)

On First Call – ₹ 3 per share

On Second and Final Call – Balance amount

Application for 1,90,000 shares were received. Allotment was made to the applicants as follows:

Category	No. of Shares Applied	No. of Shares Allotted
I	50,000	40,000
II	1,00,000	60,000

Remaining applications were rejected.

Rajat, a shareholder belonging to Category I who had applied for 2,500 shares, failed to pay the amount due on allotment and first call. His shares were immediately forfeited.

Reema, a shareholder belonging to Category II who was holding 3,000 shares failed to pay the first call and second call money. Her shares were also forfeited. Afterwards 4,000 shares were reissued @ ₹ 8 per share fully paid up. These included all the forfeited shares of Reema.

Pass necessary journal entries for the above transactions in the books of 'KLN Ltd'. **8**

Ans.

Books of Denspar Ltd.

Journal Entries

Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)
	Bank A/c Dr.		3,60,000	
	To Equity Share Application A/c			3,60,000
	(Being application money received)			
	Equity Share Application A/c Dr.		3,60,000	
	To Equity Share Capital A/c			3,60,000
	(Being application money transferred)			
	Equity Share Allotment A/c Dr.		23,40,000	
	To Equity Share Capital A/c			5,40,000
	To Security Premium Reserve A/c			18,00,000
	(Being allotment money due)			
	Bank A/c Dr.		23,24,000	
	Calls in Arrears A/c Dr.		91,000	
	To Equity Share Allotment A/c			23,40,000
	To Calls in Advance A/c			75,000
	(Being allotment money received)			
	Equity Share Ist Call A/c Dr.		12,60,000	
	To Equity Share Capital A/c			3,60,000
	To Security Premium Reserve A/c			9,00,000
	(Being share first call due)			
	Bank A/c Dr.		13,16,000	
	Calls in Advance A/c Dr.		35,000	
	To Equity Share First Call A/c			12,60,000
	To Calls in Arrears A/c			91,000
	(Being call money received)			
	Equity Share Second and Final Call A/c Dr.		14,40,000	
	To Equity Share Capital A/c			5,40,000
	To Security Premium Reserve A/c			9,00,000
	(Being second and final call money due)			
	Bank A/c Dr.		13,84,000	
	Calls in Arrears A/c Dr.		16,000	
	Calls in Advance A/c Dr.		40,000	
	To Equity Share Second and Final Call A/c			14,40,000
	(Being call money received)			

Equity Share Capital A/c Dr.		20,000	
Security Premium Reserve A/c Dr.		10,000	
To Calls in Arrears A/c			16,000
To Share Forfeited A/c			14,000
(Being 2,000 shares forfeited)			
Bank A/c Dr.		12,000	
Share Forfeited A/c Dr.		3,000	
To Share Capital A/c			15,000
(Being 1,500 shares reissued)			
Share Forfeited A/c Dr.		7,500	
To Capital Reserve A/c			7,500
(Being balance in share forfeited account for 1,500 shares transferred to Capital Reserve)			

OR

Book's of 'KLN Ltd.'

Journal Entries

Date	Particulars	L. F.	Dr. Amount (₹)	Cr. Amount (₹)
	Bank A/c Dr.		5,70,000	
	To Equity Share Application A/c			5,70,000
	(Being application money received on 1,90,000 shares @ ₹ 3 per share)			
	Equity Share Application A/c Dr.		5,70,000	
	To Equity Share Capital A/c			2,00,000
	To Securities Premium Reserve A/c			1,00,000
	To Equity Share Allotment A/c			1,50,000
	To Bank A/c			1,20,000
	(Being application money transferred to share capital, share allotment and the balance refunded)			
	Equity Share Allotment A/c Dr.		4,00,000	
	To Equity Share Capital A/c			3,00,000
	To Securities Premium Reserve A/c			1,00,000
	(Being allotment money due)			
	Bank A/c Dr.		2,43,500	
	Calls in Arrear A/c Dr.		6,500	
	To Equity Share Allotment A/c			2,50,000
	(Being allotment money received)			
	Or			
	Bank A/c Dr.		2,43,500	
	To Equity Share Allotment A/c			2,43,500
	(Being allotment money received)			
	Equity Share First Call A/c Dr.		3,00,000	
	To Equity Share Capital A/c			3,00,000
	(Being call money due)			
	Bank A/c Dr.		2,85,000	
	Calls in Arrears A/c Dr.		15,000	
	To Equity Share First Call A/c			3,00,000
	(Being call money received)			
	Or			
	Bank A/c Dr.		2,85,000	
	To Equity Share First Call A/c			2,85,000
	(Being call money received)			

