ISC Solved Paper 2019
Accounts
Class-XII

(Maximum Marks : 80)

(Time allowed : Three hours)

__Part I of Section A__ is Compulsory.

Answer __any 4__ Questions from __Part II of Section A__ and __any two__ questions from __Section B.__

The intended marks for questions or parts of questions are given in the brackets [].

Transactions should be recorded in the answer book

All calculations should be shown clearly.

All working including rough work, should be done on the same page as, and adjacent to, the rest of the answer.

SECTION - A [60 Marks]

(Part I) (12 Marks)

Answer __all__ questions.

1. Answer briefly each of the following questions: [6×2]

(i) List any two items which may appear on the credit side of a partner's fixed capital account.

Ans. Two items which appear on the credit side of a Partner's fixed capital account:

(a) Opening balance of capital

(b) Additional capital introduced during an accounting year.

(ii) Given the journal entries to be passed when:

(a) Interest is due on debentures.

(b) Interest is paid to debentureholders.

Ans. **(a)** Debentures Interest A/c Dr.

To Debenture holders' A/c

(Being interest due on debentures)

(b) Debenture holders' A/c Dr.

To Bank A/c

(Being interest paid to debenture holders)

(iii) In what way, if any, can the balance in shares forfeited account be used?

Ans. Shares forfeited account can be used to meet the discount on re-issue of forfeited shares.

(iv) Mention any two circumstances when there is need to revalue goodwill of a partnership firm.

Ans. **(a)** Admission of a new Partner

(b) Retirement of a Partner

(c) Enumerate any two methods of redemption of debentures.

Ans. Two methods of redemption of debentures:

(a) Redemption of debentures in lump sum

(b) Redemption of debentures out of capital.

(vi) Give the journal entry for closing the retiring partner's capital account when his share is paid to him privately by the remaining partners.

Ans. Retiring Partner's Capital A/c Dr.

To Remaining Partners' Capital A/cs

(Part II)

(48 Marks)

*Answer **any four** questions.*

2. (A) Meera Co. Ltd. invited applications for 50,000 equity shares of ₹ 10 each at a premium of ₹ 2 per share, payable as follows:

On Application on 1st May, 2017 ₹ 2

On Allotment of 1st July, 2017 ₹ 5 (including premium)

On First and Final Call on 1st October, 2017 ₹ 5

The Company received applications for 62,500 shares.

It was decided to:

(a) Refuse allotment to the applicants of 2,500 shares.

(b) Allot in full to the applicants of 10,000 shares.

(c) Allot the balance of the shares applied on a pro-rata basis among the other applicants.

(d) Utilise the excess application money in part payment of allotment money.

(e) Charge interest on calls-in-arrears, if any, @10% per annum.

All the money due was received except from one shareholder to whom 200 shares had been allotted in full. The amount was due by him to the company even till the date of the Balance Sheet, which was 31st March ,2018.

The company charged interest on calls-in-arrears from the shareholders from the date on which it was due till the Balance Sheet date.

You are required to, for the year 2017 - 18:

(i) Prepare the Cash Book to record the above issue of shares.

(ii) Pass journal entries in the Journal Proper (including entries for interest on calls-in-arrears). [8]

(B) On 31st March 2018, Vipul Ltd. had ₹ 30,00,000, 8% Debentures of ₹ 100 each outstanding.

On 1st June 2018, it purchased in the open market, 20,000 of its own debentures @ ₹ 102 per debenture and cancelled these debentures immediately.

On 31st December 2018, the remaining debentures were purchased @ ₹ 98 per debenture for immediate cancellation.

You are required to pass journal entries for the redemption of debentures. (Ignore interest on debentures and entries for provisions regarding Debenture Redemption Reserve and Debenture Redemption Investment).

Ans. (A)(i)Dr. Cash book (Bank Column) Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Share Application A/c	1,25,000	By Share Application A/c	5,000
To Share Allotment A/c	2,29,400	By Balance c/d	5,98,400
To Share First and Final Call A/c	2,49,000		
	6,03,600		6,03,600

Ans. (ii) Journal Entries [4]

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2017 May 1	Bank A/c Dr.		1,25,000	
	To Share Application A/c			1,25,000
	(Being share application money received on 62,500 shares @ ₹ 2 per share)			
May 1	Share Application A/c Dr.		1,25,000	
	To Share Capital A/c			1,00,000
	To Share Allotment A/c			20,000
	To Bank A/c			5,000
	(Being application money adjusted and surplus refunded)			

