Solved Paper 2020

ACCOUNTANCY

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

General Instructions :

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

Delhi Set - 1 **Code : 67/5/1**

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

1. **Disha and Abha were partners in a firm. Farad was admitted as a new partner for 1/5th share in the profits of the firm. Farad brought proportionate capital. Capitals of Disha and Abha after all adjustments were ₹ 64,000 and ₹ 46,000, respectively. Capital brought by Farad was:**
   (a) ₹ 22,000 (b) ₹ 27,500
   (c) ₹ 55,000 (d) ₹ 28,000 1

Ans. **(b)** ₹ 27,500

Working Note:

Total capital of new firm = (₹ 64,000 + 46,000) × 5/4
= ₹ 1,10,000 × 5/4 = ₹ 1,37,500
Farad's capital = ₹ 1,37,500 × 1/5 = ₹ 27,500

* 2. **Which of the following is not a capital receipt?**
   (a) Donations for tournament
   (b) Donations for building fund
   (c) Life membership fee
   (d) Entrance fees

3. **What is meant by 'Authorised Capital'?** 1

Ans. Anthorished capital is the maximum amount of capital that a company can raise by issuing shares.

4. **Saurabh, Shirin and Somesh are partners in a firm sharing profits and losses in the ratio of 3 : 2 : 1. Somesh retires and the new profit sharing ratio between Saurabh and Shirin in 3 : 2. The gaining ratio between Saurabh and Shirin will be:**
   (a) 3 : 2 (b) 3 : 1
   (c) 1 : 1 (d) 2 : 1 **1**

Ans. **(a)** 3 : 2

Working Notes: Gaining ratio = New ratio – Old ratio
Saurabh's gain = 3/5 – 3/6 = 3/30
Shirin's gain = 2/5 – 2/6 = 2/30
Gaining ratio = 3 : 2

5. **Mohit and Rohit were partners in a firm with capitals of ₹ 80,000 and ₹ 40,000, respectively. The firm earned a profit of ₹ 30,000 during the year. Mohit's share in the profit will be:**
   (a) ₹ 20,000 (b) ₹ 10,000 (c) ₹ 15,000 (d) ₹ 18,000 **1**

Ans. **(c)** ₹ 15,000

* *Out of Syllabus*

Working Note:

Mohit's share in profit = ₹ 30,000 × 1/2 = ₹ 15,000

6. **In case of absence of any agreement, profit and loss is shared equally among the partners. In case of retirement of a partner, profit or loss on revaluation of assets and re-assessment of liabilities is distributed among..... partners in....ratio.** **1**

Ans. All existing, old profit sharing

7. **Vanya Ltd. forfeited 20,000 equity shares of ₹ 100 each for non-payment of first and final call of ₹ 40 per share. The maximum amount of discount at which these shares can be re-issued will be :**

(a) ₹ 8,00,000 (b) ₹ 12,00,000

(c) 20,00,000 (d) ₹ 20,000 **1**

Ans. **(b)** ₹ 12,00,000

Working Note: The maximum discount allowed for the re-issue of the forfeited shares is the amount already received (amount that was credited in share forfeiture account at the time of forfeiture of shares). So, amount forfeited at the time of forfeiture of shares ₹ 12,00,000 (i.e., 20,000 × 60).

8. **.....means any offer of securities to a select group of persons by a company other than by way of public offer.** **1**

Ans. Private placement

* 9. **Shahi Ltd. decided to redeem its 8,000, 11% debentures of ₹ 100 each at a premium of 10%. The minimum amount transferred to debenture redemption reserve will be:**

(a) ₹ 8,00,000 (b) ₹ 4,00,000

(c) ₹ 2,00,000 (d) ₹ 2,20,000 **1**

10. **Which of the following does not result into reconstitution of a firm?**

(a) Dissolution of partnership firm

(b) Dissolution of partnership

(c) Change in profit–sharing-ratio of existing partners

(d) Death of partner **1**

Ans. **(a)** Dissolution of partnership firm.

11. **Jaipur Club has a prize fund of ₹ 6,00,000. It incurs expenses on prizes amounting to ₹ 5,20,000. The expenses should be:**

(a) debited to income and expenditure account.

(b) presented on the assets side of the balance sheet.

(c) debited to income and expenditure account and presented on the assets side of the balance sheet.

(d) deducted from the prize fund on the liabilities side of the balance sheet. **1**

Ans. **(d)** Deducted from the prize fund on the liabilities side of the balance sheet.

* 12. **No debenture redemption reserve is required for debentures issued by:**

(a) manufacturing companies

(b) infrastructure companies

(c) banking companies

(d) trading companies **1**

13. **The portion of uncalled capital to be called only in the event of winding up of the company is called ....** **1**

Ans. Reserve capital

* *Out of Syllabus*

14. Kabir and Farid are partners in a firm sharing profits in the ratio of 3 : 1. On 1-4-2019 they admitted Manik into partnership for 1/4th share in the profits of the firm. Manik brought his share of goodwill premium in cash. Goodwill of the firm was valued on the basis of 2 years' purchase of last three years, average profits. The profits of last three years were:

2016–17	**₹ 90,000**
2017–18	**₹ 1,30,000**
2016–17	**₹ 86,000**

During the year 2018-19 there was a loss of ₹ 20,000 due to fire which was not accounted while calculating the profit.

Calculate the value of goodwill and pass the necessary journal entries for the treatment of goodwill. 3

OR

Raka, Seema and Mahesh were partners sharing profits and losses in the ratio of 5 : 3 : 2. With effect from 1st April 2019, they mutually agreed to share profits and losses in the ratio of 2 : 2 : 1.

On that date, there was a workmen's compensation fund of 90,000 in the books of the firm. If was agreed that :

(i) Goodwill of the firm be valued at ₹ 70,000.

(ii) Claim for workmen's compensation amount to ₹ 40,000.

(iii) Profit on revaluation of assets and re-assessment of liabilities amounted to ₹ 40,000.

Pass necessary journal entries for the above transactions in the books of the firm. 3

Ans. **Books of Kabir and Farid**

Journal Entry

Date	Particulars	L.F.	Amount Dr. (₹)	Amount Cr. (₹)
2019 April 1	Premium for Goodwill A/c Dr.		51,000	
	To Kabir's Capital A/c			38,250
	To Farid's Capital A/c			12,750
	(Being premium for goodwill brought by malik distribution between sacrificing partners)			

Calculation of Goodwill:

$$\text{Average profit} = \frac{₹\,(90{,}000 + 1{,}30{,}000 + 86{,}000)}{3}$$

$$= ₹\ 1{,}02{,}000$$

$$\text{Firm's goodwill} = ₹\ 1{,}02{,}000 \times 2 = ₹\ 2{,}04{,}000$$

$$\text{Malik's share in goodwill} = ₹\ 2{,}04{,}000 \times 1/4 = ₹\ 51{,}000$$

OR

Ans. **Books of firm**

Journal Entries

Date	Particulars	L.F.	Amount Dr. (₹)	Amount Cr. (₹)
2019 April 01	Seema's Capital A/c Dr.		7,000	
	To Raka's Capital A/c			7,000
	(Being goodwill adjusted on change in profit sharing ratio)			
	Workmen Compensation Fund A/c Dr.		90,000	
	To Claim on Workmen Compensation A/c			40,000
	To Raka's Capital A/c			25,000
	To Seema's Capital A/c			15,000
	To Mahesh's Capital A/c			10,000
	(Being compenation against fund adjusted)			

Date	Particulars	L.F.	Amount Dr. (₹)	Amount Cr. (₹)
2019 April 01	Revaluation A/c Dr.		40,000	
	To Raka's Capital A/c			20,000
	To Seema's Capital A/c			12,000
	To Mahesh's Capital A/c			8,000
	(Being revaluation profit distributed)			

*** 15. How will the following items be treated while preparing the Income and Expenditure Account and Balance Sheet of a Not-for-profit Organisation for the year ended 31st March 2019?**

	As at 1-4-2018 (₹)	As at 31-3-2019 (₹)
Creditors for sports materials	**18,000**	**41,000**
Stock of sports materials	**27,000**	**38,000**

During 2018–19 the payment made to creditors for sports material was ₹ 5,23,000. **4**

OR

* **From the following particulars of Glorious Club, prepare Receipts and Payments Account for the year ended 31st March 2019:**

Particulars	Amount (₹)
Opening balance of cash	16,000
Subscriptions (including ₹ 13,000 for 2017–18)	93,000
Investments purchased	35,000
Maintenance expenses	15,000
Locker rent	40,000
Life membership fees	85,000
Insurance premium	6,000

4

16. Puneet and Akshara were partners in a firm sharing profits and losses in the ratio of 2 : 3. The following was the balance sheet of the firm as on 31st March, 2019:

Balance Sheet of Puneet and Akshara as on 31st March 2019

Liabilities		Amount (₹)	Assets	Amount (₹)
Capital :			Sundry Assets	2,00,000
Puneet	90,000			
Akshara	1,10,000	2,00,000		
		2,00,000		2,00,000

The profits ₹ 40,000 for the year ended 31st March 2019 were divided between the partners without allowing interest on capital @ 5% p.a. and commission to Akshara @ ₹ 1,000 per quarter.

The drawings of the partners during the year were:

Puneet ₹ 2,500 per month.

Akshara ₹ 10,000 per quarter.

Showing your workings clearly, pass necessary adjustment entry in the books of the firm. **4**

Ans. **Adjustment Entry**

Date	Particulars	L.F.	Amount Dr. (₹)	Amount Cr. (₹)
2019 April 1	Puneet's Capital A/c Dr.		1,000	
	To Akshara's Capital A/c			1,000
	(Being interest on capital and commission omitted, now adjusted)			

* *Out of Syllabus*

Working Note:

1. Calculation of opening capital and interest on capital:

Particulars	Puneet (₹)	Akshara (₹)
Closing Capital	90,000	1,10,000
Add : Drawings	30,000	40,000
	1,20,000	1,50,000
Less : Share in Profits	16,000	24,000
Opening Capital	1,04,000	1,26,000
Interest on Capital @ 5% p.a.	5,200	6,300

Adjustment Table

Particulars	Puneet		Akshara		Firm	
	Dr. (₹)	Cr. (₹)	Dr. (₹)	Cr. (₹)	Dr. (₹)	Cr. (₹)
Profit already distributed	16,000		24,000			40,000
Interest on capital to be allowed		5,200		6,300	11,500	
Commission to be allowed				4,000	4,000	
Profits to be distributed		9,800		14,700	24,500	
Total	16,000	15,000	24,000	25,000	40,000	40,000
Adjustment required	1,000 Dr.			1,000 Cr.		

17. Keith, Bina and Veena were partners in a firm sharing profits and losses equally. Their balance sheet as on 31-3-2019 was as follows :

Balance Sheet of Keith, Bina and Veena as on 31-3-2019

Liabilities		Amount (₹)	Assets	Amount (₹)
Capitals :			Plant and Machinery	2,40,000
Keith	1,50,000		Stock	60,000
Bina	1,00,000		Sundry Debtors	35,000
Veena	75,000	3,25,000	Cash at Bank	50,000
General Reserve		30,000		
Sundry Creditors		30,000		
		3,85,000		**3,85,000**

Veena died on 30th June 2019. According to the partnership deed, the executors of the deceased partner were entitled to:

(a) Balance in capital account.

(b) Salary till the date of death @ ₹ 25,000 per annum.

(c) Share of goodwill calculated on the basis of twice the average profits of past three years.

(d) Share of profit from the closure of the last accounting year till the date of death on the basis of average of three completed years profits before death.

(e) Profits for 2016–17, 2017–18 and 2018–19 were ₹ 1,20,000, ₹ 90,000 and ₹ 1,50,000, respectively.

Veena withdrew ₹ 15,000 on 1st June 2019 for paying her daughter's school fees.

Prepare Veena's capital account to be rendered to her executors. **4**

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

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
2019			2019		
June 30	To Drawings	15,000	April 01	By Balance b/d	75,000
June 30	To Veena's Executor's A/c		June 30	By Salary (25,000 × 3/12)	6,250
	(Balancing figure)	1,66,250	June 30	By Keith's Capital A/c	40,000
			June 30	By Bina's Capital A/c (WN 1)	40,000

			June 30	By Profit and Loss Suspense A/c (WN 2)	10,000
			June 30	By General Reserve A/c	10,000
		1,81,250			**1,81,250**

Working Note:

1. Calculation of Veena's share in goodwill firm's goodwill

$$= \frac{₹\,(1,20,000+90,000+1,50,000)}{3}\times 2$$

$$= \frac{₹\,3,60,000}{3}\times 2 = ₹\,2,40,000$$

$$\text{Veena's share in goodwill} = 2,40,000 \times \frac{1}{3} = ₹\,80,000$$

Keith's Capital A/c	Dr.	40,000	
Bina's Capital A/c	Dr.	40,000	
To Veena's Capital A/c			80,000

2. Veena's share in profit = ₹ 1,20,000 × 1/3 × 3/12 = ₹ 10,000

*** 18. From the given Receipts and Payments Account and additional information of Shine Club for the year ended 31st March 2019, prepare Income and Expenditure Account for the year ended 31st March 2019:**

Receipts and Payments Account of Shine Club
for the year ended 31st March 2019

Receipts		Amount (₹)	Payments	Amount (₹)
To Balance b/d		50,000	By Furniture and Equipments	1,22,000
To Donations		45,000	By Salaries	32,000
To Subscriptions:			By Balance c/d	13,400
2017–18	1,600			
2018–19	60,000			
2019–20	5,000	66,600		
To Interest received		5,800		
		1,67,400		**1,67,400**

Additional Information :

(i) Furniture and equipments were purchased on 1-10-2018. Depreciation @ 10% p.a. was to be provided on furniture and equipments.

(ii) Subscription in arrears for the year 2018–19 were ₹ 2,000.

(iii) Outstanding salary ₹ 6,000. **4**

19. Niyati, Kartik and Ratik were partners in a firm sharing profits and losses in the ratio of 5 : 3 : 2. The firm was dissolved on 31st March 2019 by the order of the court. After transfer of assets (other than cash) and external liabilities to Realisation Account, the following transactions took place:

(a) An unrecorded liability of the firm of ₹ 45,000 was paid by Niyati.

(b) Creditors to whom ₹ 67,000 were due to be paid, accepted furniture at ₹ 35,000 and the balance was paid to them in cash.

(c) Kartik had given a loan of ₹ 18,000 to the firm which was paid to him.

(d) Stock worth ₹ 85,000 was taken over by Ratik at ₹ 72,000.

(e) Expenses on dissolution amounted to ₹ 6,000 and were paid by Kartik.

(f) Loss on dissolution amounted to ₹ 40,000.