	Equity Share Capital A/c Dr.		16,000	
	Securities Premium Reserve A/c Dr.		2,000	
	To Share Forfeited A/c			5,500
	To Calls in Arrears A/c			12,500
	(Being share forfeited)			
	Or			
	Equity Share Capital A/c Dr.		16,000	
	Securities Premium Reserve A/c Dr.		2,000	
	To Share Forfeited A/c			5,500
	To Share Allotment A/c			6,500
	To Share First Call A/c			6,000
	(Being share forfeited)			
	Equity Share Second and Final Call A/c Dr.		1,96,000	
	To Equity Share Capital A/c			1,96,000
	(Being second and final call due)			
	Bank A/c Dr.		1,90,000	
	Calls in Arrear A/c Dr.		6,000	
	To Equity Share Second and Final Call A/c			1,96,000
	(Being call money received)			
	Or		1,90,000	
	Bank A/c Dr.			1,90,000
	To Equity Share Second and Final Call A/c			
	(Being call money received)			
	Equity Share Capital A/c Dr.		30,000	
	To Share Forfeited A/c			15,000
	To Calls in Arrears A/c			15,000
	(Being shares forfeited)			
	Or			
	Equity Share Capital A/c Dr.		30,000	
	To Share Forfeited A/c			15,000
	To Equity Share First Call A/c			9,000
	To Equity Share Second and Final Call A/c			6,000
	(Being shares forfeited)			
	Bank A/c Dr.		32,000	
	Share Forfeited A/c Dr.		8,000	
	To Equity Share Capital A/c			40,000
	(Being forfeited shares reissued)			
	Share Forfeited A/c Dr.		9,750	
	To Capital Reserve A/c			9,750
	(Being balance in share forfeited account transferred to capital reserve)			

17. Mohan, Vinay and Nitya were partners in a firm sharing profits and losses in the proportion of $\frac{1}{2}$, $\frac{1}{3}$ and $\frac{1}{6}$, respectively. On 31st March 2018, their Balance Sheet was as follows:

Balance Sheet of Mohan, Vinay and Nitya as at 31st March 2018

Liabilities	Amount (₹)	Assets	Amount (₹)
Creditors	**48,000**	**Cash at Bank**	**31,000**
Employees' Provident Fund	**1,70,000**	**Bills Receivable**	**54,000**

Contingency Reserve	**30,000**	**Book Debts**	**63,000**	
Capital:		**Less : Provision for Doubtful Debts**	**2,000**	**61,000**
Mohan 1,20,000		**Plant and Machinery**		**1,20,000**
Vinay 1,00,000		**Land and Building**		**2,92,000**
Nitya 90,000	**3,10,000**			
	5,58,000			**5,58,000**

Mohan retired on the above date and it was agreed that:

(i) Plant and machinery will be depreciated by 5%.

(ii) An old computer previously written off was sold for ₹ 4,000.

(iii) Bad debts amounting to ₹ 3,000 will be written off and a provision of 5% on debtors for bad and doubtful debts will be maintained.

(iv) Goodwill of the firm was valued at ₹ 1,80,000 and Mohan's share of the same was credited in his account by debiting Vinay's and Nitya's accounts.