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2017 July 1	Share Allotment A/c To Share Capital A/c To Securities Premium Reserve A/c (Being allotment money due)	Dr.		2,50,000	1,50,000 1,00,000
	Bank A/c Calls in Arrear A/c To Share Allotment A/c (Being allotment money received)	Dr. Dr.		2,29,400 600	2,30,000
2017 Oct. 1	Share First and Final Call A/c To Share Capital A/c (Being first and final call money due)	Dr.		2,50,000	2,50,000
	Bank A/c Calls in arrear A/c To Share First and Final Call A/c (Being call money received)	Dr. Dr.		2,49,000 1,000	2,50,000
2018 March 31	Sundry Shareholders' A/c To Interest on Calls in Arrears A/c (Being interest on calls in arrear due)	Dr.		95	95
	Interest on Calls in Arrear A/c To P & L A/c (Being interest transferred to P&L A/c)	Dr.		95	95

Working Notes:

(i) Application received Refunded shares	62,500 (2,500)
10,000 shares – fully allotted 50,000 shares – 40,000 allotted	60,000
(ii) Money received on application (62,500 × 2) Refund (2500 × 2)	1,25,000 (5,000)
	1,20,000
Application money	(1,00,000)
Excess money (adjusted on allotment)	20,000
(iii) Money receivable on allotment 50000 × (3 + 2) Adjusted amount	2,50,000 20,000
	2,30,000
(iv) Calls in arrear On allotment (200 × 3) On first and final call (200 × 5)	600 1,000
(v) Calculation of interest on calls in arrear	$\left(600\times\frac{10}{100}\times\frac{9}{12}\right)+\left(1000\times\frac{10}{100}\times\frac{6}{12}\right)=45+50=95$

(B) **Journal Entries** **[4]**

Date	Particulars	Dr. (₹)	Cr. (₹)
2018 June 1	Own Debentures A/c Dr. To Bank A/c (Being 20,000, 8% own debentures purchased @ ₹ 102 each)	20,40,000	20,40,000
	8% Debentures A/c Dr. Loss on Cancellation of Own Debentures A/c Dr. To Own Debentures A/c (Being 20,000, 8% debentures of ₹ 100 each cancelled)	20,00,000 40,000	20,40,000
2018 Dec. 31	Own Debentures A/c Dr. To Bank A/c (Being 10,000, 8% debentures purchased @ ₹ 98 each)	9,80,000	9,80,000
	8% Debentures A/c Dr. To Own Debentures A/c To Gain on Cancellation of Own Debentures A/c (Being 10,000, 8% debentures of ₹ 100 each cancelled)	10,00,000	9,80,000 20,000

3. Mohit Ali and John are partners in a firm, sharing profits and losses in the ratio of 3 : 1 : 1. Their Balance Sheet as at 31st March, 2018 was as follows:

Balance Sheet of Mohit, Ali and John
as at 31st March 2018

Liabilities		Amount (₹)	Assets		Amount (₹)
Trade Creditors		15,000	Cash at Bank		40,000
General Reserve		6,000	Sundry Debtors	30,000	
Investment Fluctuation Fund		9,000	Less: Provision for Doubtful Debts	(5,000)	25,000
Capital A/c:					
Mohit	70,000				
Ali	50,000		Investment (Market Value ₹40,000)		35,000
John	50,000	1,70,000	Plant and Machinery		88,000
			Goodwill		12,000
		2,00,000			**2,00,000**

Mohit retired on 1st April, 2018 subject to the following adjustments:

(a) Goodwill of the firm to be valued at ₹ 20,000.

(b) Mohit to take over the investment at the market value.

(c) 25% of the General Reserve to be transferred to Provision for Doubtful debts and the balance to be distributed amongst all the partners.

(d) Creditors to be paid ₹ 3,000 less.

(e) Investment Fluctuation Fund not to be distributed. For this, it was decided that the remaining partners would compensate the retiring partner through their capital accounts.

(f) Mohit to be paid ₹ 20,000 immediately on retirement and the balance to be transferred to his loan account.

You are required to:

(i) Pass journal entries on the date of Mohit's retirement.

(ii) Prepare the Balance Sheet of the reconstituted firm. **[12]**

Ans. **(i)** **Journal Entries**

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
(i)	Mohit's Capital A/c	Dr.		7,200	
	Ali's Capital A/c	Dr.		2,400	
	John's Capital A/c	Dr.		2,400	
	To Goodwill A/c				12,000
	(Being existing goodwill write off)				
(ii)	Ali's Capital A/c	Dr.		6,000	
	John's Capital A/c	Dr.		6,000	
	To Mohit's Capital A/c				12,000
	(Being Mohit's share of goodwill adjusted to Capital A/c in gaining ratio 1:1)				
(iii)	General Reserve A/c	Dr.		6,000	
	To Provision for Doubtful Debts A/c				1,500
	To Mohit's Capital A/c				2,700
	To Ali's Capital A/c				900
	To John's Capital A/c				900
	(Being general reserve adjusted)				
(iv)	Investment A/c	Dr.		5,000	
	Creditors A/c	Dr.		3,000	
	To Revaluation A/c				8,000
	(Being gain on revaluation of assets and liabilities)				
(v)	Revaluation A/c	Dr.		8,000	
	To Mohit's Capital A/c				4,800
	To Ali's Capital A/c				1,600
	To John's Capital A/c				1,600
	(Being profit on revaluation is transferred to Partners' Capital A/c)				
(vi)	Ali's Capital A/c	Dr.		2,700	
	John's Capital A/c	Dr.		2,700	
	To Mohit's Capital A/c				5,400
	(Being Mohite compen sated for his share in innatement fluctuation fund)				
(vii)	Mohit's Capital A/c	Dr.		40,000	
	To Investment A/c				40,000
	(Being investment took over by Mohit)				
(viii)	Mohit's Capital A/c	Dr.		47,700	
	To Bank A/c				20,000
	To Mohit's Loan A/c				27,700
	(Being payment made to Mohit and balance transferred to his loan A/c)				