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

* *Out of Syllabus*

Ans. **In the Books of Firm A/c**

Journal Entries

Date	Particulars		L.F.	Amount Dr. (₹)	Amount Cr. (₹)
2019 March 31	Realisation A/c	Dr.		45,000	
	To Niyati's Capital A/c				45,000
	(Being unrecorded liability paid by Niyati)				
(i)	Realisation A/c	Dr.		32,000	
	To Cash A/c				32,000
	(Being creditors of ₹ 67,000 accepted furniture at ₹ 35,000 and balance paid in cash)				
(ii)	Kartik's Loan A/c	Dr.		18,000	
	To Cash A/c				18,000
	(Being Kartik's loan repaid)				
(iii)	Ratik's Capital A/c	Dr.		72,000	
	To Realisation A/c				72,000
	(Being stock taken up by Ratik)				
(iv)	Realisation A/c	Dr.		6,000	
	To Kartik's Capital A/c				6,000
	(Being dissolution expenses paid by Kartik)				
	Niyati's Capital A/c	Dr.		20,000	
	Kartik's Capital A/c	Dr.		12,000	
	Ratik's Capital A/c	Dr.		8,000	
	To Realisation A/c				40,000
	(Being dissolution loss distributed among partners)				

20. *(a) On 1st April 2015, Mayfair Ltd. issued 4,000 9% debentures of ₹ 100 each at a discount of 5% redeemable at a premium of 8%. The debentures were redeemable on 31st March 2019.

The company created the necessary minimum amount of debenture redemption reserve and purchased the required amount of debenture redemption investments as per the provisions of Companies Act, 2013.

Pass the necessary journal entries for redemption of debentures.

(b) Hero Ltd. purchased plant and machinery for ₹ 18,00,000 from Pearl Machines Ltd. payable ₹ 3,00,000 by drawing a promissory note and the balance by issue of 9% debentures of ₹ 100 each at a premium of 20%. Pass the necessary journal entries in the books of Hero Ltd. for the above transactions. **3**

OR

(a) BGP Ltd. invited applications for issuing 15,000, 11% debentures of ₹ 100 each at premium of ₹ 50 per debenture. The full amount was payable on application. Applications were received for 25,000 debentures. Applications for 5,000 debentures were rejected and the application money was refunded. Debentures were allotted to the remaining applications on pro-rata basis.

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

(b) Agam Ltd. issued 40,000 9% debentures of ₹ 100 each on April 1, 2018 at a discount of 10%, redeemable at a premium of 10%.

Assuming that the interest was paid half yearly on September 30 and March 31 and the tax deducted at source was 10%, give journal entries relating to debenture interest for the half year ended March 31, 2019. **3**

* *Out of Syllabus*

Ans. (b)

HERO Ltd.
Journal Entries

Date	Particulars	L.F.	Amount Dr. (₹)	Amount Cr. (₹)
	Plant and Machinery A/c Dr.		18,00,000	
	To Pearl Machines Ltd.			18,00,000
	(Being Plant and Machinery Purchased)			
	Pearl Machines Ltd. Dr.		18,00,000	
	To Bills Payables A/c			3,00,000
	To 9% Debentures A/c (12500 × 100)			12,50,000
	To Securities Premium Reserve A/c			2,50,000
	(Being consideration settled by giving promisory note of ₹ 3,00,000 and balance by issue of ₹ 12,500 9% Debentures of ₹ 100 each of 20% premium)			

OR

Ans. (a)

BGP Ltd.
Journal Entries

Date	Particulars	L.F.	Amount Dr. (₹)	Amount Cr. (₹)
	Bank A/c Dr.		37,50,000	
	To Debenture Application and Allotment A/c			37,50,000
	(Being application money received for 25,000 debentures)			
	Debenture Application and Allotment A/c		37,50,000	
	To 11% Debentures A/c			15,00,000
	To Securities Premium Reserve A/c			7,50,000
	To Bank A/c			15,00,000
	(Being debenture application money adjusted and refunded)			

(b)

Agam Ltd.
Journal Entries

Date	Particulars	L.F.	Amount Dr. (₹)	Amount Cr. (₹)
2018 Sep. 30	Interest on Debenture A/c Dr.		1,80,000	
	To Debenture Holders' A/c			1,62,000
	To TDS Payable A/c			18,000
	(Being interest due to debentureholders)			
Sep. 30	Debenture Holders' A/c Dr.		1,62,000	
	TDS Payable A/c Dr.		18,000	
	To Bank A/c			1,80,000
	(Being interest paid)			
2019 March 31	Interest on Debenture A/c Dr.		1,80,000	
	To Debenture Holders' A/c			1,62,000
	To TDS Payable A/c			18,000
	(Being interest due to debentureholders)			

	Debenture Holders' A/c Dr. TDS Payable A/c Dr.		1,62,000 18,000	
	To Bank A/c			1,80,000
	(Being interest paid)			
	Statement of Profit and Loss A/c Dr.		3,60,000	
	To Interest on Debenture A/c			3,60,000
	(Being interest on debenture transferred to statement of P & L)			

21. Premier Tools Ltd. invited applications for issuing 2,00,000 equity shares of ₹ 10 each at a premium of ₹ per share. The amount was payable as follows:
On application ₹ 5 per share (including premium)
On allotment ₹ 3 per share
On first and final call—Balance
Applications were received for 2,50,000 shares. Applications for 10,000 shares were rejected and pro-rata allotment was made to the remaining applications. Over payments received on application were adjusted towards sums due on allotment.
All calls were made and dully received except allotment and first and final call from Naveen who applied for 7,200 shares. His shares were forfeited. Half of the forfeited shares were reissued for ₹ 48,000 as fully paid.
Pass the necessary journal entries for the above transactions in the books of Premier tools Ltd. Open calls-in-arrears account wherever required. **8**

OR

Concept Stationary Ltd. invited application for issuing 3,00,000 shares of ₹ 10 each at a premium of ₹ 3 per share. The amounts were payable as follows :
On application and allotment—₹ 7 per share.
On first and final call—balance (including premium of ₹ 3)
Applications were received for 4,00,000 shares and allotment was made as follows :
(i) To applicants for 80,000 shares—80,000 shares.
(ii) To applicants for 40,000 shares—nil
(iii) Balance of the applicants were allotted shares on pro-rata basis.
Excess money received with applications was adjusted towards sums due on first and final call.
Amit, who belonged to category (i) and was allotted 4,000 shares and Veni, who belonged to category (iii) and was alloted 4,400 shares failed to pay the first and final call money. Their shares were forfeited. The forfeited shares were re-issued at ₹ per share fully paid-up.
Pass necessary journal entries for the above transactions in the books of the company. **8**

Ans. **Books of Premier Ltd.**
Journal Entries

Date	Particulars	L.F.	Amount Dr. (₹)	Amount Cr. (₹)
	Bank A/c Dr.		12,50,000	
	To Equity Share Application A/c			12,50,000
	(Being application money received on 2,50,000 shares)			
	Equity Share Application A/c Dr.		12,50,000	
	To Equity Share Capital A/c			6,00,000
	To Equity Share Allotments A/c			2,00,000
	To Securities Premium Reserve A/c			4,00,000
	To Bank A/c			50,000
	(Being application money adjusted and refunded)			
	Equity Share Allotment A/c Dr.		6,00,000	
	To Equity Share Capital A/c			6,00,000
	(Being allotment money due)			

Bank A/c Dr.			3,88,000	
Calls-in-Arrears A/c Dr.			12,000	
To Equity Share Allotment A/c				4,00,000
(Being allotment money received except on 6,000 shares)				
Equity Share First and Final Call A/c Dr.			8,00,000	
To Equity Share Capital A/c				8,00,000
(Being call money due)				
Bank A/c Dr.			7,76,000	
Calls-in-Arrears A/c Dr.			24,000	
To Equity Share First and Final Call A/c				8,00,000
(Being call money received)				
Equity Share Capital (6,000 × 10) Dr.			60,000	
To Calls-in-Arrears A/c (12,000 + 24,000)				36,000
To Forfeiture Share A/c				24,000
(Being 6,000 shares forfeited fro non-payment of allotment and call)				
Bank A/c Dr.			48,000	
To Equity Share Capital A/c				30,000
To Securities Premium Reserve A/c				18,000
(Being 3,000 shares re-issued for ₹ 48,000 as fully paid)				
Forfeiture A/c Dr.			12,000	
To Capital Reserve A/c				12,000
(Being profit on re-issue of shares transferred to capital reserve)				

Working Note:

(1)

Applied Shares	Allotted Shares
10,000	Nil
2,40,000	2,00,000
2,50,000	2,00,000

(2) Calculation of unpaid allotment money by Naveen :

No. of Shares Applied = 7,200

No. of Shares Allotted $= \frac{2,00,000}{2,40,000} \times 7,200 = ₹\ 6,000$

	(₹)
Application Money Received (7,200 × 5)	= 36,000
Less : Transferred to Share Capital (6,000 × 5)	= 30,000
Excess Application Money	6,000
Allotment Money Due (6,000 × 3)	18,000
Less : Excess Adjusted	6,000
Calls-in-Arrears	12,000

(3) Capital Reserve $= \left(\frac{₹\,24,000}{6,000} \times 3,000\right)$

$= ₹\ 12,000$

OR

Ans. **Concept Stationery Ltd.**

Journal Entries

Date	Particulars		L.F.	Amount Dr. (₹)	Amount Cr. (₹)
	Bank A/c	Dr.		28,00,000	
	To Share Application and Allotment A/c				28,00,000
	(Being application money received)				
	Share Application and Allotment A/c	Dr.		28,00,000	
	To share Capital A/c				21,00,000
	To Calls-in-Advance A/c				4,20,000
	To Bank A/c				2,80,000
	(Being application money adjusted)				
	Share First and Final Call A/c	Dr.		18,00,000	
	To Share Capital A/c				9,00,000
	To Securities Premium Reserve A/c				9,00,000
	(Being call money due including premium)				
	Bank A/c	Dr.		13,38,000	
	Calls-in-Advance A/c	Dr.		4,20,000	
	Calls-in-Arrears A/c			42,000	
	To Share First and Final Call A/c				18,00,000
	(Being first and final call money received)				
	Share Capital A/c 8,400 × 10)	Dr.		84,000	
	Securities Premium Reserve A/c (8,400 × ₹ 3)	Dr.		25,200	
	To Calls-in-Arrears A/c				42,000
	To Shares Forfeited A/c				67,200
	(Being shares of Amit and Veni forfeited for non-payment of call)				
	Bank A/c	Dr.		58,800	
	Forfeiture Share A/c	Dr.		25,200	
	To share Capital A/c				84,000
	(Being forfeited shares re-issued)				
	Forfeiture Share A/c	Dr.		42,000	
	To Capital Reserve A/c				42,000
	(Being profit in re-issue of shares transferred to Capital reserve)				

Working Note :

(1)

Applied Shares	**Allotted Shares**
80,000	80,000
40,000	Nil
2,80,000	2,20,000
4,00,000	3,00,000

(2) Calculation of unpaid first call money by Amit and Veni :

Amit :		
Unpaid Call Money (4,000 × ₹ 6)		24,000
Veni		
Allotted Shares of Veni = 4,400		
Applied Shares of Veni $\left(\dfrac{2,80,000}{2,20,000}\times 4,400\right)$	5,600	

Call Money Due (4,400 × ₹ 6)	26,400	
Less : Excess Adjusted		18,000
Excess Application Money (1,200 × ₹ 7)	8,400	
Total Calls-in-Arrears		42,000

22. Achla and Bobby were partners in a firm sharing profits and losses in the ratio of 3 : 1. On 31st March 2019, their balance sheet was as follows:

Balance Sheet of Achla and Bobby
as on 31st March 2019

Liabilities		Amount (₹)	Assets	Amount (₹)
Creditors		1,10,000	Cash at Bank	60,000
General Reserve		40,000	Debtors	40,000
Workmen's Compensation Reserve		50,000	Stock	45,000
Capitals :			Furniture	1,55,000
Achla	4,00,000		Land and Building	5,00,000
Bobby	2,00,000	6,00,000		
		8,00,000		**8,00,000**

On 1st April 2019, they admitted Vihaan as a new partner for 1/5th share in the profits of the firm on the following terms:

(a) Vihaan brought ₹ 1,00,000 as his capital and the capitals of Achla and Bobby were to be adjusted on the basis of Vihaan's capital; any surplus or deficiency was to be adjusted by opening current accounts.

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

(c) Liability on account of workmen's compensation amounted to ₹ 80,000.

(d) Achla took over stock at 35,000.

(e) Land and building was to be appreciated by 20%.

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

OR

Gita, Radha and Garv were partners in a firm sharing profits and losses in the ratio of 3 : 5 : 2. On 31st March 2019, their balance sheet was as follows:

Balance Sheet of Gita, Radha and Garv
as on 31st March 2019

Liabilities		Amount (₹)	Assets	Amount (₹)
Sundry Creditors		60,000	Cash	50,000
General Reserve		40,000	Stock	80,000
Capitals :			Debtors	40,000
Gita	3,00,000		Investments	30,000
Radha	2,00,000		Buildings	5,00,000
Garv	1,00,000	6,00,000		
		7,00,000		**7,00,000**

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

(a) Goodwill of the firm be valued at ₹ 3,00,000 and Radha's share be adjusted through the capital accounts of Gita and Garv.

(b) Stock was to be appreciated by 20%.

(c) Buildings were found undervalued by ₹ 1,00,000.

(d) Investments were sold for ₹ 34,000.

(e) Capital of the new firm was fixed at ₹ 5,00,000 which will be in the new profit sharing ratio of the partners; the necessary adjustments for this purpose were to be made by opening current accounts of the partners.