(v) The capital of the new firm was to be fixed at ₹ 90,000 and necessary adjustments were to be made by bringing in or paying off cash as the case may be.

(vi) Vinay and Nitya will share future profits in the ratio of 3 : 2.

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

OR

Leena and Rohit are partners in a firm sharing profits in the ratio of 3 : 2. On 31st March 2018, their Balance Sheet was as follows:

Balance Sheet of Leena and Rohit as at 31st March 2018

Liabilities	Amount (₹)	Assets		Amount (₹)
Sundry Creditors	80,000	Cash		42,000
Bills Payable	38,000	Debtors	1,32,000	
General Reserve	50,000	Less: Provision for Doubtful Debts	2,000	1,30,000
Capital:				
Leena 1,60,000		Stock		1,46,000
Rohit 1,40,000	3,00,000	Plant and Machinery		1,50,000
	4,68,000			4,68,000

On the above date, Manoj was admitted as a new partner for $\frac{1}{5}^{th}$ share in the profits of the firm on the following terms:

(i) Manoj brought proportionate capital. He also brought his share of goodwill premium of ₹ 80,000 in cash.

(ii) 10% of the general reserve was to be transferred to provision for doubtful debts.

(iii) Claim on account of workmen's compensation amounted to ₹ 40,000.

(iv) Stock was overvalued by ₹ 16,000.

(v) Leena, Rohit and Manoj will share future profits in the ratio of 5 : 3 : 2.

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 Plant and Machinery A/c	6,000	By Bank A/c (computer sold)		4,000
To Bad Debts	3,000	By Partners' Capital A/c (Loss)		
To Provision for Bad Debts	1,000	Mohan	3,000	
		Vinay	2,000	
		Nitya	1,000	6,000
	10,000			**10,000**

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

Particulars	Mohan (₹)	Vinay (₹)	Nitya (₹)	Particulars	Mohan (₹)	Vinay (₹)	Nitya (₹)
To Mohan's Capital A/c		48,000	42,000	By Bal. b/d	1,20,000	1,00,000	90,000
To Revaluation A/c (loss)	3,000	2,000	1,000	By Contingency Reserve	15,000	10,000	5,000
To Mohan's Loan A/c	2,22,000			By Vinay's Capital A/c	48,000		
To Bal. c/d		60,000	52,000	By Nitya's Capital A/c	42,000		
	2,25,000	**1,10,000**	**95,000**		**2,25,000**	**1,10,000**	**95,000**
To Bank A/c		6,000	16,000	By Balance b/d		60,000	52,000
To Balance c/d		54,000	36,000				
		60,000	**52,000**			**60,000**	**52,000**

4

Note: In case, the Candidate has not extended the Capital A/c but has done the capital adjustment correctly, full credit is to be given.

Balance Sheet as at 31st March, 2018

Liabilities	Amount (₹)	Assets		Amount (₹)
Creditors	48,000	Cash at Bank (31,000 +4,000 – 6000 – 16,000)		13,000
Employees Provident Fund	1,70,000	Bills Receivable		54,000
Mohan's Loan A/c	2,22,000	Book Debts	63,000	
Vinay's Capital A/c	54,000	Less : Bad Debts	3,000	
Nitya's Capital A/c	36,000	Less : Provision for Bad Debts	3,000	57,000
		Plant and Machinery		1,14,000
		Land and Building		2,92,000
	5,30,000			**5,30,000**

OR

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

Particulars	Amount (₹)	Particulars		Amount (₹)
To Stock A/c	16,000	By Loss Transferred to Partners' Capital A/c		
To Claim for Workmen Compensation	40,000	Leena	33,600	
		Rohit	22,400	56,000
	56,000			**56,000**