(ii) **Balance Sheet as on 31st April 2018**

Liabilities		Amount (₹)	Assets		Amount (₹)
Trade creditors		12,000	Cash at bank (40,000 – 20,000 – 12,000)		12,000
Investments fluctuation reserve		9,000	Sundry Debtors	30,000	
Mohit's Loan A/c		27,700	*Less :* Provision for Doubtful Debts	6,500	23,500
Capital A/cs :			Plant and Machinery		88,000
Ali	41,400				
John	41,400	82,800			
		1,31,500			**1,31,500**

Working Notes:

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

Particulars	₹	Particulars	₹
To Profit transferred to:		By Mohit's Capital A/c	
Mohit's Capital A/c	4,800	(investment)	5,000
Ali's Capital A/c	1,600	By Creditors	3,000
John's Capital A/c	1,600		
	8,000		**8,000**

Dr. **Partners' Capital Account** **Cr.**

Particulars	Mohit	Ali	John	Particulars	Mohit	Ali	John
To Goodwill A/c	7,200	2,400	2,400	By Balance b/d	70,000	50,000	50,000
To Mohit's Capital A/c		6,000	6,000	By Ali's Capital A/c	6,000		
To Investment A/c	35,000			By John's Capital A/c	6,000		
To Revaluation A/c	5,000			By General Reserve	2,700	900	900
To Mohit's Capital A/c		2,700	2,700	By Ali's Capital A/c	2,700		
To Bank A/c	20,000			By John's Capital A/c	2,700		
To Loan A/c	27,700			By Revaluation A/c (Profit)	4,800	1,600	1,600
To Balance c/d		41,400	41,400				
	94,900	**52,500**	**52,500**		**94,900**	**52,500**	**52,500**

4.(A) Raina and Meena were partners in a firm sharing profits and losses equally. They dissolved their firm on 31st March, 2018.

On this date, the Balance Sheet of the firm, apart from realisable assets and outside liabilities showed the following:

	₹
Raina's Capitals	40,000 (Cr.)
Meena's Capital	20,000 (Dr.)
Profit and Loss Account	10,000 (Dr.)
Raina's Loan to the firm	15,000
Contingency Reserve	7,000

On the date of dissolution of the firm:

(a) Raina's loan was repaid by the firm along with interest of ₹ 500.

(b) The dissolution expenses of ₹ 1,000 were paid by the firm on behalf of Raina who had to bear these expenses.

(c) An unrecorded asset of ₹ 2,000 was taken over by Meena while Raina discharged an unrecorded liability of ₹ 3,000.

(d) The dissolution resulted in a loss of ₹ 60,000 from the realisation of assets and settlement of liabilities.

You are required to prepare :

(i) Partners' Capital Accounts.

(ii) Raina's Loan Account. **[8]**

(B) Vinay, Usha and Punit are partners in a firm. They have been sharing profits and losses in the ratio of 3:4:1

Punit wants the profits to be shared equally amongst the partners. He further wants the change in profit sharing ratio to be applicable retrospectively for the last two years. Vinay and Usha has no objection to this.

The profits for the last two years were ₹ 70,000 and ₹ 50,000.

You are required to record the adjustment by means of a single journal entry. ***(Show the working clearly).*** **[4]**

Ans.(A) **Dr.** **Partners' Capital Account** **Cr.**

Particulars	Raina(₹)	Meena(₹)	Particulars	Raina(₹)	Meena(₹)
To Balance b/d		20,000	By Balance b/d	40,000	3,500
To P and L A/c	5,000	5,000	By Contingency Reserve	3,500	
To Realisation A/c (Loss)	30,000	30,000	By Realisation A/c (Liability taken)	3,000	
To Bank (Expenses)	1,000				
To Realisation (assets taken)		2,000	By Bank		53,500
To Bank A/c	10,500				
	46,500	**57,000**		**46,500**	**57,000**