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

Ans. **Books of Firm**

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

Particulars	Amount (₹)	Particulars	Amount (₹)
To Liability on Workmen Compensation A/c	30,000	By Land and Building A/c	1,00,000
To Stock A/c	10,000		
To Gain transfered to Capital A/c:			
Achla 45,000			
Bobby 15,000	60,000		
	1,00,000		**1,00,000**

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

Particulars	Achla (₹)	Bobby (₹)	Vihaan (₹)	Particulars	Achla (₹)	Bobby (₹)	Vihaan (₹)
To Bank A/c	30,000	10,000		By Balance b/d	4,00,000	2,00,000	
To Stock A/c	35,000			By Bank A/c			1,00,000
To Current A/c (bal. figure)	1,70,000	1,35,000		By Premium for Goodwill A/c	60,000	20,000	
To Balance c/d (WN 2)	3,00,000	1,00,000	1,00,000	By General Reserve A/c	30,000	10,000	
				By Revaluation A/c	45,000	15,000	
	5,35,000	2,45,000	10,00,000		5,35,000	2,45,000	1,00,000

Balance Sheet
as at 1st April 2019

Particulars	Amount (₹)	Particulars	Amount (₹)
Creditors	1,10,000	Land and Building	6,00,000
Liability for Workmen Compensation	80,000	Debtors	40,000
Capital A/cs:		Furniture	1,55,000
Achla 3,00,000		Cash at Bank (WN 3)	2,00,000
Bobby 1,00,000			
Vihaan 1,00,000	5,00,000		
Current A/cs:			
Achla 1,70,000			
Vihaan 1,35,000	3,05,000		
	9,95,000		**9,95,000**

Working Notes:

(1) Calculation of new profit sharing ratio

Old ratio $= 3:1$

Let total share be 1

$$\text{Remaining share} = 1 - \frac{1}{5} = \frac{4}{5}$$

$$\text{Achla's new share} = \frac{4}{5} \times \frac{3}{4} = \frac{3}{5}$$

$$\text{Bobby's new share} = \frac{4}{5} \times \frac{1}{4} = \frac{1}{5}$$

$$\text{Vihaan's share} = \frac{1}{5}$$

New ratio $= 3:1:1$

(2) Calculation of partners' capitals in the new firm:

Total capital of new firm = ₹ 1,00,000 × 5/1 = ₹ 5,00,000

New capital of partners :

Achla = ₹ 5,00,000 × 3/5 = ₹ 3,00,000

Bobby = ₹ 5,00,000 × 1/5 = ₹ 1,00,000

Vihaav = ₹ 5,00,000 × 1/5 = ₹ 1,00,000

(3) Dr. **Bank A/c** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	60,000	By Achla's Capital A/c	30,000
To Vihaan's Capital A/c	1,00,000	By Bobby's Capital A/c	10,000
To Premium for Goodwill A/c	80,000	By Balance c/d	2,00,000
	2,40,000		**2,40,000**

OR

Ans. **Books of Firm**

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

Particulars	Amount (₹)	Particulars	Amount (₹)
To Profit on Revaluation transferred to :		By Stock A/c	16,000
Gita's Capital A/c	36,000	By Investments A/c	4,000
Radha's Capital A/c	60,000	By Building A/c	1,00,000
Garv's Capital A/c	24,000		
	1,20,000		**1,20,000**

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

Particulars	Gita (₹)	Radha (₹)	Garv (₹)	Particulars	Gita (₹)	Radha (₹)	Garv (₹)
By Radha's Capital A/c	90,000		60,000	By Balance b/d	3,00,000	2,00,000	1,00,000
By Radha's Loan A/c		4,30,000		By General Reserve A/c	12,000	20,000	8,000
By Balance c/d	3,00,000		2,00,000	By Gita's Capital A/c		90,000	
				By Garv's Capital A/c		60,000	
				By Revaluation A/c	36,000	60,000	24,000
				By Current A/c	42,000		1,28,000
	3,90,000	4,30,000	2,60,000		3,90,000	4,30,000	2,60,000

Balance Sheet
as at 31st March 2019

Liabilities		Amount (₹)	Assets	Amount (₹)
Sundry Creditors		60,000	Cash	84,000
Radha's Loan		4,30,000	Stock	96,000
Partners' Capital A/cs:			Debtors	40,000
Gita	3,00,000		Building	6,00,000
Garv	2,00,000	5,00,000	Current A/cs:	
			Gita	42,000
			Garv	1,28,000
		9,90,000		**9,90,000**

Working Note:

(1) Radha's share in Goodwill = 3,00,0000 × 5/10

= ₹ 1,50,000

Gita's Capital A/c	Dr.	90,000	
Garv's Capital A/c	Dr.	60,000	
To Radha's Capital A/c			1,50,000

(2) Partners' Capital in New Firm

Gita = ₹ 5,00,000 × 3/5 = ₹ 3,00,000

Garv = ₹ 5,00,000 × 2/5 = ₹ 2,00,000

PART B
(Analysis of Financial Statements)

23. State the primary objective of preparing cash flow statement. **1**

Ans. To provide information of cash inflow and outflows of an enterprise during a particular period under various activities (Operating, Investing and Financing Activities).

24. From the following information, calculate the amount of cash flow from investing activities:

Acquired machinery for ₹ 10,00,000, paying 10% immediately in cash and accepting a draft for the balance in favour of the vendor, payable after three months. **1**

Ans. Cash outflow from Investing Activities ₹ 10,00,000

25. State giving reason, whether issue of shares for consideration other than cash will result into inflow, outflow or no flow of cash. **1**

Ans. No flow of cash as issue of shares for consideration other than cash does not involve any cash.

26. Which of the following is not a tool of financial analysis?

(a) Comparative income statement

(b) Comparative position statement

(c) Statement of profit and loss

(d) Cash flow statement **1**

Ans. **(c)** Statement of profit and loss

27. Which of the following is a limitation of financial analysis?

(a) It is just a study of reports of the company.

(b) It judges the ability of the firm to repay its debts.

(c) It identifies the reasons for change in financial position.

(d) It ascertains the relative importance of different components of the financial position of the firm. **1**

Ans. **(a)** It is just a study of reports of the company.

28. As per Schedule III, Part I of the Companies Act, 2013 'calls-in-arrears' will be presented under which of the following head/sub-head, in the Balance Sheet of a company?

(a) Reserves and Surplus (b) Current Liabilities

(c) Contingent Liabilities (d) Shareholders' Funds **1**

Ans. **(d)** Shareholders' Funds.

29. 'Interest accrued but not due on loans' is shown in the company's balance sheet under the sub head ....

Ans. Other current liabilities

30. A company had a liquid ratio of 1.5 : 1 and a current ratio of 2 : 1. Its inventory turnover ratio was 6 times. It had total current assets of ₹ 2,00,000.

Find out revenue from operations if the goods are sold at 25% profit on cost. **3**

OR

Calculate the amount of opening trade receivables and closing trade receivables from the following information:

Trade receivables turnover ratio	**8 times**
Cost of revenue from operations	**₹ 4,80,000**

The amount of credit revenue from operations is ₹ 2,00,000 more than cash revenue from operations. Gross profit ratio is 20%. Opening trade receivables are 1/4th of closing trade receivables. **3**

Ans.

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

$$\frac{2}{1} = \frac{₹\ 2,00,000}{\text{Current Liabilities}}$$

Current Liabilities = ₹ 1,00,000

$$\text{Liquid Ratio} = \frac{\text{Liquid Assets}}{\text{Current Liabilities}}$$

$$\frac{1.5}{1} = \frac{\text{Liquid Assets}}{₹\ 1,00,000}$$

∴ Liquid Assets = ₹ 1,50,000

Closing Inventory = Current Assets – Liquid Assets

= ₹ 2,00,000 – 1,50,000 = ₹ 50,000

Note : As Opening Inventory is not given, Closing Inventory be taken as Average Inventory

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

$$6 = \frac{\text{Cost of Revenue from operations}}{₹\ 50,000}$$

Cost of Revenue from Operations = ₹ 3,00,000

Revenue from Operations = Cost of Revenue from Operations + Gross Profit

= ₹ 3,00,0000 + (₹ 3,00,000 × 25%) = ₹ 3,75,000

OR

$$\text{Trade Receivables Turnover Ratio} = \frac{\text{Net Credit Revenue from Operations}}{\text{Average Trade Receivables}}$$

Gross profit Ratio = 20/100 (i.e., 20% on Revenue)

= 1/4 on Cost

Net Revenue from Operations = Cost of Revenue from Operations + Gross Profit

= ₹ 4,80,000 + (4,80,000 × 1/4)= ₹ 6,00,000

Net Credit Revenue = Net Revenue from operations – Cash Revenue from operations

x = ₹ 2,00,000 = ₹ 6,00,000 – x (Let)

⇒ $x + x$ = ₹ 6,00,000 – ₹ 2,00,000

⇒ $2x$ = ₹ 4,00,000

⇒ $x = ₹\ \dfrac{4,00,000}{2}$

⇒ x = ₹ 2,00,000

Hence, Cash Revenue from Operations = ₹ 2,00,000

Net Credit Revenue = ₹ 6,00,000 – ₹ 2,00,000

= ₹ 4,00,000

$$\text{Trade Receivable Turnover Ratio} = \frac{₹\ 4,00,000}{\text{Average Trade Receivables}}$$

$$8 = \frac{₹\ 4,00,000}{\text{Average Trade Receivables}}$$

$$\text{Average Trade Receivables} = \frac{₹\ 4,00,000}{8} = ₹\ 50,000$$

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

Let Closing Trade Receivables = y

$$\text{Opening Trade Receivables} = y \times \frac{1}{4} = \frac{y}{4}$$

$$\text{Average Trade Receivables} = \frac{\frac{y}{4} + y}{2}$$

$$₹\ 50{,}000 = \frac{\frac{5y}{4}}{2}$$

$$y = ₹\ 80{,}000$$

$$\text{Closing Trade Receivables} = ₹\ 80{,}000$$

$$\text{Opening Trade Receivables} = \frac{y}{4}$$

$$= \frac{₹\ 80{,}000}{4} = ₹\ 20{,}000$$

*** 31. Prepare common size statement of profit and loss from the following information:**

Particulars	Note No.	2017–18	2016–17
Revenue from operations		₹ 16,00,000	₹ 8,00,000
Cost of material consumed (% of revenue from operations)		60%	50%
Operating expenses		₹ 80,000	₹ 40,000
Income tax rate		40%	30%

4

OR

*** From the following Balance Sheets of Vinayak Ltd. as at 31st March 2019, prepare a comparative Balance Sheet:**

Vinayak Ltd.
Balance Sheet
as at 31st March 2019

Particulars	Note No.	31-3-19 (₹)	31-3-18 (₹)
Equity and Liability			
(1) Shareholders' Funds:			
(a) Share Capital		21,00,000	20,00,000
(b) Reserves and Surplus		2,30,000	2,00,000
(2) Non-current Liabilities:			
Long-Term Borrowing		5,60,000	2,00,000
(3) Current liabilities			
Trade Payables		2,80,000	1,00,000
Total		31,70,000	25,00,000
Assets			
(1) Non-Current Assets:			
Fixed Assets			
(i) Tangible Assets		21,00,000	20,00,000
(ii) Intangible Assets		3,00,000	2,00,000
(2) Current Assets:			
(a) Inventories		5,60,000	2,00,000
(b) Cash and Cash Equivalents		2,10,000	1,00,000
Total		**31,70,000**	**25,00,000**

4

* *Out of Syllabus*

32. Cash flow from operating activities of Starline Ltd. for the year ended 31.03.2019 was ₹ 18,000. The Balance Sheet along with notes to accounts of Starline Ltd. as at 31-03-19 is given below:

Starline Limited
Balance Sheet
as 31st March 2019

Particulars	Note No.	31-3-19 (₹)	31-3-18 (₹)
I. Equity and Liabilities:			
(1) Shareholders' Funds:			
(a) Share Capital		18,00,000	10,00,000
(b) Reserves and Surplus	1	50,000	40,000
(2) Non-Current Liabilities:			
Long Term Borrowings	2	1,00,000	4,00,000
(3) Current Liabilties:			
Short-Term Provisions	3	2,50,000	3,60,000
Total		**22,00,000**	**18,00,000**
II. Assets:			
(1) Non-Current Assets:			
Fixed Assets:			
(i) Tangible Assets	4	14,00,000	10,00,000
(ii) Intangible Assets	5	1,80,000	70,000
(2) Current Assets:			
(a) Current Investments		30,000	1,90,000
(b) Trade Receivables		2,90,000	3,10,000
(c) Cash and Cash Equivalents		3,00,000	2,30,000
Total		**22,00,000**	**18,00,000**

Notes to Accounts

	Particulars	31-03-219 (₹)	31-03-18 (₹)
1.	**Reserves and Surplus:**		
	Surplus (balance in statement of profit and loss)	50,000	40,000
		50,000	**40,000**
2.	**Long-Term Borrowings:**		
	8% Debentures	1,00,000	4,00,000
		1,00,000	**4,00,000**
3.	**Short-Term Provisions:**		
	Provision for tax	2,50,000	3,60,000
		2,50,000	**3,60,000**
4.	**Tangible Assets:**		
	Plant and Machinery	15,20,000	10,90,000
	Less : Accumulated Depreciation	(1,20,000)	(90,000)
		14,00,000	**10,00,000**
5.	**Intangible Assets:**		
	Goodwill	1,80,000	70,000
		1,80,000	**70,000**

You are given the following additional information:

(a) A machinery of the book value of ₹ 40,000 (depreciation provided thereon ₹ 12,000) was sold at a loss of ₹ 6,000.

(b) 8% debentures were redeemed on 1st July 2018.

Prepare Cash Flow Statement. **6**

Ans. Note: There was a printing error in this question (which is Operating Activities given in question is negative, while question starts it is positive).

Starline Ltd.
Cash Plan Statement

Particular	Details (3)	Net (₹)
(A) Cash used in Operating Activities :		(18,000)
(B) Cash Flow from Investing Activities		
Purchase of Plant and Machinery	(4,82,000)	
Sale of Plant and Machinery	34,000	
Purchase of Goodwill	(1,10,000)	
Net Cash Used in Investing Activities		(5,58,000)
(C) Cash Flow from Financing Activities		
Issue of Share	8,00,000	
Redemption of Debentures	(3,00,000)	
Interest in Debentures (WN 2)	(14,000)	
Net Cash Flow from Financing Activities		4,86,000
(D) Net Decrease in Cash and Cash Equivalents		(90,000)
(E) Opening Cash and Cash Equivalents (1,90,000 + 2,30,000)		4,20,000
(F) Closing Cash and Cash Equivalents (30,000 + 3,00,000)		3,30,000

Working Note :

(1) Dr. **Plant and Machinery Account** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	10,90,000	By Accumulated Deprecation A/c	12,000
To Bank A/c (Purchase)	4,82,000	By Loss on Sale of Machinery	6,000
(Balancing Figure)		By Bank A/c (Sale)	34,000
		By Balance c/d	15,20,000
	15,72,000		15,72,000

Dr. **Accumulated Depreciation Account** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Plant Machinery A/c	12,000	By Balance b/d	90,000
To Balance c/d	1,20,000	By Depreciation A/c	
		(Dep. for current year—balancing figure)	42,000
	1,32,000		1,32,000

(2) Interest on Debentures

$$= \left(₹\ 4,00,000 \times \frac{8}{100} \times \frac{3}{12}\right) = \left(₹\ 1,00,000 \times \frac{8}{100} \times \frac{9}{12}\right)$$

$$= ₹\ 8,000 + ₹\ 6,000 = ₹\ 14,000$$

Delhi Set - 2 Code : 67/5/2

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

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

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

Ans. Issued capital is a part of nominal capital which has been issued/offered to the public for subscription.

4. Harit and Leela are partners in a firm sharing profits and losses in the ratio of 2 : 3. Yash was admitted as a new partner for 1/5th share in the profits of the firm. Yash acquires his share from Leela. The new profit sharing ratio of Harit, Leela and Yash will be:

(a) 2 : 3 : 5 (b) 2 : 2 : 1 (c) 5 : 3 : 2 (d) 3 : 5 : 1 **1**

Ans. **(b)** 2 : 2 : 1

Working Note

New Share = Old share – Sacrificing Share

Harit's new Share = 2/5

Leela's new Share = 3/5 – 1/5 = 2/5

Yash's Share = 1/5

New Ratio = 2 : 2 : 1

*** 9. Madura Ltd. decided to redeem its 10,000, 10% debentures of ₹ 100 each at a premium of 8%. The minimum amount transferred to debenture redemption reserve will be:**

(a) ₹ 10,00,000 (b) ₹ 10,80,000 (c) ₹ 2,70,000 (d) ₹ 2,50,000 **1**

13. Give the meaning of 'Calls-in-Advance'. **1**

Ans. Calls in Advance refers to the amount which is not yet called but paid by the shareholders.