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

Particulars	Leena (₹)	Rohit (₹)	Manoj (₹)	Particulars	Leena (₹)	Rohit (₹)	Manoj (₹)
To Revaluation A/c (Loss)	33,600	22,400		By Balance b/d	1,60,000	1,40,000	
To Balance c/d	1,93,400	1,75,600		By General Reserve	27,000	18,000	
				By Premium for Goodwill	40,000	40,000	
	2,27,000	**1,98,000**			**2,27,000**	**1,98,000**	
To Balance c/d	1,93,400	1,75,600	92,250	By Balance b/d	1,93,400	1,75,600	
				By Cash/Bank A/c			92,250
	1,93,400	**1,75,600**	**92,250**		**1,93,400**	**1,75,600**	**92,250**

Balance Sheet as at 31st March 2018

Liabilities		Amount (₹)	Assets		Amount (₹)
Creditors		80,000	Cash (42,000 +80,000 + 92,250)		2,14,250
Bills Payable		38,000	Debtors	1,32,000	
Claim for Workmen Compensation		40,000	Less : Provision for Doubtful Debts	7,000	1,25,000
Partners' Capital A/cs. :			Plant and Machinery		1,50,000
Leena	1,93,400		Stock		1,30,000
Rohit	1,75,600				
Manoj	92,250	4,61,250			
		6,19,250			**6,19,250**

3

Working :

(i) Sacrificing Share = Old Share – New Share

Leena's Sacrifice = 3/5 – 5/10 = 1/10

Rohit's Sacrifice = 2/5 – 3/10 = 1/10

Sacrificing Ratio = 1 : 1

PART B
(Analysis of Financial Statements)

18. While preparing Cash Flow Statement, 'Receipt of interest and dividend' will be classified under which type of activity in case of a non-financial enterprise? **1**

Ans. Investing Activity. **[CBSE Marking Scheme 2019] 1**

19. What is meant by 'Cash and Cash Equivalents'? **1**

Ans. Cash comprises of cash on hand and demand deposits with bank and cash equivalents are short term highly liquid investments (up to three months) that are readily convertible into known amount of cash and which are subject to an insignificant risk of change in value.

20. (i) From the following information calculate Interest Coverage Ratio : Net profit after interest and tax ₹ 1,20,000; Rate of income tax 40%; 15% debentures ₹ 1,00,000; 12% Mortgage loan ₹ 1,00,000.

(ii) A company had Current Assets ₹ 3,00,000 and Current Liabilities ₹ 1,40,000. Afterwards, it purchased goods worth ₹ 20,000 on credit. Calculate the Current Ratio after the purchase of goods. **4**

OR

Quick ratio of a company is 1 : 1. State, with reason, whether the following transactions will increase, decrease or not change the ratio :

(i) Paid insurance premium in advance ₹ 10,000.

(ii) Purchased goods on credit ₹ 8,000.

(iii) Issued fully paid equity shares of ₹ 1,00,000.

(iv) Issued 9% debentures of ₹ 5,00,000 to the vendor for machinery purchased. **4**

Ans. **(i)**

$$\text{Interest Coverage Ratio} = \frac{\text{Net Profits before Interest and Tax}}{\text{Interest on Long Term Debts}}$$

		(₹)	
Net Profits after Interest and Tax	–	1,20,000	
Add : Tax @ 40%	–	80,000	
Interest on Debt	–	27,000	(₹ 15,000 + ₹ 12,000)
Profits before Interest and Tax	=	2,27,000	

$$\text{Interest Coverage Ratio} = \frac{₹\ 2{,}27{,}000}{₹\ 27{,}000} = 8.4 \text{ times}$$

(ii) After purchase of goods on credit:

Current Assets = ₹ 3,00,000 + ₹ 20,000 = ₹ 3,20,000

Current Liabilities = ₹ 1,40,000 + ₹ 20,000 = ₹ 1,60,000

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}} = \frac{₹3{,}20{,}000}{₹1{,}60{,}000} = 2 : 1$$

OR

	EFFECT	**REASON**
(i)	Decrease	As quick assets will decrease with no change in current liabilities.
(ii)	Decrease	As current liabilities will increase with no change in quick assets.
(iii)	Increase	As quick assets will increase with no change in current liabilities.
(iv)	No change	As neither quick assets nor current liabilities are changing.