Dr. **Raina's Loan Account** **Cr.**

Particulars	₹	Particulars	₹
To Bank A/c	15,500	By Balance b/d	15,000
		By Interest on Loan A/c	500
	15,500		**15,500**

(B) **Journal Entry**

Date	Particulars	LF	Dr. (₹)	Cr. (₹)
	Vijay's Capital A/c Dr.		5,000	
	Usha's Capital A/c Dr.		20,000	
	To Punit's Capital A/c			25,000
	(Being adjustment entry passed)			

Statement showing adjustment to be made

Particulars	Vijay (₹)		Usha(₹)		Punit(₹)		Firm(₹)	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
(A) Profit already wrongly distributed (3 : 4 : 1) now taken back								
1st year	26,250		35,000		8,750			70,000
2nd year	18,750		25,000		6,250			50,000
	45,000		60,000		15,000			1,20,000
(B) Profit should be credit equally								
1st year		23,333		23,333		23,333	70,000	
2nd year		16,667		16,667		16,667	50,000	
		40,000		40,000		40,000	1,20,000	
Difference (A–B)	5,000 (Dr.)		20,000 (Dr.)			25,000 (Cr.)		

5. (A) Peter, Max and Som were partners in a firm sharing profits and losses in the ratio of 4 : 2 : 1. Their fixed capital were ₹ 40,000, ₹ 30,000 and ₹ 30,000, respectively. Som was guaranteed a profit of ₹ 39,000 by the firm.

It was decided that any loss arising because of the guarantee would be shared by Peter and Max equally.

The trading profit of the firm for the year ended 31st March, 2018 was ₹ 1,47,000.

You are required to prepare the Profit & Loss Appropriation Account for the year 2017-18, showing the distribution of profits. **[4]**

(B) Aditi and Parul are partners in a firm with capital of ₹ 35,000 each. They shared profits and losses in the ratio of 3 : 1.

On 1st April, 2017, they admit Chanda into their partnership with 1/5th share in the profits.

Chanda brings in ₹ 40,000 as her capital and her share of goodwill in cash.

Her share of goodwill is calculated on the basis of her capital contribution and her share of profits in the firm.

At the time of Chand's admission: **[8]**

(a) The firm had a Workmen Compensation Reserve of ₹ 60,000 against which there was a claim of ₹ 20,000.

(b) Creditors of ₹ 8,000 were paid by Aditi privately for which she is not to be reimbursed.

(c) There was no change in the value of other assets and liabilities.

You are required to, on the date of Chanda's admission:

(i) Calculate the goodwill of the firm. *(Show the workings clearly.)*

(ii) Pass the necessary journal entries to record the above transactions.

Ans. (A) **Profit and Loss Appropriation A/c**

Dr. **for the year ended 31st March, 2018** **Cr.**

Particulars	Account(₹)	Particulars	Account(₹)
To Profit transferred to:		By Profit and Loss A/c	1,47,000
Peter's Capital A/c	75,000		
Max's Capital A/c	33,000		
Som's Capital A/c	39,000		
	1,47,000		**1,47,000**

Working Notes:

Som's Share of Profit:

$$₹1,47,000 \times \frac{1}{7} = ₹21,000$$

Guaranteed Profit = ₹ 39,000

Deficiency = ₹ 18,000 (will be borne by Peter and Max equally)

Peter's Share of Profit

$$₹1,47,000 \times \frac{4}{7} = ₹84,000$$

Less: Guaranteed profit to Som = $\underline{(9,000)}$

75,000

Max's Share of Profit

$$₹147000 \times \frac{2}{7} = ₹42,000$$

Less: Guaranteed Profit to Som = $\underline{(9,000)}$

33,000

(B)(i) Calculation of goodwill of firm:

₹

A. Capitalised Value of the business/Net worth (including GW/
Total Capital of the firm based on Chanda's capital = 5×40,000 = 2,00,000

B. Net worth of the business (excluding GW)/
Adjusted capitals of all the partners

Aditi (35,000 + 30,000 +6,000)=71,000
Parul (35,000+10,000+2,000) = 47,000
Chanda =40,000 — 1,58,000

C. Hidden GW of the firm (A–B)= 42,000

Chanda's GW 1/5 of 42,000 = ₹ 8,400

Journal

Date	Particulars	LF	Amount (₹)	Amount (₹)
	Cash/Bank A/c Dr.		48,400	
	To Chanda's Capital A/c			40,000
	To Premium for Goodwill A/c			8,000
	(Being capital and GW contributed by Chanda)			
	Premium for Goodwill A/c Dr.		8,400	
	To Aditi's Capital A/c			6,300
	To Parul's Capital A/c			2,100
	(Being old partners contributed for Chanda's share in GW in SR)			
	Workmen Compensation Reserve Dr.		60,000	
	To Workmen Compensation Claim A/c			20,000
	To Aditi's Capital A/c			30,000
	To Parul's Capital A/c			10,000
	(Being liability for WCC credited and surplus WCR tsfd to old partners' capital a/c in OR)			
	Revaluation A/c Dr.		8,000	
	To Aditi's Capital A/c			6,000
	To Parul's Capital A/c			2,000
	(Being gain on creditors being paid by a partner and not to be reimbursed)			

6. Ravi and Tiku were partners in a firm. According to their partnership deed:

(i) Interest on capital will be allowed @ 5% per annum.