*** 15. How will the following items be treated while preparing the financial statements of a not-for-profit-organisation for the year ended 31st March 2019?**

	As at 31-3-2018 (₹)	As at 31-3-2019 (₹)
Creditors for medicines	**33,000**	**67,000**
Stock of medicines	**27,000**	**43,000**

During 2018–19, the payment made to the creditors was ₹ 4,25,000. **4**

17. Tripti, Atishay and Radhika were partners in a firm sharing profits and losses in the ratio of 2 : 2 : 1. Their Balance Sheet as on 31-3-2019 was as follows:

Balance Sheet of Tripti, Atishay and Radhika
as on 31st March 2019

Liabilities		Amount (₹)	Assets	Amount (₹)
Capitals :			Plant and Machinery	5,00,000
Tripti	3,00,000		Stock	1,10,000
Atishay	2,00,000		Sundry Debtors	60,000
Radhika	1,00,000	6,00,000	Cash at Bank	40,000
General Reserve		50,000		
Creditors		60,000		
		7,10,000		**7,10,000**

Tripti died on 31th June 2019. According to the partnership deed, the executors of the deceased partner are entitled to:

(a) Balance in partner's capital account.

(b) Salary @ ₹ 12,500 per quarter.

(c) Share of goodwill calculated on the basis of twice the average of past three years' profits and share of profits from the closure of the last accounting year till the date of death on the basis of last year's profit. Profits for 2016–17, 2017–18 and 2018–19 were ₹ 1,00,000, ₹ 1,50,000 and ₹ 2,00,000, respectively.

(d) Tripti withdrew ₹ 20,000 on 1st May 2019 for her personal use.

Prepare Tripti's Capital Account to be rendered to her executors. **4**

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

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
2019			2019		
June 30	To Drawings A/c	20,000	April 1	By Balance b/d	3,00,000
	To Tripti's Executor's A/c			By General Reserve A/c	20,000
	(Balancing Figure)	4,52,500		By Salary A/c	12,500
				By Atishay's Capatal A/c	80,000
				By Radhika's Capital A/c	40,000
				By profit and loss suspense A/c	20,000
		4,72,500			**4,72,500**

* *Out of Syllabus*

Working Note:

(i) Calculation of Tripti's share of goodwill:

$$\text{Firm's Goodwill} = ₹\ \frac{(1,00,000+1,50,000+2,00,000)}{3} \times 2 = ₹\ 3,00,000$$

Tripti's Share in Goodwill = ₹ 3,00,000 × 2/5 = ₹ 1,20,000

19. Naina, Uday and Tara were partners in a firm sharing profits and losses in the ratio of 5 : 3 : 2. The firm was dissolved on 31-3-2019. After transfer of assets (other than cash) and external liabilities to Realisation Account, the following transactions took place:

(a) A typewriter completely written off from the books was sold for ₹ 4,000.

(b) Loan of ₹ 30,000 advanced by Uday to the firm was paid back.

(c) Tara was to get remuneration of ₹ 42,000 for completing the dissolution process and for bearing realisation expenses. Actual realisation expenses amounted to ₹ 51,000 and were paid by the firm.

(d) Creditors of ₹ 23,000 took over all the investments at ₹ 12,000. Remaining amount was paid to them in cash.

(e) Uday agreed to pay loan of Mrs. Uday ₹ 45,000.

(f) Profit and Loss Account balance of ₹ 20,000 appeared on the assets side of the balance sheet.

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

Ans. **Books of Firm**

Journal Entries

Date	Particulars		L.F.	Amount Dr. (₹)	Amount Cr. (₹)
(a)	Cash A/c	Dr.		4,000	
	To Realisation A/c				4,000
	(Being unrecorded typewriter sold)				
(b)	Uday's Loan A/c	Dr.		30,000	
	To Bank A/c				30,000
	(Being Uday's loan repaid)				
(c)	(i) Realisation A/c	Dr.		42,000	
	To Tara's Capital A/c				42,000
	(Being remuneration allowed to Tara for completing dissolution process and bearing realisation expenses)				
	(ii) Tara's Capital A/c	Dr.		51,000	
	To Cash A/c				51,000
	(Being dissolution expenses paid by firm)				
(d)	Realisation A/c	Dr.		11,000	
	To Cash A/c				11,000
	(Being creditors accepted investment and cash)				
(e)	Realisation A/c	Dr.		45,000	
	To Uday's Capital A/c				45,000
	(Being Uday settled his wife's loan)				
(f)	Naina's Capital A/c	Dr.		10,000	
	Uday's Capital A/c	Dr.		6,000	
	Taras's Capital A/c	Dr.		4,000	
	To Profit and Loss A/c				20,000
	(Being debit balance of P & L A/c written off)				

PART B
(Analysis of Financial Statements)

23. What is a meant by 'Operating Activities'? 1

Ans. Operating Activities are principle revenue producing activities, i.e., those activities which generate income.

24. X ltd. redeemed ₹ 1,00,000, 9% debentures at 10% premium. What will be the amount of 'Cash Flow from financing activities'? 1

Ans. Cash used in Financing Activities will be ₹ 1,10,000.

25. The current ratio of a company is 2 : 1. State giving reason whether purchase of goods on credit will increase, decrease or not change the ratio. 1

Ans. Current ratio will decrease as Current Assets and Current Liabilities increased with similar amount.

26. Which of the following is not an activity ratio?

(a) Inventory turnover ratio
(b) Interest coverage ratio
(c) Working capital turnover ratio
(d) Trade receivables turnover ratio **1**

Ans. **(b)** Interest coverage ratio

27. The Balance Sheet provides information about financial position of an enterprise:

(a) over a period of time
(b) during a period of time
(c) for a period of time
(d) at a point of time **1**

Ans. **(d)** at a point of time

29. 'Prepaid Expenses' are presented in the Balance Sheet of a company under the sub-head 1

Ans. Other Current Assets

Delhi Set - 3 Code : 67/5/3

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

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

3. What is meant by 'Subscribed Capital ?' 1

Ans. Subscribed capital is a part of issued capital which has been subscribed by public/members/shareholders.

4. Bishan and Sudha were partners in a firm sharing profits and losses in the ratio of 5 : 3. Alena was admitted as a new partner. It was decided that the new profit sharing ratio of Bishan, Sudha and Alena will be 10 : 6 : 5. The sacrificing ratio of Bishan and Sudha will be:

(a) 5 : 3 (b) 25 : 78 (c) 6 : 5 (d) 2 : 1 **1**

Ans. **(a) 5 : 3**

8. On forfeiture of 100 shares of ₹ 2,500 were credited to share forfeited account. These shares were re-issued at ₹ 25 per share fully paid up. The amount credited to 'Capital Reserve Account' will be:

(a) ₹ 2,500 (b) ₹ 5,000 (c) No amount (d) ₹ 3,000 **1**

Ans. **(c)** No Amount

10. The business of a partnership firm may be carried on by all the partners or any one of them acting for all. One of the important implication of this statement is that every partner is entitled to participate in the conduct of the affairs of its business. State the second important implication of this statement. 1

Ans. A relationship of mutual agency between all the partners exists

13. For recording the issue of debentures as a collateral security by a journal entry..........account is debited. 1

Ans. Debenture suspense

*** 15. How will the following items be treated while preparing the financial statements of a not-for-profit-organisation for the year ended 31st March 2019:**

Particulars	As at 31-3-18 (₹)	As at 31-3-19 (₹)
Creditors for stationery	78,000	50,000
Stock of stationery	62,000	41,000

During 2018–19, payment made to creditors was ₹ 1,80,000. **3**

17. Nikita, Mankrit and Pulkit were partners in a firm sharing profits and losses in the ratio 4 : 3 : 2. Their balance sheet as on 31st March 2019 was as follows :

Balance Sheet of Nikita, Mankrit and Pulkit
on 31st March 2019

Liabilities		Amount (₹)	Assets	Amount (₹)
Capitals :			Plant and Machinery	6,40,000
Nikita	4,00,000		Stock	2,30,000
Mankrit	3,00,000		Sundry Debtors	1,40,000
Pulkit	2,00,000	9,00,000	Cash at Bank	40,000
General Reserve		90,000		
Creditors		60,000		
		10,50,000		**10,50,000**

Mankrit died on 31st July 2019. According to the partnership deed, the executors of the deceased partner were entitled to :

(a) Balance of partner's capital account.

(b) Salary @ ₹ 6,000 per quarter.

(c) Share of goodwill calculated on the basis of twice the average of past three years' profits and share of profits from the closure of the last accounting year till the date of death calculated on the basis of average of three completed years' profits before death.

Profits for 2016–17, 2017–18 and 2018–19 were ₹ 80,000, ₹ 90,000 and ₹ 1,00,000, respectively.

(d) Mankrit withdrew ₹ 6,000 on 15th May 2019.

Prepare Mankrit' capital account to be rendered to her executors. **4**

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

Particulars	Amount (₹)	Particulars	Amount (₹)
To Drawings	6,000	By Balance b/d	3,00,000
By Balance c/d	4,02,000	By General Reserve A/c	30,000
		By Salary A/c	8,000
		By Profit and Loss Suspense A/c	10,000
		By Nikita's Capital A/c	40,000
		By Pulkit's Capital A/c	20,000
	4,08,000		**4,08,000**

Working Note :

1. Valuation and Adjustment of Goodwill:

$$\text{Firm's Goodwill} = \frac{(80,0000 + 90,000 + 1,00,000)}{3} \times 2$$

$$= ₹\ 1,80,000$$

* *Out of Syllabus*

Mankrit's Share in Goodwill = ₹ 1,80,000 × 3/9 = ₹ 60,000

Nikita's Capital A/c	Dr.	40,000	
Pulkit's Capital A/c	Dr.	20,000	
To Mankrit's Capital A/c			60,000

2. Gaining Ratio = 4 : 2 = 2 : 1

19. Muskaan, Priya and Rohan were partners in a firm sharing profits and losses in the ratio of 2 : 3 : 1. The firm was dissolved on 31-3-2019. After transfer of assets (other than cash) and external liabilities to realisation account, the following transactions took place :

(a) Furniture of ₹ 70,000 was sold for ₹ 74,000 by auction and auctioneer's commission amounted to ₹ 3,000.

(b) There was an unrecorded computer which was taken over by Priya for ₹ 7,000.

(c) Creditors were paid ₹ 44,000 in full settlement of their account of ₹ 49,000.

(d) Rohan's sister's loan ₹ 20,000 was paid off by Muskaan.

(e) Expenses on dissolution were ₹ 15,000 and paid by Rohan.

(f) Loss on dissolution amounted to ₹ 24,000.

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

Ans.

Books of Firm
Journal Entries

Date	Particulars		L.F.	Amount Dr. (₹)	Amount Cr. (₹)
2019					
March 31 (a)	Bank A/c	Dr.		71,000	
	To Realisation A/c				71,000
	(Being furniture realised at ₹ 74,000 and commission paid for it ₹ 3,000)				
(b)	Priya's Capital A/c	Dr.		7,000	
	To Realisation A/c				7,000
	(Being unrecorded computer taken over by Priya)				
(c)	Realisation A/c	Dr.		44,000	
	To Bank A/c				44,000
	(Being creditors paid off)				
(d)	Realisation A/c	Dr.		20,000	
	To Muskaan's Capital A/c				20,000
	(Being Rohan's sister's loan paid by Muskaan)				
(e)	Realisation A/c	Dr.		15,000	
	To Rohan's Capital A/c				15,000
	(Being dissolution expenses paid by Rohan)				
(f)	Muskaan's Capital A/c	Dr.		8,000	
	Priya's Capital A/c	Dr.		12,000	
	Rohan's Capital A/c	Dr.		4,000	
	To Realisation A/c				24,000
	(Being dissolution loss distributed among partners)				

PART B
(Analysis of Financial Statements)

23. 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 are called............ . **1**

Ans. Cash Equivalents

24. What is meant by 'Cash Flow' ? **1**

Ans. Cash Flow refers to inflows and outflows of cash and cash equivalents.

30. The fixed assets of a company were ₹ 35,00,000. Its current assets were ₹ 4,30,000 and current liabilities were ₹ 3,30,000. During the year ended 31-3-2019 the company earned net profit before tax ₹ 18,00,000. The tax rate was 30%. Calculate return on investment.

OR

	₹
Inventory in the Beginning	**30,000**
Inventory at the End	**50,000**
Net Purchases	**5,00,000**
Wages	**25,000**
Salaries	**40,000**
Revenue from Operations	**8,00,000**
Carriage Inward	**5,000**
Returns Outward	**30,000**

Calculate Inventory Turnover Ratio **3**

Ans.

$$\text{Return as Investment} = \frac{\text{Profit before Interest and Tax}}{\text{Capital Employed}} \times 100$$

$$= \frac{₹18,00,000}{₹36,00,000} \times 100 = 50\%$$

Working Note:

$$\text{Capital Employed} = \text{Total Assets} - \text{Current Liabilities}$$
$$= (₹\ 35,00,000 + ₹\ 4,30,000) - ₹\ 3,30,000$$
$$= ₹\ 36,00,000$$

OR

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

$$= \frac{₹5,10,000}{₹40,000} = 12.75 \text{ Times}$$

Working Note :

1. Cost of Revenue from Operations

= Opening Inventory + Net Purchases + Wages + Carriage Inwards – Closing Inventory

= ₹ 30,000 + ₹ 5,00,000 + ₹ 25,000 + ₹ 5,000 – ₹ 50,000

= ₹ 5,60,000 – ₹ 50,000 = ₹ 5,10,000

2.

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

$$= \frac{₹30,000 + ₹50,000}{2} = ₹\ 40,000$$

Outside Delhi Set - 1 — Code : 67/4/1

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

*** 1. When a company plans to redeem its debentures out of profits, it should transfer minimum — % of the face value of the outstanding debenture to Debenture Redemption Reserve out of surplus available for payment of dividend.** **1**

2. .... Capital accounts always show a credit balance. **1**

Ans. Fixed

3. In the case of retirements, if full or part of the amount payable to the retiring partner still remains to be paid, and there is no a agreement among the partners then retiring partner will get.

(i) Interest @ 6% p.a. on the balance amount.

(ii) Share of profit earned proportionate to his amount outstanding to total capital of the firm.

(iii) Interest @ 9% p.a. on the balance amount.

* *Out of Syllabus*

Which out of the following is correct?