21. Under which major headings and sub-headings will the following items be presented in the Balance Sheet of a company as per Schedule III, Part I of the Companies Act, 2013 ?

(i) Interest accrued and due on debentures

(ii) Loose tools

(iii) Accrued interest on calls in advance

(iv) Interest due on calls in arrears

(v) Trademarks

(vi) Premium on redemption of debentures

(vii) Plant and Machinery

(viii) Patents **4**

OR

Explain briefly any four limitations of 'Analysis of Financial Statements'. **4**

Ans.

S.No.	Items	Major Headings	Sub-headings
(i)	Interest accrued and due on debentures	Current Liabilities	Other Current Liabilities
(ii)	Loose tools	Current Assets	Inventories
(iii)	Accrued Interest on calls in advance	Current Liabilities	Other Current Liabilities
(iv)	Interest due on calls-in-arrears	Current Assets	Other Current Assets
(v)	Trademarks	Non Current Assets	Fixed Assets-Intangible
(vi)	Premium on redemption of debentures	Non Current Liabilities	Other Non Current Liabilities
(vii)	Plant and Machinery	Non Current Assets	Fixed Assets-Tangible
(viii)	Patents	Non Current Assets	Fixed Assets-Intangible

OR

Limitations of Financial Statements are : (Any four)

(i) It is a **Historical Analysis** as it analyses what has happened till date. It doesn't reflect the future.

(ii) It **ignores price level changes** as a change in price level makes analysis of financial statements of different accounting years invalid.

(iii) It **ignores qualitative aspect,** like the quality of management, quality of staff, etc. are ignored while carrying out the analysis of financial statements.

(iv) It suffers from the **limitations of financial statements** as the analysis is based on the information given in the financial statements.

(v) It is **not free from bias** of accountants such as method of inventory valuation, method of depreciation, etc.

(vi) It may lead to **window dressing,** i.e. showing a better financial position than what actually is by manipulating the books of accounts.

(vii) It **may be misleading** without the knowledge of the changes in accounting procedure by a firm.

*** 22. Prepare a Comparative Statement of Profit and Loss from the following information extracted from the Statement of Profit and Loss for the years ended 31st March, 2017 and 31st March, 2018 :**

Particulars	2017 - 18	2016 - 17
Revenue from operations	400% of cost of material consumed	300% of cost of material consumed
Cost of materials consumed	₹4,40,000	₹ 4,00,000
Other expenses	30% of cost of material consumed	20% of cost of material consumed
Tax rate	50%	50%

4

23. From the following Balance Sheet of DCX Ltd. and the additional information as at 31st March, 2018 prepare a Cash Flow Statement :

DCX Ltd.

Balance Sheet as at 31st March 2018

Particulars	Note No.	31.3.2018 (₹)	31.3.2017 (₹)
I. Equity and Liabilities:			
1. Shareholders' Funds:			
(a) Share Capital		30,00,000	21,00,000
(b) Reserves and Surplus	1	4,00,000	5,00,000
2. Non-Current Liabilities:			
Long-Term Borrowings	2	8,00,000	5,00,000
3. Current Liabilities:			
(a) Trade Payables		1,50,000	1,00,000
(b) Short-Term Provisions	3	76,000	56,000
Total		44,26,000	32,56,000
II. Assets:			
1. Non-Current Assets:			
Fixed Assets:			
(i) Tangible Assets	4	27,00,000	20,00,000
(ii) Intangible Assets		8,00,000	7,00,000

* *Out of Syllabus*

2. Current Assets :			
(a) Current Investments		**89,000**	**78,000**
(b) Inventories		**8,00,000**	**4,00,000**
(c) Cash and Cash Equivalents		**37,000**	**78,000**
Total		**44,26,000**	**32,56,000**