(ii) Interest on drawings will be charged @ 4% per annum.

(iii) Each partner will be given a salary of ₹ 1,000 per month.

(iv) Partners will share profits and losses in the ratio of 2:1.

Following are the particulars of the capitals and drawings of the partners:

	Ravi	Tiku
	₹	₹
Capital (1st April, 2017)	60,000	50,000
Drawings (Made on 1st June, 2017)	3,000	6,000

Ravi had taken a loan ₹ 10,000 from the firm on which interest of ₹ 200 was due by him to the firm.

The accounts for the year 2017 - 18 showed that the firm had made a profit of ₹ 77,000 before taking into account any interest, partners' salaries and manager's salary of ₹ 18,000.

You are required to prepare:

(i) Profit and Loss Appropriation Account for the year 2017 - 18. **[12]**

(ii) Partners' Capital Accounts.

Ans.(i) **Profit and Loss Account**

for the year 2017 - 18

Particulars	Amount (₹)	Particulars	Amount (₹)
To Manager's Salary	18,000	By Profit	77,000
To Net Profit (transferred to P & L Appropriation A/c)	59,200	By Interest on Loan	200
	77,200		77,200

Profit and Loss Appropriation Account

Dr. **for the year 2017-18** **Cr.**

Particulars		Amount (₹)	Particulars		Amount (₹)
To Interest on Capital:			By Profit and Loss A/c		59,200
Ravi	3,000		By Interest on Drawings:		
Tiku	2,500	5,500	Ravi	100	
To Salary :			Tiku	200	300
Ravi	12,000				
Tiku	12,000	24,000			
To Profit transferred to Capital A/cs					
Ravi's Capital A/c	20,000				
Tiku's Capital A/c	10,000	30,000			
		59,500			59,500

(ii)Dr. **Partners' Capital Account** **Cr.**

Particulars	Ravi	Tiku	Particulars	Ravi	Tiku
To Interest on Drawings	100	200	By Balance b/d	60,000	50,000
To Drawings	3,000	6,000	By Interest on Capital	3,000	2,500
To Interest on Loan	200	68,300	By Salary	12,000	12,000
To Balance c/d	91,700		By P&L Appropriation A/c	20,000	10,000
	95,000	74,500		95,000	74,500

7. The trainee accountant of Rudra Ltd. drafted the following Balance Sheet.

He did not prepare it according to the format prescribed as per Schedule III of the Companies Act, 2013. He also classified a few items incorrectly.

Balance Sheet of Rudra Ltd.
for the year ending 31st March, 2018

Assets	Amount ₹	Liabilities	Amount ₹
General Reserve	1,20,000	Capital (1,30,000 Equity shares @ ₹ 10 each)	13,00,000
Plant and Machinery	6,00,000	Share Forfeiture	10,000
Land and Building	8,00,000	Goodwill	1,00,000
Profit and Loss (Debit Balance)	1,50,000	Trade Receivables	20,000
Cash and Bank Balances	2,50,000	Trade Payables	50,000
Unclaimed Dividend	30,000	Inventories	30,000
Calls-in-arrears (₹ 4 per share)	40,000	Fixed Deposit accepted	4,50,000
		Calls-in-advance	30,000
	19,90,000		19,90,000

Foot note: The company had an authorized capital of 2,00,000 Equity shares of ₹10 each.

You are required to prepare as at 31st March, 2018:

(i) The Balance Sheet of Rudra Ltd. as per Schedule-III of the Companies Act, 2013.

(ii) Notes to Accounts. **[12]**

Ans. **Balance Sheet of Rudra Ltd.**
As on 31st March, 2018

Particulars	Note No.	₹
I. EQUITY AND LIABILITIES		
(1) Shareholders' Funds		
(a) Share Capital	1	12,70,000
(b) Reserves and surplus	2	(30,000)
(2) Non-Current Liabilities		
Long-term Borrowings(FD)		4,50,000
(3)Current Liabilities		
(a) Trade Payables		50,000
(b) Other current liabilities	3	60,000
Total		**18,00,000**
II. ASSETS		
Non current assets:		
1. (a) Fixed assets:		
(i) Tangible assets	4	14,00,000
(ii) Intangible assets	5	1,00,000
2. Current assets		
(a) Trade receivables		20,000
(b) Inventories		30,000
(c) Cash and cash equivalents		250,000
Total		**18,00,000**