(a) (i) (b) (ii)

(c) (iii) (d) Have a choice to get either (i) or (ii) **1**

Ans. (d) Have a choice to get either (i) or (ii)

*** 4. The following information has been extracted from the financial statements of a not for profit organisation for the year ended 31st March 2019.**

Particulars	Amount (₹)
Opening Balance of Match Fund	5,00,000
Sale of Match tickets	3,75,000
Donation for Match Fund received during the year	1,24,000
Match expenses	10,00,000

Which of the following statements is correct for the presentation of the above items in the financial statements of the not-for-profit organisation ?

(a) Negative Balance of Match fund ₹ 1,000 will be shown on the liabilities side of the Balance sheet as at 31st March 2019.

(b) Opening Balance of Match Fund ₹ 5,00,000 will be shown on the liabilities side of Balance Sheet as at 1.4.2018.

(c) Negative balance of match fund, ₹ 1,000 will be shown on the expenditure side of the Income and Expenditure Account for the year ended 31.3.2019.

(d) Both (b) and (c). **1**

5. Anita and Babita were partners sharing profits and losses in the ratio of 3 : 1. Savita was admitted for 1/5th share in the profits. Savita was unable to bring her share of goodwill premium in cash. The journal entry recorded for goodwill premium is given below:

	Particulars	L. F.	Dr. Amount (₹)	Cr. Amount (₹)
	Savita's Current A/c Dr.		24,000	
	To Anita's Capital A/c			8,000
	To Babita's Capital A/c			16,000
	(Being adjustment of goodwill premium on Savita's Admission)			

The new profit sharing ratio of Anita, Babita and Savita, will be

(a) 41 : 7 : 12 (b) 13 : 12 : 10 (c) 3 : 1 : 1 (d) 5 : 3 : 2 **1**

Ans. (a) 41 : 7 : 12

Working Note:

New Share = Old share – Sacrificing Share

$$\text{Anita's New Share} = \frac{3}{4}-\left(\frac{1}{5}\times\frac{1}{3}\right)=\frac{3}{4}-\frac{1}{15}=\frac{41}{60}$$

$$\text{Babita's New Share} = \frac{1}{4}-\left(\frac{1}{5}\times\frac{2}{3}\right)=\frac{1}{4}-\frac{2}{15}=\frac{7}{60}$$

$$\text{Sarita's Share} = \frac{1}{5}\times\frac{12}{12}=\frac{12}{60}$$

6. Amla, Bimla and Kavita were partners sharing profits and losses in the ratio of 4 : 3 : 1. Bimla retires and gives her share of profit to Amla for ₹ 3,600 and to Kavita for ₹ 3,000. The gaining ratio of Amla and Kavita will be: 1

(a) 4 : 5 (b) 2 : 1 (c) 6 : 5 (d) 4 : 1

Ans. (c) 6 : 5

7. Capital Reserve is created out of ------------ profits. **1**

Ans. Capital.

8. Avya, Divya and Kavy were equal partners. They decided to change the profit sharing ratio to 4 : 3 : 2. For this purpsoe the goodwill of the firm was valued at ₹ 90,000.

* *Out of Syllabus*

They journal entry for the treatment of goodwill on change in profit sharing ratio will be :

	Particulars	L. F.	Dr. Amount (₹)	Cr. Amount (₹)
(a)	Kavya's Capital A/c Dr.		10,000	
	To Avya's Capital A/c			10,000
(b)	Divya's Capital A/c Dr.		10,000	
	To Avya's Capital A/c			10,000
(c)	Avya's Capital A/c Dr.		90,000	
	To Kavya's Capital A/c			90,000
(d)	Avya's Capital A/c Dr.		10,000	
	To Kavya's Capital A/c			10,000

1

Ans. **(d)** Avya's Capital A/c Dr. 10,000
To Kavya's Capital A/c 10,000

9. Mohit, Shobhit and Rohit are partners sharing profits and losses in the ratio 2 : 1 : 1. Rohit is guaranteed a profit of ₹ 14,000. The firm incurred a profit of ₹ 20,000 during the year. Calculate the amount of deficiency borne by Mohit and Shobhit. **1**

Ans. Deficiency of ₹ 9,000 borne by Mohit and Shobhit

Mohit will Borne = ₹ 9,000 × 2/3 = ₹ 6,000

Shobhit will Borne = ₹ 9,000 × 1/3 = ₹ 3,000

Working Note :

Rohit's Share in Profit = ₹ 20,000 × 1/4 = ₹ 5,000

Guaranteed Amount = ₹ 14,000

So, amount to be sacrificed by Mohit and Shobhit = 14,000 – 5,000 = ₹ 9,000

10. Which of the following is not a purpose for which the Securities Premium amount can be used?

(a) Issuing fully paid bonus shares to shareholders.

(b) Issuing partly paid up bonus shares to shareholders.

(c) Writing off preliminary expenses of the company.

(d) In purchasing its own shares (buy back) **1**

Ans. **(b)** Issuing partly paid up bonus share to shareholders

11. Tangible Assets of the firm are ₹ 14,00,000 and outside liabilities are ₹ 4,00,000. Profit of the firm is ₹ 1,50,000 and normal rate of return is 10%. The amount of capital employed will be:

(a) ₹ 10,00,000 (b) ₹ 1,00,000 (c) ₹ 50,000 (d) ₹ 20,000 **1**

Ans. **(a)** ₹ 10,00,000

Capital Employed = Total Real Assets – Outsiders' Liabilities

= 14,00,000 – 4,00,000

= ₹ 10,00,000

*** 12. Income and Expenditure Account records:**

(a) Receipts and Payments of Revenue and Capital nature both.

(b) Income and Expenditure of Revenue nature only.

(c) Expenditure of Capital nature only.

(d) Receipts of Revenue nature only. **1**

13. When the business of the firm becomes illegal, the way of dissolution of the firm is **1**

Ans. Compulsory dissolution

*** 14. On 31st March 2018 SS Ltd. had 50,000 10% debentures of ₹ 100 each outstanding. These debentures were due for redemption on 31st March 2019. Debenture Redemption Reserve has a balance of ₹ 5,00,000 on 31st March 2018. Ignoring the entries for interest, pass the necessary journal entries for redemption of debentures.** **3**

* *Out of Syllabus*

OR

X Ltd. has 4,000 12% debentures of ₹ 100 each on 1st April, 2018. According to the terms of issue interest on debentures is payable half yearly on 30St September and 31St March and the rate of tax deducted at source is 10%.

Pass necessary journal entries for interest on debentures for the year 2018–19. **3**

Ans. **Books of X Ltd.**

Journal Entries

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2018 Sept. 30	Debenture Interest A/c	Dr.		24,000	
	To Debentureholders' A/c				21,600
	To TDS Payable A/c				2,400
	(Being due on Debenture Interest)				
	Debenture Holder's A/c	Dr.		21,600	
	TDS Payable A/c			2,400	
	To Bank A/c				24,000
	(Being Interest Paid)				
2019 March 31	Debenture Interest A/c	Dr.		24,000	
	To Debenture Holders' A/c				21,600
	To TDS Payable A/c				2,400
	(Being interest due on debentures)				
2019 March 31	Debenture Holders' A/c	Dr.		21,600	
	TDS Payable	Dr.		2,400	
	To Bank A/c				24,000
	(Being due interest paid)				
March 31	Statement of Profit and Loss A/c	Dr.		48,000	
	To Debenture Interest A/c				48,000
	(Being interest transferred to Statement of P & L)				

*** 15. From the following information, calculate the amount of sports material that will be debited to the Income and Expenditure Account of Bright Sports Club for the year ended 31.3.2019.**

Particulars	1st April 2018 (₹)	31st March 2019 (₹)
Stock of Sports Material	1,10,000	1,50,000
Creditors for Sports Material	25,000	60,000
Advance Paid for Sports Material	25,000	70,000

Additional Information :

Cash purchase of sports material during the year was ₹ 2,50,000. ₹ 1,50,000 were paid to the creditors of sports material. **4**

16. A and B are partners sharing profits and losses in the ratio of 3 : 2. Their capital on 31St March 2018 after all adjustments stood at ₹ 1,65,500 and ₹ 1,27,600, respectively.

Profits amounting to ₹ 50,000 for the year 2017–18 were distributed after allowing interest on drawings @ 12% p.a. During the year A withdrew ₹ 15,000 at the beginning of every quarter and B withdrew ₹ 40,000 during the year partnership deed is silent on interest on drawings but provides for interest on Capital @ 5% p.a. Interest on Capital has not been provided.

Showing your working clearly, pass the necessary adjustment entry to rectify the above errors. **4**

* *Out of Syllabus*

OR

Arun, Shobha and Yuvraj were partners in a firm. On 1st April 2018 their Fixed Capitals stood at ₹ 1,00,000, ₹ 50,000, and ₹ 50,000 respectively.

As per the provisions of partnership deed.

(i) Partners were entitled to an annual salary of ₹ 20,000 each.

(ii) Interest on Capital @ 10% p.a. was to be provided.

(iii) Profits were to be shared in the ratio 3 : 1 : 1. Net profit for the year ended 31st March 2019 was ₹ 90,000.

Passs Journal Entries for the above in the books of the firm. **4**

Ans. **Adjustment Entry**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	A's Capital A/c Dr.		140	
	To B's Capital A/c			140
	(Being adjustment entry made for omission of interest on capital and wrongly charging interest on drawings.)			

Working Note :

1. Calculation of Opening Capital

	Particulars	L. F.	A (₹)	B (₹)
	Closing Capital		**1,65,500**	**1,27,600**
	Add : Drawings		60,000	40,000
			2,25,500	1,67,600
	Less : Share of Profit		30,000	20,000
			1,95,500	1,47,600
	Add : Interest on Drawings		4,500	2,400
	Opening Capital		2,00,000	1,50,000

2. Calculation of Interest on Drawings:

$$A = ₹\ 60,000 \times \frac{12}{100} \times \frac{7\frac{1}{2}}{12} = ₹\ 4,500$$

$$B = ₹\ 40,000 \times \frac{12}{100} \times \frac{6}{12} = ₹\ 2,400$$

3. Calculation of Interest on Capital

$A = ₹\ 2,00,000 \times 5\% = ₹\ 10,000$

$B = ₹\ 1,50,000 \times 5\% = ₹\ 7,500$

OR

Ans. **Books of Firm**

Journal Entries

Date	Particulars	L. F.	A (₹)	B (₹)
2019 March 31	Profit and Loss A/c Dr.		90,000	
	To Proit and Loss Appropriation A/c			90,000
	(Being Net profit transferred to P & L Appropriation A/c)			
	Salary A/c Dr.		60,000	
	To Arun's Current A/c			20,000
	To Shobha's Current A/c			20,000
	To Yuvraj's Current A/c			20,000
	(Being salary allowed to partners)			

2019 March 31	Interest on Capital A/c Dr.		20,000	
	To Arun's Current A/c			10,000
	To Shobha's Current A/c			5,000
	To Yuvraj's Current A/c			5,000
	(Being interest on capital allowed to partners)			
2019 March 31	Profit and Loss Appropriation A/c Dr.		80,000	
	To Salary A/c			60,000
	To Interest on Capital A/c			20,000
	(Being Partner's Salary and Interest on Capital transferred to Profit and Appropriation A/c)			
	Profit and Loss Appropriation A/c Dr.		10,000	
	To Arun's Current A/c			6,000
	To Shobha's Current A/c			2,000
	To Yuvraj's Current A/c			2,000
	(Being divisible profit distributed among partners)			

*** 17. From the following Receipts and Payments Account of Shyam Music Club for the year ended 31st March 2019 and additional information, prepare Income and Expenditure Account for the year ended 31.3.2019.**

Receipts and Payments Account of Shyam Music Club for the year ended 31.3.2019

Receipts		Amount (₹)	Payments		Amount (₹)
To Balance b/d			By Honorarium		71,000
Cash	10,000		By Musical		
Bank	15,000	25,000	Instruments		40,000
To Subscription			By Electricity Bill		31,000
2017–18	13,000		By Balance c/d		
2018–19	2,00,000		Cash	50,000	
2019–20	17,000	2,30,000	Bank	40,500	
To Locker Rent		8,000	Fixed Deposit @ 7% p.a.		
To Sale of old furniture			on. 31.3..2019)	1,15,000	2,05,500
(book value ₹ 10,000)		15,000			
To Building Fund Donations		45,000			
To Life Membership Fee		19,500			
To Administration Fee		5,000			
		3,47,500			**3,47,500**

Additional Information:

(i) The Club had 225 members each paying an annual subscription of ₹ 1,000.

(ii) Musical instruments were purchased on 1.10.2018. Depreciation @ 15% p.a. was to be charged on musical instruments. **4**

18. X, Y and Z were partners in a firm sharing profits and losses in the ratio of 2 : 2 : 1. The firm closes its books on 31st March every year. Y died on 24th June 2018. On Y's death goodwill of the firm was valued at ₹ 1,20,000. Y's share in the profits of the firm till the date of death from the last Balance Sheet was to be calculated on the basis of sales. Sales during the year 2017–18 was ₹ 15,00,000 and profit earned during the year was ₹ 3,00,000. Sales from 1st April 2018 to 24th June 2018 were ₹ 2,00,000. The total amount payable to Y's executors on his death was ₹ 1,75,000. Thus amount was paid to them on 15.7.2018.

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

* *Out of Syllabus*

Ans. Y's share in profit upto the date of death

$$= \left(\frac{₹3,00,000}{₹15,00,000} \times ₹2,00,000\right) \times \frac{2}{5}$$

$= ₹\ 16,000$

Books of X, Y and Z
Journal Entires

Date	Particulars		L. F.	A (₹)	B (₹)
2018					
June 29	X's Capital A/c	Dr.		32,000	
	Z's Capital A/c	Dr.		16,000	
	To Y's Capital A/c (1,20,000 × 2/5)				48,000
	(Being Y's share in goodwill adjusted)				
June 29	Profit and Loss Suspense A/c	Dr.		16,000	
	To Y's Capital A/c				16,000
	(Being Y's Share in profit credited to his capital A/c)				
June 29	Y's Capital A/c	Dr.		1,75,000	
	To Y's Executor's A/c				1,75,000
	(Being amount to Y's executor's account)				
July 15	Y's Executor's A/c	Dr.		1,75,000	
	To Bank A/c				1,75,000
	(Being due amount paid to executors of Y)				

19. Harish and Gopal were 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 Harish and Gopal
as at March 31, 2018

Liabilities		Amount (₹)	Assets	Amount (₹)
Creditors		36,000	Cash	47,000
Outstanding expenses		10,000	Bank	93,000
Gopal's wife loan		50,000	Debtors	76,000
Capitals :			Stock	2,00,000
Harish	2,80,000		Furniture	20,000
Gopal	1,60,000	4,40,000	Leasehold premises	1,00,000
		5,36,000		**5,36,000**

On the above date, the firm was dissolved. The various assets were realised and liabilities were settled as under:

(i) Gopal agreed to pay his wife's loan.