Notes to Accounts

Note No.	Particulars	31.3.2018 (₹)	31.3.2017 (₹)
1.	**Reserves and Surplus:**		
	(Surplus *i.e.* Balance in the Statement of Profit and Loss)	4,00,000	5,00,000
		4,00,000	**5,00,000**
2.	**Long-Term Borrowings:**		
	8% Debentures	8,00,000	5,00,000
		8,00,000	**5,00,000**
3.	**Short-Term Provisions:**		
	Provision for Tax	76,000	56,000
		76,000	**56,000**
4.	**Tangible Asset:**		
	Machinery	33,00,000	25,00,000
	Less : Accumulated Depreciation	(6,00,000)	(5,00,000)
		27,00,000	**20,00,000**

Additional Information:

(i) During the year a machinery costing ₹ 8,00,000 on which accumulated depreciation was ₹ 3,20,000 was sold for ₹ 6,40,000.

(ii) Debentures were issued on 1st April 2017. 6

Ans. **DCX Ltd.**

Cash Flow Statement for year ending 31/03/2018

Particulars	Amount (₹)	Amount (₹)
A. Cash flows from Operating Activities:		
Net Profit before Tax	(24,000)	
Add : Depreciation on Machinery	4,20,000	
Add : Interest on Debentures	64,000	
Less : Gain on Sale of Machinery	(1,60,000)	
Operating Profit Before the Working Capital Changes	3,00,000	
Add : Increase in Trade Payables	50,000	
Less : Increase in Inventories	(4,00,000)	
Cash Generated from Operations before Tax	(50,000)	
Less : Tax Paid	(56,000)	
Net Cash used in Operating Activities		(1,06,000)
B. Cash Flows from Investing Activities		
Purchase of Machinery	(16,00,000)	
Purchase of Intangible Assets	(1,00,000)	
Sale of Machinery	6,40,000	
Net Cash used in Investing Activities		(10,60,000)

C. Cash flows from Financing Activities		
Issue of Shares	9,00,000	
Issue of Debentures	3,00,000	
Interest Paid on Debentures	(64,000)	
Cash Inflows from Financing Activities		11,36,000
Net Decrease in Cash and Cash Equivalents		(30,000)
Add : Opening Balance of Cash and Cash Equivalents		
Current Investments	78,000	
Cash and Cash Equivalents	78,000	1,56,000
Closing Balance of Cash and Cash equivalents		
Current Investments	89,000	
Cash and Cash Equivalents	37,000	1,26,000

Working Notes:

Calculation of Profit before Tax:

Net Profit for the year	= (1,00,000)
Add : Provision for tax	= 76,000
Net profit before tax	= (24,000)

Dr. **Machinery A/c** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	25,00,000	By Acc. Depreciation	3,20,000
To Gain on Sale	1,60,000	By Bank	6,40,000
To Bank A/c (Bal. Fig.)	16,00,000	By Balance c/d	33,00,000
	42,60,000		**42,60,000**

Dr. **Accumulated Depreciation A/c** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Machinery A/c	3,20,000	By Balance b/d	5,00,000
To Balance c/d	6,00,000	By Statement of P & L (Bal. figure)	4,20,000
	9,20,000		**9,20,000**

6

Outside Delhi Set - 3 Code : 67/2/3

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

PART A
(Accounting for Not-for-Profit Organisations, Partnership Firms and Companies)

6. B, C and D were partners in a firm sharing profits and losses in the ratio of 1 : 4 : 5. On 31st March 2018 the firm was dissolved and on that date the Balance Sheet of the firm showed a loan of ₹ 10,000 given by C's brother F. C agreed to pay his brother's loan.

Pass necessary journal entry for the above on the firm's dissolution. **1**

Ans. **Books of B, C and D**

Journal Entries

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
	Realisation A/c Dr. To C's Capital A/c (Being C taking over brother's loan)		10,000	 10,000

7. A, B, C and D were partners in a firm sharing profits and losses equally. E was admitted as a new partner for $\frac{1}{3}^{rd}$ share in the profits of the firm which he acquires equally from C and D. On E's admission the goodwill of the firm was valued at ₹ 3,00,000.