Note to Accounts

Particulars	₹	₹
1. Share capital:		
Authorised capital		
2,00,000 equity shares @ ₹ 10 each		20,00,000
Issued capital:		
1,30,000 equity shares @ ₹ 10 each		13,00,000
Subscribed Capital:		
Subscribed and fully paid up 1,20,000 equity shares @ ₹ 10 each		12,00,000
Subscribed but not fully paid-up 10,000 equity shares @ ₹ 10 each	1,00,000	
Less: Calls in arrears	40,000	
	60,000	
Add: Share forfeiture	10,000	70,000
2. Reserve and surplus		
General reserve	1,20,000	
Less: P and L A/c (Dr.)	(1,50,000)	30,000
3. Other current liability		
Unclaimed dividend	30,000	
Calls in advance	30,000	60,000
4. Tangible Assets		
Plant and machinery	6,00,000	
Land and building	8,00,000	14,00,000
5. Intangible Assets		
Goodwill	1,00,000	1,00,000

8. You are required to pass journal entries to record the following issue of debentures and to write off any capital losses:

(a) Zoom Ltd. issues 6,000, 12% Debentures of ₹ 100 each at par redeemable after 5 years also at par.

(b) Zola Ltd. issues 5,000, 13% Debentures of ₹ 100 each at a discount of 10% to be redeemed at par after 7 years.

(c) Zubic Ltd issues 11% Debentures of the total face value of ₹ 12,00,000 at a premium of 5% to be redeemed at par after 6 years.

(d) Ruby Ltd. issues ₹ 5,00,000, 12% Debentures at a premium of 5% to be redeemed at 10% premium after 10 years.

(e) Emerald Ltd. issues 3,000, 9% Debentures of ₹ 100 each at a discount of 7% to be redeemed at a premium of 10% after 4 years.

Note: All the companies write off their capital losses in the year in which they occur. **[12]**

Ans. **(a)** **Journal Entries**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr.		6,00,000	
	To Debentures Application A/c			6,00,000
	(Being the application money received @ ₹100 on 6,000, 12% debentures)			
	Debentures Application A/c Dr.		6,00,000	
	To 12% Debentures A/c			6,00,000
	(Being 12% debentures issued at par and redeemable at par and application money transferred to 12% Debentures A/c)			

(b) **Journal Entries**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr.		4,50,000	
	To Debenture Application A/c			4,50,000
	(Being application money received on 5,000, 13% debentures)			
	Debentures Application A/c Dr.		4,50,000	
	Discount on Issue of Debentures A/c Dr.		50,000	
	To 13% Debentures A/c			5,00,000
	(Being application money transferred to 13% Debentures A/c and recorded the discount on issue of debentures)			
	Statement of Profit and Loss Dr.		50,000	
	To Discount on Issue of Debentures A/c			50,000
	(Being the discount on issue of debentures written off)			

(c) **Journal Entries**

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	Bank A/c Dr.		12,60,000	
	To Debenture Application A/c			12,60,000
	(Being the debentures application money received)			
	Debentures Application A/c Dr.		12,60,000	
	To 11% Debentures A/c			12,00,000
	To Securities Premium Reserve A/c			60,000
	(Being debentures issued at premium and redeemable at par)			

(d)

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	Bank A/c Dr.		5,25,000	
	To Debenture Application A/c			5,25,000
	(Being debentures application money received)			
	Debentures Application A/c Dr.		5,25,000	
	Loss on Issue of Debentures A/c Dr.		50,000	
	To 12% Debentures A/c			5,00,000
	To Securities Premium Reserve A/c			25,000
	To Premium on Redemption of Debentures A/c			50,000
	(Being debentures issued at premium and redeemable at premium)			
	Securities Premium Reserve A/c Dr.		25,000	
	Statement of Profit and Loss Dr.		25,000	
	To Loss on Issue of Debentures A/c			50,000
	(Being loss on issue of debentures written off)			

(e)

Journal Entries

Date	Particulars	LF	Dr. (₹)	Cr. (₹)
	Bank A/c		2,79,000	
	To Debentures Application A/c			2,79,000
	(Being the debentures application money received)			
	Bank A/c Dr.		2,79,000	
	Loss on Issue of Debentures A/c Dr.		51,000	
	To 9% Debentures A/c			3,00,000
	To Premium on Redemption of Debentures			30,000
	(Being the debentures issued at discount and redeemable at premium)			
	Statement of P and L Dr.		51,000	
	To Loss on Issue of Debentures A/c			51,000
	(Being loss on issue of debentures written off)			

SECTION - B [20 Marks]

*Answer **any two** questions.*

9. (A) Mention any two commonly used tools for comparison of financial statement. [2]

(B) While preparing a Cash Flow Statement, identify the following transactions as belonging to Operating Activities, Investing Activities, Financing Activities, Cash and Cash Equivalents: [2]

(i) Bank overdraft repaid.