(ii) Leasehold premises realised ₹ 1,50,000 and Debtors ₹ 12,000 less.

(iii) Half of the creditors agreed to accept furniture of the firm as full settlement of their claim and remaining half agreed to accept 10% less.

(iv) 50% stock was taken over by Harish on payment by cheque of ₹ 90,000 and remaining stock was sold for ₹ 94,000

(v) Realisation expenses of ₹ 10,000 were paid by Gopal on behalf of the firm.

Prepare Realisation Account. **6**

OR

Sudha, Naresh and Geeta were partners in a firm sharing profits in the ratio of 5 : 3 : 2. Their fixed capitals were ₹ 6,00,000, ₹ 4,00,000 and ₹ 2,00,000, respectively. Besides her capital Geeta had given a loan of ₹ 75,000 to the firm. There partnership deed provided for the following:

(i) Interest on capital @ 9% p.a.

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

(iii) Salary to Sudha ₹ 30,000 per month and to Naresh ₹ 40,000 per quarter.

(iv) Interest on Geeta's loan @ 9% p.a.

During the year Sudha withdrew ₹ 50,000 at the end of each quarter. Naresh withdrew ₹ 50,000 in the beginning of each half year and Geeta withdrew ₹ 70,000 at the end of each half year.

The profit of the firm for the year ended 31.3.2019 before allowing interest on Geeta's loan was ₹ 7,06,750. Prepare Profit and Loss Appropriation Account. **6**

Ans. **Books of Harish's and Gopal**

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

Particulars		Amount (₹)	Particulars		Amount (₹)
To Sundry Assets:			By Sundry Liabilities:		
Debtors	76,000		Creditors	36,000	
Stock	2,00,000		Outstanding Expenses	10,000	
Furniture	20,000		Gopal's Wife's Loan	50,000	96,000
Leasehold Premises	1,00,000	3,96,000	By Bank A/c		
To Gopal's Capital A/c			Leasehold Premises	1,50,000	
(Mrs. Gopal's Loan)		50,000	Debtors	64,000	
To Bank A/c			Stock (90,000 + 94,000)	184000	3,98,000
Creditors	16,200				
Outstanding Expenses	10,000	26,200			
To Gopal's Capital A/c					
(Realisation Expenses)		10,000			
To Gopal transferred to Capital A/c:					
Harish	7,080				
Gopal	4,720	11,800			
		4,94,000			4,94,000

OR

Ans. **In the Books of Firm**

Profit and Loss Appropriation Account

Dr. **For the Year Ending 31st March 2019** **Cr.**

Particulars		Amount (₹)	Particulars		Amount (₹)
To Interest on Capital:			By P & L A/c	7,06,750	
Sudha's Current A/c	54,000		Less: Interest on Geeta's Loan	6,750	7,00,000
Geeta's Current A/c	18,000		By Interest on Drawings		
Naresh's Current A/c	36,000	1,08,000	Sudha's Current A/c	9,000	
To Salaries:			Naresh's Current A/c	9,000	
Sudha's Current A/c	3,60,000		Geeta's Current A/c	4,200	22,200
Naresh's Current A/c	1,60,000	5,20,000			
To Profit Transferred to Current A/cs:					
Sudha	47,100				
Naresh	28,260				
Geeta	18,840	94,200			
		7,22,200			**7,22,200**

Working Note:

Interest on Drawings:

$$\text{Sudha} = (₹\ 50{,}000 \times 4) \times \frac{12}{100} \times \frac{4\frac{1}{2}}{12} = ₹\ 9{,}000$$

$$\text{Naresh} = (₹\ 50{,}000 \times 2) \times \frac{12}{100} \times \frac{9}{12} = ₹\ 9{,}000$$

$$\text{Geeta} = (₹\ 70{,}000 \times 2) \times \frac{12}{100} \times \frac{3}{12} = ₹\ 4{,}200$$

20. Pass journal entries in the book of X Ltd. in the following cases:

(i) The Company took a loan of ₹ 1,60,000 from SBI and issued 2,000, 12% debentures of ₹ 100 each as collateral security.

(ii) Issued 1,000, 12% debentures of ₹ 100 each at 10% premium, redeemable at a premium of 5%.

(iii) Purchased machinery ₹ 4,60,000, from Beta Ltd. Payment was made by issue of 9% debentures of ₹ 100 each at a premium of 15% redeemable at par. 6

Ans. **Books of X Ltd.**

Journal Entries

Date	Particulars	L. F.	A (₹)	B (₹)
(i)	Bank A/c Dr.		1,60,000	
	To Loan from SBI A/c			1,60,000
	(Being Loan raised)			
	Debenture Suspense A/c		2,00,000	
	To 12% Debentures A/c			2,00,000
	(Being 2000, 12% Debenture of ₹ 100 each issued as collateral security to SBI)			
(ii)	Bank A/c Dr.		1,10,000	
	To Debenture Application and Allotment A/c			1,10,000
	(Being debenture application money received)			
	Debenture Application and Allotment A/c Dr.		1,10,000	
	Loss on issue of Debentures A/c Dr.		5,000	
	To 12% Debenture A/c			1,10,000
	To Securities Premium Reserve A/c			10,000
	To Premium on Redemption of Debentures A/c			5,000
	(Being debentures issued at premium redeemable at premium)			
(iii)	Machinery A/c Dr.		4,60,000	
	To Beta Ltd.			4,60,000
	(Being machinery purchased from Beta Ltd.)			
	Beta Ltd. Dr.		4,60,000	
	To 9% Debenture A/c			4,00,000
	To Securities Premium Reserve A/c			60,000
	(Being 9% Debentures of ₹ 100 each issued to Beta Ltd. at 15% premium)			

Working Note:

$$\text{No. of Debenture issued} = \frac{₹\,4{,}60{,}000}{115} = ₹\,4{,}000$$

21. Zee Ltd. invited application for issuing 3,40,000 equity shares of ₹ 10 each at a premium of ₹ 5 per share. The amount was payable as follows :

On application ₹ 4 per share (including ₹ 2 premium)

On allotment ₹ 5 per share (including ₹ 2 premium)

On First and Final call—Balance

Applications for 6,00,000 shares were received. Applications for 1,80,000 shares were rejected and application money was refunded. Shares were allotted on pro rate basis to the remaining applicants. Excess money received with applications was adjusted towards sum due on allotment.

Yamini who had applied for 2,100 shares failed to pay allotment money and her shares were forfeited immediately. Vani to whom 6,800 shares were allotted paid her entire share money due on allotment. Afterwards First and Final call was made and was duly received. Out of the forfeited shares 850 shares were reissued to Vansh at ₹ 8 per share fully paid up.

Pass necessary journal entries for the above transactions in the books of the company by opening calls-in-arrears and calls-in-advance accounts. **8**

OR

K.N. Ltd. invited applications for issuing 6,00,000 equity shares of ₹ 10 each at a premium of ₹ 3 per share. The amount was payable as follows:

On Application and Allotment	**₹ 3 per share.**
On First Call	**₹ 4 per share**
On Second and Final Call	**Balance (including premium).**

Applications for 8,00,000 shares were received. Applications for 50,000 shares were rejected and the application money was refunded. The shares were allotted to the remaining applicants as follows :

Category I : Those who had applied for 4,00,000 share were allotted 3,00,000 shares on pro-rata basis.

Category II : The remaining applicants were allotted the remaining shares on pro-rata basis.

Excess application money received with applications was adjusted towards sums due on first call. Rakesh to whom 6,000 shares were allotted failed to pay the first call money. Rakesh belonged to category I. His shares were forfeited. The forfeited shares were re-issued at ₹ 13 per share fully paid up. The second call was made afterwards and was duly received.

Pass necessary journal entries for the above transactions in the books of K.N. Ltd. **8**

Ans. **Books of Zee ltd.**

Journal Entries

Date	Particulars		L. F.	A (₹)	B (₹)
	Bank A/c	Dr.		24,00,000	
	To Equity Share Application A/c (6,00,000 × 4)				24,00,000
	(Being application money received for 6,00,000 shares @ ₹ 4 per share)				
	Equity Share Application A/c	Dr.		24,00,000	
	To Equity Share capital A/c (3,40,000 × 2)				6,80,000
	To Securities Premium Reserve A/c (3,40,000 × 2)				6,80,000
	To Equity Share Allotment A/c				3,20,000
	To Bank A/c (1,80,000 × 4)				7,20,000
	(Being application money of 3,40,000 shares transferred to share capital and balance adjusted on allotment and refunded)				
	Equity Share Allotment A/c	Dr.		17,00,000	
	To Equity Share Capital A/c				10,20,000
	To Securities Premium Reserve A/c				6,80,000
	(Being allotment money due on 3,40,000 shares @ 5 each, including premium ₹ 2 per share)				
	Bank A/c	Dr.		14,13,900	
	Calls in Arrears A/c	Dr.		6,900	
	To Equity share Allotment				13,80,000
	To Calls in Advance A/c (6800 × 6)				40,800
	(Being allotment money received except. on 1,700 shares)				

	Equity Share Capital A/c (1700 × 5) Dr.		8,500	
	Securities Premium Reserve A/c (1700 × 2) Dr.		3,400	
	To Calls-in-Arrear A/c			6,900
	To Forfeited Shares A/c			5,000
	(Being 1,700 shares forfeited for non-payment of allotment money)			
	Equity Share First and Final Call A/c (3,38,300 × 6) Dr.		20,29,800	
	To Equity Share Capital A/c (3,38,300 × 5)			16,91,500
	To Securities Premium Reserves A/c (3,38,300 × 1)			3,38,300
	(Being first call money due on 3,38,250 Shares @ ₹ 6 per shares including ₹ 1 premium)			
	Bank A/c Dr.		19,89,000	
	Calls-in-Advance A/c Dr.		40,800	
	To Equity Share First and Final Call A/c			20,29,800
	(Being money received)			
	Bank A/c (850 × 8) Dr.		6,800	
	Forfeited Shares A/c (850 × 2) Dr.		1,700	
	To Equity Share Capital A/c			8,500
	(Being 850 shares re-issued @ 8 per share and fully paid)			
	Forfeited Shares A/c Dr.		800	
	To Capital Reserve A/c			800
	(Being profit on re-issued of shares transferred to Capital Reserve A/c)			

Working Note:

(1) Applied Shares — Allotted Shares

Applied Shares	Allotted Shares
1,80,000	Nil
4,20,000	3,40,000

(2) Calculation of Unpaid Allotment Money by Yamini:

$$\text{Applied Shares} = 2100$$

$$\text{Allotted Shares} = \frac{3,40,000}{4,20,000} \times 2100 = 1700$$

$$\text{Allotment Money Due } (1700 \times 5) = 8,500$$

$$\text{Less : Excess Adjustment } (400 \times 4) = \frac{1,600}{6,900}$$

(3) Forfeited Amount = (1700 × 2) + 1600 = 5,000

(4) $\text{Capital Reserve} = \left(\frac{₹\,5,000}{1700} 850\right) - 1700 = 2500 - 1700 = ₹\,800$

OR

Ans. **K.N. Ltd.**

Journal Entries

Date	Particulars	L. F.	A (₹)	B (₹)
(a)	Bank A/c Dr.		24,00,000	
	To Equity Share Application and Allotment			24,00,000
	(Being application money received for 8,00,000 shares)			
(b)	Equity Share Application and Allotment A/c Dr.		24,00,000	
	To Equity Share Capital A/c			18,00,000
	To Calls-in-Advance A/c			4,50,000
	To Bank A/c			1,50,000
	(Being application money adjusted and refunded)			

(c)	Equity Share First Calls A/c Dr.		24,00,000	
	To Equity Share Capital A/c			24,00,000
	(Being first call money done)			
(d)	Bank A/c Dr.		19,32,000	
	Calls in Arrears A/c Dr.		18,000	
	Call-in-Advance A/c Dr.		4,50,000	
	To Equity Share First Call A/c			24.00,000
	(Being call money received except on 6,000 shares)			
(e)	Equity Share Capital A/c (6000 × 7) Dr.		42,000	
	To Calls-in-Arrears A/c			18,000
	To Forfeited Shares A/c			24,000
	(Being 6,000 shares forfeited for non payment of first call)			
(f)	Bank A/c Dr.		78,000	
	To Equity Share Capital A/c			60,000
	To Securities Premium Reserve A/c			18,000
	(Being forfeited shares re-issued)			
(g)	Forfeited Shares A/c Dr.		24,000	
	To Capital Reserve A/c			24,000
	(Being profit on reserve for to capital reserve)			
(h)	Equity Share Final Calls A/c (594000 × 6) Dr.		35,64,000	
	To Equity Share Capital A/c (594000 × 3) Dr.			17,82,000
	To Securities Premium Reserve A/c (594000×3)			17,82,000
	(Being final call due 5,94,000 share of ₹ 6 each, including premium)			
	Bank A/c Dr.		35,64,000	
	To Equity Share Final Call A/c			35,64,000
	(Being final call money received)			

Working Note:

(1)

Applied Shares	Allotted Shares
50,000	Nil
4,00,000	3,00,000
3,50,000	3,00,000

(2) Calculation of Unpaid Allotment Money by Rakesh

Allotted Shares = 6,000

$$\text{Applied Shares} = \frac{4,00,000}{3,00,000} \times 6,000$$

= 8,000

	(₹)
First Call Money due (6000 × 4)	= 24,000
Less : Adjusted from Application (2000 × 3)	= 6,000
Calls-in-Arrears	18,000

22. Raman and Aman were partners in a firm and were sharing profits in 3 : 1 ratio. On 31.3.2019 their balance sheet was as follows:

Balance Sheet of Raman and Aman
as on 31.3.2019

Liabilities		Amount (₹)	Assets	Amount (₹)
Provision for Dad Debts		7,000	Bank	24,000
Outstanding Expenses		18,000	Bills Receivable	80,000
Bills Payable		47,000	Sundry Debtors	95,000
Sundry Creditors		1,02,000	Stock	14,000
Workmen			Furniture	70,000
Compensation Reserve		55,000	Machinery	2,00,000
Capital			Land and Building	1,96,000
Raman	3,00,000			
Aman	1,50,000	4,50,000		
		6,79,000		**6,79,000**

On the above date, Suman was admitted as a new partner for 1/5th share in the profits on the following conditions:

(i) Suman will bring ₹ 2,00,000 as her capital and necessary amount for her share of goodwill premium. The goodwill of the firm on Suman's admission was valued at ₹ 1,00,000.

(ii) Outstanding expenses will be paid off. ₹ 5,000 will be written off as bad debts and a provision of 5% for bad debts on debtors was to maintained.

(iii) The liability towards workmen compensation was estimated at ₹ 60,000.