Calculate the new profit sharing ratio on E's admission. Also pass necessary journal entry on E's admission, assuming that he failed to bring his share of goodwill in cash. **3**

Ans. Calculation of New Profit Sharing Ratio :

New Share = Old Share – Sacrifice Share

$$\text{Sacrifice of C and D} = \frac{1}{3}\times\frac{1}{2} = \frac{1}{6}$$

$$\text{A's New Share} = \frac{1}{4}$$

$$\text{B's New Share} = \frac{1}{4}$$

$$\text{C's New Share} = \frac{1}{4}-\frac{1}{6} = \frac{3-2}{12} = \frac{1}{12}$$

$$\text{D's New Share} = \frac{1}{4}-\frac{1}{6} = \frac{3-2}{12} = \frac{1}{12}$$

$$\text{New Ratio of A, B, C, D and E} = \frac{1}{4}:\frac{1}{4}:\frac{1}{12}:\frac{1}{12}:\frac{1}{3}$$

$$= 3:3:1:1:4$$

Books of A, B, C , D and E

Journal Entry

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
	E's Capital A/c Dr. To C's Capital A/c To D's Capital A/c (Being goodwill adjustment on E's admission)		1,00,000	 50,000 50,000

8. 'JN Ltd.' were registered with an authorised capital of 2,00,000 equity shares of ₹ 100 each. The company offered to the public for subscription 1,00,000 shares. Applications for 1,50,000 shares were received and allotment was made to all the applicants on pro-rata basis. All calls were made and were duly received except the second and final call of ₹ 4,000. The amount payable on second and final call was ₹ 20 per share.

Present the Share Capital in the Balance Sheet of the company as per Schedule III, Part I of the Companies Act, 2013. **3**

Ans. Balance Sheet of 'JN Ltd.' as at 31st March 2018

Particulars	Note No.	Amount (₹) Current year	Amount (₹) Previous year
Equity and Liabilities 1. Shareholders' Funds: (a) Share Capital	 1	 99,96,000	

Notes to Accounts:

Note No.	Particulars		Amount (₹)
1.	**Share Capital**		
	Authorised Capital		
	2,00,000 Equity Shares of ₹ 100 Each		2,00,00,000
	Issued Capital		
	1,00,000 Equity Shares of ₹ 100 Each		1,00,00,000
	Subscribed Capital		
	(a) Subscribed and Fully Paid		
	99,800 Equity Shares of ₹ 100 each		99,80,000
	(b) Subscribed but not Fully Paid		
	200 Equity Shares of ₹ 100 Each	20,000	
	Less : Calls in Arrears	(4,000)	16,000
			99,96,000

*** 10. Calculate the amount of stationery to be debited to 'Income and Expenditure Account' of New Friends Club for the year ended 31st March 2018. Also present the relevant information in the Balance Sheet of the Club as at 31st March 2018:**

Particulars	31st March 2017 (₹)	31st March 2018 (₹)
Stock of stationery	**25,000**	**40,000**
Creditors for stationery	**30,000**	**19,000**

During the year ₹ 46,000 were paid to the creditors for stationery and stationery of ₹ 6,000 was purchased in cash. **3**

11. Satish and Taruna were partners in a firm sharing profits and losses in the ratio of 3 : 2. From 1st April 2018, they decided to share profits equally. On that date their Balance Sheet showed a credit balance of ₹ 35,000 in workmen compensation fund and ₹ 40,000 in general reserve. The goodwill of the firm on that date was valued at ₹ 50,000.

The firm accepted a claim of ₹40,000 for workmen compensation.