(ii) Purchase of Marketable Securities to be sold within 90 days.

(C) From the following data, prepare a Common Size Balance Sheet of Palms Ltd. as at 31st March, 2018: [6]

(All calculations up to two decimal places)

Particulars	**31.03.2018**
	₹
Share Capital	**24,00,000**
Trade Payables	**2,40,000**
Fixed Assets (Tangible)	**20,00,000**
Fixed Assets (Intangible)	**2,00,000**
Reserves and Surplus	**3,60,000**
Cash and Bank Balances	**8,00,000**

Short-term Loans and Advances	**2,00,000**
Short-term Borrowings	**40,000**
Long-term borrowings	**1,60,000**

Ans. (A) Two commonly used tools for comparison of financial statements:

(i) Common size statements

(ii) Trend ratios or trend analysis

(B) (i) Bank overdraft repaid → Financing activity

(ii) Purchase of marketable securities to be sold within 90 days → Cash and cash equivalents

(C) **Common Size Balance Sheet of Palms Ltd.**

as at 31st March 2018

Particulars	**Note No.**	**Absolute amounts 31st March 2018**	**Percentage to Balance Sheet Total 31st March 2018**
I. EQUITY AND LIABILITIES			
1. Shareholders' funds			
(a) Share capital		24,00,000	75.00
(b) Reserve and surplus		3,60,000	11.25
2. Non current liabilities			
**Long-term borrowings		1,60,000	5.00
3. **Current liability			
(a) Trade payables		2,40,000	7.5
(b) Short term borrowings		40,000	1.25
Total		**32,00,000**	**100**
II. Assets			
1. Non-current assets:			
(a) **Fixed asset (tangible)		20,00,000	62.5
(b) **Fixed assets (intangible)		2,00,000	6.25
2. Current assets:			
(a) Cash and bank balance		8,00,000	25.00
(b) Short-term advances		2,00,000	6.25
Total		**32,00,000**	**100**

10. (A) Calculate the Gross Profit Ratio from the following information: **[2]**

Particulars	
Opening Inventory	**₹ 80,000**
Closing Inventory	**₹ 1,00,000**
Revenue form Operations	**₹9,00,000**
Inventory Turnover Ratio	**8 times**

(B) From the following Statement of Profit and Loss Gama Ltd. for the year 2017-18, calculate (up-to two decimal places): **[8]**

(i) Net Profit Ratio

(ii) Operating Profit Ratio

(iii) Current Ratio

(iv) Quick Ratio

**As per New Syllabus (Schedule III of the Companies Act, 2013) 'Fixed Assets is replaced with 'Property, Plant and Equipment and Intangible Assets; long term borrowing is shown under the Head-current liability.

Statement of Profit and Loss of Gama Ltd.
for the year ending 31st March 2018

Particulars	Note No.	₹
Revenue from Operations		3,00,000
Other Income (Dividend received)		40,000
Total Revenue		3,40,000
Expenses:		
Purchases		1,80,000
Change in Inventories	1	(4,000)
Employee Benefit Expenses (Salaries)		10,000
Depreciation and Amortisation (Depreciation of Fixed Assets)		28,000
Other Expenses	2	6,000
Total Expenses		2,20,000
Profit before Tax		1,20,000
Less: Provision for Tax		(48,000)
Profit after Tax		72,000

Notes to Accounts		₹
1.	**Change in Inventories:**	
	Opening Inventory	8,000
	Closing Inventory	12,000
		(4,000)
2.	**Other expenses:**	
	Carriage Outward	4,000
	Rent	2,000
		6,000

Additional Information:

Total Current Liabilities as on 31st March, 2018 ₹ 50,000

Current Assets (Other than inventory) as on 31st March,2018 ₹ 70,000

Ans. **(A) Inventory Turnover Ratio** $\frac{\text{Cost of goods sold}}{\text{Average Inventory}} = 8$

$$\Rightarrow \quad \frac{\text{Cost of goods sold}}{\frac{\text{Opening stock + Closing stock}}{2}} = 8$$

$$\Rightarrow \quad \frac{\text{Cost of goods sold}}{\frac{₹80,000 + ₹1,00,000}{2}} = 8$$

$$\Rightarrow \quad \frac{\text{Cost of goods sold}}{₹90,000} = 8$$

$\Rightarrow$ Cost of goods sold = ₹ 7,20,000

Gross Profit = Revenue from operations – Cost of goods sold

= ₹ 9,00,000 – ₹ 7,20,000

= ₹ 1,80,000

$$\text{Gross Profit Ratio} = \frac{\text{Gross profit}}{\text{Net sales}} \times 100$$

$$= \frac{₹1,80,000}{₹9,00,000} \times 100$$

= 20%

(B) **(i)** Net profit ratio $= \dfrac{\text{Net profit}}{\text{Net sales}} \times 100$