(iv) Machinery was to be depreciated by ₹ 18,000 and Land and Building was to be depreciated by ₹ 54.000

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

OR

A, B and C were partners in a firm. Their Balance Sheet as at 31st March 2019 was a follows :

Balance Sheet of A, B and C
as at 31st March 2019

Liabilities		Amount (₹)	Assets		Amount (₹)
Bill payable		20,000	Bank		20,000
Creditors		40,000	Furniture		28,000
General Reserve		30,000	Stock		20,000
Workman Compensation			Debtors	45,000	
Reserve		6,000	Less: Provision for doubtful debts	5,000	40,000
Capitals:			Land and Building		1,20,000
A	60,000				
B	40,000				
C	32,000	1,32,000			
		2,28,000			**2,28,000**

B retired on 1st April 2019. A and C decided to share profits in the ratio of 2 : 1. The following terms were agreed upon :

(i) Goodwill of the firm was valued at ₹ 30,000.

(ii) Bad-debts ₹ 4,000 were written off. The provision for doubtful debts was to be maintained 10% on debtors.

(iii) Land and Building was to be increased to ₹ 1,32,000.

(iv) Furniture was sold for ₹ 20,000 and the payment was received by cheque.

(v) Liability towards Workmen Compensation was estimated at ₹ 1,500.

(vi) B was to be paid ₹ 20,000 through a cheque and the balance was transferred to his loan account.

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

Ans.

Books of Raman, Aman and Suman
Journal Entries

Date	Particulars		L. F.	Amount Dr. (₹)	Amount Cr. (₹)
2019					
Mar.3	Outstanding Expenses A/c	Dr.		18,000	
	To Bank A/c				18,000
	(Being outstanding paid off)				
	Bad Debts A/c	Dr.		5,000	
	To Debtors A/c				5,000
	(Being Bad debts written off)				
	Provision for Doubtful Debts A/c	Dr.		5,000	
	To Bad Debts A/c				5,000
	(Being bad debts adjusted through provision for doubtful Debts A/c)				
	Revaluation A/c	Dr.		74,500	
	To Provision for Doubtful Debts A/c				2,500
	To Machinery A/c				18,000
	To Building A/c				54,000
	(Being decrease in value of assets recorded)				
	Revaluation A/c	Dr.		5,000	
	Workmen Compensation Reserve A/c	Dr.		55,000	
	To Provision for workmen compensation claim A/c				60,000
	(Being claim on account of workmen compensation provided in the books)				
	Raman's Capital A/c	Dr.		59,625	
	Aman's Capital A/c	Dr.		19,875	
	To Revaluation A/c				79,500
	(Being Revaluation loss distributed between old partners)				
	Bank A/c	Dr.		2,20,000	
	To Suman's Capital A/c				2,00,000
	To Premium for Goodwill A/c				20,000
	(Being capital and goodwill brought by Suman)				
	Premium for Goodwill A/c	Dr.		20,000	
	To Raman's Capital A/c				15,000
	To Aman's Capital A/c				5,000
	(Being premium for goodwill distributed between old partners in sacrificing ratio)				

OR

Ans.

Books of A and C
Dr. Revaluation Account Cr.

Particulars		Amount (₹)	Particulars	Amount (₹)
To Provision for Doubtful Debts A/c		3,100	By Land and Building A/c	12,000
To Furniture A/c		8,000		
To Gain on Revaluation Transferred to Capital A/c				
A	300			
B	300			
C	300	900		
		12,000		**12,000**

Partners' Capital Accounts

Dr. **Cr.**

Particulars	A (₹)	B (₹)	C (₹)	Particulars	A(₹)	B(₹)	C(₹)
To B's Capital A/c (Goodwill)	10,000			By Balance b/d	60,000	40,000	32,000
				By Revaluation A/c (Gain)	300	300	300
To B's Loan A/c		41,800					
To Bank A/c (Balancing Figure)		20,000		By Capital A/c (Goodwill)		10,000	
To Balance c/d	61,800		43,800	By General Reserve	10,000	10,000	10,000
				By Workmen Compensation	1,500	1,500	1,500
	71,800	**61,800**	**43,800**		**71,800**	**61,800**	**43,800**

Dr. **Bank Account** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	20,000	By B's Capital A/c	20,000
To Furniture A/c (Sale)	20,000	By Balance c/d	20,000
	40,000		40,000

Working Note:

(1) Calculation of Gaining Ratio

$$\text{A's Gain} = \frac{2}{3} - \frac{1}{3} = \frac{1}{3}$$

$$\text{C's Gain} = \frac{1}{3} - \frac{1}{3} = 0$$

(2) Treatment of Goodwill

$$\text{B's Share in Goodwill} = 30{,}000 \times \frac{1}{3} = ₹\ 10{,}000$$

A's Capital A/c	Dr.	10,000	
To B's Capital A/c			10,000

PART B
(Analysis of Financial Statements)

23. The quick ratio of a company is 0.5 : 0.75. Will cash sales of ₹ 5,000 increase, decrease or not change the ratio ? Give reason in a support of your answer. **1**

Ans. Quick ratio will increase as quick assets will increase but no change in current liabilities.

Working note :

$$\text{Quick Ratio} = 0.50 : 0.75 = ₹\ 50{,}000 : 75{,}000 \text{ (Assume)}$$

$$\text{Quick Ratio} = \frac{50{,}000 + 5000}{75{,}000 + 0}$$

$$= \frac{55{,}000}{75{,}000} = 0.55 : 0.75$$

24. Employee benefit expenses include .... (bonus/depreciation/income tax) **1**

Ans. Bonus

25. Which of the following is not a limitation of analysis of financial statements ?

(a) Window dressing

(b) Price level changes ignored

(c) Subjectivity

(d) Intra firm comparison possible **1**

Ans. (d) Intra firm comparison possible

26. Under which of the following headings/sub-headings. Calls in advance will be presented in the Balance Sheet of a Company as per Schedule III Part I of the Companies Act, 2013 ?

(a) Current liabilities

(b) Share capital

(c) Share application money pending allotment

(d) Reserves and surplus. **1**

Ans. (a) Current liabilities

27. Interest received in cash from loans and advance is considered as .... activity while preparing cash flow statement. 1

Ans. Investing activities

28. List any two items other than cash in hand and cheques in hand that are presented under the sub-heading 'Cash and Cash Equivalents' in the Balance Sheet of a company. 1

Ans. (i) Cash at bank

(ii) Drafts in hand

29. While preparing cash flow statement, will 'Cash withdrawn from bank' result into inflow outflow or no flow of cash ? Give reason in support of your answer. 1

Ans. No flow of cash.

Reason: It will not affect the cash and cash equivalent items in over all.

30. The revenue from operations of a firm is ₹ 6,00,000. Its inventory turnover ratio is 3 times. If gross profit ratio is 25%, calculate its opening inventory and closing inventory. The opening inventory is 25% of closing inventory. 3

OR

From the following information, calculate 'Interest coverage Ratio' :

Profit after Interest and Tax	**₹ 6,00,000**
10% Debentures	**₹ 8,00,000**
Rate of Income Tax	**40%**

3

Ans. Cost of Revenue from Operations

$$= \text{Revenue from Operations} - \text{Gross Profit}$$

$$= ₹\ 6,00,000 - (6,00,000 \times 25\%)$$

$$= ₹\ 4,50,000$$

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

Let,

$$\text{Closing Inventory be} = x$$

$$\text{Opening Inventory be} = x \times 25\% = \frac{x}{4}$$

$$\text{Average Inventory} = \frac{\frac{x}{4}+x}{2}$$

$$= \frac{\frac{4x+x}{4}}{2} = \frac{\frac{5x}{4}}{2} = \frac{5x}{8}$$

$$\text{Inventory Turnover Ratio} = \frac{₹\ 4,50,000}{\frac{5x}{8}}$$

$$3 = \frac{₹\ 4,50,000 \times 8}{5x}$$

$$15x = ₹\ 36,00,000$$

$$x = \frac{₹\ 36,00,000}{15}$$

$$x = ₹\ 2,40,000$$

$$\text{Closing Inventory} = x = ₹\ 2,40,000$$

$$\text{Opening Inventory} = x \times 25\%$$

$$= ₹\ 2,40,000 \times 25\%$$

$$= ₹\ 60,000$$

OR

Ans.

$$\text{Interest coverage ratio} = \frac{\text{Profit before Interest and Tax}}{\text{Interest on Debenture}}$$

$$\text{Interest on Debenture} = ₹\ 8,00,000 \times 10\% = ₹\ 80,000$$

$$\text{Profit before Interest and Tax} = \left(\frac{₹\ 6,00,000}{60} \times 100\right) + ₹\ 80,000$$

$$= ₹\ 10,00,000 + ₹\ 80,000 = ₹\ 10,80,000$$

$$\text{Interest Coverage Ratio} = \frac{₹\ 10,80,000}{80,000} = 13.5 \text{ Times}$$

* **31. Fill in the amounts left blank in the following Common Size Statement of Profit and Loss for the year ended 31st March 2019.**

Common-Size Statement of Profit and Loss
for the year ended 31st March 2019

	Particulars	Absolute Change		% of Revenue from operations	
		2017–18	2018–19	2017–18	2018–19
		₹	₹	₹	₹
I.	Revenue from Operations	20,00,000	25,00,000	—	100
II.	Other Income	1,00,000	2,50,000		10
III.	Total Revenue	**21.00,000**	**27,50,000**	**105**	**110**
IV.	Expenses				
	(a) Cost of Material Consumed	—	8,00,000	30	32
	(b) Change in Inventory	1,00,000	2,00,000	—	8
	(c) Employee Benefit Expenses	—	4,50,000	15	18
	(d) Other Expenses	—	2,25,000	10	9
	Total Expenses	**12,00,000**	**16,75,000**	—	**67**
V.	Profit before Tax (III-IV)	9,00,000	10,75,000	45	43
	Less : Tax	2,00,000	2,50,000	10	—
VI.	Profit after Tax	**7,00,000**	**8,25,000**	**35**	**33**

4

OR

* **From the following Statement of Profit and Loss of Skills India Ltd. for the year ended 31st March 2018 and 2019, prepare a Comparative Statement of Profit and Loss.**

	Particulars	Note No.	2018–19 (₹)	2017–18 (₹)
	Revenue from Operations		45,00,000	20,00,000
	Employee Benefit Expenses		10,00,000	8,00,000
	Other Expenses		5,00,000	2,00,000

Tax Rate 30%. **4**

* *Out of Syllabus*

32. From the following Balance Sheet of Gopal Ltd. and the additional information as at 31st March, 2019, prepare a Cash Flow statement when cash flows from financing activities is ₹ 2,32,000

Gopal Ltd.

Balance Sheet as at 31.2.2019

	Particulars	Note No.	31st March 2019 (₹)	31st March 2018 (₹)
I.	**Equity and Liabilities:**			
	1. Shareholders' Fund			
	(a) Share Capital		10,00,000	8,00,000
	(b) Reserve and Surplus	1	4,00,000	(1,00,000)
	2. Non Current Liabilities			
	Long Term-Borrowings	2	9,00,000	9,00,000
	3. Current Liabilities			
	(a) Short Term Borrowings	3	2,40,000	1,00,000
	(b) Short Term Provisions	4	2,00,000	1,75,000
	Total		27,40,000	18,75,000
II.	**Assets:**			
	1. Non-Current Assets			
	(a) Fixed Assets			
	(i) Tangible Assets	5	20,00,000	14,42,000
	(ii) Intangible Assets	6	46,000	58,000
	(b) Non-Current Investments		1,00,000	45,000
	2. Current Assets:			
	(a) Current Investments		2,00,000	1,20,000
	(b) Inventories	7	2,14,000	90,000
	(c) Cash and Cash Equivalents		1,80,000	1,20,000
	Total		**27,40,000**	**18,75,000**

Notes to Accounts:

Note	Particulars	31 March 2019 (₹)	31 March 2018 (₹)
1.	**Reserve and Surplus**		
	Surplus (Balance in Statement of Profit and Loss)	4,00,000	(1,00,000)
2.	**Long Term Borrowings**		
	12% Debentures	9,00,000	9,00,000
3.	**Short Term Borrowings**		
	Bank Overdraft	2,40,000	1,00,000
4.	**Short Term provisions**		
	Provisions for Tax	2,00,000	1,75,000
5.	**Tangible Assets**		
	Machinery	24,00,000	16,42,000
	Less : Accumulated Depreciation	(4,00,000)	(2,00,000)
		20,00,000	14,42,000
6.	**Intangible Assets**		
	Goodwill	46,000	58,000
7.	**Inventories**		
	Stock in trade	2,14,000	90,000

Additional Information:

Tax ₹ 1,50,000 was paid during the year **6**

Ans.

Gopal Ltd.
Cash Flow Statement
for the year ending 31st March 2019

	Particulars	Details (₹)	Net (₹)
	(A) Cash Flow from Operating Activities:		
	Profit before Tax and Extra Ordinary Items:		
	Surplus	5,00,000	
	Add : Provision for Tax Made	1,75,000	6,75,000
	Adjustment for:		
	Add : Goodwill Written Off	12,000	
	Add : Depreciation on Machinery	2,00,000	
	Add : Interest on Debentures (9,00,000 × 12%)	1,08,000	3,20,000
	Operating Profit before Working Capital Changes		9,95,000
	Less : Increase in Inventories		(1,24,000)
	Net Cash used in Operations		8,71,000
	Less : Tax Paid		(1,50,000)
	Net Cash Flow from Operating Activities		7,21,000
	(B) Cash Flow from Investing Activities:		
	Purchases of Machinery	(7,58,000)	
	Purchase of Non-Current Investment	(55,000)	
	Net Cash used in Investing Activities		(8,13,000)
	(C) : Net Cash Flow from Financing Activities		2,32,000
	(D) : Net Cash Increase in Cash and Cash Equivalents		1,40,000
	(E) : Opening Cash and Cash Equivalents		2,40,000
	(F) Closing Cash and Cash Equivalents		3,80,000

Outside Delhi Set - 2 Code : 67/4/2

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

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

*** 1. From the following information calculate the amount of sports material that will be debited to Income and Expenditure Account of Sharda Club for the year ended 31-03-2019.**

Particulars	**1-4-2018**	**31-3-2019**
	(₹)	**(₹)**
Stock of Sports Material	**2,00,000**	**2,50,000**
Creditors for Sports Material	**3,50,000**	**2,90,000**
Advance Paid for Sports Material	**70,000**	**1,10,000**

Additional Information:

Cash purchase of sports material during the year was ₹ 1,79,000. ₹ 2,40,000 were paid to the creditors of sports material during the year. **4**

* *Out of Syllabus*

*** 16. From the following Receipts and Payments Account of Vandana Music Club for the year ended 31st March, 2019 and additional information. Prepare Income and Expenditure Account for the year ended 31-03-2019.**

Receipts and Payments Account of Vandana Music Club
for the year ended 31-03-2019

Receipts		Amount (₹)	Payments		Amount (₹)
To Balance b/d			By Honorarium		1,42,000
Cash	20,000		By Musical Instruments		70,000
Bank	30,000	50,000	By Electricity Bill		40,000
To Subscriptions:			By Balance c/d		
2017–18	13,000		Cash	22,000	
2018–19	4,00,000		Bank	1,91,000	
2019–20	47,000	4,60,000	Fixed Deposit		
To Locker Rent		30,000	@ 7% p.a. on		
To Sale of Old furniture			31.3.2019	2,30,000	4,43,000
(book value ₹ 12,000)		16,000			
To Building Fund Donation		38,000			
To Life Membership Fees		91,000			
To Entrance Fees		10,000			
		6,95,000			**6,95,000**

Additional Information:

The Club had 450 members each paying an annual subscription of ₹ 1,000. Musical Instruments were purchased on 1-10-2018. Depreciation @ 20% pa.. was to be charged on Musical Instruments. **4**

18. Kareem, Saleem and Raheem were partners in a firm sharing profits and losses in the ratio of 3 : 4 : 3. The firm closes its books on 31st March every year. On 1-10-2019 Karim died. On Karim's death the goodwill of the firm was valued at ₹ 3,50,000. Karim's share in profits of the firm in the year of his death was to be calculated on the basis of average profits of last four years. The profits for the last four years were 2015–16 – 1,70,000; 2016–17 – 1,30,000; 2017–18 – 1,90,000; 2018–19 – 1,10,000. The total amount payable to Karim's executors on his death was ₹ 7,35,000. It was paid on 15.10.2019.