Pass necessary journal entries for the above transactions on the reconstitution of the firm. **4**

Ans. **Books of Satish and Taruna**

Journal Entries

Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)
	Revaluation A/c Dr.		5,000	
	Workmen Compensation Fund A/c Dr.		35,000	
	To Claim for Workmen Compensation A/c			40,000
	(Being claim for workmen compensation accepted)			
	General Reserve A/c Dr.		40,000	
	To Satish's Capital A/c			24,000
	To Taruna's Capital A/c			16,000
	(Being general reserve transferred to Partners' Capital Accounts in old ratio)			
	Taruna's Capital A/c Dr.		5,000	
	To Satish's Capital A/c			5,000
	(Being goodwill adjusted)			
	Satish' s Capital A/c Dr.		3,000	
	Taruna's Capital A/c Dr.		2,000	
	To Revaluation A/c			5,000
	(Being loss on revaluation borne by partners)			

[CBSE Marking Scheme, 2019] 1×4=4

* *Out of Syllabus*

Detailed Answer:

Sacrificing/Gaining Ratio of Taruna and Satish

$$\text{Taruna's Old Ratio} = \frac{2}{5}$$

$$\text{Taruna's New Ratio} = \frac{1}{2}$$

$$\text{Gain by Taruna} = \frac{1}{2} - \frac{2}{5} = \frac{5-4}{10} = \frac{1}{10}$$

$$\text{Satish's Old Ratio} = \frac{3}{5}$$

$$\text{Satish's New Ratio} = \frac{1}{2}$$

$$\text{Sacrifice by Satish} = \frac{3}{5} - \frac{1}{2} = \frac{6-5}{10} = \frac{1}{10}$$

Amount of goodwill to be compensated by Taruna to Satish

$$= ₹\ 50,000 \times \frac{1}{10} = ₹\ 5,000$$

12. **Garima, Harish and Reena were partners in a firm sharing profits and losses equally. On 31st March 2015, Harish died and the amount payable to his executors was ₹ 90,000. It was agreed between the remaining partners and Harish's executors that the executors will be paid in four equal yearly instalments along with interest @ 18% per annum starting from 31st March, 2015.**
Prepare Harish's executor's account till it is finally closed. **4**

Ans.

Dr. **Harish's Executor Account** **Cr.**

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
2015			2015		
March 31	To Cash/Bank A/c	22,500	March 31	By Harish's Capital A/c	90,000
March 31	To Balance c/d	67,500			
		90,000			**90,000**
2016			2015		
March 31	To Cash/Bank A/c	34,650	April 1	By Balance b/d	67,500
March 31	To Balance c/d	45,000	2016		
			March 31	By Interest A/c	12,150
		79,650			**79,650**
2017			2016		
March 31	To Cash/Bank A/c	30,600	April 1	By Balance b/d	45,000
March 31	To Balance c/d	22,500	2016		
			March 31	By Interest A/c	8,100
		53,100			**53,100**
2017			2017		
March 31	To Cash/Bank A/c	26,550	April 1	By Balance b/d	22,500
			2018		
			March	By Interest A/c	4,050
		26,500			**26,550**

PART B
(Analysis of Financial Statements)

18. What is meant by 'Inflow of Cash'? **1**

Ans. "Inflow of cash is the money going into a business, that could be from sales, investments or financing.

19. Are 'Assets acquired by issue of Shares' disclosed in the Cash Flow Statement ? Give reason in support of your answer. **1**

Ans. 'Assets acquired by issue of shares' are not disclosed in cash flow statement as they do not result in flow of cash and cash equivalent.

*** 22. Prepare a Comparative Statement of Profit and Loss from the following information extracted from the Statement of Profit and Loss for the years ended 31st March 2017 and 31st March 2018:**

Particulars	2017 – 2018	2016 – 2017
Revenue from operations	**200% of cost of material consumed**	**200% of cost of material consumed**
Cost of materials consumed	**₹ 3,00,000**	**₹ 2,00,000**
Other expenses	**15% of cost of material consumed**	**25% of cost of material consumed**
Tax rate	**40%**	**40%**

4

❑❑❑

* *Out of Syllabus*