$= \dfrac{72,000}{3,00,000} \times 1000$

$= 24\%$

(ii) Operating profit ratio $= \dfrac{\text{Operating profit}}{\text{Revenue from operations(net sales)}} \times 100$

Operating cost = Cost of goods sold + Operating expenses

Cost of goods sold = Purchase – Excess of closing stock over opening stock

= 1,80,000 - 4,000

= ₹ 1,76,000

Operating expenses = 10,000+28,000+6,000

= ₹ 44,000

Operating cost = 1,76,000 + 44,000

= ₹ 2,20,000

Operating profit = Revenue from Operations – Operating cost

Operating profit = 3,00,000-2,20,000

= ₹ 80,000

Operating profit ratio $= \dfrac{\text{Operating profit}}{\text{Net sales}} \times 100$

$= \dfrac{80,000}{3,00,000} \times 100$

$= 26.67\%$

(iii) Current ratio $= \dfrac{\text{Current assets}}{\text{Current liability}}$

$= \dfrac{70,000 + 12,000}{50,000}$

$= \dfrac{82,000}{50,000}$

$= 1.64 : 1$

(iv) Quick ratio $= \dfrac{\text{Quick assets}}{\text{Current liabilities}}$

$= \dfrac{70,000}{50,000}$

=1.4 : 1

11. (A) Mention whether the following would result in inflow, outflow or no flow of cash: **[2]**

(i) Issue of fully paid Bonus Shares

(ii) Cash withdrawn from bank

(B) From the following information and extracts of Balance Sheets of Pioneer Ltd. as at 31st March, 2017 and 31st March, 2018, calculate for the year 2017- 18: **[8]**

(i) Cash from Operating Activities

(ii) Cash from Investing Activities

Particulars	31.03.2018 (₹)	31.03.2017 (₹)
General Reserve	40,000	30,000
Balance in Statement of Profit and Loss	2,40,000	1,40,000
Provision for Tax	1,20,000	90,000
Trade Payables	32,000	44,000
Plant and Machinery (at cost)	2,90,000	2,45,000
Accumulated depreciation on Plant and Machinery	30,000	40,000
Patents	50,000	1,50,000
10% Debentures	1,20,000	10,000
Goodwill	15,000	12,000

Note: Proposed dividends for the year 2016 - 17 and 2017-18 were ₹ 40,000 and ₹ 50,000 respectively.

Additional Information:

During the year 2017 - 18 :

(a) The company provided depreciation on Plant and Machinery amounting to ₹ 24,000.

(b) A machine had been condemned and scrapped.

(c) Interest of ₹ 12,000 paid on Debentures.

(d) Tax paid ₹ 50,000.

(e) Patents worth ₹ 30,000 were written off while some patents were sold for ₹ 75,000 at a profit of ₹ 5,000. No new patents were purchased.

(f) Dividend proposed in 2016 - 17 was approved by the shareholders and paid by the company.

Ans. (A) (i) Issue of fully paid bonus shares ⇒ no flow of cash

(ii) Cash withdrawn from bank ⇒ no cash of flow

(B)(i) **Cash Flow from Operating Activities**

Particulars		Amount(₹)
Net profit		1,00,000
Add:		10,000
Provision for tax		80,000
Proposed dividend		40,000
Net profit before tax and dividend		230,000
Adjustments:		
Add : General Reserve		
Accumulated Depreciation	24,000	
Patents Amortised	30,000	
Interest on Debentures	12,000	66,000
		2,86,000
Less: Profit on Sale of Patent		5,000
Operating Profit before Working Capital Changes		2,91,000
Less: Increase in Current Asset and Decrease in Current Liability Trade Payables		12,000
Cash Flow from Operating Activity		2,79,000
Less: Tax paid		50,000
Net Cash Flow from Operating Activities		2,29,000

(ii) **Cash Flow from Investing Activities**

Particulars	Amount(₹)
Purchase of Plant and Machinery	(79,000)
Goodwill purchased	(3,000)
Sales of patents	75,000
Cash Flow from Investing Activities	7000

Working Notes:-

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

Particulars	Amount (₹)	Particulars	Amount (₹)
To Bank A/c (Tax paid)	50,000	By Balance b/d	90,000
To Balance c/d	1,20,000	By Statement of Profit and Loss (provision for tax)	80,000
	1,70,000		**1,70,000**

Dr. **Plant and Machinery Account** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	2,45,000	By Accumulated Depreciation A/c	34,000
To Bank A/c (Purchase) (bal. fig.)	79,000	By Balance c/d	2,90,000
	3,24,000		**3,24,000**

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

	Amount (₹)	Particulars	Amount (₹)
To Plant and Machinery A/c	34,000	By Balance b/d	40,000
To Balance c/d	30,000	By Depreciation (balancing fig.)	24,000
	64,000		**64,000**

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