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

Ans.

Books of Firm
Journal Entries

Date	Particulars		L.F.	Amount Dr. (₹)	Amount Cr. (₹)
2019 Oct. 1	Saleem's Capital A/c	Dr.		60,000	
	Raheem's Capital A/c	Dr.		45,000	
	To Karim's Capital A/c (3,50,000 × 3/10)				1,05,000
	(Being Karim's share in goodwill adjusted)				
	Profit & Loss Suspense A/c	Dr.		22,500	
	To Karim's Capital A/c (WN 1)				22,500
	(Being Karim's share in profit upto the date of his credited to his capital A/c)				
	Karim's Capital A/c	Dr.		7,35,000	
	To Karim's Executor's A/c				7,35,000
	(Being amount due to Karim transferred to his executor's Account)				
Oct. 15	Karim's Executor's A/c	Dr.		7,35,000	
	To Bank A/c				7,35,000
	(Being Karim's executor paid off)				

* *Out of Syllabus*

Working Notes:

Karim's Share in Profit

$$\text{Average Profit} = \frac{₹\ 1,70,000 + ₹1,30,000 + ₹1,90,000 + ₹1,10,000}{4}$$

$$= ₹\ 1,50,000$$

$$\text{Karim's Share in Profit} = 1,50,000 \times \frac{3}{10} \times \frac{6}{12}$$

$$= ₹\ 22,500$$

20. Pass necessary journal entries for the issue for the debentures in the following cases:

(i) Issued ₹ 2,00,000 9% debentures of ₹ 100 each at a discount of 10% redeemable at a premium of 15%.

(ii) Issued 4,000, 9% debentures of ₹ 100 each at a premium of 5% redeemable at a premium of 10%.

(iii) Issued ₹ 10,00,000, 9% debentures of ₹ 100 each at par redeemable at a premium of 12.5%. 6

Ans.

Books of Firm

Journal Entries

Date	Particulars		L.F.	Amount Dr. (₹)	Amount Cr. (₹)
(i)	Bank A/c	Dr.		1,80,000	
	To Debenture Application and Allotment A/c				1,80,000
	(Being debenture application money received)				
	Debenture Application and Allotment A/c	Dr.		1,80,000	
	Loss on Issue of Debenture A/c (20,000 + 30,000)	Dr.		50,000	
	To 9% Debenture A/c				2,00,000
	To Premium on Redemption of Debenture A/c				30,000
	(Being debentures issued at discount redemption or proprietor)				
(ii)	Bank A/c	Dr.		4,20,000	
	To Debenture Application and Allotment A/c				4,20,000
	(Being debenture application money received)				
	Debenture Application and Allotment A/c	Dr.		4,20,000	
	Loss on Issue of Debenture A/c	Dr.		40,000	
	To 9% Debenture A/c				4,00,000
	To Security Premium Reserve A/c				20,000
	To Premium on Redemption of Debenture A/c				40,000
	(Being debentures issued at premium, redemption at premium)				
(iii)	Bank A/c	Dr.		10,00,000	
	To Debenture Application and Allotment A/c				10,00,000
	(Being debenture application money received)				
	Debenture Application and Allotment A/c	Dr.		10,00,000	
	Loss on Issue of Debenture A/c	Dr.		1,25,000	
	To 9% Debenture A/c				10,00,000
	To Premium on Redemption of Debenture A/c				1,25,000
	(Being debentures issued at premium, redemption at premium)				

PART B
(Analysis of Financial Statements)

23. The quick ratio of a company is 0.75 : 0.50. Will credit purchase of goods ₹ 10,000 increase, decrease or not change the ratio ? Give reason in support of your answer. **1**

Ans. Quick ratio will decrease as there will be increase in current liabilities but no change in quick assets.

Working Note:

$$\text{Quick Ratio} = \frac{₹\ 75,000\ (\text{Assumed})}{₹\ 50,000\ (\text{Assumed})}$$

$$= \frac{₹\ 75,000 + 0}{₹\ 50,000 + 10,000} = 0.75 : 0.60$$

28. List any two items that may be presented under Other Current Liabilities in the balance sheet of a Company as per Schedule III Part I of the Companies Act 2013. **1**

Ans. Two items under "other current liabilities": **(Any two)**

(a) Outstanding Expenses

(b) Income received in advance

(c) Calls-in-advance

30. From the following information obtained from the books of Raja Ltd. calculate :

(i) Trade Receivables Turnover Ratio, and

(ii) Trade Payables Turnover Ratio.

Information:	**(₹)**
Revenue from operations	**15,00,000**
Creditors	**2,00,000**
Bills receivable	**79,000**
Bills Payable	**87,000**
Debtors	**2,21,000**
Purchases	**11,48,000**

3

Ans.

$$\text{Trade Receivables Turnover Ratio} = \frac{\text{Net Credit Revenue from Operation}}{\text{Average Trade Receivables}}$$

$$= \frac{15,00,000}{3,00,000}$$

$$= 5 \text{ Times}$$

Average Trade Receivables = Bills Receivables + Debtors

= ₹ 79,000 + ₹ 2,21,000

= ₹ 3,00,000

Note:

(a) As credit Revenue cannot be ascertained, so it has been assumed all sales in made as credit

(b) As opening BR and Debtors are not given, so closing debtor and BR are used as average trade receivables.

Trade Payables Turnover Ratio = Net Credit Purchase / Average Trade Payables

$$= \frac{11,48,000}{2,87,000}$$

$$= 4 \text{ Times}$$

Note : It is assumed that purchase given is credit purchase.

Outside Delhi Set - 3 Code : 67/4/3

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

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

*** 15. From the following information, calculate the amount of medicines that will be debited to the Income and Expenditure Account of Sarojini Hospital for the year ended 31-3-2019.**

Particulars	1-4-2018	31-3-2019
	₹	₹
Stock of Medicines	**3,87,000**	**4,79,000**
Creditors for Medicines	**6,77,000**	**9,83,000**
Advance paid for Medicines	**1,40,700**	**1,79,300**

Additional Information :

During the year ₹ 17,00,000 were paid to creditors. Medicines ₹ 9,33,000 were purchased for cash. **4**

*** 17. From the following Receipts and Payments Account of Jai Bharat Music Club for the year ended 31-03-2019 and the additional information, prepare Income and Expenditure Account for the year ended 31-3-2019.**

Receipts and Payments Account of Jai Bharat Music Club
for the year ended 31-03-2019

Receipts		Amount (₹)	Payments		Amount (₹)
To Balance b/d			By Honorarium		35,500
Cash	5,000		By Musical instruments		20,000
Bank	7,500	12,500	By Electricity Bill		10,000
To Subscriptions			By Balance c/d		
2017-18	6,500		Cash	30,500	
2018-19	1,00,000		Bank	20,250	
2019-20	8,500	1,15,000	Fixed Deposit @ 7% p.a. on		
To Locker Rent		4,000	31-3-2019	57,500	1,08,250
To Sale of Old Furniture (Book value rupees 5,000)		7,500			
To Building Fund Donations		22,500			
To Life Membership Fee		9,750			
To Admission Fee		2,500			
		1,73,750			**1,73,750**

Additional Information:

(i)The Club had 300 members each paying an annual subscription of ₹ 500.

(ii) Musical instruments were purchased on 1-10-2018. Depreciation @ 10% p.a. was to be provided on musical instruments. **4**

18. Satnam, Harnam and Gurunam were partners in a firm sharing profits and losses in the ratio of 5 : 2 : 3. The firm closes its books on 31st March every year. On 1-7-2019 Harnam died. On his death goodwill of the firm was valued on the basis of average profits of last four years. The profits of the last four years were as follows :

	₹
2015–16	**50,000**
2016–17	**80,000**
2017–18	**40,000**
2018–19	**1,70,000**

His share in the profits of the firm till the date of his death were ₹ 57,000. The total amount payable to Harnam's executors was ₹ 3,40,000. It was paid on 15-7-2019.

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

* *Out of Syllabus*

Ans. **Books of Firm**

Journal Entries

Date	Particulars		L.F.	Amount Dr. (₹)	Amount Cr. (₹)
2019 July 1	Profit and Loss Suspense A/c	Dr.		57,000	
	To Harnam's Capital A/c				57,000
	(Being Harnam's share in profit credited to him)				
	Satnam's Capital A/c	Dr.		10,625	
	Gurnam's Capital A/c	Dr.		6,375	
	To Harnam's Capital A/c				17,000
	(Being Harnam's share in goodwill adjusted)				
	Harnam's Capital A/c	Dr.		3,40,000	
	To Harnam's Executor's A/c				3,40,000
	(Being amount due harnam to his executor's A/c)				
	Harnam's Executor's A/c	Dr.		3,40,000	
	To Bank A/c				3,40,000
	(Being amount due to Harnam's executor paid off)				

Working Note:

Calculation of Goodwill

$$\text{Firm's Goodwill} = \frac{₹\ (50{,}000+80{,}000+40{,}000+1{,}70{,}000)}{4} = ₹\ 85{,}000$$

$$\text{Harnam's Share in Goodwill} = 85{,}000 \times \frac{2}{10}$$

$$= 17{,}000$$

20. Pass necessary journal entries in the books of New India Ltd. for the following transactions :

(i) Issued 500, 9% debentures of ₹ 100 each at a discount of 6% redeemable at a premium of 5%.

(ii) Issued ₹ 15,00,000, 9% debentures of ₹ 100 each at a premium of 10%, redeemable at a premium of 5%.

(iii) Issued ₹ 75,00,000, 9% debentures of ₹ 100 each at par redeemable at a premium of 5%. **6**

Ans. **Nevo India Ltd.**

Journal Entries

Date	Particulars		L.F.	Amount Dr. (₹)	Amount Cr. (₹)
(i)	Bank A/c	Dr.		47,000	
	To Debenture Application and Allotment A/c				47,000
	(Being debenture application money received)				
	Debenture Application and Allotment A/c	Dr.		47,000	
	Loss on Issue of Debenture A/c	Dr.		5,500	
	To 9% Debenture A/c				50,000
	To Premium on Redemption of Debenture A/c				2,500
	(Being debentures issued at discount redemption at premium)				
(ii)	Bank A/c	Dr.		16,50,000	
	To Debenture Application and Allotment A/c				16,50,000
	(Being debenture application money received)				
	Debenture Application and Allotment A/c	Dr.		16,50,000	
	Loss on Issue of Debenture A/c	Dr.		75,000	
	To 9% Debenture A/c				15,00,000
	To Securities Premium Reserve A/c				1,50,000
	To Premium on Redemption of Debenture A/c				75,000
	(Being debentures issued at par, redeemable at premium)				

(iii)	Bank A/c	Dr.	75,00,000	
	To Debenture and Application and Allotment A/c			75,00,000
	(Being debenture application money received)			
	Debenture and Application and Allotment A/c	Dr.	75,00,000	
	Loss on Issue of Debenture A/c	Dr.	3,75,000	
	To 9% Debenture A/c			75,00,000
	To Premium on Redemption of Debenture A/c			3,75,000
	(Being debentures issued at par, redeemable at premium)			

PART B

(Analysis of Financial Statements)

23. The quick ratio of company is 1 : 0.75. Will purchase of goods for cash ₹ 70,000 increase, decrease or not change the ratio ? Give reason in support of your answer. **1**

Ans. Quick ratio will decrease as quick assets (cash) will decrease and stock of goods will increase but stock is not a part of quick assets, it will increase current assets and there will be no impact on current liabilities.

Working Note:

$$\text{Quick Ratio} = 1 : 0.75$$

$$= \frac{1,00,000 - 70,000}{75,000} = \frac{30,000}{75,000} = 0.3 : 0.75$$

26. Under which heading/sub-heading, 'Calls-in-arrears' will be presented in the Balance Sheet of a Company as per Schedule III Part I of the Companies Act, 2013. **1**

Ans. Calls-in-Arrears will be presented under Shareholders' Funds (main heading), and by way of deduction under sub-head, share capital (from subscribed capital).

28. What is meant by 'Cash Equivalents'? **1**

Ans. Cash equivalents are highly liquid short term investments that are readily convertible into cash within three months having insignificant risk.

30. From the following information obtained from the books of Kamal Ltd., Calculate (i) Gross Profit Ratio and (ii) Net Profit Ratio.

	₹
Revenue from Operations	**2,50,000**
Purchases	**1,05,000**
Carriage Inwards	**4,000**
Salaries	**30,000**
Decrease in Inventory	**15,000**
Return Outwards	**5,000**
Wages	**18,000**

Ans.

$$\text{Gross Profit Ratio} = \frac{\text{Gross Profit}}{\text{Net Revenue from Operations}} \times 100$$

$$= \frac{₹\ 1,13,000}{₹\ 2,50,000} \times 100 = 45.2\%$$

Working Note:

Gross Profit = Revenue from Operations – Cost of Revenue from Operations

(i.e. Net Purchases + Carriage Inwards + Wages + Decrease in Inventory)

= ₹ 2,50,000 – [(₹ 1,05,000 – 5,000) + 4,000 + 18,000 + 15,000]

= ₹ 2,50,000 – ₹ 1,37,000 = ₹ 1,13,000

Assumed purchases ₹ 1,05,000 in the question is gross purchases.

(ii)

$$\text{Net Profit Ratio} = \frac{\text{Net Profit}}{\text{Net Revenue from Operations}} \times 100$$

$$= \frac{₹\ 83{,}000}{₹\ 2{,}50{,}000} \times 100 = 33.2\%$$

Working Note :

$$\text{Net Profit} = \text{Gross Profit} - \text{Salaries}$$

$$= ₹\ 1{,}13{,}000 - ₹\ 30{,}000 = ₹\ 83{,}000$$ **3**

❑❑❑